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23 March 2026

Dear Convener,

In my letter of 15 December 2025, I committed to share the review of the 2025 Future Farming Investment Scheme (FFIS) with the Committee. Please see attached the report which focuses on lessons learned from the operation of the scheme.

The First Minister announced that the Scottish Government has allocated £14.25 million to a second round of the Future Farming Investment Scheme for the 2026/27 financial year. This builds on the £21.4m delivered through the first round of FFIS.

The first round of FFIS generated exceptionally strong demand for up-front capital investment support across Scottish agriculture, with applications significantly exceeding the available budget. The scheme was deliberately designed to be flexible and accessible, allowing applicants to propose investments suited to their individual business circumstances. While this approach supported broad participation, the report highlights that this flexibility, alongside the availability of up to 100% grant support and up-front payment influenced application behaviour and contributed to the high level of demand observed.

The report also highlights the challenges of operating a highly competitive grant scheme, including the importance of clear alignment between scheme objectives and planned investments and the complexity introduced by operating multiple objectives and priority groups in a competitive ranking process. It further identifies the influence intervention rates have on both applicant behaviour and the number of businesses that can be supported within the available budget.

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The Scottish Government will take into account industry feedback from the 2025 round and using this report as a base, will work with stakeholders to ensure any appropriate changes are considered. Details of any changes to the scheme will be outlined following stakeholder engagement and once a decision has been made by the future administration.

Yours sincerely,



JIM FAIRLIE

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Review of the Future Farming Investment Scheme (FFIS) 2025

Operational Review and Lessons from the 2025 Round

Prepared by:
Agriculture and Rural Economy Directorate (ARE)
Portfolio Management Office (PMO)
Scottish Government
March 2026

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About this Report

This report provides an operational review of the 2025 Future Farming Investment Scheme (FFIS).

The review draws on application data, delivery experience, and stakeholder engagement to identify observations arising from the operation of the scheme under conditions of high demand.

The report is intended to support understanding of how the scheme operated in practice and to capture learning that may inform the continued development of agricultural capital investment support.

Executive Summary

FFIS was introduced in 2025 as a pilot capital grant scheme designed to support farmers and crofters in Scotland to invest in equipment and technology that improves the efficiency and environmental performance of their agricultural businesses. The scheme provided upfront capital funding to ensure that businesses could access investment support to deliver the scheme's objectives.

The objectives of the scheme were to:

- improve business efficiency and sustainability;
- protect, restore, or enhance the environment;
- reduce greenhouse gas emissions and/or
- mitigate the effect of climate change.

The scheme attracted strong demand, receiving a total of 7,582 applications requesting approximately £77.7 million in grant funding against a final available budget of £21.4 million.

Following eligibility checks and competitive assessment against the published scheme objectives, 1,794 grant offers were issued. Assessment decisions were applied consistently across all applications using the published eligibility criteria and scoring framework approved for the scheme.

This review summarises internal observations arising from delivery of the Future Farming Investment Scheme (FFIS) 2025 and review of administrative application data. The observations reflect operational experience from the pilot scheme and should be interpreted as indicative operational insights rather than comprehensive evaluation findings, as they are not based on formal user research or structured stakeholder engagement.

The purpose of the review is to capture learning from the first round of FFIS and to provide insight into how the scheme operated in practice under conditions of very high demand and constrained budgets. The observations are specific to the design and delivery of FFIS 2025 and should therefore be interpreted within that context rather than as general conclusions applicable to all agricultural capital grant schemes.

The experience of FFIS 2025 highlights the influence of scheme design parameters, including grant intervention rates and upfront payment of support, on application behaviour and the number of businesses that can be supported within a limited budget.

Purpose of this Review

This review provides a factual overview of the operation of the Future Farming Investment Scheme (FFIS) 2025 and identifies observations arising from scheme delivery and analysis of administrative application data.

The observations presented draw primarily on operational delivery experience and analysis of scheme data. They also reflect issues raised through enquiries from applicants, correspondence from Members of the Scottish Parliament, public commentary following publication of scheme results and requests for information submitted under Environmental Information Regulations.

The purpose of the review is to capture learning from the implementation of FFIS 2025 and to document observations on how the scheme operated in practice under conditions of high demand and constrained budgets.

While competitive capital schemes have previously operated under similar conditions, the experience of FFIS 2025 provides a specific operational case study that helps illustrate how scheme design, application behaviour and assessment frameworks interact in determining funding outcomes where demand significantly exceeds available funding.

Status of this Review

This report summarises delivery experience from the first round of the scheme and does not reconsider individual funding decisions. All applications were assessed in accordance with the published scheme guidance and scoring framework.

The report focuses on lessons from the scheme as a whole and highlights observations that may inform the design and operation of future rounds.

Methodology and Evidence Sources

The observations contained in this report draw primarily on analysis of administrative data from the operation of FFIS 2025 and operational delivery experience from scheme administration.

Application data has been analysed to identify patterns in application behaviour, including the types of investment proposed, the scale of investment requested and the interaction between scheme design parameters and funding outcomes.

The review also reflects operational issues and themes identified through enquiries from applicants, correspondence from Members of the Scottish Parliament, public commentary following publication of scheme results and requests for information submitted under Environmental Information Regulations.

The review does not draw on formal user research or structured stakeholder engagement and should therefore be interpreted as an operational review of scheme delivery rather than a comprehensive programme evaluation.

Data Interpretation

Data presented in this report reflects administrative information recorded during the operation of the scheme. Where statistical summaries are provided, these are intended to illustrate patterns in application behaviour rather than to evaluate individual applications or funding decisions.

Analytical Note

The analysis presented in this review focuses on identifying patterns in application behaviour and scheme operation rather than evaluating individual applications or decisions.

Differences observed between sectors, business sizes or investment types should therefore be interpreted as reflecting application behaviour and scheme structure rather than differences in eligibility or assessment practice.

The observations presented reflect patterns arising within the context of the specific scheme design, budget and eligibility rules that applied to FFIS 2025.

Overview of the 2025 Scheme

FFIS 2025 was delivered as a pilot approach to capital investment support, providing upfront capital grants of up to 100% of eligible investment costs to enable farmers and crofters to invest in equipment and technology that improves business efficiency and environmental performance.

The pilot introduced a number of features that differed from previous capital grant schemes, including upfront payment of grant support, higher potential intervention rates, and the ability for applicants to propose capital items based on their individual business needs rather than selecting from a predefined list.

This approach differed from previous capital grant schemes such as the Sustainable Agriculture Capital Grant Scheme (SACGS), which operated with predefined lists of eligible items, lower intervention rates and post investment reimbursement. These differences in scheme design are relevant in understanding the scale of demand and application behaviour observed in FFIS 2025.

Applicants were able to propose capital investments which they considered would contribute to one or more of the scheme objectives. Proposed investments were assessed against the published objectives and scored according to their alignment with those objectives. Where demand exceeded available funding, applications were ranked competitively based on their final scores.

Demand for Capital Investment

The first round of FFIS generated exceptionally strong demand for up front capital investment support across Scottish agriculture.

A total of 7,582 applications were received requesting approximately £77.7 million in grant funding against an available budget of £21.4 million. Applications included a combined total of 17,896 individual capital investment items.

The scale of demand reflects strong interest across the sector in capital investment opportunities, particularly under a scheme design offering upfront funding and higher intervention rates.

Following eligibility checks and competitive assessment, 1,794 grant offers were issued representing approximately 24% of applications received.

What FFIS 2025 Demonstrated

The first round of FFIS generated exceptionally strong demand for up front capital investment support across Scottish agriculture.

The level of demand observed in the first round of FFIS demonstrates strong interest across the agricultural sector in up front capital investment that can improve business efficiency while contributing to environmental and climate objectives.

A number of factors are likely to have contributed to this level of demand, including the availability of grant support of up to 100% of eligible investment costs provided upfront. This approach reduced the need for applicants to finance

the full cost of investment prior to receiving support, which can represent a barrier for some agricultural businesses within traditional capital grant schemes.

The scale of applications received therefore reflects both the attractiveness of the funding model and the continuing importance of capital investment in supporting agricultural businesses to maintain and improve operational efficiency.

The volume and range of applications submitted also indicates that many farmers and crofters prioritised investments that improve business efficiency. Such investments can also contribute to environmental and climate outcomes through improved resource use, reduced input losses, and more efficient management of agricultural systems.

Analysis of application data provides further insight into the types of investments proposed and the patterns of application behaviour observed during the scheme.

Issues Raised

During the application period stakeholder engagement was generally constructive, with most concerns emerging after publication of funding outcomes.

Following publication of the scheme results, a number of concerns were raised by stakeholders and applicants, including:

- uncertainty about the role and influence of priority groups within the competitive scoring framework;
- perceptions among some applicants that larger businesses were more likely to be successful;
- concern that island and crofting businesses faced structural disadvantages within a single competitive ranking list;
- questions raised regarding scoring methods and the operation of the assessment process
- frustration among some applicants whose applications were found to be ineligible and
- uncertainty regarding which types of investments were most strongly aligned with scheme objectives.

These concerns arose largely in the context of very high oversubscription, where a large proportion of eligible applications could not be supported within the available budget. This reflects the operation of a competitive scheme operating under constrained funding rather than from inconsistency in the application of the published rules.

Interaction Between Scheme Objectives and Competition

FFIS 2025 sought to support multiple policy objectives simultaneously, including improvements in business efficiency, environmental outcomes, and reductions in greenhouse gas emissions.

Applicants were asked to indicate which scheme objectives they considered their proposed investment would contribute toward. In many cases applications identified multiple objectives for a single investment.

During the assessment process, proposed capital investments were evaluated independently against the published scheme objectives and scored according to the extent to which they demonstrated alignment with those objectives.

Where demand exceeded the available budget, investments that demonstrated stronger and clearer alignment with the assessed objectives tended to achieve higher scores and therefore ranked more competitively.

Operating multiple objectives within a highly oversubscribed competitive scheme can make it more difficult for applicants and stakeholders to interpret how funding decisions are prioritised.

This experience highlights the importance of clearly articulated scheme objectives, transparent assessment frameworks, and clear guidance on how different types of investment relate to scheme objectives within a competitive up-front capital funding environment.

Operation of a Competitive Discretionary Capital Grant Scheme

Where demand significantly exceeds the available budget, competitive capital grant schemes rely on transparent and consistently applied assessment frameworks to determine which applications can be supported.

Under such conditions, many eligible applications cannot be funded regardless of application quality or alignment with scheme objectives, as final funding decisions are ultimately constrained by the available budget.

In heavily oversubscribed schemes, relatively small differences in application scores or investment scale can influence final funding outcomes even where assessment rules are applied consistently.

The experience of FFIS 2025 illustrates how application behaviour, investment scale and competitive ranking frameworks interact to shape funding outcomes when demand significantly exceeds available funding.

Oversubscription and Perceptions of Fairness

Funding outcomes under FFIS 2025 were determined by the interaction between scheme objectives, scoring frameworks and the relative competitiveness of applications after eligibility requirements had been met. In a scheme where demand significantly exceeded the available budget, final funding decisions were therefore determined through competitive ranking rather than by eligibility alone.

FFIS 2025 also included a number of defined priority groups intended to recognise structural characteristics within the agricultural sector.

Applications from these groups received additional weighting within the scoring framework. However, priority group status did not guarantee funding. As with all applications, proposed capital investments were required to demonstrate strong alignment with the scheme objectives in order to achieve a competitive score.

In practice, the terminology of “priority groups” did not always translate clearly into how the competitive scoring framework operated. While priority status provided additional weighting, the most significant determinant of an application’s score remained the extent to which the proposed investment was assessed on the strength of its alignment with the scheme objectives.

In some cases, the terminology of “priority groups” also appears to have contributed to expectations among some applicants that membership of a priority category would increase the likelihood of receiving funding. In practice, priority group status provided additional weighting within the scoring framework but did not override the requirement for proposed investments to demonstrate strong alignment with the scheme objectives. Applications that did not score competitively against those objectives could not be supported once the available budget had been allocated.

Under conditions of significant oversubscription, many eligible applications, including those from priority group businesses, could not be supported once the available budget had been allocated.

This dynamic can create perceptions among applicants that funding outcomes are inconsistent or unfair, particularly where applications met eligibility requirements but did not achieve a sufficiently competitive score to fall within the available budget.

While the RPID has operated competitive capital grant schemes under conditions of oversubscription, FFIS 2025 combined several design features that differed from other schemes. In particular, the scheme offered grant support of up to 100% of eligible investment costs, provided funding upfront following approval, and allowed applicants to propose their own investment choices. The combination of these elements increased accessibility for applicants and appears to have contributed to a higher level of demand.

The experience of FFIS 2025 illustrates how oversubscription can shape stakeholder perceptions of competitive capital schemes even where assessment decisions are applied consistently and in accordance with published rules.

Feedback received following publication of scheme results also highlighted the importance of ensuring that scheme rules and definitions are clearly presented within core guidance. While FFIS guidance was published on the Rural Payments and Services website, some detailed definitions were contained within annexes and supplementary Frequently Asked Questions documents issued during the application window. This structure may have contributed to some misunderstanding among applicants regarding how certain eligibility criteria and priority classifications were applied within the assessment process.

Understanding this dynamic is important when interpreting feedback arising from heavily oversubscribed schemes.

These observations highlight the importance of clear communication regarding the operation of competitive capital schemes and the role of eligibility, scoring, and budget constraints in determining final funding outcomes.

Application Behaviour

Review of FFIS 2025 applications indicates that a large proportion of proposed capital investments related to improvements in business efficiency. This included equipment designed to improve nutrient management, livestock handling and weighing, feeding efficiency and precision input use.

The scheme design, including the availability of up front grant support of up to 100% of eligible investment costs, reflected feedback from industry on previous capital schemes, particularly in relation to cashflow constraints and access to investment. These features are therefore important in understanding the application behaviour observed.

In comparison, relatively fewer applications focused primarily on investments designed to deliver nature or biodiversity outcomes. This pattern reflects the types of investments most commonly proposed by applicants within a scheme structured around business led capital investment decisions.

Many of the efficiency-related investments proposed by applicants can also contribute indirectly to environmental and climate objectives through improved resource use, reduced input losses and more efficient management of agricultural activities.

Application behaviour was also influenced by the availability of grant support of up to 100% of eligible investment costs provided up front. Review of application data shows that applicants frequently sought support for a large proportion of

total investment cost. Across all applications, the average grant request represented approximately 85% of proposed investment cost, with a median request of 94%.

This contrasts with the experience of the Sustainable Agriculture Capital Grant Scheme (SACGS) that operated in 2020/21, which applied lower intervention rates of 50% (60% for Highlands and Islands areas), a predefined list of eligible items, maximum cost thresholds, and a post investment reimbursement model. SACGS received 3,735 applications requesting £16.96 million, with 3,145 final claims resulting in £12.8 million paid. This comparison illustrates how payment structure and intervention rates can influence both demand for support and the proportion of approved investments ultimately delivered.

These differences in scheme design reflect a shift in approach in response to stakeholder feedback, particularly in relation to accessibility of capital support.

Grant intensity also varied between different types of applicants. Crofting businesses tended to request higher intervention rates, with average grant requests of approximately 92% of investment costs and a median request of 100%. These patterns are illustrated in Tables A4 to A7 in Annex A.

Taken together, these patterns demonstrate how scheme design, including intervention rates and payment structure, can influence application behaviour within competitive capital grant schemes.

Applications were able to include multiple capital items. The table below summarises the total number of capital items applied for and the associated grant value by scheme objective.

Table 1 – Capital Items Applied for by Scheme Objective

| Scheme Objective | Applied | Grant Value | Offered | Grant Value Offered | % Total Grant Offered |
|--|----------------|--------------------|----------------|----------------------------|------------------------------|
| Total Number of Capital Items Applied For | 17,896 | £ 77,699,732.41 | 3,885 | £ 22,183,000.48 | |
| Improve Business Efficiency and Sustainability | 17,159 | £ 75,856,885.17 | 3,750 | £ 21,719,789.53 | 98% |
| Protect, Restore or Enhance the Environment | 7,628 | £ 35,200,180.98 | 1,884 | £ 11,573,672.94 | 52% |
| Reduce Greenhouse Gas Emissions | 8,908 | £ 45,384,662.92 | 2,424 | £ 15,330,987.39 | 69% |

| | | | | | |
|---------------------------------------|-------|-----------------|-------|-----------------|-----|
| Mitigate the Effect of Climate Change | 7,412 | £ 37,581,366.15 | 2,083 | £ 13,200,040.15 | 60% |
|---------------------------------------|-------|-----------------|-------|-----------------|-----|

Note: Capital items could be associated with more than one of the schemes objectives. Totals therefore reflect the number of objective selections rather than unique capital items applied for.

The analysis shows that the majority of capital items applied for were associated with improving business efficiency and sustainability. While many investments were also identified as contributing to environmental or climate objectives, the strongest alignment was with efficiency related improvements.

This pattern reflects the role that improvements in business efficiency can play in reducing input use, improving resource usage, and supporting wider environmental outcomes within agricultural systems.

Investment Scale and Business Size

Application data indicates differences in the scale of investment proposed by businesses of different sizes.

Under the area-based grant ceilings applied to the scheme, smaller businesses were eligible to apply for lower maximum grant amounts than larger businesses.

Application data indicates that proposed investment values broadly reflected the grant ceilings available to different business size categories. Smaller businesses typically proposed investments close to the £5,000 ceiling while larger businesses frequently proposed investments aligned with the £20,000 maximum threshold.

This pattern illustrates how scheme design can influence application behaviour. Where maximum grant values differ across business categories, applicants tend to propose investments that align with the maximum funding available to them.

This observation suggests that differences in proposed investment scale may reflect scheme design parameters as well as underlying business characteristics.

Analysis of application data also indicates that applicants generally requested a high proportion of the investment cost as grant support. Across all applications the average grant request represented approximately 85% of investment costs, with a median grant request of 94%.

Grant intensity also varied by business size. Smaller businesses requested higher intervention rates than larger businesses, with small businesses requesting on average around 90% of investment costs compared to approximately 83% among larger businesses.

The availability of grant support of up to 100% of eligible investment costs also appears to have influenced application behaviour. Of the 7,582 applications submitted, 3,383 requested support at the full 100% intervention rate, while the average grant request across all applications represented approximately 85% of the total investment cost.

This pattern suggests that intervention rates can influence both the scale of investment proposed and the level of grant requested by applicants. In competitive capital schemes operating under budget constraint, grant intensity therefore represents an important design consideration in balancing accessibility of support with the number of businesses that can be supported within the available budget.

Summary statistics illustrating investment values, grant intensity and use of grant ceilings by business size are provided in Tables A2 to A5 in Annex A.

Multiple Scheme Objectives

FFIS 2025 was designed to support several complementary objectives including improvements in business efficiency, enhanced environmental outcomes and reductions in greenhouse gas emissions.

While these objectives are closely related, operating multiple objectives within a competitive capital scheme can make it more difficult for applicants and stakeholders to interpret how funding decisions are prioritised where demand significantly exceeds the available budget.

The experience of FFIS 2025 illustrates how the interaction between scheme objectives, funding model, application behaviour, and competitive scoring frameworks can influence funding outcomes under conditions of significant oversubscription.

This observation highlights the importance of clearly defined objectives and transparent assessment frameworks when competitive capital schemes operate under budget constraints.

Priority Groups

Priority groups were included within FFIS 2025 to recognise structural characteristics within the agricultural sector. These groups included new entrants, young farmers, small agricultural businesses, tenant farmers, island-based businesses, and organically certified producers.

Eligible applications from these groups received additional scoring weighting within the assessment framework. However, priority group status did not guarantee funding. As with all applications, proposed capital investments were

required to demonstrate strong alignment with the scheme objectives to achieve a competitive score.

Applicants did not select priority group status directly. Instead, it was identified through responses provided within the application form relating to characteristics of the applying business, including the age of the head of business, land area, length of time trading, land tenure, island location, and organic certification status. These responses were used within the application assessment process to identify applications for verification against the published scheme definitions.

Where applications did not meet the relevant definitions following verification, they did not progress further within the assessment process. Feedback following publication of scheme results suggests that some applicants did not fully recognise how responses to these questions would be interpreted within the assessment framework.

This experience highlights the importance of clearly framed application questions and explanatory material that help applicants understand how responses provided within the application process are interpreted and applied within the assessment framework. It also illustrates the importance of ensuring that applicants have a clear understanding of scheme definitions and how these relate to eligibility and verification requirements.

The table below summarises application volumes, eligibility outcomes, and funding awards across the defined priority groups.

Table 2 – Applications and Funding Outcomes by Priority Group

| Applicant type | Number of Applications Received | Applications Assessed as Eligible | Number of Offers Made | Total Grant Value (£) | % of Eligible Applications Approved |
|-----------------------|--|--|------------------------------|------------------------------|--|
| Young Farmers | 1,490 | 653 | 323 | £3.3m | 49% |
| New Entrants | 1,093 | 250 | 137 | £1m | 55% |
| Island Businesses | 1,405 | 733 | 259 | £2.1m | 35% |
| Tenants | 2,297 | 1,179 | 416 | £4.3m | 35% |
| Small Businesses | 1,445 | 665 | 225 | £953k | 34% |
| Organic Producers | 283 | 126 | 52 | £776k | 41% |

Note: Businesses could qualify for more than one priority group category. As a result, totals across priority groups do not represent unique businesses.

These figures illustrate that funding outcomes were determined by the competitive scoring framework applied across all applications. While applications from priority group businesses received additional weighting, proposed

investments still needed to demonstrate strong alignment with the scheme objectives to rank competitively within the available budget.

Approval rates varied across priority groups reflecting the interaction between application volumes, eligibility outcomes, and the competitiveness of proposed investments.

Analysis of grant intensity by priority group also indicates relatively high intervention rates across several of these categories. Businesses within priority groups frequently requested a high proportion of investment costs as grant support, with median grant requests reaching 100% of investment costs for several categories including new entrants, island-based businesses, and small agricultural businesses.

Use of the maximum grant ceiling also varied across priority groups, with some groups requesting a larger proportion of the available ceiling than others. These patterns are summarised in Tables A8 and A9 in Annex A.

These observations illustrate how both grant intensity and scheme ceilings can influence application behaviour across different types of agricultural business.

Capital Investment Choice and Application Complexity

Applicants were able to propose a wide range of capital investments where they considered these aligned with the scheme objectives. This approach was intended to maximise flexibility and accessibility by allowing applicants to identify investments that best suited the operational needs of their individual businesses, rather than restricting support to a predefined list of items.

This flexibility allowed businesses to identify investments that suited their individual circumstances. However, it also resulted in considerable variation in the types of capital items proposed and the scheme objectives applicants considered those investments would deliver.

In practice, this created additional complexity within the assessment process and contributed to some uncertainty among applicants regarding which types of investment were most strongly aligned with the scheme objectives.

Scheme design elements such as intervention rates and payment structure can also influence application behaviour and the types of investments proposed by applicants. While FFIS 2025 offered grant support of up to 100% of eligible investment costs and provided funding upfront following approval, other capital support schemes have (and continue to) operate with lower intervention rates and post-investment reimbursement models. The influence of these factors on application behaviour is discussed earlier in this report.

While this demonstrates that capital investment schemes can attract significant demand at lower intervention rates, the difference between offers issued and claims paid illustrates that schemes requiring applicants to fund the full cost of investment prior to reimbursement may experience some reduction between approval and delivery where applicants are unable to finance the investment upfront.

The experience of FFIS 2025 suggests that clearer definition of eligible capital investments and stronger alignment between scheme objectives and supported items may help improve transparency, consistency and understanding. However, adopting a more prescriptive approach to eligible investments may also reduce the flexibility available to applicants to propose investments tailored to their individual circumstances. As with many aspects of scheme design, there is therefore a balance to be struck between flexibility, clarity, and administrative simplicity.

Transparency and Communication

The competitive nature of the scheme and the scale of oversubscription generated significant interest and scrutiny from stakeholders, MSPs and the wider agricultural sector.

Where large numbers of eligible applications cannot be supported due to budget constraints, clear communication of scheme rules, assessment processes and funding outcomes becomes particularly important.

The experience of FFIS 2025 highlighted the importance of ensuring that the operation of up-front competitive capital schemes, including the role of eligibility requirements, scoring frameworks and budget limits, is clearly explained to applicants and stakeholders.

Accessible explanations of how applications are assessed and how funding decisions are determined can help support confidence in the fairness and transparency of competitive grant schemes.

Publication of clear guidance worked examples and summary outcome data can help applicants better understand how competitive schemes operate.

Clarification of the Assessment Process

Following the announcement of FFIS 2025 funding decisions some public commentary suggested that Artificial Intelligence (AI) had been used to assess or score applications.

This was not the case.

Applications were assessed using rule based analytical tools within the Scottish Government's existing business intelligence capability. These tools were used to integrate application data with relevant administrative datasets and to apply the published eligibility checks and scoring framework consistently across all applications.

The analytical tools applied predetermined rules derived directly from the scheme guidance and scoring framework approved through scheme governance. They did not introduce judgement, discretion or autonomous decision making.

Assessment outcomes were therefore determined solely by the published scheme criteria and verified data provided by applicants.

The analytical tools performed the same function that manual analysis would have performed but allowed the published rules to be applied across the full application population.

The experience of FFIS 2025 highlights the importance of clearly explaining how applications will be validated as part of the assessment process. Providing explanations of how scheme validation will be applied against the published scheme criteria can help avoid misunderstanding and support confidence in the transparency and consistency of competitive assessment processes.

Communication with Applicants

Where applications were unsuccessful, communications confirmed that the application had not been successful within the available budget.

Providing detailed application specific feedback required careful handling to ensure explanations were accurate and consistent with the published scheme rules, particularly where verified information did not align with declarations made within an application.

Given the large number of applications received and the compressed delivery timetable for the scheme, communications with unsuccessful applicants were limited.

The experience of FFIS 2025 highlights the importance of considering how clear and proportionate feedback mechanisms can be incorporated into competitive capital grant schemes operating under conditions of extremely high demand.

Clarity of Guidance and Applicant Responsibility

Experience from FFIS 2025 highlighted the importance of clear scheme guidance and well understood eligibility requirements within competitive capital grant schemes, particularly with the funding model of up-front grants of up to 100% which is likely to generate high interest.

Analysis confirms that assessment decisions were applied consistently and in line with published rules. However, the proportion of applications did not progress because proposed investments did not meet eligibility requirements or because the information provided within the application did not demonstrate sufficient alignment with the scheme objectives.

In addition to the main scheme guidance document, supplementary explanatory materials were produced during the application period, including Frequently Asked Questions (FAQs) developed in response to queries from applicants and stakeholders.

Some scheme definitions and interpretative clarifications were included in annexes or supplementary materials rather than within the main guidance document itself. While these materials were intended to support applicants in interpreting scheme requirements, the experience of FFIS 2025 indicates that applicants may not always distinguish clearly between formal scheme rules and supporting explanatory material.

The experience of the first round suggests that competitive capital schemes benefit from clear guidance, well defined eligibility criteria and application processes that help applicants understand how investments will be assessed against scheme objectives.

Implications for the Design of Competitive Capital Schemes

Experience from FFIS 2025 highlights several structural factors that influence how up front competitive capital grant schemes operate in practice.

Where demand significantly exceeds available funding, the interaction between scheme objectives, eligibility rules, investment choice, and assessment frameworks can shape funding outcomes as much as the policy objectives themselves.

The experience of the first round therefore highlights the importance of clearly defined scheme objectives, transparent assessment frameworks and well understood eligibility rules where capital investment support operates within a competitive funding environment.

These considerations may be relevant when designing future rounds of capital investment support intended to deliver measurable outcomes while operating within limited public budgets.

Experience from FFIS 2025 also indicates that scheme design parameters such as intervention rates and payment structure can influence both application

behaviour and scale of demand. These factors therefore represent important considerations when balancing accessibility of support with the number of businesses that can be supported within the available budget.

Clear scheme design can help ensure that capital investment support delivers measurable outcomes while maintaining transparency and confidence among applicants and stakeholders.

Future schemes may also benefit from application processes and guidance developed using user centered design principles to ensure that applicants clearly understand what information is required and how proposed investments will be assessed against scheme objectives.

Lessons Learned from FFIS 2025

The following observations summarises the key themes emerging from analysis of application data, scheme delivery experience, and stakeholder feedback.

Analysis of application data and delivery experience from the first round of FFIS highlights several observations relevant to the design and operation of competitive capital grant schemes.

- Demand for up-front capital investment significantly exceeded the available budget, demonstrating strong interest in efficiency improving technologies and capital support mechanisms. The scheme was deliberately designed to be flexible and accessible, allowing applicants to propose investments suited to their individual business circumstances. While this approach supported broad participation, it also contributed to a high volume of applications relative to available budget.
- The availability of grant support of up to 100% of eligible investment costs influenced application behaviour and the proportion of investment costs applicants sought to fund through grant support. Analysis indicates that the average grant request represented approximately 85% of total investment cost, with a median request of 94%. This pattern indicates that intervention rates represent an important scheme design parameter influencing both application behaviour and the number of businesses that can be supported within the available budget.
- Very high intervention rates can also reduce the ability of competitive schemes to differentiate effectively between applications. Where most applicants request support for the majority or entirety of investment costs, intervention rate becomes less effective as a mechanism for distinguishing between competing applications seeking support within a constrained budget.
- Upfront payment of grant support removed the need for applicants to finance the full cost of investment before reimbursement. This approach

was widely welcomed by applicants and helped address cashflow barriers that can arise in traditional capital grant schemes where businesses must fund investments before claiming grant support.

- Where schemes operate under conditions of heavy oversubscription, funding outcomes are determined by the interaction between scheme objectives, scoring frameworks and the relative competitiveness of applications rather than eligibility alone.
- Application behaviour was influenced by scheme architecture, including grant ceilings and scoring rules, illustrating how scheme design can shape the scale and nature of investments proposed.
- Many investments proposed by applicants focused on improving business efficiency. Such investments can also contribute to environmental and climate objectives through improved resource use and reduced input losses. However, the pattern of applications suggests that where schemes seek to support wider environmental or biodiversity outcomes, greater clarity may be required regarding the types of investment that directly deliver those objectives.
- The use of multiple scheme objectives within a competitive framework made it more difficult for applicants and stakeholders to interpret how funding decisions were prioritised and increased complexity within the assessment process.
- Priority group status recognised structural characteristics within the agricultural sector but did not guarantee funding where applications did not achieve sufficiently competitive scores. The experience of FFIS 2025 also suggests that combining businesses with different structural characteristics within a single competitive ranking framework may influence funding outcomes where businesses operate at different investment scales.
- Allowing applicants to propose a wide range of capital items provided flexibility but also created variation in how scheme objectives were interpreted, which increased complexity within the assessment process.
- Clear guidance and well understood eligibility requirements are important in helping applicants understand how investments will be assessed within competitive schemes.
- Where large numbers of eligible applications cannot be supported due to limited budgets, clear communication of scheme rules, scoring frameworks and funding outcomes become particularly important in maintaining stakeholder confidence.

Taken together, these observations highlight the importance of clear scheme objectives, proportionate intervention rates and transparent assessment frameworks.

The experience of FFIS 2025 also suggests that future rounds of FFIS may benefit from application processes and guidance developed using user centered design principles to ensure that applicants clearly understand what information is

required and how applications will be verified and assessed against the scheme rules and objectives.

The experience of FFIS 2025 also suggests that future schemes may benefit from clearer alignment between supported investments, scheme objectives and the mechanisms used to prioritise funding decisions.

Implications of Delivering FFIS 2025 at Pace and without User Centred Design

The first round of FFIS was delivered at pace. As a pilot approach, the scheme prioritised timely delivery of upfront capital support, which influenced how elements of the scheme were designed and implemented.

Experience from FFIS 2025 indicates that applicants were required to interpret eligibility requirements, scheme objectives and assessment rules independently. This contributed to differences between how aspects of the scheme were intended to operate and how they were understood in practice, particularly in relation to priority groups and multiple objectives.

The scheme also required applicants to interpret how proposed investments aligned with scheme objectives, which contributed to variation in how objectives were understood.

Future rounds of FFIS will therefore focus on targeted improvements to clarity of guidance, application design and use of existing data, prioritising changes that can be delivered within existing development timelines. These improvements are intended to support better applicant understanding and reduce avoidable complexity, while maintaining the ability to deliver the scheme within required timescales.

Implications for the Design of a Future Round of FFIS

Experience from FFIS 2025 highlights several structural factors that influence how up front competitive capital grant schemes operate in practice.

Where demand significantly exceeds available funding, the interaction between scheme objectives, eligibility rules, investment choice, and assessment frameworks can shape funding outcomes as much as the policy objectives themselves.

The experience of the first round therefore highlights the importance of clearly defined scheme objectives, transparent assessment frameworks and well understood eligibility rules where capital investment support operates within a competitive funding environment.

These observations suggest that the effective operation of competitive capital grant schemes may be supported by several key design considerations:

- Clarity - Applicants benefit from clear understanding of what the scheme is seeking to achieve and how applications will be assessed.
- Targeting - Where funding is limited, prioritisation frameworks may help ensure that support is directed toward investments delivering the strongest public benefit.
- Fairness - Scheme design should recognise differences in agricultural business structure while maintaining transparent and consistent assessment processes.
- Value for Money - Public funding should support investments that deliver proportionate and demonstrable benefits.
- Simplicity - Clear and objective rules can help ensure applications are assessed consistently and can be understood by applicants and stakeholders.

Analysis of FFIS 2025 application data also highlights the influence that intervention rates and scheme architecture can have on application behaviour and overall scheme reach. While the availability of grant support of up to 100% of eligible investment costs supported accessibility for applicants, the resulting grant intensity limited the number of businesses that could be supported within a fixed budget.

This experience suggests that future capital investment schemes may benefit from carefully standardised intervention rates and clearly defined eligibility parameters that balance accessibility of support with the objective of maximising the number of businesses able to benefit from available funding.

Conclusion

The first round of FFIS supported capital investment across a wide range of Scottish agricultural businesses while demonstrating strong demand for up front capital investment support within the sector.

Analysis of application data and delivery experience provides insight into how competitive up-front capital investment schemes operate under conditions of high demand. In particular, the experience of FFIS 2025 highlights the importance of clear scheme objectives, transparent assessment frameworks and well understood eligibility requirements where funding is limited and applications are assessed competitively.

Experience from the first round also demonstrates the importance of strong alignment between scheme objectives, supported investments and the mechanisms used to prioritise applications where funding is limited. Ensuring that scheme objectives, eligibility rules and assessment frameworks operate

coherently can help improve transparency for applicants, simplify scheme administration, and support the effective allocation of limited public funding within a competitive capital grant scheme.

The observations presented in this review are intended to support understanding of how competitive capital investment schemes operate in practice. They do not reflect any reconsideration of individual funding decisions made under FFIS 2025. Instead, the analysis is intended to provide an evidence-based contribution to the ongoing development of agricultural capital investment support.

Supporting Data

The following annexes provide supporting statistical information and observations referenced within the main report.

Annex A – Statistical Summary of FFIS 2025 Applications

Table A1 – Applications by Agricultural Sector

| Main Agricultural Activity | Number of Applications Received | Number of Eligible Applications | Number Grant Offers Made | % Eligible Applications Supported |
|-----------------------------------|--|--|---------------------------------|--|
| LFA cattle and/or sheep | 4,280 | 2,486 | 859 | 35% |
| Mixed | 1,490 | 905 | 399 | 44% |
| Dairy | 485 | 334 | 212 | 63% |
| Lowland cattle and/or sheep | 651 | 362 | 124 | 34% |
| Cereals | 294 | 193 | 94 | 49% |
| General cropping | 246 | 152 | 82 | 54% |
| Horticulture | 25 | 9 | 7 | 78% |
| Other | 29 | 11 | 7 | 64% |
| Specialist pigs | 13 | 8 | 5 | 63% |
| Environmental management | 45 | 13 | 4 | 31% |
| Specialist poultry | 7 | 2 | 1 | 50% |
| Seasonally let land out | 17 | 0 | 0 | |
| Total | 7,582 | 4,475 | 1,794 | 35% |

Table A2 – Average Investment Values by Business Size

| FFIS 2025 | Grant Ceiling | Number | Average Application Investment Cost | Average Grant Request | Average Grant Request |
|------------------------|----------------------|---------------|--|------------------------------|------------------------------|
| All Applications | | 7,582 | £13,809.20 | £10,247.92 | 78% |
| Small <30 hectares | £5,000.00 | 1,445 | £5,036.07 | £4,112.30 | 80% |
| Medium 30-150 hectares | £10,000.00 | 2,794 | £10,471.45 | £7,905.06 | 80% |
| Large > 150 hectares | £20,000.00 | 3,343 | £20,390.95 | £14,858.13 | 80% |
| All Over >30 hectares | | 6,137 | £15,874.89 | £11,692.60 | 77% |

Table A3 – Median Investment Values by Business Size

| FFIS 2025 | Grant Ceiling | Number | Median Application Investment Cost | Median Grant Request | Median Grant Request |
|------------------------|----------------------|---------------|---|-----------------------------|-----------------------------|
| All Applications | | 7,582 | £10,452.50 | £9,738.69 | 90% |
| Small <30 hectares | £5,000.00 | 1,445 | £4,864.00 | £4,760.00 | 94% |
| Medium 30-150 hectares | £10,000.00 | 2,794 | £9,738.29 | £9,121.00 | 94% |
| Large > 150 hectares | £20,000.00 | 3,343 | £19,000.00 | £16,961.00 | 94% |
| All Over >30 hectares | | 6,137 | £12,772.68 | £10,000.00 | 89% |

The data indicates that application behaviour closely reflected the grant ceilings available to different business sizes. Smaller businesses generally proposed investments close to the £5,000 ceiling while larger businesses proposed investments aligned with higher thresholds.

This pattern indicates that applicants generally proposed investments aligned with the maximum grant ceilings available to their business size category, illustrating how scheme architecture can influence application behaviour in competitive capital grant schemes.

Table A4 - Grant % Requested by Business Size

| | Applications | Average Grant % of Investment Cost | Median Grant % of Investment Cost |
|------------------------|--------------|------------------------------------|-----------------------------------|
| All Applications | 7,582 | 85% | 94% |
| Small <30 hectares | 1,445 | 90% | 100% |
| Medium 30-150 hectares | 2,794 | 85% | 94% |
| Large > 150 hectares | 3,343 | 83% | 89% |

Table A5 - use of Maximum Grant Allowance by Business Size

| | Applications | Average % of Grant Ceiling Requested | Median % of Grant Ceiling Requested |
|------------------------|--------------|--------------------------------------|-------------------------------------|
| All Applications | 7,582 | 81% | 90% |
| Small <30 hectares | 1,445 | 80% | 94% |
| Medium 30-150 hectares | 2,794 | 79% | 91% |
| Large > 150 hectares | 3,343 | 76% | 85% |

Table A6 - Grant % Requested by Farmer/Crofter

| | Applications | Average Grant % of Investment Cost | Median Grant % of Investment Cost |
|---------|--------------|------------------------------------|-----------------------------------|
| Farmer | 6,263 | 83% | 91% |
| Crofter | 1,319 | 92% | 100% |

Table A7 - Use of Maximum Grant Allowance by Farmer/Crofter

| | Applications | Average % of Grant Ceiling Requested | Median % of Grant Ceiling Requested |
|---------|--------------|--------------------------------------|-------------------------------------|
| Farmer | 6,263 | 79% | 91% |
| Crofter | 1,319 | 73% | 82% |

Table A8 - Grant % Requested by Priority Group

| | Applications | Average Grant % of Investment Cost | Median Grant % of Investment Cost |
|-------------------------------|--------------|------------------------------------|-----------------------------------|
| Young Farmers | 1,490 | 85% | 92% |
| New Entrants | 1,093 | 88% | 100% |
| Island Based Businesses | 1,405 | 90% | 100% |
| Tenants | 2,297 | 88% | 99% |
| Small Agricultural Businesses | 1,445 | 90% | 100% |
| Organic Producers | 283 | 84% | 91% |

Table A9 - Use of Maximum Grant Allowance by Business Size

| | Applications | Average % of Grant Ceiling Requested | Median % of Grant Ceiling Requested |
|-------------------------------|--------------|--------------------------------------|-------------------------------------|
| Young Farmers | 1,490 | 86% | 98% |
| New Entrants | 1,093 | 83% | 95% |
| Based Businesses | 1,405 | 75% | 84% |
| Tenants | 2,297 | 78% | 90% |
| Small Agricultural Businesses | 1,445 | 80% | 94% |
| Organic Producers | 283 | 84% | 95% |

Annex B – Observations from FFIS 2025 and Implications for Future Scheme Design

| Observation from FFIS 2025 | Explanation | Implication for Future Capital Support |
|---|---|---|
| Offer of 100% grant influenced application behaviour. | The scheme provided grant support for up to 100% of eligible investment costs. Application data indicates that applicants frequently sought support for a large proportion of investment costs, with the average grant request representing approximately 85% of total investment cost and 3,383 applicants requesting the full 100% intervention rate. | Intervention rates influence both the scale of investment proposed and the number of applicants that can be supported within a fixed budget. Consideration of grant intensity may therefore be relevant when designing future capital support schemes to balance accessibility of support with the ability to support a larger number of businesses. |
| FFIS provided grant funding upfront following approval, rather than requiring applicants to fund the full cost of investment and claim reimbursement. | Industry feedback on previous capital schemes has frequently identified cash flow as a barrier where businesses are required to finance the full cost of investment before grant reimbursement. Providing funding upfront removed this barrier and allowed approved applicants to proceed with investment without requiring additional short-term finance. This approach was widely welcomed by applicants and helped address a constraint commonly cited by the sector in relation to traditional capital grant schemes. | Upfront grant payments can improve accessibility of capital investment support, particularly for businesses with limited access to private finance. Where this approach is used, scheme design should ensure appropriate verification and assurance mechanisms are in place to confirm that supported investments are delivered in accordance with the approved application and scheme rules. |
| Application behaviour closely reflected grant ceilings. | Analysis of application data shows that proposed investment values broadly aligned with the maximum grant ceilings available to different business size categories. | Grant ceilings influence the scale and structure of investment proposals and may shape investment behaviour within competitive capital grant schemes. |
| Demand for capital investment significantly exceeded available budget | High application volumes reflect strong sector demand for efficiency improving technologies and capital equipment. | Competitive capital schemes require clear and transparent prioritisation frameworks where funding is limited. |

| | | |
|--|--|--|
| Applicants proposed a very wide range of capital items | Allowing open item selection required applicants to interpret how investments contributed to scheme objectives, resulting in varying interpretations. | Providing clearer definition of eligible investments may improve transparency and consistency of assessment. |
| Priority group status created expectations among some applicants | Priority groups were intended to recognise structural characteristics but did not determine final ranking outcomes within the competitive scoring framework. | Alternative approaches to recognising structural characteristics may merit consideration where competitive ranking determines funding outcomes. |
| Investment scale varied significantly by business size | Application behaviour closely reflected the grant ceilings available to different business sizes under the scheme rules. | Grant ceilings and competition structure can influence application behaviour within capital grant schemes. |
| Many investments focused on improving business efficiency | Applicants frequently selected equipment designed to improve input efficiency, general livestock management, and feed storage and use. These investments are typically associated with improvements in operational efficiency within agricultural businesses. While efficiency improvements can contribute to environmental and climate outcomes through improved resource use and reduced input losses, the pattern of applications indicates that applicants primarily proposed investments with a direct business efficiency benefit. | Efficiency improvements may play a significant role in delivering environmental and climate objectives within agricultural systems. Where future schemes seek to deliver specific environmental or climate outcomes, clearer definition of supported investments may be required to ensure that eligible capital items directly align with the intended policy objectives. This experience highlights the importance of clearly linking scheme objectives with the types of investment eligible for support. |
| Competitive ranking outcomes were difficult for some applicants to interpret | Under conditions of heavy oversubscription small differences in scoring or investment scale can influence final funding outcomes. | Clear assessment frameworks may improve transparency and stakeholder confidence. |
| Some applications were found to be ineligible | Where applicants must interpret scheme rules and objectives, misunderstanding can arise, particularly under tight application windows. | Clearer guidance and more defined eligibility criteria may reduce ineligible applications. |