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Convenor to the Public Audit and Post-legislative
Scrutiny Committee
The Scottish Parliament
Edinburgh
EH99 1SP

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Dear Ms Marra

COMMON AGRICULTURAL POLICY: UPDATE

Please find enclosed the latest monthly report from Scottish Government officials. The report provides information on progress since our last report dated 30 March 2017 and provides information on issues arising over that period.

I have copied this update to the Convener of the REC Committee, Mr Mountain MSP.

I am planning to send the next report at the beginning of June.

Elinor Mitchell

APRIL UPDATE – All figures correct as of 28 April 2017.

CAP Futures Programme Closure - 31 March 2017

The Rural Payments and Services IT Platform has now been operational for over two years and accepted applications for SAF 2015, SAF 2016 and SAF 2017. It has also been used to make payments relating to 2015 claims and we have started to make 2016 claims.

The IT focus has now shifted from being primarily a development programme to one of managing an operational service with on-going maintenance, enhancement and improvement tasks. In governance terms, the Futures Programme has effectively closed and we are transitioning to an organisation structure suited to managing an annual business cycle. On-going development activity will still be significant and will be taken forward as a portfolio of related projects. The closure of the programme does not change the prime objective of delivering a CAP compliant system for £178m.

There are still major features to be added to the IT platform (and funding from within the £178m envelope has been earmarked to develop this). This includes the Land Parcel Information component and the Scheme Accounting and Customer Account Management component.

Payments

As the committee is aware, we work with a dynamic system, which means that the numbers of claims can go up as well as down, depending on what new information is added to the system. So the numbers quoted below are the cases that we are actively working on.

During week commencing 24 April, we switched the system to make further progress on completing the 2015 payment tail. We cannot process 2015 and 2016 payments at the same time. We currently have 22 BPS 2015 (we expect that some of these may not prove to be eligible for payment); 68 Rural Priorities; and 98 Land Management Options claims outstanding. We have completed over 99% of BPS; 98% of Rural Priorities; 96 % of Land Manager Options payments.

We have 1,700 outstanding LFASS claims; we will be able to progress these once we have acquired further IT functionality to make these payments. We continue to work hard to progress these claims but we recognise that the delays continue to cause financial hardship, particularly to any farmer or crofter who does not have an LFASS loan.

2016 Payments

BPS, Greening and Young Farmer

As the committee will be aware, we began processing 2016 BPS, Greening and Young Farmer payment with payments reaching claimant bank accounts w/c 27 March. 8,384 businesses have now been paid their interim BPS / Greening 2016 payments. We also started publishing weekly payment statistics from 7 April. The first payment is at 90% of claim value and we plan to make balance payments before the end of the payment window in June.

Scottish Suckler Beef Support and Scottish Upland Sheep Scheme

We continue to work towards having the functionality to begin payments in May.

Rural Priorities

We continue to work towards having the functionality to begin payments in the Summer.

LMO, Beef Efficiency Scheme, AECS and Forestry Grant Scheme

We continue to work towards having the functionality to begin payments in the Autumn.

LFASS

As the committee will be aware the Cabinet Secretary, Fergus Ewing MSP, announced on 4 April 2017 that the Scottish Government would make around £50 million of national funding available to those waiting for their 2016 payment.

Around 11,000 businesses will be eligible to receive a loan and offers will be based on a percentage of their previous years payments – ranging from 90-50% of either their 2015 or 2014 payment amount.

The first batch of offer letters were issued to 9,000 eligible farmers and crofters week commencing 24 April 2017, with further offers being made when eligibility has been confirmed. Those who take up the loan offer will start to receive payment by the end of May.

The National Less Favoured Area Scheme loans aim to provide financial security for farmers and crofters until the EU payments are made later this year and will be a boost to the wider rural economy.

2017 SAF window

The SAF 2017 window is now open. The number of applications submitted so far is ahead of the position in the previous two years (see table below). We are continuing to encourage farmers and crofters to submit all SAF applications by the closing date of 15 May.

SAFs submitted	2017	2016	2015
Online as at 28 April	4,057	2,030	1,094
Paper as at 28 April	423	524	883
Total SAFS submitted at 28 April	4,480	2,554	1,977

Reductions & Exclusions Letters

There remains a small number of defects related to R&E letter population that we are aiming to have resolved in May. We will start issuing letters as soon as these defects have been rectified.

Audit

The Cabinet Secretary advised in his letter to committee dated 1 March 2017 that Audit Scotland would be providing their final report on the 2016 audit of the European Agricultural

Fund accounts. This was delivered on 1 March 2017, in line with the derogation requested and received from the European Commission.

The main recommendations focus on; the visibility of the audit trail to users of RP&S (although there is no concern over the content or coverage of the audit trail); the timing of payments and ensuring they are made within the relevant payment window in future; the efficiency of the accounting processes; and the internal audit function.

To address these recommendations in a structured manner, the Business Assurance and Accreditation Team within Agriculture and Rural Economy Directorate have set up a working group to develop and monitor an action plan with appropriate timescales. This action will ensure that the on-going business changes and improvements are being made in our service to customers.

Independent Technical Assessment

When officials gave evidence to the REC on 25 January, we committed to sharing the recommendations from the Independent Technical Assessment of the CAP IT system, which was conducted and drafted by Fujitsu. The wider report is commercially sensitive. I attach the summary report. The key points to highlight are;

- There remain substantial challenges completing the full development of the system and our absolute priority is to focus on making payments as they fall due.
- The headline message however is that the “architecture is fundamentally sound” and we remain committed to completing the task so farming communities are able to benefit fully from the system.
- In response to specific recommendations, we are working closely with CGI, our delivery partners, to address the issues raised and have set in track a Continuous Improvement Programme which is taking forward the necessary work to address the concerns.