

## Event Title Meeting/Photcall with Commissioner Hogan

Date Friday 20 May 2016

<b>Key Message</b>	
<b>Who</b>	Nicola Sturgeon MSP, First Minister of Scotland Phil Hogan, EU Commissioner for Agriculture and Rural Development
<b>What</b>	Photo Opportunity and opportunity to lobby for flexibility on deadline for 2015 farm payments
<b>Why</b>	Commissioner Hogan is carrying out speaking engagements in all four UK nations in advance of the EU referendum, and his main objective is to encourage farmers to vote Remain.
<b>Where</b>	Bute House, 6 Charlotte Square Edinburgh EH2 4DR
<b>When</b>	Friday 20 May 2016 9.00 am
<b>Supporting Official</b>	Jonathan Pryce 07795618387 Liz Ditchburn
<b>Attached documents</b>	Annex A: Handling Note Annex B: Commissioner Hogan Biography and Portfolio of Responsibilities Annex C: Details of Commissioner Mr Hogan's Visit plus Programme of Events Annex D: CAP Futures Programme Update with payment details

## Handling Note

Commissioner Hogan requested a photo opportunity with the First Minister to publicise his visit to Scotland. The primary purpose of his visit is to speak at an event on the EU referendum on the evening of Thursday 19 May. He has made similar speeches in other parts of the UK in recent weeks .

**The Scottish Government's main objective for the visit is to lobby for flexibility over the requirement to pay over 95% of 2015 farm payments by 30 June 2016.** Officials and Ministers have been engaging with the Commission on this since March. A number of other Member States including France are also lobbying for this. The Commission and the UK Government have confirmed that the CAP regulations provide for such an extension, but we understand Hogan is reluctant to grant it as he thinks it would work against farmers' interests – by effectively giving Member States permission to make late payments. Agriculture officials and potentially the new Cabinet Secretary-designate will lobby Hogan at lunch, but **it would reinforce the message if FM were to say to Mr Hogan that:**

- In this first year of the new policy SG is working very hard to meet the EU's threshold for payments made by the end of June.
- We acknowledge that there have been problems with our IT system. They have been exacerbated by the rigidity of EU rules on mapping.
- Our progress has been hampered by additional complexity requested by NFU Scotland to tailor the CAP to Scotland's needs, and by the short implementation timetable set by the EU.
- The extension of the application period for these payments, by a month last Spring, delayed our ability to start processing them.
- We do not yet know whether we will need extra time, but there is sufficient uncertainty that we would request an extension to the payment window, for as long as possible.
- This should not cause serious harm to farmers, as we have already provided them with cash flow through nationally funded loans. Conversely, financial penalties for late payments can only be harmful to farmers' interests because they will inevitably have to be funded out of the national agriculture budget.

The total number of payments committed as at close of business 18 May 2016 stands at 14,795 which equates to 81% of the total eligible businesses. *(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.)*

Under EU rules, after 30 June Member States can continue to make payments, with no penalty, of up to 5% of the amount paid before that date. For payments made beyond that franchise, there is a sliding scale of penalties rising from 10% in July to 100% by November.



**Phil Hogan, EU Commissioner for Agriculture and Rural Development**

Mr Phil Hogan, EU Commissioner for Agriculture and Rural Development since November 1 2014.

Commissioner Hogan grew up on a farm in rural Kilkenny, in south-east Ireland. From 1989 until he became Commissioner, he represented the Carlow/Kilkenny constituency in Dáil Éireann, the Irish Parliament, where he served in the Fine Gael Party shadow cabinet and as spokesman on Europe, on the food industry, on consumer affairs and on regional policy.

Between 2011 and 2014, he served as Minister for the Environment and Local Government in the Irish Government of Prime Minister Enda Kenny TD. During this time, he successfully implemented a broad-ranging agenda, including the biggest reform of local government since the foundation of the Irish State.

He has also occupied various senior posts at local, national and European level, including President of the Council of EU Environment Ministers (2013), Chairman of the European People's Party of Environment Ministers (2012-14), National Director of Elections for the Fine Gael party (2010-11), Fine Gael Director of Organisation (2002-07), Chairman of Kilkenny County Council (1985 and 1998), Chairman of the Fine Gael Parliamentary Group (1995-2001) and Minister of State at the Irish Department of Finance (1994-95).

Prior to his entry to politics, he established and subsequently directed an insurance and real estate business. He also managed the family farm between 1981-83 and is a graduate of University College Cork, with a BA in Economics and Geography (1981).

His responsibilities as EU Commissioner for Agriculture and Rural Development include:

- Ensuring that EU agricultural and rural development policies promote growth, investment and new jobs.
- Reviewing the effectiveness of EU spending on agriculture and rural development.
- Identifying how European agriculture can be more energy efficient and can lower its carbon dioxide emissions.
- Examining ways to simplify direct payments for farmers.

Phil Hogan is part of the following project teams:

- Jobs, Growth, Investment and Competitiveness
- Digital Single Market
- Energy Union
- Better Regulation and Interinstitutional Affairs
- Budget and Human Resources

## Details of Commissioner Mr Hogan's Visit plus Programme of Events

The Commissioner, with the approval of the full Commission, is conducting a series of events in different parts of the UK in advance of the EU referendum.

After an event in Belfast in early May, he will visit England on 19 May, and will then to come to Edinburgh that evening.

The Edinburgh leg of the visit will start with an EU referendum-themed stakeholder event hosted by NFU Scotland on the evening of the 19<sup>th</sup>, followed by a farm visit on the morning of the 20<sup>th</sup>, hosted by NFUS. Mr Hogan's visit will conclude with lunch on the 20<sup>th</sup> attended by Mr Hogan, 3 EU officials, the Cabinet Secretary for the Rural Economy and Connectivity, [*the Director General for Enterprise, Environment & Innovation*] tbc and 2 senior SG Officials. The Commissioner will fly out on the afternoon of the 20<sup>th</sup>.



## CAP Futures Programme and Payments Update

### Background of Futures Programme

- Futures Programme started initiation in early 2012 as an IT enabled Business Change Programme to support the implementation of the New CAP 2015-2020.
- Main elements of the initial scope were:
  - Enhancements to IT infrastructure (i.e. underpinning technology and IT disaster recovery) to support a CAP operating system to deliver payments 2015-2020 and beyond.
  - Develop an on-line portal on which customers can register securely and transact financial and application services.
  - Develop a new approach to present and communicate guidance and information to farmers and crofter; an area of particular criticism in the previous CAP.
  - Develop and implement a performance framework and supporting Business /Intelligence System to monitor delivery
  - Ability for customer to access land mapping information
  - Consultation with customers on the shape of CAP 2015-2020

### IT Cost and Spend

- Actual spend FY 2012/13 to 2015/16 is **£126.4 million**
- Of which FY 15/16 provisional outturn **£36.9 million**.
- Residual Programme forecast **£51.6 million**
- Total Programme forecast **£178 million**.
- Our old IT system was not capable of implementing new CAP. New IT system is still bedding down and there have been difficulties with the software for processing claims and making payments.
- **Although the system is expensive (£178m), it is an EU requirement** as part of the CAP reform.
- The cost is very small fraction (**c. 4%**) of the **£4 billion** we'll deliver using this IT, over a 7 year CAP cycle.
- The **increase in cost, compared with initial estimates**, was because EU rules were confirmed late, meaning requirements could not be fully specified; and because complexity of the policy increased over time.
- The **timetable for the IT programme was out with Scottish Government's control**. EU rules were not finalised until a year before the new CAP began. Detail in Scotland, which we agreed with industry, was not finalised till 6 months before new CAP began.
- SG has **been co-operating with Audit Scotland** scrutiny of the IT programme and has given evidence to the PAC twice.
- The EU recognised that the additional complexity of CAP might increase admin costs by about 20%.

This is the first time ever that Europe has simultaneously overhauled the direct payments system and rural development support – and EU rules now require Scotland's CAP payments to be based on area rather than historic levels of production.

In addition, based on extensive consultation with industry, two Scotland-wide direct income support schemes are being replaced with six regionalised schemes, which add further complexity this year. This has resulted in a number of one-off first year tasks which will not have to be repeated in future years. For instance almost half a million fields have had to be allocated to one of the three new payment regions in this first year of the new CAP, alongside the processing of 21,000 Single Application Forms (SAF) as well as individually inspecting 1,300 farms.

- The EU payment window runs from December 1 to June 30.
- It should be noted that the complexity of the new CAP has led to slower payment timescales in other EU countries, many of which are implementing reforms far less radical than in Scotland.

#### **Activity To Improve Progress – Futures Programme Action**

- IT fixes have been continuing to remove remaining blockers to processing.
- Maximising area office progress with action required by them - Removing other obstacles progressing to payment (e.g. stops applied at HQ pending further information or IT fixes)

Area offices authorised to take on additional administrative and professional staff - recruited 36 extra staff in the area offices. Area offices have also been working overtime to process applications.

- Because processing requires skilled staff, all possible other work has been transferred to unskilled/other skilled staff e.g. central mapping team, Animal Health Agency livestock inspectors.
- SG wide trawl for former agriculture staff to deploy in area offices and HQ.
- IT staff members are working round the clock on the system to maintain and improve performance.

## Weekly Update on Basic Payment Scheme (BPS) Payments Published 18 May 2016

BPS Payments	
<p><b>Total number of eligible BPS claims</b></p> <p><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. All the percentage of payments paid noted within the report, are a percentage of this figure.</i></p>	<b>18,137</b>
<p><b>Total number of payments committed last reported (as at close of business 11 May 2016)</b></p>	<b>14,308 (79%)</b>
<p><b>Total number of payments committed as at close of business 18 May 2016</b></p> <p><i>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.</i></p>	<b>14,795 (81%)</b>

We very much recognise the cash flow issues facing Scottish agriculture, which underpins our £14 billion food and drink industry and that is why the Scottish Government earmarked up to £200 million of national funds so that anyone who had not received an instalment by the end of March would receive a nationally-funded payment from the National Basic Payment Support Scheme equivalent to up to 80 per cent of their CAP claim.

National BPS Support Payments	
<p><b>Total number of payments</b></p> <ul style="list-style-type: none"> <li>• <i>Payments, valued at almost £91 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> </ul>	<b>5,206 (£91 million)</b>

Payment have also been made under the following schemes:

Scottish Suckler Beef Support Scheme (SSBSS) - 6,981 payments totalling £29,478,369.05.

National LFASS – 11,056 payments totalling £57,171,420.95