EXPLANATORY MEMORANDUM TO

THE TRANSITIONAL PAYMENT TO DISADVANTAGED AREA SCHEME (NORTHERN IRELAND) 2015

2015 No. 17

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department of Agriculture and Rural Development to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2. The Statutory Rule is made under sections 1(1) and 2 of the Agriculture (Temporary Assistance) Act (Northern Ireland) 1954 and is subject to the negative resolution procedure.

2. Purpose

2.1. The Scheme will allow the Department to make a one year transition payment to farmers in the current Disadvantaged Area (DA). Farmers in these areas were previously eligible for support under the Less Favoured Area Compensatory Allowances (LFACA) Scheme in 2014/15, but this area will no longer meet the criteria to receive such support.

3. Background

3.1. Payments under Less Favoured Areas legislation have been made to farmers in DAs since the 1980's. Currently, around 7,100 farmers qualify for the DA payment (worth, on average, approximately £580 per claimant), with a total payout of £4.1m per annum.

3.2. Under the new EU CAP policy framework, farmers in the DA who previously qualified for support under the outgoing LFACA Scheme will no longer meet the criteria to receive such support.

3.3. Therefore the payment that will be made under the 2015 LFACA Scheme (i.e. claimed in May 2014 and paid in early 2015) will be the last such payment to DA farmers. From 2015 claim payments will be made only to farmers in the Severely Disadvantaged Area under the new Areas of Natural Constraint Scheme.

3.4. Given the prospect of a sudden ending of this longstanding support payment, the DARD Minister, with the agreement of the First Minister and deputy First Minister on behalf of the Executive, has provided a Ministerial Direction to the Department to make a one year transition payment under State Aid de minimis rules to those farmers who will no longer be eligible for support from the new Rural Development Programme.

3.5. The payment is to be made as a flat rate payment per hectare to those DA farmers who applied, and met the eligibility criteria, for the 2015 LFACA Scheme (claimed in May 2014 and paid in early 2015). It will be worth up to half the level of payment that was available to DA farmers in the 2015 Scheme. It will have a budget ceiling of £2.1 million.

4. Consultation

4.1. Consultation with industry representatives (e.g. representatives of the Ulster Farmers' Union and the Northern Ireland Agricultural Producers Association) on the proposal to make the transitional payments has confirmed that the industry is content with DARD's approach.

5. Equality Impact

5.1. There are no equality issues associated with these Regulations.

6. Regulatory Impact

6.1. A Regulatory Impact Assessment is not considered necessary as no additional financial impact on trade or the public or voluntary sectors is anticipated.

7. Financial Implications

7.1. The DARD Minster has agreed this Transitional Payment to the Disadvantaged Area with the First Minister and deputy First Minister.

7.2. Payment will be subject to EU de minimis rules which enable the Department to reduce any payment due or paid if a previous de minimis aid payment has been made to an applicant on a rolling 3 year period, for any purpose. Overall de minimis support over a 3 year period is capped at a maximum of €15,000 per farmer.

7.3. The estimated budget requirement will be in the order of £2.1 million and the rate of payment per hectare of eligible land will not exceed £14.40.

8. Section 24 of the Northern Ireland Act 1998

8.1. The Scheme does not have any human rights implications, nor is it incompatible with EU law. The Scheme is therefore deemed to comply with the requirements of section 24 of the Northern Ireland Act 1998.

9. EU Implications

9.1. Transitional Payment to the Disadvantaged Area will be subject to EU de minimis rules (Regulation (EC) 1408/2013) which enable the Department to reduce any payment due or paid if a previous de minimis aid payment has been made to an applicant on a rolling 3 year period, for any purpose. Overall de minimis support over a 3 year period is capped at a maximum of €15,000 per farmer.

10. Parity or Replicatory Measure

10.1. Not applicable.

11. Additional Information

11.1. Rosemary Agnew at the Department of Agriculture and Rural Development, Tel: 028 9052 4074 or email: rosemary.agnew@dardni.gov.uk , can answer any queries regarding the Scheme.