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Convenor to the Public Audit and  
Post-Legislative Scrutiny Committee  
Room T3.60  
The Scottish Parliament  
Edinburgh  
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7 December 2016

Dear Ms Marra

I am writing to provide an update to the Committee on three issues: overpayments of 2015 CAP Basic Payment Scheme and Greening; the 2016 National Basic Payment Support Scheme; and a protocol for informing the PAPLS Committee of substantive issues relating to rural payments.

### **2015 CAP Basic Payment Scheme and Greening**

In an effort to meet the 15 October deadline for CAP Pillar 1 payments, every effort was made to maximise the number of payments made in the final days, particularly higher value cases. We were successful in completing payments to over 99.5% of claimants. To help achieve that outcome a number of very complex CAP payments had to be made manually, drawing on data held on the new IT system, but with some manual elements to the process.

With any manual process there is always a risk of human error and, despite the checking processes in place, regrettably the following errors occurred:

- A payment to one business of £0.85m was made twice.
- 22 businesses have received duplicate payments totalling just over £0.5m

The overpayment of £0.85m was repaid on 11 November and was a pure duplicate payment. The remaining overpayments relate to cases where EU regulations require multiple farm businesses to be treated as single businesses. The debt recovery process for these cases is now underway.

### **2016 National Basic Payment Support Scheme (NBPSS16)**

I wrote to the PAPLS Committee on 3 November regarding the undervaluation of some initial loan offers. The Cabinet Secretary for the Rural Economy and Connectivity had earlier alerted Parliament through a written parliamentary question on 3 October and in answer to a



topical question on 4 October. Revised offers were issued to affected businesses at the beginning of October and no business has lost out on money as a consequence of this error.

Over 12,500 farmers and crofters have now received a nationally-funded loan based on 80% of their 2016 Basic Payment and Greening entitlement, up to a maximum of €150,000, totalling £256.5 million. Just under 17,800 loan offers have been issued to eligible businesses, with fewer than 100 more complex offers still to be made.

On 24 November I was alerted to an issue where 166 of the 602 businesses in the most recent payment run were been overpaid a total of £746,000. The formula for turning Euros in to Sterling was changed for these cases (instead of multiplying by 0.85, the figure was divided). This appears to have been caused by human error - that the formula was accidentally changed by someone during the data inputting process (undertaken by a team outside of the loans team).

Whilst this is regrettable, officials took prompt action to alert businesses and avoid the possibility of the overpayments being inadvertently spent. By 5 December, 159 of the 166 affected cases had been spoken to directly by RPID staff and informed that an invoice would be issued to recover the overpayment. Efforts are continuing to speak to the few remaining businesses who so far have been uncontactable.

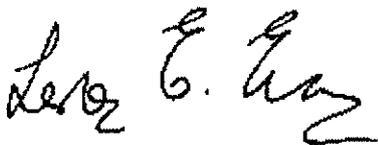
Officials took immediate action to restrict access to the relevant formulae and are working with internal auditors to ensure the integrity of our manual payment processes.

#### **Protocol for informing PAPLS Committee of future issues**

Going forward, I have instructed that - where a significant substantive issue arises regarding rural payments relevant to the interests of the committee - we write to inform the convener at the earliest possible opportunity.

I trust that members of the committee will appreciate this update.

Yours sincerely



**LESLIE EVANS**  
Permanent Secretary