
From: [Redacted text] **On Behalf Of** Cabinet Secretary for the Rural Economy and Connectivity
Sent: 06 February 2018 15:20
To: Watson AA (Andrew)
Cc: [Redacted text] Cabinet Secretary for the Rural Economy and Connectivity
Subject: RE: LFASS2017 loan scheme

Andrew

Mr Ewing has noted your submission - he is content with the recommendations as detailed in paragraph 16 and is happy for you to proceed.

Many thanks for all your hard work.

Regards

[Redacted text]

[Redacted text]

[Redacted text]

Cabinet Secretary for the Rural Economy and Connectivity
2N.11 St Andrew's House | Regent Road | Edinburgh | EH1 3DG
[Redacted text] Email: CabSecRec@gov.scot

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From: Watson AA (Andrew)
Sent: 05 February 2018 14:08
To: Cabinet Secretary for the Rural Economy and Connectivity
Cc: [Redacted text]
Subject: LFASS2017 loan scheme

[Redacted text]

Please find attached advice on the case for an LFASS2017 loan scheme.

[Redacted text]

Thanks

Andrew
X47962



LFASS2017
payments and p...

Cabinet Secretary for Rural Economy and Connectivity

LFASS 2017 PAYMENTS AND POSSIBLE LOAN SCHEME

Purpose

1. To provide advice on whether to proceed with an LFASS 2017 loan scheme and the timing of any announcement.

Priority

2. Urgent – a decision will inform preparation for the NFUS AGM on 9 February and requires engagement with the Cabinet Secretary for Finance.

Background

3. You previously announced as part of the CAP Stabilisation Plan that the plan was to start LFASS 2017 payments in May 2018, pay the majority (51%+) of customers in May, and get 95% (by value) of payments completed by 31 August. However you also indicated that if there was any doubt about the deliverability of that timeline you would make an announcement early in 2018 about whether LFASS 2017 loans will be made available.

Prospects for achieving payment schedule targets

4. We have therefore been assessing prospects for sticking to that payment schedule, and that partly links to related action to assess prospects for paying 2017 BPS claims (on which separate advice is being provided).
5. We are currently on track to start LFASS 2017 payments in May as planned, with initial checks of the 2017 data looking positive in comparison to where we were when we started LFASS 2015 and 2016.
6. However, it is very difficult for us to give precise assurance at this stage about the percentage of payments that we can make in May. All claims must be validated for BPS processing and at a 'ready to pay' status before we can pay LFASS, because they are handled via the SAF process and the validity of the amount of eligible land they have claimed underpins both schemes. [Redacted text]
7. [Redacted text]

Practicalities of new loan scheme

Budgeting

8. Although we had been keen to avoid the additional resourcing implications of running another loan scheme, and the additional strain on our systems and finance processes of having to off-set EC payments against the nationally funded loan scheme, **we have concluded that the lowest risk approach would be to proceed with another loan scheme.**
9. [Redacted text]

Terms and timing of loan scheme

10. We anticipate the terms of the 2017 loan scheme being identical to 2016 and similarly being able to pay most customers 90% of their anticipated full payment as a loan.
11. If you agree then we would aim to get loan offer letters out in February, with the intention of getting the first loan payments into bank accounts in early April. An indicative timeline is set out in **Annex B**.
12. [Redacted text]

Presentation and options for possible announcement

13. The positive message in making loans available is guaranteeing getting funding into the rural economy as early as possible and ahead of the dates in the payment schedule. As with previous loan schemes, the key benefit is the ability to give certainty about the timing of payment well in advance, helping farmers and crofters to plan their businesses effectively. [Redacted text] We could also indicate that we are very confident in our ability to make LFASS payments earlier than in 2015 or 2016. In parallel to the loan scheme, we also intend to progress the “tail” of unpaid LFASS2015 and 2016 claims.
14. In terms of options for an announcement, Communications colleagues and Special Advisers suggest this should be done at the NFUS AGM on 9 February. A draft news release has been prepared.
15. In announcing a loan scheme in your speech at the event, you might wish to offer strong encouragement to those who have not taken a loan before – typically, smaller-scale farmers and crofters – to seriously consider doing so this year. As has been the case for the BPS2017 loan scheme, any announcement could be followed up with some targeted activities designed to increase in areas such as the Western Isles.

Next steps

16. I invite you to indicate if you:

- **agree with the proposal for an LFASS 2017 loan scheme and, if so, I recommend you issue the minute to Mr Mackay attached at Annex A;**
- **are content with the indicative timetable for issuing 2017 loan offer letters and making loan payments set out in Annex B; and**
- **wish to announce the scheme at the NFUS AGM on 9 February.**

ANDREW WATSON

RPID: Deputy Director for Agricultural Policy Implementation
Ext: 47962

5 February 2018

[REDACTED TEXT]

[Redacted text]

ANNEX B: INDICATIVE TIMELINE FOR LFASS 2017 LOAN SCHEME

Mid February – loan letters calculated and sent to the printers

Circa 28 February – loan letters begin to issue

3 weeks for customers to indicate if they wish to take up the loan offer

Circa 27 March first loan payment run initiated

Early April – first loans into bank accounts

End April – payments made to all those who responded promptly to request for a loan

May – further loans paid to later acceptances