



Llywodraeth Cymru
Welsh Government

REPORT

Sustainable Farming Scheme Outline Proposals: co-design response

Our response to the Sustainable Farming Scheme Co-design: final report and the Sustainable Farming Scheme: analysis of feedback to the outline scheme proposals.

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Executive summary

In July 2022 we published an outline of the proposed Sustainable Farming Scheme (SFS). In it we set out our vision for the structure of the future scheme alongside the type of actions farmers may be asked to carry out.

We used the second phase of co-design to explore farmers capability, opportunity and motivation for carrying out actions proposed in the outline scheme. Farmers know what works on their farm, so this was a hugely valuable exercise which allowed us to gather their ideas and suggestions for improving, altering and adding to the proposals.

We used a variety of methods to allow farmers, stakeholders and others to provide feedback and make suggestions. Central to this were the farmers who took part in workshops, surveys and interviews delivered by our independent contractors. We also gathered feedback from stakeholders through established working groups to consider specific themes such as tenancy.

Feedback from farmers highlighted six common themes. This feedback suggests farmers are generally supportive of the principles of the scheme and recognise the importance of delivering many of the Universal Actions. In the main, farmers are comfortable with the layered structure of the scheme but would rather greater flexibility to choose actions they feel will best suit their land and farming approach. This was reflected specifically in comments on the proposed Universal Actions and the perception this would be a one size fits all approach.

The feedback reflects our views that the scheme, wherever possible, should:

- reward maintenance of existing good practice as well as the establishment of new practices
- offer an incentive and give farmers the tools they need to improve
- offer more flexibility and be less prescriptive than previous schemes

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- take an outcome focused approach
- be adaptable to different farms and landscapes.

Responses were also received from organisations representing multiple sectors and interests. The feedback provided was very wide ranging, reflecting the array of different stakeholders which took part. Stakeholder feedback relating to the objectives of the scheme was generally positive but stakeholders wanted to see further detail on areas such as eligibility, support (administrative, technical and financial) and structure (layers, funding and monitoring).

The outputs from the Working Groups and evidence from co-design are being combined with ongoing policy development to help shape the next iteration of proposals to be included in the public consultation towards end of this year. Officials will continue to work with stakeholders to continue to evolve and test the scheme details in advance of this consultation.

A final decision on the Scheme details including important details such as payment rate will not be made until we have consulted on our detailed proposals and the economic analysis has been presented. The final scheme will be published in 2024 with farmers being able to transition to the SFS from 2025.

Acknowledgements

Throughout its development, the scheme has been designed with input from farmers and we want to thank everyone who has given their time to work constructively with us. We appreciate a lack of detail can be frustrating but we are grateful for those who embraced the opportunity to contribute. Co-design is an ongoing process and it continues through our work with the SFS Working Groups and our ongoing engagement with the industry and others, whether it be to develop KPIs or explore earned recognition. Through taking this more collaborative approach we can make sure the scheme works for Welsh farmers

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and helps them lower their carbon footprint, deliver for nature and produce food sustainably.

Background

Agriculture Wales Bill

This Bill is the first ever Agriculture Bill for Wales. The Bill adopts Sustainable Land Management (SLM) as the framework for future agricultural support and regulation within Wales, contributing to our obligations under the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016. The 'made in Wales' framework allows us to support Welsh farmers to produce food sustainably and help tackle the climate and nature emergencies.

SLM incorporates the economic, environmental and social contribution of farmers to society in Wales. It is an internationally recognised concept which encourages the use of land resources in such a way the needs of the current generation are balanced with our obligations to the next. The framework of the Bill is based on four SLM objectives:

1. to produce food and other goods in a sustainable manner
2. to mitigate and adapt to climate change
3. to maintain and enhance the resilience of ecosystems and the benefits they provide
4. to conserve and enhance the countryside and cultural resources and to promote public access and engagement with them and to sustain the Welsh language and promote and facilitate its use.

The Bill provides the legislative framework to introduce the Sustainable Farming Scheme (SFS) which is being designed to support Welsh farmers to thrive by doing what they can do best – sustainable farming, producing food in harmony

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with nature. This support will recognise the environmental and social outcomes farmers deliver alongside their core role of producing food, helping to create a sustainable and resilient agriculture sector for future generations.

The four SLM objectives are reflected in the way the SFS is structured, with the actions in the scheme contributing to one or more of the objectives.

Outline Scheme and Co-design

In July 2022, we published '[Sustainable Farming Scheme Outline Proposals for 2025](#)'. These proposals were shaped by the feedback we received from farmers and the wider industry over three consultations and the first phase of co-design:

- 1,043 unique responses were submitted to [Brexit and our Land](#), our consultation on how we initially proposed to continue to support farmers after leaving the EU
- we received 508 unique responses to our [Sustainable Farming and our Land](#) consultation, which set out our revised proposals for supporting farmers
- we received 232 responses from individuals and organisations on our proposals for the [legislative framework to support Welsh agriculture](#)
- 1,941 farmers participated in our first phase of [co-design](#).

Our continued engagement has allowed farmers, along with groups and organisations representing farming and wider land management, to help us shape the scheme. We have listened to farmers and refined our thinking to help ensure it works for them. The constructive feedback has directly influenced the design of the scheme, such as

- the design of a Baseline Payment for carrying out a set of Universal Actions which can be delivered by farms across Wales and go above and beyond

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what is required by legislation

- development of additional payment for those who choose to carry out extra Optional and/or Collaborative Actions.

'Sustainable Farming Scheme Outline Proposals for 2025' was our most detailed proposal published to date. This framework of actions was kept deliberately high level to allow farmers an opportunity to contribute to the development of the detail, in a way not possible under previous schemes. It is against this backdrop we launched the latest phase of co-design to seek the views of farmers, as well as farming and other organisations, on the outline proposals. This second phase of co-design explored farmers capability, opportunity and motivation for carrying out actions proposed in the SFS and their ideas and suggestions for improving, altering and adding to the proposals. The co-design programme contained three distinct workstreams:

1. Co-design phase 2 with farmers
2. Stakeholder feedback
3. Specialist Working Groups

Co-Design Phase 2 with farmers

Farmers insights on the SFS were explored through surveys, workshops and interviews to understand whether they can carry out what is proposed in the scheme, what support may be needed and what potential changes to the SFS could be made.

A mixture of communication channels were used to raise awareness and encourage participation. These included:

- attendance at agricultural shows, markets, events and groups
- emails and telephone calls to the farmers who formally submitted Expressions of Interest in co-design, to invite them to the workshops

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- promotion through Rural Payment Wales (RPW) Online
- sharing the survey link through stakeholder networks and social media.

The online survey received 1,445 responses. It focussed on farmer willingness to carry out the proposed actions, reflecting on factors which may prevent or enable them to do so in the context of their own farm business. Feedback was also captured from 194 attendees across 26 workshops and interviews. More detail on this process and the findings from the work, are set out in the [Sustainable Farming Scheme Co-design Final Report](#).

Stakeholder feedback

A feedback form was available for stakeholder groups and organisations to complement the outputs from the Co-design Phase 2 with farmers. The feedback form was structured to reflect the content of the proposed outline scheme. Stakeholders were able to give both specific and thematic responses to each section of the proposals.

We analysed 100 stakeholder responses from organisations and groups which sit across the broad spectrum of those who have an interest in the agricultural sector. The responses were independently analysed and published 'Sustainable Farming Scheme - Analysis of feedback to the outline scheme proposals'. The findings have been used to inform this response and our continued development of the scheme proposals.

Specialist Working Groups

The scheme is being designed to ensure it is accessible and appropriate for all farmers. There are some elements of scheme design which require further investigation beyond the co-design reports. We established three working groups to explore the SFS proposals from the perspective of:

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- tenant farmers
- common land rights holders
- new entrants

The importance of tenancy, common land and new entrants has been considered throughout the development of the SFS. However, now proposed actions and processes have been explored in more detail we can collectively consider the relevant risks, barriers and opportunities in relation to the scheme proposals.

The Working Groups are made up of organisations and individuals who have experience in these areas. We appreciate their contributions so far, which is summarised below, as well as the input we have received from numerous others, including the Animal Health and Framework Group and groups of farmers and vets. We will continue to work with these and other groups and use the outputs to support the continued evolution of the proposals.

Findings and response to Co-Design programme

Specialist Working Groups

We established the three Working g-Groups primarily to consider the proposals through the lens of their specialist area. The groups were not asked to endorse a final set of recommendations, rather to present a range of risks, barriers and opportunities we should consider as we continue into the next stages of scheme development. The Working Groups were also asked to explore non-scheme issues where these could impact farmers' ability to participate in the SFS. The role of these Working Groups is ongoing. The following is a summary of some of the main issues considered so far.

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Tenancy Working Group

The Tenancy Working Group is made up of:

- Agricultural Law Association (ALA)
- Central Association for Agricultural Valuers (CAAV)
- Country and Land Business Association Cymru (CLA)
- Farmers' Union of Wales (FUW)
- National Trust Cymru
- Natural Resources Wales (NRW)
- National Farmers Union (NFU Cymru)
- Royal Institution of Chartered Surveyors (RICS)
- Tenant Farmers Association Cymru (TFA)
- Other independent specialist experts.

The backdrop to the Working Group's considerations has been the scheme design principles of keeping farmers on the land as well as supporting the 'active' farmer. We have been clear, if the SFS does not work for tenant farmers, then it does not work at all. The Working Group has highlighted the need to remember there is a wide variation in tenancy agreement conditions and durations. Along with this, some individuals may hold multiple tenancies on different land parcels. The tenant sector is also an important entry route for new entrants.

The Working Group studied the SFS proposals to explore what unique challenges a tenant farmer may face in delivering them. The majority of Universal Actions including soil testing, measuring performance or working with the vet through the Animal Health Improvement Cycle do not in themselves pose any unique challenges for tenant farmers. However, there may be limitations on the tenants' ability to implement any actions as a result of them if, for example, there is a need to alter farm infrastructure.

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Overall, the Working Group found a relatively small number of the Universal Actions could present unique challenges for tenant farmers, however, this small group of actions do create multiple challenges, such as:

- The most likely barriers relate to how some of the scheme's actions may interact with the tenancy requirements to farm the land in accordance with the rules of good husbandry, which are set out in the Agriculture Act 1947. This may prevent some activities which are not deemed to be maintaining a 'reasonable standard of efficient production'.
- Trees and woodland cover: In many instances, existing trees and woodland have been retained as the responsibility of the landowner. This coupled with the rules of good husbandry, potentially prevent additional trees from being planted, will mean some tenants will likely find it more challenging to meet a specific level of tree cover.
- Tenants may be similarly limited in their ability to create or manage ponds or to create new habitat features.

In the outline of the SFS we proposed scheme agreements would be up to five years in length, however, we did acknowledge the need to offer some flexibility around this for tenants with shorter tenures. On balance therefore, the Working Group considers the opportunity for a set of Universal Actions which could be delivered annually would offer maximum flexibility for the tenanted sector. The Working Group acknowledged multi-year agreements may still be necessary for Optional and Collaborative Actions.

New Entrants Working Group

The New Entrants Working Group is made up of:

- Bridgend College
- Grŵp Llandrillo Menai
- Farmers' Union of Wales (FUW)

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- Farming Community Network Cymru (FCN)
- Future Farmers of Wales
- Menter a Busnes
- National Sheep Association (NSA)
- National Farmers Union (NFU Cymru)
- Royal Welsh Agricultural Society (RWAS) Rural Leadership Programme
- Wales Federation of Young Farmers Clubs (YFC)

It is important to enable new entrants into farming to bring new ideas, energy and entrepreneurial vigour. New entrants can be the enablers of change in the industry. However, new entrants face the multiple challenges of access to land, finance and, for some, skills and training. One area which will help accessibility for new entrants is the removal of eligibility criteria and other requirements which presented barriers in some previous and current schemes. For example, there are no proposals to base SFS payments on quotas or entitlements based on payments received during previous reference periods.

There is some crossover between the focus of the New Entrants and Tenancy Working Groups as a large proportion of new entrants are likely to start their farming career on rented land, potentially operating on short term or informal tenancies. They are also potentially farming fragmented or poorer agricultural quality land.

The Working Group has identified challenges for new entrants from previous and existing capital grant programmes such as the difficulty of meeting the investment threshold required to qualify for grants and the value for money associated with purchasing only new equipment. These are areas we will consider as scheme design continues.

The development of some of the scheme actions such as to spread soil testing and hedgerow management over multiple years would reduce up front time and capital investment needed to enter the scheme. This could potentially improve accessibility for all farmers, especially new entrants.

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Many of the responses to the challenges of entering the industry lay outside of the core SFS actions. The Working Group has explored a number of support mechanisms which could be made available through Farming Connect such as the current '**Start to Farm**' package (previously known as Venture), with the possibility of promoting the benefits through the SFS to boost the number of established farmers willing to enter a business partnership with a new entrant. This is an example of how we may be able to help some new entrants overcome the challenge of access to land, however, consideration will be needed in terms of SFS payments being made to the 'active' farmer. The Working Group has also explored other Farming Connect support such as adapting the skills and training offer, as well as support which could be offered directly through the SFS, such as the qualifying conditions and thresholds for awarding grants.

Common Land Working Group

The Common Land Working Group is made up of:

- Central Association of Agricultural Valuers (CAAV)
- Country and Land Business Association Cymru (CLA)
- Farmers' Union of Wales (FUW)
- National Sheep Association (NSA)
- National Trust Cymru
- Natural Resources Wales (NRW)
- National Farmers Union (NFU Cymru)
- Powys County Council
- Tenant Farmers Association Cymru (TFA)
- The Crown Estate
- Tirweddau Cymru / Landscapes Wales
- Welsh Commons Forum

The Working Group also contains other independent specialist experts in the field including representatives of individual Commons Associations.

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Common Land is important for many economic, ecological and cultural reasons. From the important forage value for livestock, to the large areas of peatland locking up carbon and slowing down water flow. Common land can also contain internationally important habitat for wildlife and a wealth of archaeological sites.

The Common Land Working Group has been exploring if it is appropriate and practical to apply the scheme's three layers (Universal, Optional and Collaborative) to common land or whether a separate approach is needed.

The nature of an individual's common land rights means many of the current proposed actions cannot be carried by the individual rights holder on the common.

It is clear there are complexities surrounding the grazing of common land and the Working Group is exploring options in relation to these. The individual business and economic needs of common land rights holders are being considered and the Working Group is exploring how they can deliver actions, as part of the farm business, which relate to common land management. For example, actions on animal health, biosecurity and grazing patterns to manage habitat.

The Working Group is positive and keen to see commons being supported as part of the Collaborative Layer of SFS and will explore what is needed to enable this. The Working Group is also keen to maintain and continue to support Common Land Associations and we will work with the Working Group to explore how we continue to support common land management through existing and new associations.

Stakeholder feedback

The feedback provided was both comprehensive and wide ranging, reflecting the diversity of contributing stakeholders. Due to this, feedback relating to the

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scheme often considered the issues from different perspectives and has made summarising it difficult. The most prevalent contribution related to the 10% of tree coverage and 10% of farmland to be managed as habitat, with as many respondents suggesting these should be combined or reduced as those who felt that these should remain as proposed. One aspect, however, for which there was commonality was the need for further clarification on themes such as:

- eligibility
- support (administrative, technical and financial)
- structure (layers, funding and monitoring)
- proposed actions (including risk and trade-offs).

Stakeholder feedback relating to the objectives of the scheme was generally positive, however, respondents queried the alignment of the SLM objectives with current legislation and concerns were raised regarding the timeframe for implementing the National Minimum Standards (NMS). On the whole, respondents agreed the scheme should be made more flexible to ensure no farmers are excluded from participation (e.g. reduce the 3ha threshold and provide shorter agreement terms to enable tenants to participate). One other area of commonality among stakeholders was to shorten the transition period as the current length does not reflect the urgent need to improve the sustainability of farming practices and address the climate emergency.

Comments relating to the structure and framework of the scheme suggested a few changes which could be made either to the scheme layers or suggested actions to be added or moved to a specific layer. However, comments were largely supportive of the collaborative approach taken to develop a scheme built of layers comprising the Universal, Optional and Collaborative Actions.

Levels of funding, advice and administrative support, were frequently raised as both a point of concern and requiring further clarification. Integration with the new Farming Connect was welcomed. It was queried, however, whether there would be sufficient scheme advisors with the requisite skills to support farmers.

Funding in general was an area of concern for stakeholders, with the rate of payment, payment mechanism and funding for the different layers all generating a considerable amount of feedback.

The administration of the scheme, including the monitoring and compliance processes, was also an area where respondents wanted assurance there would be sufficient support and that the monitoring processes would be robust and thorough. Some respondents also suggested data, plans and documents from non-government schemes, such as farm assurance, should be recognised by the SFS to reduce bureaucracy for farmers. The penalties to ensure compliance with the scheme also generated feedback, as respondents wanted to make sure they would prevent major non-compliance but would be applied proportionately so minor infractions or failure to complete actions due to external or unforeseeable actions do not result in unfair penalties.

Proposed actions also generated a great deal of comment. There was a high level of attention paid to actions relating to public access, woodland and habitats with respondents' opinions often conflicting. Although this means it is difficult to summarise responses, it does show consideration is required to make sure the proposed actions consider all stakeholders' opinions at the next stage.

Co-Design Phase 2 with farmers

The feedback suggests farmers are generally supportive of the principles of the scheme and recognise the importance of delivering many of the Universal Actions. Most participants recognised the importance of the SFS being underpinned by principles of sustainability despite having some differences of opinion on how best this would be achieved. Workshop participants liked the different layers within the scheme. Overall, across the Optional and Collaborative Actions, there was positive feedback and participants were keen to be able to choose actions which they felt could work well and bring benefits to their farm.

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Some participants were supportive of the idea of a Universal Layer of actions which would help to bring all participating farms across Wales up to a similar standard, although some participants wanted to see some Universal Actions simplified. In the main, farmers are comfortable with the layered structure of the scheme but would rather greater flexibility to choose actions they feel will best reflect their land and farming approach. Feedback on the proposals highlighted six common themes which were reflected across the three co-design workstreams:

1. lack of clarity around the objectives of the scheme
2. rewarding existing work and earned recognition
3. concern with the one size fits all approach and Universal Actions
4. support for the industry
5. readiness of the industry and supply chains to support actions
6. farmers under pressure.

The feedback in full is set out in out in 'Sustainable Farming Scheme Co-design Final Report'.

On the following pages we consider the response from Co-Design Phase 2 with farmers, along with the stakeholder feedback and some early considerations of the Working Groups, and how we intend to act on this ahead of our consultation on the final design.

1. Clarification of scheme objectives

Feedback

In the main, respondents to co-design wanted more detail on the requirements of each of the actions and a greater understanding of what evidence would be required. Alongside this, many wanted information on payment rates for each

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action as well as detailed plans for the transition from the Common Agriculture Policy schemes. Some also felt the scheme's actions and objectives contradicted each other. Stakeholders were also keen for more detail on the proposed actions, including how any potential trade-offs would be managed to prevent unintended consequences.

There was confusion around some of the objectives and actions in the SFS. This was particularly relevant for the Key Performance Indicator (KPI) Universal Action where, although participants recognised the value in monitoring their own farm performance, they were confused as to why this action was included. They also felt there were contradictions behind the objectives of a KPI action which seemed to be aimed at improving productivity compared to tree cover and habitat related actions which were perceived to reduce productivity. Participants wanted clarity on the aims of the scheme and how it will achieve its objectives.

Our response

The scheme is being designed to deliver against the four SLM objectives through sustainable farming practices. The actions in the scheme are designed to work together, supporting Welsh farmers to do what they can do best – producing food in harmony with the environment. This 'Welsh Way' of farming, which is integrated within rural communities, in tune with the landscape and which makes careful use of the resources freely available from nature, is also the best way to lower costs to help make farms more profitable.

The scheme embraces this approach, which can be described as regenerative or agroecological, because it delivers multiple benefits and is well suited to our climate and land. These are some examples of actions in the scheme which can help to save farmers money, lower their carbon footprint, improve the environment and become more resilient:

- soil testing helps farmers have a greater understanding of their soils

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enabling them to target nutrient use to better meet the needs of the crop, saving them money and minimising nutrients lost to the air or water

- good grassland management can lead to improved animal performance, animal health and soil health, with sustainably managed grass the cheapest feed for livestock
- improving animal health with a focus on the prevention of issues rather than treating problems will mean more productive animals, better animal welfare and lower costs.

These are complemented by other actions which may seem to offer environmental benefits only but also benefit food production and farm businesses. For example, trees and hedges offer shade and shelter for livestock which will be important as we face more extreme weather due to climate change. Studies have shown, by providing shelter, lamb losses can be reduced by up to 30% and daily liveweight gain can increase by 10-21%. Hedges also improve biosecurity and trees can offer an alternative income stream.

It is a combination of all the scheme's actions which will help farmers to farm sustainably. Sustainable farming is part of the solution to the climate and nature emergencies and will help make sure we have a resilient agriculture sector which can continue to produce food for future generations. Taking the feedback on board, we will strive to better communicate the objectives of the scheme and how it intends to achieve them through support for sustainable farming which delivers for nature, helps fight climate change and produces food in a sustainable way.

In the main, farmers and stakeholders wanted to have greater detail on the requirements of each of the proposed actions and a greater understanding of what evidence will be needed as part of the scheme's monitoring requirements. We have taken a collaborative approach to developing the scheme by sharing our thinking at each stage to allow farmers and the wider industry to feed in.

For these reasons, the actions presented in the outline scheme document

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necessarily lacked some detail. They also represented current policy thinking and were not an exhaustive list of actions. The feedback, based on farmer's knowledge and experience, will now help us shape the next level of detail which will be set out in the consultation.

We appreciate there was some disappointment we were not able to include payment rates. We understand how crucial this is in helping farmers understand how the scheme will affect their business. We also understand why farmers want to see more detail on the timeline for transition, which will begin on 1 April 2025 and end on 31 March 2029, as we phase out the BPS. These are complex areas which are related to the design of the final scheme. In the scheme outline we stated the payment rates will consider factors beyond costs incurred and income foregone, recognising the social value provided by the outcomes being delivered. This payment aims to give farmers a fair and stable income for the work they do alongside the sustainable production of food.

We are now progressing with the detail of the final scheme using this feedback. This will mean we can progress shaping the payment methodology and transition proposals and we will provide more detail alongside the final scheme design when we consult towards the end of the year.

What we will do

- To provide clarity on the aims of the scheme, we will strive to better communicate the objectives of the scheme, including setting out how the scheme actions meet the requirements of the four SLM objectives.
- To help farmers understand the impacts to their businesses, we will include detail on scheme payment methodology and will consider the options for setting payment rates alongside the final scheme design and transition proposals in the final consultation.
- We will continue to refine the scheme details, highlighting where alterations have been made following co-design feedback.

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- We will continue to work with the Working Groups and use the outputs from each to refine our proposals. Further groups will be established to support the continued evolution of the proposals, including a group to help us identify KPIs which are most useful to help farmers identify where to make improvements.

2. Rewarding existing work/earned recognition:

Feedback

Participants stated they would appreciate a system of earned recognition and payment for those who are already carrying out actions. Where participants were part of other initiatives, they were keen to remove duplication of effort. Farmers were keen to see earned recognition used to reduce potential administrative burden which was also reflected in some of the stakeholder responses. Examples given in the workshops of where earned recognition would be possible included:

- biosecurity standards already embedded in some farm assurance schemes
- reporting of antibiotic use already being done through some farm assurance schemes
- learning related to health and safety and other farming topics required in some farm assurance schemes.

There was also concern from some that payments and recognition would not be given to those who are already completing sustainable actions or continuing the maintenance of features on farm such as woodland and habitat.

Our response

Removing duplication of effort was a common theme in the co-design workshops. We want to reward good farming practice and we know many farmers are already carrying out many of the scheme's actions, including as part of an assurance scheme. Our intention is to keep the administrative requirements of the SFS to a minimum, whilst balancing this with a level of detail necessary to ensure scheme funds are being spent properly. We do not want to ask farmers to duplicate their effort if they are already carrying out actions and capturing data as part of other initiatives or as part of their normal farming practice. We are exploring how an earned recognition approach to allow a farmer achieving a certifiable standard, which is equivalent to the SFS, to use this as evidence they are delivering SFS actions. Some stakeholders suggested plans and documents from other assurance schemes should be accepted by the SFS to reduce unnecessary bureaucracy for farmers. Whilst there are many risks and issues with using third party data, we do recognise the benefits of doing so and are exploring how it is possible to embed earned recognition in the scheme approach.

We are also exploring the potential use of a Payments for Results (PfR) approach in the scheme. Results-based schemes reward farmers by linking payments to the quality of the outcomes delivered, rather than being rewarded for carrying out actions. Our intention is for scheme payments to support the continuation of sustainable farming practices with payment for both maintenance and creation. We want to build on this so, in the future, we can adopt more of a payment for result approach. A results-based approach can offer many benefits which fit in with the aims of the SFS, such as:

- offer a less prescriptive approach with fewer rules
- rewarding maintenance of existing good practice as well as the establishment of new practices
- offer an incentive for improvement

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- encourage a greater focus on delivering outcomes.

Farmers seem to prefer this approach because it gives them the freedom to innovate as well as the ability to use their knowledge on what works best for their farm. However, this is a new approach which has not been tried in Wales on a widescale or to deliver some of the outcomes we seek to achieve through the SFS. We need time to understand its advantages and disadvantages as well as learn lessons as the scheme develops. This is an example of how we intend for the SFS to evolve over time, responding to new evidence and technology. We will set out more detail in the final scheme consultation.

What we will do

- We will continue to explore opportunities to establish an earned recognition approach to allow a farmer achieving a certifiable standard equivalent to the SFS, to use this as evidence of delivering SFS actions.
- We will make use of suitable and available data, with the authority of the relevant parties, to reduce bureaucracy and the administrative requirements for farmers and government
- We will continue to develop a results-based approach as part of the SFS.

3. 'One-size-fits-all' approach

Feedback

Farmers emphasised the need for flexibility, particularly in the Universal Layer of the scheme so a 'one-size-fits-all' approach does not pose a barrier to entry. Each farm is unique, and farmers felt this needs to be recognised within the scheme. For example, it was felt activities such as soil testing needed to be farm specific to be of value to the farmer. Overall, stakeholders also agreed the

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scheme should be flexible to make sure no farmers are excluded from participation.

The flexibility of the Optional Actions was welcomed, with farmers wanting to engage with the actions in a way which best benefits their farm and farming practice.

Our response

The scheme will offer a Baseline Payment to farmers for carrying out a set of Universal Actions which can be delivered by farms across Wales. This is something farmers asked for and is something we are committed to as it offers farm businesses certainty of actions and income.

The success of any sustainable and adaptable farm business is based on the universal foundations of healthy soils, healthy livestock and functioning ecosystems. The SFS Universal Actions are designed to set a good agricultural, environmental and animal health and welfare standard. The way farmers respond to these actions is flexible and can vary from farm to farm, sector to sector.

The Universal Actions are also designed to give farmers the building blocks to go further and do more, including by taking up Optional and Collaborative Actions within the scheme. For example:

- The need to have healthy soils and minimise the nutrients lost to the environment is universal to all farms. Soil testing and nutrient management planning will give farmers the information they need to take action to lower costs by making better use of nutrients and to improve soil health. The action each farmer will take based on this information is different and depends on the needs of their individual farm, from building organic matter, targeting inputs to more accurately match crop demand or using more legumes.

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- The Animal Health Improvement Cycle (AHIC) will help livestock farmers identify actions to improve animal health and welfare. This will vary depending on the issues they have identified and may vary from targeting reduced anthelmintic use or changes to housing and infrastructure.
- The Integrated Pest Management (IPM) assessment will help farmers who use plant protection products to identify actions which will help them grow crops productively while benefiting soil health and saving money on reduced chemical usage. This might result in increased use of companion crops or changes to seed choice and cropping cycles.

The scheme is designed to support a farmer-led approach to drive on-farm improvements by offering a Baseline Payment to all, associated with Universal Actions, at the same time as allowing them the flexibility to choose Optional and Collaborative Actions which benefit their farm and suits their farming practice.

Universal Actions are a set of consistent actions, but we recognise they are not applicable to all farm types, so we would expect farms to apply them only where they are applicable, for example:

- farms specialising in arable or horticultural production with no livestock do not need to carry out the Animal Health Improvement Cycle
- only farms which use Plant Protection Products will need to complete an IPM assessment
- any requirement for a minimum amount of tree cover will take into account the areas of the land which cannot be planted on, for example because of the terms of a tenancy or the land is priority habitat.

Farms will still have to carry out all applicable Universal Actions which allows us to offer a standard and consistent Baseline Payment at the same time as making sure the scheme is accessible to all types of farms.

We received some feedback proposing farmers should have the ability to select which Universal Actions suit them. Whilst this may appear to offer more

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flexibility, it could result in increased complexity and would mean we would be unable to offer a standard Baseline Payment to everyone. This would:

- not meet our objective of providing certainty for farm businesses
- make the Universal Layer more complicated (farmers told us they prefer simplicity)
- be a different approach to the one which most farmers told us they want in previous consultations.

Our intention is to make sure the suite of Universal Actions is designed so they can be carried out (where appropriate) by all farmers. However, we will use the co-design feedback to review the Universal Actions and make sure there is enough flexibility in the way farmers are able to complete them.

An example of this is the flexibility intended in the proposed woodland management Universal Action where we are not expecting to prescribe all woodlands must be stock excluded, as we have in previous schemes, but instead allow farmers to continue to use their woodlands to be grazed by livestock at the same time as ensuring grazing levels do not damage the trees. The Optional Action is where we will support farmers to develop and implement bespoke woodland management plans to actively manage their woodlands to achieve more for their farm and the environment. This is an example of where we have listened to farmer feedback to take a consistent but flexible approach to allow farmers to continue to benefit from their woodlands at the same time as making sure they are taking action to protect them.

There was broad support in the co-design feedback for further Optional Actions which offer more actions for farmers, to choose which best suit their farm and circumstances. We will continue to develop Optional Actions to make sure there are sufficient options in this layer to suit all types of farms and to make sure the Universal Actions gives farms the information they need to help them choose which Optional Actions to take-up to help them achieve their objectives.

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What we will do

- We will use the feedback to review the Universal Actions to make sure there is enough flexibility in the way farmers are able to complete them.
- We will continue to develop Optional Actions using co-design feedback to make sure there are enough options in this layer to suit all types of farms and differing ambitions.

4. Support for the industry:

Feedback

Co-design participants had a number of concerns around how the SFS will support the agricultural industry both in terms of financial support and supporting food production. Farmers want to make sure there is sufficient funding to support them to carry out actions and sustain a viable farm business. They also wanted reassurance the budget for farmers is not compromised by the requirement to use consultants and advisors to complete actions.

Funding was an area of concern for stakeholders, with the rate of payment, payment mechanism and funding for the different layers all generating a considerable amount of feedback. For example, there was some concern the Universal Actions could take up a large portion of the budget and stakeholders wanted more detail on the funding available for training and upskilling.

Our response

One of the objectives of the Agriculture (Wales) Bill is to produce food and other goods in a sustainable manner. The way the scheme aims to deliver this

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alongside the other SLM objectives, is through supporting sustainable farming. Sustainable farming delivers for nature, helps mitigate and adapt to climate change and, importantly, means producing food in a sustainable way. For these reasons, food production is at the heart of the scheme and the actions within it are designed to support the industry become more resilient so they can continue to produce food for future generations by helping farmers to:

- take action to adapt to more extreme weather, such as drought and flooding, and, in doing so, contribute to future proofing their farm against the impacts of climate change
- lower costs and become more resilient by making best use of their natural resources, and less reliant on external inputs
- diversify their farming business, where suitable, helping them become more resilient to the changes brought about by climate change and to produce more of the food we eat in Wales.

From our previous consultations and co-design activity, we know farmers appreciated the advisory support, which was available through schemes such as Tir Gofal, because they felt it helped make sure the actions were tailored for their farm and they had a known point of contact. However, this advisory support comes at a cost.

The Universal Actions are being designed to be as clear and accessible as possible, to be carried out by following guidance. It means most farmers should be able to complete the application process and apply the Universal Actions themselves or with third party support, which is not expected to be of a technical nature. Instead, we will focus advisory support on the Optional and Collaborative Actions which offer more flexibility but, in doing so, may be more complex to deliver and need to be more tailored to each farm or specific area. This helps us make sure most of the budget goes straight to farmers. It also means any scheme advisory support is limited to where it is needed and offers the most benefit to farmers.

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The new Farming Connect will continue to offer a programme of training, farmer-to-farmer knowledge sharing and a redesigned advisory service. It will also offer and signpost farmers to trusted quality assured advisors, contractors and farmer mentors to further extend the advice, guidance and technical expertise available. We will learn from and adapt the current Farming Connect model to make sure farmers can be confident they will receive the advice, guidance and support they need to transition to, and make the most of, the scheme.

We are committed to continuing to support sustainable farming which is part of the solution to the climate and nature emergencies, but we do not currently have budget certainty beyond the financial year 2024/25. We also know how crucial the detail on payment rates is to help farmers understand how the scheme will affect their business. We will now progress with the detail of the final scheme and the associated payment methodology and provide more detail alongside the final scheme design.

What we will do

- We will continue to make sure the SFS is designed to help farmers become more resilient so they can continue to produce food for future generations.
- We will use the feedback from co-design to make sure the Universal Actions have the fewest barriers to being adopted, with most advisory support focused on the Optional and Collaborative Actions. This will help make sure most of the schemes' budget goes straight to farmers.
- We will learn from and adapt the current Farming Connect model to make sure farmers can be confident they will receive the advice, guidance and support they need.

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5. Readiness of the industry / supply chains

Feedback

Participants raised concerns about the resource capacity of advisors, contractors, inspectors and parts of the supply chain (providing resource for conducting actions) to cope with the increase of farmers conducting new actions as part of the scheme. Similarly, stakeholders welcomed the integration with Farming Connect but asked if there are sufficient skilled advisors available to support farmers with the scheme. The farmers' concerns also related to, for example, actions such as tree cover or soil testing where assistance could be needed from consultants, laboratories, contractors and plant nurseries.

Our response

The Universal Actions will help make sure all participating farms across Wales meet the same standard above the regulatory baseline and provide the important foundation to go on and do more. Our intention for the Universal Actions is, wherever possible, they have the fewest barriers to being adopted. This helps us make sure the scheme is accessible to all types of farms. We will use the evidence from co-design to refine the Universal Actions to make sure each:

1. can be rolled out relatively quickly, including whether it is easy to obtain the necessary equipment and services
2. is easy to learn or obtain the skills and knowledge needed
3. is low cost and/or does not need high up-front investment
4. does not require major farm system changes.

We intend to carry out a capacity assessment to make sure farmers will have access to the technical support they need to implement all the scheme actions.

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This can also cover the availability of goods and equipment such as tree saplings, as well as expertise like vets and other advisors.

To help lower the time burden for farmers and make the scheme more accessible on its introduction, the Universal Actions will not need to be completed before entering the scheme. Instead, farmers will have time to complete them within the year or even longer where necessary. We will also use the time before the scheme starts in 2025 to offer capital grants, as well as support through Farming Connect, to help farmers prepare for and transition to the SFS. For example:

- £30m is available over the next two years for support to plant trees. The Small Grants – Woodland Creation Scheme supports small areas of tree planting under 2 hectares. The Woodland Creation Grant supports larger areas of planting and those not suitable for the small grants scheme. There is also funding available through the Woodland Creation Planning Scheme to help fund the development of plans. Trees planted through these schemes will count towards the SFS actions.
- The National Peatland Action Programme (NPAP) offers support to farmers to restore peatland. Peatland restored in advance of SFS, or maintained in good condition, will be eligible for inclusion in SFS under maintenance payments.
- Farming Connect offers support to help farm businesses record and measure how well they are performing against a range of key performance indicators. It also offers support for soil testing, which is 70% funded on an individual basis, or 90% funded if undertaking the work as part of a group.

We will test parts of the scheme with farmers, where appropriate, for example the Habitat Baseline Review (HBR). This will help us identify any other support we may need to offer and what changes will help make the scheme easier for farmers to deliver. This will be a process of evolution rather than revolution, building on the tried and tested mechanism of RPW Online, which farmers are familiar with.

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What we will do

- We will use the feedback from the final consultation to complete a capacity assessment to ensure farmers have access to the technical support needed.
- We will not require all Universal Actions to be completed before entering the scheme to make sure time burden and resource constraints are more manageable.
- We will use the feedback from co-design to review the Universal Actions to reduce any barriers to being adopted and make sure the scheme is accessible to all farmers.

We will offer support through Farming Connect and grants to help farmers prepare for the SFS and its evolution through the transition period.

6. Farmers under pressure:

Feedback

Farmers raised concerns about the potential administrative burden of carrying out the proposed actions. There is a concern the introduction of the scheme will add to the current workloads, increasing the pressure on farmers. For example, concerns regarding actions which require the use of data.

The administration of the scheme, including the monitoring and compliance processes, was also an area where stakeholder wanted assurance there would be sufficient support and that the monitoring processes would be robust and thorough.

The penalties in response to non-compliance with the scheme also generated feedback from stakeholders, with respondents wanting to make sure they were

substantive for major non-compliance but would be applied fairly so minor infractions or failure to complete actions due to external or unforeseeable actions do not result in unfair penalties.

Our response

The SFS represents the biggest change in farming support for decades. This change is necessary, however it can cause anxiety and we have an important duty of care for the welfare of farmers and their families. We intend to make this period of change as easy as possible for farmers through:

- offering a fair transition over several years, giving farmers time to prepare
- testing new approaches to make sure they work before removing existing support
- winding-down existing support payments in an orderly way, making sure there is no cliff edge in funding.

We will continue to support farmers through the transition period (1 April 2025 to 31 March 2029) by phasing out BPS at the same time as gradually introducing the SFS. This will be a process of evolution rather than revolution to maximise take up of SFS. During this time, we will offer farmers certainty through the SFS Baseline Payment. As SFS will operate over a multi-year programme, the scheme will also offer farmers the consistent and longer-term income they asked for in previous consultations.

Recognising our duty of care, after the scheme has launched, we will continue to work collaboratively with farmers, representative organisations and rural charities to seek their feedback on how to continue to provide appropriate support.

Controls and accountability are a necessary part of the process of receiving public funds. However, this does not mean the process has to be complex,

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present an obstacle to business management or cause undue stress to anyone receiving support through the scheme. Instead, our intended approach is to be as simple and clear as possible with an emphasis on shared responsibility. If, through our monitoring, we find the rules of the scheme and the conditions of funding have been broken we will take proportionate action.

We want to be fair to farmers because we know most try to do the right thing. Breaches which have a minimal impact, or which are unintentional, should lead to a proportionate response compared to deliberate acts which have the most harmful impacts. Where appropriate, we will give advice and offer farmers the opportunity to put things right. We intend to discuss and develop our approach through further collaboration in advance of the consultation.

We will continue to work with the farming charities and Farming Connect to promote awareness of mental health care in rural communities and tackle the stigma surrounding this sensitive issue. Farming Connect, Farm Liaison Service (FLS) Rural Inspectorate Wales (RIW) and other SFS delivery staff will continue to receive mental health first aid training, to help them listen to, understand and signpost individuals in need to appropriate and accessible support.

To save farmers time and effort, our monitoring of the scheme will follow the principles of:

1. prioritise self-assessment and self-reporting to make it easier and streamlined for farmers to demonstrate compliance
2. keep data collection to a minimum, including minimising the need to collect data multiple times, and present all data collected back to the farmer to enable them to track progress and to inform decision making
3. make use of technology and remote monitoring to save farmers time and to lower the administration requirements and stress of inspections.

This approach is guided by the feedback we received from farmers through co-design. Farmers told us they preferred self-assessment and, on the whole, are

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prepared to monitor and share the results as long as the process is simple, inexpensive and flexible. This has led directly into the scheme's design, for example through the actions on Animal Health Improvement Cycle, basic nutrient accounting, Integrated Pest Management and farm performance.

These self-assessments are intended to be completed easily and, in completing them, fulfil our monitoring requirements and provide farmers useful information on how they can make improvements. This is more straightforward than if farmers had to complete and submit a standardised Nutrient Management Plan, IPM plan and Business Plan for our evaluation. These assessments reduce the administrative requirements and are designed to benefit the farm business. In completing them, these actions support farmers to adapt and change through planning, monitoring, reviewing and improving. This is not about judging or criticising farmers but about giving the farmer more information to help make improvements. The assessments may also highlight to farmers the support available to them through Optional and Collaborative Actions as well as through Farming Connect.

The assessments and the other Universal Actions are intended to be able to be completed with minimal support and, where applicable, digital by default with support available for farmers who are digitally excluded. Completing these assessments will involve sharing some data. Farmers told us they were happy to share data to help make monitoring simple. Our intention is to only collect data where it is needed. Whenever we must collect data for control and monitoring our aim is for it to be done in a way which will benefit the farmer. The data we collect as part of the scheme will also be used to help us demonstrate progress against our objectives and, where possible, highlight the sustainability credentials of the Welsh farming industry. We will take a clear and consistent approach to make sure we are open and transparent about the data we collect and to make sure it can be used to help inform and improve services for farmers.

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What we will do

- We will develop a scheme which offers farmers a consistent offer of support by operating over a multi-year programme
- We will learn from and adapt the current Farming Connect model to make sure farmers can be confident they will receive the advice and support they need
- We will adopt a monitoring approach which prioritises self-assessment and self-reporting as well as make use of technology and remote monitoring to save farmers time and effort
- We will keep data collection to a minimum, including minimising the need to collect data multiple times, and present data collected back to the farmer to enable them to track progress and to inform decision making
- We will develop a control and penalty system which is clear, fair and proportionate
- We will continue to make sure Farming Connect, FLS, RIW and SFS delivery staff have mental health first aid training. We will also collaborate with voluntary organisations which can offer help to farmers and work with them to coordinate the services offered.

Key areas of action

Freedom to farm

Our collective aim is for the Universal Actions in the scheme to be as accessible as possible. Although workshop participants liked the different levels of actions within the scheme some wanted to see some Universal Actions simplified. We are committed to offering a Baseline Payment to farmers for carrying out a set of Universal Actions which can be delivered by farms across Wales. We will use

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the feedback to review the proposed Universal Actions to make sure there is sufficient flexibility in the way farmers are able to complete them.

Many participants also saw the value in recognising good management of existing trees and habitat above the 10% requirement. This is compatible with the ambitions for the scheme so we will explore whether our approach can be adjusted to better reward existing good management across different land use types and be incorporated into our payment methodology for the Universal Actions.

Provide further detail

Understandably, respondents want greater detail on the requirements of each action. Our approach to date has been successful, allowing farmers to input into scheme design through co-design. We will now reflect on the co-design outputs, further engage on certain subject areas and include further detail on what is required for each scheme action in our consultation on the final scheme.

How we might calculate the 10% requirement for woodland is a good example of how the three elements of co-design are informing the evolution of the scheme actions. Farmers wanted to know how the 10% for tree planting would account for unplantable areas and we are able to share the detail e of the suggestions shared which we are exploring. We recognise there are areas not suitable for tree planting, therefore the 10% requirement should be assessed against the remainder of the land.

Areas unsuitable for tree planting, and being considered for exclusion from the total area used to calculate the 10%, include:

- existing inappropriate semi-natural habitats, including designated sites
- deep peat
- unplantable features e.g. scree, rock outcrops, boulders, sand, ponds, rivers

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- and streams, buildings and yards, hardstanding and roads
- tenanted land where tenants do not have the authority to plant trees.

Scalability

Readiness of farmers and the supply chain was a theme discussed by the participants throughout the co-design process. We will carry out a capacity assessment to make sure farmers will have all the technical support they need to carry out the scheme's actions. We will also continue to review the schemes design to ensure the process makes the scheme accessible, reducing barriers to entry.

As an example, we have been considering the process for the Habitat Baseline Review (HBR). Farmers and wider stakeholders felt the HBR will be useful to recognise the potential of their land. Although they recognised the value of carrying out this activity, the following concerns were raised:

- how expensive it will be to fund habitat assessments on all farms wishing to enter the scheme and the potential impacts of this spending on the payment rates for farmers
- the delay completing these assessments before entry will cause
- the capacity of the industry to support habitat assessments.

In response, we are exploring how we can make the HBR scalable for the Universal Layer by using the data and information we already hold to remotely identify potential semi-natural habitat on farm and their broad habitat type. We will do this through RPW online, using familiar and trusted processes, making use of the knowledge of the farmer to confirm their farm details, rather than technical third part consultants. This will be supplemented by on the ground advisors only where they are needed. We will test this HBR process before the scheme launches to test the approach, the accuracy of the data and what changes we can make to help make the scheme and process easier for farmers

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to understand and deliver. A more detailed HBR will be required for the Optional Layer where the baseline condition of the habit is an important element in determining the appropriate more bespoke actions and for monitoring purposes.

We are taking a similar approach with the scheme's carbon calculator to make sure it can be useful to all farms in Wales by applying a standard methodology. Our intention is for the scheme to use a single or unified carbon assessment and it is our aim to test this with farmers before the scheme launches. The tool will be able to capture information at farm-level on the full range of mitigation measures to monitor progress and to help farmers see the impact of the changes they make on farm.

Accessibility

It is important the scheme works for all types of farms, including tenant farmers who must have fair access. Tenancy agreements were highlighted as a potential barrier to completing some of the scheme's actions as well as the need to offer tenants flexibility to allow them to enter the scheme. An example of this is agreement length. Multi-year agreements offer farmers a stable income stream and mean actions are consistently delivered over time, better contributing to the SLM objectives. However, stakeholders agreed the scheme should be flexible to make sure no one was excluded from participation, with some suggesting offering shorter agreement terms (than five years) to enable tenants to participate. The Tenancy Working Group's view is five-year agreement terms would likely be out of reach for many tenant farmers and so we are looking at what we can do to offer flexibility for tenants to enter and exit as well as for all farmers to make changes.

Some of the other areas being considered in response to the evidence from co-design include, for example:

- giving farmers the ability to request changes each year to add more land,

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add more Optional Actions and/or increase the proportion of existing Optional Actions e.g. over a wider area

- tenants on a 'rolling' year-by-year basis can enter the scheme if the applicant expects to have management control of the land
- tenants will not receive a penalty for exiting the scheme when there is an unforeseen loss of management control of the land i.e. when a tenancy is terminated, and no compliance issues have been identified.

We will take on board the conclusions from all the Working Groups in evolving our proposals to make sure they work for tenants, new entrants and common land rights holders. Without these farmers the scheme will not be able to deliver the SLM objectives.

A just transition

Although participants liked the different levels of actions within the scheme there was a recognition of the need to give farmers an opportunity to get used to the programme with potential for different parts to be phased in, especially because of how this change can cause farmers anxiety. This reinforced the need to make this period of change as easy as possible for farmers through:

- offering a fair transition by giving them time to prepare for change
- testing new approaches before replacing existing support
- winding-down existing support payments in an orderly way, making sure there is no cliff edge on funding.
- making the scheme accessible to all from 2025

To achieve this, we intend to use the transition period to provide the time and opportunity for farmers to join the scheme and align their farm practices with the SLM objectives. We are currently considering the idea of having the core scheme designed to be accessible for all eligible farmers from 2025 who choose to enter. We anticipate BPS to be steadily reduced over the transition period

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coming to an end by 2029 for those not in SFS.

The SFS is expected to focus on the following priority areas in 2025:

- Universal Actions
- Optional Actions such as:
 - further support for measuring and improving performance
 - creating woodland / hedgerow / habitat
 - implementing designated site management agreements
 - further support to enable improved animal health and welfare.

This means some of the Optional and Collaborative Actions will be phased in over the transition period, so the full scheme is available from 2029. We will make sure there is continued support to farmers over the transition period for producing food sustainably, helping them to take action to lower their carbon footprint and deliver for nature. This support includes the small grant capital schemes and other support currently funded through the Rural Investment Programme. This will smooth out the level of change needed and allow us to help farmers transition to the SFS and implement the biggest change in farming support for decades.

Next steps

- Engagement with farmers and the wider industry will continue up to and including the scheme beginning in 2025
- We will continue to work with Technical Working Groups on subjects such as common land, tenancy and new entrants.
- The outputs from the Working Groups and Co-design will be combined with ongoing policy development to help shape the next iteration of proposals.
- These proposals will be included in the final consultation on the scheme to

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be introduced in 2025. We will publish this consultation towards the end of this year.

- A final decision on the introduction of the scheme will be made by Welsh Ministers in 2024 after evaluation of this final consultation, the economic analysis and other evidence.
- The final scheme design, rules and payment rates will be published in 2024.
- Farmers will begin to enter the scheme from 2025.

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