



Northern Ireland
Assembly

Committee for Agriculture and Rural
Development

OFFICIAL REPORT (Hansard)

Single Farm Payment, LPIS and
Agrienvironment Schemes: DARD Briefing

8 October 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Paul Frew (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Thomas Buchanan
Mrs Jo-Anne Dobson
Mr William Irwin
Mr Declan McAleer
Miss Michelle McIlveen

Witnesses:

Mrs Valerie Bell	Department of Agriculture and Rural Development
Dr Richard Crowe	Department of Agriculture and Rural Development
Mr Andrew Elliott	Department of Agriculture and Rural Development
Mr Jason Foy	Department of Agriculture and Rural Development
Mr Herbie Jones	Department of Agriculture and Rural Development

The Chairperson: I welcome Andrew Elliott, director of rural payments; Dr Richard Crowe, agricultural inspector grade 1; Herbie Jones, agricultural inspector grade 1; Valerie Bell, principal officer; and Jason Foy, head of single farm payment. You are all very welcome, as always. You have all been here before. If not, we met last week, Jason. Andrew, I am sure that you will lead off.

Mr Andrew Elliott (Department of Agriculture and Rural Development): Yes. I will kick off with a few comments. I am at a particular disadvantage today, in that Committee members have had a chance to get an update on what is going on. My only worry is that you might know a little bit more on some issues than I do. The main point that I want to make is how much we appreciated the fact that members of the Committee took the time to go to Orchard House and meet colleagues there. It means a great deal to staff when that level of interest is taken. It was appreciated.

With regard to today's presentation, I want to remind members of the issues that have been our top priority in recent years: tackling the problem of disallowance; improving the quality of the Department's controls, particularly the two key controls of maps and inspection; and, as importantly, making sure that, in doing that, we do not lose sight of the importance of paying farmers in a timely way and of making improvements in that regard. Hopefully, I can bring the Committee some good news, or at least positive expectations in those areas.

First, we had a very important check on our inspections in an audit of legality and regularity in 2011, which has taken a fair amount of time to process through the system, and that had fairly positive outcomes. Having been completed and reported on by the Northern Ireland Audit Office, it was checked again by the European Court of Auditors and, most recently — a couple of weeks ago — by

the European Commission auditors. We are awaiting their responses, but we were encouraged by the engagement that we had with those auditors. We await with interest any positive implications that that will have for future disallowance announcements.

As members are well aware, the land parcel identification system (LPIS) maps were used for the first time in 2013. We have been pleased with the deployment of those maps. Although there were well-rehearsed glitches a while back, the maps have served us very well as a control this year, and we are continuing to use them. So far, we have been able to make good progress in deploying them. We have put a lot of energy and effort into integrating the maps with all the other controls and payment administrative processes and so on. That has been a rather large body of work, which is very much behind the scenes but absolutely crucial for getting payments to farmers in a timely way.

We are approaching the time when we will be in a position to announce targets for payments this year. As you know, we managed to improve quite significantly on our payments targets last year compared with 2011, which was good news. On the other hand, a lot of farmers still received their payments rather late. We hope that, this year, we will at least be able to maintain that and, encouragingly, perhaps to improve on it. Even though, for various reasons this year, the pace at which the inspection casework has flowed through to Orchard House has been slower, that was something that we had planned for. Our expectation is that those inspection cases will process through the system more quickly and, in the end, the situation will be better than would have been the case in 2011. I know that you will have heard some of the detail underlying the reasons for that when you were in Orchard House.

With regard to other schemes, we had improvements in the payment profile for the less-favoured area compensatory allowance (LFACA) and for agrienvironment last year, and we hope that we will continue to build on that. It is important to say that we need to deploy the LPIS maps in relation to agrienvironment, and we are continuing to work on all of the issues that are involved in making sure that the maps work effectively for claimants under the Northern Ireland countryside management scheme and the other legacy schemes.

That, in a nutshell, is the work that we are doing at the moment. As I said, we are feeling reasonably upbeat that the hard work that we and many of our colleagues have put in is beginning to pay off in some of the things that are happening.

The Chairperson: OK, Andrew. Thank you very much for being as concise and sharp as ever. I will go straight into questions.

We had a very useful visit last week. It was good for members to see your work in operation. One of the things that struck me was the number of paper files around the walls. That put into context the depth of your work, the wide remit of that work, and all the recording and filing. It is now a computerised system, but it is still very technical in its detail.

I want to ask you about the process. The Committee has always heard that the problem was not necessarily for those who were paid in December, but those who were paid after the inspection process and who were liable to be inspected. Some 240 remote sensing inspections were carried out last year and 1,000 this year. Is that right?

Mr A Elliott: Yes, approximately. We had 250 last year, and, at the latest count, we had 1,139 this year. We had slightly more inspections overall this year because of a change in the method by which samples were chosen. We had 2,084 inspections in total, of which 1,139 were control with remote sensing. For completeness, another 43 cross-compliance related inspections were carried out by inspectors in the Department.

The Chairperson: What are the reasons for you not being 750 inspections ahead of the game compared with where you were last year? I am talking about the remote sensing, which is surely such a great help to your system. How are we not 750 inspections better off than we were this time last year?

Mr A Elliott: That is because of the application of control with remote sensing. When you introduce a new approach to inspections, the key thing is that you have to do it carefully and to balance the risk associated with the new approach. For example, when the Commission auditors were with us a couple of weeks ago, although they were not checking control with remote sensing for 2011 — the year that they were interested in — they were extremely interested in the fact that we were using

control with remote sensing and extremely keen to be reassured by us that we were doing it cautiously and carefully.

We are putting a lot of time and energy into checking the results that are coming through, because we have increased the number of control with remote sensing cases so much. We want to make sure that, when we compare one of those cases with what is on the ground, they are as close as we can possibly get them to be. An awful lot of verification, testing and checking goes on, and we want to make sure that we are comfortable that the system is working well. We are using an external contractor, who is new to the Department of Agriculture and Rural Development (DARD) to some extent, and we want to make sure that we do not introduce new errors to the system that we can avoid. Another part of the reason is that we have to make sure that the IT connections between the contractor and our systems in the Department work effectively, and that, going forward, the flow through of case work is as automatic as possible. That is why those cases have not moved through to Orchard House yet. However, when they do move through to Orchard House, they will move quickly. We expect them to go rather quickly through the system.

The other factor that I want to mention is the requirement for a fair amount of ground-truthing. It could be that up to 50% of the cases will require an element of ground-truthing. That is done through what is called a rapid field visit, which is not the same as carrying out a full farm inspection. It means that the inspector may turn up on a farm, look at one thing and go away again. It is very brief, but we have to build that in. The process will be quicker in time. You will see that it will be a quicker process than it has been classically.

The Chairperson: Is there any danger that the EU will flip over on the principle of using remote sensing? Or is it the methodology —

Mr A Elliott: No. Once we assure them that we are doing it correctly, they will be content.

The Chairperson: Right, OK. We move on to the inspection process. If there is an argument or disagreement about the result of an inspection, you go to an appeals mechanism. There are two levels of appeal, one through Orchard House and then another independent. Can you give us timescales for how you are coping with the second phase of appeal, and the third phase, which is independent?

Mr A Elliott: We looked at the statistics on those recently because we are working through a process of change and reform in regard to review of decisions, as with just about everything else that we are doing. We have had significant improvements in the turnaround of casework. However, some casework that we have had in the system for a number of years has been there for a very long time, so there are very long average timescales for the processing of cases. That is because, in some cases, a significant body of casework was held up by the need for a court case, processing the results of that court case and determining a way forward in relation to duplicate fields. We worked hard on those cases, and they are now flowing out of the system and being completed, so we are finding that the average time for the completion of cases is tumbling, but it is still not tumbling to a good enough level. It is still too long.

To give you a practical example, a lot of casework at stage 2 is taking between 12 and 18 months to complete. The average figures sound higher than that but are probably masking a different issue, if you know what I mean. We are looking at improving our systems in a number of ways that are falling out of a review of the review of decisions process. We want, perhaps, to look at opportunities to engage more with farmers to avoid reviews in the first place, if that is possible. We are exploring methods that may become possible in regard to that.

We also want to look at whether we are resourcing the review stages 1 and 2 correctly. I enhanced the resourcing at review stages 1 and 2. That is already making a difference. One of my key indicators is to what extent are we having more completed casework in a year than new cases coming in. The answer to that for this year is that, yes, we will have. Our target is to complete 80 cases at stage 2 this year and 400 cases at stage 1. We hope that by doing that, we will have significantly beaten the number of new cases received.

The Chairperson: Is there an average time for the two stages?

Mr A Elliott: I will ask Valerie to give you the average time overall because it is quite a large number. For stage 2, last year it was just over 1,200 days, and it fell to just over 600 days this year.

Mrs Valerie Bell (Department of Agriculture and Rural Development): In 2012, the average was 1,383 calendar days. It is important to note that that is calendar days, so it includes weekends and public holidays. In 2013 to date, the average is 612 calendar days. As Andrew says, the 2012 figures are skewed to a certain degree because they included a fair number of cases that had been around for a number of years. Obviously, that will add to the averages.

As far as stage 1 is concerned, in 2012, the average was 186 calendar days. In 2013 to date, the average is 205. That has increased slightly, but the number of cases that we have cleared at stage 1 this year has improved significantly.

The Chairperson: OK, thank you very much for that.

Mr Byrne: I welcome the delegation and the topic of discussion. The accumulative total of EU fines for infraction is now about £105 million. Is that right, Andrew?

Mr A Elliott: There are different figures, of course, and I always say that. We have accrued an amount that is just over £100 million, but not all of that has been confirmed yet as financial correction. I think that we still have about £67 million of financial correction.

Mr Byrne: When do we expect to get to a year in which there will be no fine and some modelling has been done?

Mr A Elliott: It is a great question. A lot will depend on the outcomes of some of the audits and checks that are going on at the moment. I hope that we are getting closer to a day when we will be able to look forward to very low levels of disallowance, if not zero disallowance. For the moment, we are still working with the Commission on what it thinks our financial correction should be for 2010 and 2011, and once we get a solution to that, we will know an awful lot more about what we can expect as financial correction for 2012 and thereafter. Everything tends to run a little bit behind where you are at, and you are in a way hoping that things will go for years past, because those will inform present and future years.

It is very important to make the point that we now have three challenges with the European Court of Justice about those original disallowance decisions. Depending on how those challenges go, that could significantly impact on our amount of financial correction. We are continuing to work on three levels. First, we are working extremely hard to be compliant. Secondly, we are working to challenge the Commission, where we think that that is appropriate, and we are doing that more effectively since we got the UK Government to take the cases. Thirdly, we are working a lot on the level of communication and are engaging with the Commission to make sure that it understands what we have done and that we are a high-performing paying agency now and not one of the ones that it should be worried about.

Mr Byrne: Last week, I asked whether the problem is with the people who are engaged in processing the system. Is the farmer or the technology the problem?

Mr A Elliott: The Commission's audit reports found fault with the Department and also with farmers for not being proactive enough in notifying changes to their maps. Therefore, the Commission at least tried to pin it on both. At the time, the Department and Ministers said that the Commission was also at fault because of its method of calculating penalties, and so on. It is an open question, and people have many different views on it. There is no question that the Department had scope to improve its controls, and we have improved them, but there is also an ongoing need for farmers to be really good at coming to the Department with the changes, as they happen, to their maps and to their claims.

Mr Irwin: You are very welcome. I declare an interest as a farmer. One would think that, this year, the Department should be in a better place to deal with inspection cases earlier, given that, as far as I am aware, you do not have to go back five years, as you had to in the past if there were issues. At this stage, are you aware of what percentage of total land inspections is now complete, and, compared with this time last year, what is the Department's position on dealing with those? I am told that the computer system was not in place until about two weeks ago to validate inspections by inspectors in local areas. My information is that the system was up and running only on 24 September. Should that not have been up and running earlier?

Mr A Elliott: No. I will get Richard to deal with the numbers in a moment, but, this year, we planned to start inspections later because there was a lot of work to do to build the LPIS and the inspection controls to integrate the controls. If we had not done that properly and had not taken the time to do that, we would have had other problems, which would have been visited not just on us but on farmers. We always knew that this year was going to be different, and I remember, probably about 12 months ago, telling you that this year would be different and that LPIS would change things fundamentally. I knew that, in the bowels of the Department, as it were, certain people would be wondering and worrying why things were not working to the timescale that they worked to in a normal year. That is understandable, but there was a really good reason why we had to take the time to properly build the IT systems this year, and that meant enhancing the number of controls with remote sensing so that we would still finish classical inspections on time. We are still projecting to do that, and we are still confident that we will make the deadline. It is possible to be unduly worried about the pace at which things are happening this year, but I think that you will find that things will start to happen quickly now.

Richard, do you want to say something about the numbers?

Dr Richard Crowe (Department of Agriculture and Rural Development): As Andrew said, we have had to change a lot of our systems this year for inspection cases. You will probably say that we say that each and every year, and, unfortunately, that has been the case, in that we have been changing, updating and enhancing our systems to carry out inspections. A very significant change this year was the use of the new and refreshed LPIS mapping. That required changes not only for the technology and the underlying process but for the inspectors. Moreover, there were specific changes to some of the IT systems for the process that goes on to update the maps based on the inspection findings on farms. On that basis, the inspections have been going forward even as the IT systems have been being built, and, at present, we have over 60% of our fieldwork done. We expect that, with the weather as it is, we will keep going with that very strongly.

As Andrew intimated, we are also finding that, once those results are gathered, because of the need not to consider retrospection this year, we expect them to flow through our systems more quickly. As Andrew indicated, at the stage that we are at in the processing, we expect the cases to flow more quickly through the system and to be available for payment more quickly as they go through that system.

Again, there are challenges around how we are working on this. We have already touched on remote sensing, and, in some respects, that is a completely different way of working from that which we are used to. We are concentrating very firmly on the integrity of the results coming through to ensure that we can not only process them quickly and avoid reworking results, which would delay our processing, but maintain the integrity of those results when it comes to our audit compliance.

Mr Irwin: A farmer contacted me yesterday afternoon. He had an inspection last year and had absolutely no issues. However, he had another inspection this year. Did you say earlier that some of the inspections are contracted out to staff outside the Department?

Mr A Elliott: Yes, the control with remote sensing ones are.

Mr Irwin: The inspector landed with this farmer at the beginning of August, and that inspection was only signed off on yesterday.

Dr Crowe: That is around the processing of the inspection results, and that is a good example of the fact that, although we are gathering the information in the field, we expect that information to move quickly through our systems. There will be cases in which the information was gathered and is now starting to move through the system. Farmers who have been inspected will expect to see information on the inspection results starting to flow back to them. Around that, we do work hard to deal with queries that arise at the point at which farmers receive the initial findings of an inspection. We work with farmers to deal with queries at that point if we can.

Mr Irwin: It seems strange to me that, after so many years since the single farm payment was introduced, so many farms have never been inspected, but a farm with no issues can be inspected two years in a row. That seems wrong to me.

Dr Crowe: Selection of farms for inspection is on a random and risk basis. It can be the case that, randomly, the same farms are chosen on a number of years.

Mr Irwin: It seems wrong. If you have an inspection and are given a clean bill of health, with no issues whatsoever, you should not be given another inspection the following year. Hundreds of farms are never inspected. That is the issue. Surely there has to be some better system.

Mr A Elliott: We introduced a system whereby we select 5% of farms for inspection each year, and we have been running the single farm payment for nine years. If we always chose different farmers, you would expect that only about 45% of farms to have been inspected. There would still be a majority of farms that would not have been inspected at this stage, even if we had never selected the same farm twice.

Risk analysis sometimes shows that it is important to go back and inspect farms again later on, because things change. Risk samples are selected automatically — we do not have a mechanism that ignores the causes of risk. If we find that there is greater risk with smaller farms than larger, the risk sample will be skewed towards the selection of small farms. Equally, if the risk is with larger farms, we can skew it in that direction. There are all kinds of things that determine the risk, but it is randomly chosen, and we are not picking on those farmers.

We looked at an issue last year, when concerns were expressed that there were too many repeat inspections coming through from 2010 and 2011 into 2012. There was a particular issue then. We addressed it, and we now have a lower level of repeat inspections. However, there will always be some. In a random system, you have to have some, and I do not think that the Commission would wear it if we tried to have a system in which we did not put everyone who claims back in the pot again for the selection of the random sample.

Mr Irwin: It is difficult to explain that to farmers.

Mr A Elliott: Yes.

Mrs Dobson: I declare an interest as a member of a farming family. I apologise for missing the briefing. If some of my questions have been covered —

Mr A Elliott: I will say.

Mrs Dobson: Can you please clarify the issue of the repopulating of the single application form? I would like you to give me your assessment of how successful you feel that it was. I read through your briefing, in which you state:

"it is intended that the Single Application Forms will be pre-populated going forward."

Does "intended" mean that it has not been decided yet? If so, why would that be?

Mr A Elliott: No. The plan is that the form will be pre-populated, as it was in the past. When we switched from the old mapping system to LPIS mapping in 2013, had we pre-populated all the data from the previous claim year on to those forms, there would have been tens of thousands of tiny changes. That would have meant that we would have been managing claims for evermore. It was very important when we switched from one mapping system to a new one to allow the farmer to complete the form on the basis of the latest available information. We had to do that. However, that was a one-off. It will not repeat itself. Is it ideal? Not at all. It creates difficulties. For example, there will be more errors. Orchard House has already dealt with a lot of those errors and has been engaging with farmers to get things sorted out where, for example, there were obvious errors that could be processed.

It is a balancing of risk. Once again, we needed to do it for one year only, but it would not be something that we would encourage or want to do in future, nor would the Commission want us to do it. It is much better to have an accurately pre-populated form.

Mrs Dobson: We all know that the admin work increased for farmers and their agents. Did it increase for DARD staff as well? Did that result in a considerable number of forms being returned to farmers for correction?

Mr Jason Foy (Department of Agriculture and Rural Development): Our experience so far is that the majority of forms returned to us by farmers have been completed correctly. Having said that, there

has been an increase in the instances in which farmers have not completed the forms fully. We have been working through those. There were a significant number of individual errors. We have been working through those and have reduced the figure by almost half. We are continuing to work through the remainder. We have, in a number of circumstances, applied the provisions around obvious error that are available to us, where we can correct mistakes without seeking information from the farmer. We would, in all circumstances, write to the farmer to advise the farm business what we have done. The farm business can write back to correct us where we may be mistaken, but my information is that there has been a very low level of that happening.

Mrs Dobson: Would it be a fair comment that, although it was originally designed to decrease costs, the admin associated with pre-populating has ended up increasing costs?

Mr Foy: In Orchard House, it has not. We have not taken on additional staff or been required to increase our staffing levels. We have been working more creatively and more pragmatically with the issues that we have been encountering with the forms, but I would not say that it has increased our staffing levels.

Mrs Dobson: Obviously, there would have to be a significant increase in administrative work for departmental staff.

Mr Foy: There has been an increase in volume, but we have been addressing that by working in a more pragmatic and integrated way.

Mrs Dobson: Finally, we have discussed in Committee at length — I know that you have been here to hear it — the issue of missing fields. Can you give us a categorical assurance that there will be no repeat with this year's maps?

Mr A Elliott: I guess that that one will come to me. The big missing fields problem that was much talked about has been resolved. In fact, all the situations in which farmers claimed fields that are not on the current mapping system are being investigated one by one, and the fields are being put on where appropriate. That issue will be resolved by that process. Hopefully, farmers will be able to go online to look at the new maps towards the end of January 2014. Those maps will have the fields reinstated.

I have to make this more general point: every year, there are a small number of missing fields. If people claim fields for the first time, those fields have never been given a field number and recorded on the system in that way. We will find those from year to year, but —

Mrs Dobson: But not to that scale.

Mr A Elliott: Yes, but I would not want to say that there will never be a farmer in future who will approach an MLA and say that a field is missing.

Mrs Dobson: Certainly not to the scale that we have encountered. Can we be assured that that will never happen again?

Mr A Elliott: Yes.

Mr Buchanan: Thank you, folk, for coming today. Now that the new maps are well and truly in place, have you seen an increase in your stage 1 appeals, or have they stayed fairly level?

Mr Foy: The rate at which the stage 1 review applications have come to us has slowed down in recent months. That has enabled us, with the extra resources that we have devoted to that work, to drive down the figure of outstanding reviews. Earlier this year, the reviews were coming in in almost as great a number as we were issuing decisions. That has slowed down significantly in recent months.

Mr Buchanan: How many stage 1 appeals have been successful? Perhaps you have not got those figures.

Mr Foy: I do not have that information to hand, Chair. We could —

The Chairperson: You could provide that.

Mr Buchanan: We are happy for that to be provided to the Committee.

Furthermore, how many stage 1 appeals move on to stage 2? I have no doubt that some of them drop off at stage 1 and do not move on to stage 2. Say that someone goes over the 3% and is penalised by double whatever the amount was, would there be any flexibility within the 3% disallowance?

Mr A Elliott: When it comes to fines on farmers, the answer is usually that, no, there is no flexibility. If we find that we are wrong, we hasten to put it right. An important point of the review process is that farmers have the opportunity to challenge. Sometimes when we put it right, we find that the farmer is happy with the decision. However, at other times when we put it right, we find that the farmer is less happy, because the original penalty turned out to be lower than was the case after the review. Sometimes, therefore, the figures can mask the outcomes. The farmer may get the decision changed but perhaps not in a way that satisfies him, because there are complications in the calculation of penalties process.

Valerie may be able to say something about the proportion coming through to stage 2, which was the second part of your question. We will need to get back to you on the numbers.

Mrs V Bell: The figures that I have suggest that in 2012, which is the last complete year for which we have figures, there were 403 stage 1 cases received, and of those cases, 72 went to stage 2. I am not sure whether that is comparable with the figures for earlier years. It really depends very much on the volume of stage 1 cases and the number of decisions that were unchanged and changed, and on how people feel about that and whether they wish to pursue the matter further.

Mr Buchanan: Is that 3% disallowance applied right across all the other member states?

Mrs V Bell: Are you talking about the 3% eligibility for overdeclaration?

Mr Buchanan: Yes.

Mrs V Bell: The framework for the disallowance is set down in the Commission regulation.

Mr Buchanan: And that is enacted across all the other member states?

Mrs V Bell: If they are applying the Commission rules in the way in which they should be, the answer is yes.

Mr Buchanan: OK. I will leave it at that.

The Chairperson: On Thomas's point, can we get the figures for successful stage 1 and stage 2 appeals?

Mrs V Bell: We tend to talk about the decisions as either being unchanged, changed in part or changed in full rather than them being successful or unsuccessful.

The Chairperson: I understand.

Mr A Elliott: That is because, as I pointed out, the change is not always beneficial. There was a particular situation in 2005 in which some farmers paid a high penalty and were then fined much lower sums later on. However, sometimes farmers who are successful in indicating that they should not have got the penalty in 2005 may have to pay higher sums later on, and the total sum may be greater. It is a complicated area, and it is one in which a lot of farmers probably need to take advice before they engage with us.

The Chairperson: Can we get a breakdown of the number of decisions that were either changed, unchanged or changed in part? At the third-level appeal, you have an option to give oral evidence. Is that right?

Mrs V Bell: That is at stage 2.

The Chairperson: Sorry. At stage 2, you have the option to give oral evidence.

Mrs V Bell: You have the option of either having a written hearing or an oral hearing.

The Chairperson: If possible, can I also get a breakdown for oral hearings and written hearings of the number of decisions that were either unchanged, changed or changed in part?

Mrs V Bell: If it is possible, I will provide that for you.

The Chairperson: OK. That is lovely. Thank you.

Mr McAleer: This question is for Richard. I am aware that DARD has ambitious environmental objectives as part of the Europe 2020 agenda and the Programme for Government here, including to halt the loss of biodiversity by 2020. What, then, is the rationale behind DARD's proposal to drop the organic farming scheme from the next rural development programme (RDP) rather than try to promote it? Does that not contradict those objectives?

Dr Crowe: The make-up of the next rural development plan is very much under consultation at present. We certainly welcome views, not only on the agrienvironment schemes, such as, historically, the countryside management scheme, but the organic farming scheme. We will be interested in the consultation responses and will be guided by them.

Historically, organic farming schemes have operated at a very low level. We could probably discuss for some time why that might be the case in a region. Again, I would simply emphasise that, if there is a groundswell of opinion on the organic farming scheme, that should be represented through the consultation. We are interested to hear those views on the reasons that the Department should include many organic farming scheme functions.

Mr McAleer: I note from our papers that approximately 11,500 farmers participate in agrienvironment schemes. Of those, 10,500 are from legacy schemes that are now defunct. Has there been a very bad uptake?

Dr Crowe: The numbers are split into two different types of scheme largely. One is a newer scheme, which was developed through the 2007-2013 RDP. Legacy schemes were older schemes. They are still in place, and those numbers are in place. However, what we are finding is that, increasingly, they do not meet either the environmental objectives or those of agrienvironment going forward. Therefore, we are looking very closely at how we might ensure that there is a continuation of agrienvironment land under agreement, while also updating the schemes in order to bring them into the new objectives of the RDP going forward to 2020. We are looking very closely at that. We certainly want to be in a position in which we are not spending a large amount of new funding in the new programme on schemes that were constituted on a very old programme. That is one of the aspects that we are looking at very closely at present — at how best to do that and how best to ensure that we have a new provision or scheme that will provide opportunities for farmers to come into schemes. Farmers have been very enthusiastic about agrienvironment schemes in this region. In fact, at present, we are in receipt of a draft survey that indicates that farmers have retained their enthusiasm for agrienvironment. We want to harness that in the Department, and we welcome any views in consultation about how we maintain our land area and be able to promote biodiversity, water quality and landscape features in any agrienvironment provision going forward.

The Chairperson: If I can stay on the subject of agrienvironment schemes, there is massive debate and, I suppose, complications about the nature of the different schemes. What are the pros and cons of pillars 1 and 2 as you see them in an operational sense?

Mr A Elliott: The areas of natural handicap scheme is being envisaged to replace the LFACA. I can speak best from a delivery perspective on that particular scheme. There are certain delivery advantages for us in having it in pillar 1. It is a much more straightforward approach. From a policy perspective, it is also very clearly a social intervention rather than an agrienvironment-type intervention. That is a question, I suppose, for people to deliberate on in consultation and state their views. From a pure delivery point of view, it is probably more straightforward, on balance, for it to be in pillar 1. There are other issues. I have to make it clear that those issues may well prevail. I do not know.

The Chairperson: Yes. On a more technical point, what does "agrienvironment climate" really mean?

Dr Crowe: I suppose that the Commission's emphasis is moving more towards factors around climate change than would have been the case previously.

When we were developing schemes for this programming period back in 2004, 2005 and 2006, the climate change agenda was not particularly well developed. As you know, there has been a lot of progress in the thinking about, and consideration of, climate change. Therefore, climate change will be one of the drivers of any agrienvironment provision. I expect that that will mean that many of the things that we do in an agrienvironment scheme will contribute to the mitigation of climate change. Climate change focuses our minds as we consider options, and we need to keep it at the forefront of our mind.

Mr A Elliott: Woodland is an example of capturing carbon in a way that presumably is helpful to the climate. That is one of the things that we will look at in developing the agrienvironment scheme.

The Chairperson: The LFACA is very important to my constituency of North Antrim. How big a difference do you see in funding for that? What difference could the funding be for pillar 1 and pillar 2?

Mr A Elliott: In the balance of funding in the UK as a whole, pillar 2 does not come out as well as pillar 1. It is very much for people to deliberate in the consultation on how much money they want to be modulated between pillar 1 and pillar 2. A 15% level is possible there. Related to that is the extent to which that money is spent in pillar 2 on projects, programmes and schemes that are valuable to the farming community.

Dr Crowe: Agrienvironment schemes as we know them, such as the countryside management scheme-type provision and environmentally sensitive areas, will be delivered in pillar 2. One of the big questions is the scope and availability of that to a wider number of farmers. When we start to think about finances and budgets, we have to make a decision on whether to spread that funding wider with smaller payments or to focus the funding on certain areas, such as those of high environmental value. The consultation responses to those questions will be very interesting.

The Chairperson: If you keep it in pillar 1 and we then revert to the flat-rate payment over a number of years, that will also have an impact on the LFACA areas. Is that right?

Dr Crowe: I am really talking about agrienvironment-type provision and the type of provision by which one has a five-year agreement, for example. It is not a comment on the areas of natural constraint (ANC).

Mr A Elliott: There are a number of integrated administration and control system (IACS) schemes, or area-based schemes, as we call them. There are a number of payments that will definitely be in pillar 1, such as the basic payment, the greening payment and the young farmer payment. There are then options for a small farmer payment. There are one or two other payments on that side as well. There is a question mark over areas of natural handicap. That area is still being scoped out at Commission level to see whether it will be in pillar 1 or pillar 2 in Northern Ireland. That is an open question. However, if we have agrienvironment schemes, we have to have them in pillar 2. Questions then arise about just how much money is allocated between pillar 1 and pillar 2, and that is affected by the decision on ANC and whether it is in pillar 1 or pillar 2.

It is quite a complicated picture. From a delivery point of view, the fewer payments that we have the better. There are other issues from a delivery point of view. Having fewer payments keeps it as simple as possible. Whatever else CAP reform is, it is not simple. There is a lot of complexity to it. A heck of a lot of design is required for the systems needed to manage the greening payment, and so on. Any new payments that people decide that they would like to have included just add to the complexity of the control arrangements and how it all works.

The Chairperson: OK. There are no further questions from members. Thank you very much for your time and for your presentation and answers.