

Summary: Intervention & Options

Department /Agency: DEFRA	Title: Impact Assessment of Uplands Entry Level Stewardship (Uplands ELS)	
Stage: Final proposal	Version: 1	Date: 1 November 2008
Related Publications: Uplands Reward Structure RIA (http://www.defra.gov.uk/rural/uplands/consultation/rdpuplands-consultdoc.pdf , p31)		

Available to view or download at:

<http://www.defra.gov.uk/rural/uplands/support.htm>

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What is the problem under consideration? Why is government intervention necessary?

Ministers announced in 2006 that the Hill Farm Allowance (HFA) would end in 2009 and that uplands funding would be integrated into Environmental Stewardship (ES). This decision was supported by a Regulatory Impact Assessment (RIA) at that time. This Impact Assessment (IA) considers the design of Uplands Entry Level Stewardship (Uplands ELS), which has been confirmed as the replacement to the HFA. The rationale for intervention is to secure public goods on a landscape scale by encouraging large numbers of farmers and land managers to deliver simple, effective environmental management in the uplands.

What are the policy objectives and the intended effects?

The strategic objective for Uplands ELS is to maintain and improve the biodiversity, natural resources, landscape and historical values of England's uplands, and to contribute to climate change mitigation and adaptation, by supporting the land management practices which deliver these benefits. Uplands ELS will contribute to wider ES objectives by rewarding existing good management, encouraging improvements, and discouraging negative change that might otherwise occur. This differs from the HFA which is not explicitly linked to the delivery of public benefits.

What policy options have been considered? Please justify any preferred option.

The previous RIA compared four different options: 1- a compensatory allowance similar to the HFA; 2 - an area-based agri-environment scheme; 3 - an ES scheme; 4 - the cessation of specific support to uplands farmers. In December 2006, the Government decided to pursue option 3 on the basis that it would recognise the key role of upland farmers in delivering environmental and landscape objectives, whilst enabling government to better target funding towards the delivery of public benefits. This is a final proposal IA focusing on the specific design of Uplands ELS.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? We will review the uptake and administration of Uplands ELS before the end of the current rural development programme in 2013.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

..... Date:

Summary: Analysis & Evidence

Policy Option:	Description:
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' Government: additional funding for advice - £3m (one-off); commons supplement - £0.6m (avge annual); additional funding - £1.68m (avge annual); transitional arrangements £7.1m (one-off). Upland farmers: change to practice costs - £2.6m (avge annual). Natural England : IT adaptation - £1m (one-off); delivery - £186,000 (avge annual).			
	One-off (Transition) Yrs				
	£ 11.1m		3		
	Average Annual Cost (excluding one-off)				
	£ 4.45m	Total Cost (PV)		£ 33.1m	
Other key non-monetised costs by 'main affected groups'					

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' Public benefits - £29.8m (avge annual), Additional funding to farmers £1.68m (average annual)		
	One-off Yrs			
	£ 0			
	Average Annual Benefit (excluding one-off)			
	£ 31.6m	Total Benefit (PV)		£ 161.3m
Other key non-monetised benefits by 'main affected groups'				

Key Assumptions/Sensitivities/Risks All benefits and costs are calculated against a baseline of the continuation of the HFA. It has been assumed that there is a linear profiling of benefits, and that uptake will follow the profile outlined on pages 9-10. The net benefit range below refers to sensitivity analysis around the final level of uptake.

Price Base Year 2008	Time Period Years 6	Net Benefit Range (NPV) £ 111m to 145m	NET BENEFIT (NPV Best estimate) £ 128.2m
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What is the geographic coverage of the policy/option?	England			
On what date will the policy be implemented?	July 1 st 2010			
Which organisation(s) will enforce the policy?	Natural England			
What is the total annual cost of enforcement for these organisations?	£ 186,000			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ 0			
What is the value of changes in greenhouse gas emissions?	£ 0			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro £350	Small £350	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of £ 0.46m	Decrease of £ 0.59m	Net Impact	£ -0.13m

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

1 Background

- 1.1 The English uplands are internationally recognized for their biodiversity and as a highly valued part of our natural heritage. They deliver significant ecosystem services, and benefits arising include recreation and sporting use, climate change mitigation & adaptation, food & livestock production, historic environment, supporting rural communities, water quality and flood mitigation. Upland farmers and land managers play a crucial role in this, and the Government has committed to rewarding them for the delivery of environmental and landscape benefits not provided by the market.
- 1.2 The Government currently provides specific support to hill farmers in the English uplands through the Hill Farm Allowance (HFA), in recognition of the greater difficulties they face in farming these areas. However, the HFA does not deliver the best value for tax payers' money, since it is a compensatory payment not directly linked to the delivery of public benefits. Because of this, in 2006 the government made the decision to end the HFA and integrate uplands support into Environmental Stewardship (ES). In July 2008 the government confirmed that this would be done through the development of an uplands strand of Entry Level Stewardship, 'Uplands ELS' (see statements at Annex B and Annex C).
- 1.3 These decisions were informed by an earlier Regulatory Impact Assessment (RIA), carried out in 2006, which can be found at the following link:
<http://www.defra.gov.uk/rural/uplands/consultation/rdpuplands-consultdoc.pdf>.
This impact assessment focuses on the specific design of Uplands ELS, rather than the earlier policy decision.

Rationale for intervention

- 1.4 The rationale for providing specific support through Uplands ELS is to secure public goods on a landscape scale additional to those delivered by Entry Level Stewardship (ELS)¹ by encouraging large numbers of upland farmers and land managers to deliver simple yet effective environmental management in the uplands. This is in recognition of the significance of these areas to delivery of a wide range of public benefits and the critical role that farmers and land managers play in this, in particular through extensive livestock grazing.
- 1.5 The fact that these benefits are public in nature means that farmers are not fully compensated for providing them and there is therefore a risk that they will be underprovided. Public goods exist where benefits are non-rival in consumption (i.e. an additional beneficiary or user does not reduce the good's availability) and non-excludable (people cannot be prevented from benefiting from the good). Many components of agricultural systems have characteristics of public goods, including the existence of attractive landscapes, the provision of habitat for valuable species and for the maintenance of biodiversity. Farming also leads to negative externalities. The market by itself does not provide farmers with incentives to increase the production of public goods or reduce negative externalities to the levels that would be socially optimal.

¹ And, therefore, that goes beyond the Single Payment scheme requirement to meet cross compliance

- 1.6 Support to uplands farmers helps to preserve environmentally valuable grazing systems that might not otherwise be viable. Further targeting of the support towards environmental benefits could increase the incentives to provide public goods. Evidence on the economic value of the improvements in upland landscapes that could be brought about through maintaining/enhancing uplands support suggests that the costs of government intervention are likely to be fully justified by the public benefits. See section 5 for full details.
- 1.7 Market forces and recent changes to agricultural support structures have had a significant impact on livestock farming in general and upland farming in particular. Government has made a clear commitment that in the future public support for upland areas will be clearly linked to the delivery of public benefits. As a result Uplands ELS will not attempt to address the impact of market changes but will instead seek to support – as part of a wider agri-environment suite of schemes – those land management practices which deliver the environmental and landscape benefits that the market does not reward.
- 1.8 Uplands ELS is in line with indicator 5 (land management) of PSA Delivery Agreement 28: secure a healthy natural environment for today and the future. It is also consistent with the objectives under Axis 2 of the Rural Development Programme for England (RDPE), and will build on existing environmental standards. As a strand of ELS, it will contribute to the delivery of ES objectives (including under-pinning Higher-Level Stewardship), by addressing:
- Upland resource protection – including water quality and soil erosion;
 - The condition of upland habitats and biodiversity;
 - The character of the upland landscape and the historic environment;
 - Conservation of genetic resources (as a conservation tool);
 - Climate change mitigation and adaptation.

2 How Uplands ELS will work

- 2.1 Uplands ELS will be an additional and supplementary strand to ELS, open to all upland farmers and land managers in England’s ‘seriously disadvantaged areas’ (SDA), providing they meet the eligibility rules. To qualify for funding, farmers and land managers will need to earn a target number of points by meeting certain requirements and choosing a number of environmental management options.
- 2.2 As Uplands ELS is a strand of ELS, rather than a separate scheme, farmers will have to enter ELS in order to be eligible for Uplands ELS. Table 1 shows the proposed points requirements needed for uplands farmers to access ELS and Uplands ELS funding.
- 2.3 For a farmer to be eligible for Uplands ELS he or she must reach the total points target (figures in italics). This is a combination of the points required under ELS (left-hand column) and the proposed points target for Uplands ELS (middle column).

Table 1: Proposed points requirements for Uplands ELS

Land category	ELS: existing points/ha target	Uplands ELS: proposed points/ha target	<i>Total ELS + Uplands ELS points/ha target</i>
SDA moorland parcels 15ha & above	8	15	<i>23</i>
SDA moorland parcels below 15ha	30	32	<i>62</i>
SDA land below the Moorland Line	30	32	<i>62</i>

- 2.4 Under **ELS**, farmers and land managers need to achieve:
- 30 points for every hectare of their holding that is either below the moorland line (i.e. lowland or land in the Disadvantaged Areas) or in parcels of less than 15 hectares above the moorland line.
 - 8 points for every hectare above the moorland line in parcels of 15 hectares or more.
- 2.5 To qualify for **Uplands ELS** farmers would have to achieve additional points on top of this:
- a further 32 points for every hectare of SDA land that is either below the moorland line or in parcels of less than 15 hectares above the moorland line;
 - a further 15 points for every hectare above the moorland line in parcels of 15 hectares or more.
- 2.6 Farmers and land managers will be able to obtain these points by meeting a series of *requirements* and through selecting from a menu of land management *options*. Each set of requirements and each different option will be worth a number of points. The full list of proposed requirements and options under Uplands ELS is set out in Annex D.
- 2.7 The requirements are specific farming practices that the farmer *must* meet on all SDA land in their holding. There are different requirements for the different SDA land categories – including additional requirements for common land and shared grazing above the moorland line. By meeting all of the requirements, the farmer will gain a number of points for every hectare of SDA land in the holding. The moorland requirements are worth 15 points per hectare, the non-moorland requirements worth 11 points per hectare.
- 2.8 Farmers will gain the remaining points needed to reach the target for the holding by selecting from a menu of land management options. These options can be chosen from both the existing suite of ELS options and from a new set of Uplands ELS options. These Uplands ELS options, along with their points values, can be seen at Annex D. As required by European legislation, the payment rates are based on the income forgone and costs incurred in carrying out the environmental management required.
- 2.9 In terms of the value of Uplands ELS to each applicant, 1 point = £1. So a farmer who meets all the criteria to become eligible to receive ELS and Uplands ELS would receive a flat rate payment of:
- £23 per ha, per year, for moorland parcels over 15 hectares;
 - £62 per ha, per year, for all other SDA land.
- 2.10 For example, providing he or she met the required points target, a farmer with 300 ha of land, half above the moorland line in parcels larger than 15ha, and half below the moorland line, would be eligible to receive:
- For his/her land above the moorland line, 150ha x £23 = £3450
 - For his/her land below the moorland line 150ha x £62 = £9300
 - Total = £12750

3 Policy Development & Consultation

- 3.1 After preliminary research and stakeholder engagement (described fully in the previous RIA) on the future of the uplands rewards structure, Defra issued a consultation document in 2006 which outlined four different proposals for the uplands.

Baseline option – a compensatory allowance along similar lines to the HFA

Option 1 - Agri-Environment with an incentive element

SDA farmers would be encouraged to participate in, or remain in, agri-environment schemes by the offer of an area-based LFA payment dependant on all or most of their holding being subject to an agri-environment agreement. Producers would be paid for all eligible land within the LFA (not just land in agreement). Payment for common land would be calculated according to grazing rights allocated to their SPS claim.

Option 2 - Uplands Environmental Stewardship Scheme based only on cost and income foregone

This option would not provide an area based additional incentive as under option 1, but would direct the funds made available by closure of the HFA into:

- a) a ring-fenced Upland Entry Level Scheme;
- b) existing ELS with additional options targeted at upland areas; or
- c) additional Higher Level Stewardship expenditure in the uplands.

Option 3 - No specific LFA support

Less Favoured Area designation retained but there would be no specific support measure for farmers.

- 3.2 A full summary of the costs and benefits of these options can be found in the previous RIA. Having reflected on the results of the consultation, David Miliband, the then Secretary of State, announced in December 2006 that:

- HFA would be rolled forward for 3 years until the end of 2009 (with reduced geographic coverage from 2008);
- from 2010, uplands support would be integrated in to Environmental Stewardship, to reward hill farmers for the environmental and landscape benefits they deliver;
- the government was 'minded' to do this through a specific uplands strand to the Entry Level Stewardship scheme. (See Annex B for full text).

Following further consideration, Hilary Benn, as the current Secretary of State, confirmed in July 2008 that Uplands ELS would be the successor to the HFA in 2010 (see Annex C for statement).

Consultation on the design of Uplands ELS

- 3.3 Defra has endeavoured to closely involve stakeholders at every stage of the development of Uplands ELS. A number of different stakeholder organisations were represented in the Policy Group established in 2007 to advise Defra at a policy and strategic level on the development and implementation of Uplands ELS.
- 3.4 Stakeholder organisations were also represented in the technical agri-environment group, chaired by Natural England, which was set up to advise on the specifics of scheme design and implementation. A full list of the membership of the policy and technical groups is at Annex E.
- 3.5 In addition, the NFU established and facilitated a Hill Farmers' Panel to provide advice on the practicality of Uplands ELS design. This panel included farmers from each of the main upland regions in England, as well as representatives of commoners and conservation farming.

- 3.6 An interview survey on the draft Uplands ELS proposals was commissioned by Defra and carried out by the Central Science Laboratory (CSL) in July and August 2008. The survey was undertaken with three objectives in mind:
- to test farmer understanding of Uplands ELS requirements and options;
 - to test whether farmers in the uplands could accommodate the Uplands ELS requirements and options on their farms;
 - to ascertain likely levels of interest in, and uptake of, Uplands ELS.
- 3.7 Questionnaires were sent out to 99 farmers and landowners who had expressed an interest in the new scheme, had attended regional stakeholder meetings held by Natural England, and/or whose names had been put forward by land agents, the NFU and other interested parties. These landowners were asked to retain these questionnaires and complete them in advance of a visit if further contact was made. Questionnaire recipients were then contacted by telephone and interviews arranged with 66 - approximately 12 from each of the six upland regions in England. These were selected on the basis of them being amenable and available for an interview visit. The results of this on-farm testing were fed back to the policy and technical groups and the Hill Farming Panel. The final report can be viewed on the Defra website. A summary is at Annex F.
- 3.8 In August and September 2008 Defra and Natural England conducted six informal consultations with the hill farming community, one in each of the six upland regions in England. At each meeting Defra and Natural England officials gave detailed briefings on the aims and structure of Upland ELS and the details of the proposed options and requirements, inviting feedback and input from farmers and stakeholders.
- 3.9 On top of this, in August 2008, an informal key questions document was sent to stakeholders and made available on the Defra website. The paper outlined the Upland ELS proposals in detail and invited responses and suggestions on specific questions and unresolved issues, such as whether there should be a payment cap or taper under Uplands ELS. Defra received 50 responses in total. A summary of these responses, along with notes of the feedback from the six meetings, were subsequently put to the three advisory groups for consideration. This summary can be viewed on the Defra website.

4 Uptake

- 4.1 We have used the period 2010-2015 for this appraisal of the costs and benefits of Uplands ELS. It will take until 2015 for all the land in the SDA to be eligible to enter Uplands ELS, as a number of the closed 'classic' scheme agreements, the Countryside Stewardship Scheme (CSS) and Environmentally Sensitive Areas (ESA) agreements, which are incompatible with Uplands ELS, will continue as late as 2014. Those enrolled in CSS or ESA agreements beyond 2010 will be eligible for transitional payments (see section 7).
- 4.2 The period 2010-2015 marks the lifetime of the first set of Uplands ELS agreements which will be initiated when it is launched. To simplify the analysis of the costs and benefits we have discounted the impact of Uplands ELS agreement renewals which will begin in 2015.
- 4.3 The level of uptake for Uplands ELS will dictate how effective it is in meeting Defra's environmental aims and objectives. Uplands ELS will be open to all upland farmers and land managers, with guaranteed acceptance providing all scheme requirements can be met. Defra is seeking landscape-scale coverage in order to achieve the desired public benefits stemming from entry level stewardship in the SDA.
- 4.4 Around 73% of SDA land in England is already covered by an agri-environment agreement – either HSA, CSS or one of the ES schemes (see fig 1).

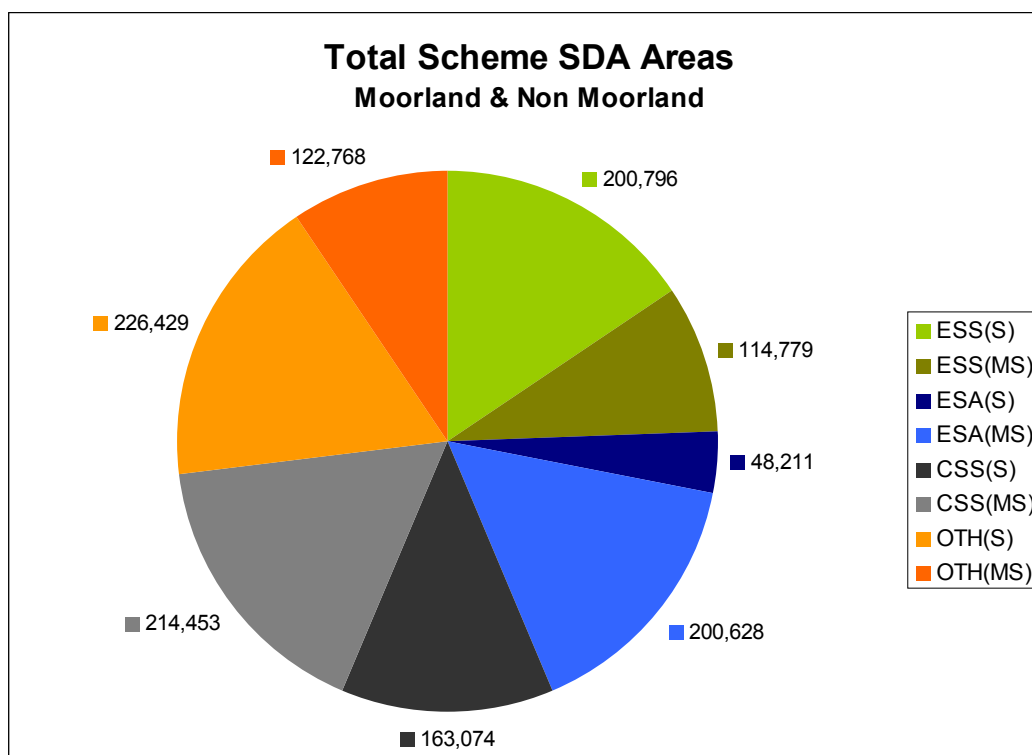


Fig. 1: Hectarage of SDA in Environmentally Sensitive Area Schemes (ESA), Environmental Stewardship Schemes (ESS), Countryside Stewardship Schemes (CSS) or in no agri-environment scheme (Oth)
(S = SDA below the moorland line; MS = SDA above the moorland line)

- 4.5 27% of the SDA, c. 350,000ha, is not currently covered by any agri-environment agreement. We estimate that a high number of these farmers will enter Uplands ELS in the first five years after the scheme has been established, for three main reasons:
- Loss of income from the HFA will spur many to explore agri-environment agreements for the first time;
 - Many farmers in the SDA have been unable to access the ESA or CSS because these schemes were only available to limited numbers of people. By contrast, Uplands ELS is open to every farmer within the SDA;
 - A number of farmers have been waiting for clarity over Defra's agri-environment funding plans before committing themselves to environmental stewardship. The launch of Uplands ELS will offer clarity and reassurance to this group.
- 4.6 Across England, renewal rates among farmers in ESA and CSS schemes - the proportion of people entering into a new agri-environment scheme upon the expiry of their old one - average around 80%. In relation to farmers exiting ESA and CSS schemes and entering Uplands ELS, we estimate that the renewal rate will be higher than this, around 90%, because the loss of the HFA, as well as the income received from the classic scheme, will provide a strong incentive for farmers to secure new agri-environment funding through ES.
- 4.7 We estimate that by 2015 Uplands ELS will cover approximately 80% of the SDA. The profile of uptake will reflect the fact that land enrolled in classic schemes will be ineligible for Uplands ELS unless the farmer or land manager decides to exit that classic scheme. With each wave of classic scheme expiries, more land will become eligible for Uplands ELS, and uptake will increase accordingly (see table 2).

Table 2: Estimated percentage of the SDA enrolled in Uplands ELS, 2010-2015

Year	% of SDA in Uplands ELS
2010	46
2011	50
2012	56
2013	62
2014	73
2015	80

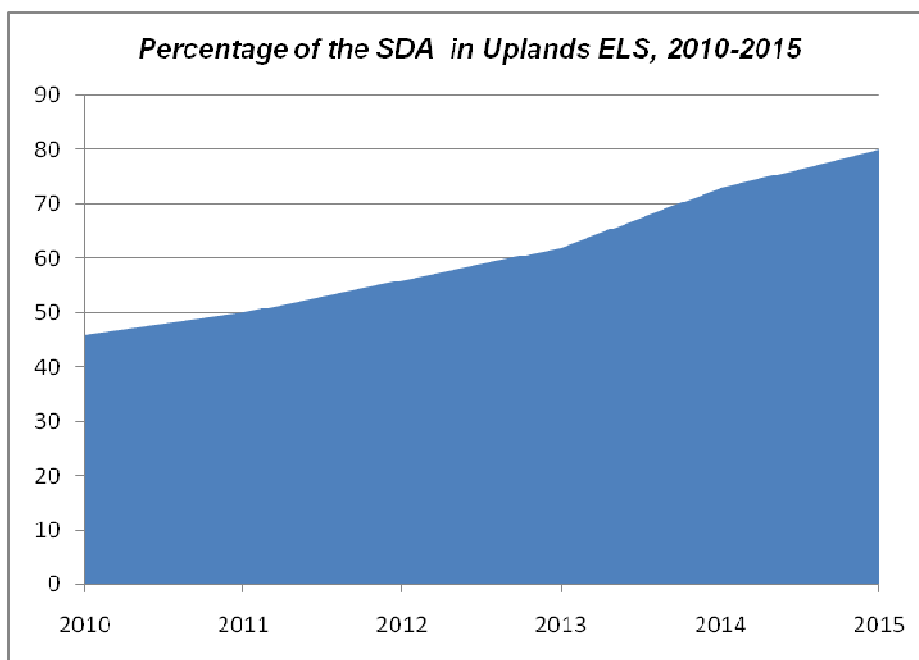


Fig. 2: Estimated uptake of Uplands ELS, 2010-2015

4.8 The charts and tables above refer exclusively to Uplands ELS coverage. Overall agri-environment coverage - the area covered by all ES schemes, including Uplands ELS, *and* classic agri-environment schemes – will be higher. Between 2010 and 2015 we expect agri-environment coverage in the SDA to always be around 80%.

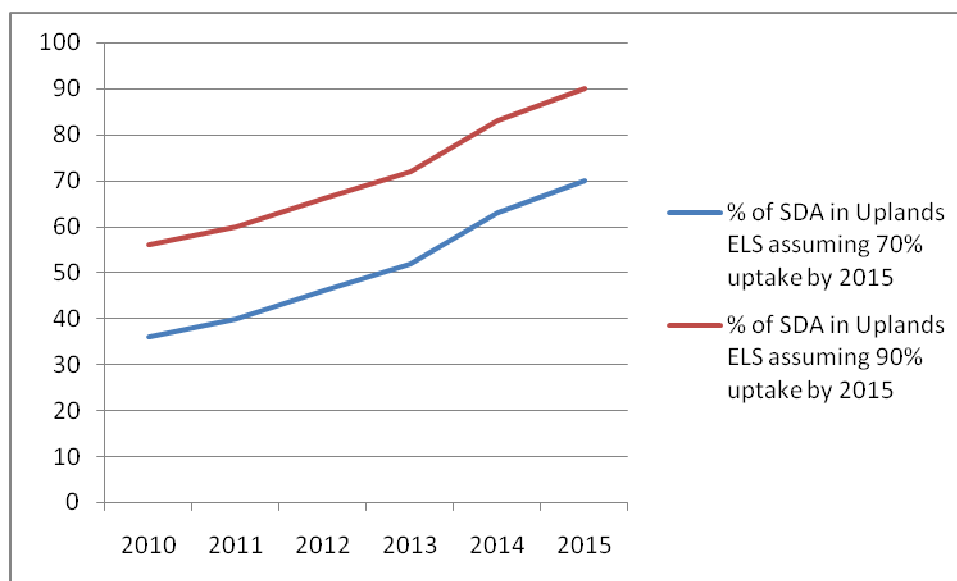
Sensitivity analysis: Uptake

4.9 Uptake of voluntary schemes is difficult to estimate accurately and the figures above should be treated with a degree of caution. They are based on a number of assumptions and variables. The following factors will have a major impact on uptake:

- The health of the broader economy;
- The prices of livestock and farm produce;
- The level of change in land management practices required to meet the Uplands ELS points threshold. This is influenced by the topography of a holding;
- The reputation of Uplands ELS among the farming community;
- The quality of annual harvests and the profitability of agriculture sector;
- The extent and type of advice and promotion carried out by Natural England.

The graph on the next page is an estimate of what the profile of uptake would look like, assuming uptake by 2015 is either 70% of land in the SDA or 90%.

Fig. 3: Sensitivity analysis regarding uptake of Uplands ELS



5 Environmental benefits

- 5.1 The environmental benefits of Uplands ELS will derive from the implementation of the specific land management requirements and options farmers will have to meet in order to meet the required points threshold. Compliance with Uplands ELS criteria will lead to a diverse range of environmental benefits across the English uplands. Table 3 page summarises the type of environmental benefits that each requirement or option will carry.
- 5.2 Some options will be more popular than others, due to factors such as ease of application, prevalence of relevant features, and the required level of change to current working practices. CSL's on-farm testing indicated that the most popular options were likely to be mixed stocking in the uplands (UL12), maintenance of dry stone wall adjoining moorland (UL1) and restoration of dry stone walls (UL4). The primary reason given for choosing these options was that the management for each was already in place. Defra recognises that many farmers and land managers will choose the options that require least change in their day to day farming practices. Uplands ELS is designed to reward *existing* good practice, as well as to encourage and incentivise better environmental management in the future.
- 5.3 It is mandatory for farmers and land managers enrolling in Uplands ELS to also sign up for ELS. Consequently the environmental benefits of Uplands ELS are not confined to the options and requirements listed at Annex D. They also extend to the criteria that must be met to enter ELS and the benefits derived from that.

Table 3: Environmental benefits from Uplands ELS options and requirements

Description	Type of environmental benefit				
	Resource protection	Habitats and biodiversity	Landscape / historic environment	Conservation of genetic resources	Climate chg. mitigation / adaptation
Grassland and Arable Requirements					
No supplementary feeding by watercourses	/	/			
No fertiliser applications by watercourses	/	/			/
Maintenance of dry stone walls must be completed in the local style			/		
Any maintenance of hedges/hedgebanks must be completed in the local style			/		
No supplementary feeding in woodland		/			
Retain existing areas of scrub		/	/		
No removal of large boulders and rock outcrops			/		
Prevent the spread of bracken beyond existing areas		/	/		
Remove discarded plastic bags and wraps		/			
Moorland Requirements					
Avoid overgrazing and undergrazing	/	/	/		/
Protect wetlands	/	/	/		/
Manage supplementary feeding sensitively	/	/	/		
Follow heather and grass burning code	/	/	/		/
No fertiliser applications, cultivations or harrowing	/	/	/		/
Retain native woodland		/	/		/
No supplementary feeding on native woodland		/	/		
Additional moorland requirements for commons and shared grazing					
All sheep must be hefted or self-maintained flocks		/	/	/	
Maintain a commoners' association or group			/		
Options					
Stone wall protection and maintenance		/	/		
Stone faced hedge bank maintenance		/	/		
Earth bank management		/	/		
Earth bank restoration		/	/		
Stone wall restoration		/	/		
Stone faced hedge bank restoration			/		
Hedgerow restoration		/	/		

Description	Type of environmental benefit				
	Resource protection	Habitats and biodiversity	Landscape / historic environment	Conservation of genetic resources	Climate chg. mitigation / adaptation
Maintaining visibility of moorland archaeological sites			/		
No supplementary feeding on moorland	/	/	/		
Maintenance of traditional farm buildings in isolated locations			/		
Cattle grazing on grassland and moorland		/	/	/	
Management of enclosed rough grazing for birds		/	/		
Winter livestock removal next to water	/				
Woodland livestock exclusion		/	/		
Haymaking		/			
No cutting strips within meadows		/			
Management of grassland for birds		/		/	

Quantifying and monetizing the benefits

5.4 In 2005 Defra commissioned two studies to quantify and value expected changes under the policy options being considered to replace the HFA.

- Cumulus Consultants – Assessment of the impact of CAP reform and other key policies on upland farms²; and,
- Eftac – Economic Valuation of Environmental Impacts in the Severely Disadvantaged Areas³.

5.5 The Cumulus report forecast the physical changes that would be expected to occur under the different policy options that Defra was considering at that time. Table 5 lists the environmental attributes considered in this section and summarises the estimated changes to them that would follow between 2007-13 under the environment-only option which was the original model for Uplands ELS.

² This report can be found online at <https://statistics.defra.gov.uk/esg/reports/cap%20uplandfarms%20report.pdf>

³ This report can be found online at <https://statistics.defra.gov.uk/esg/reports/disareas/>

Table 5: Summary of the current and hypothesised future changes in attributes

Attribute	Environment stewardship option
Heather moorland and bog	+5%
Improved grassland	0%
Rough grassland	-3%
Hay meadow	0%
Bracken dominated	+3%
Gorse dominated	+2%
Arable (& set aside / fallow)	-4%
Broadleaf and mixed woodland	+6%
Coniferous woodland	-6%
Field boundaries	+10%
Cultural heritage	No change
Water quantity (flood risk)	100 year flood every 90 years ⁴
Water quality	Improving much more
Carbon emissions	reducing

- 5.7 The percentage figures are the expected changes in the quantity of area covered by the different types of habitat. Cultural heritage refers to traditional farm buildings and farming practices. The figures are the change against the baseline of the continuation of the HFA. We believe that this baseline is still the most appropriate counterfactual to apply, and is consistent with the analysis throughout this IA. (For further discussion of this research see the previous impact assessment)
- 5.8 The Cumulus report was completed in 2005. The consultants who completed the work were asked to comment on whether the final Uplands ELS design was similar to that which was envisaged by Cumulus at the time. Although the schemes do differ, it is thought that any difference would be marginal. For this reason we have assumed that 'option 2' in the Cumulus report is identical to the Uplands ELS policy as it stands. However, sensitivity analysis around the benefits has been considered (see paragraph 5.16).
- 5.9 Once the Cumulus report had determined what the environmental benefits were, the Eftec report was able to take the changes forward and explore the value to individuals. These results should be treated with a degree of caution, as environmental benefits can often be difficult to quantify. For information on the methodology used and potential problems, please see the Eftec report on the Defra website at <https://statistics.defra.gov.uk/esg/reports/disareas/default.asp>.

⁴ This means that if a large flood were to happen every hundred years (i.e. if there was a 1/100 probability of a large flood or a 1% chance) the flood would now be likely to occur once every 90 years (i.e. there would be a 1/90 probability of a large flood or a 1.1% chance)

Table 6: Monetised benefits by region, and total benefits

	Government Office Region ⁵						Total
	North West	Yorks. & Humber	West Midlands	East Midlands	South West	South East	
Compensating surplus ⁶ (£ per household per year)	9.18 (3.60-15.22)	20.54 (14.16-27.59)	10.04 (2.58-17.51)	47.97 (26.45-94.88)	21.74 (9.84-34.64)	25.40 (17.72-34.17)	
No. households (adjusted) ⁷	2.07	1.42	1.85	1.33	1.73	2.42	
Total adjusted annual compensating surplus (£ million)	19.00 (7.46-31.53)	29.16 (20.10-39.17)	18.53 (4.76-32.32)	63.69 (35.12-125.98)	37.61 (17.02-59.93)	61.52 (42.92-82.77)	229.52 (127.39-371.71)

- 5.10 Table 6 shows the compensating surplus by each region as well as a final total across the UK. The compensating surplus represents the average amount that is willingly paid to gain the extra benefits of implementing Uplands ELS above the baseline, which was the continuation of the HFA. The numbers in the brackets represent the range at a 95% confidence interval. The final total box, where the central estimate is £229m, means we can be 95% sure that the total benefits will lie in-between £127.39 million and £371.71 million.
- 5.11 As stated above there are a number of challenges with monetisation of these kinds of benefits, as well as aggregation from specific benefits to the total benefit of the policy. For this reason we have taken the lower bound (i.e. the £127.39m) as our estimate. However, it should be noted that this figure is based on 100% uptake and represents the potential benefits once all agreements have 'matured' (i.e. after they have been in place for 6 years). It was therefore necessary to adjust this figure to account for lower uptake levels and profiling of benefits over time. The steps taken are outlined below.
- 5.12 The Cumulus report set out that not all benefits would be realised immediately, but be achieved overtime in a near linear fashion. Further to this the report assumed that the policy would run from 2007, but full realisation of the benefits from those who participated in the policy from 2007 would not be realised until 2013. As a result of this the annual benefits described will only be achieved after the policy has been in place 6 years (until 2016). For this reason we have modelled the profile of benefits delivered by any Uplands ELS agreement over time using a linear function as set out in table 7.

Table 7: Time frame for realisation of environmental benefits

Year since entering the Agreement	Percentage of Benefits Realised
0 year	0%
1 Year	17%
2 Years	33%
3 Years	50%
4 Years	67%
5 Years	83%
6 Years	100%

⁵ It is worth noting that the North East region is not represented here as the results were not statistically significant. This is not to say that the average person in the North East was not willing to pay for the benefits, but possibly due to large numbers being unwilling to pay as well as large numbers being willing to pay. A further discussion can be found in section 7.2 of the Eftec report.

⁶ The compensating surplus represents the average amount that a household would be willing to pay to have that option instead of the baseline

⁷ Adjusted households represents the number of household that were willing to pay within the area

Benefits Modelled Against Uptake

- 5.13 Clearly not all the land will be entered into the scheme from the beginning of 2010, so we need to model the profile of benefits against the profile of uptake. It is important to note that the area of land entering the scheme later will have a lagged realisation of benefits compared to those entering in the first year. Further to this, it means that those entering in the final year will have no benefits modelled using the above assumptions. Uplands ELS policy is only being modelled until 2015, the lifetime of the first set of agreements, so 100% of the benefits will not be achieved in this model outlined below, even if there was 100% take up in 2010. Using the central assumption of 80% uptake and the associated profile of uptake (set out in table 2) gives the following results.

Table 8: Value of environmental benefits per annum

Benefits in Given Year	Year of Entry into Uplands ELS						Total Benefits (£ millions)
	2010	2011	2012	2013	2014	2015	
2010	0						0
2011	10.3	0					10.3
2012	20.7	0.9	0				21.6
2013	31.0	1.8	1.3	0			34.1
2014	41.3	2.7	2.7	1.3	0		48.1
2015	51.7	3.6	4.0	2.7	2.5	0	64.5
						Total	178.6m

- 5.14 Adjusted for present value, the environmental benefits accruing from Uplands ELS amount to £179m. It must be stressed that these benefits are calculated against a business as usual baseline, which, in the case of the uplands, is the continuation of the HFA as an annual payment. The forecast £179m of environmental benefits are therefore *additional* to those that would have occurred had the HFA continued. Of the funding assigned to Uplands ELS, £23.7m is not 'new money', but is transferred directly from the budget previously allocated to the HFA. By transferring this money from the HFA to Uplands ELS, and providing for additional Uplands ELS funding should uptake meet or exceed our expectations, the government will achieve an estimated £179m worth of environmental benefits at a very low net cost to the taxpayer. These costs are discussed in more detail in the next section, following the sensitivity analysis below. It is also important to note that this analysis does not include the environmental benefits delivered by the CSS and ESA agreements extending beyond 2010.
- 5.15 Using the same method as that applied above, but assuming 70% or 90% uptake across the years 2010-2015 gives the environmental benefits shown in table 9.

Table 9: Environmental benefit scenarios according to varying uptake

Benefits in Given Year	Benefits with 70% take up (£ millions)	Benefits with 90% take up (£ millions)
2010	0.0	0.0
2011	9.0	11.6
2012	18.9	24.3
2013	29.9	38.4
2014	42.1	54.1
2015	56.4	72.5

- 5.16 As discussed earlier, there may be marginal differences between the Uplands ELS policy and that appraised in option 2 of the Cumulus report, which is then monetised in the Efec report. For this reason sensitivity analysis has been carried out to see if the policy would still make economic sense if benefits were only at 50% of that suggested. Results showed that the average annual

environmental benefits of the scheme would be £15m which is still greater than the average annual new costs.

6 Economic Impact

Costs to government

- 6.1 Uplands ELS will primarily be paid for by a transfer of the funds previously allocated to the HFA. The annual HFA allocation is £23.7m. For Uplands ELS, Government is making up to £31m per annum available. This would be the annual spend were 100% of upland farmers to enter the scheme. Assuming at least 80% uptake of Uplands ELS, total annual spend, including the commons supplement (see 6.11) will be at least £25.1m in 2010, increasing to at least £25.6m in 2015.
- 6.2 This funding for Uplands ELS will not be ring-fenced, as it will fall within the wider Axis 2 agri-environment budget of the RDPE. However, it has been designed so that total spend, even at 100% uptake, could be accommodated within the Axis 2 budget.
- 6.3 Defra will be introducing transitional payments for those uplands farmers who are ineligible to enter their land into Uplands ELS because it is already enrolled in either an ESA or CSS scheme (see section 7). The cost of the transitional payments is estimated to be £8.8m in 2011, tapering to £1.8m by 2014. This money has been budgeted for within the Uplands ELS allocation.
- 6.4 There are inevitably risks of overspending or underspending if uptake is higher or lower than the expected 80%. But the risks of overspending are slim, and the potential consequences are manageable. If there were 90% uptake, the funding needed for Uplands ELS would be £27.9m. Statistical trends in the preceding years would likely offer a clear signal if the 80% uptake target were to be exceeded. If there is an underspend because uptake is lower than expected the surplus money will be recycled into the Environmental Stewardship budget.
- 6.5 In order to smooth the transition for farmers between the HFA and Uplands ELS, Defra is making a full HFA payment in 2010. As the first Uplands ELS agreements will begin in July 2010, Defra will incur extra costs in the region of £7.1m.
- 6.6 We recognise the importance of advice to the success of Uplands ELS. We are proposing to invest an additional £1m per annum between 2009 and 2012 in the provision of advice for Uplands ELS. This is part of a larger sum we are proposing to allocate to Environmental Stewardship in the same period. See section 8 for full details of this.
- 6.7 A commons supplement will be introduced to cover the extra costs incurred by commoners in securing an agri-environment agreement. Over 80% England's common land is in the SDA, and common land makes up a significant proportion of the land eligible for Uplands ELS. Much common land is designated as Sites of Special Scientific Interest (SSSIs), or lies within a national park or an Area of Outstanding Natural Beauty (AONB). In view of the significant environmental and landscape values generally attached to common land, it is essential that Uplands ELS caters for common land to encourage its active management.
- 6.8 As with other agri-environment schemes, a single Uplands ELS agreement would apply to the entire common (or group of commons), and would require the support of the working majority of common rights-holders and the landowner. This is necessary to ensure sound environmental management of common land, and to meet EU requirements. A commoners' association or commons council would be responsible for the agreement, for compliance with it and for distribution of payments. The commons supplement would recognize the additional costs involved in reaching agreement on a group application.

- 6.9 The commons supplement will be paid at £5 per ha. Partly because of the supplement, and partly because much of the common land in the SDA is being specifically targeted by Natural England for ES, we estimate that uptake of Uplands ELS on common land will slightly exceed that in the rest of the SDA. There is also a supplement for commoners entering HLS. Commoners will be able to receive both the HLS and Uplands ELS supplements, but only up to a maximum of £10 per hectare. This is taken into account in table 10, which estimates that the cost of the commons supplement will be c. £3.58m between 2010 and 2015.

Table 10: Cost of commons supplement, 2010-2015

Year	Uptake - % of SDA Common land in Uplands ELS	Cost of commons supplement (£m)	Cumulative cost 2010-2015 (£m)
2010	46%	£0.42	£0.42
2011	52%	£0.46	£0.88
2012	59%	£0.53	£1.42
2013	68%	£0.61	£2.04
2014	81%	£0.73	£2.77
2015	90%	£0.81	£3.58

Costs to Natural England

- 6.10 Natural England will be responsible for the delivery of Uplands ELS. Natural England's delivery costs for Uplands ELS will become a small part of the wider delivery costs of Environmental Stewardship which are covered in the annual fixing of Natural England's grant from Defra.
- 6.11 Natural England estimate that their delivery costs for Uplands ELS will be around £186,000 per annum between 2010-2015. This forecasting is done on a cost per agreement basis, and so is vulnerable to fluctuations in uptake.
- 6.12 As well as delivery costs, new outlay will be necessary for Natural England's IT development to adjust for Uplands ELS. We have sought to minimise this by fitting the design within their existing IT platform as far as possible. Natural England estimate up to £1m will be needed for these Uplands ELS adjustments. Other development work falls within existing budgets.

Costs to the Rural Payments Agency

- 6.13 For the Rural Payments Agency (RPA), the introduction of Uplands ELS will result in a transfer of resources previously focused on the HFA, rather than additional funding. The RPA will incur extra costs in administering the transitional arrangements, but these are likely to be offset by savings made elsewhere. For instance the RPA will no longer process uplands agreements, as they did with the HFA, because it will fall to Natural England to process Uplands ELS agreements. IT costs may rise in the years 2010-2011, but these extra costs will be offset by longer-term IT savings.
- 6.14 Overall the RPA estimate that the introduction of Uplands ELS will not lead to a net increase in their costs over the period, 2010-2015. On the contrary, there may be potential savings to be made. We are exploring this further with the RPA.

Costs to other affected groups

- 6.15 Farmers are the other group affected by the replacement of the HFA with Uplands ELS. As noted before, a lot of farmers will already be carrying out many of the requirements stipulated by Uplands ELS. In terms of assessing the cost of Uplands ELS as a policy we have therefore considered only the additional responsibilities placed upon them. These can be broken down in to practice related costs (i.e. the costs imposed on achieving the points), and administrative costs (the costs involved in completing an application).

Change in practice costs to farmers

- 6.16 Farmers already complete a large amount of environmental management on their land. The new Uplands ELS policy will increase the amount of management and the amount of work the farmer has to carry out. Further to this, it is important to look at the percentage of 'extra effort' (and costs) which will be induced by this policy. The points awarded for requirements and options are based on calculations of income foregone, and therefore extra effort/costs might be in the form of extra time on the part of the farmer, or a change in land use which reduces the yield from that land.
- 6.17 The CSL report sets out for each option and requirement what percentage of farmers think that no further work would be required on their farm to meet the relevant prescriptions. For the purpose of this impact assessment, we have weighted these against the number of points they represent and the proportion of farmers who would choose them or be required to carry them out. A more in-depth account of the process is detailed in Annex G but the central results are found below.

Table 11: Percentage of points which will be awarded for new management

Type of land	Average Extra Effort Required
Moorland Parcels Less Than 15 ha	14%
Moorland Parcels Greater Than 15 ha	7%
Land Below the Moorland Line	16%

- 6.18 Adjusting for the relative areas of each of these land types, this gives an average 'extra effort' by farmers of 12% across all different types of land. In other words, for every 100 points achieved by the farmer through management activities, 12 of them represent new management, while the other 88 are awarded for existing management activities.
- 6.19 As the scheme will be constructed so that a point represents a pound of payment to the farmer (as described in Section 2.9), but, as discussed above, not all costs to farmer will be new, the extra cost to farmers will not be equal to the full amount of the grant they will receive. Using the figures from table 12, and multiplying them by the points required to meet the thresholds set within the scheme (see table 1) gives the extra cost to farmers per hectare of management relative to the current situation. This can be represented in an equation:
- Additional cost = Extra cost to farmers X Points required X area of land
- 6.20 To ensure accuracy, this was repeated for each type of land and summed to give the final additional cost.

Table 12: Additional costs incurred by farmers through change in practice, 2010-2015

Year	Total area in Uplands ELS (Ha)	Additional cost
2010	594,000	£1,940,000
2011	646,000	£2,110,000
2012	723,000	£2,360,000
2013	801,000	£2,610,000
2014	943,000	£3,070,000
2015	1,030,000	£3,370,000

- 6.21 This gives an average (mean) annual cost (over six years) of £2.6m, or £15m over the assumed modelling period (i.e. 2010 to 2015). However this is a transitional period for the policy, and it is likely that after 2015 the annual cost will be in the region of the final £3.4 million per annum (depending on renewals).

Sensitivity analysis: change in practice costs

- 6.22 Sensitivity analysis was also carried out around the effect of changes in uptake on the changes in costs to farmers. Table 13 shows the differing costs to farmers based on 70% uptake and 90% uptake scenarios.

Table 13: Costs to farmers according to 70% and 90% uptake scenarios

Year	70% Uptake		90% Uptake	
	Total area in Uplands ELS (Ha)	Additional cost	Total area in Uplands ELS (Ha)	Additional cost
2010	520,000	£1,700,000	668,000	£2,100,000
2011	565,000	£1,840,000	726,000	£2,370,000
2012	633,000	£2,060,000	813,000	£2,650,000
2013	700,000	£2,280,000	901,000	£2,940,000
2014	825,000	£2,690,000	1,060,000	£3,460,000
2015	904,000	£2,950,000	1,160,000	£3,790,000

Administrative Costs

- 6.23 In addition to making changes to their farming practices, farmers will also have to apply for Uplands ELS which will take time and prevent them from completing other tasks. The net administrative burden placed on farmers by Uplands ELS is determined by comparing it to that under the HFA.
- 6.24 The HFA was an annual scheme. According to the admin burdens baseline farmers took 45 minutes to apply for it each year, and the total burden to all applicants was calculated as £130k per year in 2005 prices.
- 6.25 Applicants to Uplands ELS will also have to be in, or join ELS. The two will essentially function as one scheme, with one application process. Farmers make one application to secure a five-year agreement. CSL carried out a review of ELS three years after its introduction in 2005 and found that it took farmers, on average, 13.4 hours to apply.
- 6.26 Under ELS, farmers are paid income foregone for filling in a Farm Environment Record (FER) and options maps - the bulk of the application process. Farmers with holdings <50ha are paid income foregone for 2 days work; farmers with holdings >50ha are paid 100% of income foregone for 6 days. So farmers are fully compensated for the time – the average of 13.4 hours - taken to apply for the scheme.
- 6.27 We estimate it will take broadly the same amount of time for uplands farmers to apply for Uplands ELS as it would for those only applying for ELS. Applying for Uplands ELS does require the completion of an extended FER, but the time spent doing this is accounted for through the income foregone payments for requirements. Using the Standard Cost Model the admin burden for applying for the Uplands ELS is calculated as £463k (2005 prices) per annum, assuming an application once in five years, and all other factors used to calculate the HFA burden remain equal.

- 6.28 Although the process of application for Uplands ELS will take longer than that for the HFA, farmers applying for Uplands ELS will be fully compensated for this extra admin burden through income foregone for the FER, extended FER, and option maps. As the time taken to apply for Uplands ELS is fully recompensed, the scheme cannot be seen to impose an additional admin burden on farmers. In fact, the introduction of Uplands ELS will lead to a decrease in the unpaid admin burden, because farmers will be compensated for the time cost of their applications, which didn't happen under the HFA. The result is that the introduction of the Uplands ELS will decrease the net admin burden by the amount that was imposed by the HFA: £130k.

Summary of costs and benefits

- 6.29 Table 14 summarises the costs and benefits of Uplands ELS. These are additional costs and benefits above the baseline option which is the continuance of the HFA.

Table 14: Summary of the costs and benefits of Uplands ELS

Benefits of Uplands ELS

Party affected	Component	Details	Average annual benefit 2010-2015
Public	Environmental benefits	Additional environmental benefits from the replacement of the HFA with Uplands ELS	£29.8m
Upland farmers	Funding of Uplands Areas	More funding is now available to upland farmers than under HFA	£1.68m

Costs of Uplands ELS⁸

Party affected	Component	Details	Average annual cost 2010-2015	One-off cost 2010
Upland farmers currently receiving HFA	Loss of the HFA	The degree of change farmers will have to make to their land management in order to qualify for Uplands ELS	£2.6m	
Upland farmers currently receiving HFA	Administrative costs	The extra unpaid time needed to apply for Uplands ELS compared to the HFA	0	
Government	Funding of Uplands ELS & Commons Supplement	The difference in funding between Uplands ELS and its predecessor, the Hill Farm Allowance	£1.68m (Of which £600,000 is for the Commons Supplement)	
Government	Uplands Transitional Payments	Paid from the money previously allocated for the HFA	0	
Government	Transitional arrangements 2010	The extra money invested in the uplands in 2010 to ease the transition for farmers between the HFA and Uplands ELS	0	£7.1m
Government	Additional funding for advice	Extra investment in advice to encourage uptake of Uplands ELS, between 2009 and 2012	0	£3m
Natural England	IT	Primarily the cost of adapting the Genesis programme to incorporate Uplands ELS. Most of this cost will fall in 2009	0	£1m
Natural England	Delivery costs	Cost of delivering the scheme.	£0.19m	
RPA	Transitional payments	Cost of administering the transitional payments and upgrading IT systems	0	
		<i>Total</i>	<i>£4.45m</i>	<i>£11.1m</i>
		Present Value Costs	£33.1m	
		Present Value Benefits	£161.3m	

⁸ Totals may not tally due to rounding.

Redistributive impact of Uplands ELS

- 6.30 The introduction of Uplands ELS will lead to a degree of redistribution of funding among upland farmers compared to the Hill Farm Allowance. This is primarily due to three factors:
- the absence of a payment cap and taper under Uplands ELS;
 - the extension of uplands funding to all farmers and land managers, including dairy farmers and those with farms smaller than 10ha, neither of which were eligible for the HFA;
 - the challenges to entry faced by short-term tenant farmers due to the five-year length of agreement stipulated by Uplands ELS.

Payment cap and taper & the extension of uplands funding to all farmers

- 6.31 The HFA operates on a cap and taper system according to farm size. It pays at full rate for land up to 350ha; at half rate for 350–700ha; and nothing over 700ha. It also does not pay on holdings of less than 10ha and it excludes dairy farmers. These rules were originally intended to focus HFA payments on full-time beef and sheep farmers.
- 6.32 However, the objective of Uplands ELS is to reward the delivery of environmental benefits on a landscape scale, regardless of who delivers them and what type or size of farm they may have. This is based on the fundamental principle under ES where compensation is paid for the income forgone and costs of delivering public goods. ELS has no maximum or minimum threshold, and is paid on every hectare entered in to agreement. Defra has decided to adopt the same approach for Uplands ELS, by paying the full rate for all land under agreement – with no payment taper, cap or minimum farm size. This is also consistent with our objective of keeping Uplands ELS as simple as possible.
- 6.33 Removing the cap, taper and minimum farm size, and opening up eligibility to dairy holdings will result in limited redistribution of current uplands funding support away from farms between 10–350 hectares and towards farms over 350 hectares, under 10 hectares and dairy holdings. Modelling suggests that imposing a payment cap and/or taper would increase payment rates by roughly £0.80–£1.20/hectare on moorland, and £2.00–£3.50/hectare on non-moorland, depending on whether a cap, taper or both was applied.
- 6.34 Industry has largely been in favour of *not* having a cap and taper mechanism for Uplands ELS. In our informal written consultation 80% of respondents agreed that no cap or taper should be built into Uplands ELS.

Tenant farmers

- 6.35 To be eligible for ES, farmers must be able to commit themselves to undertaking environmental management for a minimum of five years. This is an EU requirement of agri-environment schemes. It differs from the HFA which was an annual LFA scheme and thus subject to different EU requirements. The five-year requirement means that the replacement of the HFA with Upland ELS will have an impact on some tenant farmers.
- 6.36 Tenanted Land Survey data suggests that the average length of tenancy in the SDA is in excess of seven years. Farmers with tenancies of less than five years at the time when they apply for Uplands ELS will need the land owner's agreement to continue the agreed management should the tenant not be able to do so. This is to ensure that the agreed long-term environmental management is carried out. Farmer's with tenancies of more than five years at the time their Uplands ELS agreement starts will not need the land owner's countersignature.
- 6.37 The requirement for short-term tenant farmers to have their landlord countersign their Uplands ELS agreement has been a point of concern among stakeholders and end-users. This is not an issue unique to Uplands ELS; it applies to all the other Environmental Stewardship schemes. We have considered the issue carefully whilst developing our proposals for Uplands ELS with stakeholders.

6.38 We recognise that some redistribution is inevitable, but the scale of this redistribution is likely to be limited. Agricultural Survey data suggests that c. 300 holdings in the SDA (covering c. 20,000ha) are in tenancy agreements lasting less than 5 years. There are also c. 1,700 'short term lets' - where land is rented in for less than 12 months - in the SDA. The average area per holding of these lets is c. 27ha. Most SDA holdings with these lets will be minimally affected by the move to Uplands ELS, either because their let is much smaller than the average of 27ha, or because these lets make up a small proportion of the total holding area used by that farmer. According to the Agricultural Survey data, only 38 farms in 2006 rented in *all* their land on annual grazing licences.

7 Transitional payments

7.1 As with ELS, it is not possible to have Uplands ELS on the same land as a classic scheme agreement: some of the requirements are similar, which would lead to double funding if run on the same land. Consequently, those farmers and land managers with 'classic' agri-environment agreements – ESA or CSS – will not be able to access Uplands ELS until their classic agreements expire, some as late as 2014. But, as with all other SDA farmers, they will lose their HFA payment after 2010. Without transitional arrangements, once the HFA had ended, these farmers would not be eligible to receive any specific uplands support. Ministers have therefore agreed that an uplands transitional payment should be made to these farmers, starting in 2011, the year after the HFA finishes. This is to ensure there is no disruption to their current payment schedule and that they continue to receive an uplands support payment, until they become eligible for Uplands ELS.

Alternative ways forward

7.2 Introducing the uplands transitional payment is not the only option for tackling the problems arising for ESA/CSS agreement holders following the introduction of Uplands ELS. The other options considered were as follows:

- Policy Option 1 – Do Nothing
- Policy Option 2 – Convert ESA/CSS agreements into ELS agreement
- Policy Option 3 – Introduce an HFA-type transitional payment.

7.3 Option 1 is the simplest and most cost-effective option, but it could have a significant negative impact on those farmers who are left unable to access either the defunct HFA or Uplands ELS. This approach would disadvantage those who joined agri-environment schemes at an early stage of their development, and would increase the risk of farmer disengagement with agri-environment schemes.

7.4 Option 2 would ensure that Uplands ELS is accessible to farmers who may otherwise be excluded from the scheme. It would encourage high uptake of Uplands ELS, and – unlike option 3 - would incur no administrative costs in administering transitional payments.

7.5 However, processing a significant number of new ELS agreements (following the simultaneous end of all the classic scheme agreements) would be a major administrative burden for Natural England, who have expressed concerns about the resource impact of such an approach. In 2010-2011, as well as the introduction of Uplands ELS, Natural England will face the renewal of nearly 18,000 ELS agreements covering 2.6m ha. Converting all the classic scheme agreements into ES agreements would add to this already onerous workload.

7.6 Classic scheme agreements (in particular CSS) focus on delivering targeted environmental benefits which are not provided for under ELS. Any wholesale conversion to Environmental Stewardship could prevent some environmental benefits from being realised to their full potential. Also, ending classic scheme agreements early could damage the reputation of agri-environment schemes and cast doubt on the government's commitment to other agri-environment agreements.

7.7 Option 3, the introduction of a transitional payment similar to the HFA, would ensure that classic scheme agreement holders were not disadvantaged by the introduction of Uplands ELS. Transitional payments would ensure that the environmental gains from classic schemes are not lost. And they would be welcomed by industry, and could encourage uptake of Uplands ELS when the agreements expire.

Eligibility

7.8 To be eligible for the uplands transitional payment farmers must have a part of their land enrolled in an ESA/CSS scheme when Uplands ELS is launched *and* must have successfully claimed the final HFA payment. The transitional payment will be made to each eligible farmer until their classic scheme agreement expires. If they wish, farmers will be able to exit their scheme early in order to enter ES. We do not expect many classic scheme agreement holders to choose this option. In cases where the HFA claimant differs from the classic scheme agreement holder, it is the HFA claimant who would receive the transitional payment as they are the party being disadvantaged by the cessation of the HFA.

7.9 Eligibility for a transitional payment will depend on the candidate having successfully applied for the HFA in its final year. Because of this, the RPA will not be able to ascertain the exact number of recipients until 2010. However, they estimate that there will be c. 2600 farmers eligible for transitional payments in 2011, tapering to c. 700 by 2014, the final year in which transitional payments will be made. The estimated cost per annum of the upland transitional payments, outlined in table 15 below, is based on our data of the proportion of SDA land enrolled in a classic scheme beyond 2010.

Table 15: Estimated cost per annum of uplands transitional payments, 2011-2014

End Year	Estimated Cost of Uplands Transitional Payment
2011	£8.8m
2012	£7.4m
2013	£5.6m
2014	£1.8m

7.10 ESA/CSS agreements are either ‘whole farm’ agreements, covering an entire holding, or ‘part-farm agreements’. The latter are agreements where a section of the holding is enrolled in ESA or CSS, but the rest is either in ELS, or is not in an agri-environment scheme at all. We estimate that there will be c. 2200 farms of this kind eligible for the transitional payment. Of these part farm agreements, many are cases where the vast majority of the farm is covered by a classic scheme.

7.11 In the case of part farm agreements, we considered issuing the transitional payment only on the area of a farm enrolled in a classic scheme. The main aim of doing this would be to encourage the farmer or land manager to enrol the rest of his land in Uplands ELS.

7.12 However, subdividing holdings in this way would add a further layer of complexity to the agricultural funding landscape. It would increase the admin burden placed on farmers, as those wishing to enter their non-classic scheme land into Uplands ELS would have to unpick an existing agreement, or start a new one, in 2010, and then unpick it again when their classic scheme expired. This would increase the admin burden on Natural England at a time when they will already be operating at full capacity. On this basis we propose paying the transitional payment on all the land in a holding currently eligible for the HFA, rather than subdividing the land and only paying on the area covered by the classic scheme.

Costs

- 7.13 The transitional payments would be paid for out of the budget allocated to Uplands ELS. Table 15 gives estimates of how much the transitional payments would cost per annum between 2011 and 2015. As classic scheme agreements come to an end, the money used for the transitional payments would be channelled into funding the new Uplands ELS agreements which take their place. The administrative costs of the transitional payments have been accounted for in section 6 of this IA.
- 7.14 The rates of the transitional payments would be broadly similar to those under the HFA and would also be subject to a taper at 350ha and a cap at 700ha. Rates would be set by Defra each year. Farmers would receive the transitional payment around March each year, as they do with the HFA.

8 Structure of Uplands ELS

Regional scheme or national scheme?

- 8.1 Each uplands area in England is distinct and has its own problems and issues. We considered whether to draw up different requirements and options for different regions to allow for this. For instance we could have imposed requirements or outlined options for farmers in Cumbria which weren't relevant or applicable to those in Devon.
- 8.2 But doing this would have conflicted with ELS, which is a national scheme with national, rather than regional, prescriptions. In addition, regionalising Uplands ELS would have caused significant IT difficulties, and would also have increased the administrative burden on both Natural England and the RPA, who would have been forced to adapt their inspection regime to the particularities of each region. Consequently we have chosen to make Uplands ELS a unitary national programme, but have built in a degree of flexibility designed to account for the differences between regions.

Uplands ELS as a strand of ELS

- 8.3 The HFA was a standalone scheme designed purely for the uplands and unrelated to other forms of agricultural funding. In replacing the HFA Defra was faced with the decision of whether to establish a new standalone scheme for the uplands, or whether to integrate the new uplands rewards scheme into ELS. Following the consultation in 2006, it was decided that the HFA's replacement should be Uplands ELS and it should be fully integrated into ELS. Consequently, all farmers aiming to enrol in Uplands ELS will have to join ELS at the same time.
- 8.4 There were several reasons behind this decision. Firstly, Defra is aiming to simplify the currently complex funding landscape for agriculture in England. With the HFA, ESA, and CSS being wound up between 2010 and 2014, by 2015 the agri-environment rewards structure will be simpler and more effective, revolving around ELS and HLS, with different strands, including Uplands ELS, accounting for the diversity and complexity of English agriculture.
- 8.5 Moving from the current multi-layered rewards system to a unitary system will establish a funding structure that will be more straightforward for farmers and landowners to understand and use.

Striking a balance between options and requirements

- 8.6 Uplands ELS could have operated in three ways. It could have been:
- an 'option-only' scheme, with no stated requirements and farmers given a range of options to choose from in order to meet a designated threshold;
 - a 'requirement-only' scheme, with farmers guaranteed to receive funding on meeting a number of set, non-negotiable criteria;
 - a scheme combining set requirements with a further range of options.
- 8.7 Uplands ELS has very specific objectives, particularly maintaining a level of grazing in the uplands. Because of this we wanted to achieve a consistent level of certain factors right across the SDA. An 'option-only' scheme would not have enabled us to do this as effectively as a scheme that included requirements.
- 8.8 A scheme based purely on requirements would have two main advantages: it would be simple; and it would lay down a universal baseline for good environmental management in the uplands. But setting out a range of requirements that could reasonably be met by every upland farmer in England *without* having additional options available, would have diminished the scale of the public benefits Uplands ELS could generate. A requirement-only scheme could also have reduced accessibility for upland farmers.
- 8.9 Because Uplands ELS is a hands-off, national scheme, it needs to have an in-built flexibility, to address the different circumstances faced by uplands farmers in different parts of England. The threshold system we are adopting will give farmers this flexibility, allowing them to pick and choose which options best suit the characteristics of their farm and the demands of their business plan. At the same time the grassland and moorland requirements set out in Uplands ELS will ensure that the specific goals of the scheme are met wherever it is adopted.

9 Level of advice to be offered to farmers

- 9.1 Advice from Natural England will be very important in promoting and encouraging uptake of Uplands ELS, particularly for those uplands farmers who have never previously been involved in agri-environment schemes, but also for those already involved in a classic scheme or in ELS or HLS.
- 9.2 Evidence from the Review of Progress, which analysed uptake of ELS three years after its introduction, shows that many upland farmers have struggled with the perceived complexity of the ELS application process and the concept of a 'hands off' approach to agri-environment agreements.
- 9.3 Following the recent review of the progress of ES, ministers have agreed that a greater level of support than is currently offered under ELS will be needed if we are to secure sufficient uptake of Uplands ELS to achieve our objectives in the uplands. This was borne out in the on-farm testing conducted by CSL. Of the farms interviewed 38% of respondents hadn't understood how to calculate their points target before receiving 1:1 advice (see table 16).

Table 16: Understanding the structure of Uplands ELS

Category	% Yes	% No	% NA
Do you understand how to calculate points target (n=63)	62	38	
Have you been able to calculate points requirement for your holding? (n=66)	64	17	19*

* Farmers had not had enough time to fill out form prior to interview.

- 9.4 To enable Natural England to offer the level of advice needed to encourage broad uptake of Uplands ELS, we are proposing an increase in funding. We are currently finalising arrangements for the provision of additional advice for farmers in Environmental Stewardship, a significant part of which would be for advice for Uplands ELS applicants. This money would be additional to the funds Natural England has already set aside for the administration of Uplands ELS.

10. Capital grants scheme

- 10.1 We explored in depth the question of how to deal with capital grants funding in relation to Uplands ELS. We recognize that some upland features not covered by existing higher level agreements, and which do not necessarily require detailed management, could benefit from the protection or conservation afforded by some simple capital works – such as the restoration of boundary features which provide landscape and habitat benefits.
- 10.2 As far as capital works are concerned, the options facing Defra in designing Upland ELS were to:
- not provide funds for capital works;
 - create a specific fund, separate from Uplands ELS, for capital works;
 - provide specific options under Uplands ELS to enable capital works to be carried out.
- 10.3 Option A would provide no incentive or provision for capital works in the uplands. Some form of capital works support is beneficial where locally important landscape features are present but not covered by HLS agreements. Research also shows that capital works in the uplands have clear wider socio-economic benefits (e.g. local employment, maintaining traditional skills and tourism).
- 10.4 However, option B, providing a specific capital grants scheme within Uplands ELS, would be at odds with some the aims and principles underpinning Environmental Stewardship. There are few capital works in the uplands which could be carried out *without the need for site-specific advice* and without the possibility of damage to the environment if not applied correctly.
- 10.5 Furthermore, capital works (such as buildings) can be expensive to fund, so a relatively small number of agreements can have the potential to absorb a significant proportion of the available funding. Although other capital works (such as dry stone walling) may be cheaper, they can be extensive and similarly absorb a significant proportion of the budget. Given the limited funding available, we were concerned that a capital works grant scheme would have a negative impact on the Uplands ELS per hectare payment rate, and thus on the benefits achieved from different types of environmental land management. Stakeholders agreed.
- 10.6 Option C, the inclusion of a small number of capital works as one of the available options within Uplands ELS, enables the provision of funds for simple capital works while maintaining the 'hands off' nature of Environmental Stewardship. Capital works options are given a points value which is divided over the five years of an Uplands ELS agreement to determine the level of annual payment (rather than an additional grant payment). Limits are imposed on the proportion of points that could be achieved using capital works options. For example the restoration of dry stone walls is worth 30 points per metre up to a maximum of 200 metres.
- 10.7 Integrating capital works into Uplands ELS in this way gives farmers and agreement holders valuable capital works options, without using up too great an amount of Uplands ELS funding. It can also be administered more simply in this format than as a separate grants scheme. At the same time, capital grants will continue to be available in the uplands through HLS, and through the small scale capital grants scheme provided under Defra's Catchment Sensitive Farming Initiative.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	Yes
Sustainable Development	No	Yes
Carbon Assessment	No	Yes
Other Environment	No	Yes
Health Impact Assessment	No	Yes
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	Yes
Rural Proofing	No	Yes

ANNEX A: SPECIFIC IMPACT TESTS

Competition Assessment

The Cabinet Office and Office of Fair Trading (OFT) give guidance on how to undertake a Competition Assessment as part of an impact assessment. The 2007 guidance suggests that the initial competition filter should seek answers to four basic questions outlined below:

In any affected market, would the proposal:

1. Directly limit the number or range of suppliers?
2. Indirectly limit the number or range of suppliers?
3. Limit the ability of suppliers to compete?
4. Reduce suppliers' incentives to compete vigorously?

Uplands ELS is a part of a wider government policy on agriculture that relies on the market place to produce a competitive industry and for the government to reward land managers for delivering public benefits not provided by the market. HFA rewards upland farmers without discriminating between the differing standard of environmental benefits each provides. Because Upland ELS more accurately reflects the cost of providing public benefits, its introduction will enable farmers to better integrate environmental management into their business plans.

For a small number of farmers with short term tenancy agreements, there may be some informal barriers to gaining funding. A full discussion of this issue is carried out in paragraphs 6.35 to 6.38. The issue is not unique to Uplands ELS; it is relevant to all the strands of ES which involve agreements of a minimum of five years. We have carefully considered this issue throughout policy development, and the final policy has been designed to alleviate these barriers as much as possible, without compromising the need for longer term agreements.

Uplands ELS is a voluntary scheme, open to all farmers with holdings in the SDA. And on-farm testing has found that the majority of farmers will be able to meet its requirements with relatively little change to their current practices. Because of this we are confident that Uplands ELS will not have any detrimental impact on competition. On the contrary, by providing a more effective means of rewarding the provision of public goods, Uplands ELS could make competition within uplands agriculture fairer and more transparent.

Small firms impact test

Owing to the structure of the farming industry, virtually all of the farms that are affected by these proposals are likely to be small and medium sized enterprises. Overall, Uplands ELS will not disadvantage small firms in relation to large ones. As stated before, Uplands ELS is a voluntary scheme open to every farmer and land manager in the English SDA no matter the size of their holding, providing they can meet the rules. All farms will be paid at the same rate per hectare no matter what their size.

The HFA was not available to farmer with holdings of less than 10ha. Those farmers will be eligible for Uplands ELS, provided they meet the points threshold. So the introduction of Uplands ELS does open up a new funding stream for small farmers.

Health impact assessment

Uplands ELS will not directly impact on health or wellbeing and will not result in health inequalities.

Race/Disability/Gender

As noted above, Uplands ELS is a voluntary scheme open to any farmer with a holding, or part of a holding, in the SDA, regardless of race, gender or whether the applicant has a disability. Conditions apply equally to all applicants.

Human rights

Uplands ELS does not breach, curtail or impinge on any human rights. It has been designed so as to conform to the Human Rights Act 1998.

Carbon Impact Assessment

By promoting measures which ensure the preservation of peatlands in the English SDA, Uplands ELS will have a beneficial effect in terms of its impact on UK carbon emissions.

Under the moorland requirement M2, to be eligible for Uplands ELS, farmers must “maintain wetlands including peat bogs, other mires and hillside flushes.” Peat bogs are essential to climate change mitigation because they store carbon. It is estimated that peatlands in England and Wales could release 381,000 tonnes carbon per year if damaged by burning, drainage and overgrazing. Mindful of the damage that overgrazing can do to peatlands, we have set the minimum stocking level specified in M1 below that which might engender damage to blanket bog.

Legal Aid

The proposal will not introduce new criminal sanctions or civil penalties.

Rural proofing

All of the SDA, and thus all of the land affected by the implementation of Uplands ELS, is located in rural areas. The effect of implementation is therefore skewed to have a disproportionate impact in on rural areas, but the impact is expected to be positive and beneficial.

Sustainable development

The introduction of Uplands ELS is designed to incentivise and develop the sustainable management of land within the English SDA. This proposal is therefore in line with Sustainable Development principles.

ANNEX B: WRITTEN STATEMENT BY DAVID MILIBAND ON THE FUTURE UPLANDS REWARD STRUCTURE - 12 DECEMBER 2006

Following Defra's consultation earlier this year on the future uplands reward structure in England, we have decided to fully integrate uplands support within Environmental Stewardship.

We consulted on the basis of moving away from compensatory nature of the Hill Farm Allowance and towards a scheme which rewards farmers for maintaining the upland landscape and environment.

After reviewing the consultation responses, and taking into account the need for effective planning and implementation, we are now minded to put in place a specific uplands strand to the Entry Level Stewardship scheme by no later than 2010.

Uplands Entry Level Stewardship will enable us to recognise the key role of upland farmers in delivering many of our environmental and landscape objectives, whilst also enabling us to better target the funding towards the delivery of public benefits. Like ELS, this new uplands strand would be open to all eligible farmers, and would offer a higher payment than ELS to reflect the higher costs of farming in these areas.

To ensure fullest environmental benefit, further scoping work is needed with Natural England and stakeholders. There will then be a further consultation on the final scheme design prior to implementation.

Higher Level Stewardship will of course continue to be available in the uplands, and we will keep the balance of funding between HLS and Uplands ELS under review.

In the interim, we will continue to roll forward the Hill Farm Allowance for three years from 2007 to 2009. Moving directly to Uplands Entry Level Stewardship from the Hill Farm Allowance will avoid the costs to industry and Government of implementing a separate transitional scheme.

We also consulted on our plans to reduce the geographic coverage of the Hill Farm Allowance (and future uplands support) by removing the "Disadvantaged Areas" (DA) from the scheme, thereby focusing uplands support on farms in the "Severely Disadvantaged Areas" (SDA). We propose to do this from 2008. This proposal received general support in the consultation, given that in comparison to the SDA, land in the DA is generally higher grade agricultural land, is more accessible, and producers have more options to maximise the potential of the land. In addition, the Single Payment Scheme will, over time, tend to favour farmers in the DA in comparison to the SDA (since the DA is subsumed within the lowland for the purpose of defining SPS regions and therefore receives a higher flat rate payment than the SDA).

The money saved by limiting the geographic coverage of the Hill Farm Allowance will be retained within the Rural Development Programme for England, to boost the funds available under Environmental Stewardship, including in the uplands. We have made a separate announcement today about the contingency arrangements we have put in place to cover the delay to the start of the next Rural Development Programme in England.

ANNEX C – WRITTEN MINISTERIAL STATEMENT BY HILARY BENN - 21 JULY 2008

We announced in December 2006 that uplands support will be integrated into Environmental Stewardship from 2010, replacing the Hill Farm Allowance. At that time we said we were minded to do this through a specific uplands strand to the Entry Level Stewardship (ELS) scheme but that further analysis was needed to ensure that this would deliver the fullest environmental benefit.

Work since then with stakeholders and Natural England has shown this approach to be the right one and I am pleased to confirm that Natural England will implement Uplands ELS in 2010.

Our objective for this new strand of Environmental Stewardship will be to maintain and improve the biodiversity, natural resources, landscape and historical value of England's uplands, and to contribute to climate change mitigation and adaptation, by supporting the land management practices which deliver these benefits.

We want to secure public goods on a landscape scale, additional to those delivered by ELS, by supporting large numbers of upland farmers and land managers in delivering simple yet effective environmental management in the uplands. This is in recognition of the significance of the uplands in delivering a wide range of public benefits, and of the critical role that farmers and land managers play (particularly through extensive livestock grazing).

Uplands ELS will be open to all upland farmers and land managers – providing they can meet the requirements – and will be targeted at those carrying out the land management. We want it to be sufficiently flexible to allow farmers to adapt to future policy and market changes, whilst still delivering environmental and landscape benefits. We have also listened to pleas from farmers and other stakeholders to keep it simple.

We have worked closely with Natural England and stakeholders in developing the proposals, including through advice from a hill farmers' panel. We will be seeking views from the wider hill farming community over the summer, and testing the proposals with a range of hill farms so that we can ensure they are practical for the farmers involved, and achieve our objectives. We will also explore possible transitional arrangements for farmers and land managers in other closed agri-environment schemes. I will make a further announcement on the final scheme later this year.

ANNEX D: UPLANDS ELS REQUIREMENTS AND OPTIONS

REQUIREMENTS : Grassland and Arable

11 points/hectare

(SDA in-bye land and small moorland parcels/allotments)

- G1 No supplementary feeding within 6m of a watercourse
- G2 No fertiliser applications within 6m of a watercourse
- G3 Any maintenance of dry stone walls undertaken must be completed in the local style
- G4 Any maintenance of hedges/hedgebanks undertaken must be completed in the local style
- G5 No supplementary feeding in native woodland except during periods of extreme weather
- G6 Retaining existing areas of scrub by not supplementary feeding or applying fertilisers, herbicides or pesticides (except as indicated under cross compliance) on these areas
- G7 No removal of large boulders and rock outcrops
- G8 Prevent the spread of bracken beyond the areas that currently exist on land which allows the use of a conventional tractor
- G9 Remove discarded plastic bags and wrapping deposited on the land

REQUIREMENTS: Moorland (open moorland)

15 points/hectare

- M1 Avoid overgrazing and undergrazing, and maintain a minimum stocking rate of 0.05 livestock units per ha between 1st June and 30th September
- M2 Maintain wetlands, including peat bogs, mires and hillside flushes
- M3 Manage supplementary feeding sensitively
- M4 Follow heather and grass burning code
- M5 No fertiliser applications, cultivations or harrowing
- M6 Retain and protect native woodland - no supplementary feeding except during periods of extreme weather

REQUIREMENTS: Additional moorland requirements for commons and shared grazing

5 points/hectare

- M6a All sheep must consist of hefted self-maintained flocks
- M6b Establish and maintain a commoners' association or group

OPTIONS: Uplands ELS options

- UB11 Stone wall protection and maintenance on or above the moorland line 32 points/100m
- UB4 Stone-faced hedgebank management on both sides, on or above the moorland line 24pts/100m
- UB5 Stone-faced hedgebank management on one side, on or above the moorland line 12pts/100m
- UB12 Earth bank management on both sides, on or above the moorland line 18pts/100m
- UB13 Earth bank management on one side, on or above the moorland line 9pts/100m
- UB17 Stone wall restoration 30pts/m
- UB15 Stone-faced hedgebank restoration 55pts/m
- UB14 Hedgerow restoration 10pts/m
- UB16 Earth bank restoration 12.5 pts/m
- UJ3 Post and wire fencing along watercourses 50pts/100m
- UC5 Sheep fencing around small woodlands 50pts/100m
- UD13 Maintaining visibility of archaeological features on moorland 53 pts/feature
- UL17 No supplementary feeding on moorland 4 pts/ha
- UD12 Maintenance of weatherproof traditional farm buildings in remote locations 4pts/m²
- UM5 Monitoring of target environmental features 320pts/agreement
- UL18 Cattle grazing on upland grassland and moorland 30 pts/ha
- UL22 Management of enclosed rough grazing for birds 35pts/ha
- UJ12 Winter livestock removal next to streams, rivers and lakes 35pts/ha
- UC22 Woodland livestock exclusion 180 pts/ha
- UL20 Haymaking 60pts/ha
- UL21 No cutting strip within meadows 250 pts/ha
- UL23 Management of upland grassland for birds 37pts/ha

ANNEX E: ORGANISATIONS REPRESENTED ON THE UPLANDS ELS POLICY AND TECHNICAL GROUPS

Uplands ELS Policy Group

Country Land and Business Association
English Heritage
English National Park Authorities Association
Environment Agency
Natural England
National Farmers Union
National Trust
Royal Society for the Protection of Birds
Tenant Farmers' Association

Uplands ELS Technical Group

Country Land and Business Association
Environment Agency
Farming and Wildlife Advisory Group
Hertfordshire County Council
National Farmers Union
Natural England
The Royal Society for the Protection of Birds
Yorkshire Dales National Park

ANNEX F – TESTING OF UPLANDS ELS PROPOSALS ON HILL FARMS

Central Science Laboratory (CSL) was commissioned to test Uplands ELS over summer 2008. A series of interviews (66 in total) were held in upland areas to investigate farmers' attitudes and opinions in relation to the proposed Uplands ELS, in order to inform the final scheme design. The specific objectives were:

- To test whether farmers in the uplands could accommodate the Uplands ELS requirements and options on their farms
- To test farmer understanding of Uplands ELS requirements and options
- To ascertain the likely levels of interest in entering Uplands ELS.

All six Government Office regions with significant amounts of SDA land were visited, as were all distinct sub regional areas, i.e. in the Southwest region – Exmoor, Dartmoor and Bodmin.

The sample of farmers used for the interviews were put forward by regional stakeholders and Natural England as being representative of hill farm types in that region. CSL compared the sample interviewed to the national Agricultural Census Data and found the sample representative of farm types and sizes within the English SDA. The sample included 9 organic holdings.

Results

62% of the sample understood how to calculate their Uplands ELS point target

91% (60 farms) met the required points threshold to access Uplands ELS. The 9% (6 farms) who failed had issues with land being tied up in HLS management. Of the 6 farms who failed, 5 obtained 93% or more of the required points.

76% of the sample said that they would apply for Uplands ELS when it was introduced, 16% were undecided and 8% said they would not.

Most respondents thought that the grassland and arable requirements were practical for their holding (the percentage who thought the individual requirements were practical varies between 81% and 98% depending on the requirement). Most of the grassland and arable requirements required little or no change in management to implement (this varied between 81% and 100% depending on the requirement)

Most respondents thought that the moorland requirements were practical for their holding (the percentage who thought the individual requirements were practical varies between 93% and 100% depending on the requirement). Most of the moorland requirements required little or no change in management to implement (this varied between 86% and 100% depending on the requirement).

The most popular new options that were chosen were those that related to boundary features and mixed stocking. The reason stated for choosing options was mainly because management was already in place.

The draft report makes a number of recommendations relating to scheme administration, application eligibility, clarity of the management prescriptions for the options and requirements, advice need, and suggested additional options.

ANNEX G: AN EXPLANATION OF THE METHOD USED TO ESTABLISH THE COSTS TO FARMERS THROUGH CHANGE IN PRACTICE

The CSL report (discussed in Annex F) set out for each requirement how much extra work it would be to achieve the requirement (either a lot, a little, or none) and also for those who chose each option how much extra work it would involve. To simplify the following process we narrowed the categories down to either no work or work. Using the numbers of farmers who thought some work would be involved divided by the total respondents on that option or requirement, gives a proportion of people who thought it would be required to do more work. This gave the following results.

Requirements

Grassland Requirement Number	Proportion who would have extra work
1	0.17
2	0.38
3	0.06
4	0.04
5	0.06
6	0.16
7	0.13
8	0.11

Moorland Requirement Number	Proportion who would have extra work
1	0.07
2	0.00
3	0.11
4	0.00
5	0.07
6a	0.03
6b	0.21

Options

Uplands option number	Proportion who would have extra work
1	0.00
2	0.00
3	0.00
4	0.22
5	0.29
6	0.20
7	0.57
8	0.27
9	0.13
10	0.29
12	0.09
13	0.00
14	0.65

The requirements were then weighted by how many farmers were required to complete the requirement out of the CSL sample. The weighted proportion change is the proportion change multiplied by the weighting, the total of which gives the average weighted proportion change.

This can be shown as an equation

Weighted proportion change = (Proportion of change requirement 1 x weighting1) + (Proportion of change requirement 2 x weighting2) + (Proportion of change requirement3)

Grassland Requirement Number	Weighting	Weighted Proportion requiring change
1	0.15	0.03
2	0.15	0.06
3	0.13	0.01
4	0.11	0.00
5	0.13	0.01
6	0.10	0.02
7	0.12	0.02
8	0.10	0.01
Total		0.15

Moorland Requirement Number	Weighting	Weighted Proportion requiring change
1	0.18	0.01
2	0.16	0.00
3	0.18	0.02
4	0.09	0.00
5	0.17	0.01
6a	0.13	0.00
6b	0.11	0.02
Total		0.07

Options were treated slightly differently as they are not compulsory, and different points were assigned to each option, so they were weighted by how many farmers would choose to select them under the Uplands ELS scheme as well as the points they are worth.

Uplands Option Number	Weighting	Weighted Proportion requiring change
1	0.18	0.00
2	0.02	0.00
3	0.03	0.00
4	0.15	0.03
5	0.06	0.02
6	0.03	0.01
7	0.02	0.01
8	0.09	0.02
9	0.02	0.00
10	0.01	0.00
12	0.23	0.02
13	0.07	0.00
14	0.09	0.06
Total	1.00	0.17

For each type of land (i.e. non-moorland, moorland in parcels under 15ha, moorland in parcels over 15ha) a different combination of options or requirements are needed and each is worth a different amount of points. This means that to get the extra effort for each type of land we must take into account the number of points for the requirements or options required. Again this meant that a weighted average was used to produce the final average extra effort for each type of land.

		Average extra effort by type	Number of Points	Weighting	Weighted extra effort	Average Extra Effort Required (Percent)
Moorland Parcels Less Than 15 ha	Moorlands Requirements	0.07	11.00	0.34	0.02	13.89
	Uplands Options	0.17	21.00	0.66	0.11	
Moorland Parcels Greater Than 15 ha	Moorlands Requirements	0.07	15.00	1.00	0.07	7.04
Land Below the Moorland Line	Grasslands Requirements	0.15	11.00	0.34	0.05	16.55
	Uplands Options	0.17	21.00	0.66	0.11	

As discussed in section the Costs to Farmers section in the main body of this document, these values were then used to show across given uptakes, what the costs would be.