



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

2 February 2018

COMMON AGRICULTURAL POLICY

Please find enclosed the quarterly report from Scottish Government officials as noted in Director General Economy, Liz Ditchburn's letter of 27th October 2017. I am writing to update the Committee on progress with the Common Agricultural Policy (CAP) Plan for Stabilisation and other matters which relate to the delivery of Rural Payments.

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

I am planning to send the next quarterly report in April.

Elinor Mitchell

This update contains:

1. Payment Performance
2. The CAP Plan for Stabilisation
3. Audit Programme
4. Late payment penalties

1. Payment Performance

Scheme Year 2016 – Published Targets and Where We Are Now (Pillar 2)					
Scheme	Payments started	Majority of payments made	Payments made (value) 31 Dec 2017	Where We Are Now (value) 31 Jan 2018	Where We Are Now (claims paid) 31 Jan 2018
LFASS	Sept 2017	Oct 2017	95%	95%	95%
Rural Priorities	Aug 2017	Sept 2017	87%	94%	96%
LMO	Sept 2017	Oct 2017	96%	97%	97%
FGS	Sept 2017	Oct 2017	97%	98%	97%
AECS	Aug 2017	Oct 2017	77%	91%	93%
BES	Oct 2017	Oct 2017	95%*	91%*	92%

** Please note that the % value of payments made is calculated against those eligible at that time and where it is possible to process a claim to payment. Therefore the total number of claims eligible fluctuates e.g. where customers have not provided information to process their payments without significant penalty and we 'stop the clock' on these cases to ensure that accurate payments can be made based on up to date information.*

2016 Basic Payments Scheme Payments (BPS), update as of 31 January 2018)

BPS payments	
Value of payments made (to date)	£ 384.1m
	€ 450.7
BRNs whose payments have been processed (to date)	17840
BRNs still to be paid	3 (value €140k)
The above figures include Basic Payment Scheme, Young Farmers and Greening payments.	

VCS payments		
Scottish Suckler Beef Support Scheme (Mainland) and (Island)	No. of payments	7018
	Value of payments	£37.5m
	% of anticipated total value	100%
Scottish Upland Sheep Support Scheme	No. of payments	1009
	Value of payments	£6.6m
	% of anticipated total value	100%

Pillar 2 - LFASS

Less Favoured Area Support Scheme (LFASS) 2016	
Total number of claims	12098
Potential eligible claims	11272 (This number will fluctuate as applications are processed and some found to be ineligible.)
Number of claims processed	10,707
Value of payments	£62.4m
% of anticipated total value	95%
Number of claims still to process	565

Pillar 2 – other schemes

Pillar 2 2016 Payments			
Scheme	Eligible Claims	Claims paid	% progress of payments made
LMO	1374	1334	97%
Rural Priorities	2864	2749	94%
AECS	519	474	91%
FGS	37	35	98%

2. CAP Plan for stabilisation

Payments

We continue to maintain payments to farmers and crofters. Through our BPS2017 loans scheme, payments totalling almost £313 million have now been made to more than 13,350 farmers and crofters offering more money than ever before and at an earlier time. We have introduced additional automation into the management of the scheme to increase efficiency and mitigate risk. The scheme will close on 9th February 2018. We plan to start making BPS 2017 Scheme payments in early Spring.

The Less Favoured Areas Support Scheme (LFASS) 2016 achieved 95 per cent in value of payments, over £64 million in vital funding to crofters and farmers, by end of December - two months ahead of the scheduled payment date.

Work continues to reach the value of 95 per cent of payments for Agri Environment Climate Scheme (AECS), Rural Priorities and the Beef Efficiency Scheme as soon as possible. The delay in reaching 95 per cent is due to a number of factors including more movement than expected in cases due to land data coming in (e.g. as we update our aerial photography) and where we are waiting for outstanding information from customers.

Due to the Land Parcel Identification System (LPIS) implementation timetable, some payments will be paused after 7 February and we therefore are planning to complete the vast majority of Pillar 2 2016 payments by end March. As with other years, there may be a tail of cases that take longer to process as they are particularly complicated or we are waiting information from customers.

Land Parcel Information System - LPIS

Work continues to introduce a LPIS providing more accurate mapping, improved functionality and faster processing for land owners. We have been engaging with customers and agents and the response has been positive with the vast majority welcoming the opportunities the new system.

Our path to delivery of LPIS included successfully receiving core functionality and it being tested. Delays in the production of this core functionality are affecting our ability to deliver new LPIS in its entirety as set out in the CAP Stabilisation Plan. We are committed to bringing in functionality only once fully tested and we now intend to deliver new customer functionality after the SAF (Single Application Form) window to ensure that customers are not having to deal with new functionality while submitting a SAF.

We are continuing to pursue delivery of the core staff functionality and GI viewer elements of the new LPIS with cleansed and fully enriched land data prior to the SAF submission window (15th March 2018) and to deliver full customer functionality during the summer.

Single Application Form 2018 (SAF 2018)

The SAF window will open on 15 March 2018. The drive to support customers to apply for CAP payments through the Get Online campaign forms a key part of the CAP Plan for Stabilisation.

- The Scottish Government is offering farmers and crofters applying under the SAF in 2018 more support to help them make the switch to apply online.
- Support includes refreshed online guidance, one-to-one sessions in area offices, and regional 'how to apply online' events.
- The SAF digital application process is straightforward, more efficient and provides access to the most up-to-date land information reducing the risk of inadvertently making application errors and incurring penalties.
- Pre-populated SAFs for existing paper SAF customers will be printed this year but not proactively issued.

IT Stabilisation

The Rural Payments & Services (RP&S) IT Platform continues to remain stable with 99.62% availability over the last 30 days. In December 2017, we successfully completed a controlled test of the automated failover elements of our Disaster Recovery plan. We have a full end-to-end Disaster Recovery test planned for the last week of February 2018. We will have completed our Cyber Essentials "pre-assessment" by end March 2018 in accordance with Scottish Government policy.

- Security – Monitoring and patching has been completed to ensure live systems are protected against external vulnerabilities notified in the media. "Meltdown" and "Spectre" were attacks identified in late December that exploited recently published vulnerabilities in Intel computer chips. Awareness of the threat was important in ARE and action was taken by Information Services. Relevant patches were applied as vendors released them to mitigate the threat as per industry advice. At present, risk is low for this.
- Delivery – New functionality is now delivered onto the RP&S IT Platform close to or on the planned dates enabling business processes to be carried out in accordance with regulatory deadlines and the dates in the published CAP Plan for Stabilisation.

- Digital Engagement – A successful “digital day” was held on 24 January 2018, bringing together a range of stakeholders and partners to support the development of a comprehensive Digital Strategy.

Organisational Change to support stabilisation

The Paying Agency Strategy Board (a key part of our Governance framework) has commissioned the development of a new strategy and operating model for the Paying Agency to underpin operational and business decisions. This work will draw on the stabilisation activity underway and will be completed by the new financial year.

We continue to steadily fill our internal Information Services Division (ISD) vacancies and reduce our reliance on external contractors. However, this is challenging as we are competing against other public bodies and the private sector for IT skills that are in significant demand. We are aiming for an optimum and cost-effective use of in-house and contractor skills. We have a full Knowledge Transfer programme in place. We are developing our Sourcing Strategy which will define how we procure IT services once our current contracts conclude.

We have embedded our refreshed governance approach, addressing the points raised by Audit Scotland and the technical review undertaken by Fujitsu.

As part of the comprehensive rebuild of systems and governance underway, we are beginning work to generate a Paying Agency Information Governance Framework to shape how we generate, use and store data and to record our information assets. This will help support the identification of information processing activities that could be more efficient including where manual systems could be digitised and automated.

Work continues on the development on an Integrated Planning System for the Paying Agency. A draft plan has been completed and the project is moving into the next phase of engaging wider business units. This will support medium term planning and forecasting and the identification of our cost to deliver.

A major project is underway to significantly reduce dependency of on high cost contractors. A large number of permanent (but lower cost) posts have been advertised. This work is supported by development of a bespoke ‘Grow Your Own Talent’ strategy to invest in new starts capable of being deployed in different parts of the business – ensuring staff shortages are addressed in a flexible and cost effective way.

3. Audit Programme

Based on the European Commission's current programme, we will be subject to audits on Entitlements and Cross-Compliance during the first half of 2018 as well as the Area Aids audit which commenced in 2017. We are not currently scheduled to be audited by the European Court of Auditors during 2018, but the ECA's programme is regularly updated. The Certification Body audit undertaken annually by Audit Scotland is due to conclude in February.

4. Late Payment Penalties

The Scottish Government's assessment of late payment penalties arising from the 2015 and 2016 CAP scheme years remains at the levels previously advised, which is around £5 million and £500,000 respectively.