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# **Co-designing long-term agreements for Landscape Recovery**

## **Final Report**

*Environmental Land Management Test and Trial  
for DEFRA*

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## Executive Summary

This report presents an overview of the findings from the Defra-funded ELM Test and Trial: Co-designing long-term agreements for Landscape Recovery. It describes the co-design methodology that the Test and Trial (T&T) used, and explains the co-designed development process used to produce a template head of terms long-term agreement (LTA). This is followed by a detailed summary of the key findings from each milestone of the T&T, before we draw conclusions about the potential viability of an LTA of this kind for Landscape Recovery (LR). Finally, recommendations are made for increasing the likelihood of the uptake and successful implementation of LTAs, especially in lowland, agriculturally productive landscapes.

During this T&T, we held eight two-hour workshops, four with non-farming stakeholders and four with farmers<sup>1</sup>. We also held two-hour group interviews with a total of six farmers, and follow-up and evaluation interviews with six participants. A total of 35 different participants took part in the T&T: 22 stakeholders and 13 farmers. Most participants attended workshops during at least two milestones of the T&T, lending consistency to discussions over the course of the T&T and ensuring that outputs have been co-designed with participants.

The **key conclusions** from this T&T are:

1. Several **barriers** exist when encouraging land managers to co-ordinate environmental actions at landscape scale, including **mismatches** between:
  - a. the scales of agricultural management and ecological processes
  - b. land ownership and tenure
  - c. the timeframes various stakeholders currently operate within.
2. **Long-term agreements would need to be relatively bespoke**, to account for the individual needs of both land managers and private funders, with documentation covering finance, land management and governance aspects.
3. There is a clear **need for greater guidance and clarity from government**, especially surrounding conservation covenants, blended finance and taxation.
4. Land managers in this T&T were overwhelmed by the **bureaucratic and administrative complexities** that an LTA could present, and this represents a significant barrier to potential engagement.
5. The findings of this T&T suggest that **long-term agreements are unlikely to be widely achieved within lowland, agriculturally productive, multi-ownership landscapes in the context of the Landscape Recovery Scheme (LRS)**, as too many **risks** currently exist for both land managers and potential funders. **This has implications for a just transition to the new ELM schemes**, as the LRS appears less accessible to farmers such as these as it may be to larger landowners and single ownership areas.

More detail on these conclusions and our policy recommendations – including suggestions for how to address potential issues with LTAs for LR – can be found on pages 31-36 of this report.

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<sup>1</sup> The participants will be referred to hereafter simply as ‘stakeholders’ and ‘farmers’ for ease of reading. We of course recognise that farmers will be key stakeholders in Landscape Recovery agreements.

Department for Environment Food & Rural Affairs

# LONG-TERM AGREEMENTS FOR LANDSCAPE RECOVERY

## KEY CONCLUSIONS



### Barriers to long-term agreements:

- Mismatches between agricultural management scales and ecological processes
- Complexities surrounding different land ownership and tenure arrangements
- Operational timeframes vary between stakeholders



Risks associated with long-term formal agreements. These risks increase where there is less common ground between land managers and stakeholders



### A need for more guidance and clarity on:

- Conservation covenants
- Blended finance
- Payment structures
- Monitoring and evaluation
- Tax implications



Land managers and stakeholders understand the need for bespoke long-term agreements to suit individual needs



Overwhelm surrounding administrative complexities, including time required for making financial, management and governance arrangements

FUNDING: DEFRA ELM TEST & TRIAL

RESEARCH TEAM: LUCY BARKLEY, CHARLOTTE CHIVERS, CHRIS SHORT

Figure 1: Infographic displaying the key conclusions from this ELM Test and Trial surrounding the potential of long-term agreements for landscape recovery.

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## Methodology

### The co-design process

The T&T's methodology was designed to integrate a process of co-design from Milestone 2 until the end of the research. Co-designed approaches aim to integrate the specific knowledge and understanding of stakeholders into the development of a desired end product. Such approaches often begin from this end product – in the case of the T&T that was a viable LTA – and build backwards from the outcomes that are being sought (Burkett, n.d.). Identifying potential problems and, in turn, generating possible solutions with a range of stakeholders<sup>2</sup> should ensure that the outcomes better meet the needs of those involved. In addition, embedding stakeholders into the design process should also ensure that the final product is seen as a legitimate and acceptable outcome. Indeed, literature shows that a more inclusive approach to the planning of public policies can increase the quality and effectiveness of those policies (Blomkamp, 2018: 735). A key way in which policy effectiveness is increased is through the building of social capital, engagement and trust among stakeholders, and between stakeholders and government. Again, co-design can play a crucial role in establishing good working relationships of this kind (Blomkamp, 2018: 736).

In the context of agricultural policy, it is widely recognised that the engagement of a range of stakeholders and multiple perspectives is necessary in order to address complex socio-scientific issues (Ingram et al., 2020: 65). In particular, co-design is hypothesised to better account for the diversity of production contexts, as well as drawing out the relationships between various components of agricultural systems (Berthet et al., 2018). While the inclusion of farmers in co-design processes is seen as key to addressing transformational challenges, Eastwood et al. (2022) found that farmers may be uncomfortable with the inclusion of highly analytical methodologies in the research process.

As a result, we tried as far as possible to include a range of participatory methodologies in the T&T's workshops and interviews. This aimed to ensure all participants fully understood what we were asking of them during the fieldwork encounters, and also that all participants felt able to contribute to these sessions. We also kept in touch with participants throughout the T&T process, sending regular email updates and encouraging them to provide us with feedback on milestone outputs if they wished to do so. An important aim of the T&T has been to provide participants with a clear demonstration of how their participation has shaped the final design of the template LTA, and the conclusions and policy recommendations laid out in this report. It is hoped that the co-design approach has provided value for participants as they seek to navigate the changing landscape of agri-environment schemes (AES), and the emerging payment for ecosystem services (PES) and natural capital markets. An overview of the co-design process used, and its various stages, can be found in Figure 2, below.

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<sup>2</sup> For an overview of participants in the T&T, see p.7.

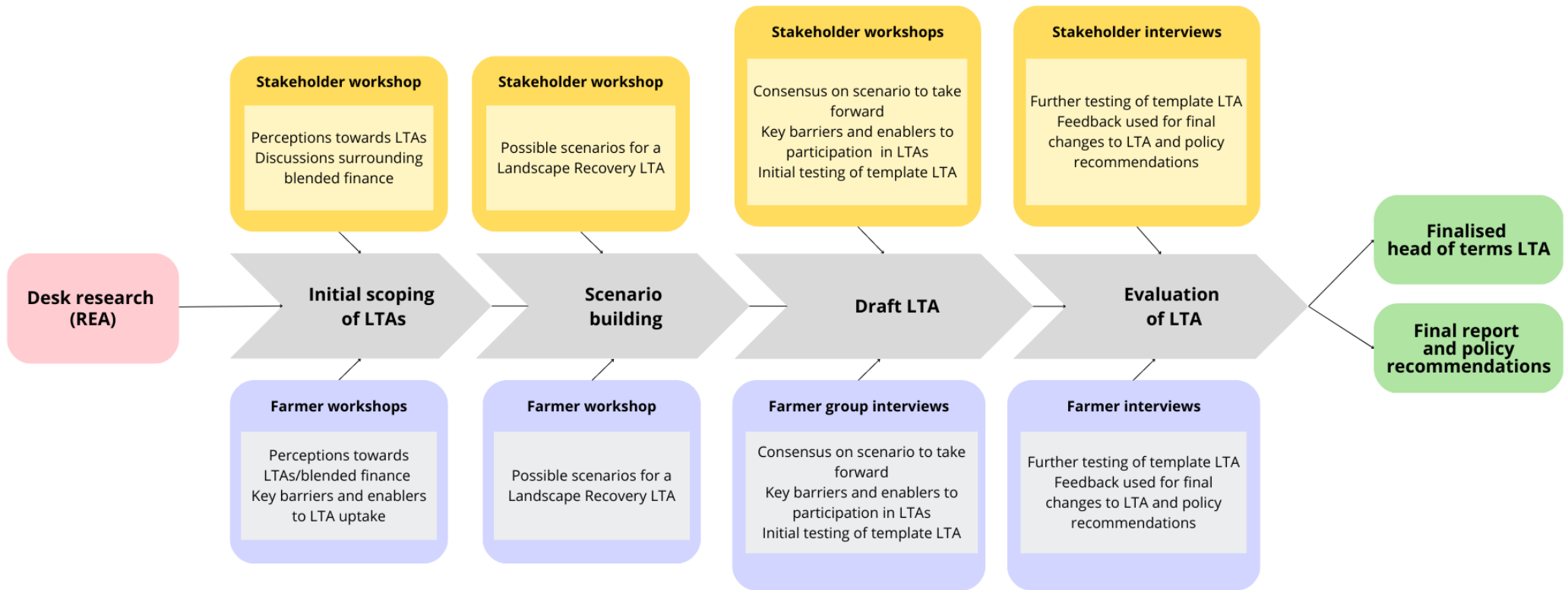


Figure 2: An overview of the co-design process used in the T&T

## Overview of T&T participants

A total of 35 different participants took part in the T&T: 22 stakeholders and 13 farmers. Most participants attended workshops during at least two milestones of the T&T, lending consistency to discussions over the course of the T&T.

Key stakeholders included representatives from:

- Southern Water
- The National Trust
- local government
- Local Nature Partnerships
- charitable organisations (nature-based)
- environmental investment organisations
- a multinational engineering company

Other stakeholders included advisors on:

- natural capital markets
- environmental investment
- property and conservation law

Among the farmers, various types of landowner, tenant and land management experience were represented, providing us with a good range of perspectives on which to draw. Of the farmer participants:

- All but one owns some land, of an area ranging between 3.2 ha and 900 ha. One is a tenant farmer only.
- All of the landowners also rent some land, of an area ranging between 5 ha and 81 ha.
- All farms are primary arable and/or grazing livestock businesses. One participant grazes livestock as a commoner, and one participant also runs a vineyard on his property.
- Eight participants are currently signed up to a Defra AES. Of these, one is in Higher Level Stewardship (HLS), one is in Countryside Stewardship (CS) higher tier, and five are in CS mid tier.
- Eight participants are in receipt of Basic Payment Scheme (BPS) funding, with three of these receiving BPS payments only.
- Seven farmers are members of other agreements, such as the Red Tractor and Assured Combinable Crops (ACCS) schemes.
- Seven farmers are part of a farmer cluster, with three clusters being represented in total. A cluster facilitator from another group also attended a workshop.

Online meetings took place in Milestone 1 with several other stakeholders, including with representatives from South Downs National Park Authority. These initial discussions helped inform our knowledge of the specific geographic context (Hampshire/West Sussex), and helped us plan the workshops that took place in Milestone 2.

In addition, during Milestone 4, the research team attended a workshop organised by Southern Water, which considered options for creating and funding LTAs for environmental outcomes in the West

Sussex area. At this workshop we had the opportunity to present our interim T&T findings, and during discussions and a Q&A session to capture the views towards LTAs of five large estate owners and their agents. This supplementary data enabled us to compare and contrast the opinions of larger landowners with those of the smaller landowners and tenants who made up the T&T's core farmer participants.

### **Milestone 1: Rapid Evidence Assessment**

The first milestone of the T&T involved carrying out a Rapid Evidence Assessment (REA) to explore existing literature and evidence relating to LTAs in agriculture and conservation, as well as private and blended investment in these sectors. This systematic review critically appraised 54 pieces of evidence on existing forms of LTA and the payment mechanisms that accompany them, and key barriers and enablers to the uptake of LTAs among land managers. It also considered how private investment in LTAs for environmental purposes might be best secured, and the current state of the marketplace. See Barkley, Short & Chivers (2022) for full details.

### **Milestone 2: Initial scoping workshops**

Four two-hour workshops were held in this milestone, one online with stakeholders and three in-person with farmers. Ten stakeholders and eleven farmers attended in total. Participants for the stakeholder workshop were recruited in a variety of ways, and included people and organisations that:

- we had pre-existing contact with, either via our own professional connections or from discussions occurring during Milestone 1.
- were reached via the knowledge and networks of colleagues or via the knowledge and networks of those mentioned above.
- were reached via targeted email approaches.

To try and reach as broad a range of participants as possible, the farmer workshops were held at three locations across Hampshire and West Sussex. Likewise, in recognition of the time of year (May) and workload of farmers, we held two workshops in the evening and one at breakfast time, to better accommodate their schedules. Participants for the farmer workshops were recruited through a combination of methods:

- via the research team's professional networks
- by invitation from a farmer cluster lead
- through a recruitment and information flyer which we shared widely on social media and online farming forums

Before the workshops began, participants were given information sheets and informed consent sheets to sign. Farmers also received proformas, which enabled us to collect some generalised information about their farming businesses. Workshops in this milestone – as in every stage of the T&T – were audio recorded and transcribed verbatim, to allow in-depth analysis of the findings.



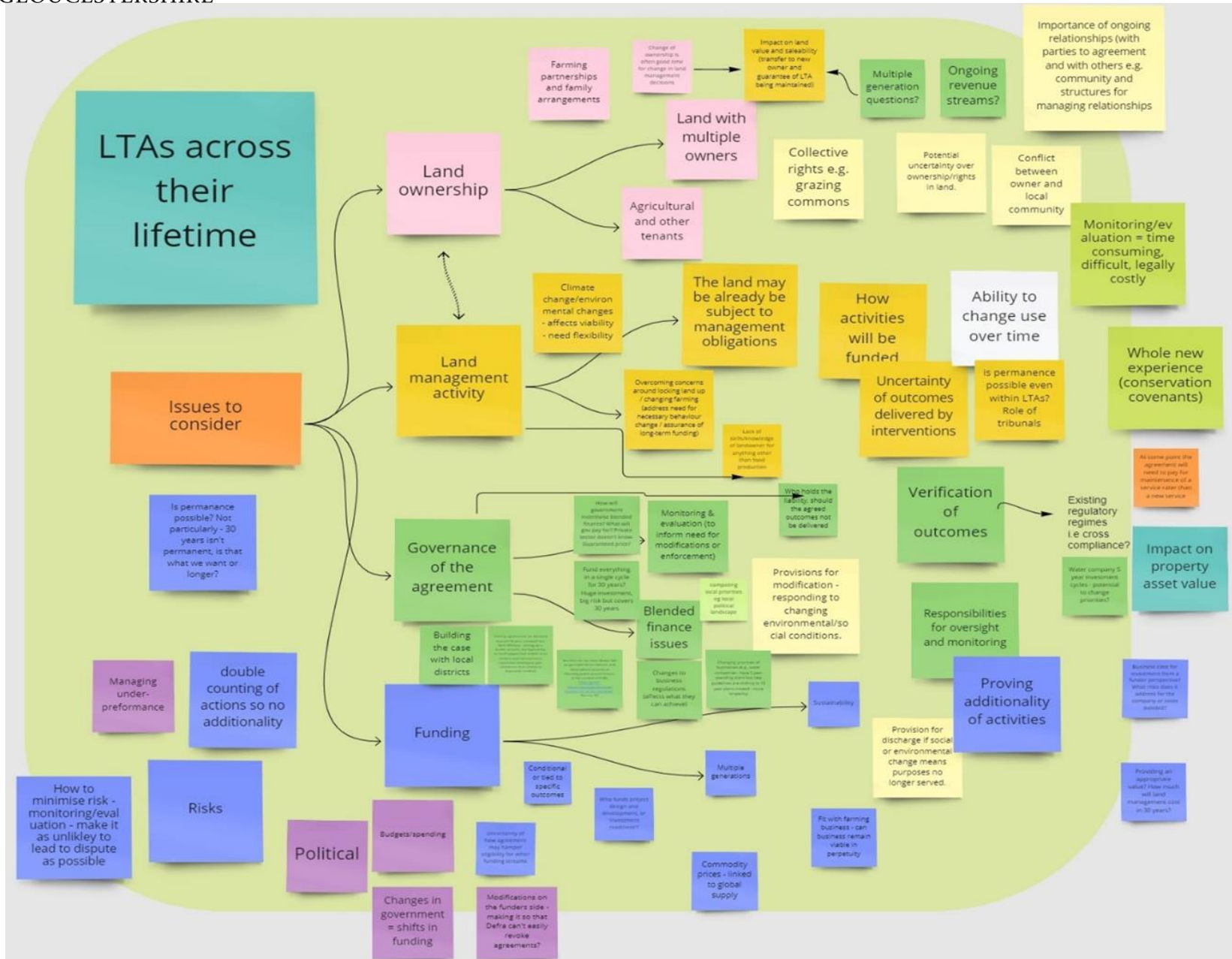


Figure 3: Key issues that should be considered in the design of an LTA for LR

The aim of the initial scoping workshops was to gather participants' thoughts on long-term agreements, collaborative arrangements within agricultural or environmental practice, and private or blended finance agreements. The workshops also sought to gain insights into any existing experience participants may have with these matters. These topics were informed by the literature reviewed in the REA and the goals of the T&T. For full information on these workshops, see Barkley, Chivers & Short (2022a). All workshops employed a mix of discussion and participatory techniques, in order to elicit in-depth information according to the pre-designed protocols. For an example Miro board from the stakeholder workshop, see Figure 3 (above). Brainstorming exercises such as these resulted in a large amount of suggestions for further discussion and for consideration by the research team. In addition, anybody who expressed an interest in attending a workshop but was unable to do so, and participants who wanted to add additional thoughts, were given the chance to comment via email correspondence or by contributing to the online Miro boards for a period of two weeks after each workshop.

### **Milestone 3: Scenario development workshops**

Two two-hour workshops were held in this milestone, one online with ten stakeholders and one in-person with five farmers. Before the workshops, the research team drafted three possible scenarios around which a LR agreement might be formed. The first scenario focused on Natural Flood Management (NFM), 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 input during Milestone 2, and thus was the most co-designed of the scenarios. 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.

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. At the workshops, the scenarios were presented in turn and participants were invited to share their thoughts through discussion and participatory techniques. (For a completed flipchart from the farmer workshop, see Figure 4, below). The strengths and weaknesses of each scenario were assessed, and suggestions for improvements were sought. After the first workshop, which was held with stakeholders, the three draft scenarios were refined in line with these insights and then presented to attendees of the farmer workshop. 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; the NFM scenario was unanimously favoured by participants. Anybody unable to attend a workshop, or participants wanting to add extra comments, were able to do so via the online Miro boards or email correspondence for a period of two weeks after each workshop. Figure 5 (below) gives an overview of the co-design process used to develop the final scenario. For full information on these workshops, see Barkley, Chivers & Short (2022b).



Figure 4: Natural Flood Management scenario flipchart, from the farmer workshop

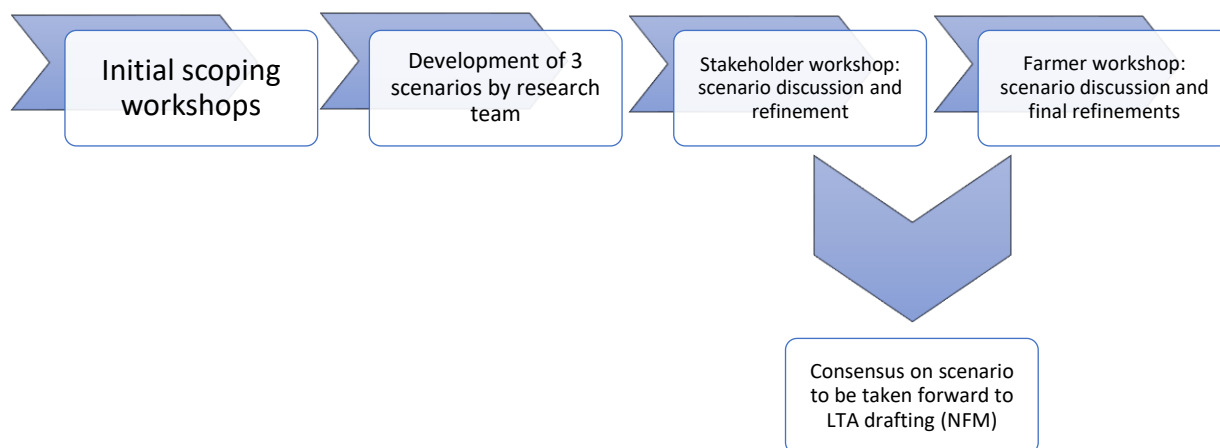


Figure 5: An overview of the scenario co-design and development process

#### **Milestone 4: Template agreement co-design and testing workshops and group interviews**

During this milestone, the research team collaborated with a consultant from Strutt & Parker to draft a template LTA for a LR project based on participants' favoured scenario from Milestone 3 (an NFM project). The initial draft of the LTA produced by Strutt & Parker was, as far as possible, based on feedback received from participants in previous phases of the T&T. Additional elements were decided based upon desk research into LTAs (see Barkley, Short & Chivers, 2022) and the specialist knowledge of Strutt & Parker.

Two two-hour online stakeholder workshops were held in this milestone, with a total of 17 stakeholders. The workshops allowed the research team to test specific clauses of the initial draft, and to co-design the template agreement further. Invitees who were unable to attend either of the stakeholder workshops were given the chance to comment on the draft template via email correspondence or by contributing to online Miro boards for a period of two weeks after the workshops. For an example of a completed Miro board discussing the Principles in Common of the draft LTA, see Figure 6, below.

After the stakeholder workshops, the draft LTA was refined in line with stakeholders' feedback. In-person group farmer interviews were then conducted with six participants, all of whom had attended at least one previous workshop during the T&T. The template agreement and its key clauses, refined after the stakeholder workshop, were presented and discussed with farmers. In addition to discussion, during the farmer interviews we also used a 'RAG' (red, amber, green) rating exercise to capture participants' feelings towards the Principles in Common. The research team presented interviewees with a table, where the clauses we expected to be most problematic were highlighted in red, those that were potentially problematic were marked amber, and those we expected to be unproblematic were marked green. Interviewees were asked to give each clause their own 'RAG' rating; this allowed us to compare our own expectations with those of farmers, and also to compare ratings amongst the farmer group. This gave us important information as to barriers and enablers to participation in an LTA, and allowed us to focus on finding possible solutions to those clauses that were most likely to deter participation.

Additionally, the research team supplemented this data collection by attendance at a workshop organised by Southern Water, at which we had the opportunity to present our T&T findings and capture the views of five large estate owners and their agents towards LTAs and specific aspects of the draft agreement. An overview of the co-design and testing process used in this milestone can be found in Figure 7, below.



Figure 6: Completed Miro board capturing comments on the Principles in Common, from a stakeholder workshop.

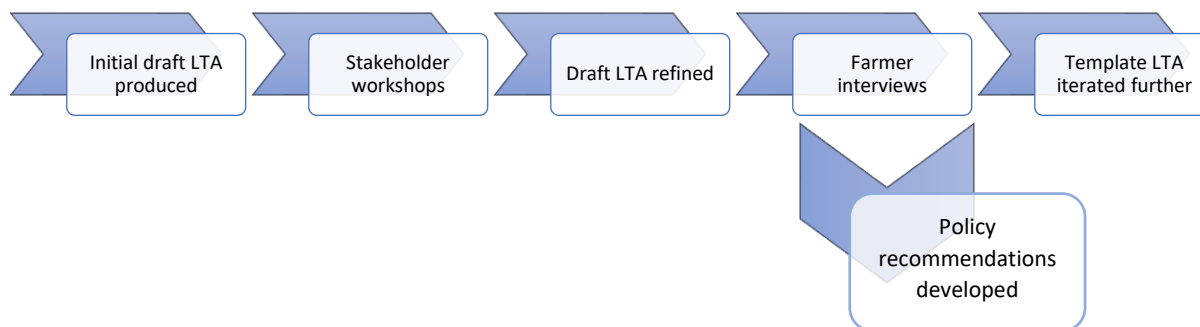


Figure 7: Template LTA co-design and testing process for Milestone 4

### Milestone 5: Evaluation interviews and finalisation of the template LTA

Six online evaluation interviews were completed in this milestone, three with stakeholders and two with farmers. All of these participants had attended at least two workshops during previous milestones of the T&T. Additionally, we selected another interviewee on the basis of the legal expertise she could provide in reviewing the LTA before its delivery to Defra. In advance of these interviews, we circulated a document with our key conclusions and policy recommendations to participants. During the interviews, we sought feedback on this document, ensuring that farmers and stakeholders were happy with the conclusions that we have arrived at. Where they suggested amendments and additions, these have been – as far as possible – adopted for the final version that is presented in this report. Interviewees were also asked about key clauses from the template LTA, and any changes that had been made to these following the Milestone 4 workshops. Again, suggestions arising from the interviews were used to iterate the template LTA further, and produce a finalised head of terms document. The final stage of the interviews elicited participants’ feedback about the T&T itself, including reflections on the co-design process that was used. The full interview guide can be found as an appendix to this report. As in previous milestones, interviews were audio recorded and transcribed verbatim to allow for in-depth analysis of participants’ views on the final documents, and for these to be cited directly in this report. See pp. 26-31 for the key findings from Milestone 5.

## Key findings

### Milestone 1: Rapid Evidence Assessment

The evidence assessed tended to focus on factors motivating, or creating barriers to, participation in conservation covenants and AES; key here were studies addressing financial and administrative dis/incentives. There were also several studies focusing on collaboration, co-operation or co-ordination between land managers with respect to delivering environmental outputs. These are particularly relevant given that LR will require boundary-spanning agreements, of the type produced by this T&T, to be formed. Key findings from the REA are presented below; for further details, see Barkley, Short & Chivers (2022).

### Long-term agreements

**Covenants** represented the most commonly addressed long-term agreement for conservation, with examples mainly drawn from Australia, New Zealand and the United States, with some attention given to England and Scotland. These are typically:

- Agreements made between a landowner and a conservation body to ensure the conservation of natural or heritage features on the land
- Private and voluntary arrangements made in the public interest
- Tied to land title and thus continue to be effective even after the land changes hands

Covenants tend to have less flexibility than many AES agreements, but when a degree of personalisation is allowed, this is associated with slightly higher participation rates. Concerns over future land values, as well as issues of taxation relief, mean covenantors often require a large incentive payment. Differing ownership and production structures impact participation in conservation programmes, with absentee and non-producer landholders being more likely to participate in schemes involving perpetual agreements such as covenants than those who derive their primary income from their land. This suggests that land designations such as covenants will not be suitable for many potential participants of LR, unless they are of a limited (e.g. 30 year) duration. Rather, a portfolio of short- and long-term agreements may offer greater environmental gains than using either type in isolation, although this is likely to incur higher implementation costs.

In addition, attitudes towards environmental and public goods are shown to impact individual decisions to covenant; the success of schemes is therefore, in part, dependent on the socio-cultural, ecological and institutional frameworks in which they operate. Successful programmes and effective policy instruments are those that are closely matched to these wider factors. Ultimately, the evidence suggests that environmental governance schemes must aim to generate a societal transition: this may reduce scheme costs at a later date, by encouraging the provision of environmental benefits as a routine area of land management practice.

### Shorter-term agreements

Evidence relating to shorter-term agreements, especially studies of AES, predominates in the literature. Given the dominance of these schemes under current policy, there are many learnings that can be taken forwards when planning the delivery of LTAs at a landscape scale.

The evidence shows that the most successful agri-environment policies are those that:

- **Contain a suite of different policy instruments** to accommodate different geographical and environmental contexts, alongside the various needs, values and capabilities of different stakeholders.

- Have ***tailored-management plans*** for a holding – dependent on the land, its condition and the circumstances of the landholder. These appear to increase participation rates whilst being most effective in delivering environmental benefits. In particular, provisions for production and non-production landholders can be made.
- ***Understand the requirements of different stakeholders***, making environmental agreements more legitimate and equitable for all involved.
- ***Engage stakeholders in scheme design from the outset***, especially when agreements are to operate across land management boundaries, and over a longer term.
- ***Give participants greater agency and control*** to improve environmental and social outputs.
- ***Build capacity***, particularly where agreements are complex, long-term and multi-party. The co-production of relevant and usable knowledge has been identified as particularly important in such agreements, and is likely to be most valuable when grounded in specific local contexts.
- ***Employ bridging organisations*** to help stakeholders reimagine and manage the landscape across geographic boundaries, by co-ordinating landholders and aiding discussions among stakeholders. They can also offer invaluable support to participants, ensuring agreements have continued success. Utilising help from these sources is shown to alleviate the time and monetary costs incurred by government.
- ***Encourage co-operation and collaboration***; this will be especially important in cross-holding, long-term LR agreements. Examples of successful collaborative working demonstrate that giving collaborative land manager groups and bridging organisations a high level of responsibility raises the quality and quantity of scheme outputs. In addition, bridging organisations can encourage and co-ordinate the joint submission of applications to environmental programmes. This can help spatially connect areas of land, overcoming fragmentation and enhancing ecosystem functioning at a landscape-scale. Thus, such organisations play a crucial role in addressing the scale mismatch that occurs between the spatial aspects of the environment and landownership and management.

Whatever form a ***group of landholders*** may take, they will likely require a longer time period for decision making than an individual. Furthermore, their administrative costs are likely to be higher. There is a lack of research on group participation in conservation programmes, so there are few examples of how to incentivise group working, and how to structure agreements to better suit group tenders. However, literature points to the importance of ***trust*** for collaborative working across boundaries. ***Social capital*** is also key, where access to knowledge and support, shared values and the capacity to learn and innovate as a group have been identified as crucial to group success. Again, bridging organisations may play an important role here. Additionally, collaborative governance arrangements must be dynamic, especially when they are geared towards long-term management.

Across all types of agreements, ***monitoring and evaluation*** (M&E) are identified as key to participant satisfaction and scheme success. The evidence stresses the importance of precisely determining what outputs are desired under each contract, and how – including when, how often and by whom – these will be measured. The literature suggests that monitoring is carried out by individuals or groups trusted by land managers, so that scheme evaluation is seen as robust, legitimate and fair; local networks and organisations may play a key role in this. Monitoring regimes can be costly and complex, and metrics can sometimes fail to measure outcomes in an objective and repeatable manner. There is a need for strong statutory and institutional co-ordination and communication of environmental information at local, regional and national levels. Additionally, identifying the relationships between land management and environmental outcomes can be especially difficult when these take place at a landscape-scale. Monitoring must, therefore, take into account factors outside farmers' control, and



beyond the farm gate. For LTAs, **interim monitoring** of progress is especially important, to ensure the expected environmental benefits are delivered at the end of the contract. However, this may prove to be difficult in practice, given the length of time required for some landscape-scale benefits to take effect. The long-term nature of contracts must therefore be taken into account when evaluating the ongoing success of a specific contract or wider programme. In situations where access to information is limited – for landholders and authorities – environmental programmes tend to fall short of their intended outcomes.

**Payment by results (PBR) schemes** are particularly reliant on ongoing monitoring and access to information, as they rely on **adaptive management** and the capacity of land managers to innovate during a scheme. Evidence suggests that providing training for participants to improve their understanding of outcomes, as well as giving farmers greater freedom over land management actions, results in greater achievements with regards to intended environmental outcomes. Utilising existing networks for this capacity-building is recommended in the literature.

It should be noted that PBR creates additional risk for land managers, as there is greater uncertainty in terms of the return on investment for management actions. Thus, it is likely that a larger incentive would be required to offset the uncertainty, as compared to a management-based contract. The evidence recommends that schemes should reward the achievement of results above the cost of their delivery, making participation comparable to the profit margin of producing a market product. Additionally, LTAs are likely to require remuneration levels that respond to the shifting opportunity costs of various land management options, as well as to the increased time and money that may be required for administrative tasks.

#### **Private investment and blended finance**

The evidence relating to private investment and blended financing mainly comes from climate change and sustainability projects. Moreover, of the 17 papers reviewed on blended finance, 15 were dated from 2019-21; this emphasises the relative novelty of such approaches within agri-environmental management. However, there are several key areas in which the literature can provide recommendations that may encourage investment in LR projects, and aid their successful financing across the lifetime of a project.

Literature relating to blended finance and investment tends to focus on:

- How to encourage investment
- How to govern blended finance arrangements, with a focus on minimising financial risk and maximising returns for private investors

The literature shows that political and bureaucratic **uncertainty** are major barriers for private sector investment. Further, the business case for conservation investment is, as yet, largely unproven. In order to build confidence in environmental investments, governments need to take measures to improve underlying **institutional and regulatory frameworks**. Having a coherent national framework and policy environment that mainstreams investment in environmental projects can serve as a guiding force for greater investment. Additionally, encouraging a shift in investment from offsetting practices to impact investment promises greater environmental security for the long-term.

The evidence suggests that currently, many environmental programmes do not have a **clear and investible business model**. Some investment projects – especially those related to the delivery of public goods – are less attractive for the private sector because the benefit of these takes a longer time to materialise, and there is uncertainty around the market valuation of that benefit, especially

on a short-term revenue basis. Importantly, it should be noted that the public goods provided by environmental projects are often localised in nature, with non-excludable benefits (i.e. benefits that are distributed among a range of stakeholders); both of these factors may be a disincentive to investment.

**Providing adequate information** to markets is crucial, and again, national governments must play a leading role in providing and distributing knowledge. Moreover, engaging potential investors in scheme design may help attract private investment, and can **build capacity across stakeholders**. Successful blended finance models appear to require a multi-stakeholder partnership approach, where dialogue is fostered and all positions are well understood. Importantly, differences may occur between stakeholders in the perception of scheme effectiveness. When blended finance approaches are used, multiple metrics for scheme success may be required, to ensure associated rewards are paid fairly. As identified in the literature on agri-environmental management, **trust and inclusiveness** appear to be key to making blended finance arrangements such as **public-private partnerships** a success. From the literature on private investment and blended finance, the key message is that blended finance models can help de-risk some of the challenges to private sector investment, by reducing risk in some areas.

### Summary

Although the bodies of evidence reviewed in the REA had separate focuses, there was significant overlap, resulting in the identification of three key factors that appear to be vital for the success of long-term agri-environment *and* blended finance programmes: **collaboration**, **minimising uncertainty**, and robust **M&E**.

Disincentives to participation and investment may come from a range of factors, including those related to: uncertainty; financial concerns; administrative issues; M&E; and, broadly speaking, matters of co-operation, co-ordination or collaboration. However, the literature also offers solutions for overcoming such issues, and suggests instances in which they may in fact provide some incentives to scheme uptake.

When land managers and investors are aware of and better able to address the risks and barriers they face, participation increases. Tailored agreements – for AES and their financing – whilst incurring higher transaction costs, have a significant, positive impact on participation rates and can provide greater environmental benefits. Governments have a role to play in making the policy and regulatory environment conducive to engagement in LTAs for environmental purposes. Particularly pertinent to in the REA are factors relating to multi-stakeholder and long-term agreements, as these have clear relevance for the delivery of LR.

### Milestone 2: Initial scoping workshops

The aim of this milestone was to gather participants' thoughts on LTAs, collaborative arrangements within agricultural or environmental practice, and private or blended finance agreements. The workshops also sought to gain insights into any existing experience participants may have with these matters. Key findings from Milestone 2 are presented here; for full details, see Barkley, Chivers & Short (2022a).

The central themes discussed in the workshops were:

- Risk and uncertainty

- Land use change, including its acceptability and how to safeguard such changes once an LTA ends
- Flexibility within agreements
- Collaboration

For stakeholders, the notion of **risk** was most widely discussed in terms of its relation to the financing of agreements. There was particular focus on how government funding may be used to de-risk – and thus incentivise – private sources of investment, and how robust M&E frameworks can help to prevent disputes from arising. Farmers and stakeholders alike also expressed concerns about the **stability of funding** across the lifetime of agreements. For farmers, the primary risk appeared to be related to tying land into an LTA which may then prove to be less economically beneficial than using that land for agricultural production. There were also key concerns surrounding the tax implications of such agreements. On the other hand, farmers also believed it was important to put **safeguards** in place, so that any environmental gains made were not lost when agreements ended. This would ensure the “*legacy*” of their efforts.

Stakeholders felt there would be widespread interest in providing funding for LTAs from a variety of organisations, including those with a conservation focus as well as those with off-setting requirements. However, it was noted that a **clear business case** had to be put forward in each case, in order to attract investment. Overall, farmers were receptive to the idea of blended or private financing, but noted that they would only consider forming an agreement with a **company they trusted** and one that they believed would be stable over the lifetime of an LTA. Likewise, farmers wanted the governance of an LTA of this nature to fall under bodies such as National Park Authorities, as these were generally trusted; organisations with a more specific conservation remit were felt to have “*too much of a single interest*” in their approach to Landscape Recovery. There was broad consensus across all the workshops that LR agreements should be **holistic** in their approach to environmental gains, covering a range of different outcomes rather than having a single focus. This was referred to in the stakeholder workshop as Environmental Net Gain, and by one farmer as “*everyone gains*”.

Stakeholders and farmers both stressed that a large degree of **flexibility** within agreements is crucial, to mitigate for under- or over-performance, and for unforeseen changes such as shifts in land ownership, changing economic circumstances and forces majeure. Concern for the environment, including to prevent and/or mitigate climate change, was clear across all the farmer workshops. However, as the T&T’s study area comprises a lowland agriculturally productive area, farmers also emphasised the importance of being able to continue to produce food alongside an LR agreement. This appears as especially important given the current instability of global food supply chains. Many participants therefore stressed the need to be able to commit only part of their holdings to a long-term agreement for Landscape Recovery. Indeed, a number of participants stressed that their current farming practices are designed to have wide-ranging environmental benefits whilst still being agriculturally productive. As a consequence, some felt they should be rewarded for their ongoing environmental stewardship of the land, not just for any new actions they may undertake as part of a Landscape Recovery agreement. Similarly, these farmers expressed a preference that agreements should not employ a payment-by-results approach, since their baseline for many environmental measures would already be relatively high compared to many other farms.

**Collaboration** appeared as especially important in the farmer workshops; largely, these conversations focused around how groups of land managers could be brought together under one LTA. Participants who were already members of farmer clusters suggested that multi-party LTAs may work well in the case of clusters, as trust and social capital has very often already been established among such groups. Participants also felt that agreements should be as inclusive as possible, with farmers being able to exercise a great deal of agency over the details of an agreement.

While farmers expressed a wide variety of concerns surrounding LTAs and LR, discussions at the workshops also resulted in a number of potential solutions being offered by farmers themselves. See Barkley, Chivers & Short (2022a: 10) for a comprehensive breakdown of these. Generally, farmers at the initial scoping workshops were wary of committing to an LTA under LR, given the potential opportunities that may emerge from private markets and/or from the stacking of income streams:

*“[I]t needs to be very attractive for farmers to sign up to something more with Defra, when actually they could do bio net gains, six of these stacking things themselves... It needs to be very incentivised actually, because there’s so much out there now.”*

### **Milestone 3: Scenario development workshops**

The aim of these workshops was to develop, with participants, three high-level scenarios around which an LTA for LR might be formed. As each scenario was presented, potential barriers and enablers to an LTA based upon it 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 and used as the basis of the template LTA. Key findings from Milestone 3 are presented here; for full details, see Barkley, Chivers & Short (2022b).

The central themes discussed in these workshops were:

- Risk and uncertainty
- Accountability
- M&E
- Agreement structure and governance
- Transparency
- Blending and/or stacking of funding streams

The notions of **risk and uncertainty** were 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:

*“We’re [Southern Water] operating on a five-year timescale... We’d need to build something like that into an agreement... 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.”*

Stakeholders and farmers alike felt that using a PBR 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; this was the case under all scenarios presented. 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 addition, there was 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**.

The need for careful measurement of outcomes against clearly defined baselines was discussed in some depth. 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. 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 M&E and financial return across the life of the agreement.

The unpredictability of how **climate change** may impact natural habitats was also discussed by farmers:

*"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."*

This emphasises the need for agreements to be adaptive in their management prescriptions and outcomes. As in Milestone 2, the ability to **modify or discharge agreements** was noted as being crucial for landowners' confidence and willingness to enter into an agreement:

*"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."*

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-agreement structure by common land AES, and their internal agreements. The **administration**

**and coordination costs** of producing LTAs is of concern to some stakeholders, with one stressing the best approach may be to model some aspects of agreements on those currently available. Indeed, it is hoped that the LTA produced as an output of this T&T can provide a template on which potential LR and other collaborative environmental projects might draw.

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**. 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 discussed in the workshops used the single legal entity as their basis.

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). This was affirmed by one potential stakeholder, who said of his company, "*we want to be able to show that our investment has led to a defined outcome*".

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.

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 LR 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. Importantly, farmers believe Defra should play an active role in facilitating connections between ELMs agreement holders – whether under Sustainable Farming Incentive (SFI), Local Nature Recovery (LNR)/Countryside Stewardship Plus 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.

The need for **trust and transparency** was stressed by one stakeholder, and 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**.

In discussing which of the three scenarios the project team should take forward to Milestone 4, to be used as the basis for the template LTA, farmers and stakeholders both showed a strong preference for the Natural Flood Management scenario. 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.

#### **Milestone 4: Template agreement co-design and testing workshops and group interviews**

The aim of these workshops was to test and further co-design, with participants, the initial draft of the template LTA. Key clauses from the draft agreement were discussed and participants' comments and suggestions were used to refine the agreement. Key findings from Milestone 4 are presented here; for full details, see Barkley, Chivers & Short (2023).

Central points discussed in the workshops and group interviews were:

- The agreement's structure and governance, including a discussion of cooperative vs contractual law
- The principles in common
- Financial matters, including options for the distribution of funds
- The management agreement, including monitoring and evaluation
- Options for ensuring the long-term security of environmental outcomes
- Modifications and discharges

For stakeholders and farmers alike, some of the **principles in common** that would be necessary to underpin participation in a collaborative agreement were of concern. In particular, the issue of **joint and several liability** caused debate in one stakeholder workshop and amongst farmers, with a stakeholder saying it will be *'controversial, quite difficult to agree with landowners or land managers involved in a scheme'*. Ensuring clarity on scheme delivery and penalties for non-compliance can mitigate such concerns to some extent. In addition, Strutt & Parker consider that many funders will be of the opinion that within a single legal entity, all parties are equally responsible for scheme delivery, even if the management plans in place vary across different land parcels. Whilst being jointly and severally liable for any under performance in an agreement involves an element of shared risk, it might also go hand in hand with jointly benefiting from any potential profits that other scheme participants may make; this is one area in which the **financial plan** component of the template LTA functions, to ensure potential participants are able to benefit from **disbursed payments** if that is desired by all parties. Although stakeholders expressed concerns over the willingness of land managers to enter into a single legal entity – and the associated contractual clauses that would be required to formalise an LTA – some also saw opportunities inherent in such agreements:

*'You're changing the value of that land. Now, that actually could be a reduction in the land value as much as an increase. But what you're also giving is a future source of income, long-term income, on that bit of land. That [could be] an asset for that land, that you've got guaranteed income for 25, 30 years.'*

In addition, there is a sense among some farmers that the **public goods** deliverable under a LR scheme might include an economic benefit to others, for example by creating local job opportunities. While cautious of the risks involved in widespread and long-term land use changes, farmers are also able to see **opportunities** – both for maintaining the viability of their business and income, and for providing significant environmental benefits in the long-term – as long as LTAs are workable for them:

*'The coastal erosion is happening, the river's going to break down, all these things are going to happen. And so this is an opportunity to try and do something different, better, whatever with that land, and try and have a benefit. And there's money that people are going to have to be spending on these things. So it's actually trying to find the machine, the solution to bring it all together'.*

In previous workshops, we discussed the likely need for LR applicants to form a **single legal entity** amongst their group. During Milestone 4 fieldwork, we explained the particular vehicle that had been chosen as the basis for the template LTA – a **company limited by guarantee** – and the reasons behind this choice. This dovetailed with a discussion of **cooperative and contractual law**, and the options available for the LTA based on each; Strutt & Parker have used contractual law as the basis for the template agreement in this case. This decision was informed by the requirements of both farmers and potential investors, as elicited in previous workshops of the T&T. Primarily it was felt that a company limited by guarantee, operating according to contract(s), would be able to attract a wider range of investors into the T&T's hypothetical LR project.

Further, such an entity would allow land managers to withdraw any **profits** made from their participation; this is crucial in the context of the farmers we have worked with, for whom agricultural production is a key part of their farm businesses. Whilst Strutt & Parker have explored options for using a cooperative law framework, they believe that contractual law offers better security for all parties in terms of **dispute resolution**, and mechanisms to enforce penalties and obligations. Some farmers believed there was real value to be gained from operating within a collaborative agreement, but saw a need for a professional **facilitator** to oversee all parties to an agreement:

*'If you had 17 different people all completely divorced from each other, it'd be a flipping nightmare. So you need to have some continuity and some organisation, and you would have to have people with passion who really wanted to do it.'*

Overall, land managers appeared to be overwhelmed by the bureaucratic and administrative complexities that an LTA could present. This seems to be a key barrier to participation, and making agreements as simple as possible would likely increase participation rates.

Options for securing environmental outcomes were also discussed with farmers and stakeholders, and despite the potential barriers to the adoption of a **conservation covenant** (for details, see Barkley, Short & Chivers, 2022: 13-26), it was broadly agreed by stakeholders that this is currently likely to be the best model for ensuring permanent land use change. Although some stakeholders were concerned about the potential cost to funders of putting a covenant into place, there are also clear benefits regarding the security to outcomes. As the representative from the National Trust said,



*'this is where we need to kind of interrogate Landscape Recovery in more detail in terms of what it's aiming to achieve... Conservation governance...is about longevity.'*

Strutt & Parker are currently awaiting further guidance about the development of conservation covenants in England, but are exploring the possibility of using covenants of limited duration – for example, 30 years to match the span of proposed LR schemes – in order to encourage uptake of LTAs and to allow some flexibility for land managers once a LR scheme ends.

As in previous phases of the T&T, Milestone 4 also involved discussions of the need for **flexibility** within agreements. Whilst it is acknowledged that agreements should seek to safeguard environmental outcomes for the long-term as far as possible, it will be necessary to provide options for **modification or discharge** of an agreement; this applies from both a land manager and funding body point of view. **Review points** have consistently appeared in the T&T as especially important for agreements of a long-term nature, not least to maximise the environmental benefits that a scheme can deliver. **M&E** of a scheme would go hand-in-hand with such reviews, and the approach and tools for monitoring would need to be clearly set out in an LTA before parties could agree to it. Related to this, the template LTA also contains clauses dealing with issues of GDPR, and farmers felt strongly that they should retain access to and ownership over any data collected during the M&E of a scheme.

Based on this, and the previous milestones of the T&T, it appears that LTAs of the kind developed in this T&T – i.e., multi-party/collaborative, including landowners and tenants, and on agriculturally productive land – are currently **unlikely to be widely achieved** in the context of LR. There are many factors contributing to this conclusion, but there is a clear need for greater guidance and clarity from government, especially surrounding conservation covenants and blended finance. In addition, the multiple sources of risk involved need to be mitigated as far as possible, to provide reassurance to all parties who might be considering an LTA. Crucially, land managers must carefully consider the options currently available to them, and those that might arise in the future; this includes retaining the option to enter into a shorter-term or privately-funded agreements if these appear to be more favourable to their particular circumstances.

It should be emphasised, however, that LTAs to deliver LR-type projects must, at least in part, be **collective and value-based**:

*'There has to be an element of this project, whereby together, you're coming together to cooperate and deliver something... Unless we engage people with nature, they won't value it. So we can't be stuck in the box of agri-environment schemes... If we start from the point [of farmers wanting to individually sign up to a scheme] I don't think Landscape Recovery's for them.'*

A farmer interviewee echoed this sentiment, saying, *'if you're not going to enter into it in the right spirit with everybody else then it doesn't work anyway.'*

The stakeholder from Southern Water also emphasised the importance of effective and continued collaboration amongst agreement holders, especially in the context of mitigating some of the risks involved with non-compliance or agreement holders withdrawing:

*'So much of our risks are in the human, **social capital** space as much as the natural capital. So it's, how do we maintain and foster continuing engagement and continuing favourable land management?'*

### Milestone 5: Evaluation interviews and finalisation of the template LTA

The aim of the evaluation interviews was to seek feedback on the policy recommendations that had been produced, and to finalise the changes that had been made to the draft LTA on the basis of the workshops and interviews completed in Milestone 4. Where amendments and additions were suggested to our conclusions and policy recommendations, these have been – as far as possible – adopted for the final version that is presented in this report. Likewise, comments made during the evaluation interviews were used to iterate the template LTA further, and produce a finalised head of terms document. The final stage of the interviews elicited participants’ feedback about the T&T itself, including reflections on the co-design process that was used. The interview protocol used in this milestone is included as an appendix to this report. In addition to carrying out interviews, we also sought advice from a lawyer at the National Trust, who was able to comment on our draft HoT template agreement. Overall, interviewed farmers and stakeholders agreed that our draft LTA and policy recommendations broadly reflect their views, indicating that we have successfully consolidated several viewpoints to make recommendations that consider the needs of all of our participants.

Here, we provide an overview of the final remarks surrounding LTAs made by participants during the evaluation interviews. Despite the numerous concerns that were raised by stakeholders and farmers during the T&T, it appears that **there are several areas in which favourability towards LTAs for LR could be improved** among land managers and stakeholders. This section details the comments and suggestions of participants in the evaluation interviews, while findings from previous milestones of this T&T are explained more fully in the preceding reports (see Barkley, Chivers and Short, 2022a, 2022b, & 2023). These have all been used to inform the policy recommendations contained within this final report (see pp. 31-36).

The lawyer based at National Trust provided feedback on the HoT template agreement itself, reiterating the need for further research surrounding joint liability and the nature of the responsible body. They also recognised that our approach, whereby we have co-designed the agreement with a wide range of land managers and stakeholder, has led to multiple possible directions of travel in many cases:

*‘It [the HoT template agreement] absolutely identifies the issues involved in setting up a multi-party scheme, but I think the joint-liability of the members part still needs more exploring. The whole point of having a separate legal entity as the “Responsible Body” is that the liability of the members is limited. I think some of the confusion comes because many different points will have been made at the T&T meetings, and the writer is trying to cover them all, and the document does a good job of reflecting that (& not providing a single solution).’*

From the outset of the T&T, **land managers exhibited a range of opinions** towards the concept of an LTA for LR, ranging from very unfavourable to favourable. The farmer who admitted being ‘very cynical’ about the feasibility of LR and LTAs of this kind for ‘average or smaller farms’ has, if anything, become even less favourable towards them as a result of discussions held during the T&T. While finding the workshops very informative,

*‘hearing other people’s point of views, there’s things I hadn’t thought of, and you go...that’s another sort of barrier, another reason why I can’t see it working or another hurdle to overcome. It didn’t feel like there was many solutions that between us we came up with, it seemed like more **barriers**, more problems.’*

This opinion reflects the intricacies involved in forming a collaborative LTA for LR, as a natural capital advisor explained during her interview:

*'Overall, I think I learned more by being involved in the Test and Trial. I think I was broadly in favour of trying to make [LTAs] work, but I think what the Test and Trial did was draw out more of the **complexity**. Because once you start to dig into it, you start then to uncover the various issues... I'm still positive overall about [LTAs], but it's from a position of seeing more of the complexity.'*

Crucially, this remains a significant barrier to perceptions of LTAs. When discussing the research team's conclusion that 'land managers in this T&T were **overwhelmed by the bureaucratic and administrative complexities** that an LTA could present', one farmer commented,

*'I would put a word in front of overwhelmed to emphasise that point even further... I think it's hugely overwhelming.'*

This view was supported by a stakeholder, and demonstrates the need to keep AES and the agreements that might accompany them as **simple** as possible:

*'Before they even start thinking about SFI, they're already in Stewardship. They've already got to do assurance schemes and all of that stuff. And none of them went into farming because they love bureaucracy and sitting at a desk.'*

Farmers interviewed during Milestone 5 suggested that the T&T itself provided value in **raising their awareness of LR and other potential opportunities** such as PES or natural capital markets. In addition, conversations held during the T&T and in other peer-to-peer settings can '*get local farmers talking about a common subject*':

*'I see the Landscape Recovery clusters – or if they get to the stage of having an agreement – as a catalyst for other funding opportunities. So I think the way I see the Landscape Recovery agreements is they're kind of pump prime, and **to bring people together** with that commonality.'*

Likewise, the stakeholder from a water company emphasised the importance of bringing land managers and potential funding bodies together, especially for initiating a course of **collaborative working**:

*'Actually, the fact that you have an agreement and a long-term working structure is probably a huge step in the right direction anyway. We've talked quite a lot about our ability to invest on fairly short-term cycles, and in some ways that's kind of a gateway, it's kind of a catalyst in itself that we...can invest and make things happen, but we can't necessarily give that long-term assurance [of funding]... Our contribution...is only part of a bigger jigsaw puzzle but by our supporting that ongoing functioning of that group, it provides that kind of keystone to having all that [work for the environment] happening.'*

This suggests that there is a key role for bridging organisations and potential funders – including Defra themselves – in **supporting the formation and ongoing operation of groups** participating in environmental recovery at the landscape scale. Moreover, one farmer said, '*Defra have got so much to do to gain the trust from farmers... I think that's as much of a barrier [to participation]...than the practical side of things.*' **Building trust and social capital** could be foundational to the success of LR, as could awareness- and knowledge-raising. Another farmer stated,

*'There is a blind spot here and that is the **knowledge gap** farmers have in terms of understanding how ecosystem processes work... [I]f people understood that...their mindsets would change, and then that would improve uptake.'*

However, this farmer has also noted 'a seismic shift' in the willingness of local farmers to collaborate for nature, something he attributes to falling grain prices and the ending of farm subsidies. This indicates that now may be an opportune moment in which to focus efforts at **education and capacity-building**, and in which to make longer-term, landscape-scale agri-environmental approaches the '**mainstream**'.

Providing **greater clarity** on key aspects of LR would also make participants in this T&T view the scheme, and any LTA that might accompany it, more favourably. Primarily, the need for clarity centres around financial aspects of LR, with guidance on **stacking** emerging as particularly important. A natural capital advisor believes that stacking,

*'is the only way really we're ever going to address the issue of how you reward people that have been doing the right thing for years, because most of the funding is seeming to be about restoring degraded stuff'.*

Similarly, a farmer commented that stacking is an essential component of an LTA:

*'If people haven't got the ability to stack, they're not going to sign up. I wouldn't sign up, and I care [about the environment]. I wouldn't do that to this farm because I think the opportunities are in front of us.'*

This farmer also believes that the **attractiveness of LTAs** – for LR as well as for other natural capital and privately-funded arrangements – may be regional. He noted that in the T&T's case study area (West Sussex), there are, for example, '*a tremendous amount of biodiversity net gain opportunities*', since there is so much ongoing development in the South East.

**Taxation** is another key area in which farmers and stakeholders alike are awaiting further information. Stakeholders commented that the current state of tax legislation '*fully incentivise[s] [farmers] to keep land in agriculture...there's no incentive to transition to nature*', and that it is also,

*'disadvantaging the private individual landowner as opposed to the Local Authority or the Wildlife Trust, because they don't have to pay Inheritance Tax... So they are leaping ahead, getting into Landscape Recovery, getting into long-term planning because it's just not an issue for them. So, in a way, we haven't got a level playing field and I'm worried about private landowners being crowded out on that basis.'*

Again, this emphasises that the multiple barriers that exist to LTAs in productive, multi-ownership contexts might result in the 'crowding out' of smaller landowners and tenant farmers. This has **significant implications for achieving a just transition to the new ELM schemes**.

Regarding taxation, a farmer added:

*'[Farming] is such a generational, long-term industry that you have to constantly be thinking about the tax implications. And then also, there's the bit that you can't actually control: what tax changes might happen in 30 years of more. So even if they gave clarity on the tax implications now, how do we know that the goalposts won't move in 10, 15, 20 years' time?'*

This suggests that government not only needs to provide more information about new AES and the legislative changes that might accompany them, but also to provide a sense of **stability regarding policies** towards agriculture and the environment. The volatility that has surrounded the planning of ELMs has affected the trust of both farmers and stakeholders, and changes in governments, policies and priorities remain a concern. The interviewee from a water company noted:

*'That's a big uncertainty really that it would be good to try and design out of the system. If it's all agreed and understood about these being priorities and the public good, how do you avoid them being blown about the winds of change?'*

**Financial concerns** also remain surrounding the stability of funding across the lifetime of an LTA, and the mechanisms that might be used to achieve this. One farmer's main concern in this area is,

*'inflation, and deflating the value of a deal that's done over such a long time... We're quite used to volatility but we're not doing 30-year fixed price contracts on anything.'*

However, it should be emphasised that all farmer and stakeholder interviewees spoken to in Milestone 5 believed that **long-term change in practice** was required in order to achieve more impactful environmental benefits. Farmers commented:

*'I think the 30-year agreements are essential. If we're talking about anything less than 30, then we're wasting our time.'*

*'30 years – how long is that really, in terms of the environment? It's nothing, is it? Things take a good few years before things start to change... After 30 years...some of these big ideas, you're not going to reverse.'*

This suggests that the relevancy upon decision-making of the timeframe will be AES-dependent, with 30 years being accepted as necessary for LR. Moreover, one stakeholder believes that if payments can be structured to be guaranteed and secure, particularly as **subsidies** come to an end, it *'will help to sell some of the positives'* of LTAs.

Similarly, there was broad agreement among interviewees that some kind of land designation would likely be needed to safeguard land use change in the long-term. When asked about the inclusion of a **conservation covenant** in the template LTA produced by this T&T, interviewees generally accepted this from both a funding and an environmental perspective:

*'If you're going to do it, it's got to be forever. Otherwise, you're creating habitat to then potentially destroy it again. Well, that seems a bit of a waste of everyone's time and energy'. [Farmer]*

*'To me, I kind of see that any entrance into an agreement in some respects requires a conservation covenant matched to the timeframe of that funding...to make sure it's like a commercially viable model... Either that you're compensated for the loss [i.e. of land/value/opportunity] or that you're funded for the gain [i.e. of biodiversity/environmental outputs].' [Stakeholder]*

While statutory designations should provide a great deal of security in several aspects, they will not, in themselves, foster a landscape-scale approach. For this, **encouraging partnerships and collaboration** on a more informal basis was recommended by one stakeholder.

One stakeholder noted the importance of ensuring land managers make a **fully informed decision** about participation in LTAs, even if these are stated to be of a limited (e.g. 30-year) duration:

*'The main thing is, I think, in terms of advising landowners that they have to, if it's a very long-term agreement, they've got to consider it to be permanent.'*

Regarding the **five-yearly review points** proposed in the template LTA, farmers themselves see these as necessary but also view them with caution. For example, one farmer said he worries that some land managers will think *'well, I haven't got an inspection for five years, I can underperform for a period of time.'* Likewise, one stakeholder also emphasised that whilst review points are crucial for all participants in an LTA, they should not be seen simply as easy exit points:

*'I think the challenge is going to be about how [review points] are communicated, so that the farmer understands it's a 30-year commitment, but every five years there's going to be a bit of a...review and a tweak, but you're not in a five-year scheme with an option to extend for five years; you're a 30-year commitment. So there needs to be some quite careful communications around that.'*

Options for **modification and discharge**, including for agreement holders to have a reasonable amount of governance power, are also linked with land managers' willingness to agree to **joint and several liability**, as proposed in the template LTA:

*'It comes down to policing and sanctions, and having the power to implement those sanctions... So if somebody is non-compliant, it may be that we expel them... We're not going to want to take the liability if we are constrained, if we're handcuffed without any powers.'*

### Interviewee feedback about the T&T and co-design process

All the farmers and stakeholders interviewed during Milestone 5 were extremely positive about their personal experiences of participation in this T&T, and very pleased with the way their views have been represented in the final outputs. This provides evidence that our methodological approach (see figure 2, p.6) has achieved true co-design, with the views of all participants incorporated throughout the T&T. Feedback gained during the evaluation questions on the T&T and its process included:

*'I find it really interesting...meeting people I wouldn't have otherwise met, and listening to different points of view. I think it's always **useful, beneficial**...to get away from the farm and hear and see how things are going for other farmers, other types of farms, sizes of farms, ages, all different demographics. I found that I might not have spoken very much, but it was useful just to be sat there listening and hearing what other people had to say. And I also feel like I've had a bit of **a sense of achievement**... It's very easy to sit there and moan about these schemes...but you can't moan about it if you're not willing to say something and get involved... So I've done what I can, in a small way **to try and shape the future of some of these schemes**...it makes me feel quite satisfied. **I learned quite a lot.** I opened my eyes to some stuff... For me, personally, it's been interesting, enjoyable. **I'll definitely do it again.**' [Farmer]*

Stakeholders also found participation in the T&T beneficial. When asked whether she had found it useful and interesting, the natural capital advisor commented,

*'Yes, I have very much, because it is my professional interest area. So I'm really pleased to have had the opportunity to be involved. It's been **very helpful for me in helping my understanding** of some of the more complexities about how it's going to be delivered. So I've enjoyed participating, I've found it useful to participate.'*

Farmers and stakeholders alike were pleased with the variety of views that were represented in their respective workshops:

*'I think you've actually managed it very well... And what was really good is we had really, you know, environmentalists and what I would say, you know, hard-nosed NFU members, so people who are very agriculturally-focused. So it was **a good cohort**.'* [Farmer]

*'The kind of group, **the workshop dynamic** that we had and the people that you brought into that, you know, it was **a really lively and engaged group**. So that was really interesting.'* [Stakeholder]

Similarly, interviewees responded very positively to the way in which we incorporated as many views as possible from the workshops in the final outputs, including in developing our main conclusions and policy recommendations to Defra.

*'I think you've **covered all the points that were raised**, and also I appreciate it must have been quite tricky unpacking a lot of that, those conversations, because there was an awful lot to talk about, to wade through... I mean, it's not going to be perfect for every individual [but] I think the compromises for everyone is reflected in [the outputs].'* [Farmer]

*'To **balance all of those views**...I think you found **a really good narrative** that brings all of that together. And that's why I think it's such a good piece of work, because actually we don't get this very often. You know, we kind of get one side of the equation [only].'*

The following section details our policy recommendations, as derived from the desk research and in-depth co-design process that the T&T has undertaken.

## Policy recommendations

Management at a scale above the field or farm requires co-ordination between land managers at scales rarely operationalised or actively encouraged in the UK to date (Prager et al., 2012). This lies at the heart of the challenge for LR. Indeed, collaborative provision of ecosystem services has been hampered by a mismatch between the current scale of management and the scale of the ecological processes in question. Further, patterns of land ownership and tenure complicate administrative efforts and ecosystem boundaries, leading to increased transaction costs for coordinated landscape management (see for example, Falconer, 2000). There is also a temporal mismatch between the long-term view required to facilitate intergenerational equity (50-100 years), the timeframes typically used by land managers (up to 30 years), and those of politicians who may be elected for a 5-year term only (Prager et al., 2012).

Based on the findings of this T&T, it appears that LTAs – especially of a multi-party/collaborative nature and over agriculturally productive land – are currently **unlikely to be widely achieved under LR** due to various contextual factors. This has a potentially significant impact on the likelihood of achieving a **just transition to the new ELM schemes**, as the T&T provides evidence that suggests smaller landowners and tenant farmers face numerous barriers to their participation in such an agreement. Moreover, there are areas – such as those surrounding inheritance tax and the definition of agriculture – in which they appear to be significantly disadvantaged compared to larger landowners and land managers, both of a private and organisational nature.

There is a clear desire for **greater guidance and clarity** from government, especially surrounding conservation covenants, blended finance and tax implications. The various **sources of risk** involved need to be mitigated as far as possible, to provide reassurance to all parties who might be considering an LTA. Moreover, with the uncertainty surrounding the emerging natural capital markets, many land managers are wary of forestalling future opportunities, and require further guidance about any likely future regulations surrounding the stacking of multiple benefits and outcomes in a landscape.

Land managers in the T&T were often overwhelmed by the **bureaucratic and administrative complexities** that an LTA could present. This seems to be a key barrier to participation, and making template agreements as **simple** as possible would likely increase participation rates. While smaller landholders taking part in the T&T have repeatedly expressed the sentiment that LR, with its minimum 500ha requirement, seems designed for larger single landholders only, large estate owners also appear to have real concerns about entering into an agreement of this nature. Clearly, the added complexity of securing an agreement with multiple parties is a key disincentive to participation. However, this would also apply in terms of accessing private finance, and further government guidance and support with this matter is required. It may be that transacting agreements with single parties beneath an overarching LR project – although likely to incur higher transaction costs – would lessen both the administrative complexity of LTAs and reduce the perceived risk to land managers by eliminating the need for joint and several liability.

There is also a balance to be struck between creating larger LR projects and giving land managers – especially smaller farmers and tenant farmers who are traditionally more reliant on an agricultural income – the opportunity to participate in environmental schemes that may be less ambitious in scope or long-term in nature. The farmer participants in the T&T all express strong environmental and land stewardship values, yet individual circumstances may preclude them from entering into an LTA. For some land managers, making smaller changes to their land management, and being able to enter/leave agreements more freely and regularly will be more suitable; for these, schemes such as **SFI or Countryside Stewardship Plus** will undoubtedly be more attractive. There is, however,



widespread recognition that more dramatic changes to land management practices are required in order to meet urgent climate targets. Some farmers believe the more ambitious ideas will fail to go ahead because of the increased risk involved in these. Similarly, some stakeholders believe that large-scale change will only occur when the regulatory environment also changes, in order to more greatly incentivise participation and perhaps move away from schemes of a voluntary nature.

**The following section details our policy recommendations according to the five priority questions that the T&T has addressed.**

**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. 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.

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.** Constructing LTAs around a single legal entity should help to ensure continuity within an agreement's aims and membership over time. However, review mechanisms and other structures would need to be in place to allow new members to join an agreement where appropriate, and others to leave when absolutely necessary. This creates a tension between the need for flexibility and the clear requirement for robust structures and safeguards.

The principles in common of the template LTA developed in this T&T require agreement holders to carry **joint and several liability**. Such a clause, and associated structuring of the LTA, **helps provide security towards fulfilling the scheme's environmental goals whilst also providing security for all sides that the project is not at risk of non-delivery.** Indeed, Strutt and Parker believe that many funders will want to work with a single legal entity for this reason. Whilst joint and several liability is understandably troubling for many land managers, ensuring full clarity on scheme delivery and any penalties for non-compliance are built into the agreement from the outset can mitigate such concerns to some extent. Another option to reduce and mitigate these concerns might be to ring fence the liability that is linked to specific aspects of the LTA.

Although some participants expressed concerns over the willingness of land managers to enter into a single legal entity, others believed there is a need for, and a value to be gained, from operating within such a collaborative structure. It is, however, likely that a **professional facilitator will be required to co-ordinate and oversee any multi-party LTA** such as this one. Provisions for help with the initial set-

up of the collaborative structure would be welcomed by farmers and stakeholders alike, and something akin to a Facilitation Fund could assist with ongoing administrative costs.

The vehicle chosen by Strutt and Parker to underpin the T&T's template LTA is a company limited by guarantee, as the ability to make and withdraw profits in such a structure best suits the financial needs of the production landholders that we have codesigned the agreement with. Similarly, whilst Strutt and Parker have explored options for using a **cooperative law** framework, they believe that **contractual law offers better security for all parties** in terms of dispute resolution, and mechanisms to enforce penalties and obligations. Again, this should help safeguard investments and ensure ongoing scheme compliance. However, at the centre of any LTA must be a collective belief in a shared vision for the area in question.

There is an ongoing tension among T&T participants over the need for **conservation covenants** to be included in LTAs. Although they may provide a sense of certainty over long-term land use for funding bodies, these companies also expect them to be **prohibitively expensive to use at scale**. A balance therefore needs to be struck between seeking long-term security and allowing **modifications and discharges** to occur in exceptional circumstances. Moreover, covenants can only be transacted with landowners, so if tenants want to participate in a scheme that requires them they will only be able to do so with landowner permission. While some landowner participants in the T&T are currently seeking ways to secure a form of 'legacy' from their land, there is also a sense of caution over committing to a covenant in perpetuity; **covenants of limited duration might be more appealing to landowners**.

The need for ongoing **M&E** was accepted by almost all participants, and this should consider the LR project's specific location, meaning bespoke frameworks will likely be required for each agreement. This would also help with concerns over accountability for factors outside land managers' control. However, the **costs of monitoring should be** proportionate, as stakeholders and farmers alike are wary of how quickly these can escalate. **Technology can increasingly play a role** in reducing these costs, as can elements of self-reporting or citizen science approaches.

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 will be vital to protect both agreement holders and the land over which they have stewardship, whilst also delivering multiple benefits to wider society.

Whilst the governance and regulations surrounding LTAs will be crucial to their success, the impact of **ongoing agreement holder engagement must not be underestimated**; if engagement and ambition can be sustained, environmental outcomes are much more likely to be secured in the long-term. Efforts at knowledge transfer and social capital building have a role to play here.

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

It appears that the more **flexible** a LR project and any associated LTA can be, the greater the likelihood of securing land manager participation. **Review mechanisms**, including exit clauses that allow land managers to leave an agreement if absolutely necessary, will be a crucial part of inspiring confidence to participate, especially considering that most farmers will only have experience of participating in AES that have, to date, operated over much shorter timescales. If conservation covenants are used,

**covenants of limited duration** are likely to have more widespread appeal to landowners than in perpetuity covenants; again, this may increase participation rates.

Land managers must have a high degree of **confidence** in an LR project and associated LTA if they are to commit to it. There must be a **clear understanding** of the LR project's aims, and the land management stipulations and environmental targets that they will be required to meet. Ensuring full clarity on scheme delivery and any penalties for non-compliance are built into the agreement from the outset can help with this. Moreover, having robust but transparent **M&E** and **dispute resolution** processes will also allay some concerns. There is, however, still a need for greater **government guidance** over ELMs, and **clarity** over any likely future regulations surrounding the stacking of multiple schemes on land parcels. With the current uncertainties that surround the emerging **natural capital markets**, many land managers are wary of forestalling future opportunities. Knowing whether participation in a LR project would preclude them from also taking advantage of potential income streams from other sources would enable land managers to make a more informed decision about their participation. If land managers are allowed to stack various measures on their land, it could give them a **greater security of income streams** and, therefore, make 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; this is a key concern of production landholders.

Land managers must also have confidence in the **blended finance model** that an LR project adopts. This includes assessing the **acceptability** of working with particular funding bodies, as well as their **financial trustworthiness** and security. While an upfront or ongoing flat rate of payment is easier for funding bodies to plan for, variable rates (with a guaranteed minimum for meeting pre-agreed targets) seem to be more attractive to land managers. 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. While environmental targets will need to be reassessed at the agreement's review points, to ensure the LR project is delivering against its goals, land managers also emphasise the need to review payment rates at these points. This could prove problematic if new payment rates cannot be negotiated between land managers and the bodies funding an agreement, however it might also be an opportunity for agreement holders to seek other sources of finance instead.

Since the added complexity of securing an LTA with multiple parties appears to be a clear disincentive to participation, transacting agreements with **single parties** beneath an overarching LR project might be an alternative. While likely to incur higher **transaction costs**, it would lessen both the administrative complexity of LTAs and **reduce the perceived risk** to land managers of adopting joint and several liability. Additionally, since land managers appear to be overwhelmed by the bureaucratic and administrative complexities that an LTA could present, making agreements as **simple** as possible would likely increase participation rates. The use of a professional **facilitator** might also reduce perceived complexity while increasing land manager confidence in the ongoing management of an LTA. There is a balance to be struck here between minimising the administrative burden wherever possible and maintaining a high degree of robustness in the governance of an LR project.

Stakeholders and farmers alike are keen to stress their **willingness** to participate in environmental agreements, including those of a long-term nature. However, it should be recognised that there are many limitations to their ability to plan for the long term. One key unanswered question for farmers remains the issue of **taxation**, especially if land is being taken out of agriculture. This currently appears to have a big impact on land manager caution around LTAs, as it significantly impairs their ability to calculate the opportunity costs of the options that may be open to them.

### 3. How can payments be structured over the life of the blended finance agreement to allow land managers to achieve high quality and quantity of environmental outcomes while balancing stability of revenue and investor return?

Improving **certainty** around the funding and payments aspects of LR is a key part of broadening its appeal to land managers and potential funders alike. Taking into account the relatively short-term nature of most AES to date, ensuring that payment rates and schedules are clear is a key first step to helping land managers plan for the future of their farming businesses, including assessing whether LR is the most appropriate option for them. Moreover, guaranteeing the **security of financing** for the duration of an agreement will alleviate a major source of concern for land managers whilst also increasing the likelihood of high-quality environmental returns throughout the life of the LTA.

With current inflation rates, a **one-off capital payment** for an LTA was an unattractive prospect for many land managers, who see this as gradually depreciating their income over time; rather, **annual payments – preferably adjusted in line with CPI** – would add a sense of fairness and security to the question of financing. In contrast however, the T&T found that capital payments were the preferred option according to many funding bodies, as this approach fits more easily into their existing financial planning cycles. Alternatively, **taxation reliefs** might be an effective way to compensate land managers in the long-term when public funding is in use, but it depends 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, and thus ensuring high quality and lasting environmental outcomes.

Land manager participants favoured a financial model which gives them a mix of guaranteed and bonus payments. Therefore, 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. This would be particularly suited to LR agreements that contain a combination of land management prescriptions alongside environmental targets: the prescriptive element could be covered by a guaranteed payment, while the latter could operate on a **payment by results** (PBR) model. This would, to some extent, mitigate land manager concerns over the unpredictability of PBR whilst incentivising work towards a high quality and quantity of environmental outcomes. An alternative model to incentivise such work is one in which funding bodies competitively bid for outcomes, rather than offer fixed-price payments (Herzon et al., 2018: 351); this, however, requires the interest of multiple investors. The approach taken to payment mechanisms will ultimately depend on what is being measured. In addition, the **M&E** frameworks in place must be robust and transparent, to ensure adequate environmental gains are being made and rewarded. Payment rates will likely need to be **adaptive**, with changes brought in at an agreement's review points.

While uncertainty remains around the inchoate **natural capital markets**, land managers and potential investors alike are keen to better understand the implications and opportunities of these, and to understand how (and if) they may operate alongside LR. The development of **accreditation schemes regulated by government** could provide certainty for both parties to enter into new markets. If land managers are able to stack different environmental outcomes on their land, this could help to ensure their stability of income in the long-term and, therefore, increase the likelihood of their continued work for the environment. Moreover, stacking measures may also minimise the area of land that is required to be removed from agricultural production. This would likely aid the ability of land managers to plan for the future, and also increase the stability of farm business income through diversification. Evidence suggests that combining public and private networks into the management of land for the

environment results in a system with a higher adaptive capacity for tackling problems (Dedeurwaerdere et al., 2015: 27).

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

#### 4. How to blend public and private finance in funding projects? AND

#### 5. What is the best implementation option for bringing in private finance?

A **stacked** model of finance – as opposed to a blended one – was 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. Considering LR in a more holistic way – as “*multiple functions in a landscape*” (T&T stakeholder participant) – might also **broaden the funding opportunities** available to any given project.

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). Among stakeholders and farmers there was general consensus that public goods – especially public access to land – should be paid for by public money. On the other hand, aspects such as water quality improvement or flood risk alleviation are felt to be more natural investment areas for private bodies such as water companies. Private investors may also 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. Having a **conservation covenant** or other designation in place can encourage private investment by adding security of land use change, however stakeholders expect these to be too expensive to use at scale. **Offsetting requirements** might also encourage other types of business to invest in LR projects, and these may require the use of a designation to secure land use change.

Stakeholders participating in the T&T 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.

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## Appendix: ELM Test & Trial: Co-designing long-term agreements for Landscape Recovery: Evaluation interview guide

Introduction to the interview, gain consent to be recorded.

### Section 1: General attitudes towards LTAs

We're now going to ask some broad questions to explore how you feel about the concept of long-term agreements in general.

**How favourably did you feel towards LTAs were you at the start of the T&T?**

Very unfavourable	Unfavourable	Neither/unsure	Favourable	Very favourable

**Why? – probe**

**How favourable are LTAs to you now?**

Very unfavourable	Unfavourable	Neither/unsure	Favourable	Very favourable

**Why? – probe**

*If unfavourable – how do you think they could become more favourable over time?*

*Would you consider an LTA of the kind developed in this T&T? (Probe if they haven't already explained this in previous question).*

**What do you think are the key opportunities/positives surrounding LTAs?**

**What do you think are the key concerns/risks surrounding LTAs?**

### Section 2: Specificities of our Head of Terms agreement

We're now going to see how you feel about some of the key parts of the template LTA and whether they need any further amendments.

**Do you agree with our conclusion that a conservation covenant (possibly of limited duration) appears to be the best option to safeguard land use change?**

**Why?**

*[Discussions of the need for a designation of some kind have arisen in workshops, but only really in final workshops did HB pin this down to a covenant].*

- Probe ongoing/remaining concerns e.g. lack of details from government:
- What about balance between security/legacy of land use change/environmental outcomes vs. present day uncertainties over such a long-term/irreversible commitment?
- What about tax implications? [note current Govt consultation]



**Incentivising land managers to collaborate under landscape recovery may be an important part of its success.** We're now going to explain how we have tried to ensure that all land managers, including tenants, are able to engage in the scheme:

*The HoT's includes, in its Principles in Common, the requirement for joint and several liability to be held in order to safeguard overall outcomes. Is this acceptable to you, given there would be significant measures in place covering individual expectations/requirements, dispute management and methods for remedy of breach?*

*Strutt & Parker chose the structure 'company limited by guarantee' as the special purpose vehicle that would be created for this hypothetical LR project. Would this serve your particular needs/expectations from participation? (Probe importance of profit-making and ability to take these out of the SPV).*

**Do you think that these measures are reasonable? Why? What would you change/pay particular attention too?**

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**We have also considered payment structures and monitoring and evaluation. Based on our workshops with farmers and stakeholders, it appears that a 5-year M&E cycle was most acceptable in the context of our NFM scenario. Would you agree with this? Why?**

*Probe ongoing/remaining issues e.g.:*

*This is the point at which your payment rates would likely be adjusted/increased; when financial contracts would be renegotiated between land managers and funding bodies*

*This is the point at which land management agreements could be altered to better deliver against targets (is 5 years too long if things are not working?)*

*Payment structure – is a gateway approach (minimum guaranteed payment plus the opportunity to get more if higher thresholds are reached) acceptable? (balance between guaranteed base income and elements of PBR/bonuses).*

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**What about divisible assets/apportionment of surplus (profit) from the SPV? Do you think that basing this on land area in the scheme acceptable/fair? Any other suggestions for this?**

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**Long-term agreements may be blended finance in nature, where both public and private funding is used. To what extent is this palatable to you?**

**Why?**

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**What do you think the biggest risks and concerns are surrounding blended finance?**

*Probe – how could these concerns be resolved?*

**What mechanisms do you think would help to encourage sources of private finance to engage in long-term agreements?**

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### Section 3: Our policy recommendations

I'm now going to share the screen and show you our list of draft key policy recommendations, which you should also have received in advance of this interview.

**Are there any you particularly agree or disagree with?** If any adjustments are needed, it would be great if you could make suggestions as we will incorporate these and adapt our findings based on all of our interviewee's views.

*Probe as necessary – explore overall view that LTAs are 'probably unlikely to be widely adopted in productive agricultural areas under multiple ownership at the moment'.*

### Section 4: Your participation in this T&T

**Have you found participating in this T&T useful and/or interesting? Why?**

Yes	No	Neither/ unsure

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**Do you feel your contributions during workshop were taken on board by the research team?**

Yes	No	Neither/ unsure

If unsure/no, how could we have improved upon this/what could we have done differently?

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**Do you feel that the final LTA adequately reflects discussions from the workshops? (i.e. has it been co-designed enough?)**

Yes	No	Neither/ unsure

If unsure/no, how could we have improved upon this/what could we have done differently?

**Do you think the final conclusions and policy recommendations are a fair reflection of what was discussed during the workshops?**

Yes	No	Neither/ unsure

If unsure/no, how could we have improved upon this/what could we have done differently?

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**Overall, do you feel your participation was/will be:**

**a) Valuable to Defra?**

Yes	No	Neither/ unsure

If unsure/no, how could we improve upon this/what could we have done differently?

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**b) Fairly reimbursed?**

Yes	No	Neither/ unsure

If unsure/no, how could we improve upon this/what could we have done differently?

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**Would you be interested in participating in future research of this kind?**

Yes	No	Neither/ unsure

**Any other comments to make about the T&T?**

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Thanks so much for participating – we will send across our final report once it has been approved by Defra. We will also invite you to our public seminar, likely to happen in April/May.

Reimbursement - voucher choice.