

Landscape Recovery scheme



Introduction

The Landscape Recovery (LR) scheme is the most environmentally ambitious of the future Environmental Land Management (ELM) schemes, intended to deliver long-term, large-scale, landscape and ecosystem recovery projects in England. In a series of webinars the Defra team behind LR explained its proposals for the first wave of LR projects.

Defra wants to pilot ten LR projects between 2022 and 2024 which would deliver over 20,000 hectares of wildlife-rich habitat. Applications can be made by landowners or land managers as well as collaborative groups and partnerships with other organisations. For each project, Defra will create a bespoke agreement. Nothing that Defra has proposed is set in stone, so there is room for the scheme design to change based on feedback. It is clear that Defra wants the LR scheme to be co-designed with stakeholders.

Environmental outcomes

LR projects will deliver a wide variety of environmental outcomes and support local environmental priorities. The intention is that they will also make an important contribution to national targets, such as the 25 Year Environment Plan, the UK's Net Zero by 2050 target, the government's pledge for 30% of the UK's land to be protected by 2030 and the UK's new legally binding species abundance target. LR will support the establishment of England's Nature Recovery Network and Green Finance Strategy. It will support projects such as peatland restoration, floodplain creation, rewetting bogs, fens and salt marshes, priority habitats and woodland creation.

Project themes

This first wave of pilot projects are likely to focus on two themes:

- Recovering and restoring England's threatened native species: birds and insects
- Restoring England's streams and rivers: improving water quality, biodiversity and adapting to climate change.

These themes set the projects' primary objectives and it is likely that the themes supported will be expanded in future. Projects are expected to deliver co-benefits too. In selecting the initial themes Defra has focused on areas in which it believes cooperation amongst landscape scale land managers can make a real difference.

Pilot eligibility and pilot selection

The LR scheme will be open to applications from sites of 500 to 5,000 hectares. This needs to be a contiguous block of land. Applications can be made by any landowner or land manager, including individuals, organisations and collaborative groups. Public bodies are also eligible provided they apply in collaboration with another land manager. The project area does not need to be the whole of a land manager's holding - part can be entered as long as the area thresholds are met.

Projects that have received or are receiving funding from other government schemes will be able to apply, however Defra will not allow double funding – applicants cannot be paid twice for the same activity or outcome. It is likely that if projects are currently receiving funding from other parts of ELM or Countryside Stewardship, Defra will suggest that the project transitions out of those existing agreements and fully into LR. Defra explains that it will discuss this with each individual project. Because of the long term nature of these schemes and objectives each project needs to prove secure management for at least 20 years, tenants and landowners will therefore need to work together.

Project criteria

To evaluate project proposals a range of criteria will be used to score them, the draft criteria are:

- Species recovery and or river/stream recovery – *this is likely to be highest weighting*
- Net zero; the project's contribution to reducing climate impacts – *this is likely to be the second most highly weighted criterion*
- Co-benefits (other environmental outcomes)
- Suitability for local natural environment
- Climate resilience
- Public benefits, access, education and well-being

- Long term vision and project governance
- Food production; *there will be a preference for projects that will have a lower impact on food production, meaning high quality arable/horticultural land is at a disadvantage*
- Collaboration, partnership working and participation; *projects will score better if they are done in partnership, show collaboration and engage with local communities*
- Delivery arrangements for monitoring, evaluation and learning
- Costs and value for money during the project development phase.

The projects that can deliver the greatest improvements will score the highest, however Defra confirms that it is also looking at how sites that are being maintained at a high level can receive funding. It doesn't want too many projects to apply, and if it feels this might happen it will look at strengthening or further refining these criteria. It has explicitly said it may add a new criterion related to blended finance i.e. combinations of public and private funding together.

Defra has provided illustrative examples of what eligible projects might look like. For instance a 3,500 hectare restoration project could involve planting native woodland on appropriate soils, re-wetting peatland, using extensive grazing in certain areas to create a dynamic mosaic of habitats, repairing and creating new footpaths and putting up information boards. This project would be eligible under the species recovery theme. Defra highlighted that grazing will be considered on a case-by-case basis, as it can have a positive impact on biodiversity in certain areas but can also release carbon on peaty soils.

Scheme timings

Defra is aiming to invite bids for the first wave of 10 pilot projects before the end of 2021, however it said that this timing depends on feedback from its initial proposals. The application window could be six weeks long, and detailed guidance will be published 'at least a week in advance of applications opening'. This does not give potential applicants much time to prepare, especially if collaboration is involved. Projects that are unsuccessful at the application phase will be provided with feedback and signposted to any alternative sources of funding such as Countryside Stewardship, the natural environment investment readiness fund or accessible elements of ELM.

Projects that are successful in the initial application phase will be supported (with a certain amount of funding) to undertake project development starting in early 2022. If these projects meet the necessary requirements at the end of the project development phase, and pass certain 'gateways' or 'project milestones', they will be awarded a long-term funding agreement. These long term agreements will start in autumn 2022. Defra aims to scale-up delivery of the LR scheme from 2024.

Project development phase

The initial project development phase could take between 6 and 18 months. Projects will have to prove that they have passed certain 'gateways', in order to achieve long term funding. Project development is likely to include:

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| <ul style="list-style-type: none"> • Land management planning, engaging local stakeholders, obtaining relevant permits, putting governance arrangements in place • Baseline data collections • Creating a detailed monitoring and evaluation plan | <ul style="list-style-type: none"> • Risk assessment, allocation and mitigation planning • Engaging potential private funders • Decision on structure of private vs public funds • Negotiation of the terms of long-term grant agreements / contracts |
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Project governance

Projects should be governed so that those involved in delivering the project are sufficiently represented for the project's lifetime. It is important that the project is safeguarded in the long run, and therefore there needs to be a formal governance structure in place. Defra would like to have a single agreement with the group involved, and has suggested that the stakeholders within the project could set up a Community Interest Company or a Trust to govern the project. Defra has also said that intermediaries or market facilitators could play a role in negotiating and managing projects on behalf of groups.

Payment rates

Each project will have bespoke payment rates that are negotiated during project development. Defra has stressed it is still working on how to define payment rates and is very keen to hear ideas as to how it can innovate in this space. It wants to secure good value for money, to only pay for additional outcomes, and not pay for the same action twice. It also wants to ensure fairness between projects, comply with cross government policies and domestic and international obligations. It also needs to be careful to ensure that payments aren't trade distorting.

The intention is the scheme will be able to fund both upfront capital and ongoing project maintenance costs. Supporting land acquisition costs is also under consideration. Payment rates could be calculated include using income foregone and cost calculations, or developing outcome-based payments to align with and help leverage funding from environmental credit markets.

Private finance

Defra has stressed that the scheme will 'crowd in' private finance, and that finding opportunities to leverage private finance are important. It has proposed several blended funding models:

Possible blended funding models	
Area based funding	<i>Defra pays for delivery on some land parcels on the site and private funders pay for delivery of other parcels</i>
Match funding	<i>Defra pays for a percentage of certain costs. Remaining funds to be raised from other sources</i>
Intermediary model	<i>Intermediary pays project to undertake interventions. Intermediary owns the outcomes and can unbundle them to sell them to Defra or private investors</i>
First / final investor	<i>Defra could be a first investor with private money coming in after, or vice versa</i>

Conclusion

Defra has provided a vision and information on what it's most complex and bespoke element of ELM may look like, however it is clear that it intends for this scheme to be co-designed, setting out proposals and then developed in collaboration with stakeholders and pilot participants. This is a forward looking process, however, it may cause frustrations for land managers who want to get on with applying for funding. If that is the case, we would recommend getting in touch with the LR team at Defra immediately to discuss your proposal, as interaction and feedback is what they want. They appear open to suggestions.

The LR team is transparent in that there are still unanswered questions as to how this scheme will operate, but they have set out a clear direction for what they want the scheme to achieve. It is interesting that the scheme is intended to prioritise nature recovery in less agriculturally productive areas of England, echoing Henry Dimbleby's food strategy and the idea of a three compartment land use model. The intention to focus initially on projects that can provide the greatest amount of environmental uplift may be of concern to land managers who already invest in environmental management, making this funding inaccessible and instead rewarding those who have degraded assets. It may also be difficult to assess how attractive securing a LR agreement will be for landowners given payment rates are negotiated during project development. This highlights the importance of holding discussions with the LR team and could mean some projects do not complete the project development phase.

This scheme is by no means for all land managers or farmers. It will require collaboration, cooperation and time for planning and innovation. It is ambitious and represents a shake-up in the way that government funding has been channelled into the rural sector. LR represents a third of the ELM budget, and yet this scheme will not be accessible to all, this reinforces the fact land managers who are currently reliant on Basic Payment Scheme income are going to have to find alternative ways of sustaining their incomes. However, for forward thinking land managers who are keen to engage with nature restoration and multi-stakeholder projects, this new scheme could provide the perfect funding opportunity.

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