



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

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5 October 2017

Dear Ms Baillie

**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 4 September 2017 and responds to a number of questions raised at the Committee session on 7 September 2017.

Yesterday, we received your letter which asks for clarification on a number of additional points and issues which we will provide separately.

The next regular update will provide the outturn position for the CAP 2016 payment period (which ends 15 Oct 2017). Thereafter we will move to quarterly reporting.

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

Elinor Mitchell

**September UPDATE** – All figures correct as of 29 September 2017.

### **CAP stabilisation plan**

The Cabinet Secretary for Rural Economy and Connectivity announced on 12 September a plan to stabilise and improve the Common Agricultural Policy (CAP) payment process. This is designed to improve our service to customers by:

- providing a clear payment schedule to help customers plan ahead;
- announcing that we will have a loan scheme for eligible Basic Payment Scheme customers in 2017;
- operating a reliable IT platform that meets customer expectations; and
- setting out clear customer service standards, supported by streamlined customer guidance and more effective communication processes

In his statement to Parliament, the Cabinet Secretary said:

“We are absolutely committed to ensuring that CAP entitlements are paid promptly and in full, and I am clear that we have not achieved that aim in recent times.

“So in order to deliver payments in full and on a more certain timetable, I am committing to tackling the major causes of poor customer service and experience.

“This plan, will target specific and sustainable improvements in our approach, business and IT processes, and importantly puts our customers first.

“The plan will produce a leaner service that better helps customers to understand what to expect and when, when applying for future funding, enabling them to plan ahead.”

More information can be accessed here -

<https://www.ruralpayments.org/publicsite/futures/news-events/cap-stabilisation-plan/>

### **2016 Payments highlights – more details provided in the payments annex**

#### **BPS, Greening and Young Farmer**

We have now paid over 99% of our 2016 Basic Payment Scheme (BPS), Greening and Young Farmer payments; achieved 100% of Voluntary Coupled Support (VCS) beef payments; and 99% of VCS sheep payment.

#### **LFASS 2015 and 2016**

There are approximately 312 LFASS 2015 outstanding claims still to process, which we continue to work on.

We have paid over 80% of eligible LFASS 2016 claims, with just over 1800 claims still to be paid.

#### **2017 BPS Loans**

Cabinet Secretary announced in his statement to Parliament on 12 Sept that he would put in place a loan scheme for eligible Basic Payment Scheme customers in 2017. Loan letters to

around 17000 customers issued on 29 September. We aim to commence loan payments in early November.

## **Scottish Upland Sheep Support Scheme**

The support scheme is targeted at sheep production on the poorest quality land to help farmers maintain the social and environmental benefits that sheep flocks bring to those areas. Because of poor weather, we have decided to apply to extend the deadline for applying to the Scottish Upland Sheep Support Scheme until 30 November 2017.

## **Update from PAPLS Committee session 7 September 2017**

At the Committee session on Thursday 7 September, Liz Ditchburn and I committed to provide further information on four key areas; 1. commissioning process, 2. governance structure, 3. IT recovery process and 4. knowledge transfer. Please find below responses on each of these areas.

### **1. Commissioning process for change requests**

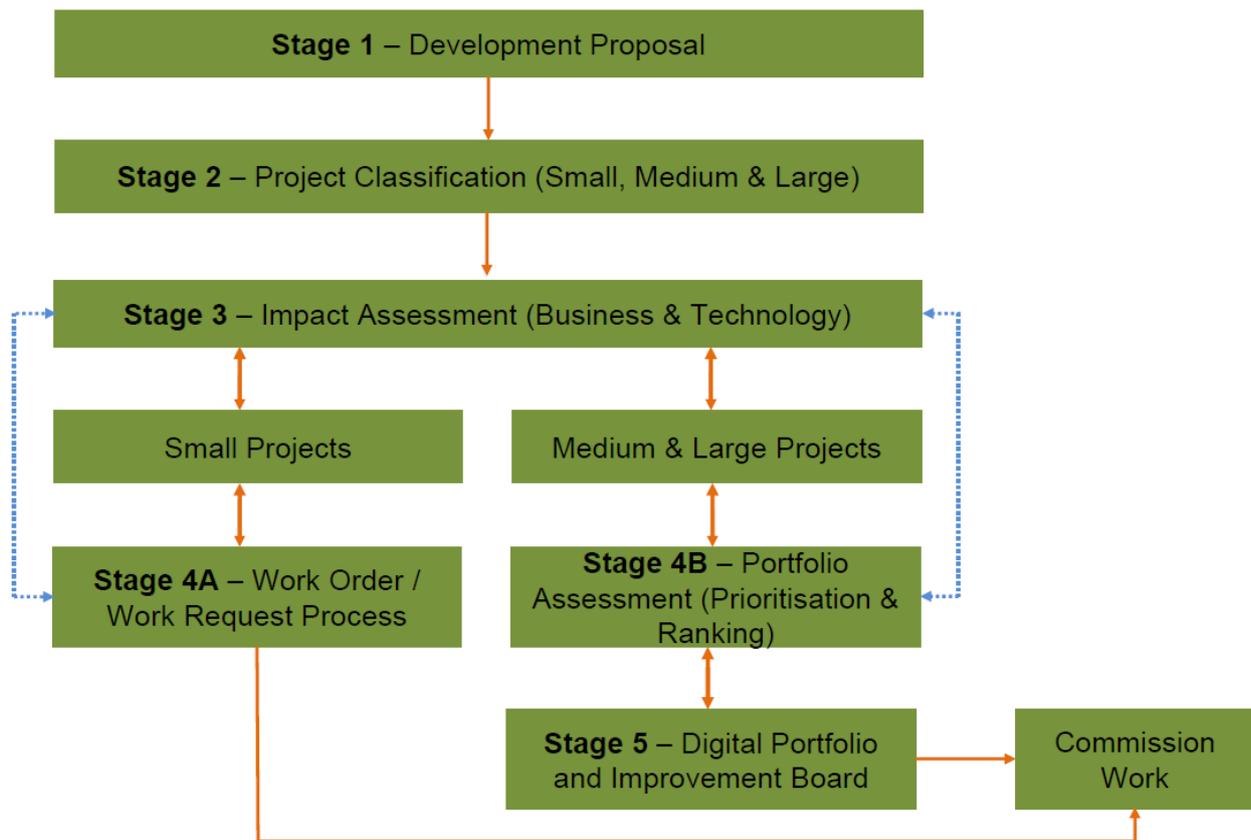
The Committee requested further information on our new commissioning process for change requests or new pieces of functionality that are required.

We have overhauled our business-wide governance arrangements and introduced a Business Design and Change Authority (BDCA) to gate-keep business requirements and process changes. The BDCA will work in tandem with the Architecture Review Board to ensure changes to the IT landscape are technically competent and add net value to the Portfolio.

The commissioning process underpins the decision-making and ensures relevant information is collated before decisions are made, robust and regular budget monitoring, and an annual business planning process to help map out broader changes.

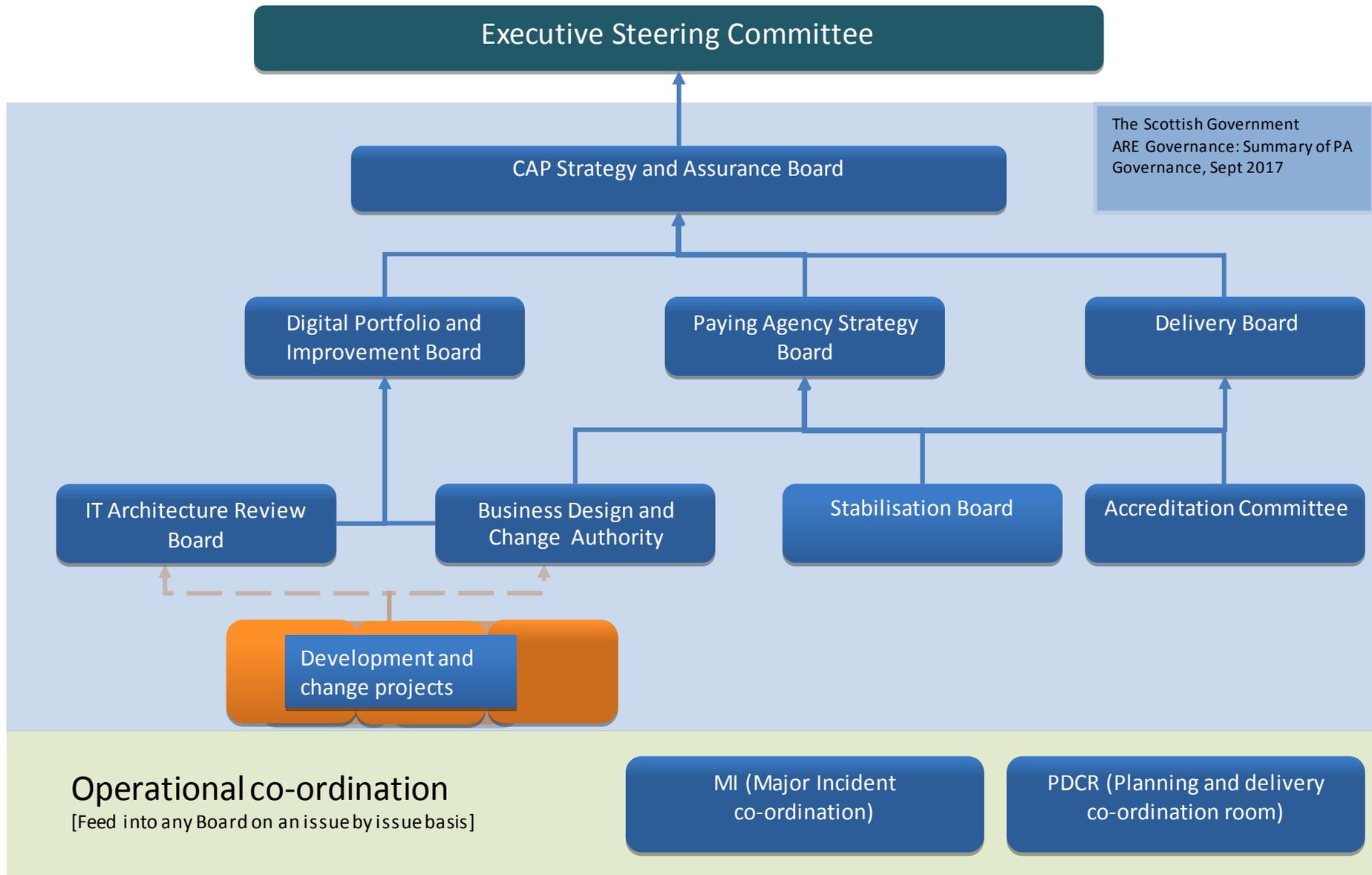
The chart below maps out the process which is now followed for change requests to the system.

## ARE - Commissioning Process Stages (New initiatives or business change)



## 2. Paying Agency Governance

The scheme below sets out the governance structure under which we operate.



## **Paying Agency Governance: Explanatory Notes [Sep 2017]**

As illustrated, the Executive Steering Committee is chaired by DG Economy, Liz Ditchburn. This Committee provides high level oversight of the wider Rural Payments agenda. The CAP Strategy and Assurance (S&A) Board sets the framework for CAP delivery and the methods by which progress and assurance are determined.

At a management level, the complex day to day work to deliver rural payments is coordinated through the Planning and Delivery Coordination Room (PDCR). In addition, significant issues can be dealt with by the Major Incident committee. These committees can refer matters to any formal governance Board as needed. This iteration of the Paying Agency Governance landscape is a significant evolution from the framework implemented in late 2016. This framework is being implemented during 2017 to reflect evolving business needs and supports the work of the Stabilisation Programme (announced 12 September). Further iterations are expected as the new Boards assume their responsibilities and decision-making processes are refined.

### **3. IT Recovery process**

The Committee asked for some further information on the testing of recovery processes and best practice in situations when a system cannot be readily taken off-line for comprehensive testing.

#### Current Situation

The current position is that there is IT Disaster Recovery for all our systems. However, there is a difference in the time to recover between the new Rural Payments and Services (RP &S) IT Platform (4 hours) and the legacy systems (worst case now 2 weeks). But, as legacy systems are decommissioned and new ones are developed on the new IT platform, the risk of recovery being needed beyond 4 hours reduces. We are in a much better place with the RP&S IT Platform than we were prior to its development. The processes of IT Disaster Recovery have been tested, but not in a comprehensive end-to-end manner.

#### General

At a high level there are basically three aspects of assurance that system owners should have. These are interrelated and the methods to provide this assurance overlap are varied.

1. Assurance that the system and the information it processes will be available when required – i.e. the system is resilient.

Addressed by, examples - Building in duplication and redundancy of components that guard against single (or multiple) points of failure. The level of resilience that is built in depends on the level of availability that is required (i.e. how long can the business cope without the system and access to information, and are there non-system based workarounds available until the system is restored to partial or full capability).

The cost of a fully replicated, “always-on” system is considerable, potentially more than double the cost of a single system, and there must be good justification for such investment. Invariably, organisations opt for lesser but effective options commensurate with the risk and business impact. The RP&S IT Platform has been designed to minimise business impact for even extreme incidents, but it is not designed to be “always-on”.

2. Assurance that the system and the information it processes are secure and maintain their integrity – i.e. they cannot be inappropriately accessed and information cannot be corrupted or inappropriately altered, with measures to limit the reach of any breach.

Addressed by, examples – Ensuring that the hardware is maintained to a high standard and that the underlying system software is kept fully up-to-date (i.e. running on the latest versions). Ensuring that the development cycle for bespoke software involves rigorous testing and quality assurance. Ensuring that protective measures such as firewalls, virus inceptors/checkers, etc. are installed and kept up-to-date. Ensuring that audit trails exist for all activity on the system.

3. Assurance that, when an incident happens, and protective and preventative measures for 1 and/or 2 are compromised, the system can be functional again in an acceptable time – with information being recovered to as near as possible the position prior to the incident.

Addressed by, examples – Building in the duplication and redundancy mentioned for 1. Ensuring that processes are in place to rapidly replace inoperable or faulty hardware or

software. Ensuring that back-up copies of information have been taken that enable services and information to be restored to a desired state.

How we test

We have these measures in place and we get our overall assurance on the availability, security and integrity of our systems and the information they process through testing.

As part of our Paying Agency accreditation we need to ensure that our controls adhere to the ISO 27001 standard for Information Security Management. ISO 27001 is one of the industry leading standards used to implement a strong Information Security Management System (ISMS). ISO 27001 will help an organisation determine where the most important risks are and implement processes to mitigate or reduce those risks. An effective ISMS provides assurance that sensitive information remains protected. We have just had our ISO 27001 Certification renewed by an independent accredited reviewer.

We test the components of our systems singularly and in groupings on a periodic basis. Most of the tests can be undertaken on either on the “live” system while it is running or on a system that emulates the “live” one. Tests take a multitude of forms. For example: for 1, components can be switched out and in and the impact on the service observed; for 2, penetration testing can be undertaken to ensure that areas of the system and information cannot be reached inappropriately; and for 3, information can be recovered from back-up copies to various desired points.

Since the Rural Payments and Service IT Platform has not been built to be “always-on” we need to find appropriate timeslots to close the system to internal users and customers in order to undertake the preventative maintenance and enhancement tasks needed to ensure availability, security and integrity.

We need a similar (and potentially longer) timeslot to undertake a comprehensive all-in-one “emergency exercise” that plays out potential scenarios ranging from loss of a key component through to a major incident at the data centre, either as a stand-alone IT disaster recovery exercise or as part of a holistic business disaster recovery exercise. We have such a timeslot planned for IT disaster recovery in late November 2017.

In response to recommendations in the Fujitsu Report, we are implementing a more systematic and industry standard approach to preventative maintenance and enhancement and information security assurance.

#### **4. Knowledge transfer**

The Committee asked for an update on how we are reducing our dependency on contractors and filling key Digital/IT posts with Scottish Government (SG) permanent specialists in our Information Services Division (ISD). The Committee was also keen to understand how we are arranging the transfer of vital knowledge about Rural Payments and Services (particularly how that IT Platform works) to SG people.

This is a key feature of our Stabilisation Plan through which we are ensuring appropriate and effective knowledge transfer between and across teams and from contractors to SG staff happens. We are monitoring and supporting staff wellbeing to ensure our workforce is able to provide high quality, year-round service to customers.

We have been addressing the issues in two ways:-

## Recruitment

We have been endeavouring to recruit specialists into ISD in a range of critical roles. We prioritised recruitment of senior specialist roles and are currently employing a mix contract and SG people to fill roles within the specialist teams. We identified four senior technology posts in ISD covering Digital Delivery; Digital Service Operations; Digital Strategy and Governance; and Commercial and Contracts Management as a key aspect of reorganising the way we work. We have managed to fill 3 out of 4 of these posts and are casting our net further for the one we did not fill. We have another senior management recruitment exercise underway for the digital specialist team managers with an Assessment Centre organised for the beginning of November. This will hopefully fill the remaining 6 out of 13 posts that are currently being filled on a temporary basis.

For the ISD complement of 107 SG permanent posts there were 40% vacancies at April 2017 when the Futures Programme ended. We are currently sitting at 24% left to fill. If successful, the current recruitment campaigns would further reduce this to 17% vacancies. Our aim is to have the best possible mix of SG and contractor staff by the end of the financial year. We anticipate we will always be dependent on using contractors for highly specialised roles – given the speed of technology change. We will also continue to rely on our prime suppliers (CGI and Sopra Steria) to provide significant delivery and maintenance services. Like other areas of the Scottish Public sector we are experiencing challenges in recruiting suitably qualified and experienced people to fill Digital posts and are working with Scottish Government Digital Directorate to identify alternative recruitment options such as Graduate Modern Apprenticeships.

## Knowledge Transfer

We have created a Knowledge Transfer Plan for each of the roles currently undertaken by contractors that we would wish to be filled by permanent SG people. For the most critical of these roles we have implemented a work shadowing approach to supplement the Knowledge Transfer documentation and we have identified complementary specialist training in each case. We are monitoring this closely.

We have engaged with some other Government bodies that have successfully transitioned to become a responsive digital organisation to understand their approach and how they have developed a sustainable specialist workforce. A full Capability Review is planned for October 2017. This will consider the broad range of skills and knowledge that is necessary to support the organisation's business objectives now that we have moved from a Programme Delivery focus to a more stable one that suited to a more regular business cycle and can adapt to accommodate new requirements and work more innovatively. This will also inform the work that we have started on a Sourcing Strategy, knowing that our major outsourced contracts for support and development come to an end in March 2017 (SOPRA STERIA) and March 2018 (CGI).

## 2016 Basic Payments Scheme Payments (BPS)

### Monthly Update (data captured on Friday 29 September 2017)

BPS application processing	
Number of eligible applications	17,898
This number will fluctuate as applications are processed and some found to be ineligible.	

BPS payments	
Value of payments made (to date)	£ 378.7m
	€ 444.4m
BRNs whose payments have been processed (to date)	17702
<p>The above figures include Basic Payment Scheme, Young Farmers and Greening payments.</p> <p>Payments reported here include those that have been committed to the banking system but may not have arrived in customers' bank accounts yet. This information does not include nationally-funded loans that were paid to over 13,000 businesses.</p>	

VCS payments		
Scottish Suckler Beef Support Scheme (Mainland) and (Island)	No. of payments	7017
	Value of payments	£37.5m
	% of anticipated total value	99%
Scottish Upland Sheep Support Scheme	No. of payments	1002
	Value of payments	£6.4m
	% of anticipated total value	99%

Less Favoured Area Support Scheme (LFASS) 2016	
Total number of claims	12098
Potential eligible claims	11262 (This number will fluctuate as applications are processed and some found to be ineligible.)
Number of claims processed	9397
Value of payments	£54.8m
% of anticipated total value	84%
Number of claims still to process	1865
Number of claimants offered a loan	11276 (to value £ 56.3m)
Number of claimants received a loan	8500 (value £ 51.2m)

<b>Pillar 2 2016 Payments</b>				
<b>Scheme</b>	<b>Eligible Claims</b>	<b>Claims paid</b>	<b>Value of payments made (£)</b>	<b>% payments made</b>
<b>LMO</b>	1410	1,082	£0.9m	77%
<b>Rural Payments</b>	2893	2083	£11.7m	72%
<b>AECS</b>	526	137	£1.2m	26%
<b>FGS</b>	36	17	£0.08m	47%