Co-designing long-term agreements for Landscape Recovery

Report of scenario building workshops

Milestone 3 report

Environmental Land Management Test and Trial for DEFRA

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Executive Summary

This report presents an overview of findings from the scenario building workshops, held as part of the ELM Test and Trial: Co-designing long-term agreements for landscape recovery.

The aim of these workshops was to develop, with participants, three high-level scenarios around which a long-term agreement for landscape recovery (LR) might be formed. Potential barriers and enablers to a long-term agreement based on each scenario were tested out, and participants' suggestions for improvements were used to refine the scenarios. Consensus was sought as to which scenario should be taken forward to the next phase of the Test and Trial, where a template long-term agreement will be drafted based upon one of these.

Two two-hour workshops were held during this phase. Firstly, an online workshop was held with ten non-farming stakeholders. This was followed by a two-hour in-person farmer workshop which was attended by five participants[1]. In addition, invitees who were unable to attend either of the workshops were given the chance to comment on the scenarios by contributing to the online Miro boards or via email correspondence for a period of two weeks after each workshop. The workshops employed a mix of discussion and participatory techniques, in order to elicit in-depth information according to the pre-designed protocol.

Key themes discussed in the workshops were:

- Risk and uncertainty
- Accountability
- Monitoring and evaluation
- Agreement structure and governance
- Transparency
- Blending and/or stacking of funding streams

For stakeholders, **uncertainty** relating to any potential unintended consequences of environmental interventions was of some concern under all three scenarios. This was especially true when landscape recovery actions might impact upon land not included in a landscape recovery agreement. However, farmers emphasised that the unintended results of ecologically well-planned projects may often lead to *"collateral benefit"*, rather than *"collateral damage"*.

The notions of **risk** and uncertainty were also discussed in relation to funding across the lifetime of agreements, with stakeholders indicating that investment from private sources would be difficult to secure for a 30-year period at the outset of an agreement. It was felt that private companies would rather invest a lump-sum at the beginning of an agreement, or commit themselves to a shorter funding cycle (10 years maximum). Stakeholders and farmers alike felt that using a payment-by-results model was risky for land managers, who may be penalised for factors outside of their control. In particular, farmers were concerned about issues of **accountability**, especially with regards to the potentially detrimental effects of public access or the proximity of new or existing built infrastructure on LR projects; again, this was the case under all scenarios presented. Questions were raised over who should make amends for any damage caused by parties external to a LR agreement, and how this might be accounted for in the **monitoring and evaluation framework** of an agreement. Similarly, the need for careful measurement of outcomes against clearly defined baselines – whether payment is based on these or not – was discussed in some depth. Related to this was a discussion of the

[1] The workshop groups will be referred to hereafter simply as 'stakeholders' and 'farmers' for ease of reading. We of course recognise that farmers will indeed be crucial stakeholders in Landscape Recovery agreements.

governance of agreements, as this will play a crucial role in determining the form and pattern of monitoring, evaluation and financial return across the life of the agreement.

Similarly, **agreement type and structure** were considered throughout the workshops, with stakeholders suggesting that LR will probably require the use of several different kinds of agreement, to suit the differing circumstances of each LR project and the composition of its landowners, stakeholders and funding bodies. The preferred option for many stakeholders and landowners is likely to be one in which individual contracts are formed beneath an overarching LR agreement; this would reflect the bespoke nature of LR projects and allow for the aforementioned differences. It would also increase the inherent flexibility of each LR agreement, thereby increasing the likelihood that a greater number of holdings and area of land could be entered into scheme. Some precedent is set for this multi-contractual structure by common land AES, and their internal agreements. Although stakeholders felt individual contracts for each landowner would be most appropriate in many circumstances, they also emphasised the need for overarching LR projects to be **transparent**, to ensure each participant under agreement was confident that they were being treated fairly.

For farmers, forming a **single legal entity** with others in order to enter into an agreement was perceived as having some advantages, primarily to do with the security of funds and how these are disbursed among the group. Some also saw such an entity as creating possible opportunities for the branding of produce from an agreement's area, potentially creating new local markets for produce and allowing farmers to receive a premium for their "nature-friendly" goods. All three scenarios used the single legal entity as their basis.

Whilst stakeholders and farmers alike were strongly in favour of LR scenarios that sought to improve a range of environmental factors, it was felt that such a **holistic** approach still required a central 'theme' around which the LR project could pivot.

Lastly, participants in the stakeholder workshop believed it was more likely that LR projects would attract **private financing** if this was 'stacked' rather than 'blended' with public money. In such a model, public and private investors would pay for different aspects of an agreement and different outcomes, rather than their investments being blended together for the same outcome. Stakeholders felt this better suited the aims of private companies, who often desired 'ownership' of a project and its outcome(s). For farmers, **stacked finance** was also favoured over **blended finance**, as it is felt to create more opportunities for additionality, potentially allowing them to put in place several funding streams from the same piece of land; this would not only increase their income but would also minimise the area of land that would need to be removed from agricultural production. However, it must be acknowledged that this increases the likelihood of double funding occurring, something that will be of concern to both public and private sources of finance.

Introduction

This report presents an overview of findings from the scenario building workshops, held as part of the ELM Test and Trial: Co-designing long-term agreements for landscape recovery.

The aim of this phase of the Test and Trial was to develop three high-level scenarios around which a long-term agreement for landscape recovery might be formed. Each scenario was tested out with participants, and they were invited to discuss any barriers or enablers to the successful development of each, as well as to provide suggestions for improvements. Consensus was sought as to which scenario should be refined and taken forward to the next phase of the Test and Trial, where a template long-term agreement will be drafted based upon the iterated scenario.

This report contributes to answering the following policy questions:

- How to construct long-term agreements (30+ years), potentially incorporating conservation covenants, to safeguard investments in land use change and associated environmental outcomes?
- How to blend public and private finance in funding projects?
- How to incentivise land manager participation and collaboration in Landscape Recovery projects and determine appropriate payment mechanisms?
- What is the best implementation option for bringing in private finance?

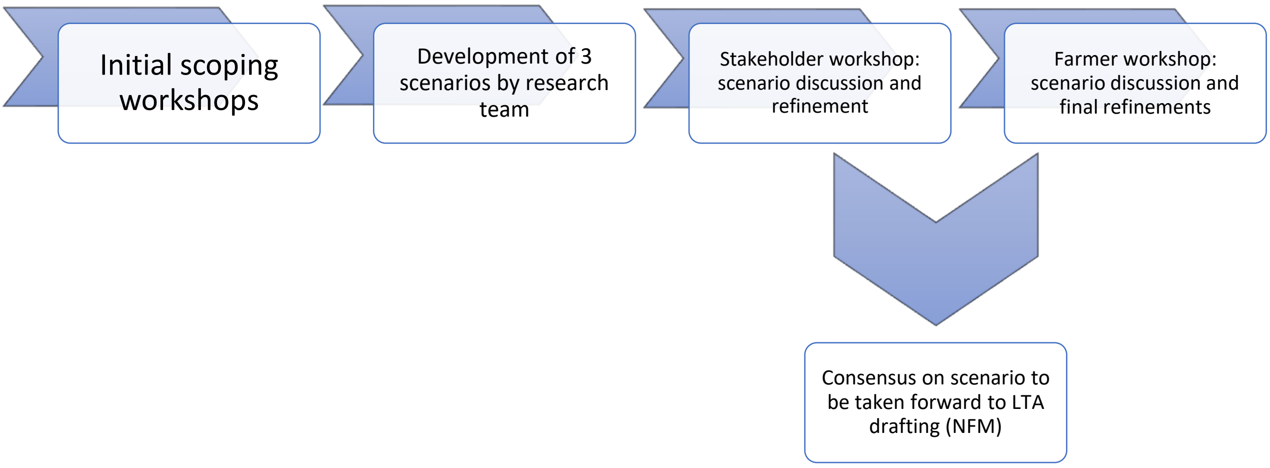
Methods

The research team drafted three scenarios for a landscape recovery agreement. Two of these were based on Defra's initial themes for landscape recovery: restoring England's streams and rivers, and recovering and restoring England's threatened native species. The third scenario was based upon participant input at the initial scoping workshops held during Phase 2 of the Test and Trial. This scenario took a holistic approach to landscape recovery, providing a variety of targeted outcomes that could be met through a wide range of possible land management actions. As this scenario was suggested by participants at all of the initial scoping workshops, it was the most co-designed of the three scenarios.

Two two-hour workshops were held in this phase of the Test and Trial, one with stakeholders and one with farmers. In addition, invitees who were unable to attend either of the workshops were given the chance to comment on the scenarios via email correspondence or by contributing to the online Miro boards for a period of two weeks after each workshop. The workshops employed a mix of discussion and participatory techniques, in order to elicit in-depth information according to the pre-designed protocol.

Two workshop protocols were developed: one for the stakeholder workshop, which was held online via Zoom, and one for the in-person farmer workshop. Although the workshops sought to develop the same three scenarios in more depth, separate protocols were developed in recognition of the differences between online and in-person dynamics. Similarly, they were tailored to be more specific to the differing knowledge and experiences of stakeholders and farmers. Likewise, the scenarios presented to each group of participants differed slightly, as those presented at the farmer workshop were refined based on insights gained in the first (stakeholder) workshop. The initial scenario drafts presented to participants at the stakeholder workshop can be found in Appendix 1. At the end of each workshop, consensus was gained as to which scenario should be taken forward to be used as the basis for the template long-term agreement to be developed in the next phase of the T&T.

Figure 1: Scenario co-design and development process



Before the workshops began, participants who were new to the project were given information sheets and informed consent sheets to sign. Those who had attended previous workshops were reminded of the overall aims of the project. All workshops were audio recorded and have been transcribed verbatim, to allow the research team to carry out in-depth analysis of the findings.

Participants for both workshops were recruited from those with whom we had pre-existing contact from the first and second phases of the T&T. The ten stakeholders who attended the first of the scenario building workshops included representatives from the National Trust, Southern Water, local government, a local wildlife trust and a green investment company. In addition, advisors on natural capital and property law also attended. After the stakeholder workshop, the scenarios and Miro boards were also circulated to stakeholders who had been involved in the project previously, but were unable to attend this session; this gave us further input from several more stakeholders.

The farmer workshop was held in Arundel, West Sussex, at the same venue as one of the initial scoping workshops. In recognition of the time of year (August) and workload of farmers, this workshop was held in the evening, to better fit with their schedule. This workshop was attended by five participants, three of whom had attended a previous workshop for the T&T.

Of the five participants:

- Four are farmers, while one has a family farming background but currently works for a nature recovery charity.
- Three farmers both owned and rented land, with areas ranging between 153 ha and 450 ha, and 5 ha to 50 ha respectively.
- All but one farm was a primarily arable business; the farm that primarily grazed livestock also undertook some arable farming.

- Four participants are currently signed up to a Defra AES scheme. Of these, one is in Higher Level Stewardship and three are in Countryside Stewardship mid or higher tier.
- Two farmers are also members of other agreements such as the Assured Combinable Crops (ACCS) scheme.
- Three farmers were part of a farmer cluster.

Discussion

The Stakeholder Workshop

The three draft scenarios were pre-circulated to attendees, so that they could prepare some initial ideas beforehand.

The first scenario focused on Natural Flood Management, and included a range of measures intended to improve flood mitigation and resilience to climate change. The second scenario focused on threatened habitats, and included a range of measures to help create and/or restore priority habitats, habitat quality and species abundance. These scenarios were based closely on Defra's current themes for LR, whilst the third scenario was developed directly from participant suggestions gathered in Phase 1 of the T&T. This scenario was holistic in its approach, including a wide range of measures designed to deliver a variety of environmental benefits and public goods.

The main points of each scenario can be found in Table 1 (below), whilst the full final texts can be found in Appendix 1. Appendix 2 summarises the main positives and negatives of the scenarios as expressed by stakeholders. These were used to refine the scenarios before the farmer workshop.

During the workshop, the scenarios were presented to stakeholders in turn, and participants were invited to share their thoughts through discussion and via contributions to a Miro board (see Figure 2 for a completed example). For each scenario, its strengths and weaknesses were assessed, and suggestions for improvements to the scenario were sought. This included filling in more details on appropriate measures for each, and considering what may or may not work in terms of the structure and governance of the scenario agreements. A brief discussion of the possibility of using a blended finance model was also held each time. This exercise resulted in a large number of recommendations for the further development of each scenario.

Scenario:	1. Natural Flood Management	2. Threatened native habitats	3. Holistic approach
Main aim:	Reducing flood risk	Restoration of priority habitats	Delivery of a wide range of environmental benefits and public goods
Possible measures:	• Restoration of river bends • Conversion to minimum-till • Planting cover crops • Planting hedgerows • Creating riparian buffer strips • Agro-forestry • Off-line storage	• Creation of wildlife corridors • Planting hedgerows • Leaving wide field margins • Heathland restoration	Any activities related to: • Increased soil health and water quality • Habitat enhancement/creation • Public access • A plan to meet net-zero carbon targets
Key points for consideration:	• **70% of the land** area within a designated area must be under agreement • **A single legal entity** must be formed by agreement holders • M&E by self-assessment and independent monitoring • **5-yearly reviews** • Withdrawal from the agreement results in repayment of all funds • Upfront and/or annual payments to land managers	• All legal stakeholders and key partners must be included in the agreement • **Some arable land will be taken out of production** • **A single legal entity** must be formed by agreement holders • **M&E every 5 years** according to South Downs National Park's five-point metric for biodiversity • Payments to land managers for some options will be made annually; for other options, **payments will be made every three years according to results** • **The agreement is attached to land title**	• Applicants must collaborate to show their planned activities make **ecological sense** across an area of at least 500 ha. • **Some arable land will be taken out of production** • **A single legal entity** must be formed by agreement holders • **M&E every 3 years by consultant** • **5-yearly reviews**

Table 1: A breakdown of the three scenarios presented at the workshops

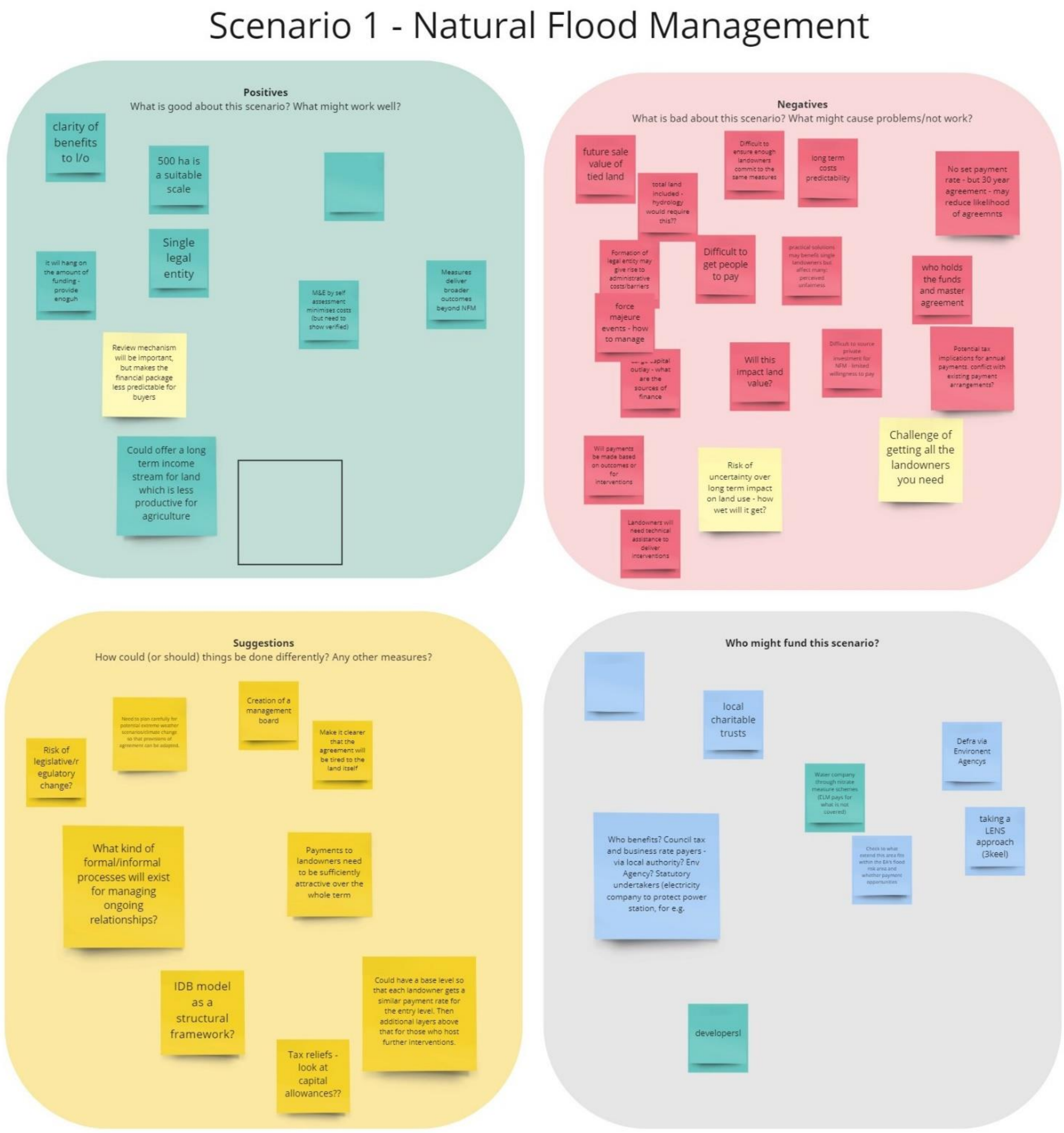


Figure 2: Natural Flood Management Miro board, from the stakeholder workshop

For stakeholders, uncertainty relating to any **potential unintended consequences** of environmental interventions was of some concern throughout the workshop, but was most strongly expressed under the NFM scenario. This was especially true when LR actions might impact upon land not included in a LR agreement, as may be the case when hydrological interventions are put in place.

The notions of **risk and uncertainty** were also discussed in relation to **funding across the lifetime of agreements**, with stakeholders indicating that investment from private sources would be difficult to secure for a 30-year period at the outset of an agreement. It was felt that private companies would rather invest a lump-sum at the beginning of an agreement, or commit themselves to a shorter funding cycle (10 years maximum). As the representative from a water company noted,

> *"We're operating on a five-year timescale. The new guidelines are requiring us to maybe plan a bit further than that, in terms of two times, possibly three, so between 10 and 15 is our max. But actually, our budgets are going to be set at five. So in some ways, we'd need to build something like that into an agreement as well. Unless it has some really cast-iron demonstration of a risk resilience or reduction, or something of that nature that really demonstrated why it was worth investing in a long-term outcome."*

Whilst a **review mechanism** was signalled as crucial for financial risk reduction during the initial scoping workshops (see Barkley, Chivers and Short 2022), stakeholders expressed concerns over how this may impact funders:

> *"How will the people who are funding this react if…the review sets out that there needs to be a 25% uplift in the payments?"*

One stakeholder also noted that it would be extremely difficult for land managers to plan 30 years ahead:

> *"I have real concerns about the long-term maintenance costs of this, and farmers and landowners really understanding* ***how to look ahead and plan*** *and consider what maintenance costs are going to be in 15, 20, 25 years time, and trying to understand how that will fit into the rest of their business so that their overall business remains viable with this in place."*

Financial certainty will be a key consideration not just for funders, but for land managers too. The representative from a local authority suggested this certainty might come in the form of **taxation relief**:

> *"Rather than a physical amount of money each year…your land value is offset in a taxation-style approach. I think that would be preferred longer term… In the early stages of the project you get paid for your physical structure, and so you get your money, net present value for example. But then your wider benefit comes in form of relief … offsetting future activities."*

Stakeholders felt that using a **payment by results** model was risky for land managers, who may be penalised for factors outside of their control. Similarly, the need for careful measurement of outcomes against clearly defined baselines – whether payment is based on these or not – was discussed in some depth.

Related to this was a discussion of the **governance** of agreements, as this will play a crucial role in determining the form and pattern of **monitoring**, evaluation and financial return across the life of the agreement. One stakeholder suggested how payments may be structured according to the M&E and review cycles:

> *"I'd like to see…a gateway-style approach in the project. So if you achieve the certain milestones at a project gateway… [w]hen you tick those* ***thresholds*** *of 'you've achieved this', you get that scientifically signed off. You've got your internal governance and your verification whilst your specialists are on site at that stage in the project, so you're actually demonstrating the continuous improvement. And you've also got the intervention at that point to say, 'well, this might not work now'."*

This stakeholder also noted that rather than a set schedule of reviews every three or five years, for example, different indicators would require their own timescales for M&E and review.

Accreditation schemes could be one way of providing a sense of reassurance or **risk-reduction** for both land managers and investors, but need further development, as many stakeholders commented.

> *"At the moment, the pound signs are really only attached to Biodiversity Net Gain and nutrient neutrality, because they're the only ones that are* ***regulated****. Carbon is still a voluntary market so there's not real money attached to it yet, which is why it's not thriving. So unless we get another regulated market emerge, that's holding us back in terms of being able to attract serious money."*

> *"Establishing kind of like, a BSI [British Standards Institution], an ISO [International Organization for Standardization], or developing these things is probably part of the toolkit that's going to be required for any of these things to go forward."*

> *"To make these landscape-scale agreements successful, particularly in attracting other funding streams, you actually need changes in the broader regulatory environment that encourage other actors to want to fund."*

Similarly, **agreement type and structure** were considered, with stakeholders suggesting that Landscape Recovery will probably require the use of several different kinds of agreement, to suit the differing circumstances of each LR project and the composition of its landowners, stakeholders and funding bodies. The preferred option for many stakeholders and landowners is likely to be one in which individual contracts are formed beneath an overarching LR agreement; this would reflect the bespoke nature of LR projects and allow for the aforementioned differences.

It would also increase the inherent **flexibility** of each LR agreement, thereby increasing the likelihood that a greater number of holdings and area of land could be entered into scheme. As one stakeholder commented, *"a prescriptive management across whole lands…is always difficult to stomach for farmers and [land] managers"*. Another agreed: *"individual contracts, they're pretty key to making it work".* However, the **administration and coordination costs** of producing long-term agreements is of concern to some stakeholders, with one stressing the best approach may be to model some aspects of agreements on those currently available.

As in the initial scoping workshops (see Barkley, Chivers and Short 2022), the ability to **modify or discharge agreements** was noted as being crucial for landowners' confidence and willingness to enter into an agreement.

> *"You're going to try and sell this as a project to landowners who for the last 30 years have entered into agreements for 5 years or 10 years, that they can opt into, withdraw from, change, rebuild their businesses around or, even better in their view, not have to change their businesses very much in order to be able to comply with the prescriptions and get the money. This is entirely different. And if I was advising a landowner who had been approached to enter into this, I would be saying* ***we need to give a lot of really careful consideration to…what it's going to do to our land and the long-term consequences of that … Having a review mechanism will be important, being able to reassure people, landowners and farmers that they're not just stuck with what they start with, that there will be a review****."*

Although stakeholders felt individual contracts for each landowner would be most appropriate in many circumstances, they also emphasised the need for overarching LR projects to be **transparent**, to ensure that each participant under agreement was confident that they were being treated fairly and to ensure continued successful collaboration between agreement holders.

> *"I think it's really important to have transparency, because if you want all of the participants on board, they all need to understand that they're getting a fair slice of the pie. And it may well be they've got individual contracts, and it may well be that not all those contracts are for exactly the same amount of money, because they're all doing different things, they've got different amounts of land involved, they've got different levels of involvement themselves. But I think there should be transparency, because if there isn't, you're just breeding a problem."*

The desire for transparency was reaffirmed by the stakeholder from a water company, although in a rather different way and one that has implications for those seeking to invest in LR projects:

> *"One of the projects I'm working on, I've got a group of landowners that want to do something generically to improve their combined holdings. But they don't want to have an unknown investor… They don't want their offset credits to be just bought by…Shell or BP or whatever, they want to have a very clear and transparent, personal relationship with the people that are investing in their land."*

This suggests that land managers are willing to invest time and energy in seeking out funding sources that they feel comfortable with, both financially and **ethically**.

Whilst stakeholders were strongly in favour of LR scenarios that sought to improve a range of environmental factors, it was felt that such a **holistic** approach still required a **central 'theme'** around which the LR project could pivot. Responding to the holistic scenario, stakeholders commented,

> *"[An] overarching theme…so everything is built around that one concept, and it hinges on that. So it gives them a clear focus, it enables them to* ***build a framework****."*

> *"Holistic… I suppose I could still just see it being…very landscape-specific still, in that you would be talking about…a geography that participants would want to come*

> *together and seek a beneficial outcome from. It's just that the holistic nature of the agreement would potentially be just slightly more **adaptive**… We work in partnership…and over time we're consistently developing an outcome."*

Importantly, discussion of **payment rates** amongst stakeholders indicated the need for a shift in thinking on how these are calculated.

> *"How do you agree a fair payment rate without going back to **income foregone**? Because I think all the farmers I've talked…to, they're going to want compensation for lost agricultural income on that land."*
>
> *"I think we have to get away from profit foregone … And actually…speaking from a farmer and landowner perspective, we need to turn that round 180 degrees and say, 'what's it worth to the buyer?' And then, 'please can I have a share of what it's worth to you? Because you can't get it without me'. So splitting that benefit. And that's nothing to do with profit foregone."*

Lastly, participants in the stakeholder workshop believed it was more likely that LR projects would attract private financing if this was **'stacked' rather than 'blended'** with public money. In such a model, public and private investors would pay for different parts of an agreement and different outcomes, rather than their investments being blended together for the same outcome. Stakeholders felt this better suited the aims of private companies, who often desired "ownership" of a project and its outcome(s). This was reaffirmed by the representative from a water company:

> *"RPA just said with the SFI that we can have sort of co-funding of measures through SFI with private investment for most companies. But from our perspective, we're not that comfortable with it, because **we want to be able to show that our investment has led to a defined outcome**."*

As one stakeholder noted, some Landscape Recovery agreements – such as the Natural Flood Management scenario presented at the workshop – would be more attractive to certain types of funding bodies than others; Table 2 summarises the most likely sources of funding for each scenario, as suggested by stakeholders during the workshop. Therefore, the ability to consider LR in a more holistic way – as "***multiple functions in a landscape***" rather than "*a single destination for a landscape"* – might also broaden the funding opportunities available to any given project.

In discussing which of the three scenarios the project team should take forward to Phase 4, stakeholders showed a strong preference for scenario 1, on Natural Flood Management.

> *"Natural Flood Management… You can go from everything at landscape-scale to just a small basin and get all the gain. So I think you can actually achieve scenario 3 [a holistic approach] within 1… I think in terms of bringing industry, farmers, landowners, local bodies together, there's a [good] framework through Natural Flood Management."*

Scenario 1: NFM	Scenario 2: native habitats	Scenario 3: holistic approach
Defra, via Environment Agency	Government, via Defra	Requires staged development funding
Local authorities, via council tax and business rates	Local businesses buying into a green fund	Local businesses with ESG agendas
Water companies, especially for nutrient neutrality elements	Private companies, via direct brokerage with individual landowners	Private companies, via direct brokerage with individual landowners
Statutory undertakers, e.g. an electricity company if the NFM measures help protect a power station	Statutory and non-statutory Environmental Bodies	
Developers	Developers	
Organisations in collaboration, as in a Landscape Enterprise Networks (LENs) approach		Organisations in collaboration, as in a Landscape Enterprise Networks (LENs) approach
Local charitable trusts		Local charitable trusts

Table 2: Potential sources of funding for each scenario, as suggested by stakeholders

The Farmer Workshop

After the first workshop, the three draft scenarios were refined in line with stakeholders' suggestions and then pre-circulated to attendees of the farmer workshop. As before, the scenarios were presented to farmers in turn, and participants were invited to share their thoughts through discussion. Again, the strengths and weaknesses of each scenario were assessed, and suggestions for improvements were sought. During the workshop, ideas were compiled by the research team on post-it notes and flipchart paper (see Figure 3 and Appendix 3).

Responding to all three scenarios, farmers expressed a great deal of **uncertainty** over how factors outside their control might be accounted for within long-term agreements, especially in the M&E frameworks. Of particular concern were issues of monitoring when linked to **payment by results**. This in part reflects the specificity of the T&T's study area of Hampshire/West Sussex, which displays a high degree of urban and semi-urban development in close proximity to agriculturally productive land. In less densely populated areas, disruption to LR projects from external sources – built infrastructure, certain pollutants and high levels of public access, for example – may be less impactful. Nevertheless, the need to accommodate factors outside land managers' control into monitoring frameworks has consistently been emphasised by stakeholders and farmers alike during the T&T to date.

> *"Most of the…phosphate pollution that you get into the river, is not the result of agriculture in this area, it's the result of urbanisation… You can't chastise farmers for society."*
>
> *"Absolutely right. It's water companies, it's highway authorities. We have a roundabout in ____ that all of that drainage runs straight into my ditches and it's grey and black… And we're doing everything right. We've got buffer strips all around the fields, and yet it comes straight off the highway straight into our watercourses. So I can't do anything about it."*

Figure 3: Natural Flood Management flipchart, from the farmer workshop

Another attendee at the farmer workshop agreed:

> *"…possibly a metric that takes into consideration the environment that it's [the LR project and its M&E] being applied in… It's not beyond our ability to create an algorithm where we look at proximity to built infrastructure...* ***The measurement of success needs to be contextualised to the region****."*

Similarly, as in the stakeholder workshop, there were concerns over how LR projects and their associated long-term agreements might be **planned to take into account future uncertainties**.

> *"It's one thing to plan for current built environments and another thing pre-planning in Sussex where you have no idea in the next 30 years what those built environments will be like… You've got expanding main roads, you've got housing coming in. So you could do all of this work but what happens if you end up being victim to…new development and then your [agreement] becomes unsustainable?"*

Farmers discussed, therefore, whether the land under a LR agreement should become subject to a recognisable **land designation**, discouraging or preventing development of various kinds on that land, and ensuring that environmental gains made under LR are not jeopardised. However, they were keen to stress that they would be unwilling to place a designation on their land if it constrained their own future activities, such as investment in farm buildings.

In addition, the unpredictability of how **climate change** will impact natural habitats was discussed by farmers. This emphasises the need for protections to be written into agreements for **force majeure**.

> "*You've got climate shifting north at 5km a year… So to plan for the next 30 years…you might be planning around a species that is naturally migrating north. And you might find yourself custodian of land suited to a new emergent species."*

Another major area of concern for farmers is **public access**, and how the LR scheme can effectively deliver on its stated aims to increase social benefits and public engagement in landscapes, whilst also bringing about significant environmental gains. Several farmers at the workshop had experienced detrimental impacts to their land as a result of public access, requiring them to withdraw from Countryside Stewardship agreements or leaving them unable to create certain desired habitats. One participant suggested that the **single legal entity** that might be formed in order to apply for LR funding may also be able to act as a supportive and protective mechanism for landowners in such instances. It was also suggested that if landowners were unable to join a LR agreement because of incompatibilities between public access on their land and the goals of the agreement, then there should be options for them to secure some funding under LR for public access provision instead:

> *"If you were given a bonus or premium for doing the long hard work of attitudinal change, people might commit over 30 years and you might make a genuine dent in people's web."*

There was, therefore, a strong preference at the farmer workshop for LR projects to have some kind of **public engagement and education** built into them, in order to protect agreement holders and any environmental gains they make over the lifetime of an agreement. As one farmer said, "*We don't want the countryside a plethora of 'do not go here' and signs up. We want to be welcoming, we want to recover nature, produce good, wholesome food, and give people better access to the countryside. And that bit needs management."*

Moreover, farmers at the workshop were very keen to stress the ways in which, although focused primarily on nature, LR could also **redress social imbalances**, including the current lack of social diversity in farming. Again, this would take place through aligning LR projects with education and **community engagement**.

Farmers generally felt that, whilst it was likely to be administratively costly and time-consuming initially, having a **single legal entity** in place could provide them with various protections, especially from any potential non-compliance amongst other agreement holders. Crucially, such an entity could provide **financial security** for its members by having formal mechanisms for **disbursed payments**.

Additionally, it was suggested that a single legal structure such as a Community Interest Company (CIC) might provide opportunities for farmers to achieve a premium price for the produce coming from a LR area. Being able to brand their produce as 'nature friendly' in a local marketplace would provide farmers with an additional income stream, indirectly gained from their participation in a LR agreement; this would work in a similar way to the locally branded food initiatives currently supported through FiPL funding. It also affords local communities the opportunity to support their nearby agricultural businesses and environmental projects. One participant suggested that if successful, this could be a driver to encourage more farmers to become involved in LR.

In discussing the **monitoring** programmes of all three scenarios, farmers showed a strong preference to engage **technology** wherever possible. The use of satellite mapping and photographic uploads by land managers themselves, for example, would enable M&E to occur at a much lower financial cost than if it was always done by *"boots on the ground"*. Similarly, one participant emphasised the need to keep M&E as simple as possible, especially if it is going to occur on a regular cycle throughout the duration of the long-term agreement. In order to provide the biggest environmental and social gains possible from a LR agreement and its funding, it will be *"important to maximise benefits at a minimum cost to money"*.

Both **flexibility,** and a **land sharing** not sparing approach that keeps agricultural production to a maximum within the bounds of LR, are deemed by farmers as key to making the scheme as accessible as possible. One farmer said:

> *"I can't say enough a flexible rotational approach would be much more engaging and easier to roll out long term… the majority of farmers farm, that's why they are in the industry… for success we need more engagement which can only be achieved with setting objectives that many not the few can engage with."* [2]

The third scenario presented at the workshop – the holistic scenario – was therefore popular among farmers, who felt it opened up LR to as many land managers as possible. By providing *"a suite of things to pick from… options within a framework"*, a holistic LR project could provide a significant positive

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[2] Farmer workshop participant, via email correspondence 26th August 2022.

cumulative effect across a landscape. Like stakeholders though, farmers believed such an approach would require a theme or *“glue…to join them all together”.*

Additionally, the idea of a **rotational** approach in which measures were applied to areas of land in turn throughout the duration of an agreement overcomes two key farmer concerns: that of land becoming permanently removed from production, and that of **tenants** being excluded from entering LR because of the long-term duration of agreements. Although farmers recognised this as being a *“compromise”* between shorter-term and permanent land use changes, its many potential benefits – for the environment and for individuals involved in delivering LR – were felt to make it cost-effective and *“a very viable solution going forward”*.

A holistic approach to LR was also felt to offer a greater range of opportunities for land managers to ‘stack’ different funding streams on their land, thus maximising their potential income whilst minimising the area of land that needed to be taken out of agricultural production. This point was also raised in the stakeholder workshop, with stakeholders noting that if private investment can be secured for a number of different outcomes on the same piece of land, that would provide a greater level of financial security for land managers, and a greater incentive to participate in long-term agreements.

Given the **limited pool of funding** available for LR projects, farmers expressed concerns that many of those aspiring to provide environmental and public goods from their land would be unable to do so under Defra’s Landscape Recovery scheme. Securing private sources of funding will therefore be crucial if ambitious and long-term LR-type projects are to occur in meaningful numbers across England. However, farmers view the current LR pilot phase and two-year development funding awarded to successful bids as vital to opening up the private market. As one participant noted, that initial period is the time to develop *“the framework to prove success”* that can then be taken to other potential funders. Similarly, it was felt that having **stacked funding** provided the best opportunity for farmers to receive a premium if they over-delivered against the targets set out in their agreement.

Importantly, farmers believe Defra should play an active role in facilitating connections between ELMs agreement holders – whether under SFI, LNR or LR – in order to provide a more joined up approach to the delivery of environmental and social goods. Despite the majority of farmer workshop attendees being part of a farmer cluster, they felt it was *“too difficult to just stumble across these things”*, and that everyone would benefit from a greater level of communication and awareness between individuals and groups locally.

In discussing which of the three scenarios the project team should take forward to Phase 4, farmers agreed with stakeholders, and showed a strong preference for scenario 1, on Natural Flood Management. It was felt that the subsidiary benefits to be gained from NFM measures – positive impacts on soil health and water quality for example – make the scenario quite holistic in its own way. As one farmer commented, *“good flood management creates good habitats creates nature recovery.”* However, the same farmer noted that he might automatically be excluded from participation in an agreement under this scenario despite his willingness to be involved, since he does not farm on land adjacent to a river. Again, this emphasises the need for LR projects to be flexible enough that land managers such as this could be brought into an agreement with measures that supported the overarching project’s aim but were bespoke to that particular parcel of land.

The NFM scenario was felt to be *"ambitious"* by aiming to secure the participation of at least 70% of land managers within a catchment or sub-catchment. However, farmers believed this was a good way of *"spreading the money across"* to as many land managers as possible, and concluded that such a scenario was likely to have a good uptake rate. Crucially, the NFM scenario was *"really relevant"* to farmers along the south coast who have recently experienced a number of sewage spills into the sea. As one said,

> *"There's a good opportunity here for farmers to help with this overloading of sewage works problem, especially for us as a coastal catchment… And it's such a positive spin on a negative side of our industry."*

Summary of findings

This section briefly summarises the findings of Milestone 3 of the Test and Trial, in response to the four policy questions addressed in this phase.

1. How to construct long-term agreements (30+ years), potentially incorporating conservation covenants, to safeguard investments in land use change and associated environmental outcomes?

Use different agreement types to suit the different circumstances of landownership/tenancy, land management activity and the goals of the LR project. The preferred option for many stakeholders and landowners is likely to be one in which individual contracts are formed beneath an overarching LR agreement; this would reflect the bespoke nature of LR projects and allow for the aforementioned differences. It would also increase the inherent flexibility of each LR agreement, thereby increasing the likelihood that a greater number of holdings and area of land could be entered into scheme. The internal agreements in place for many common land AES could provide a model here.

The requirement to form a **single legal entity** to apply for LR funding seems to be accepted by stakeholders and farmers alike, but there are concerns over the costs of establishing this, and over the continued administration of it.

Long-term agreements must **protect** LR projects from **future development**, and in some cases, the detrimental impacts of increased or inappropriate **public access**. Striking a balance between access to the countryside and providing space for nature seems key, with a recognition that in some cases the two cannot easily coexist. Building **public engagement** and education into LR is seen as vital to protect both agreement holders and the land over which they have stewardship, whilst also delivering multiple benefits to wider society.

M&E should take into account the LR project's specific location, meaning bespoke frameworks will likely required for each agreement. These would also help with concerns over accountability for factors outside land managers' control. However, the **costs** of monitoring should be minimised wherever possible, as stakeholders and farmers alike are wary of how quickly these can escalate. **Technology** can increasingly play a role in reducing these costs.

2. How to incentivise land manager participation and collaboration in Landscape Recovery projects and determine appropriate payment mechanisms?

Stakeholders and farmers continue to experience a great deal of **uncertainty** around LR and its implementation, especially with regards the funding and payment aspects. To commit to such a long-term agreement requires a great deal of **planning** for any agreement holder, and a significant feeling of **security**. Having reasonable grounds to **modify or discharge** agreements plays a key part in inspiring land manager confidence to enter into such an agreement, especially given many farmers' experiences of participating in AES that have to date operated over much shorter timescales.

The development of **accreditation schemes regulated by government** could provide certainty to enter into new markets such as the carbon market.

Although LR projects need an **overarching theme or focus** – such as a particular species, habitat or landscape feature – stakeholders and farmers both believe projects should remain **flexible** in terms of the measures included, so that they are open to as many land managers as possible. Similarly, agreements should be **adaptive** in order to respond to changes in land ownership and management, climate and the measurement of success.

Farmers strongly favour a **land sharing** not sparing approach, in which minimal areas of agriculturally productive land are lost. Similarly, a **rotational** approach to the implementation of LR measures is preferred by some, who feel it may be especially beneficial to tenant farmers.

In addition, the use of stacked finance may allow land managers to stack various measures on their land, giving a greater security of income streams and making LR more financially attractive. This would also have the benefit of minimising the area of land that is required to be removed from agricultural production.

A **gateway** approach to payments – where meeting various thresholds determines an agreement holder's financial return – could be one way of rewarding land managers for exceeding agreed targets whilst ensuring they know what their minimum return will be. Alternatively, **taxation reliefs** might be an effective way to compensate land managers in the long-term, but depend upon agricultural businesses making a profit against which to calculate the relief.

Stakeholders believe a move away from **profit foregone** as the basis to calculate appropriate payment rates is crucial for enacting **behavioural change** with regards land use.

Some farmers see LR as an opportunity for more indirect financial returns, such as those gained from selling produce from LR areas at a premium in local markets. Seed funding from Defra – similar to some FiPL funding streams – could encourage this, thus broadening the appeal of LR to farmers.

Farmers strongly believe that Defra should play an active role in facilitating connections between ELMs agreement holders – whether under SFI, LNR or LR – in order to provide a more joined up and potentially more impactful approach to the delivery of environmental and social goods.

3. What is the best implementation option for bringing in private finance? AND
4. How to blend public and private finance in funding projects?

A **stacked** model of finance – as opposed to a blended one – is strongly favoured by stakeholders and farmers. This allows private companies to finance those elements of LR that are most relevant to their corporate ethos and goals. In addition, it allows private investors to claim **ownership** and **demonstrate success** regarding those elements. In a stacked model of finance, public funding is likely to be required for **non-excludable benefits** i.e. benefits that are distributed among a range of stakeholders; these are often those measures most strongly associated with public goods (see Barkley, Short and Chivers, 2022: 46). Private investors may be more willing to fund those measures that have a clearer marketplace – for example, carbon – but may require greater **government regulation** over these markets and accreditation schemes as a **de-risking** measure.

Consider LR in a more holistic way – as *"multiple functions in a landscape"* – might also **broaden the funding opportunities** available to any given project.

Stakeholders stressed that many companies would be unwilling or unable to commit to funding an LTA for the whole 30-year period, due to the **constraints of business planning and financial cycles**, as well as the **high-risk** nature of such an investment. Therefore, it is more likely that private investment will come in the form of a large **upfront payment** or across a much **shorter funding cycle**. In turn, this makes the stacked nature of funding more essential for land managers, as they need to **future-proof** their income streams under an LTA. **Diversifying** these by stacking measures onto their land is one possible way farmers can de-risk their own investments in LR.

References

Barkley, L., Short, C. & C. Chivers (2022) 'Long-term agreements and blended finance for Landscape Recovery: Rapid Evidence Assessment Report', produced for Environmental Land Management Test and Trial for DEFRA, March 2022.

Barkley, L., Chivers, C. & C. Short (2022) 'Co-designing long-term agreements for Landscape Recovery: Report of initial scoping workshops', produced for Environmental Land Management Test and Trial for DEFRA, June 2022.

Appendix 1: Three scenarios for a Landscape Recovery agreement, refined from stakeholder and farmer feedback at the workshops

Scenario 1: Natural Flood Management

The focus of this long-term agreement is adjusting land management to reduce flood risk further downstream. This Landscape Recovery agreement will use Natural Flood Management techniques to improve the resilience of a large area to extreme weather events/climate change. Flood risk to communities downstream will be reduced, but the agreement is also expected to have other positive effects, such as an increase in water quality.

Natural Flood Management requires a catchment-based approach to be most effective, therefore the agreement requires at least 70% of the land area and/or land managers within a designated area to commit to a range of coordinated measures in order for the agreement to be adopted. The agreement requires participants to form a single legal entity in order to apply for funding to carry out particular land management options.

Possible measures include:

- Restoration of river bends
- Conversion to a minimum/no-tillage approach and an action plan for high-risk areas
- Planting cover crop mixes, inter-sowing, use of herbal leys and other similar interventions
- Planting hedgerows of at least 2m in width
- The creation of riparian buffer strips of at least 6m in width
- Introduction of agro-forestry, leaky barriers and off-line storage

The aim of this agreement is to develop a coordinated plan introducing NFM into a large contiguous area whilst taking steps to ensure that any non or minimal participation by a single land manager doesn't undermine the overall project.

Monitoring of these options will be carried out on a regular basis, through self-assessment and the wider partnership of the project. Some independent monitoring will be undertaken according to an agreed framework by an appointed consultant.

The LR agreement will run for a period of 30 years, with reviews at 5-year intervals. At these points, it will be possible to add further options, or extend or revise already existing options, subject to the overseeing body/funding body's approval and a clear rationale and evidence supporting the suggested changes. Due to the large-scale mosaic of measures required for NFM to be successful and the initial capital outlay required, complete withdrawal from the agreement would result in funds being returned in order to reclaim the initial investments.

Payments to scheme participants will be made annually, and based on the options chosen and amount of land entered into scheme. Payment rates will be reviewed every 5 years, in line with inflation and other costs. Part of the payment will be linked to the reduction in flood risk and improvements in water quality.

Scenario 2: Species/habitat restoration

The focus of this long-term Landscape Recovery (LR) agreement is the restoration/protection of native species and priority habitats. These may include ground-nesting birds, pollinators, and the habitats in which these species thrive.

The agreement requires large-scale species and habitat creation and/or restoration across a broadly contiguous area of at least 500 ha. Participants will need to collaborate in order to draw up a joint application and ensure that all legal stakeholders (landlords, tenants, NE) as well as other key local partners (e.g. wildlife trust and local authority) are included in the agreement. The application should show how existing priority habitat sites may be extended and/or connected across the landscape, using features such as wildlife corridors, hedgerows and field margins (enhancing existing and/or installing new ones). More significant interventions, such as heathland restoration, should also be considered to expand core areas.

It is expected that some arable land will be taken out of production, for example to be converted to species-rich grassland.

Participants are required to form a single legal entity in order to apply for funding.

Monitoring and evaluation of performance will be carried out every 5 years, according to the South Downs National Park's five-point metric for biodiversity (habitat extent, habitat condition, species, projects (e.g., how many ha involved) and planning (e.g., local wildlife site/BNG provision).

Monitoring will be carried out by an agreed consultant, but the project should have its own internal monitoring programme and collect evidence to show the overall impact of the project according to agreed criteria.

Payments to scheme participants for some options will be made annually for both capital and revenue parts of the agreement. This will be based on the options chosen, and the amount of land entered into scheme. For some options, payments will be made based on the results achieved, every 3 years. These will be developed in conjunction with the appointed project officer and agreed by the LR panel. It is possible that this will include a bonus payment for over-achievement against targets, but with some form of financial penalty for under-performance.

The agreement will run for a period of 30 years, with reviews at 5-year intervals. At these points, it will be possible to amend the management options/targets, with the agreement of the overseeing body/funding body.

The agreement is attached to the land title for all those who are signatories.

Scenario 3: Holistic approach

The goal of this long-term agreement is the delivery of a wide range of environmental benefits and public goods, through a holistic approach to land management covering the enhancement and restoration of biodiversity, increased resilience to climate change through techniques such as carbon sequestration, and the provision of new and/or enhanced public access.

Farmers are free to propose any form of land management activity they wish, but agreements must cover an area of at least 500 ha, with applicants collaborating to demonstrate that their planned activities make ecological sense across their holdings.

Possible measures include those related to:

- increased soil health and water quality
- habitat enhancement/maintenance/creation, especially Priority Habitats and species
- public access
- a clear plan to help meet net-zero carbon targets

It is expected that some land will be removed from agricultural production, and a single legal entity must be formed in order to apply for funding. All legal stakeholders need to be involved in the partnership as well as other key stakeholders.

The agreement will run for a period of 30 years. Monitoring and evaluation will be carried out continuously over the project period to an agreed timetable. Some of this will be undertaken by the partnership itself. Every 3 years an M&E review will be undertaken by an agreed consultant. This should inform the direction of the overall project and feed into formal 5-yearly reviews of the agreement.

At the 5-year review points, it will be possible to add further options, or extend or reduce already existing options, subject to the overseeing body's approval. Changes in the membership and signatories to the overall agreement need to be considered at this time, e.g. holdings wishing to join or withdraw from the agreement. The overall total area under scheme must remain broadly comparable.

Payments to scheme participants for capital and revenue items will be made annually, and based on the options chosen and amount of land entered into scheme. Payment rates will increase in line with inflation.

Appendix 2: Stakeholder reactions to each scenario

Scenario 1: Natural Flood Management

Positives	Negatives
Clear benefits to landowners	May negatively impact land values
A broad range of benefits beyond flood management	Would require extensive landowner commitment within an area
Potential to offer a long-term income stream for areas of land that are less agriculturally productive	Long-term costs are unpredictable
M&E by self-assessment minimises costs (but requires verification)	Landowners will need technical assistance for some interventions
A single legal entity provides security	Forming a single legal entity gives rise to administrative costs and/or other barriers
	May affect land and landowners who are not part of the agreement
	Difficult to source private investment for NFM projects
	Annual payments may have complex tax implications

Key suggestion for scenario development:

- The public goods delivered under such a scenario could be increased by adding elements of public access into the LR agreement itself.

Scenario 2: Species/habitat restoration

Positives	Negatives
Has easily definable outcomes, therefore uncertainty over what will be delivered is reduced	Penalties for under-delivery against targets might penalise farmers for matters outside of their control
Other examples already exist as a model for how such a scenario might work (e.g. GWCT farmer clusters)	Changes in land tenure might not conform to the agreement's 5 year review period; options may be needed for change to occur outside of these moments
It is familiar and understandable to farmers, like a larger-scale stewardship scheme	Hard to value measures with respect to tying up land for 30+ years and future land sale values
Likely to be able to sit alongside productive agriculture, therefore being more appealing to farmers and avoiding issues such as the loss of agricultural tax reliefs	Some land will be taken out of production or farmed less intensively, therefore it may negatively impact on food production and food security

Key suggestion for scenario development:

- Engagement with local communities is important not just in building community support for land-use change but also in attracting funding.

Scenario 3: Holistic approach

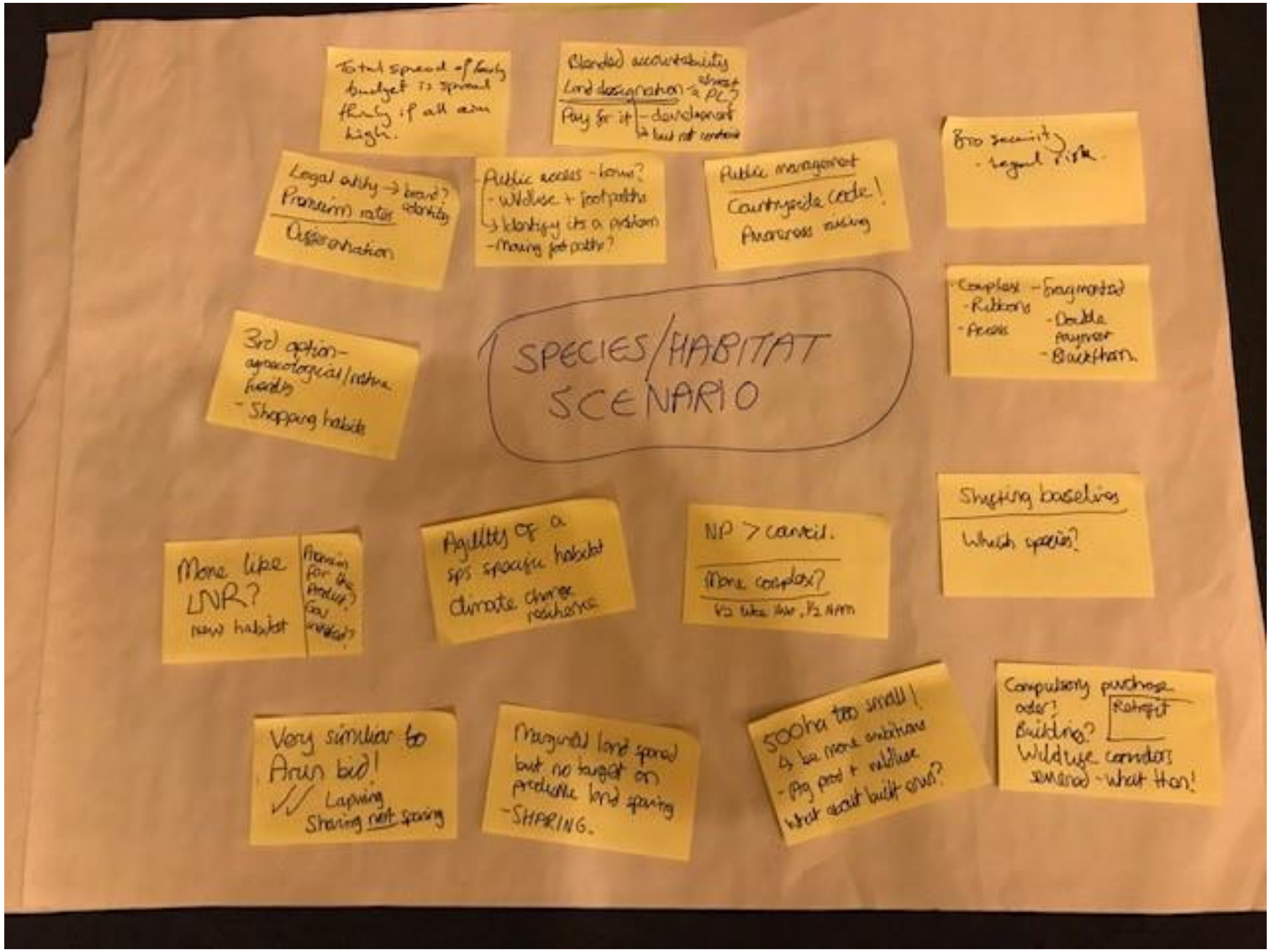
Positives	Negatives
Flexibility of measures	How to quantify the impacts of each measure within the agreement
Potential for engagement with local communities around the agreement's goals; can be easily tailored to the local environment and its priorities	Might have higher negotiation and administration costs than other scenarios because of the variations within the overarching LR project
Potentially more marketable to smaller companies, therefore opens up a wider range of possible funding sources	Smaller investments might make the agreement harder to manage both practically and financially
Can work within the objectives of a farm business and with a variety of farming types	Probably requires a full-time facilitator or ecology advisor to support and drive the collective agreement

Key suggestion for scenario development:

- The end goal of this agreement needs to be clear: an overarching framework or 'theme' would help shape collective labours in that direction, and help quantify/prove impact.

Appendix 3: Completed flipcharts from the farmer workshop

<u>Scenario 2: Species/habitat restoration</u>



Scenario 3: Holistic approach