



House of Commons

Environment, Food and Rural
Affairs Committee

Common Agricultural Policy: payments to farmers

Fifth Report of Session 2015–16



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

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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 Office of the Department of Environment, Food and Rural Affairs and associated public bodies.

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The current staff of the Committee are David Weir (Clerk), Sian Cooke (Second Clerk), Sarah Coe (Senior Committee Specialist), Anwen Rees (Committee Specialist), Ellen Bloss (Senior Committee Assistant), Holly Knowles, (Committee Assistant) and Nick Davies (Media Officer).

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Summary

The farming community relies on EU subsidies for financial stability. Defra administers payments of EU funds to farmers through the Rural Payments Agency.

The Rural Payments Agency (RPA) failed to deliver its expected delivery standards for 2015 payments, leading to significant disruption and distress for farmers.

The committee's key recommendations and conclusions are:

- **CAP reform has created a particularly large challenge for the RPA in making accurate and timely payments in 2015–16, but for farmers awaiting payment, the delays are causing significant financial hardship and anxiety. The RPA met its December and January targets by the barest margins. It missed its March target. This is unacceptable.**
- **We expect much better performance in 2016, with 90% of claims paid by the end of December as RPA Chief Executive Mark Grimshaw has promised. However, Defra and the RPA should offer additional hardship support to farmers in the undesirable case that it cannot meet its delivery targets. The department should consider what support it can offer to provide a standard service to all customers, regardless of the complexity of their claim. This should include early part-payment or interest-free loans for those who will be paid late next year owing to complications with their 2016 claim - including but not limited to inspections, land transfers, common land and change of use.**
- **The RPA must communicate clearly with its customers and ensure that it is appropriately resourced to deal with queries and complaints. The RPA should drive better performance by building, publishing and reporting on a set of key performance indicators for communications. These must be tailored to specific situations, but could include targets for wait times on phone calls, the percentage of queries completely resolved following a phone interaction, response times to incoming written communications and other, more general customer satisfaction metrics.**
- **If the delays to payments and claim statements have an impact on farmers' understanding of their eligibility, farmers will be hard pressed to make accurate 2016 claims on time. It is important that farmers are made aware of the absolute requirement to lodge a 2016 claim by the 16 May deadline, and that the RPA provides timely support to ensure claims are accurate before the grace period ends. A mechanism must be found to ensure that the RPA, not farmers, is penalised for data issues.**
- **Defra must prioritise timely payments of CAP money. Defra needs to ensure that its IT systems are able to make timely payments to farmers, while maintaining the high levels of accuracy necessary to avoid high costs of EU fines under the disallowance regime. The RPA must invest now in effective checking and mapping systems to ensure that disallowance penalties are minimised under the new CAP rules.**

- **The RPA must be as flexible as possible within the EU framework, given that for many farmers the delays will be due to RPA delays in issuing information and payments, not failure on the part of the applicant. We recommend that the RPA take the opportunity offered by the European Commission to extend the application window for 2016 claims and ensure that all farmers submit accurate and timely applications. This must not come at the cost of making outstanding BPS payments in full or releasing hardship grants.**
- **Defra must ensure that the RPA's system returns to 2014 performance levels, paying the majority of claims by volume on the first banking day of December, and at least 90% of total claims by end December 2016. The RPA must communicate accurate timescales for payment of the remaining 10% of claims by end December 2016. We will hold Defra to account for the RPA's performance.**

1 Introduction

Our inquiry

1. Farmers who are already challenged by tough market conditions have been experiencing cashflow difficulties because of delayed payments of CAP subsidy money by the Rural Payments Agency (RPA). The delays have been compounded by difficulties with the IT system being built to process payments and communications failures by the RPA. This inquiry was launched in response to these shortcomings, and makes recommendations to ensure that the 2016 process does not result in similar distress and frustration within the farming community.
2. Our predecessor Environment, Food and Rural Affairs Committee published a report¹ on 27 March 2015 into Common Agricultural Policy (CAP) payments to farmers by the Rural Payments Agency. That report followed a U-turn in the approach taken by the Department for Environment, Food and Rural Affairs (Defra) to taking registrations for 2015 payments of the new Basic Payments Scheme (BPS). What had been a new digital-first system requiring direct online data entry by applicants, returned to being a paper-assisted digital system, in which paper applications were inputted to a computer system by the RPA. Just under a year later, on 2 March 2016, the Public Accounts Committee (PAC) published a report² which highlighted the department's failure to deliver the IT solution at the centre of this project to time and on budget.
3. Following these problems with the application process, the RPA faces difficulties in issuing payments to farmers. In the 2014–15 payment year, 97% of payments were made to farmers within a month of the payment window opening (i.e. by the end of December). In the 2015–16 year, only 51% had been paid after one month, and by mid-April, after four-and-a-half months, only 88% of payments had been made. To further complicate matters, applications for the 2016–17 payment year must be made between mid-March and mid-May of 2016, which means that applications for 2016 overlap with payments for 2015, and some farmers will be required to submit their application for 2016–17 payments before they receive their 2015–16 payment.
4. We took evidence from Mark Grimshaw, Chief Executive of the RPA on 9 March 2016, and from Defra Minister of State for Farming, Food and the Marine Environment, George Eustice MP, on 23 March 2016. We asked both to explain the department's poor performance in paying farmers their 2015 scheme payments and sought assurances of better performance in 2016. This report sets out our immediate conclusions and a number of recommendations which must be addressed by the Department and the RPA to avoid further disruption to the financial stability of the farming community. It acknowledges the failings of 2015, and seeks to set a forward-looking ambition for Defra and the RPA to make accurate and timely payments for farmers in 2016.

1 Environment, Food and Rural Affairs Committee, Tenth report of session 2014–15, [CAP payments to farmers](#), HC1143

2 Public Accounts Committee, Twenty-sixth report of session 2015–16, [The Common Agricultural Policy Delivery Programme](#), HC 642

2 2015: Delayed payments to farmers

5. Farmers have been left frustrated and financially vulnerable by the RPA's failure to make payments of EU subsidies to the timescales they have come to expect from previous performance. The farming industry survives on tight margins, and security of cashflow is a daily concern for the majority of farmers. Timely and accurate payment of subsidies to farmers is one area that government can directly control to support farmers who operate in challenging markets.

6. EU reforms to the CAP resulted in a change of payment schemes from the Single Payment Scheme (SPS) to the Basic Payment Scheme (BPS) for 2015 payments. This created "the most complicated CAP ever"³, in the words of George Eustice, with new greening requirements and new payment calculations. To manage payments and minimise the risk of EU fines (disallowance) under the new system, Defra worked with the RPA and the Government Digital Service (GDS) to procure and build a new IT solution that would make the payments, and include for the first time 'online only' claims. The failures in the IT project have been comprehensively documented by the Public Accounts Committee's 26th Report of this session⁴.

7. The window for payments to farmers is open from 1 December to 30 June each year.

Table 1: Key dates

15 June 2015	Application window closes for 2015 BPS payments
1 December 2015	Payment window opens for 2015 BPS payments
7 March 2016	<i>Application window opens for 2016 BPS registrations</i>
20 April 2016	Rory Stewart MP announces part-payments for 2015 BPS
16 May 2016 (Potentially pushed back to 15 June 2016)	<i>Application window closes for 2016 BPS registrations</i>
30 June 2016	Payment window closes for 2015 BPS payments
1 December 2016	<i>Payment window opens for 2016 BPS payments</i>

Items in bold italics refer to payments for 2016.

In 2014, the RPA made 95% of SPS payments on the first banking day in December⁵, and 97% of payments by the end of December⁶, leaving only super-complex claims such as those from the National Trust and RSPB to be processed. This extremely strong performance created high expectations with farmers who expected their annual payment to arrive in similar timescales in the 2015 window.

3 Q163

4 Public Accounts Committee, Twenty-sixth report of session 2015–16, [The Common Agricultural Policy Delivery Programme](#), HC 642

5 Q177

6 Q216

However, on 1 December 2015, only 38% of BPS payments were made⁷. By 4 January, only 51% had been processed⁸, meeting the RPA's 'commitment to pay the majority of eligible claims in December'⁹, albeit by the slightest of margins.

8. For nearly half of farmers, therefore, more than a year passed between one payment and the next, creating cash flow problems for those expecting moneys. Gaps of up to 16 months between payments have made effective financial planning and management difficult.

9. Mark Grimshaw had predicted that 'the vast majority' of claims would be paid by the end of January 2016¹⁰. Some 77% of claims by volume had been paid¹¹ by 31 January 2016, meeting what was later revealed to be an internal target of 75%¹². George Eustice commented that 'from the difficult start that we had, we have done well to get the payments out as quickly as we can'¹³.

10. Of 28 member states administering the CAP, the UK is the only one with commons farmers. The core Italian software procured at the start of the new IT project was not designed to deal with common land, inspections or other complex claims. Mark Grimshaw stated that the delays in payments to certain groups were due to the fact that different bits of bolted-on 'functionality'¹⁴, such as the software to pay commons payments, 'go live' periodically as they are built. A decision was taken in August 2014 to delay building functionality for more complex claims in favour of processing a high volume of simpler payments as quickly as possible¹⁵. This may have been a bureaucratically efficient way to organise work, but commons and tenant farmers are particularly vulnerable to cashflow problems and have faced significant hardship as a result.

11. The RPA committed to pay 'between 92% and 95%'¹⁶ by the end of March 2016, thanks to integration of a piece of software that would allow for 'pretty much all of the commons payments, about 3,500, during March, except those linked to complex cases'. When Defra gave evidence on 23rd March, the Minister did 'not want to speculate on just how many [commoners] will be paid by the end of March' but said that the RPA could 'begin to make the payments [...] because the functionality [was] working'¹⁷.

12. The RPA did not publish figures on its performance at the end of March 2016. A press release announced that 88% of farmers had been paid by 14 April 2016¹⁸ - missing Mark Grimshaw's 92% target by around 3,500 farmers. The committee has received correspondence from several organisations representing groups of commoners who had not been paid by the end-of-March deadline, as well as from individuals with other types of complex or inspection-related claims that, as of April 2016, have not yet been paid.

7 "RPA confirms BPS payments are already hitting farmers' bank accounts in England", [RPA press release](#), 1 December 2015

8 "Majority of BPS 2015 claimants have now been paid", [RPA press release](#), 4 January 2016

9 *ibid*

10 Q67

11 "BPS 2015 payments continue to flow to farmers in England" [RPA press release](#), 3 February 2016.

12 Q67

13 Q163

14 Q74

15 Q66

16 Q72

17 Q173

18 "Update on BPS 2015 and 2016" [RPA press release](#), 14 April 2016

13. CAP reform has created a particularly large challenge for the RPA in making accurate and timely payments in 2015–16, but for farmers awaiting payment, the delays are causing significant financial hardship and anxiety. The RPA met its December and January targets by the barest margins. It missed its March target. This is unacceptable.

Hardship

14. 2015–16 has been a particularly challenging year for the farming industry. Low prices for produce (see our report on Farmgate Prices¹⁹) and devastating winter floods have contributed to farmers' financial difficulties. For many, the delay to their BPS payments has come at the worst possible time.

15. The RPA has worked with the Farming Community Network and the Royal Agricultural Benevolent Institution to provide support to farmers experiencing financial difficulty as a result of delayed payments. These funds are released from the Treasury to the value of up to 60% of the farmer's 2015 CAP claim, and paid directly to farmers by the RPA. The RPA subsequently pays the balance of remaining BPS entitlement following the normal procedure. As of 14 April, more than £8 million had been paid to 505 farmers. This represents 0.6% of claimants and 0.6% by value of BPS payments.

16. Defra has also worked with major retail banks to provide assurances that funds are forthcoming, and to give confidence for the extension of loan and overdraft facilities²⁰. However, despite these interventions, delays to payments have caused significant difficulties for farmers particularly where it has been unclear when payments will be expected. It is at a bank's discretion whether interest accrues on loans overdue because of government failure to pay.

17. We suggested to Mark Grimshaw and the Minister that they could consider issuing part-payments to farmers to reduce financial pressures, particularly where the RPA was aware that payments would be severely delayed - for example in the case of commons farmers. Mark Grimshaw commented,

“The approach that we have taken has been to get full accurate payments out to as many customers as early as we possibly can. I think that that was the right approach and that it will be proven to be the correct approach, in the fullness of time. It creates a considerable amount of work and confusion for our customers, so partpayments was not something that I thought would be worth pursuing.”²¹

We also suggested to Mark Grimshaw that, in order to make payments quickly and minimise disallowance, Treasury funds could be released to make early payments, with calculations thoroughly checked before a reimbursement claim was sent to the EU at the end of the payment window. Mark Grimshaw responded, “It is an approach you would have to take up with Treasury officials. I am not sure that you would find too many buyers for it, to be honest”²².

19 Environment, Food and Rural Affairs Committee, Third report of session 2015–16, [Farmgate prices](#) HC 474

20 Q177

21 Q123

22 Q85

18. Only a month and a half later, on 20 April 2016, Rory Stewart MP Parliamentary Under Secretary of State for Environment and Rural Affairs announced to the House that ‘we will make part-payments to every farmer by the end of April: that means at least 50% of their payments by the end of this month’²³. This change in direction indicates that the RPA is becoming more concerned about the impact of the delays on cashflow, but also raises a worry that the RPA will now have to deal with the ‘considerable amount of work’ to calculate the second half of claims whilst also juggling applications for 2016. On 1 May, the RPA announced that ‘more than 7,000 farmers have now been paid bridging payments [...] Together with over 90 percent of farmers who have received a full BPS payment, this means that all eligible farmers have now received a payment’²⁴.

19. We welcome the move to part-payments, but this change of approach begs the question as to why funds could not have been released much earlier on in the payment window. We would encourage Defra to consider a part-payment approach for complex claims in 2016, such as those for commons and inspected land, with those part-payments being released before the end of December.

20. *We expect much better performance in 2016, with 90% of claims paid by the end of December as Mark Grimshaw has promised. However, Defra and the RPA should offer additional hardship support to farmers in the undesirable case that it cannot meet its delivery targets. The department should consider what support it can offer to provide a standard service to all customers, regardless of the complexity of their claim. This should include early part-payment or interest-free loans for those who will be paid late next year owing to complications with their 2016 claim - including but not limited to inspections, land transfers, common land and change of use.*

Communications with farmers

21. Farmers have repeatedly criticised the RPA for poor communications. The RPA failed to deliver Mark Grimshaw’s commitment to pay 92-95% of claims in March, but did not tell the farmers still expecting their payments that previous communications about that missed target were invalid. Phone lines have been inadequately resourced to deal with the volume of complaints and issues arising from an overlap between 2015 payments now being made and 2016 applications now feeding through.

22. We raised concerns with both Mark Grimshaw and the Minister about communications challenges resulting from the delays to payments. The Minister commented that communications is part of a wider issue:

‘people are frustrated because they have not received their money. They will quite often then say, “We have not had any communication,” when actually they have had the communication; it is just it is not the communication they want. What they really want is a cheque in the bank, and I completely get that and understand that, and that is why we have been working so hard to try to get those out as quickly as we are able to’²⁵.

23 HC Deb, 20 April 2016, [col 401WH](#) [Westminster Hall]

24 “All farmers have now been paid their full payment or bridging payment under 2015 Basic Payment Scheme”, [RPA Press release](#), 1 May 2016

25 Q175

23. The National Farmers' Union (NFU) Vice-President, Guy Smith, has noted, 'the RPA remains hopelessly silent as to what is going on and as ever our demands remain they improve both delivery of payment and communication as to when people can expect payment. [...] It really is time they became more transparent with claimants as to what is going on'²⁶.

24. We were relieved to hear that, as a result of lobbying by NFU, the RPA was beginning to send letters to farmers in March to advise them of the three-week period in which they could expect payment. This is, however, too little too late; the delays to payments were anticipated from August 2015, when the decision not to add the functionality needed to process certain categories of claim was taken. Farmers affected by that decision should have been told, in order that they could plan appropriately, as they will already have had to make alternative financial arrangements.

25. These later communications became invalid when the RPA missed its March targets. CLA President Ross Murray said, 'It is particularly disappointing to hear examples of farmers who received letters in March promising payment within three weeks that subsequently did not arrive'²⁷. The Committee has received correspondence to the same effect; farmers were not updated about the situation which left them even more frustrated.

26. We were also concerned to hear of farmers waiting in queues of up to 63 customers to get through on phone calls to the RPA helpline²⁸, and that on 1 April the service was unavailable for four hours during the middle of the day²⁹. This is possibly because customers are now calling with queries about the 2016 application window as well as registering complaints and seeking information about their 2015 payments. Given the levels of concern and predictable high volumes of calls to the line, we were disappointed that the RPA did not make adequate provision to support its customers.

27. The RPA must communicate clearly in effective and informative language with its customers, and ensure that it is appropriately resourced with trained staff to deal with queries and complaints.

28. *The RPA should drive better performance by building, publishing and reporting on a set of key performance indicators for communications. These must be tailored to specific situations, but could usefully include targets for wait times on phone calls, the percentage of queries completely resolved following a phone interaction, response times to incoming written communications and other, more general customer satisfaction metrics.*

26 "BPS Blog: Lent, Easter and April Fools" [NFU online blog](#), 21 April 2016

27 "RPA confirms it has missed March BPS target, leaving 10,000 still unpaid" *Farmers Guardian* [online article](#), 5 April 2016

28 "Agency misses target to pay 'nearly all' BPS claims by April" *Farmers Weekly* [online article](#), 31 March 2016

29 "No April Fool as RPA helpline goes down" *Farmers Weekly* [online article](#), 1 April 2016

3 2016 Applications

2016 Applications: claim statements

29. The application window for 2016 claims overlaps with the payment window for 2015. It is difficult for those farmers who have not received a breakdown of their 2015 payment to submit a correct claim for 2016, although Mark Grimshaw and the Minister insisted that it is possible.

30. The web portal for applications for 2016 payments went live on 7 March, allowing farmers to register and transfer entitlements. The claims functionality followed two weeks later, and by 14 April over 10,800 claims (of approximately 87,000) had been submitted³⁰. When the portal was launched, the deadline for submitting 2016 claims was 16 May: a month and a half before the 2015 payment window was due to close. The European Commissioner for Agriculture and Rural Development, Phil Hogan, announced on 29 April that ‘he is prepared to allow those Member States that wish to do so, to extend by one month the final date (from 15 May to 15 June) for farmers to submit their aid application’. At the time of writing, the RPA has not indicated that it will take up this option, despite the fact that it would ease the pressure for farmers to submit claims under such tight timeframes. The RPA must ensure that it has provided accurate claims statements to all farmers ahead of their deadline to ensure that 2016 applications are correct.

31. We raised concerns that, without statements explaining how their 2015 payment had been calculated, it was difficult for farmers to verify the accuracy of the payment and submit a correct claim for 2016.

32. In order to speed up the application process, the RPA is sending out ‘pre-populated forms’ to farmers, both online and in paper form for farmers without reliable internet access. These forms contain the details of what the RPA expects the farmer to claim, and can be modified by the farmer with corrections as necessary.

33. Mark Grimshaw explained that ‘claim statements’, which explain how payments have been calculated, would also go out to farmers in batches over the course of March, but that it was possible to begin making a 2016 claim without a 2015 claim statement, as ‘for all of those customers who have already been paid, the information that will be on their pre-populated form will have been validated and verified[...] everything will be correct at that stage’³¹. However, farmers are unlikely to fill out a claim form for 2016 until they know how their 2015 payment has been calculated, and will not be convinced that details on the pre-populated forms are correct until they understand how the calculation was made, potentially leading to delayed applications. The CLA have also raised concerns: ‘Many of our members have reported missing or incorrect data in their 2016 applications, which does little to restore confidence in the online system. Also there is very little clarity about what a claimant can do to resolve underpayment or missing data issues’³².

30 “Update on BPS 2015 and 2016” [RPA press release](#), 14 April 2016

31 Q92

32 “CLA calls for swift and decisive action to address ongoing BPS problems” [CLA press release](#), 5 April 2016

34. On 8 March, Guy Smith commented,

“Most of those who have been paid still await their claims statements. This delay is worrying partly because time is dragging on and partly because many can’t understand the amount they have been paid and fear something is awry.

The worst case scenario is that there are thousands of glitches and queries to correct before 2016 applications can be made with confidence. Until the claims statements go out we can’t be sure the RPA is functioning properly nor can we be sure the 2016 application process will be any smoother than last year’s prolonged chaos”.³³

35. For farmers who are still awaiting a claim statement, the timeframe for submitting a 2016 claim may be very tight. Mark Grimshaw stated that ‘there are a couple of things that have to come together so that customers have all the information that they need, and that is planned during the rest of March and into early April, so that they have a good six-to-eight week run at completing either their online or paper application form’.³⁴ He added that, following the closing date, there is a grace period of two weeks within which corrections could be made, but that penalties would apply to farmers who missed the initial registration. The RPA must be as flexible as possible within the EU framework, given that for many farmers the delays will be due to RPA delays in issuing information and payments, not failure on the part of the applicant.

36. The European Commissioner for Agriculture and Rural Development, Phil Hogan, announced on 19 April that he would be giving Member States the opportunity to extend the application window for 2016 claims to 15 June 2016, in recognition of ‘the severity of the economic situation in certain agricultural markets and some limited outstanding difficulties arising from the first year of implementation of the direct payment schemes and rural development measures’³⁵. An extension would ease the pressure on farmers who are currently ‘being asked to complete their 2016 forms in the dark’, according to the NFU, but there are also concerns that the RPA could take advantage of the extended deadline to slow down complete processing of 2015 payments, as they go hand-in-hand with making 2016 claims. This would risk further delays to 2015 payments, increased disallowance fines, and see data issues compounded from the 2015 process into 2016. The RPA issued a press release on 3 May 2016 stating that ‘16 May (midnight) [was the] deadline to submit a claim before penalties apply’, indicating that they will not be taking up the Commissioner’s offered extension, despite also stating that ‘where there is flexibility under the scheme rules, the agency will use it for 2016 claims’³⁶. This is confusing.

37. We recommend that the RPA take the opportunity to extend the application window and ensure that all farmers submit accurate and timely applications. This must not come at the cost of making outstanding BPS payments in full, or releasing hardship grants to farmers as quickly as possible.

38. If the delays to payments and claim statements have an impact on farmers’ understanding of their eligibility, farmers will be hard pressed to make accurate 2016

33 “BPS Blog: the ides of March” [NFU online blog](#), 21 April 2016

34 Q93

35 “Commissioner willing to show flexibility on CAP payments application deadline” [European Commission Press notice](#), 29 April 2016

36 “Two weeks left for farmers to apply for BPS 2016” [RPA press release](#), 3 May 2016

claims on time. It is important that farmers are made aware of the absolute requirement to lodge a 2016 claim by the 16 May deadline, and that the RPA provides timely support to ensure claims are accurate before the grace period ends.

39. Defra must ensure that the data in the system for 2015 claims is verified both by the RPA and by farmers, using accurate claims statements, to ensure that claims for 2016 are made from an accurate starting point. A mechanism must be found to ensure that the RPA, not farmers, is penalised for data issues.

40. The RPA must ensure that all farmers are registered for BPS 2016 ahead of the 16 May deadline even if their precise claim cannot be finalised until two weeks later. The RPA must offer support to farmers to resolve queries and ensure that accurate claims are filed on time.

41. All claim statements for 2016 payments should be issued and verified before the application window for 2017 payments is opened next year, with the exception of a defined list of ‘super complex’ claim customers who would not normally be paid until June in any year.

Disallowance

42. Defra incurs fines (known as ‘disallowance’) from the EU for inaccurate CAP payments to farmers. The National Audit Office published its report into Managing Disallowance Risk in July 2015. The report gives a good summary of how the disallowance regime works, and what Defra should do to minimise risks across its policy, including CAP payments to farmers. It states that

“A member state may incur disallowance, in the form of a financial penalty, if the Commission considers that actions taken to control and administer CAP payments have not been compliant. The Commission will base any subsequent financial correction on its assessment of the potential risk to EU funds, or apply a flat-rate penalty where it cannot make a reasonable estimate. [...]

Disallowance can arise as a result of delays in payments to claimants, member states misinterpreting the regulations, or the Commission identifying control weaknesses that are a risk to EU funds.”

Between 2005 and 2014, the department incurred £642m in disallowance fines. The department’s target is to keep disallowance below 2% of the annual value of CAP.

43. As accuracy is key to avoiding disallowance fines, there is a balancing act for the RPA to perform, between making payments quickly and ensuring that they have been correctly calculated. One of the motives for building an automated system for the new CAP was to minimise payment errors. However, as it has taken longer than expected to build the system, the RPA is left with little time to verify the accuracy of calculations, and there is a risk that inaccuracies from the 2015 cycle will be rolled over to 2016 applications.

44. Furthermore, the EU is strengthening the penalty rules of the disallowance framework and George Eustice acknowledged that ‘it is probably going to create an upward pressure on penalties’³⁷. According to the NAO, a combination of factors “could lead to disallowance

penalties for the early years of the new CAP of 10%³⁸, as compared to the current target of 2%. CAP payments are audited by the European Commission, and member states have an opportunity to negotiate with the Commission over their disallowance fines. This process can take several years, which makes it difficult to monitor trends in disallowance or predict future penalty levels. The department has built £100m contingency for disallowance into its budget for 2016/7.

45. We were pleased to hear about the department's disallowance strategy, which includes a £45m investment in a new land parcel information system, and the integration of pillar 1 and pillar 2 of the CAP in the new BPS system as 'in-built insulation against disallowance'³⁹. We were also pleased to hear about the work that the department is doing to argue for 'more proportionality of penalties'⁴⁰ at an EU level. However, to avoid serious risk of escalating fines, Defra must ensure that it has a comprehensive understanding of the disallowance risks under the new system and manage the 2016 payment window effectively to minimise costs to the taxpayer.

46. Defra must prioritise timely payments of CAP money. Defra needs to ensure that its IT systems are able to make timely payments to farmers, while maintaining the high levels of accuracy necessary to avoid high costs of EU fines under the disallowance regime. The RPA must invest now in effective checking and mapping systems to ensure that disallowance penalties are minimised under the new CAP rules. Defra must continue to negotiate disallowance fines with the European Commission, and can expect further scrutiny of disallowance penalties from us in the future.

38 NAO, [Early review of the Common Agricultural Policy Delivery Programme](#), December 2015

39 Q202

40 Q207

4 Conclusion: Payments for 2016

47. Mark Grimshaw was confident that the system currently being deployed is robust, and made a commitment to being ‘back in the high 90s [percentile] during December’ 2016⁴¹ and to paying ‘the majority of [2016]’s payments on 1 December’. George Eustice said ‘I have got a huge amount of confidence in Mark Grimshaw. He has turned around a very difficult situation over the last 12 months and he has got a good team around him [...] If he believes he can do over 90% in December again, of course I have got confidence in that. As I said, it is year two. It is much easier. The data is already on there.’⁴² In April, Mark Grimshaw said that he wanted ‘to re-assure the industry we are handling many issues that are specifically related to year one of the new scheme - and 2016 will be different.’⁴³ Following these assurances, Mark Grimshaw must be held to account for his commitments to ensure that farmers are paid correctly and on time in 2016.

48. It is very important that the data in the system is correct for 2016 claims. We are concerned that tight timeframes coupled with the complex changes to the CAP, issues with land mapping and inspections and 2015’s absence of verified claim statements, could compound the 2015 problems into the 2016 payment cycle. The RPA has let farmers down in the past; however confident it is in the new system it must communicate openly and frankly with its customers, and address the concerns of farming groups about the robustness of data in the system.

49. Neither Defra nor the RPA should continue to use ‘complexity’ in the CAP as an on-going excuse or justification for delays in payments to farmers. Defra must ensure that the RPA’s system returns to 2014 performance levels, paying the majority of claims by volume on the first banking day of December, and at least 90% of total claims by end December 2016. The RPA must communicate accurate timescales for payment of the remaining 10% of claims by end December 2016. We will hold Defra to account for the RPA’s performance.

41 Q68

42 Q185-8

43 “Update on BPS 2015 and 2016” [RPA press release](#), 14 April 2016

Conclusions and recommendations

2015: Delayed payments to farmers

1. CAP reform has created a particularly large challenge for the RPA in making accurate and timely payments in 2015–16, but for farmers awaiting payment, the delays are causing significant financial hardship and anxiety. The RPA met its December and January targets by the barest margins. It missed its March target. This is unacceptable. (Paragraph 13)

Hardship

2. We expect much better performance in 2016, with 90% of claims paid by the end of December as Mark Grimshaw has promised. However, Defra and the RPA should offer additional hardship support to farmers in the undesirable case that it cannot meet its delivery targets. The department should consider what support it can offer to provide a standard service to all customers, regardless of the complexity of their claim. This should include early part-payment or interest-free loans for those who will be paid late next year owing to complications with their 2016 claim - including but not limited to inspections, land transfers, common land and change of use. (Paragraph 20)

Communications with farmers

3. The RPA must communicate clearly in effective and informative language with its customers, and ensure that it is appropriately resourced with trained staff to deal with queries and complaints. (Paragraph 27)
4. The RPA should drive better performance by building, publishing and reporting on a set of key performance indicators for communications. These must be tailored to specific situations, but could usefully include targets for wait times on phone calls, the percentage of queries completely resolved following a phone interaction, response times to incoming written communications and other, more general customer satisfaction metrics. (Paragraph 28)

2016 Applications: claim statements

5. We recommend that the RPA take the opportunity to extend the application window and ensure that all farmers submit accurate and timely applications. This must not come at the cost of making outstanding BPS payments in full, or releasing hardship grants to farmers as quickly as possible. (Paragraph 37)
6. If the delays to payments and claim statements have an impact on farmers' understanding of their eligibility, farmers will be hard pressed to make accurate 2016 claims on time. It is important that farmers are made aware of the absolute requirement to lodge a 2016 claim by the 16 May deadline, and that the RPA provides timely support to ensure claims are accurate before the grace period ends. (Paragraph 38)

7. Defra must ensure that the data in the system for 2015 claims is verified both by the RPA and by farmers, using accurate claims statements, to ensure that claims for 2016 are made from an accurate starting point. A mechanism must be found to ensure that the RPA, not farmers, is penalised for data issues. (Paragraph 39)
8. The RPA must ensure that all farmers are registered for BPS 2016 ahead of the 16 May deadline even if their precise claim cannot be finalised until two weeks later. The RPA must offer support to farmers to resolve queries and ensure that accurate claims are filed on time. (Paragraph 40)
9. All claim statements for 2016 payments should be issued and verified before the application window for 2017 payments is opened next year, with the exception of a defined list of 'super complex' claim customers who would not normally be paid until June in any year. (Paragraph 41)

Disallowance

10. Defra must prioritise timely payments of CAP money. Defra needs to ensure that its IT systems are able to make timely payments to farmers, while maintaining the high levels of accuracy necessary to avoid high costs of EU fines under the disallowance regime. The RPA must invest now in effective checking and mapping systems to ensure that disallowance penalties are minimised under the new CAP rules. Defra must continue to negotiate disallowance fines with the European Commission, and can expect further scrutiny of disallowance penalties from us in the future. (Paragraph 46)

Conclusion: Payments for 2016

11. Neither Defra nor the RPA should continue to use 'complexity' in the CAP as an on-going excuse or justification for delays in payments to farmers. Defra must ensure that the RPA's system returns to 2014 performance levels, paying the majority of claims by volume on the first banking day of December, and at least 90% of total claims by end December 2016. The RPA must communicate accurate timescales for payment of the remaining 10% of claims by end December 2016. We will hold Defra to account for the RPA's performance. (Paragraph 49)

Formal Minutes

Wednesday 4 May 2016

Members present:

Neil Parish, in the Chair

Chris Davies	Angela Smith
Jim Fitzpatrick	Rishi Sunak
Dr Paul Monaghan	Valerie Vaz
Rebecca Pow	

Draft Report (*Common Agricultural Policy: 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 49 read and agreed to.

Resolved, That the Report be the Fifth 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 (Standing Order No. 134).

[Adjourned till Wednesday 11 May at 2 pm.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 16 September 2015

Question number

Mark Grimshaw, Chief Executive, Rural Payments Agency

[Q1–62](#)

Wednesday 9 March 2016

Mark Grimshaw, Chief Executive, Rural Payments Agency

[Q63–161](#)

Wednesday 23 March 2016

George Eustice MP, Minister of State for Farming, Food and the Marine Environment, Department for Environment, Food and Rural Affairs, and
Mike Rowe, Deputy Director, Common Agricultural Policy, Department for Environment, Food and Rural Affairs

[Q162–225](#)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

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

Session 2015–16

First Report	Defra performance in 2014–15	HC 443
Second Report	Greyhound welfare	HC 478
Third Report	Farmgate prices	HC 474
Fourth Report	Air quality	HC 479
First Special Report	Defra performance in 2014-15: Government Response to the Committee's First Report of Session 2015-16	HC 894