

News release

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Rural programme continues to face challenges after multiple failures

A Scottish Government programme set up to deliver complex agricultural reforms and financial support to rural workers continues to have serious cost and operational issues, and is unlikely to deliver value for money.

Audit Scotland has published its fourth update on the progress of the five-year Futures programme, an IT and business change scheme started in 2012 to deliver European Union's Common Agricultural Policy (CAP) reforms. The CAP provides financial support to farmers, crofters and rural businesses.

The programme has experienced considerable difficulties, particularly with the slow delivery and poor performance of a new IT system to process support claims. This has caused lengthy delays, missed payment targets, and rising costs. The delays have had a negative impact on farmers, many of whom were already experiencing financial difficulties caused by low milk prices and severe flooding.

The Scottish Government made a number of decisions in order to speed up payments and meet ministerial targets, which then slowed the progress of other key stages in the programme.

Originally estimated to cost £102million, the programme now has a final budget of £178million and a reduced scope. At the end of March, it had spent £126million and funds could run out before the IT system fully meets European Commission regulations. If it does not comply, it may lead to financial penalties of between £40million and £125million being imposed on the Scottish Government.

Audit Scotland has identified a number of problems with the programme's management, including significant tensions between teams, confused governance and accountability arrangements, and a failure to deal effectively with a significant conflict of interest held by a contractor on the programme.

Caroline Gardner, Auditor General for Scotland, said: "The CAP Futures programme has been beset with difficulties from the start. These problems, and the way they have been dealt with by the Scottish Government, are a serious concern, particularly as the programme continues to face major obstacles and is unlikely to deliver value for money.

"The scale of the challenge ahead should not be underestimated. It's vital that the Scottish Government take steps now to ensure the IT system is fit for purpose, and fully assess the potential financial impact if it's unable to meet the Commission's regulations within the programme's remaining budget."

The report builds on previous recommendations by Audit Scotland to enhance delivery and governance of the Futures programme. Audit Scotland will report again on the progress of the programme later this year, as part of the 2015/16 audit of the Scottish Government's accounts.

For further information contact Kirsty Gibbins on 0131 625 1658 or kgibbins@audit-scotland.gov.uk

Notes to editors

1. In 2012 the Scottish Government started a five-year programme to improve its business processes and IT systems to implement the European Union's Common Agricultural Policy (CAP) reforms from 2015 onwards. This is known as the CAP Futures Programme. The main aims of the programme

were to minimise financial penalties for non-compliance with EC regulations, enhance the customer experience, and make processes more efficient. The Scottish Government has included the programme on its risk register since February 2013.

2. The European Union's CAP began in 1962 and has been regularly updated and reformed since. The main aims of the CAP are to improve agricultural productivity so there is a stable supply of affordable food, and to ensure that farmers have a reliable income.

3. Around £4.6 billion in European and Scottish Government funding will be paid out to farmers, crofters and rural businesses between 2015 and 2020 under the reforms. The CAP provides a system of financial support for farmers and rural businesses in Scotland under two funding 'pillars':

- Pillar 1 provides direct payments and is fully funded by the European Union (EU).
- Pillar 2 provides funding for rural development through various schemes under the Scottish Rural Development Programme (SRDP). It is funded jointly by the EU and the Scottish Government.

4. In October 2014, the Auditor General reported under section 22 of the Public Finance and Accountability (Scotland) Act 2000 to the Scottish Parliament on costs and progress. Audit Scotland also provided the Public Audit Committee with updates on the programme's progress in April 2015 and October 2015. Exhibit 1 displays a timeline of some key events in the programme's history. Details of Audit Scotland's previous reports are available [here](#).

5. This latest update assesses the progress of the programme since Audit Scotland last reported up to April 2016. Part one focuses on what has happened to date. Part two looks at what has caused some of the problems that the programme has faced.

6. As at 29 April 2016, 77 per cent of basic payments have been issued to 13,915 farmers. This amounts to £171 million. No farmers had been fully paid at this point. The programme was working to a ministerial target of all payments being made by 30 April 2016.

7. There are around 67,000 people employed in agriculture in Scotland. The industry includes approximately 53,000 farms covering 5.5 million hectares of land. Net income from farming in Scotland for 2014 was £688 million.

8. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

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