Single Farm Payment 2005

How Scotland rolled out a Single Farm Payment Scheme at a cost of £285 per transaction compared to the English Rural Development Agency version costing £1,743 per transaction (six times as much!)

Previous Experience

Scotland was involved with agricultural subsidies before the Single Farm Payment. It had a premium area management support scheme with hierarchical compensation allowances. Farmers kept structured flocks, and were given a certain rate per animal. That totalled about £60m. This support scheme changed to being on an area basis.

The Single Farm Payments Scheme aggregated 7-8 areas based schemes so Scotland had some experience to draw on for the Single Farm Payment scheme.

There were a number of people in Scotland involved in the Single Farm Payments Scheme who were sympathetic to their counterparts in the English Rural Payments Agency. That was because they could see (as borne out in the subsequent report by the House of Commons Economic and Rural Affairs Committee) that the English Rural Payments Agency was being *asked to do too much in too little a time.*

English Model and Approach

The model adopted in England was complex – the dynamic hybrid scheme. This hybrid scheme took a historical reference to payments and also had an area based element on land declared. It was called dynamic because it changed over time – it started with the major part being historic payments and moved over time to being wholly area based.

The Scottish Approach

Scotland was different. The Minister chose the historic model and based future payments on what government had paid and decided that Scotland would convert to an area based model later (ie in the next phase – see below).

Scottish land is divided into "favoured" and "less favoured". 65% of Scottish land is "less favoured" (whereas that figure is 15% in England). Therefore when implementing the Single Farm Payment there was a choice. If it were to be area based there would have been a high redistribution of subsidy from the South East to the North West of Scotland. Money would have been redistributed to the North West with its pluri-activity (e.g. crofters doubling up as teachers etc).

The possible scale of such redistribution was 40% therefore the question didn't need to be asked because businesses were fragile and reliant on level of subsidy. Therefore the Minister decided the time was not right for area based.

Early Integration of Databases in Scotland:

In the 1990s when Scotland's Rural Affairs department developed its computer system it developed an integrated database where all subsidy schemes were based on a common system with common languages etc.

In England the RPA had 7-8 databases developed in different technologies. Therefore their first task was to get the databases to talk to each other. Scotland already had an integrated database so it was easy to link the legacy system with the Single Farm Payment entitlement.

More problems with an Area-based approach

Other aspects: if Scotland had opted for an area based model most producers were to get a payment on land they declared by the 15th May in the first year of operation. However, the payment window was to open on 1st December so there were only a few months for turnaround.

The English RPA had the challenge of getting information in on 15th May to produce the payment by the 1st December. It was never going to happen for the majority because the area based model took in people who didn't previously have access to a subsidy.

People with a small amount of agricultural land who had never benefitted from the previous scheme or registered with the RPA filled in forms for the first time on 1st May 2005. So RPA had to take in registrations, calculate and make payment value in just a few months.

In terms of new entrants the increase of claims was 60% because under the old scheme there was always a limit on the number of items you could claim. There was a livestock quota – unless you had the quota you couldn't claim.

Therefore a lot of people undertaking farming didn't participate in the old subsidies. With the Single Farm Payment those with eligible agricultural land therefore could come into the system.

Because Scotland followed the historical approach it kept those people out.
That was not without its problems. For example farmed venison was excluded in Scotland but included in England (source of concern by Scots venison farmers).

In England there was an 11% increase in the number of hectares declared for subsidy purposes – about 1m hectares was not mapped – they were required to be mapped which was a huge workload.

So in England the RPA was required to do too much in too little time.

Skills and Pressure in England also to Reduce Staff Costs

The English RPA was asked to reduce running costs. At one stage temporary staff exceeded permanent staff which brought its own difficulties. Scotland benefitted from stable staff.

As the traditional scheme there ran down their skilled people moved to the Single Farm Payment. So Scotland had skills movement at basic level. The premise was that there are no real differences in types of claims – financial or whatever – it doesn't matter what the claims are – those people could bring solutions.

In England the problem was that they had to produce staff savings and had a voluntary redundancy scheme going at the same time. With those you tend to lose your best people. Therefore the English RPA went on a downwards spiral. Once it started going off the rails it was difficult to attract the calibre of staff to what might appear to them to be a sinking ship.

Measuring Progress.
One key benefit was that Scotland started in August 2003 when the original regulations were published. So it focused right from the start on the target that the1st December 2005 was the day when payments would start. Scotland therefore immediately geared what it was currently then doing to question how it contributed to payment on the 1st December. It recognised from the start that producers expected to be paid on the 1st December (even though that was just the start of a time window).

Management Structure
The management structure was dedicated to CAP Reform Implementation.
In order the management structure was three tiered:

- Programme Board: high level departmental level
- Implement Board – met monthly
- Pointed work stream managers for IT delivery (monthly implementation)

Scotland tied the reporting line together in the Programme Management Office using Microsoft Project – did the job of chasing work stream managers and chasing up on target dates.

Personal Ownership
There was personal ownership: people knew where they fitted and what they were ding.

Problem Resolutions by being Physically Close to IT Developers
The Scottish Rural Affairs officers were physically relocated to work alongside IT colleagues who were writing the programs "so if there was a problem we went to their desk". That was a great benefit – nothing escalated to being a media issue because any problem got sorted out at a local level – not waiting on more senior decision makers.

Independent Gateway Reviews (Scottish version)
Management wanted the Scottish project to be subjected to quality assurance Gateway Reviews. They underwent Gateway Reviews – it was a good discipline. That was through the Scottish Executive and it was like an external audit (NB: It used OGC guidelines but implemented in Scotland via the Scottish Executive Centre).

Claims management was partitioned in England
In England the RPA chose the Single Farm Payment – a new complicated model and opted for a task based claims processing claims instead of one person dealing with a claim for start to finish. English claims were split into different parts and could bounce around the country (eg from Carlisle to Newcastle to Exeter).

It is all very well introducing innovative practices but there are times to do it – that was not one of them!

Scotland: Information technology was In-House Team
With IT Scotland had a mixed economy – the IT was managed by in-house staff and the contractors were embedded in the organisation (contractors from Socra who provided developers, analysts etc who worked alongside the Scottish executive).

Scotland: Incentivised training and Skills for IT Staff
One of the things was that the Scottish Government requires IT professional training – IT qualifications and continuing professional education. They had a pay retention allowance for those with preferred qualifications with substantial - £3-4k - incentives. Their training was paid for.

Scotland retained more skilled staff in outsourcing spree of the 1990s
On outsourcing in the 1990s Scotland was not as radical as the UK. For example, with internal audit in the 1990s there was pressure on outsource accounting to accountancy firms. It was recognised that although the basic auditing function could be done cheaper the firms made their profits on consulting: so when tendering for fees there was no holding back when it came to consultancy fees. Therefore it was made clear that if someone won a successful audit they were barred from consulting. That was a salutary lesson.

Scotland still had some Challenges
There were aspects of the Scottish system that they wouldn't do again in some ways. For example there were 7-8 categories under which someone could apply and they didn't know how many would apply so they computerised all the categories. With hindsight that was not all cost effective. They believe they should have taken an educated gamble and *maybe in some cases not deal with computer systems but keep it manual.*

For example the distributed area office network, 20 offices with distributed processing of national search claims, had to invest in training officers how to process. In hindsight this would have been better centralised or done with temporary staff.

Scotland: Seeking out and Learning from past Experiences
At the start, in August 2003, there was a high level afternoon meeting bringing together people (8) from across the Scottish Executive who had gone through major change. They discussed the key factors contributing to and detracting from success. They identified principles and strategy for implementation.

The first was having a dedicated team of people: dedicated in two ways: that was all they worked on; and they were committed to it. From the start those in Scotland thought about the long term –how to embark on the project and how to complete it.

Impact of Politics?
"Things change and stay the same".
In Scotland it was a partnership – the government was a Labour/Liberal coalition - agriculture was devolved. European regulations helped because they limit what a Minister can do, especially in Scotland because Scottish Ministers have to implement EU regulations in full. They can't pick and choose parts; they have to do it all therefore there is limited scope for mavericks.

IT Systems were simple
The IT comprised an Oracle database – there was nothing special about it and they had their own internal Microsoft Outlook email system and relational database management. Nothing cutting edge. While awaiting the decision they had to guess what the regulations might mean. Occasionally they got it wrong and had to dismantle and rebuild the IT.

Key was having immovable targets
From the start it was decided that the payment day (1st December 205) was fixed and that it was not going to move. "Once you allow yourself to give up a payment day and let it slide it is very easy to slide more and more – every time you make a decision to slip it becomes easier and easier to slip. It is difficult to say NO!"

People on Project
HQ staff: admin 15-18 people. Three people advised on policy; and IT had 50-60 people.

Can the Scottish system scale?
Scale is not so much of an issue (i.e. they could scale) the only limitation is the ability to physically capture data. Scottish Rural Affairs pay 20,000 people a year. The only thing preventing scaling is not to capture the claim. Scotland would have gone the same way as the English RPA if had been placed in the same position and asked to do the dynamic hybrid with a computer system not fit for purpose and also at the same time asking for staff savings.

Scotland would make interesting academic case study
Would be an interesting project before people retire to do work on this for a management business thesis.

Next round for Single Farm Payments. Is England now better placed?
Scotland will be doing all this again in three years time as the existing system is scheduled to end in 2012. The new one is starting in 2013 and that will be the real test. The internal bet is that Scotland will be asked to produce an area based scheme (so they are already preparing for that now).

In England the changes might be minimal – there is always a potential problem. It is under the Treaty of Lisbon, so the decision is a co-decision with the European Parliament and that may delay the final decision. It may be delayed till 2014 and that means existing schemes are likely to roll over for two years.

Scotland is already preparing now for Phase 2 (2013)
The Single Farm Payment budget is to be cut because the EU says to follow Pillar 2 (more diversification of land use) and rely less on direct payments (as in the current Pillar 1). Therefore the indications are that the budget will be reduced and they are preparing to make the right changes to accommodate changes. The EC priorities were due to be announced late autumn 2010: in the interim the Scottish Rural Affairs assumption is that the first payments will be made on 1st December 2013

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