



DEBATE PACK

Number CDP 2016/0026, 28 January 2016

Library Briefing: Basic Payment Scheme

This briefing has been prepared ahead of the debate to be held in Westminster Hall on Thursday 28 January 2016 at 3pm on the Basic Payment Scheme. The Member in charge is James Heapey.

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

Emma Downing
Nikki Sutherland

Contents

1.	Summary	3
2.	Farm Payments: The Basic Payment Scheme	4
2.1	What is the Basic Payment Scheme?	4
2.2	How many payments have been made so far?	4
2.3	The BPS as part of the latest CAP reforms	9
2.4	What are the greening requirements?	10
2.5	What is happening under CAP simplification?	11

1. Summary

- Farmers around the UK have recently received or are waiting to receive their direct subsidies as part of the EU Common Agricultural Policy (CAP) under the Basic Payment Scheme (BPS).
- The BPS has been introduced as part of the CAP reforms for 2014-2020. The BPS replaces the previous Single Farm Payment Scheme.
- A key new feature is that 30% of BPS payments are linked to mandatory greening requirements. These are agricultural practices intended to protect and enhance the environment.
- The BPS payment 'window' is now open and runs from 1 December 2015 to 30 June 2016.
- As a result of low milk prices and general difficulties for farmers, the EU Commission allowed Member States to start CAP payments from mid-October 2015 if they wanted to. This option was taken up in Ireland but not in the UK.
- CAP implementation is devolved and there are separate paying agencies across the UK. Farming unions across the UK are urging for all claims to be paid as soon as possible in light of the volatile conditions and low prices that many farmers have seen in 2015/16 which are causing cash flow problems.
- In England, the Rural Payments Agency (RPA) has paid over 70% of farmers, the Scottish Government's payments directorate (SGRPID) has paid around 21%, Rural Payment Wales has paid 70% and the Department of Agriculture and Rural Development (DARD) has paid 95% of claims in Northern Ireland. However, Scotland and Wales are making split payments whilst full payments are being made in England and Northern Ireland.
- The RPA was also responsible for making the emergency payments to UK dairy farmers in November 2015 as part of the UK's £26.2m direct aid package from the EU.
- Member States receive EU penalty fines for under or over payment of farmers and hence the payments agencies have to be careful that the payments are as accurate as possible.
- Although swift BPS payment is of current concern to farmers. There are a number of features of the BPS which are unpopular and are being addressed by an EU CAP simplification process which is being led as a priority by EU Agriculture Commissioner Phil Hogan. These include: the greening requirements relating to crop diversification (3 crop rule), inspections, penalties for non-compliance.

2. Farm Payments: The Basic Payment Scheme

2.1 What is the Basic Payment Scheme?

The Basic Payment Scheme (BPS) is the new scheme by which farmers are paid direct subsidies under the Common Agricultural Policy (CAP). BPS is part of the latest CAP reform round 2014-2020 was agreed at EU level in 2013.

Applications for BPS had to be made in May or June 2015 depending on the part of the UK.

The BPS has a number of new features including “greening measures” that have to be fulfilled to secure 30% of the payments (see section below).

These comprise of 3 agricultural practices intended to improve the environment: ecological focus areas, crop diversification (3 crop rule) and maintaining permanent pasture.

2014 was a transitional year and 2015 is the first year of the BPS for direct subsidies (known as Pillar 1). The BPS replaces the previous Single Farm Payment Scheme (SPS).

The UK negotiated for devolved administrations to have the same CAP implementation flexibility as the Member State. This particular CAP round gave unprecedented flexibility and around 80 implementation decision points for each Member State on both direct subsidies and rural development programmes.

In the UK only there are only a few implementation areas where all UK administrations have made the same choice and hence there are 4 very different CAP packages in place in the UK. This has allowed each administration to tailor CAP to its needs but it makes comparisons complex.

2.2 How many payments have been made so far?

Once received, the payments agencies have to validate and verify all of the claims before making payments. E.g. check applicants are 'active farmers' under the rules. Payment schemes vary in complexity depending on how many payment regions are being used. e.g. lowland, moorland

Table 1 below compares the payments across the UK.

Member States receive EU penalty fines for under or over payment of farmers and hence the payments agencies have to be careful that the payments are as accurate as possible.

Scottish and Welsh payments are being delivered in split payments. In Wales, a legal challenge to the payment regions for BPS caused delay and in Scotland the complexity of moving towards an area based BPS (already administered in England) has slowed payments. In England, the RPA had to abandon its 'digital by default' approach and allow paper BPS applications due to a fault in its IT system.

England

As of 27 January 2016, the RPA had paid 61,172 farmers - over 70% of eligible claimants with another £1.5m awaiting farmers who need to confirm their bank details etc to claim.¹

The RPA paid over 33,000 farmers their full 2015 Basic Payment Scheme claim on day 1 of the payment window representing at least 38% of those who claimed.² As of 4 January 2015, the RPA had paid over 51% of claimants (44,400 farmers) amounting to £425m.³

NFU concerns

The NFU is currently raising concerns with the RPA about BPS payment performance and it wants the RPA to issue weekly updates on payment progress.

The NFU has said that 15,000 farmers have received a letter saying they are unlikely to be paid before the end of January 2016, which the union estimates leaves roughly 27,000 claims still to be paid. The NFU is concerned that, based on the RPA's payment rate in December 2015, this is a tall order but farmers have not been warned of any prolonged delay in payment beyond January.

The union is pushing for the RPA to look at making part payments to claimants who are being told they are unlikely to be paid before February 2016. For those not being paid at the end of January, the NFU are asking for the RPA to inform them when they will be paid to help with cash flow planning.⁴

Farming Minister, George Eustice has said that the RPA is continuing to focus on making **full** payments on the remaining claims as quickly as possible and "remains on track to pay the vast majority of claims by

¹ Rural Payments Agency, [Further BPS 2015 payments are made to farmers in England](#), 27 January 2016

² CAP Reform Blog, [RPA confirms BPS payments are already hitting farmers bank accounts in England](#),

1 December 2015

³ Defra Press Release, [Majority of BPS 2015 claimants have now been paid](#), 4 January 2016

⁴ NFU online, [BPS blog: How we're working to get the money moving](#), 12 January 2016

the end of this month."⁵ [January]. He said that when part payments had been made in the past, it had led to "years of confusion for farmers and additional costs in processing and disallowance for the RPA."⁶

Scotland

NFU Scotland reported that by the end of 2015, only a quarter of Scottish farmers and crofters had received 70% of their support payment with others receiving part payment in January, February or March. This is likely to have knock-on effects to other payments e.g. agri-environment scheme payments.

The Scottish Government's CAP payment timetable is set out in [Farm Payments Timetable](#) (17 November 2015)

The Scottish Government and NFU Scotland have been engaging with banks and others who supply goods and services to the agricultural sector to ensure that they are well aware of the cashflow issues that lie ahead for Scottish farmers because of reduced and delayed payments.

Scotland has to move to an area-based CAP direct payment system from its current historic approach. This means future uncertainty for farmers about the timing and value of their CAP payments.

Wales

Rebecca Evans, Deputy Minister for Farming and Food in the Welsh Government set out Rural Payment Wales' progress in a [written statement of 13 January 2016](#).

As of 13 January 2016, 70% of farm businesses had been paid. The Minister said that this met the Welsh Government's published target and "compares very favourably with the position in England and Scotland."⁷

The Minister outlined expected progress as follows:

Rural Payments Wales remains on track to pay the vast majority of farmers in the coming weeks. More complex cases will take longer to pay. Farmers who have not been paid by the end of January will be written to in order to update them on progress, and advise them when they are likely to receive payment. The final instalments (20%) will be made in April in line with our published target.⁸

More than half of Welsh farm businesses received their BPS part payment (approximately 80% of the total payment) during the first week of December 2015.

⁵ [HC Written Question 23371](#), 25 January 2016

⁶ Ibid

⁷ Welsh Government Written Statement, [BPS payment –update](#), by Rebecca Evans, 13 January 2016

⁸ Welsh Government, [Basic Payment Scheme - Latest Update](#), November 2015

During December 2015, 67% of farm businesses received their BPS part payment.

A [November 2015 BPS update](#) from the Welsh Government set a payment aim of making "the majority of part payments during December, with the vast majority of remaining part payments to be made early in the new year."

Northern Ireland

In Northern Ireland, 95% of eligible claims were finalised for payment in December 2015, including over 1,700 which had been subject to inspection. Agriculture Minister, Michelle O'Neill said it was "by far, the largest number of inspections my Department has ever processed in December."⁹

18,000 payments under CAP schemes totalling £154million and were issued on day 1 of the payment window.¹⁰

Ireland

Ireland was one of the earliest to pay the BPS in the EU taking up the Commission's option to start payments on 16 October 2015.¹¹ It has around 122,265 claims.¹²

The EU Commission allowed these advance payments for 2015 in recognition of dairy and sheep farmer difficulties. The EU Commission has also increased the advance payment possible to 70% for 2015. In recent years, the level of the advance payment has been fixed at 50%.

The Irish Farmers Association has called on Irish farming Minister, Simon Coveney to meet the early February 2016 deadline that he has set to pay out all remaining payments.¹³

⁹ Department of Agriculture and Rural Development (DARD), [DARD delivers on payment promise](#), 21 December 2015

¹⁰ DARD, [2015 CAP payments commence](#), 1 December 2015

¹¹ MED Partnership Group, [95% of farmers in Northern Ireland have received CAP payments](#), 21 December 2015

¹² MED Partnership Group, [95% of farmers in Northern Ireland have received CAP payments](#), 21 December 2015

¹³ IFA, [Minister Coveney must deliver on his early February deadline - IFA](#), 21 January 2016

Table 1: UK BPS Applications and Payments

	England	Scotland	Wales	Northern Ireland
Number of BPS applications 2015	88,000 ¹⁴	21,000 ¹⁵	17,063	c.27,000 ¹⁶
Application Deadline used	15 June 2015	15 June 2015	15 May 2015	15 May 2015
Number of applications processed to date	61,172 (27 Jan 2016)	c.4,500 ¹⁷ (21 January 2016)		
Applicants paid	Over 70% (27.01.16)	c.21%	70% ¹⁸ (13.01.16)	95% (21.01.16)
Value/£	845m			192.4m ¹⁹
Part/Full payment	Full	Part (70% of total)	Part (80% of total)	Full

¹⁴ Rural Payments Agency, [Basic Payment Scheme claims window closes](#), 18 July 2015

¹⁵ Scottish Government, [Farm Payments Timetable](#), 17 November 2015

¹⁶ Ulster Farmers' Union, [Update on direct payment applications](#), 29 May 2015

¹⁷ Scottish Government, [Update on farm payments](#), 20 January 2016

¹⁸ Welsh Government, [Written Statement - Basic Payment Scheme \(BPS\) pay update](#), 13 January 2016

¹⁹ Department of Agriculture and Rural Development (DARD), [DARD delivers on payment promise](#), 21 December 2015

2.3 The BPS as part of the latest CAP reforms

The Common Agricultural Policy is agreed in 7 year cycles (rounds). The CAP reforms 2014-2020 are now in place and were agreed in 2013.

The latest reforms allow Member States a great deal of flexibility in implementation options across around 80 decision points. Hence, all Member States can tailor the CAP to favour their own farming systems and support their own rural development priorities.

Different countries have different CAP allocations for Pillar 1 (direct subsidies) and Pillar 2 (rural development) and they can move up to 15% from Pillar 1 to Pillar 2. England has chosen to move (modulate) 12.5% with a view to increasing this to 15% for 2018 and 2019 after a review in 2016.

Over 2014-2020 the UK is expected to receive €25.1 billion in direct payments and €2.6 billion in Pillar 2 (rural development) funds for the environment and rural development (see Table 1)

This represents a reduction in real terms of 12.6% and 5.5% respectively compared with CAP payments to the UK in the period 2007-2013. The Scottish Rural Affairs Minister, Richard Lochhead described the budget negotiated by the UK Government as “atrocious”

CAP has undergone a number of reforms over the years and subsidies are now based per hectare and are not linked to production. Some Member States/devolved administrations are in transition to moving to per hectare subsidies from a different model based on historic production (e.g. Scotland) but all have to get to this position by 2019.

The latest reforms have also introduced mechanisms for Member States to redistribute or reduce the largest payments with the funds saved moving to Pillar 2 funding for Member States to use on their rural development.

Table 2: UK CAP allocations 2014-2020

	Pillar 1 / € million (approx non-inflation adjusted)	% share	Pillar 2 / € million (approx non-inflation adjusted)	% share
England	16,421	65.5	1,520	58.9
Northern Ireland	2,299	9.2	227	8.8
Scotland	4,096	16.3	478	18.5
Wales	2,245	8.96	355	13.7
Total UK allocation	25.1 billion		2.6 billion	

- Note: Figures are in nominal terms (i.e. they have not been adjusted for inflation over the period)
- Source: UK Government, November 2013.^[1]

2.4 What are the greening requirements?

The BPS has a number of new features including “greening measures” that have to be fulfilled to secure 30% of the payments.

30% of the allocation of BPS to each holding is linked to mandatory agricultural practices beneficial for the climate and the environment – known as greening measures. These include requirements relating to designating land as Ecological Focus Areas (EFAs), crop diversification and grassland.

These comprise of 3 mandatory agricultural practices intended to be beneficial to the climate and environment:

- ecological focus areas
- crop diversification (3 crop rule)
- and maintaining permanent pasture.

Three crop rule

The diversification measure, known as the “three crop rule” is the most unpopular. It is intended to promote diversity through requiring certain numbers of different crops to be grown depending on the hectareage of the farm. The idea being that this will improve soil health and biodiversity and avoid mono-cultures.

The NFU continues to lobby against the 3 crop rule on the grounds that it has implications for crop rotations, costs and storage which will

^[1] .GOV.UK Press Release, [CAP allocations announced](#), 8 November 2013

disproportionately affect smaller farmers. Farmers with more than 30 ha of arable land must grow three crops, with one crop no more than 75% and two crops no more than 95%.

The rule has been deemed unduly onerous for little benefit by farmers and environment groups alike and is one of the aspects of the CAP that the UK Government has highlighted as needing addressing in the EU Agriculture Commissioner's CAP simplification programme (see below).

2.5 What is happening under CAP simplification?

EU Agriculture Commissioner Phil Hogan has prioritised CAP simplification. Member States are committed to assessing the progress made on simplification in 2016. Thus, a simplification agenda will be rolling into a review and then into preparations for the next CAP round for 2021. The Commission is currently [consulting](#) on views on the operation of the greening rules in this first year.

The UK Government has highlighted greening measures and inspection arrangements (simpler and fewer) as needing further simplification and these areas are being taken up by the Commission.

Environment Secretary, Liz Truss laid out her priorities for simplifying the CAP during a meeting with Phil Hogan and union representatives at the Royal Welsh Show in July 2015. These included: simpler and fewer farm inspections and an overhaul of the greening requirements.²⁰ These were the priority areas for the farming unions.²¹

This wish list is very much shared across Member States and Commissioner Hogan announced a range of simplification measures this month which he hopes will be adopted by the Commission. These give Member States more flexibility around the number of inspections and having more time after applications are submitted to help farmers to correct them without penalties.

Commissioner Hogan set out [a summary of his CAP simplification measures](#) to the European Agriculture Committee (COMAGRI) on 18 January 2016. They include a review of the unpopular greening requirements this year.

The UK Government has highlighted greening measures and inspection arrangements (simpler and fewer) as needing further simplification and these areas are being taken up by the Commission. This wish list is pretty much shared across Member States.

Simplification was the main agenda item of the November 2015 Agriculture and Fisheries Council. Commissioner Hogan reiterated his commitment to CAP simplification.

²⁰ See Defra Press Release, [Environment Secretary calls for fewer inspection to make CAP simpler for farmers](#), 21 July 2015.

²¹ NFU, [NFU joins forces on CAP simplification](#), 21 July 2015

About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publically available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcinfo@parliament.uk.

Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).