# **Consolidating Future Farming Grants:** *Should we deliver AH&W grants through the Farming Investment Fund?*

Options Paper for discussion at Grants & PbR Sub-Group on 15th December 2021

## Purpose

We have been working with policy colleagues focused on environmental and productivity grants to consider **whether it would be better to have an integrated grants scheme for farmers to achieve AHW, environmental and productivity benefits – rather than separate schemes**. At the last Grants & PbR Sub-Group (1st December 2021 - [slides](https://defra.sharepoint.com/:p:/r/sites/Community2148/PbRGrants%20Task%20%20Finish%20Group/Papers/21-12-01%20-%20Grants%20-%20Integrating%20with%20FF%20Grants.pptx?d=w4c34d9d235704975acdf0a344fcf6bb0&csf=1&web=1&e=WVc5TT)) we put forward the following two options:

**Option A - Standalone** AHW Grants:

* **AHW small grants:** a **standalone list of items focused on AHW, delivering the sector priorities**. This would be separate to FETF which has another list of items focused primarily on productivity.
* **AHW large grants:** a standalone scheme for bespoke infrastructure investments that deliver the AHW sector priorities. This would likely be divided into separate ‘themes’ by sector, by investment type or by priority, eg: ‘upgrading cattle housing for AHW’. This would be separate to FTF which has themes, such as ‘Improving Productivity’, could be used to fund robotic milking.

**Option B: AHW integrated with other FF grants as part of the Farming Investment Fund:**

* **Farm Equipment and Technology Fund - FETF (small):** a **single consolidated list** of capital items which deliver productivity, AHW and/or environmental benefits. Any capital item contributing to the Pathway’s sector priorities would be labelled as such in the list.
* **Farm Transformation Fund - FTF (large):** one scheme for bespoke infrastructure investment grouped into ‘themes’ with several ‘themes’ focused specifically on delivering the sector AHW priorities.

Following an initial discussion at the sub-group, you asked for further clarification around both options and asked some additional questions. Feedback was that this was a complex question and quite a significant decision to make. This paper sets out the two options in detail, addressing each question on scheme design, and what this means for the farmer. It then asks you whether Option A or B is preferable for each element of scheme design and leaves space for you to explain your rationale and add further comments/questions.

## Background

### Why we are considering delivering AHW grants through FIF

We have received previous **steers from Defra ministers** that **Future Farming has too many grants scheme**which may be **confusing or complex for users** and ministers would like a **consolidated approach** to keep the process simple for farmers.

This message is consistent with the feedback we have received through user testing and stakeholder engagement. Farmers have welcomed a simplified and user journey to cut down the **administrative burden** of applying grants. A common aggravating factor for farmers has been **repeatedly being asked the same questions** around **basic user/business details:** *"Defra keep asking me the same questions. They ask me how much pasture I have, but the only way I can check is by going to Defra. You should make use of the information you already have and tell your applicants what they can and can’t do".*

### What IT Systems deliver grants?

An existing RPA IT system – called DORA - is used to deliver all grants under CAP (and more?) to both BPS and non-BPS claimants. **It is very basic.** Currently, many of the stages needed to assess a grant application are done manually. For example, evidence for the claims process is submitted via email. There is not one place/webpage to go to view all your grants applications and how they are progressing. Often information needs to be re-entered at each stage. This presents a barrier to uptake for farmers.

Therefore, Defra are building a new IT system for grants – the **Strategic Grants Service (SGS) –** which is due to be ready in Autumn 2022. It will be accessible to all farmers and address existing barriers to uptake. Development of SGS is **not** driving the decision to consolidate FF grants. However, it does present an opportunity to develop an IT system that is easier for farmers to use and is faster and cheaper for RPA to process grant applications. Greater commonality between grant schemes increases these benefits.

Whether or not we integrate with FIF, SGS will be the IT system used to process AHW grants and will need to be linked with SFI’s IT systems to link the AHWR to AHW grants. It is not possible to link these in Year 1 as this would likely delay launch. However, it will be done at a later date.

### What is the Farming Investment Fund’s current offer?

The [Farming Investment Fund](https://www.gov.uk/guidance/farming-investment-fund) (FIF) launched in November 2021, and it is based on the Countryside Productivity Grants Scheme (CPGS). It offers grants for capital items **that improve productivity as a primary goal,** but also considers environmental and animal health and welfare benefits. FIF has two parts:

* **Farm Equipment and Technology Fund - FETF (small):** a specified list of items, providing grants between £2,000 and £25,000. Items included had to score positively for productivity, environment and AHW.
* **Farm Transformation Fund - FTF (large):** bespoke grants for infrastructure projects between £35,000 and £500,000. FTF grants are grouped into ‘themes’. For the first round of FTF these are:
  + ‘Water Management’ for arable farmers, launched in November
  + ‘Improving Productivity’ for arable and livestock farmers, launching in December. *This includes infrastructure that may impact AHW, eg: robotic milkers.*
  + ‘Adding Value’, for any farmer wishing to process their raw agricultural product on site, eg: make cheese.

FIF will run for at least 5 rounds, until 2025/26. It is not be confirmed whether it will run beyond this. The first round of FIF is an interim offer. While there have been some improvements compared to the last round of CPSG, these are limited. RPA’s existing IT system – DORA – is still used for delivering grants and there have only been a few items added to the list. The next round of FIF in Autumn 2022 will be the full new offer delivered by **SGS** and is expected to have substantial updates, eg: ….

Given that the full AHW grants offer does not launch until Autumn 2022, it was decided that the first round of FETF should retain the 53 livestock items from CPSG – many of these deliver both productivity and AHW benefits. A decision is needed on whether these are included in future rounds of FETF, are removed *or* aremoved to the list for a standalone AHW small grants.

## Overarching Questions

### How would this decision impact our ability to **link grants to the AHWR**?

We expect to have a high-level of join up between AHWR and AHW grants, as this is critical for the success of the Pathway. This would help incentivise uptake of both AHW grants and the Review (before it becomes mandatory) and build a strong-farmer vet relationship. However, we have agreed not to link AHWR and AHW grants in Year 1. This is because:

* Linking the existing SFI and new SGS IT systems is not straightforward and could push back launch dates.
* Both the Review and AHW Grants new and have yet to be tested. We would like to monitor uptake in Year 1, and gradually introduce farmers to Pathway.
* The Review will not be open to non-BPS recipients or the poultry sector in Year 1.

In subsequent years, we are exploring whether to require farmers to have had an AHWR to be able to apply for a grant. We are also looking at whether vets’ grant recommendations discussed in the Review could be used to send an email prompt to a farmer to apply for a specific grant. We also plan to ask vets completing AHWRs to recommend items that should be added to grants list each year.

**Whether we go with Option A or B, there would be no impact in our ability to link grants to the AHWR as laid out above.** This is because the ‘link’ depends on linking the SFI and SGS IT systems rather than the grant schemes themselves.

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| **Comments / Questions:**  Simplicity is best in this situation. Option B helps to ensure that all grant systems are kept up to date, and that there is no risk of diverging or overlapping lists causing confusion. By pinning grants to the AHWR we ensure that the shape and future of pathway is retained and it stands on its own identity. The veterinary input in applying for grants is integral to maintaining this identity. By giving vet and farmer the agency to agree priorities and to assess the likely health and welfare impact of capital investment, we can continue to demonstrate improvements in health and welfare through the grants system. It will be down to Defra to consider how to capture this evidence to continue to demonstrate to treasury the public good value of this investment. Just as with the review though, having the direct involvement of a regulated professional at the planning and application stage will help to add to the weight of that evidence. |
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### How would the **Pathway’s identity** be impacted following integration, and what could be done to retain this?

A founding principle of the Pathway is to take farmers on a gradual journey to build trust and deliver continual improvement in AHW. It is important that farmers understand the simple steps they need to take and are able to see how all the parts of the Pathway work together. We need a strong Pathway brand to do this, which we have been working hard to build. Standalone AHW grants **(Option A)** can easily be connected to the Pathway. It is easy to clearly communicate how AHW grants fit as a ‘step’ to gradual continual improvement in AHW.

However, **Option B** risks diluting the Pathway’s identity as AHW items would be integrated under the Farming Investment Fund ‘brand’. This risk is something we already have to manage for other parts of the Pathway, with the Review being delivered as part of SFI (and potentially PbR too). We think this can risk can be partially mitigated. For example, in FETF, we would be able to label each AHW item, so that farmers can see which are part of the Pathway and deliver our sector priorities. On gov.uk we would need to have a clear landing page for the Pathway - something we should have after the announcement – which provides links through to each part of the Pathway. We would need ensure that the Pathway features significantly in any future communications on FIF.

Ultimately, we need to decide how this risk of diluting the Pathway’s identity weighs up against reducing the administrative burden for farmers (through a simple user journey - one integrated list, and common application process).

**Option A – Standalone AHW grants:** easy to identify that this is part of the Pathway

**Option B – AHW Integrated with FIF:** hardier to identify how FIF fits with the Pathway. Proactive engagement and clear communications could mitigate some if this.

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| **Option A** |  | **Comments / Questions:**  see box above |
| **Option B** | X |
| **No preference** |  |
| **Don’t know** |  |

### Future Farming grant offers have different **timescales** – the Pathway is longer term, whilst e.g., slurry, is shorter term. How does work following integration?

The [Agricultural Transition Plan](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/954283/agricultural-transition-plan.pdf) sets out funding from 2021/22 – 2028/29. No commitments have been made beyond this, even though the Pathway is planned to run longer-term. AHW grants will run from **22/23 to at least 28/29,** while FIF has confirmed funding from **21/22 to at least 25/26** but may be extended beyond. If FIF does close in 25/26, **Option A** is ‘cleaner’ with the FIF scheme closing. In **Option B**, productivity items / themes could be removed from FIF with the AHW offer continuing.

**Option A – Standalone AHW grants:** *(Assuming FIF productivity grant funding ends in 25/26)*

* *Small:* FETF would close in 25/26, and AHW small grants would remain open
* *Large:* FTF would close in 25/26, and AHW large grants would remain open

**Option B – AHW Integrated with FIF:** *(Assuming productivity grants end in 25/26)*

* *Small:* FETF would remain open but productivity items would be removed from the list
* *Large:* FTF would remain open but only offering the AHW themes’

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| **Option A** |  | **Comments / Questions:** It is arguable that actually putting the grants at a slight distance from AHWR gives greater clarity as to the pathway role in raising standards of health and welfare on farm in this instance. It is not ‘new news’ to anybody working in the sector that grants wax and wane and modify their presentation. To have AHWR as a constant lynchpin around which grants and PbR can fluctuate may prove beneficial in its identity in the future. Given that the goal of pathway is to be able to establish ongoing improvements in AH&W on farm, embedding the principle of the review, the plan from the review and then an ‘exploration of the market’ for available support to deliver that plan would feel a good outcome. |
| **Option B** | X |
| **No preference** |  |
| **Don’t know** |  |

## Scheme Design Questions:

### What impact would Option A or B have on **eligibility**?

**A decision on whether we go with Option A or B does not impact which farmers could be eligible for AHW grants**. Our current assumption is that all farmers with dairy cattle, beef cattle, pigs, sheep, laying hens or meat chickens would be eligible, whether or not they are BPS recipients. Both DORA – the existing RPA IT system – and new SGS are able to take grant applications from all farmers. (The system used for SFI / AHWR is separate and cannot easily register farmers who don’t have BPS). In future years, we are considering opening up AHW grants to other livestock sectors, eg: goats, turkeys.

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| **Comments / Questions:** agree. This is critical to ongoing improvements. |
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### How would this decision impact application windows and claims process?

Farmers have repeatedly asked for more certainty on what funding will be available to allow for effective business planning. If farmers don’t know for the next year what funding will available, when, what items are on the list and their chance of success, they may not make the best decisions for their business. Previously this resulted in farmers buying items they don’t need under one scheme, and then not having capital to apply for other schemes that could be beneficial. To address this, we are currently working with policy colleagues developing environmental and productivity grants to align decisions on the application and claims process. **The *aim* is that we align these as much as possible** – the more commonality, the easier it is for farmers. As part of this, we are considering:

* Common application windows, ie, launching on the same date (*We are exploring a range of options: 1 per year, multiple per year, 1 per sector, or rolling)*
* Common timings with regards the application and claims process, eg: advance notice pre-launch, application window, assessing application, implementation and claim time. *(Again, we are looking to make improvements, eg: giving more warning before launch)*

If we go with **Option B,** for **small grants** we would be fully aligned by *de facto* as there would only be one integrated list. **Farmers would only need claim once.** For **large grants**, we would likely have a common application and claims process. However, we would need to reach agreement on whether to have a common application window for all ‘themes’ or whether these would be staggered throughout the year (each separately dependent on political/government factors affecting the launch date).

If we go with **Option A**, we could end up agreeing to fully align the separate offers. However, for small grants **the farmer would need to claim twice** if they wanted to apply for AHW and productivity items. We expect this to impact uptake, as farmers dislike additional administrative burden. In CPGS, AHW items had a lower uptake (1.4%) than other items (4%). This suggests that **Option A** may put farmers off from applying to both AHW and FETF, lower AHW uptake. **Option B** – an integrated list - could be designed to incentivise applications for AHW items. For example, we could **require livestock farmers to apply for a minimum number / value of AHW items** in order to be able to apply for productivity items.

With **Option A** there is also a risk that we don’t fully align with FIF / slurry grants etc as there is no longer a requirement for policy teams to make common decisions. Multiple other factors, such as political decisions and delivery prioritisation, could mean that certain schemes are prioritised ahead of others – staggering application windows.

**Option A – Standalone AHW grants:**

* *Small:* Separate application windows and multiple claims processes. These could either be:

. Fully-aligned with AHW and FETF launching at the same time, and common timing for the claims process

. Poorly-aligned, with AHW and FETF launching at different times so farmers do not know if/when the other grant scheme will open.

* *Large:* Separate application windows per theme and multiple claims processes, either fully or poorly aligned.

**Option B – AHW Integrated with FIF:**

* *Small:* Common application window with a single claims process
* *(Large:* Common application window (either per ‘theme’, or for all themes?), with a common claims process, one per ‘theme’)

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| **Option A** |  | **Comments / Questions:** Given that AHWR will occur throughout the calendar year, the closer that we can get to aligning the grants application to the same process – ie, move away from ‘windows’ and towards and ongoing delivery of grant availability – the better. As a second best to this, ensuring that the validity of any mutual goal setting is such that it covers a period of up to 12 months so that an outcome from a review will be applicable to that year’s grant application cycle, is imperative. It may be that there is a need to allow a small amount of further veterinary time to be built into that grant application process in order to achieve the updated evidence and support for the grant application. The cost of this may be argued to be borne by either of farmer or Defra as grant provider. We would simply highlight that it is likely to be a cost, especially if the full list of grantable items is not available at the point of completion of the review. |
| **Option B** | X |
| **No preference** |  |
| **Don’t know** |  |

### What impact would Option A or B have on the intervention rate?

Currently for FETF, items have an intervention rate of 40% *OR* 50%, although this is not visible to farmers as only the grant amount shown. For FTF, there is a flat rate of 40%. Our current working assumption for AHW is that we would cover 60% of costs for small grants, and 40% for large. However, we plan to develop a variable intervention rate that is determined by item. This would be based on a set of criteria, for example, items delivering limited productivity benefit but high AHW benefits receive a higher rate. We are also considering factors such as means testing / farm size. **Therefore, for Option A or B, there would be a common set of rules applied to determine each items intervention rate. The decision to integrate should not impact the intervention rate.**

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| **Comments / Questions:** we would suggest that intervention rate should be proportionate to AH&W benefit. This supports recognising AH&W as a public good. |
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### How would this decision impact the minimum grant?

The minimum grant is set based on the delivery cost of processing one grant application, to ensure the grant delivers the taxpayer value for money. However, this can present a barrier to small farms who are unable to finance the remaining capital investment, or who don’t need that much new equipment/technology. In **Option A**, if a farmer wanted to invest in items on both the AHW small grants and FETF list, they would need to meet the minimum grant for both schemes. This means they would need to purchase £8333 worth of capital items, investing £4333 of their own money. In **Option B,** the farmer would need to purchase £4166 work of capital items, investing £2166 of their own money. (This assumes an intervention rate of 40% for productivity, and 60% for AHW + 50/50 split in value)

**Option A – Standalone AHW grants:**

* *Small:* minimum grant of £2000 for each scheme. Therefore, if a farmer wanted to invest in capital items supporting both productivity and AHW, they would need to mee the minimum grant rate twice.
* *(Large:* minimum grant of £35,000 applies for each ‘theme’ in AHW large grants)

**Option B – AHW Integrated with FIF:**

* *Small:* minimum grant of £2000 for FETF, where farmer could apply for productivity and AHW items.
* *(Large:* minimum grant of £35,000 applies for each ‘theme’ in FTF)

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| **Option A** |  | **Comments / Questions:** others are better placed to comment on this. |
| **Option B** |  |
| **No Preference** |  |
| **Don’t know** |  |

### How would this decision impact funding allocated to AHW?

Currently, there are separate budgets for each FF grants scheme – and hence a dedicated budget for AHW small and large grants. **In Option A or B we would retain a separate budget for AHW.** Whilst **Option B** would present an integrated ‘front end’ - ie farmers are presented with one list, it would operate separately in the ‘back end’ with separate budgets, secured from individual business cases and separate HMT approvals. **There would be** **no impact on AHW budget overall,** however, how these funds are allocated to individual farmers could be influence by application scoring (see 4.6.)

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| **Comments / Questions:** there must be enough transparency to demonstrate fairness in allocating funds. Beyond this, I do not think that applicants would wish to be bogged down in the detail of this, and therefore it is not a significant barrier to entry. |
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### How would applications be **scored**?

Applications for both small and large grants will be dependent on vet advice to ensure that farmers are making investments that best improve AHW and deliver our sector priorities. However, **a scoring system needs to be developed *if* the schemes are oversubscribed**. Limited work has been done on ‘scoring’ yet and this is a priority piece of work for co-design in the new year. Below is a sketch of how a scoring system might work (agnostic of whether we go with **Option A or B**):

For **small grants,** each item would receive a ‘score’ for **outcomes/benefits** they deliver. Applications with the highest average score would be successful.

For **large grants**, each infrastructure project would be scored, primarily based on 1) the **outcomes/benefits** it delivers but also on 2) **deliverability** (eg, whether planning permission in place) and on 3) **costs** (eg, whether there is good evidence/certainty over costs such as quotes)

We could consider other applicant-specific criteria such as whether they have completed anAHWR or not, size/type of farm, means testing etc.

If we go with **Option A**, we would be able to develop an AHW-focused scoring system. This would be weighted towards scoring for AHW benefits and the sector priorities but should also consider productivity and environment criteria to some extent.

If we go with **Option B,** scoring becomes more complex as there are multiple ways in which scoring could be done to balance AHW, productivity and environment criteria.A scoring system for an **integrated small grants list** may require the following steps:

* Each item requires a score each for its AHW, productivity and environment benefits
* Each item is assigned to a funding pot (eg, AHW budget). This could be based on its ‘primary benefit’ *OR* funding could be weighted based on relative AHW, productivity and environment score
* Each application is assigned a fully-blended score (ie, simply summing up item scores) *OR* each application receives a separate AHW, productivity and environmental score to take a separate decision on whether to fund, eg, the ‘AHW items’.

The scoring system could have significant influence on the number and type of AHW items applied for and the number of AHW items which are part of successful applications. This could impact the AHW benefits delivered. While it is possible in **Option B** to develop a scoring system which sufficiently prioritises and promotes investment in capital items that improve AHW, this would need careful consideration.

**Option A – Standalone AHW grants:**

* *Small:* AHW-focused scoring system
* *(Large:* AHW-focused scoring system)

**Option B – AHW Integrated with FIF:**

* *Small:* TBC - a blended or AHW-focused scoring system?!
* *Large:* TBC - a blended or AHW-focused scoring system?!

*(NB: we are aware this question may be hard to answer yet and is quite complex!)*

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| **Option A** |  | **Comments / Questions:** there are so many examples of capital investments with blended benefit that to be able to borrow from different pots to complete an application, and perhaps with slightly variable intervention rates across those pots, would add back end complexity, but enable greater transparency in the investment made in welfare. This is a different public good than productivity and environmental investment, and it would feel right and proper to avoid double or triple counting investment, but recognising the contribution made by a single granted item to each of these three priorities. |
| **Option B** | X |
| **No preference** |  |
| **Don’t know** |  |

*As part of our future discussions on scoring we will consider the following questions (which are agnostic of whether we go with* ***Option A or B):***

* *How do we draw the line between capital items that* ***do or do not impact animal health and welfare****?* For instance, don’t most productivity-related items for livestock also have effect on AHW?
* *Who should score applications? Should this be RP, or could in this involve vets or academics?*
* *What role does vet advice have in the success of the application?*
* *What are the risks if there is significant oversubscription and many farmers are not successful? Could Defra be subject to liability claims if a farmer incurred costs before applying (eg, for planning permission)?*

### When would **vet advice** be required?

We have agreed that vet advice is required to receive an AHW grant. This is to ensure that farmers select AHW items that are best suited to their farm and to encourage quality conversations between vet and farmer. In Year 1, this could be through AHWR, a regular visit or phone call with their local vet. In subsequent years, farmers may need to have had an AHWR to receive a grant.

**Whether we go with Option A or B, there will still be the same requirement for vet advice.** In **Option A**, this would be an entry requirement for the scheme, in **Option B** this would be required if AHW items are selected.

**Option A – Standalone AHW grants:**

* *Small:* Vet advice would be an entry requirement for the scheme
* *Large:* Vet advice would be an entry requirement for the scheme

**Option B – AHW Integrated with FIF:**

* *Small:* Vet advice would only be required if farmer applied for any AHW items
* *Large:* Vet advice would be an entry requirement for each ‘theme’ with AHW elements

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| **Option A** |  | **Comments / Questions:** for some of the larger grants, it is highly likely that a multi-agency approach will be required. For example – housing specialists, slurry management specialists and so on. Using the vet as the trusted advisor at the hub of this discussion, coordinating a team of professionals to gather evidence, costs and likely impacts of a grant application will add strength to that claim. This will take veterinary time and resource however, and will reflect a cost to the grant application which must be borne by the farmer as part of their cost of business, or by Defra as part of their cost of audit. |
| **Option B** | X |
| **No preference** |  |
| **Don’t know** |  |

## Annex A – Summary of Future Farming Grants

