



**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 2 May 2019		
Investigate the falling numbers of approved applications for AECS Slurry Stores and report back to the RDOC.	20/09/19 - completed	<p>There were actually 56 applications for slurry storage in 2018. The rejections were all due to applications falling below the threshold score and one successful contract being withdrawn by the applicant.</p> <p>The scoring criteria is based on SEPA priority catchment types and it prioritises catchments that drain into Bathing waters, Shellfish Waters and Drinking water Protected Areas and “Other” priorities, with decreasing scores as you move through that list.</p> <p>The reason for a high number of failures is that a number of speculative applications were received from businesses that fell into the “Other” category, which although they fall within the target area, are least important from an environmental protection perspective. The Scoring threshold was also increased in 2017 and 2018.</p>
Secretariat to compile a list with training opportunities provided through FAS.	20/09/19 - completed	A paper was circulated with the RDOC papers. This report highlights the variety of training provided through FAS for 2017-18 and 2018-19.
Secretariat to report AB’s comments and provide an update on appointment once the group is established.	29/08/2019 - completed	<p>An email was previously issued to RDOC member with details of the new group.</p> <p>www.gov.scot/groups/farming-and-food-production-group</p>

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 against the respective Operational Programmes. Extensions and new operations have continued to be considered and approved. To date £545m committed out of total value of €872m (£745m based on £1:€1.17).
- Programmes have been placed in pre-suspension, we are working closely with the EC and lead partners to resolve the issues raised.
- AIRs have been submitted. Commission have indicated that one priority within the ESF programme and two within the ERDF programme have met the necessary targets.
- A steering group has been established by Ministers, chaired by Professor David Bell of University of Stirling, to consider the replacement of the ESF and ERFD programmes after the UK leaves the EU.

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. Officials are working on proposals to deliver our agriculture, crofting and rural support from 2021 based on the Stability and Simplicity consultation and input from the Simplification Taskforce. We anticipate stakeholder engagement later this year/early 2020.
- 2024: A Parliamentary debate in January agreed that the principles of longer term future policy should include: sustainability; simplicity; innovation; inclusion; productivity; and profitability. The Farming and Food Production Future Policy Group was established in 2019 to advise on the development of this future policy.
- No substantial progress on the next CAP is expected until the appointment of a new European Commission and decisions on the MFF budget. We hope for some clarity in October/November. It is expected that 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 have met all the milestones to access the performance reserve.
- Modification 6 will update the financial and indicator plan along with amending the LFASS payment rate for 2020 (in line with EU rules) and amending all references to the JPMC from the programme.

Monitoring & Evaluation

- The evaluation of the 1:1 part of the FAS showed that in terms of the benefits achieved, the FAS is mainly acting to improve the benefits farmers and crofters achieve through taking recommended actions. These benefits are quite wide ranging including business performance benefits such as increased profitability, the creation and restructuring of businesses, creation and safeguarding of employment and various environmental benefits. The full report can be accessed here: <https://www.gov.scot/publications/farm-advisory-service-enhanced-monitoring-evaluation/>
- A review was conducted of the FPMC Scheme. To date the Scheme has awarded almost £60 million to 119 projects. This evaluation reviewed applicants' and experts' experiences of the fund and assessed how the funded projects adhered to the objective of the Scheme. The report will help inform the Scottish Government as to the value of the Scheme and how to improve it going forward.
- There has been good progress with the monitoring of the AECS. Work is progressing on the two pieces of work. As part of the data housekeeping exercise, SNH has set up an internal project and is producing a series of heat maps on AECS uptake. The second piece of work proposed consists of a series of case studies. A contract was awarded to the James Hutton Institute following a tender process. The contract is now under way.
- For the LEADER project the data analysis has been completed as well as the interviews focused on the ways forward for LEADER post-Brexit. The report should be published later in the year.
- Evaluation of the SRN, the KTIF and further work on the FAS is also planned to begin later this year or next year.

AIR - Annual Implementation Report

- The Annual Implementation Report (AIR), covering the calendar year 2018 was submitted to the EC in June. The AIR, along with the Summary for Citizens, was accepted by the EC in September.
- The full report, as well as the Summary for Citizens, can be accessed here:
<https://www.gov.scot/publications/srdp-2014-to-2020-annual-implementation-reports/>
- The AIR 2018 was the second enhanced AIR. A general conclusion from the contractors who produced the enhanced section of the AIR was that the design of schemes and their operation are clearly working towards addressing SRDP aims. Though progress has been made since the previous enhanced AIR as part of the AIR 2016, for most schemes it remains the situation that it is still too early to assess the impact of schemes against their objectives.

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.
- Activities have included:
- Production of an infographic to highlight the achievements of the SRDP in a clearly understandable manner. this was displayed at the Royal Highland Show, shared on social media and available on the website.
- Information about requirements under the Beef Efficiency Scheme
- Continued promotion of the advice and events available under the Farm Advisory Service including specialist support and advice worth up to £1,000 for farm resilience planning in the face of current Brexit and market uncertainty.

Scottish Rural Network

- GAP analysis of available SRDP scheme case studies currently being conducted in order to identify priority areas for future case study production
- Filming and production of case studies including FLAG initiatives well under way – target of one completed film per month on schedule
- Working with LAG and FLAG Chairs to deliver a Rural Enterprise Futures conference in September including funding, programme development and event management
- Delivered evaluation workshop to LEADER Local Action Group staff at the LEADER Staff Group meeting (Stornoway)
- Undertook social media campaigns to support themed weeks targeted at rural communities and stakeholders e.g. Mental Health Awareness week, Community Land Scotland week, Island innovation, etc. and shared messaging for Farm Safety Week, scheme updates, etc.
- Developing & hosting a programme of project visits for Swedish LAG (Fisheries related theme) for later in the year
- Support and funding of learning trips in partnership with stakeholder organisations e.g. Rural Youth Project learning journey to rural Netherlands, Scottish Rural Action to European Rural Parliament in Spain and potential Women in Agri learning visit to Iceland regarding hill sheep farming.
- Supporting SG presence at RHS and Black Isle Show including generating social media content, production of SRDP leaflet and ministerial support at RHS. Additionally, low key promotion of Woodland Crofts Partnership funding by Minister at the Nairn show through social media and newsletter.

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 and modification 6 will update budgets to reflect demand, uptake and priorities, for example the end of the Broadband scheme and changes to LFASS payment rates.
- The vast majority of budget committed and with on-going pressures on SG budgets, very limited flexibility for remainder of programme.
- SG 2020/21 draft budget due by the end of the year, following the UK Autumn Budget.
- The UK Government has agreed to repay £160 million CAP convergence funds owed to Scotland's farmers and crofters. Awaiting confirmation of when and how these funds will be received. The Cabinet Secretary has stated that this money is ring-fenced for agriculture and land management.
- The intra-UK funding allocations review under Lord Bew has completed, with the UK Government accepting the recommendations. Scotland should therefore expect an increase in future funding by €60 million over two years.

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 in September 2019 and had 1 outstanding on-going action relating to income forgone in the forestry sector. This will form part of the discussion at a bilateral meeting on 1 October. The Commission notified SG in January that the error rate had since risen following the result of further audits. Officials have investigated the reasons behind this and can confirm that over-declarations for LFASS is the primary cause with two specific cases having a significant effect.

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	No impact for current SRDP 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 on the UKG 'farm support' commitment and for information on the Shared Prosperity Fund
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. A modification in 2019 to amend the financial plan is expected.
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 ANC	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) and funding means challenging to confirm viable options. Close working with delivery colleagues to ensure any policy options are deliverable.
Monitoring & evaluation	Lack of evidence on performance of schemes against outcomes which is necessary to inform the design of future support.	Monitoring completed or underway for most schemes. Progress against programme targets is being monitored through Annual Implementation Reports and feedback

		from the Commission and contractors will help improve our monitoring.
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