

**Partial Regulatory Impact Assessment on Options
for future support to Areas of Natural Constraint**

February 2016

Introduction - Policy context and objectives

Northern Ireland has a land area of 1,354,200 hectares (ha). Of the 1,028,500 ha of Utilised Agricultural Area (UAA), approximately 70% is designated as Less Favoured Area (LFA). There are currently two types of LFA in Northern Ireland that were first identified and mapped in the 1970's and 1980's, namely the Severely Disadvantaged Area (SDA) and the Disadvantaged Area (DA).

Prior to the 2015 claim year, support was provided to farmers in both the SDA and DA by the Less Favoured Area Compensatory Allowances (LFACA) Scheme to help offset the financial consequences of farming in these areas. In 2015 this was replaced by the ANC Scheme as part of the NI Rural Development Programme 2014 – 2020. The ANC Scheme is confined to SDA land only.

The ANC Scheme provides dedicated support to beef, sheep, deer and goat producers who farm in the SDA (including common land located in the SDA) in order to compensate them in part for the additional costs and income forgone related to the constraints for agricultural production in that area. The payment is an income support measure and there are no specific environmental or other conditionalities attached to the Scheme (apart from the need to have the requisite livestock enterprise, to maintain a minimum livestock density across the holding and to meet the cross compliance requirements that apply to all CAP land-based measures).

The consultation document to which this partial Regulatory Impact Assessment (RIA) is attached describes the Department's options for future ANC support. The consultation considers the ongoing need for specific ANC income support intervention given the changing structure of support payments arising from Pillar I Direct Payments and the potential changes to the ANC boundary arising from designation. The consultation document presents a range of options for future support.

In developing future support, the Department will seek to simplify wherever possible and deliver a smooth and measured transition to a new regime. This partial RIA will be reviewed and further developed as the policy development process continues.

Consideration of alternative approaches

In considering the possible approaches for future ANC support, the Department has considered the following options:

- **Option 1:** Do nothing - the ANC claim made in 2016 and paid in 2017 would be the last.

(a) Internal Pillar I options

- **Option 2a:** An ANC Scheme in Pillar I from the 2017 claim year using 5% of the Pillar I budget annually.
- **Option 2b:** A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across the respective years.

(b) A Pillar I to Pillar II transfer option

- **Option 3:** A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer.

(c) A hybrid between Pillar I and Pillar II options

- **Option 4:** A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer. This option is, in effect, Option 2b and Option 3 combined.

(d) Options involving additional national funds

- **Option 5a:** An ANC Scheme in Pillar II funded by an additional £20 million per annum from the NI Executive.
- **Option 5b:** A transitional ANC Scheme in Pillar II for the 2017 and 2018 claim years funded from the NI Executive.

Analysis of costs, benefits and impacts of preferred approach

The financial impacts of the options by land type within Northern Ireland are provided in Tables 1-7. These tables show how the redistribution of payments to each land type would change under each option.

Further impacts will be considered as this partial RIA is reviewed and developed alongside the policy development process.

Consultation

Discussions with key stakeholders will form part of the consultation process. A formal public consultation on the options is required.

Publication

This partial RIA will be published on the DARD website as part of the formal public consultation process.

Table 1. Option 1:- Do nothing - the ANC claim made in 2016 and paid in 2017 would be the last - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	120.7	124.8	128.8	132.5	136.3	1063.5
DA	104.6	99.4	95.8	94.4	93.1	91.8	90.2	88.6	757.9
Lowland	118.2	116.1	114.2	112.3	110.6	108.9	106.7	104.6	891.6
Total	359.1	355.6	354.0	327.4	328.5	329.5	329.4	329.5	2713.0

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. Totals may not be exact due to rounding.

Table 2. Option 2a: - An ANC Scheme in Pillar I from the 2017 claim year using 5% of the Pillar I budget annually - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	131.1	134.9	138.8	142.4	146.0	1113.6
DA	104.6	99.4	95.8	89.7	88.5	87.2	85.7	84.2	735.1
Lowland	118.2	116.1	114.2	106.7	105.1	103.4	101.4	99.3	864.4
Total	359.1	355.6	354.0	327.5	328.5	329.4	329.5	329.5	2713.1
5% scaleback total				16.4	16.4	16.5	16.5	16.5	

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. 5% scaleback in Pillar I over 5 years to fund ANC Scheme in all years.
5. Assume new ANC designation in place from 2017.
6. Totals may not be exact due to rounding.

Table 3. Option 2b: - A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across the respective years - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	131.1	130.9	128.8	132.5	136.3	1080.0
DA	104.6	99.4	95.8	89.7	90.3	91.8	90.2	88.6	750.4
Lowland	118.2	116.1	114.2	106.7	107.3	108.9	106.7	104.6	882.7
Total	359.1	355.6	354.0	327.5	328.5	329.5	329.4	329.5	2713.1
Staged scaleback back over 2 yrs				16.4	9.9	0			

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. Assume new ANC designation in place from 2017.
5. 5% and 3% scaleback in Pillar I for the ANC Scheme 2017 and 2018 claim years respectively (paid in 2018 and 2019).
6. Totals may not be exact due to rounding.

Table 4. Option 3: - A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	120.7	114.4	145.4	149.0	152.4	1102.2
DA	104.6	99.4	95.8	94.4	85.4	84.2	82.7	81.2	727.7
Lowland	118.2	116.1	114.2	112.3	101.4	99.8	97.8	95.9	855.7
Total	359.1	355.6	354.0	327.4	301.2	329.4	329.5	329.5	2685.6
Transfer at 8.33%					27.4	27.4	27.4	27.4	

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. 8.33% transfer from Pillar I to Pillar II applied in 2018, 2019, 2020 and 2021 – funds applied to ANC Scheme in 2019, 2020 and 2021.
5. Totals may not be exact due to rounding.

Table 5. Option 4: - A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer. This option is, in effect, Option 2b and Option 3 combined

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	131.1	120.0	145.4	149.0	152.4	1118.2
DA	104.6	99.4	95.8	89.7	82.8	84.2	82.7	81.2	720.4
Lowland	118.2	116.1	114.2	106.7	98.3	99.8	97.8	95.9	847
Total	359.1	355.6	354.0	327.5	301.1	329.4	329.5	329.5	2685.6
Transfer at 8.33%					27.4	27.4	27.4	27.4	
Staged scaleback over 2 yrs				16.4	9.0				

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. 5% and 3% scaleback in Pillar I for the ANC Scheme 2017 and 2018 claim years respectively and a 8.33% budget transfer from Pillar I to Pillar II applied in 2018, 2019, 2020 and 2021 and used to fund an ANC Pillar II Scheme in 2019, 2020 and 2021.
5. Totals may not be exact due to rounding.

Table 6. Option 5a: - An ANC Scheme in Pillar II funded by an additional £20 million per annum from the NI Executive - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	148.1	152.2	156.2	159.9	163.7	1200.5
DA	104.6	99.4	95.8	94.4	93.1	91.8	90.2	88.6	757.9
Lowland	118.2	116.1	114.2	112.3	110.6	108.9	106.7	104.6	891.6
Total	359.1	355.6	354.0	354.8	355.9	356.9	356.8	356.9	2850.0

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m
4. Exchange rate used for additional Executive funding £1= €0.73 so 2017 onwards has €27.4m added per annum.
5. Totals may not be exact due to rounding.

Table 7. Option 5b: - A transitional ANC Scheme in Pillar II for the 2017 and 2018 claim years funded from the NI Executive - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	139	133.9	128.8	132.5	136.3	1090.9
DA	104.6	99.4	95.8	94.4	93.1	91.8	90.2	88.6	757.9
Lowland	118.2	116.1	114.2	112.3	110.6	108.9	106.7	104.6	891.6
Total	359.1	355.6	354.0	345.7	337.6	329.5	329.4	329.5	2740.4

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC support (€27.4m per annum).
3. 2015 includes TPDA payment to DA - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. Exchange rate used for additional Executive funding £1= €0.73
5. 2017 and 2018 have phase out from national funds (€) at 2/3 and 1/3 respectively of £20m (€18.3m / €9.1m).
6. Totals may not be exact due to rounding.