



House of Commons
Environment, Food and Rural
Affairs Committee

**CAP payments to
farmers**

Tenth Report of Session 2014–15

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
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Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website at www.parliament.uk/efracom and by The Stationary Office by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) on the Committee's website.

Committee staff

The current staff of the Committee are David Weir (Clerk), Clementine Brown (Assistant Clerk), Sarah Coe (Senior Committee Specialist), Sara Priestley (Committee Specialist—Environment), Emma McIntosh (Senior Committee Assistant), Lisa Stead (Committee Assistant), Holly Knowles (Committee Support Assistant) and Nicholas Davies and Rosie Tate (Media Officers).

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1 Our inquiry

1. On 19 March the Rural Payments Agency (RPA) announced an abrupt change of policy on how farmers must make Basic Payment Scheme (BPS) applications under the new Common Agricultural Policy (CAP) introduced this year.¹ Reversing the firm stance taken by the Department for Environment, Food and Rural Affairs (Defra) and the RPA that applications must be made online only: claims are now to be submitted on paper. On 25 March, we took oral evidence from Defra's Secretary of State, the Rt Hon Elizabeth Truss MP, and the RPA Chief Executive, Mark Grimshaw, asking both to explain the reasons for this sudden U turn and to identify its implications for farmers and the public purse. The transcript of that session is on our website.² With the dissolution of Parliament imminent, this report sets out our immediate conclusions and identifies a number of questions which must be addressed by Defra and the RPA as a matter of urgency.

2 U turn on paper applications

2. Up until 19 March, Defra insisted that applications for the new CAP scheme should only be made online, with farmers required to submit their claims via a portal to the RPA's £154 million CAPIS computer system.³ However, in recent weeks, as farmers started to enter data, there have been mounting concerns widely reported in the press over the detailed functionality of the CAPIS system, for example to cope with land mapping.⁴ Problems with the interface between farmers and the core CAPIS system led to the RPA decision to revert to paper-based applications from 20 March onwards (i.e. a suspension of the digital-by-default approach). The RPA explanation is that, although the "core and registration parts" of the CAPIS system were working well, there had been "performance problems with the online interface that farmers and agents use". The RPA would therefore now "offer farmers and their agents the use of established forms and processes" to complete their claims by the EU deadline.⁵ Farmers would still be required to register online but the RPA would itself input the claim data onto the system. Data submitted online prior to 19 March would be saved and used in the future.⁶

1 ["Rural Payments Agency announces new approach to help farmers meet Basic Payments System deadline"](#) Rural Payments Agency press notice, 19 March 2015

2 [Oral evidence](#) given on 25 March to *CAP payments to farmers* inquiry HC 1143

3 Rural Payments Agency, ["More information about the Common Agricultural Policy"](#) document accessed on 23 March 2015. This states that CAPIS is the CAP Information System which will be the "new online application and payment system for all new CAP schemes".

4 ["Make or break for Rural Payments CAP system,"](#) Farmers Guardian, 12 March 2015

5 The EU deadline for completion of BPS applications was 15 May 2015, however the Commission indicated in mid March that this deadline would be extended by one month to 15 June.

6 ["Rural Payments Agency announces new approach to help farmers meet Basic Payments System deadline."](#) Rural Payments Agency press notice, 19 March 2015

3. The decision to allow paper applications has come at the eleventh hour. Concerns about introducing a new CAP IT system are not new and we have issued warnings over several years about the potential for an online-only approach to cause problems. We noted as far back as 2013 in our report on CAP implementation in England,⁷ and as recently as last month in our *Rural broadband and digital-only services* report, the risks of moving to an online-only system at a time when effective rural broadband services are not as extensive as they need to be and when an already complex new CAP scheme offers challenges for farmers attempting to make accurate claims.⁸ We concluded that the determination expressed by both Defra and the RPA to move to digital-only systems would leave farmers struggling to make their claims accurately and on time and recommended that paper-based application systems should be retained. In the intervening 15 months we have repeatedly questioned, in writing and in oral evidence sessions, whether the digital-only CAP delivery system was appropriate and would work.

No contingency plan

4. We have been told consistently—by former Secretary of State Rt Hon Owen Paterson MP,⁹ by the farming Minister George Eustice MP,¹⁰ and by the RPA Chief Executive Mark Grimshaw,¹¹—that new computer systems were on track and that farmers would be able to make their applications by the EU’s original 15 May 2015 deadline. As recently as 11 March—just eight days ahead of the policy change—Defra Secretary of State, the Rt Hon Elizabeth Truss MP, told us that she had spoken extensively to RPA Chief Executive, Mark Grimshaw, and that there was a plan to get everybody through the online system by 15 May.¹² We pressed the Secretary of State on that occasion, as we had pressed Ministers and Mr Grimshaw on several previous occasions, to recognise the need to have a contingency plan in place should the system fail. The Secretary of State repeated that there was no contingency plan since the RPA would “do what it takes” to make sure that the system works.¹³

5. The RPA’s return to pen and paper applications for the Common Agricultural Policy Basic Payments Scheme was a sudden and surprising U turn, given the emphatic assurances from Ministers only two weeks before the RPA’s 19 March announcement that the online system would be made to work. Allowing farmers to use tried and tested paper systems is a welcome suspension of the digital-by-default approach and a return to a common sense approach but the decision is late in the day. It is disappointing that

7 Environment, Food and Rural Affairs Committee, Seventh Report of Session 2012-13, [Implementation of the Common Agricultural Policy in England 2014-20](#), HC 745

8 Environment, Food and Rural Affairs Committee, Seventh Report of Session 2014-15, [Rural broadband and digital-only services](#), HC 834

9 [Oral evidence](#) given on 29 October 2013 to [Departmental Annual Report 2012-13](#) HC 741

10 [Oral evidence](#) given on 10 December 2014 to [Rural broadband and digital-only services](#), HC 834

11 [Oral evidence](#) given on 3 December to [Rural broadband and digital-only services](#), HC 834

12 Environment, Food and Rural Affairs Committee, Ninth Report of Session 2014-15, [Work of the Committee: 2010-15](#), HC 942 [[Q397](#)]

13 As above, [[Q398](#)]

despite our repeated recommendations made over many years, that the Secretary of State, her Ministers and officials have only listened to our concerns and those of many farmers at the last minute under the imminent threat of missing EU deadlines and incurring costly penalties.

6. Defra and the RPA's repeated assurances that technological fixes would be found in time to rectify ongoing system problems reflects a misplaced confidence in the CAPIS system. The Secretary of State's dismissal only two weeks ago of the need for a contingency plan should the computer system fail appears with hindsight to have been ill-advised. The Secretary of State was either not fully informed by the RPA about the extent of the problem, or failed to be completely open with the Committee about Defra's emerging views on the way forward for a computer system that has not yet proved itself to be up to the job.

3 Moving forward

Learning lessons

7. The run-up to implementation of the new BPS scheme has echoes of the disastrous implementation of the last significant round of CAP changes, introduced from 2006. Then, over-complex changes, including a massive new IT system, resulted in some farmers being significantly overpaid, but the vast majority being underpaid or having their payments significantly delayed. The then Chief Executive of the RPA, Johnston McNeill, was dismissed over the RPA's performance. Failure to deliver payments properly results in EU fines (known as 'disallowance payments'), and Defra has paid out more than £580 million as a result of the problems with implementing the last revision of CAP, with some historic fines yet to be settled.¹⁴ We have previously questioned whether sufficient lessons were learnt from the 2005-06 experience, including problems with introducing a complex, expensive, and unpiloted IT system that failed to do all expected of it. In late 2014 both the Permanent Secretary,¹⁵ and Secretary of State assured us confidently that lessons had been learnt and there would be no repetition of an IT system being introduced by Defra that was not fit for purpose since systems would be tested and trialled,¹⁶ including by other EU Member States.¹⁷

8. We are concerned that, despite assurances that lessons had been learnt from the disastrous implementation of CAP in 2005-06, history may be about to repeat itself. It is of particular concern that although Defra has trialled and tested the new computer system, significant problems have still occurred with CAPIS.

14 Environment, Food and Rural Affairs Committee, [Defra performance in 2013-14](#), HC 802, para 13

15 [Oral evidence](#) given on 19 November to [Defra performance in 2013-14](#), HC 802 [Q 52]

16 [Oral evidence](#) given on 26 November to [Defra performance in 2013-14](#), HC 802 [Q99]

17 [Oral evidence](#) given on 3 December to [Rural broadband and digital-only services](#), HC 834 [Q82]

9. Defra must review with the Rural Payments Agency the technical and managerial issues that have led to the problems with the ability of farmers to use the CAPIS system. It is vital that lessons are learnt quickly from the failure of a key part of the system so that all of CAPIS, including the mapping facility, can become fully functional to meet the requirements of farmers making complex CAP claims.

Minimising the costs of policy change

10. The RPA has stated that CAPIS cost £154m to implement, a significant saving on the £600m spent on previous services over the last nine years.¹⁸ The RPA states that the core part of the IT system is functioning: it is the interface with claimants that is causing problems. Data already input into the system will be retained and used. It is not clear however what the additional costs of making the CAPIS system fully functional will be, nor have the final costs of additional manpower to input data been spelt out. Further, is it not yet clear who will bear any such additional costs and whether Defra and the RPA have put in place sufficiently robust systems to share the costs and risks with third-party suppliers when problems with their systems occur.

11. Defra must set out clearly the full costs of the policy to move back to paper applications from 20 March, including the costs of bringing the CAPIS system up to full functionality and of inputting data manually. The Department must also spell out how these costs will be met, including the implications for Defra's overall budget and whether there will be any penalties on suppliers. The Rural Payments Agency must identify clearly any weak links in its procurement processes and management of its IT suppliers, including the integration of different systems.

Effective paper applications

12. In announcing the decision to accept paper-based claims, Defra has side-stepped concerns raised by its own Ministers and the RPA over the ability to input complex data accurately on paper. George Eustice MP, Defra Parliamentary Under-Secretary of State, told us that it would not be practical to administer on paper the complex new scheme with the need to make calculations from up-to-date maps.¹⁹ The RPA had previously told us that paper-based applications would simply be impossible: Director General and Chief Operating Officer, Ian Trenholm, said that calculating in real-time the size of fields and features, particularly in relation to more complex policies stipulated by the EU such as three-crop rules, “just cannot be done on a piece of paper. That is what we are learning”.²⁰

13. Following the recent and pragmatic decision to pull the plug on the online claim process, Defra and the RPA must now ensure that the paper-based systems are efficiently

18 Rural Payments Agency, “[More information about the Common Agricultural Policy](#)” document accessed on 23 March 2015.

19 Correspondence from George Eustice MP, Parliamentary Under-Secretary of State, Defra to Anne McIntosh MP dated 13 June 2014

20 [Oral evidence](#) given on 30 April 2014 to the *Work of the Rural Payments Agency*, HC 306,Q28

implemented in a timely manner, to ensure accuracy in claims and minimise the risk to farmers' incomes and to the public purse from EU disallowance fines for inaccurate or delayed claims.

Future scrutiny

14. As we said in our Work of the Committee: 2010-15 report published on 24 March, Defra needs strong leadership and in-house expertise to deliver effective services for farmers. The Government must ensure that Defra has sufficient resources to enable the RPA to deliver an effective CAP online application service. Before a digital-by-default system is reconsidered the Government must ensure a sufficient and efficient broadband service in rural areas. Our successor Committee may wish to scrutinise these issues further once detailed information is available on the consequences of this new CAP system failure.

Formal Minutes

Wednesday 25 March 2015

Members present:

Miss Anne McIntosh, in the Chair

Richard Drax

Jim Fitzpatrick

Mrs Mary Glendon

Mrs Emma Lewell-Buck

Sheryll Murray

Neil Parish

Ms Margaret Ritchie

Mark Spencer

Draft Report (*CAP payments to farmers*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 14 read and agreed to.

Resolved, That the Report be the Tenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[The Committee adjourned

Witnesses

The following witnesses gave evidence. The transcript can be viewed on the Committee's inquiry page at www.parliament.uk/efracom.

Wednesday 25 November 2015

Question number

Rt Hon Elizabeth Truss MP, Secretary of State for Environment, Food and Rural Affairs, and **Mark Grimshaw**, Chief Executive, Rural Payments Agency

[Q1-](#)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/efracom.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2014–15

First Report	Winter Floods	HC 240 (HC 701)
Second Report	Food security	HC 243 (HC 702)
Third Report	Appointment hearing of the Chair of Environment Agency	HC 545
Fourth Report	Waste management in England	HC 241 (HC 921)
Fifth Report	Dairy prices	HC 817(HC 1147)
Sixth Report	Food security demand, consumption and waste	HC 703 (HC 1148)
Seventh Report	Rural broadband and digital-only services	HC 834 (HC 1149)
Eighth Report	Defra performance in 2013–14	HC 802 (HC 1150)
Ninth Report	Work of the Committee: 2010–15	HC 942

Session 2013–14

First Report	Draft Dangerous Dogs (Amendment) Bill	HC 95 (HC 637)
Second Report	Vaccination against bovine TB	HC 258 (HC 705)
Third Report	Managing Flood Risk	HC 330 (HC 706)
Fourth Report	Wild Animals in Circuses	HC 553 (HC 746)
Fifth Report	Food Contamination	HC 141 (HC 707)
Sixth Report	Rural Communities	HC 602 (HC 764)
Seventh Report	CAP implementation 2014–2020	HC 745 (HC 1088)
Eighth Report	Appointment of Chairman of Natural England	HC 890
Ninth Report	Departmental Annual Report 2012–13	HC 741 (HC 1283)
Tenth Report	Tree health and plant biosecurity	HC 469 (HC (Session 2014–15) 242)
Eleventh Report	Primates as pets	HC 984 (HC (Session 2014–15) 656)

Session 2012–13

First Report	Greening the Common Agricultural Policy	HC 170 (HC 654)
Second Report	The Water White Paper	HC 374 (HC 602)
Third Report	Pre-appointment hearing: Chair of the Water Services Regulation Authority (Ofwat)	HC 471–I &–II
Fourth Report	Natural Environment White Paper	HC 492 (HC 653)

Fifth Report	Desinewed Meat	HC 120 (Cm 8462)
Sixth Report	Draft Water Bill	HC 674 (Cm 8643)
Seventh Report	Dog Control and Welfare	HC 575 (HC 1092)
Eighth Report	Contamination of Beef Products	HC 946 (HC 1085)

Session 2010–12

First Report	Future Flood and Water Management Legislation	HC 522 (HC 922)
Second Report	The Marine Policy Statement	HC 635
Third Report	Farming in the Uplands	HC 556 (HC 953)
Fourth Report	The draft National Policy statement (NPS) on Waste Water	HC 736
Fifth Report	The Common Agricultural Policy after 2013	HC 671 (HC 1356)
Sixth Report	Implementation of the Common Fisheries Policy: Domestic Fisheries Management	HC 858 (HC 1485)
Seventh Report	Pre-appointment hearing: Chair of Gangmasters Licensing Authority	HC 1400–I &–II
Eighth Report	EU proposals for the dairy sector and the future of the dairy industry	HC 952 (HC 1548)
Ninth Report	The Welfare of Laying Hens Directive—Implications for the egg industry	HC 830 (HC 1664)
Tenth Report	The outcome of the independent Farming Regulation Task Force	HC 1266 (HC 1669)
Eleventh Report	The draft National Policy Statement for Hazardous Waste	HC 1465 (HC (Session 2012–13) 540)
Twelfth Report	EU proposals for reform of the Common Fisheries Policy	HC 1563–I &–II (HC (Session 2012–13) 108)
First Special Report	The National Forest: Government response to the Committee's Fourth Report of Session 2009–10	HC 400
Second Special Report	Dairy Farmers of Britain: Government response to the Committee's Fifth Report of Session 2009–10	HC 401