

# MINISTERIAL STATEMENT: UPDATE ON AGRICULTURAL PAYMENTS

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13 September,  
2016

## Submission of Annexes

Annex A: Status of 2015 Basic and Greening Payments and Other Schemes

Annex B: Factual Information on National Basic Payment Support Scheme 2016

Annex C: Response to the Audit Scotland Report

## Status of 2015 Basic and Greening Payments and Other Schemes

Figures as at Friday 9 September, 2016

<b>Basic Payment Scheme (BPS) claims</b>	
<b>Total number of eligible BPS claims</b>  <i>This is an estimate of the total number of eligible BPS claims. They are still being finalised and therefore this figure is expected to change over time.</i>	<b>18,316</b>

<b>BPS, Greening and Young Farmers payments</b>	
Total amount by value processed for payment to end of business on 9 September, 2016	<b>£326m</b>

<b>Total payments</b>	
Number of eligible businesses, out of the estimated total of 18,316, for which we had processed payments <sup>(1)</sup> by end of business on 9 September, 2016.	<b>17,744</b>
<i>All other farmers confirmed as eligible were offered a nationally-funded loan to the approximate value of their first instalment. This was paid automatically unless the farmer opted-out.</i>	

<b>Total full payments</b>	
Number of businesses that now have received their full payment to end of business on 9 September, 2016.	<b>17,519</b>

*(1) Includes all payments that have been submitted into the banking system. The majority will have arrived in customers' accounts but some may still be working their way through the banking system.*

<b>National Basic Payment Support (BPS) payments 2015</b>	
<b>Total number of payments</b> <ul style="list-style-type: none"> <li>• <i>Payments, valued at around £92 million, have been initiated to over 5,200 farm businesses in Scotland.</i></li> <li>• <i>The number of National BPS payments may be lower than the total number of National BPS offers due to farmers choosing to opt out or already having received their first BPS payment.</i></li> <li>• <i>These nationally funded loan payments were made to help those awaiting CAP payments.</i></li> <li>• <i>Amount repaid through CAP payments: £78 million (c.85 per cent).</i></li> </ul>	<b>5270</b>

<b>Scottish Suckler Beef Support Scheme</b>	
<b>Total number of payments 7,214</b>	<b>£30m</b>
<b>Scottish Upland Sheep Support Scheme</b>	
<b>Total number of payments 907</b>	<b>£4.3m</b>
<b>National Less Favoured Area Support Scheme (LFASS) payments</b>	
These nationally funded loan payments were created to help those awaiting LFASS payments. We will be recovering loan payments once LFASS begin.	<b>c.£54 million paid to 11,047 producers</b>
<b>Rural Priorities (RP) Annual Recurrent</b>	
£10 million paid to 1,618 customers.	
<b>Land Managers Options (LMO)</b>	
Payments of £3.5 million to 3,000 customers normally paid in September, due to start soon.	

## Factual Information on National Basic Payment Support Scheme 2016

The Scottish Government has set up the 2016 National Basic Payment Support Scheme. Under this scheme, farmers and crofters will be able to receive a loan of 80 per cent of their expected eligible CAP Basic Payment and Greening 2016 up to a maximum of €150,000.

This limit is designed to ensure individual recipients will not breach EU limits on **de minimis state aid**.

We shall write to all farmers and crofters who are eligible for CAP Basic Payment and Greening 2016 payments with the details of the scheme.

We shall write separately to inform any applicants who we believe will not be eligible for CAP BPS and Greening payments in 2016 to explain why this is the case. We shall also write separately to any applicants who, for any reason, will be offered a restricted payment due to their specific circumstances.

Producers need to opt in to receive a loan payment and should respond to the Scottish Government by **Wednesday 12 October** if they wish to **accept** the terms of the scheme. Offer letters will be issued later this month.

Producers are asked to respond as soon as they receive the letter about the loan, to allow us to get their payment to them as quickly as possible.

To ensure that producers receive this money as soon as possible, we intend to make loan payments in **early November** to all who apply before the deadline.

The loan scheme has been designed such that the applicant's Basic and Greening payment should be more than the Loan scheme sum paid to them. At the point of the CAP payment being made, we will therefore deduct the sum and pay the remainder of their Basic and Greening payment in to their bank account.

Loans will be paid in the currency which the farmer opted for on his Single Application Form – Sterling or euros.

The sum paid will be interest free to the applicant, although we are required under EU state aid rules to record the notional interest as a **de minimis state aid**.

## Scottish Government Response to Audit Scotland Report – Recommendations (September 2016)

We accept all of the specific recommendations made in the Audit Scotland report – Common Agriculture Policy Futures Programme - May 2016 and today publish our response to these recommendations.

*1. Complete a detailed assessment of the risk of financial penalties for all the remaining elements of programme scope, to enable informed decisions on prioritisation if the remaining budget cannot cover all the elements required for CAP compliance.*

We completed a detailed assessment of the risk of penalties for late payment and the mitigating actions we might take during the Spring. This formed an integral part of our prioritisation and decision making during the latter stages of 2015 payments throughout May and June when over £110m was paid out. A final assessment of any late payment penalties can only be undertaken after October 2016 and in conjunction with the other parts of the UK.

We have carefully assessed the minimum viable product required to deliver CAP compliance and we believe that we remain on track to deliver this within the existing Programme Budget. We have worked hard to reduce costs which should enable us to deliver the fully compliant scope.

The assessment of financial penalties in relation to disallowance is an ongoing and continuous process. We scrutinise our own systems and procedures to identify any weaknesses that require addressing. We are also subject to audit findings from the Certifying Body, the European Commission auditors and the European Court of Auditors and engage with each of those organisations to establish a cost-effective response to any audit criticisms.

*2. Ensure there are appropriate governance arrangements for all decisions made concerning the programme and payments to farmers.*

We have accepted Audit Scotland's specific concerns about decisions being taken out with formal programme governance, driven partly by the pace of the programme and the pressure on the timeframe for payments. In particular, decisions about non-EU payments (the loan schemes) - which were deliberately separated from the Programme so as not to place drag on the EU payments timetable – are now fully part of a single governance framework.

A fresh review of programme governance has been carried out and proposals for a new governance framework put to the Programme Board in August and

subsequently circulated to internal stakeholders for comment. These proposals will return to the next Programme Board in September for ratification and, once agreed, will be implemented swiftly.

*3. Develop a clear plan for the transfer of knowledge and expertise from the programme staff to staff in the business.*

A key joint objective has been agreed with our IT supplier to facilitate knowledge transfer. The internal Application Support Team are now working within the supplier delivery team to facilitate knowledge sharing and understanding of the features currently under development.

*4. Develop and test a disaster recovery solution covering the whole IT system.*

There is full IT recovery provision in the event of a major incident – specified to deliver no more than 72 hours loss of service and no more than 1 hour loss of transaction data – for all systems on the new Futures platform. The first failover test of that system is currently planned for November and regular cycle testing will follow after that.

For the time being, the business continues to rely upon a land parcel information system hosted on old infrastructure that will not support modern recovery system objectives. It has full and regular off-site backups to ensure data is not lost, but the time taken to rebuild the infrastructure and then restore the data would be substantially longer. A contract has been let to replace that land parcel information system over the next two years. When complete it will meet the same recovery objectives as the rest of the Futures infrastructure.