EXPLANATORY MEMORANDUM TO

THE AGRICULTURE (DELINKED PAYMENTS) (REDUCTIONS) (ENGLAND) REGULATIONS 2025

2025 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Environment, Food and Rural Affairs ("Defra") and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Daniel Zeichner MP, the Minister of State for Food Security and Rural Affairs at Defra confirms that this Explanatory Memorandum meets the required standard.

2.2 David Cooper, Deputy Director for Policy Design in the Farming and Countryside Programme, at Defra confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Claire Williams at Defra Telephone: 0208 0262927 or email: claire.williams@defra.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument sets the percentage reductions that will be applied to delinked payments in England for 2025. Delinked payments were introduced on 1 January 2024 in place of Direct Payments to farmers under the Basic Payment Scheme ("BPS") in England.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England only.

5. Policy Context

What is being done and why?

5.1 As part of the move away from the Common Agricultural Policy, Defra has been phasing out Direct Payments in England. It has been doing this over an agricultural transition period (2021 to 2027), as provided for in the Agriculture Act 2020. Defra applied reductions to Direct Payments to farmers under the BPS in England for the 2021 to 2023 claim years and to delinked payments in 2024. Delinked payments are a simpler type of payment which replaced the BPS in England in 2024. The

Government is committed to continuing to phase out delinked payments by the end of the agricultural transition period.

5.2 Phasing out delinked payments frees up money to be spent on other schemes for farmers and land managers in England[1]. The Government considers that these other schemes will better support farmers to protect and enhance our natural environment, support the sustainable production of food, and boost farm productivity and resilience. These other schemes offer funding for all farm types, including small, grassland, upland and tenanted farms.

5.3 Delinked payments are not based on having land, keeping animals or delivering environmental outcomes. Instead, the delinked payment for each year is based on a reference amount, calculated by reference to the recipient's historic BPS payments. Defra is applying percentage reductions to these payments each year as it phases them out. The reductions that were applied to the 2024 payments were set by the Agriculture (Delinked Payments) (Reductions) (England) Regulations 2024 (S.I. 2024/691). This instrument sets out the percentage reductions that are to be applied to the 2025 delinked payments.

5.4 The reductions to 2025 delinked payments will be applied in payment bands, with the highest percentage reduction applied to amounts falling within the highest payment band. This is a method known as progressive reductions. This method was also used to apply reductions to BPS payments for the 2021 to 2023 claim years and to delinked payments in 2024.

5.5 This instrument applies a reduction of 76% to the first £30,000 of a payment and a 100% reduction to the portion of a payment which is above £30,000. 80% of the 82,000 delinked payment recipients will have payment amounts, before reductions are applied, which are £30,000 or less. This means these recipients will have their payment reduced by 76%. For 2024, these recipients had their payment reduced by 50%.

5.6 The Government announced the reductions it intends to apply for 2025 in October 2024[2].

5.7 The reduction percentages for future years will be set in future secondary legislation.

What was the previous policy, how is this different?

5.8 In its Agricultural Transition Plan[3], published in November 2020, Defra said that it intended to apply progressive reductions to delinked payments each year as it phased the payments out by the end of the agricultural transition period. The reductions set in this instrument for 2025 are higher than the reductions that applied for 2024 because the Government is continuing the policy of phasing out delinked payments. The reductions for 2025 also take account of increased demand from farmers for the Environmental Land Management schemes, which are partly funded through the reductions to delinked payments.

[1] Funding for farmers: https://www.gov.uk/guidance/funding-for-farmers
[2] Farming blog: https://defrafarming.blog.gov.uk/2024/10/30/budget-2024-maintaining-momentum/
[3] Agricultural Transition Plan: https://www.gov.uk/government/publications/agricultural-transition-plan-2021-to-2024

6. Legislative and Legal Context

How has the law changed?

6.1 Delinked payments were introduced in England on 1 January 2024 by the Agriculture (Delinked Payments and Consequential Provisions) (England) Regulations 2023 (S.I. 2023/1430). That instrument set out how delinked payments must be calculated, based on historic BPS payment data. It did not make provision for applying percentage reductions to the payments. S.I. 2024/691 set the percentage reductions that applied to delinked payments for the year 2024 only.

6.2 This instrument is a free-standing instrument introduced, by way of further supplementary provision to that contained in S.I. 2023/1430, to set the percentage reductions to be applied to delinked payments calculated under that S.I., for the year 2025. It also modifies the meaning of "delinked payments" in Part 3 of S.I. 2023/1430 to make clear that references in that S.I. to a delinked payment are to be construed as references to the amount of any such payment after applying the percentage reductions for 2025 set out in this instrument.

Why was this approach taken to change the law?

6.3 This instrument is drafted to make freestanding provision rather than as an amendment to S.I. 2023/1430. This is the same approach used in S.I. 2024/691 to set the reductions to delinked payments for 2024. This approach is being used because there is no existing provision in S.I. 2023/1430 relating to the application of percentage reductions to delinked payments which could be amended.

7. Consultation

Summary of consultation outcome and methodology

7.1 Defra carried out a consultation on "The future for food, farming and the environment" from February to May 2018 (the "2018 consultation"), which received over 40,000 responses.4 This asked for views, amongst other things, on the method of reductions to be applied to Direct Payments. There was some support for applying the same percentage reduction to all payments and for just capping the payments, but more respondents favoured applying progressive reductions than either of those methods. Many of those who supported progressive reductions argued they were appropriate as all recipients would face reductions, whilst the greatest burden of reductions would be placed on larger farms.

7.2 The Government considers that applying progressive reductions is a fair approach as those who historically received the highest BPS payments will have the highest reductions to their 2025 delinked payment.

7.3 Defra also carried out a consultation on "Direct Payments to farmers: Lump sum exit scheme and delinked payments in England" from May 2021 to August 2021.5 This included seeking views on some aspects of how delinked payments are calculated. It did not seek views on progressive reductions as these had been consulted on in the 2018 consultation. However, it made clear that Defra intended to apply progressive reductions to delinked payments each year until they are phased out.

[4] 2018 consultation and summary of responses: https://www.gov.uk/government/consultations/the-future-for-food-farming-and-the-environment

[5] 2021 consultation: https://consult.defra.gov.uk/agricultural-policy/lump-sum-and-delinked-payments-england/supporting_documents/lumpsumexitschemedelinkedpaymentsconsultation.pdf

8. Applicable Guidance

8.1 The Rural Payments Agency ("RPA") set out its intention to apply progressive reductions to delinked payments in the scheme guidance, first published in February 2022.6 The RPA updated this guidance in November 2024 to confirm the reduction percentages it intends to apply for 2025 in line with this instrument.

8.2 The RPA updated its online delinked payments calculator in December 2024 so that farmers can use it to see how the planned reductions could affect their 2025 delinked payment.7

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because it is not a regulatory provision. This instrument relates to the giving of grants or other financial assistance by or on behalf of a public authority. The planned reductions to 2025 delinked payments set out in this instrument will be used to help fund other schemes for farmers and land managers in England, as explained in section 5.2 of this explanatory memorandum.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies in relation to regulatory provisions because this instrument does not introduce or amend regulatory provisions. However, the reductions to delinked payments will be used to help fund other schemes, including Environmental Land Management schemes, which offer funding streams for farmers and land managers.

9.3 The legislation does not impact small or micro businesses in relation to regulatory provisions. Although this instrument applies to all recipients of delinked payments, including those which are small or micro-businesses, it does not introduce or amend regulatory provisions. However, the reductions to delinked payments will be used to help fund other schemes, including Environmental Land Management schemes, which offer funding streams for farmers and land managers. The Government is working with the farming sector to make sure these other schemes work for all farmers, including those with small farms.

9.4 There is no, or no significant, impact on the public sector. This is because the delivery body, the RPA, already has a delivery mechanism in place to apply progressive reductions to delinked payments.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The Government intends to phase out delinked payments by the end of the agricultural transition period. However, Defra and its agencies will monitor and review the impact of this instrument as part of their standard policy-making procedures.

10.2 The instrument does not include a statutory review clause because it does not regulate businesses and therefore the requirements of the Small Business, Enterprise and Employment Act 2015 do not apply.

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[6] Guidance: https://www.gov.uk/guidance/delinked-payments-replacing-the-basic-payment-scheme
[7] RPA calculator: https://calculate-direct-payment-reductions.defra.gov.uk/

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 Daniel Zeichner MP, the Minister of State for Food Security and Rural Affairs at Defra has made the following statement regarding Human Rights:

"In my view the provisions of the Agriculture (Delinked Payments) (Reductions) (England) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts"). It does however relate to the withdrawal of the United Kingdom from the European Union. This is because the changes in this instrument relate to the move away from the Common Agricultural Policy.