

First Minister

I attach the daily update from my officials on progress towards completing CAP Pillar 1 payments by end June. We currently have just under €302 million payments made or initiated. Based on our current estimate of paying out €450 million, we stand at 67%¹.

Across the UK, we need to make 95.24% in order to benefit from the penalty free period for making payments from July onwards. The UK Co-ordinating Body, which acts on behalf of all the paying agencies, has expressed the view that other paying agencies are likely to hit 96-98% of the value of their planned payments. The range of variables, forecasts and payment processing issues across the four paying agencies mean this is not an exact science. However, the UKCB advise that this would mean that Scotland would have to achieve between 80-90% in order for the UK to reach 95.24% (and avoid late payment penalties – which would fall to Scotland to cover under the current MOU across all 4 Paying Agencies, because we would be the only one to have missed the 95.24% target within the UK).

Officials are focused on maximising the value that is paid to farmers by end June. The slow progress has been mainly driven by two issues:

- a challenging timeline for deploying all the necessary functionality to process and pay payments (the final functionality was delivered on 9 June); and,
- a small number of known issues that have been blocking large number of cases (mainly to do with allocating regions and processing of land changes)

The system is now working as it should and my officials have a detailed daily plan to process the majority of cases before end June. The reason why they believe they can make significant volume and value of payments in a very short period of time is because we are focusing on 3 distinct categories that deliver €109.5mn in value:

- We have ca 1500 claims worth €22 mn where payments are ready to be made and we are in the process of removing holds that were placed on these cases while we awaited functionality and/ or the known issue to be addressed;
- We have 635 claims worth €28.5 mn where all the processing has been done by Area Offices and the dedicated payments team currently is addressing the known issues that are blocking their payment;
- We have a targeted list of just under 1350 claims worth €59 mn that Area Offices are working on where we believe that the errors can be cleared and payments made before end June.

My officials are working incredibly hard to maximise value. However, this is a challenging timeline and depends on everything working exactly as planned and our experience to date is that we have a complicated system where unexpected issues can suddenly arise. My officials have therefore advised that while the 95.24% is still within reach, they think that 90% is a more realistic assessment and they are keeping me informed on a daily basis if their level of confidence changes on that.

¹ As is normal each year the nature of CAP payments means that we will not know the total value of payments made or the total number of eligible farmers for some time (until at least mid-October). Therefore the estimate of the value of our CAP Payments will inevitably fluctuate.