



Future Funding for Sustainable Land Management in Wales

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Our vision is of a Wales that manages its land sustainably, in ways that secure benefits for people, the environment and nature as well as an economic future for land managers, recognising the direct links between the health of the environment and the health of society.

As well as products such as food and timber, we need a flourishing natural environment, rich in wildlife, to provide services like clean water, healthy soils, flood alleviation, carbon sequestration, and the benefits to our wellbeing that access to nature and the countryside brings. These ecosystem services could play a key role in supporting a prosperous rural economy, if investment is made now in nature's restoration.

Despite years of funding for agri-environment schemes, there has been a 56% decline in farmland biodiversity which mirrors the global trend. It is critical to the future of Welsh wildlife that we ensure any post-CAP land management payment helps reverse this loss, in this generation. To achieve this there needs to be substantive large-scale land use change, ensuring sustainable land management in Wales, in both our uplands and lowlands. To achieve this, we can't mirror environmental CAP measures: we need to recognise what has worked and what hasn't. We need to celebrate good practice and enable others to understand the step change that is now necessary; business as usual is not acceptable. A new era of recognising the future needs of society is required, where the full role of land managers is understood and recognised. Now society has to invest in supporting this change.

The case for continued public funding for land management

[Research](#) into different Brexit scenarios commissioned by the RSPB shows that farmers will lose income under all likely scenarios once we leave the EU and CAP payments cease. In many cases this income loss will be significant enough to drive major land use change. Some of this change may be environmentally beneficial, but there are also potentially negative impacts, such as land abandonment in areas of High Nature Value and a drive for further unsustainable intensification of farming in other areas. Such change will also have significant economic, social and cultural impacts in rural communities.

Public funding will continue to be necessary to ensure that we retain a thriving, resilient, environmentally sustainable land management sector that delivers public benefits. As a minimum, equivalent levels of funding to that which we currently receive via the CAP will be necessary to drive a successful transition to a sustainable land management policy (in order to meet environmental objectives), at least in the short to medium term. Our evidence for this is explained by findings from the Scale of Need report, an independent assessment of the costs of

environmental land management in the UK commissioned by RSPB, National Trust and The Wildlife Trusts (Dec 2017).

The project set out to estimate the financial needs associated with environmental land management, and develop a model that could be used to refine and update these costs in the future. The land management needs identified were based on existing strategies, objectives and commitments. They do not necessarily reflect the level of ambition needed to improve the environment for the next generation and do not incorporate woodland management or expansion. The estimates provided are based on 'current' costs taken from existing UK agri-environment schemes. The report also includes 'adjusted' costs, derived from a range of different drivers:

Summary of overall annual costs of meeting environmental land management priorities, based on current costs (£m)					
	England	Northern Ireland	Scotland	Wales	UK
Priority habitats	471	32	252	120	876
Boundary features	255	46	65	35	402
Historic environment	41	3	40	7	92
Arable land	403	14	40	5	461
Grassland	164	80	56	32	331
Organic	17	0.5	3	5	26
Total	1,352	176	456	205	2,188

These costs are focused on land management interventions, and do not reflect the total costs associated with either future sustainable land management systems e.g. High Nature Value farming (HNVf) or environmental objectives.

A sudden reduction in this funding (as could be the case if the Barnett formula is applied) could risk land abandonment in areas already designated as Less Favoured Area or Severely Disadvantaged. **Future funding should be based on the principle of public money for public goods¹.** Land managers receiving funding should deliver public goods in proportion to that investment. Adhering to this principle will provide clear justification for using taxpayers' money to continue to support land management in Wales and across the UK.

WEL believes that a future funding system based on public money for public goods is possible under World Trade Organisation (WTO) rules. As shown by the RSPB and CLA in their paper on WTO rules², there is sufficient flexibility that payments would not have to be calculated purely on an income foregone or costs incurred basis where they do not provide producers with a competitive advantage. As such, payments could also include support for uneconomically viable land management systems that are essential in securing public benefits such as High Nature Value farming (HNVf). This is positive because payments focused narrowly on income foregone/costs incurred would be insufficient to enable land managers to deliver robust outcomes for a new sustainable land management policy. It would also reinforce the perception that these works are of secondary importance to food production, when the delivery of public goods is of equal or, at times, greater importance.

WEL believes that future funding mechanisms for land management should drive:

1. delivery of action that meets our national and international environmental obligations;

¹ WEL defines public goods as goods or services that would not be provided by commercial markets. The UK National Ecosystem Assessment 2011 also describes a public good as a good or service in which the benefit received by any one party does not diminish the availability of benefits to others, and where access to the good cannot be restricted.

² World Trade Organisation (WTO) Domestic Support Disciplines and Implication for UK Agricultural Policies (RSPB and CLA, 2017)

2. activity that goes beyond the delivery of baseline regulatory requirements and achieves clear outcomes, such as improved public access, carbon sequestration or habitat restoration;
3. collaborative, landscape-scale activity; and
4. improvements in the resilience, innovation and resource efficiency of land management businesses.

Payment should require land managers to complete a level of accreditation that incorporates training in biodiversity, soil conservation, pollution control and sustainable land management. This should provide land managers with foundation skills and they should be encouraged to undertake Continuing Professional Development, to maintain their certification.

Sustainable Land Management Policy Structure

We suggest the following four components for a future Sustainable Land Management policy.

1. **Effective regulation.** A strong legislative baseline, providing an effective foundation for public investment.
2. **Sustainable Land Management contracts – comprehensive.** Universally available payments to address widespread environmental objectives that go beyond the regulatory baseline.
3. **Sustainable Land Management contracts – targeted.** A range of measures to support more targeted actions and outcomes, ranging from established public policies such as higher-level agri-environment payments to more novel and innovative mechanisms.
4. **Measures to promote production that is resilient, sustainable, innovative and humane.** A range of measures to support advice and training, as well as targeted capital grants and loans.

These proposals would see a phasing out of direct payments, in preference for support provided on a programmatic, contractual basis, with every pound of public money invested linked to a specific action or result, in line with clearly defined policy objectives.

Effective regulation

Many of the rules that govern the way we manage our natural resources are derived from EU legislation, which has been fundamental to the protection of the environment in the UK. Wales must keep this legislation to create a solid basis from which to build, working towards environmental standards that are stronger than they are now.

The current Pillar 1 funding model includes rules on “cross-compliance” to provide a baseline that land managers must not fall below if they are to receive their basic payment. WEL supports the phasing out of Pillar 1 payments so that, in future, public money funds public goods. Landowners should not be paid public money to comply with a set of **statutory** management requirements or to ensure that the land is in Good Agricultural and Environmental Condition (GAEC). If regulatory requirements are not met, land managers should not be able to receive public funding.

In addition to the regulatory baseline we will inherit from the EU, WEL supports the introduction of basic measures or General Binding Rules that will tackle issues such as diffuse pollution, soil erosion and soil nutrient loss.

Sustainable land management contracts - comprehensive

WEL believes that a new sustainable land management contract must be established that is universally available to land managers in Wales, provided that it results in positive action for the environment (above the regulatory baseline) that delivers public goods. We believe that these contracts should be a choice, not an entitlement. Land managers that choose not to enter into such a contract will still have to manage their land according to a strong regulatory baseline and

adhere to any basic measures that are introduced. Development of this new contract-based system must be done in partnership with land managers, the public and stakeholders.

Contracts should only be open to those land managers who have obtained accreditation. The costs of undertaking this could be incorporated into the funding contract or supported by additional measures (see below). This will help to drive up standards across the industry, so that those managing our natural resources have the necessary skills and knowledge, in line with evolving policy. It will also help to secure a premium for sustainable land managers. Accreditation must include recognition of the importance of restoring and maintaining the natural environment, including maintaining public access.

Sustainable land management contracts - targeted

Targeted funding should be invested in specific actions that tackle issues that need to be addressed in a particular area, e.g. in relation to priority species and habitats, reducing flood risk or water pollution, increasing carbon sequestration or provision of new public access in areas that are poorly served by existing routes. Targeted activity should

- be driven by evidence and outcome-based (recognising that, particularly in the case of species work, results may take time to achieve and may be affected by external influences);
- drive collaborative/partnership work at a landscape scale, to maximise benefits over larger areas and across different types of ecosystems;
- respond to opportunities identified through Area Statements, or other detailed opportunity mapping, to ensure local and regional environmental issues are tackled;
- restore habitats, address significant species declines and avert potential extinctions;
- provide new, improved opportunities for access to the countryside, that go beyond statutory provision, designed for provision into the long term;
- support the piloting of new market mechanisms that could supplement or replace public funding, such as Payment for Ecosystems Services (PES) schemes³;
- enable private sector investment as well as community payments, maximising public finances by drawing in cross-governmental funding and tax revenues; and
- take account of evidence from monitoring, so that land managers and policy makers continue to learn which interventions work best, and land managers are able to adapt and improve based on sound evidence.

Measures to promote production that is resilient, sustainable, innovative and humane.

Funding should drive business resilience, resource efficiency (moving towards a circular economy) and supporting innovation, both in terms of land management practices and new market mechanisms. It should also drive investment in training and continuous professional development for land managers, by supporting them to achieve sustainable land management accreditation and to build their natural resource management skills.

Capital grants and loans will have a place in supporting this transition to new sustainable land management practices. Outcomes need to be aligned with the Area Statements and should feed into reports such as SoNaRR and the Future Trends Report. Investment should also be made in market promotion for high-quality sustainable (e.g. organic, HNVf), humane Welsh food production. This should be in conjunction with circular economy stimulation, including Government procurement commitments.

³ WEL is developing a separate paper on new market mechanisms such as PES.

Implementation

Good implementation of a new sustainable land management policy will require:

- appropriate mechanisms for engaging with land managers, so that the scheme is well communicated and easy to understand;
- easy access to appropriate, independent advice and training for land managers;
- independent, robust monitoring and enforcement to ensure public money is driving sustainable outcomes and results, and is delivering value for money when compared with other sectors where public funding is utilised; and
- long-term contracts, appropriate to the outcomes to be achieved.

We believe that Area Statements will be useful to identify local and regional environmental opportunities in a spatially expressed way. This will allow identification of opportunities where targeted funding could make a significant difference to the sustainable management of natural resources in Wales, delivering resilient ecosystems as well as resilient land management businesses.

It is vital that monitoring is undertaken on all funded activity, both at a contract and scheme level. This must be undertaken by a body with sufficient ecological expertise, and the monitoring should be statistically and scientifically rigorous in design. Currently, cross-compliance breaches regularly go unchallenged due to the lack of resources for monitoring and enforcement, and this must be addressed in future policy. The public must have the confidence that baseline standards and protections are being complied with and funded activity is going to deliver tangible results.

WEL understands that some types of outcome may take longer to achieve, and multiple years of monitoring will be required in order to evidence progress. We need to strike a balance so that land managers can enter into contracts on the basis of undertaking the right actions to address environmental issues. However, if monitoring shows that actions are not making a difference, or if funded activity is not taking place in the right way, then there must be a process by which the contract is reviewed and either amended or cancelled. This approach is vital to give land managers the confidence to enter into contracts, and to give the public the confidence that ineffective activity will not be funded.

Transition period

WEL would like to see a defined transition period for moving from the current CAP funding system to a new funding system based on the principle of public money for public benefits. Assuming we leave the EU at the end of the Article 50 period in March 2019, we would expect to see the period up to 2022 used to design and pilot the new scheme⁴. Direct payments would start to be phased out, with a managed transfer of resources from the current Pillar 1 to a scheme that delivers public benefit. We would expect the full transition to the new policy framework to be completed by 2025.

⁴ We also expect pilots to continue beyond this date as new models are trialled.

Wales Environment Link (WEL) is a network of environmental, countryside and heritage Non-Governmental Organisations in Wales, most of whom have an all-Wales remit. WEL is a respected intermediary body between the government and the environmental NGO sector in Wales. Our vision is a healthy, sustainably managed environment and countryside with safeguarded heritage in which the people of Wales and future generations can prosper.

This position statement represents the consensus view of a group of WEL members working in this specialist area. Members may also produce information individually in order to raise more detailed issues that are important to their particular organisation.

