7 December 2016

Dear Mr Mountain

I am writing to provide an update to the Committee on the 2016 National Basic Payment Support Scheme (NBPSS16) which I announced in Parliament on 13 September.

Over 12,500 farmers and crofters have now received a nationally-funded loan based on 80% of their 2016 Basic Payment and Greening entitlement, up to a maximum of €150,000, totalling £256.5 million. Just under 17,800 loan offers have been issued to eligible businesses, with fewer than 100 more complex offers still to be made.

On 24 November I was alerted to an issue where 166 of the 602 businesses in the most recent payment run were overpaid a total of £746,000. The formula for turning Euros into Sterling was changed for these cases (instead of multiplying by 0.85, the figure was divided). This appears to have been caused by human error - that the formula was accidentally changed by someone during the data inputting process (undertaken by a team outside of the loans team).

Whilst this is regrettable, I asked my officials to take prompt action to alert businesses and avoid the possibility of the overpayments being inadvertently spent. By 5 December, 159 of the 166 affected cases had been spoken to directly by RPID staff and informed that an invoice would be issued to recover the overpayment. Efforts are continuing to speak to the few remaining businesses who have so far been uncontactable.

Invoices have started to issue today (6 December) with a repayment term of 30 days. As this has been an administrative error our policy is not to charge interest on the overpayment.

Officials took immediate action to restrict access to the relevant formulae and are working with internal auditors to ensure the integrity of our manual payment processes. As ever, I have been impressed by the response of the farming community, and as such I consider the risk to public funds to be minimal.
I understand the Permanent Secretary has written to the Public Audit and Post-legislative Scrutiny Committee regarding this issue ahead of her appearance on 8 December.

I trust that members of the committee will appreciate this update.

Yours sincerely

FERGUS EWING