



Scottish Rural Development Programme

**SRDP 2014-2020: Rural Development Operational Committee (RDOC)
Programme progress report**

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1. Actions/issues Log

Action	Timetable for action	Action status
Meeting held on 24 October 2018		
Secretariat to circulate a paper on the work of the Rural Innovation Support Service.		A presentation will be given on the work of the Rural Innovation Support Service at the meeting.
FPMC team to provide information behind the statistics on the non-capital element.		Verbal update to be provided at the meeting.
A list of statutory instruments to be provided by the EU Hub.	11 December 2018	Completed.
Send an email to RDOC and encourage people to comment and respond on suggestions for pilots, changes and improvements that are relevant to the programme.		Superseded. Results of Stability and Simplicity consultation have been analysed and published & Simplification Taskforce established.

2. Programme update

Partnership Agreement

- All funding programmes continue to make commitments across Scotland.
- Delivery of the European Social Fund (ESF) and European Regional Development Fund (ERDF) programmes have continued to be delivered against the respective Operational Programmes. Extensions and new operations have continued to be considered and approved. Progress is being monitored against the N+3 expenditure target as at the end of 2017 and the Performance Framework, however, there is a significant risk in a number of areas that these targets may not be met.
- Under the UK European Marine and Fisheries Fund (EMFF), as of Nov 2018, a total of £78.6million had been committed to 504 projects; with spend of £21.9million certified for 349 projects. Close monitoring of progress towards UK Performance Framework target which is expected to be met for five Union Priorities, with one at risk.

EU exit/future issues

- Funding guarantees - SRDP projects are guaranteed, for the lifetime of the project, where contracts are entered into before 31 December 2020. There is a pledge to maintain the budget for 'farm support' until the end of the current UK Parliament, however it is not clear what counts as 'farm support'. Ministers and stakeholders continue to push for all Pillar 2 (and Pillar 1) to be guaranteed in full.
- 2021 – 24: Proposals focus on retaining existing CAP schemes, in broad terms, to provide certainty for farmers and land managers, while simplifying the administration of those schemes. The Simplification Task Force has begun work on these proposals for change and agreed to prioritise how to simplify and streamline mapping, inspections and penalties.
- 2024: A Parliamentary debate in January agreed that the principles of longer term future policy should include: sustainability; simplicity; innovation; inclusion; productivity; and profitability. Work is also underway to establish a new external group to advise on the development of this future policy.
- Proposals for the next CAP continue to be debated in the EU but no decisions taken. Due to the European Parliament elections and delays in the MFF budget negotiations, where there won't be clarity until October/November, it's highly likely there will be a delay in the implementation of the new CAP.

3. Programme monitoring

Modification Update

- Modification 5 was approved in December 2018. This included an amendment to the performance reserve milestones meaning that we now expect to meet all the milestones to access the performance reserve.
- Modification 6 is expected to progress in the autumn.

Monitoring & Evaluation

- Evaluation of the 1:1 part of the FAS is underway and is expected to report in the second quarter of 2019.
- Monitoring of AECS and LEADER is currently underway with the process expected to conclude in the first quarter of 2020.
- Evaluation of FPMC and SRN is also planned to begin this year.

AIR - Annual Implementation Report

- Work on the AIR for 2018 is currently on-going and will be passed to the RDOC as soon as possible for comments.
- Contractors are working on the enhanced section of the 2018 AIR.
- Deadline for the AIR to be submitted to the European Commission is 30/6/19.

4. Communications

SRDP Communications

- The Annual Strategic Communications Plan for 2019/20 summarises the key communications aims. These include:
- Information about individual schemes, targeting and budget availability.
- Planned communications priorities for the coming year and end of the Programme including a suite of new communications to demonstrate the value and impact of SRDP schemes.
- Information on planned communications around the impact of Brexit and future support.

Scottish Rural Network

- Partners in the organisation and delivery of the Rural Transport Convention in Inverness, collecting input from rural businesses, stakeholders and residents into the National Transport Strategy 2.
- Worked with Scottish Rural Action to organise and deliver the Scottish Rural Parliament in Stranraer.
- Coordinated nominations to the ENRD Rural Inspiration Awards, securing nominations for three SRDP-funded projects - winners announced in April.
- Organised and delivered a two-day UK and Ireland cooperation workshop to facilitate new LEADER cooperation projects and ensure the budget is allocated.
- Hosted delegations from Denmark and Estonia, arranging visits to SRDP funded projects across Scotland and exploring opportunities for partnership working.
- Delivered video training to LEADER Local Action Group staff at the LEADER Staff Group meeting.
- Supported the Scottish Government Islands Team in setting up their communications channels and promoting the launch of the Islands Plan consultation.

5. Finance

Budget

- Total budget remains €1.5bn (or 1.26bn sterling – assumed exchange rate of €1.20 = £1).
- The co-financing rate is 45.3% EU funds: 54.7% SG funds from 16 Oct 2017.
- Pillar 1 to Pillar 2 transfer – currently 9.5%, EU rules allow this to be increased in 2020.
- Scheme budgets are indicative, we will continue to monitor scheme performance and demand and the budgets are highly likely to change again in the future.
- However, as majority of budget committed and with on-going pressures on SG budgets, less flexibility for remainder of programme.
- SG 2019/20 budget is published and reflects the changes made in the financial modification in 2017 and forecast demand.

6. Error Rate Action Plan

Error Rate Action Plan

- The Error Rate Action Plan is in place to identify remedial action for deficiencies found in the management and control system. Those action plans are then assessed by the Commission to check whether they would, if properly implemented, actually remedy the identified deficiencies in due time.
- The updated error rate action plan was submitted to the Commission through the UK Coordinating Body on the 14 Sept 2018 and had 1 outstanding on-going action relating to income forgone in the forestry sector. The Commission notified SG in January that the error rate had since risen following the result of further audits. Officials are investigating the reasons behind this, one possibility is over-declarations for LFASS, however further investigation is required. Once the issue is identified SG can consider the actions to reduce this risk with the aim of lowering the error rate.
- We are currently reviewing how rates are calculated by the P.A. and the Commission as there appears to be differences in how figures are calculated. We intend to seek clarity through the UK Coordinating body once our review is complete if required. We anticipate our review work will be complete by the end of April.

7. Risk Register – key risks

Risk	Impact	Mitigation
Brexit/funding guarantees: Guarantee for SRDP programme for contracts in place up to 31 December. No guarantee for projects past this date	Impact for current SRDP reduced which should allow SRDP objectives to be delivered on the rural economy and communities, including environmental and farming support. The on-going lack of clarity for funding post 2020 risks continued delivery of these outcomes.	Central SG Finance, and Scottish Ministers continue to press on HMT for further clear, written funding guarantees
Limited budget and tightening of public sector finances, continued pressure on domestic budgets risk to overall impact on delivering SRDP outcomes.	SRDP is co-financed by SG, budget impacts will come directly from SG's spending reviews. This may affect the ability of the programme to delivery expected outcomes, the balance between measures in the programme and the ability to deliver original level of support set out in the initially approved programme.	SRDP programme team continue to review financial allocations and demand to ensure allocated funds are provided to key priority areas, subject to ministerial decisions.
Failure to deliver SRDP payments	IT challenge could result in delay to SRDP payments and / or limit type of scheme payment.	Project management controls in place for on-going IT development of the future payment system. Manual contingency has been developed for making payments if required . This is in addition to providing access to national loan scheme to deliver substitute payments for LFASS support as required.
Ability to continue support to rural and remote farms and crofts due to the changes to rules for LFASS, which require either payments at 80% for 2019 and 40% for 2020, or the introduction of Areas facing Natural Constraint.	A cessation or significant drop in support to the current less favoured areas risks the viability of up to 11,300 businesses, ultimately risking potential land abandonment and associated socio-economic and environmental impacts.	Ministers have given a commitment that the support to the LFA will not go below 80% of the current funding levels. Officials are working on options, however, uncertainty around future rules (inc State Aid) means challenging to confirm viable options. Close working with delivery colleagues to ensure any policy options are deliverable.
Monitoring contract for AECS	Lack of evidence on performance of schemes against outcomes which is necessary to inform the design of future support.	SNH have now started a monitoring project. Progress against programme targets is being monitored through Annual Implementation Reports.