

**Public Audit and Post-Legislative Scrutiny Committee  
Common Agricultural Policy Futures programme  
Escalating issues**

**QUESTIONS:**

**What processes existed for escalating issues to a) relevant senior officials and b) Ministers?**

1. What the trigger points were for escalating issues;
2. Details of which issues were serious enough to be escalated to a) relevant senior officials and b) Ministers;
3. Whether these escalated issues have been resolved (and if so, when) and, if not, what progress has been made; and
4. What lessons have been learned for the management of IT projects across the Scottish Government as a result of the CAP Futures programme difficulties.

**RESPONSE:**

**1. Trigger points**

Annex A sets out the formal trigger points for issues to be escalated to the Programme Board, including the Programme Sponsor, the Director of Agriculture, Food and Rural Communities Directorate (AFRC), as in September 2014. It would then be for the Programme Sponsor and other senior officials to decide on the need for further escalation including to Ministers.

In addition, for budget issues, normal Scottish Government delegated budget procedures applied. Where appropriate (for example, in the event of an overspend of a delegated budget becoming likely) normal escalation procedures were followed whereby the delegated budget holder formally escalated the issue to the relevant Director General (DG) as Accountable Officer.

The CAP Futures programme was also covered by the Scottish Government's corporate risk management procedures which include escalation to a higher level of scrutiny if a risk score trigger point is reached. See below for further details.

**2. Escalation to senior officials and to Ministers**

The Scottish Government's risk management procedures ensures that key risks and issues are escalated to relevant senior officials and Non-Executive Directors. Under these procedures, a strategic risk assessment of the delivery of CAP Futures was escalated from the AFRC Directorate risk register to the Enterprise and Environment portfolio Audit and Risk Committee in September 2012, with an interrogation of that risk at its meeting in November 2012. It was further escalated to the Strategic Risk Register in February 2013, which subsequently reported to Strategic Board, Executive Team and the Scottish Government Audit and Risk Committee in February 2013. This risk was considered at every meeting of the portfolio audit and risk committee thereafter.

Over the course of the programme, a wide range of issues were escalated to Ministers for information and decision, as illustrated by Annex A. Escalation took

place as part of regular meetings and discussions which senior officials have with Ministers, as well as in specific submissions and discussions about the CAP Futures Programme.

Examples of the issues raised include:

- At various stages in the life of the Programme the issues of increasing cost were escalated to senior officials and Ministers along with potential mitigating actions (such as deferring non-essential scope and reducing contractor costs).
- Senior officials and Ministers were informed regularly from the beginning of 2014 of progress with delivering 2015 scheme year payments via the Futures IT system, and involved in the consideration of options for and decisions on mitigating action, including nationally-funded loan schemes.
- Senior officials and Ministers were consulted on significant changes to the working arrangements with the main IT contractor.

### **3. Progress on escalated issues**

- Financial cover for the Futures programme costs was secured each financial year up to and including 2016/17.
- Progress with the Futures programme and with 2015 payments was outlined in the Cabinet Secretary's statements to Parliament in September and October and he will keep the REC Committee informed of further developments.
- On mitigation, the government put in place loans to cover 2015 payments earlier this year. We recently announced a loan scheme for 2016 payments and payments are starting this month.
- Contractor staffing levels have been brought under tight control and new working arrangements with the main IT contractor put in place. In parallel, programme governance arrangements have also been revised further.

### **4. Lessons learned for future IT projects**

The issues encountered in the CAP Futures Programme, as well as other experiences (including things that have gone well), have informed the revised assurance framework established by Scottish Government for future IT programmes across Central Government. This was commissioned by the Permanent Secretary, and agreed by Cabinet in Summer 2016.

Particular issues highlighted by the CAP Futures Programme include the importance of ensuring there is a sound understanding of the scale and complexity of the project or programme at the outset, and the associated skills mix required. The framework requires thorough pre-programme analysis (including skills required) and the introduction of "stop-go" gates at key stages in major projects to ensure solid foundations are in place, including appropriate skills, and address any issues faced through early intervention. The lessons learned from the CAP Futures Programme and other programmes which have experienced challenges, have informed the shape of the new assurance framework.

**Public Audit and Post-Legislative Scrutiny Committee  
Common Agricultural Policy Futures programme  
Loan letters and the undervaluation of loan offers**

**QUESTIONS:**

1. When was this manual checking carried out?
2. On what date the undervaluation issues were identified?
3. On what date relevant senior officials were informed of this undervaluation?
4. If the issues were identified before 29 September, whether the officials attending the Committee meeting on 29<sup>th</sup> September were made aware of them?

**RESPONSE:**

**1. When was this manual checking carried out?**

Checks on calculations were carried out at a number of stages during the development of the loan scheme. Final pre-printing checks were carried out during 5 to 9 September 2016 before the data file was sent to SG's external printers on 13 September. These checks were sample-based, in line with normal farm payments procedures. A review of checking procedures has identified that the sample was skewed towards the land categories with the highest payment rates; this had been chosen to ensure that financial risk was mitigated, but it resulted in the sample being non-representative and the error on poor quality (region 3) land not being identified at that stage. Strengthened checking procedures have been drawn up and are being implemented for the remainder of the business processes for the loan scheme.

**2. On what date the undervaluation issues were identified?**

The undervaluation issue was confirmed at lunchtime on 27 September (since this was a brand new scheme, checks continued to be carried out after the data file had been sent for printing). Further work was carried out immediately on the 27<sup>th</sup> to clarify the extent and nature of the issue and to identify mitigating actions to minimise any impact on farmers

**3. On what date relevant senior officials were informed of this undervaluation?**

The Head of Rural Payments and Inspections Division was informed on 27 September. Other senior officials were informed on 28 September including those who attended the 29 September Committee session – see below.

**4. If the issues were identified before 29 September, whether the officials attending the Committee meeting on 29 September were made aware of them?**

Liz Ditchburn and Jonathan Pryce were made aware on 28 September that there was an issue with the miscalculation of the loan offer for a proportion of potential loan applications. The issue was not proactively raised by officials during their Committee appearance given their view at the time that this was an operational matter for which corrective actions were in place to ensure that no business would be disadvantaged. Our focus, in responding to an issue that was unfolding, was to make sure that all affected business were being contacted by the relevant local office

to ensure that they understood the position and that they had the support they needed. In hindsight we accept that it would have been helpful for the Committee to have been informed of the issue and about the actions being taken. We are sorry that did not happen.

## Annex A

### FUTURES PROGRAMME

Theme	Tolerances – for reporting, or decision, and to receive a remedial action plan
Scope	<ul style="list-style-type: none"> <li>Reduction, extension of scope or change to business case outcomes, targets or benefits</li> <li>Anticipated inability to meet any EU legal requirement <b>[M]</b></li> </ul>
Timescales	<ul style="list-style-type: none"> <li>Delay in customer/beneficiary registration, application, or December, January and March payment targets, or forecast delay, of more than 2 weeks <b>[M]</b></li> <li>Any expected delay or risk to end June EU payment deadline. <b>[M]</b></li> <li>Any <u>critical milestone</u> due within 6 months whose final delivery date, or forecast delivery, slips more than 4 weeks</li> <li>Any <u>critical milestone</u> due within 6-18 months whose final delivery date, or forecast delivery, slips more than 12 weeks</li> <li>Rescheduling of end-to-end delivery plan beyond 2016-17</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>Total programme cost increases or total benefits reduce by more than £2.5m <b>[M]</b></li> <li>Disallowance risk increases &gt; £5m above target <b>[M]</b></li> <li>Risk of customer loss of payment increases &gt; £0.5m <b>[M]</b></li> <li>quarterly spend exceeding or underspending budget profile by more than 10%</li> <li>Total benefits realisation which underperforms profiled annual target by more than 10%</li> <li>Once in-year budget limit is reached, all commitments and payments must be authorised by PS or above</li> </ul>
Resourcing	<ul style="list-style-type: none"> <li>Complaint registered against a supplier, contract penalty incurred, or early termination considered</li> <li>Proposed recruitment of a supplier outwith regular SG procurement processes</li> </ul>
Methodology	<ul style="list-style-type: none"> <li>Any adjustment in agreed and planned distribution between legacy (BAU), new IT and manual processes</li> <li>Proposed change involving new suppliers or methodology incurring total cost greater than £1m</li> <li>Proposed move to a contingency option <b>[M]</b></li> </ul>
Risk	<ul style="list-style-type: none"> <li>Top 10 risks affecting all parts of the Programme</li> <li>Where greater than above – all risks with a combined impact/likelihood score greater than 12 (on a 5/5 scale)</li> </ul>
Quality	<ul style="list-style-type: none"> <li>Changes to, or non-compliance with, the quality management and assurance strategy</li> <li>Cancellation of planned assurance reviews. Review results should be reported with action plan (for information)</li> <li>Accepted assurance recommendations still outstanding 3 months after review date</li> </ul>
External Stakeholders	<ul style="list-style-type: none"> <li>Public report or comment originating from NGOs, EC, Audit Scotland or Scottish Parliament. <b>[M]</b></li> </ul>

**[M]** indicates trigger likely to require Ministerial briefing or decision.