



House of Commons
Committee of Public Accounts

Progress on the Common Agricultural Policy Delivery Programme

Fortieth Report of Session 2016–17

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

*Ordered by the House of Commons
to be printed 1 February 2017*

The Committee of Public Accounts

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Publication

Committee reports are published on the [Committee’s website](#) and in print by Order of the House.

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Committee staff

The current staff of the Committee are Dr Stephen McGinness (Clerk), Dr Mark Ewbank (Second Clerk), George James (Senior Committee Assistant), Sue Alexander and Ruby Radley (Committee Assistants), and Tim Bowden (Media Officer).

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Summary

The extent of the Rural Payments Agency's (the RPA's) failure to pay farmers in England on time and in full is now clear. The RPA paid only 38% of farmers under the Basic Payment Scheme on 1 December 2015 (the first day of the payment window) compared to over 90% in previous years. By the end of January this had risen to 76%, but at the end of March 2016 there were still 14,300 farmers (16%) who had not received any payment. Over 10,000 farmers who had received a payment had not been paid in full. Two thirds of the additional payments made to these farmers were in excess of €1,000 and were first paid in September 2016, over nine months after the first payment could have been received. The Department for Environment, Food and Rural Affairs (the Department) has responsibility for rural affairs in England, but it has not assessed the impact of these failures on farmers and the rural community nor done enough to mitigate the impact on farmers' livelihoods of late and partial payments. The Department has been very slow to properly address the risk of financial penalties, known as disallowance, imposed by the European Commission for not complying with the scheme's rules which remain far too high and it has failed to learn lessons from other countries that have been more successful in avoiding these penalties. The Department's record of failure when developing systems to support subsidy payments to farmers does not inspire confidence in its ability to cope with the challenges associated with Brexit that lie ahead.

Introduction

The Common Agricultural Policy (CAP) is the European framework of subsidies and rural development programmes. The Department has overall responsibility for CAP and the Rural Payments Agency (RPA), as the paying agency for all CAP payments in England, pays out £1.8 billion a year to English farmers and landowners. The CAP provides direct financial support to farmers primarily through the Basic Payment Scheme (which accounts for around 80% of total payments) and funding for rural development programmes such as the Countryside Stewardship Scheme. The EU reforms the CAP every seven years or so. The new CAP came into force in 2014 and is expected to be in place until 2020. The RPA is developing the CAP Delivery Programme, a new suite of IT solutions to administer CAP, but implementation was significantly delayed, and the online application portal was not ready in time, resulting in a reversion to paper-based applications for the 2015–16 application window. In 2015–16 the RPA paid out £1.39 billion to 87,500 farmers in England between December 2015 and October 2016. The Department for Environment, Food and Rural Affairs (the Department) incurs penalties, or disallowance, when it is deemed not to have complied with EU requirements for delivering the CAP. Since 2005 the Department has incurred £642 million in disallowance.

Conclusions and recommendations

1. **The Rural Payments Agency (RPA) was unable to pay farmers the full amount due on time.** The RPA paid only 38% of farmers under the Basic Payment Scheme on 1 December 2015 (the first day of the payment window) compared to over 90% in previous years. This rose to 76% by the end of January and 84% by the end of March, significantly below the RPA's target of paying 92%–95% of farmers by that time. This meant that some 14,300 farmers (16%) had not received any payment by the end of March 2016. Furthermore, over 10,000 farmers who had received a payment had not been paid in full, requiring additional payments to be made amounting to £27.4 million up to mid-October. Two thirds of these additional payments were in excess of €1,000 and were first paid in September 2016, over nine months after the first payment could have been received. The RPA expects to continue to face some issues in 2016–17 but aims to return to its previous levels of service by 2017–18. A key risk to accomplishing this is the announced departure of Mark Grimshaw as Chief Executive at the end of February 2017.

Recommendation: *The Department needs to ensure accurate, full payments are made in a timely manner in the payment window starting in December 2016 and that it returns to previous payment performance levels for 2017–18. The Department needs to ensure that the departure of Mr Grimshaw does not unduly impact on the delivery of improved performance.*

2. **The RPA needs better data to make full payments promptly and accurately.** The amount paid to farmers depends on the type of land they have. The RPA held data on land use from prior years but not on land cover, a more detailed classification that was not required for the previous scheme. The RPA inferred land cover where it could from existing information and aerial photography but stated that it had been unable to do so for some 200,000 parcels, some 9% of those held within the system. Payments could not be made in respect of these parcels until land cover data was entered in the system. Payment performance could be improved if the RPA had developed a more up-to-date digital map of England. The RPA aims to make its digital mapping data no more than three years old as required by the EU and has a goal of ensuring maps are no more than one year old, which could also allow the RPA to reduce the number of farm inspections it is required to carry out. Further problems arose from the fact that the online application portal was not fully functional in time which required the RPA to process all applications manually. This introduced a significant number of errors which undermined the quality of the data held, despite farmers submitting appropriate evidence.

Recommendation: *As part of its commitment to providing farmers with timely payments, the RPA must ensure that its land register is accurate. It should in the response to this report, set out when it expects to have digital maps with data that is no older than three years and also when it will reduce this to one year.*

3. **The Department has not assessed the impact on farmers and the rural community of failing to make full payments on time.** The Department has not assessed the impact of delayed payments on the supply chain and the broader rural community. Many farmers who did not receive their payment in a timely manner were forced to seek alternative means of funding. Some had to sell livestock to meet their financial obligations. The Department told us in December 2015 that the RPA would seek to accelerate payments to flood-affected farmers. The RPA identified around 900 flood-affected farms in North Yorkshire and Cumbria but payments to farmers in these counties lagged behind the rest of England until June 2016. The Department's ability to prioritise payments in these counties was hampered by the fact that many of the claims related to cross-border farms and common land and these cases could not be accelerated. The RPA identified only six flood-affected farms in Lancashire. The RPA applied a narrow scope in determining which farms it deemed as affected. Farmers that were indirectly affected by flooding, for example as a result of damage to local infrastructure and economies, were not considered for prioritisation.

Recommendation: *The Department must learn lessons from the floods to ensure payments to farmers in times of crisis are not delayed. It should also look at how it identifies affected farms to ensure those in need receive support. The Department more generally must improve its understanding of the impact delayed payments have on farmers and the wider rural community.*

4. **The availability of hardship payments and bridging payments was not enough to mitigate the impact on farmers' livelihoods of late and partial payments.** The RPA's failure to meet its target of paying 92%–95% of farmers by the end of March 2016, combined with the floods of December 2015 in northern England, meant that many farmers faced severe financial difficulties. Take-up of the hardship fund, established to allow farmers to receive some money in advance, was low: only 580 farmers received hardship payments. The Department accepted that potential applicants may consider that there is a stigma attached to applying to a "hardship" fund and having to demonstrate financial hardship which may have affected take-up. Subsequently the RPA announced that it had changed the name of the hardship fund to "BPS Financial Support Payments". In around 7,500 cases the RPA made Exchequer-funded bridging payments in April, significantly later than farmers expected to receive full payments.

Recommendation: *Whilst we welcome the Department's decision to rename hardship payments in response to concerns raised by the Committee, it should seek to remove any potential stigma attached to applying for BPS Financial Support Payments, and provide greater certainty to farmers about when they will receive their payments.*

5. **Disallowance penalties remain far too high, and an effective strategy to address this has taken too long to develop.** England has already incurred £642 million of disallowance penalties, equivalent to around 2.7% of the total scheme value for the previous CAP period (2005–2014). The Department expects disallowance penalties for the early years of the new CAP scheme could be as high as 10%. Disallowance rates in England are significantly higher than nearly all other EU countries. The Department's latest figure is that the disallowance rate from 2005 to date is 2.98% some 19 times higher than Germany's disallowance rate of 0.15%. Work on the

Department's and the RPA's disallowance strategy that seeks to understand the underlying causes of disallowance and to address systemic weaknesses began in 2014. But the strategy was not signed off by ministers until October 2016.

Recommendation: *Leaving the EU does not absolve the Department from ensuring that the current high level of disallowance penalties does not continue. The Department must now focus on delivering its delayed strategy to address this waste of taxpayers' money.*

6. **The Department and the RPA have been remiss in not identifying and adopting best practice from other countries to develop a system that works properly and minimises the rates of disallowance.** The RPA does not seek to draw comparisons between practices in England and those in other EU countries. In England, the implementation of the new CAP scheme ran in parallel to the development of the new IT system. This introduced an additional layer of complexity that was avoided in other countries such as Wales and Germany. The UK lags behind many of its EU counterparts in terms of avoiding disallowance penalties. The key sources of disallowance relate to land data and mapping issues. Germany has a dedicated team of 200 people to ensure its digital land data is no more than a year old. In comparison, until recently the RPA only had a dozen or so people performing the same task.

Recommendation: *The RPA should do more to compare with and learn from other paying agencies, in the UK and Europe, and implement best practice more rapidly.*

7. **Any new programme of payments to farmers following Brexit must avoid the pitfalls of the past to ensure farmers are paid promptly and in full.** The RPA is not directly involved in the Department's discussions with the Department for Exiting the European Union which are currently focussed on the withdrawal process rather than developing a new policy for supporting farmers following Brexit. While the RPA is involved in policy discussions within the Department, the RPA's Chief Executive told us that he would not make recommendations on the basis for the new policy.

Recommendation: *As the body with the necessary understanding and expertise on what works, and what does not work, the RPA must be at the table to support discussions of any future subsidy payment scheme to farmers following Brexit.*

1 Payment performance

1. We reported on the Common Agricultural Policy Delivery Programme, which was intended to address past failures in making subsidy payments to farmers, in March 2016. But we found that it was unsuccessful in many respects: payments to farmers had been delayed; programme costs had risen by 40%; and penalties from the European Commission were likely to increase significantly.¹ On the basis of a report by the Comptroller and Auditor General on progress on the Common Agricultural Policy (CAP) Delivery Programme, we took evidence from the Department for Environment, Food and Rural Affairs (the Department) and the Rural Payments Agency (the RPA).²

2. The CAP is the European framework of subsidies and rural development programmes. The Department has overall responsibility for the CAP in England which provides direct financial support to farmers primarily through the Basic Payment Scheme (which accounts for around 80% of total payments) and funding for rural development programmes such as the Countryside Stewardship Scheme. These schemes are administered by the RPA, which pays farmers in England once their claims have been validated. In 2015–16 some 87,500 farmers received payments totalling £1.39 billion under the Basic Payment Scheme. The RPA has 1,958 members of staff, and in 2015–16 had around a dozen digitisation specialists.³

3. The RPA paid only 38% of farmers under the Basic Payment Scheme on 1 December 2015 (the first day of the payment window) compared to over 90% in previous years.⁴ This rose to 76% by the end of January and 84% by the end of March, significantly below the RPA's target of paying 92%-95% of farmers by that time. This meant that some 14,300 farmers (16%) had not received any payment by the end of March 2016. The Department told us that in April, when it realised that the March payment target had been missed, bridging payments were made to 7,500 farmers who received 50% of the expected value of their claim.⁵

4. The RPA attributed the failure to pay farmers in a timely manner to a number of factors. As a result of problems with the online application system the Department reverted to a paper-assisted digital system, that required a significant amount of manual input and created a large number of errors. There were also issues concerning common land, where the calculation of payments depends on finalising payments for all other eligible applicants that apply for payments on each common; cross-border applications (where farmers have eligible land in two nations of the UK) where data need to be validated and shared between the nations different paying agencies; and problems processing inspection findings preventing applications subject to an inspection being paid, even where the inspection showed that the application was correct.⁶

1 Committee of Public Accounts, *The Common Agricultural Policy Delivery Programme*, Twenty-sixth Report of Session 2015–16, HC 642, 2 March 2016, summary

2 C&AG's Report, *Progress on the Common Agricultural Policy Delivery Programme*, Session 2016–17, HC 727, 24 October 2016

3 Qq 105, 72, C&AG's Report, paras 1–7

4 Q 64, Committee of Public Accounts, *The Common Agricultural Policy Delivery Programme*, Twenty-sixth Report of Session 2015–16, HC 642, 2 March 2016, para 1

5 Q 87, C&AG's Report, paras 1.3, 1.5, 1.8 and Figure 1

6 Qq 50, 65–71, C&AG's Report paras 1.6, 1.7

5. The Department referred to a review conducted by the RPA in June 2016 of claimants who had received a payment before the end of March 2016 which revealed that 13,600 claimants might need an additional payment. Subsequently, it emerged that over 10,000 farmers who had received a payment had not been paid in full, requiring additional payments to be made amounting to £27.4 million up to mid-October. Two thirds of these additional payments were in excess of €1,000 and were first paid in September 2016, over nine months after the first payment could have been received.⁷

6. The RPA expects to continue to face some issues in 2016–17 but aims to return to its previous levels of service by 2017–18.⁸ Performance targets under the previous CAP scheme were more demanding, being:

- i) 93% of customers to be paid 86% of the fund value by 31 December;
- ii) 97% of customers to be paid 97% of the fund value by 31 March; and
- iii) 99% of payments to be accurate first time, measured against financial value.⁹

Anticipated improvements to land data quality

7. As a result of the implementation of the new IT system and introduction of the new CAP scheme, there were issues with the quality of the underlying land data required for payments to be processed. The RPA told us that the new scheme required farmers to identify the land use and the land cover for all their land parcels. This was the first year that information on land cover, a more detailed classification, was required and farmers did not always provide this information and it could not always be inferred from land use data. The RPA made it clear that the failure to get all data into the system or to receive all key information was not the fault of farmers. The RPA sought to infer the land cover based on existing information or aerial photography but told us it had been unable to do so for 200,000 land parcels (about 9% of the total). Because this information was not entered on the system, farmers could not be paid on these parcels, and were instead paid only in respect of those parcels where land cover had been identified.¹⁰

8. A further source of errors was the the poor quality of the underlying mapping data. While there is a comprehensive digital map of England the data it contains is not sufficiently current. The RPA told us that having a comprehensive digital map that is also updated within a year for each parcel would yield significant benefits. This would not only improve payment performance and reduce the risk of disallowance penalties, but could also reduce the number of inspections the RPA is required to carry out by 80%, from 5% of all farms each year to 1%. At present, the RPA is prioritising improvements to its land data. It is working towards three-year currency of its mapping data, with the ultimate goal of achieving one-year currency of the digital land map of England.¹¹

7 [Qq 54,55, C&AG's Report](#) paras 2.8, 2.9

8 [Q 63](#)

9 Rural Payment Agency Report [Annual Report and Accounts 2014–15](#) Session 2015–16, HC 241, 13 July 2015, p9

10 [Qq 35–43, C&AG's Report](#) para 2.3, 2.4, 2.6

11 [Qq 44, 72–75](#)

2 Understanding and mitigating the impact on farmers

9. We asked the Department for Environment, Food and Rural Affairs (the Department) whether, given its responsibility for rural affairs in England, it had an adequate understanding of the impact that delayed and incomplete payments had had on the livelihood of farmers and the wider rural community. The Department noted that it might be difficult to disentangle the impact of payment problems from other issues that affect farmers, but undertook to consider further what analysis could be carried out. While there was no clear understanding of the detailed impact on the wider community, the Department was aware anecdotally of farmers who had experienced significant hardship, including having to secure bank loans or sell off livestock in order to meet their financial obligations. The Department maintained that those whose job it was to pay farmers had a lot of day-to-day contact with them and were well aware of the problems farmers face as a result of not receiving their payments.¹²

Prioritising payments to farms affected by floods

10. In December 2015, the Department told us that it would prioritise payments to those farmers that were worst affected by severe flooding a few days earlier.¹³ In response to questions on what had happened in practice, the Department told us that the Rural Payments Agency (the RPA) had matched aerial surveillance data for Cumbria and North Yorkshire with the map of farms to identify some 900 farms that had been affected by flooding and had sought to prioritise payments to them.¹⁴

11. Payment performance in the three worst affected counties (Lancashire, North Yorkshire and Cumbria) lagged behind the rest of England until June 2016.¹⁵ The Department told us that, in practice, its ability to prioritise payments in these counties had been hampered by the fact that many of the cases in these areas are common land cases, which could not be accelerated. The Department asserted that there was a significant improvement for “non-complex” flood-affected farms, with the proportion of those paid going from 72% in January to 95% by March.¹⁶

12. The RPA applied a narrow scope in determining which farms it would consider for prioritisation. The farms earmarked for prioritisation did not include farms that were indirectly affected in areas of widespread flooding, for example as a result of damage to local infrastructure and economies.¹⁷ Furthermore, only six farms in Lancashire were included. The Department told us that this was because the information required for the exercise did not extend into Lancashire. The RPA noted that all of the six identified in Lancashire were paid as part of the prioritisation process.¹⁸

12 [Qq 85, 89, 90](#)

13 Oral evidence: Early review of DEFRA’s Common Agricultural Policy Delivery Programme, HC 642, Session 2015–16, Wednesday 9 December 2015, [Qq100–102](#)

14 [Q 79](#)

15 [C&AG’s report](#), para 1.17

16 [Qq 80, 81](#)

17 [C&AG’s Report](#) para 1.17

18 [Q 82](#)

Hardship and bridging payments

13. Hardship payments were available where farmers could demonstrate financial hardship as a result of delayed payments and the winter floods of 2015. Farmers could apply through a variety of charities, for funds to be released and could receive a payment of up to 60% of the value of their prior year claim under the Single Payment Scheme. The take-up for this was low: payments were made to only 580 farmers with a total value of £9 million.¹⁹

14. The Department agreed that take-up of the hardship fund had been low and accepted that this might have been because farmers felt there was a stigma attached to applying to a “hardship” fund and having to demonstrate financial hardship. The Department noted that the fund had been a lifeline for some farmers, but agreed that they would look into ways of improving the availability of the fund and removing any potential stigma, for example, by changing its name. Subsequently, the RPA told us that it had decided to change the name of the hardship fund to “BPS Financial Support Payments”.²⁰ In around 7,500 cases, the RPA made Exchequer-funded bridging payments of around 50% of the total estimated value of the BPS claim, prior to the claim being validated. For these payments, the Exchequer bears the risk that the full amount of such payments would not be reimbursed or would take longer to be reimbursed. These payments were made in April 2016, four months after the initial payments would have been expected.²¹

19 [Q 86, C&AG's Report](#) para 1.11

20 [Q 86](#), Department for Environment, Food and Rural Affairs ([CDP0005](#))

21 [Q 87, C&AG's Report](#) para 1.12

3 Disallowance penalties

15. The Rural Payments Agency (RPA) is responsible for maintaining an effective internal control environment to control and administer Common Agricultural Policy (CAP) payments. Failure to do so results in disallowance penalties. These penalties may arise as a result of inaccurate or late payments, control weaknesses, or if the European Commission considers actions taken by member states to control and administer CAP payments have not complied with regulations.²²

16. The Department for Environment, Food and Rural Affairs (the Department) has incurred £642 million in disallowance penalties since 2005. The UK has for many years suffered higher levels of disallowance than our EU counterparts. In April 2016, we reported that disallowance in the UK since 2005 amounted to 2.7% of total funds received, and that the UK ranked sixth in the EU.²³ Figure 1 sets out the latest ranking of EU nations which shows a further deterioration in the UK's position. The UK is now ranked fourth having incurred 2.98% of the total funds received as penalties since 2005. Only Greece, Romania and Portugal now fare worse than the UK. The Department expects even higher levels of disallowance, potentially amounting to 10%, could be anticipated on BPS payments for the early years of the new CAP scheme.²⁴

17. As we reported in March 2016, it has been clear since the beginning of 2014 that the European Commission was going to increase the value of disallowance penalties under the new CAP compared with what would have been applied for similar failures under the previous regime.²⁵ However, the Department has been slow to respond. It has been developing a disallowance strategy for at least two years. The strategy, which was devised for the latest CAP scheme, aimed to develop a better understanding of the underlying causes of disallowance and to address systemic weaknesses in its previous approach to disallowance. The strategy was submitted for ministerial approval by the Department, but approval was delayed by the EU referendum. The Department confirmed to us that the strategy was approved by ministers within the last month.²⁶

18. Despite the delay in finalising the formal strategy, work to mitigate disallowance has been ongoing. The RPA told us that they have been making efforts to reduce disallowance ever since entering the new scheme and the Department said that reducing disallowance had been a major plank of discussions with HM Treasury for the 2015 spending review.²⁷ The Department told us that it was “very focused” on understanding what it could do to reduce disallowance and was conscious of the high level of disallowance relative to the position of other countries. The RPA attributed this in part to the fact that a considerable amount of the disallowance had been incurred in the years 2005–2007 under the previous scheme when it had been decided to introduce a very complex payments system.²⁸

22 [C&AG's Report](#), para 3.11

23 Committee of Public Accounts, *Financial Management of the European Union Budget in 2014*, Thirty-seventh Report of Session 2015–16, HC 730, 27 April 2016

24 Committee of Public Accounts, *The Common Agricultural Policy Delivery Programme*, Twenty-sixth Report of Session 2015–16, HC 642, 2 March 2016, paras 5,17

25 *Ibid*

26 [Qq 10–18, 20, 21, C&AG's Report](#), para 3.12

27 [Q 17](#)

28 [Qq 27, 28](#), C&AG's Report, *Managing disallowance risk*, Session 2015–16, HC 306, 13 July 2015, para 3.3 and Department for Environment, Food and Rural Affairs, [\(CDP0003\)](#)

Figure 1: Disallowance as a proportion of total funds received from the Commission

	Member State	Disallowance as a proportion of funds received from the Commissions (%)
1	Greece (GR)	8.75
2	Romania (RO)	3.70
3	Portugal (PT)	3.37
4	United Kingdom (GB)	2.98
5	France (FR)	2.61
6	Netherlands (NL)	2.41
7	Cyprus (CY)	2.40
8	Bulgaria (BG)	2.27
9	Italy (IT)	2.26
10	Spain (ES)	1.72
11	Poland (PL)	1.71
12	Denmark (DK)	1.69
13	Sweden (SE)	1.56
14	Slovenia (SI)	1.47
15	Luxembourg (LU)	1.11
16	Hungary (HU)	1.02
17	Lithuania (LT)	0.94
18	Malta (MT)	0.63
19	Ireland (IE)	0.62
20	Belgium (BE)	0.53
21	Czech Republic (CZ)	0.49
22	Slovakia (SK)	0.38
23	Finland (FI)	0.37
24	Germany (DE)	0.15
25	Estonia (EE)	0.11
26t	Latvia (LV)	0.10
26t	Austria (AT)	0.10
Notes		
The above table excludes Croatia, as it is a new member state and has not incurred disallowance.		
The figures are based on the UK Co-ordinating Body.		

Source: Department for Environment, Food and Rural Affairs ([DCP0003](#))

Lessons learned from other paying agencies to reduce disallowance

19. Given the better performance of other paying agencies we asked the RPA what it was doing to identify and adopt best practice to reduce the disallowance rate. The RPA told us that it was actively involved in exchanging information and learning with other countries and cited the existence of a learning network comprising the four UK nations and parts of northern Europe which it used as a vehicle for influencing the Commission over issues such as simplification of the CAP rules.²⁹

20. The RPA told us that it had looked at how Germany was able to run such an efficient system, and that the key area in which Germany excelled was in the management of its land information. Germany had over 200 permanently employed digitisers who maintain the currency of the German land register. In short, Germany had spent more money on getting the data right, and had a more current and accurate data set. The RPA told us that it was working on updating its digital map and that if it achieved a one-year currency it would be able to reduce the burden of inspections, and likely decrease the disallowance faced. In order to reach this position, the RPA have now contracted a third party able to provide hundreds of digitisers, compared with the dozen or so previously available.³⁰

Planning for Brexit

21. In August 2016 the Government announced that the current level of agricultural funding under CAP Pillar I would be upheld until 2020, as part of the transition to new domestic arrangements following Brexit. We asked the RPA and the Department about the work underway for planning for Brexit and any future system for supporting farmers. The RPA noted that it was involved in discussions with the Department on these issues but it did not attend meetings with the Department for Exiting the European Union. The Department for Environment, Food and Rural Affairs told us that it had learned from experience of the need to involve people with delivery expertise in developing policy. The RPA was involved in the early work it was undertaking on future farming policy, although the RPA's Chief Executive told us that he would not recommend whether the new system should be land-based. The discussions the Department was having with the Department for Exiting the European Union were on the withdrawal process.³¹

30 [Qq 30, 72, 74, 75](#)

31 [Qq 112-117](#), Treasury Press Release dated 13 August 2016

Formal Minutes

Wednesday 1 February 2017

Members present:

Meg Hillier, in the Chair

Mr Richard Bacon	Anne Marie Morris
Philip Boswell	Bridget Phillipson
Caroline Flint	John Pugh
Kwasi Kwarteng	Mrs Anne-Marie Trevelyan
Nigel Mills	

Draft Report (*Progress on the Common Agricultural Policy Delivery Programme*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 21 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Fortieth 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.

[Adjourned till Monday 6 February 2017 at 3.30pm]

Witnesses

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

Wednesday 2 November 2016

Question number

Mark Grimshaw, Chief Executive, Rural Payments Agency, and **Clare Moriarty**, Permanent Secretary, Department for Environment, Food and Rural Affairs

[Q1-119](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

CDP numbers are generated by the evidence processing system and so may not be complete.

- 1 Department for Environment, Food and Rural Affairs ([CDP0003](#))
- 2 Department for Environment, Food and Rural Affairs ([CDP0005](#))
- 3 Wildlife Trusts ([CDP0004](#))

List of Reports from the Committee during the current session

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 2016–17

First Report	Efficiency in the criminal justice system	HC 72 (Cm 9351)
Second Report	Personal budgets in social care	HC 74 (Cm 9351)
Third Report	Training new teachers	HC 73 (Cm 9351)
Fourth Report	Entitlement to free early education and childcare	HC 224 (Cm 9351)
Fifth Report	Capital investment in science projects	HC 126 (Cm 9351)
Sixth Report	Cities and local growth	HC 296 (Cm 9351)
Seventh Report	Confiscations orders: progress review	HC 124 (Cm 9351)
Eighth Report	BBC critical projects	HC 75 (Cm 9351)
Ninth Report	Service Family Accommodation	HC 77 (Cm 9351)
Tenth Report	NHS specialised services	HC 387 (Cm 9351)
Eleventh Report	Household energy efficiency measures	HC 125 (Cm 9351)
Twelfth Report	Discharging older people from acute hospitals	HC 76 (Cm 9351)
Thirteenth Report	Quality of service to personal taxpayers and replacing the Aspire contract	HC 78 (Cm 9351)
Fourteenth Report	Progress with preparations for High Speed 2	HC 486 (Cm 9389)
Fifteenth Report	BBC World Service	HC 298 (Cm 9389)
Sixteenth Report	Improving access to mental health services	HC 80 (Cm 9389)
Seventeenth Report	Transforming rehabilitation	HC 484 (Cm 9389)
Eighteenth Report	Better Regulation	HC 487 (Cm 9389)

Nineteenth Report	The Government Balance Sheet	HC 485 (Cm 9389)
Twentieth Report	Shared service centres	HC 297 (Cm 9389)
Twenty-first Report	Departments' oversight of arm's-length bodies	HC 488 (Cm 9389)
Twenty-second Report	Progress with the disposal of public land for new homes	HC 634 (Cm 9413)
Twenty-third Report	Universal Credit and fraud and error: progress review	HC 489 (Cm 9413)
Twenty-fourth Report	The sale of former Northern Rock assets	HC 632 (Cm 9413)
Twenty-fifth Report	UnitingCare Partnership contract	HC 633 (Cm 9413)
Twenty-sixth Report	Financial sustainability of local authorities	HC 708
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Twenty-eighth Report	The apprenticeships programme	HC 709 (Cm 9413)
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Thirty-first Report	Child protection	HC 713
Thirty-second Report	Devolution in England: governance, financial accountability and following the taxpayer pound	HC 866
Thirty-third Report	Troubled families: progress review	HC 711
Thirty-fourth Report	The Syrian Vulnerable Persons Resettlement programme	HC 768
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Public Accounts Committee

Oral evidence: CAP Delivery Programme: progress review, HC 766

Wednesday 2 November 2016

Ordered by the House of Commons to be published on 2 November 2016.

Watch the meeting <http://parliamentlive.tv/Event/Index/a385aff3-d816-4853-bb1f-af6bffdf4f1>

Members present: Meg Hillier (Chair); Mr Richard Bacon; Philip Boswell; Charlie Elphicke; Chris Evans; Caroline Flint; Kevin Foster; Kwasi Kwarteng; Nigel Mills.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Simon Helps, Director, NAO, and Richard Brown, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-119

Witnesses

I: Mark Grimshaw, Chief Executive, Rural Payments Agency, and Clare Moriarty, Permanent Secretary, Department for Environment, Food and Rural Affairs.

Written evidence from witnesses:



Report by the Comptroller and Auditor General
Progress on the Common Agricultural Policy Delivery
Programme (HC 727)

Examination of witnesses

Witnesses: Mark Grimshaw and Clare Moriarty.

Chair: Good afternoon, everybody, and welcome to the Public Accounts Committee on Wednesday 2 November 2016.

We are here today to have a call-back about the update on the progress of the implementation of the Common Agricultural Policy Delivery Programme over the last year. As our witnesses and members of the Committee will be aware, the Committee has looked at this issue a number of times, most recently at the end of 2015, though we also touched on it in a Report we did on European funding. Of course, our Deputy Chair has written a chapter of a book about the Common Agricultural Policy and the rural payments issue. So we are all over this subject, partly because it is a hugely significant issue for farmers out there.

We want to hear from you today about how well it has gone in the last year, because too many basic payment scheme payments were late and inaccurate, according to the National Audit Office Reports. Some improvements have been made, but the system is still not working as well as was originally intended and, quite puzzlingly for us, accurate payment is not used as a key performance indicator.

So we want to tease out some of these issues. We also want to find out what you are doing to understand the impact on the supply chain for farmers, because this affects not just farmers but the wider agricultural community. We want to tease out a bit of that and look as well at some of the cross-border issues with the other constituent countries in the UK.

This has been a bit of a sorry saga. We are hoping that today we will get some clear idea about how things are going for the future, including what your plans are for post-Brexit, Ms Moriarty. Obviously that is a huge agenda, which will we come on to towards the end of our questioning. I hand straight over to Richard Bacon, our resident expert on rural payments.

Q1 **Mr Bacon:** Ms Moriarty, can you start by telling us for how long the Government have been making subsidy payments to farmers under the Common Agricultural Policy?



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Clare Moriarty: I assume since we joined the Common Market in the early 1970s.

Q2 **Mr Bacon:** So since 1973.

Clare Moriarty: That is my assumption, but I am not an expert on the history—

Q3 **Mr Bacon:** No, but we are members of the European Union and we have been members since 1973.

Clare Moriarty: Yes.

Mr Bacon: And farm payments—subsidies to farmers—have been an important component of the EU budget for all that time.

Clare Moriarty: That is my understanding, yes.

Q4 **Mr Bacon:** So your understanding is—although you are open to correction—that we have been making these payments for 43 years.

Clare Moriarty: Yes.

Q5 **Mr Bacon:** How long have we been making payments under the reformed Common Agricultural Policy?

Clare Moriarty: The Common Agricultural Policy is reformed and reviewed every seven years or so. So it has been a series of schemes. For the current scheme, 2015 was the first year of payment.

Q6 **Mr Bacon:** Of that particular iteration of the reform.

Clare Moriarty: Yes.

Q7 **Mr Bacon:** The big reform came when there was a decoupling from support for production and an emphasis on paying farmers for environmental protection work. That is right, isn't it? That is when the CAP really started to reform seriously.

Clare Moriarty: Again, I would defer to others on the history of this. I have been at DEFRA for a year and I am very focused on making sure that we deliver effectively for our customers. I am not a major expert in the history of it—

Mr Bacon: Neither am I.

Clare Moriarty: —but the previous scheme, which came in in 2005, was, as I understand it, the scheme that marked the change from production-based payments to land-based payments.

Q8 **Mr Bacon:** That was 2005?

Clare Moriarty: That is my understanding.

Q9 **Mr Bacon:** So that would be 11 years? So, 43 years since the Government started making these subsidy payments and 11 years since they started doing it under the reformed system, and there have been



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various changes to the reformed system since then. That's right, isn't it?

Clare Moriarty: The new scheme, which came in in 2015, was a new scheme with quite a lot of difference from the scheme that was run between 2005 and 2014.

Q10 **Mr Bacon:** Could you turn to page 20 of the Report? In paragraph 3.12 it says, "The Department and the RPA have developed a disallowance strategy that seeks to understand the underlying causes of disallowance and to address systemic weaknesses". Can you tell us when the work on the disallowance strategy started?

Clare Moriarty: My understanding is that work was done on the disallowance strategy during 2014. I am going to ask Mark, who has a much longer history on this than I do.

Mark Grimshaw: Work on the disallowance strategy probably began the moment that we entered into the new scheme, recognising that there was—

Q11 **Mr Bacon:** What date was that?

Mark Grimshaw: I would suggest it was probably back in 2005.

Q12 **Mr Bacon:** In 2005? So work on the disallowance strategy has been going on for 11 years?

Mark Grimshaw: Work on disallowance strategies, because clearly they have to be altered to take into consideration any changes to the scheme.

Q13 **Mr Bacon:** I am particularly interested in paragraph 3.12. It says, "The Department and the RPA have developed a disallowance strategy that seeks to understand the underlying causes of disallowance and to address systemic weaknesses". What I am really trying to get to is when the Department and the RPA started the work referred to at the beginning of that paragraph.

Clare Moriarty: As Mark says, there are strategies. There has been work going on.

Q14 **Mr Bacon:** I am really just after a date. This is very clear. It is in plain English—a layman can understand it: "The Department and the RPA have developed a disallowance strategy". That's what it says. Clear English. The disallowance strategy, it goes on, "seeks to understand the underlying causes of disallowance and to address systemic weaknesses". I just want to know when the work on that disallowance strategy started.

Clare Moriarty: My understanding is that work started on the current strategy in 2014, but that was not the first time people had sought to understand and address disallowance.

Q15 **Mr Bacon:** No. So work on the current strategy started in 2014. When in 2014?

Clare Moriarty: To give you my honest answer, I was not here at the time. I don't know when in 2014.



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Mr Bacon: You are an experienced enough permanent secretary to know that that is not really a good answer for the Committee. We want to know what was going on, including what was going on before the present incumbents as permanent secretary and accounting officer took office. It is really quite a simple question: when in 2014 did the work on the current disallowance strategy start? There must be somebody in the room who knows. Mr Grimshaw said 2014 as well. Was it December? Was it the day before Christmas? Was it on Valentine's day? Was it on Shakespeare's birthday? When was it?

Chair: Which quarter of 2014, perhaps?

Q16 **Mr Bacon:** When did the work on the disallowance strategy start?

Clare Moriarty: As I have said to you, I don't personally know. I can find out and I can write to you.

Q17 **Mr Bacon:** I do not want somebody to write to me, because it is the predicate for my next question. I want to know how long the disallowance strategy work has been going on for. I can't work that out unless you give me a date. If it started in December 2014, it is at least 12 months plus—where are we now? November—11. That's 23 months. On the other hand, if it started in January 2014, that would be a further 12 months, so that would be 35 months. It could be somewhere between nearly two years and nearly three years. I am just trying to find out how long the work on the disallowance strategy has been going on, that's all.

Clare Moriarty: I am very, very sorry but I can't give you a precise month answer to that question.

Mr Bacon: That is extraordinary.

Clare Moriarty: One of the things it is worth saying about the disallowance strategy is that we haven't gone through the process of developing a disallowance strategy without doing anything about disallowance. We've been going through a continuous process, aided by the work that the NAO did in its Report on disallowance, which was published in July last year, to understand disallowance and what we can do. It was a major plank of the discussions we had with the Treasury in our 2015 spending review. We secured investment—

Q18 **Mr Bacon:** I am sure all of that is true, but it does not help me with my question, which is: when did work on the disallowance strategy start?

Clare Moriarty: I think I have probably said enough times that I don't have that precise information.

Q19 **Mr Bacon:** But you would agree with me that, if it started in December, it must be at least 23 months ago and it could be 35 months ago. Is that right?

Clare Moriarty: At a mathematical level, I absolutely agree.

Q20 **Mr Bacon:** Okay, so between two and three years. The Report says, "have developed", which suggests that the work has been completed, but



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we now know from our briefing from the NAO that it has not been completed and has not yet been signed off by Ministers. Is that correct?

Clare Moriarty: It has now been signed off by Ministers.

Q21 **Mr Bacon:** It has been signed off by Ministers. When was it signed off by Ministers?

Clare Moriarty: It was signed off by Ministers quite recently.

Q22 **Mr Bacon:** How recently?

Clare Moriarty: In the last month.

Q23 **Mr Bacon:** What date?

Clare Moriarty: I can't tell you the exact date.

Q24 **Mr Bacon:** But the Report is dated 24 October; that was Monday last week. So are you saying that this Report is inaccurate, even though it was agreed? Mr Helps, is this an agreed Report?

Clare Moriarty: I am not saying that the Report is inaccurate. The Secretary of State and I appeared before the Environment, Food and Rural Affairs Committee in the same week that the Report was published. A lot of work has been done since the change of Ministers, and to take account of the impact of the decision to leave the EU.

That is work that has been going on quite intensively, and as soon as the disallowance strategy was ready to be put to Ministers, it was put to Ministers. There was no intention to land it in a spot between the publication of the Report and today, but we have been seeking to finalise the strategy as quickly as we could. As I say, we are already taking the action that the strategy lays out. This is not something where we have been waiting—

Mr Bacon: I wasn't accusing you of scheming and plotting; it would require a level of scheming and plotting that I am not sure the Department is capable of, to be honest.

Q25 **Charlie Elphicke:** Currently, disallowance is a proportion of funds received from the Commission. What is it as a percentage?

Clare Moriarty: The latest figures that we have, over the period from 2005 to the present day, is 2.98%.

Q26 **Charlie Elphicke:** When do you think we will catch up with Bulgaria?

Clare Moriarty: One of the points that it is worth making about the statistics is that they are produced on the basis of a moment in time. Each country will be at a slightly different stage of negotiations about the disallowance from the Commission, so the figures are not directly comparable. The percentage of the total fund that has been disallowed is a figure that varies over time. What we are focused on is driving down that figure to the greatest possible extent.



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Q27 **Charlie Elphicke:** What I am trying to understand is, why is it that Bulgaria does a better job than your Department?

Clare Moriarty: I might ask Mr Grimshaw to explain a bit about why our disallowance position is as it is. I am very focused on understanding what we can do to reduce disallowance. I am conscious that, relative to the position other countries are in, we have experienced high levels of disallowance. Some of that is to do with things that happened at the start of the previous scheme, but that is not the whole of the story.

Q28 **Charlie Elphicke:** That is not my question. My question is, why is it that Bulgaria does a better job than your Department?

Mark Grimshaw: There are a number of challenges that need to be taken into consideration here. One, clearly, is the length of time that we have been running this particular scheme. A considerable amount of the disallowance was plied in the early years of the scheme—2005, 2006, 2007—when the decision was taken to run the complex hybrid. I suspect the Bulgarians did not run a system that was as complex and that had so many controls and ancillary controls attached to it.

Q29 **Mr Bacon:** You say, “complex hybrid”, but do you mean the dynamic hybrid? Just to be clear.

Mark Grimshaw: Sorry, yes. I beg your pardon.

Q30 **Charlie Elphicke:** To what extent have you looked at what they do in Germany to run such an efficient system? Has your working group, or whatever it is called, gone and looked at efficient countries that have fewer problems?

Mark Grimshaw: Yes. We have looked at the way that the Germans operate. The main area where they excel, in fact, is in the management of their land information, with land information being critical to the way that payments are calculated. When we were involved in discussions with the Germans, they had over 200 digitisers who were working to bring the quality of their land information to a level of currency of one year.

We have now got the funding for an improvement to our land parcel identification service. Part of the disallowance defence approach is to get to a three-year currency and then on to a one-year currency, which will give us additional benefits as far as reducing future disallowance is concerned. Clearly it has no impact on—

Q31 **Charlie Elphicke:** Okay, but small steps—were you not expecting to catch up with Bulgaria?

Mark Grimshaw: I don’t draw comparisons with Bulgarians or any of the other countries in the EU. I work—

Chair: To be clear, the source of this is the Department. Thank you for that. This is the latest league table about where we rank with European partners.

Q32 **Mr Bacon:** I was going to ask—Mr Elphicke helpfully teed up my



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question—which is the country you most admire in the EU, in terms of the way it manages its obligations under the CAP?

Mark Grimshaw: The easy answer would be the country that is at the bottom of the table, but in terms of the overall management of the activity, the work that the Germans do in land parcel identification is first class.

Q33 **Mr Bacon:** Yes. I was looking through the chart, and you can think of lots of reasons why countries might not be comparable in lots of different ways, but Germany is a big country. It is comparable in many ways. They have a disallowance of 0.15%, which is—I just worked it out—19 times less than ours. They get it 19 times more accurate than we do, so obviously there is stuff to learn from them.

Could you turn to page 15 of the Report? In paragraph 2.4, it talks about the land cover and says: “Identifying the land cover for some 200,000 land parcels...proved problematic”. Can you explain to the Committee and for the benefit of the public what it means by “land cover”?

Mark Grimshaw: Certainly. Essentially, there are three types of land cover that are picked up in the new scheme—the scheme that was launched in 2015—and those are arable, landscape feature or non-agricultural. Those are new classifications for the new scheme.

Q34 **Mr Bacon:** Right. The Report says that “Identifying the land cover for some 200,000 land parcels...proved problematic”, but if there are only three things that land cover can be—arable, landscape feature or non-agricultural—why is it so difficult to identify the land cover for 200,000 land parcels?

Q35 **Mark Grimshaw:** Because the information that we hold on the system is at the land use level, so it takes it down a level. For example, in arable, it could be temporary or permanent grass. It could be peas, beans or any other form of crop. For a landscape feature, it could be scattered scrub, bracken, muck heaps or trees. That is the information customers historically have been asked to provide to us.

Mr Bacon: Which is an even greater level of detail than you guys would need in order to meet compliance with the scheme and not get disallowances.

Mark Grimshaw: No, we actually need both levels. We need land cover and land use. Where we were—

Q36 **Mr Bacon:** Forgive me, but if you’ve got it at the land use level and can tell that it’s arable, wheat or whatever, obviously you also know that it’s arable.

Mark Grimshaw: That is correct. We were able to infer for the vast majority of land cover exactly what it was from the land use that was made available to us, but—

Q37 **Mr Bacon:** You are deducing it. Why didn’t you just know, if the information has been supplied to you by the farmers?



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Mark Grimshaw: The information was supplied at the land use level, not at the land cover level. In a land parcel, it is quite possible to have all those categories. Where it is quite clearly a field of maize, for example, we can infer that the land cover is, in that case, arable, but where it has scattered rocks, trees or ungrazeable woodland in it, we can't infer that and we have to discuss it with the customer. That is in roughly 200,000 of the 2.2 million land parcels out there.

Q38 **Mr Bacon:** So you are saying you cannot work out whether it is arable or a landscape feature.

Mark Grimshaw: I am saying that we cannot infer from the information provided by the customer exactly what the land cover is.

Q39 **Mr Bacon:** Why don't you ask the customer for all the information that you needed, rather than some of it?

Mark Grimshaw: We do ask the customers for all the information. Because this was the first year of the new scheme, not all the customers were able to fill it in.

Q40 **Mr Bacon:** So it's the farmers' fault.

Mark Grimshaw: No, I'm not saying that at all. Where it was possible for us to infer that information, we did, and where it was not possible for us to infer it—

Q41 **Mr Bacon:** Hang on. You are talking about what you're deducing or inferring. You said that because it was the first year of the scheme, the customers couldn't give you the answers. That presumably depends on what questions you asked them. If you had asked them, "What is the land use and what is the land cover?" they would have presumably answered, "The land use is x and the land cover is y." Did you not ask them in each and every case those two questions?

Mark Grimshaw: Yes, we did. That information is required on the application form. Recognising that this was the first year of the new scheme, we sought to be as accommodating and flexible as possible, and where customers couldn't or didn't provide it, we sought to infer it, which worked in the vast majority of cases. Where there was a breakdown, we then had to go back to the customer and seek further information, or send inspectors out on a rapid field visit to assess the ground as it stood.

Q42 **Mr Bacon:** I am surprised that the people filling in the form would not have known the answers to these two questions. It doesn't sound that complicated to me. If you are the landowner or the farmer, you would know the land use and the land cover, would you not?

Clare Moriarty: Can I try to help? I think—

Mr Bacon: Sorry, can I just get an answer to that question? If you were the farmer or the landowner doing the farming, would you not know the land use and the land cover? You would know that in each case, wouldn't you?



Clare Moriarty: You would know that. The critical thing is that the land use was already in the system and could be imported over. That information had been previously required, so it was simply imported directly at system-to-system level into the new system, because it was there already. That enabled the RPA, without needing to go back to the farmers, to complete much of the information they needed on land cover, but not all of it. If we had been starting from scratch, we would clearly have had to go out to the farmers and ask them for all that information.

Q43 **Mr Bacon:** But hadn't they already told you the previous time the answer to both those questions?

Clare Moriarty: No. We never previously asked them about land cover, because under the previous scheme we did not need to know that. We would ask them about land use, and we had that information. We were able to use that to take some of the burden off farmers by not needing to ask them about land cover in many cases, but that left a group of about 10% of the parcels where the land use information was not sufficient. We then needed the information, which the farmers were able to provide, but we could not just import it at a technical level.

Q44 **Mr Bacon:** I still have loads more questions. I would like to ask a top-down question about digital mapping, which was a big problem 10 years ago. Are you yet at the point where you can say you have a comprehensive digital map for the UK?

Mark Grimshaw: We do have a comprehensive digital map for the UK. However, it is not as current in certain parts of the country as we would like it to be, hence the land parcel identification system improvement plan to get everything in the system up to a minimum of three-year currency and then move towards one-year currency.

Q45 **Mr Bacon:** When you say currency, you are talking about the information on what the land was being used for three, two and one year ago.

Mark Grimshaw: Yes, that's right—how current the information is. I will use an example. When did the Ordnance Survey fly over Derbyshire and take photographs? That is the information in our system. If it was three years ago, the information is three years old. We would seek to get them to fly again, so that we can update the information with information that is maybe two or three weeks old. It varies across the country.

Q46 **Mr Bacon:** But the problem originally was that the farmers did not necessarily put in an application that covered all their land, because they were, under the old system, only putting in the bits that were eligible, and then that all changed. What I am really asking you is: do you now have a system where every parcel of land owned by a farmer is covered, even if the information might be three, two or one year old?

Mark Grimshaw: We do, but that doesn't mean that every land parcel has been activated by a customer. Much as you would be able to see things on Google Maps, we can see things on the rural payments system.

Q47 **Chair:** You say "activated by a customer". Can you explain that?



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Mark Grimshaw: Not every customer claims on every parcel of land that they own, for many reasons, which are best known to them.

Q48 **Chair:** I am surprised at that, but that is why I asked.

Mark Grimshaw: Yes, but that is the case. It is known within the trade as white space. Customers may decide that they do not want to claim on a particular parcel or parcels of land. We can see them, so we could allocate them, should they choose to claim on them, but they do not always claim.

Q49 **Mr Bacon:** You saw us some months ago. Was it December? You saw us nearly a year ago. Can you talk us through what you have done to stabilise things since you last saw us?

Mark Grimshaw: Yes. We have done quite a considerable number of things, actually. The big challenge at the time of coming to see you was to make sure that we were in a position to take online applications. This year, for 2016, just over 80% of our applications have come in online. That is a massive improvement on the previous year, and it means that accuracy will be far enhanced.

We have improved the web portal so that customers can see what is happening on their land. We have introduced a facility for them to be able to trade entitlements and land online, which means that we do not have to get ourselves involved in entering various bits of information into the system. We have improved the payments and accounting system and we are developing that so that we can get more information out to customers more readily.

We have improved the data warehouse, so that we are able to track performance across the agency and pick out the areas where we need to focus. We have introduced a different approach to customer relationship management, so all the information that a customer sends to us is recorded in one central location and attached to their application form, so that when a caseworker is looking at it, they can see all the transactions between the agency and the customer. That's just a flavour of what we have done.

Q50 **Mr Bacon:** Thank you. You met your target for December and January, but you missed the March target. What are you doing to give farmers more confidence that you have got things under control, and it is not just a question of pot luck whether they are one of the ones who get paid?

Mark Grimshaw: One of the challenges for us in the first year of the scheme was dealing with the complexity of the new rules for certain groups of customers. This is fairly well understood in the industry, mainly because we have shared it with stakeholders and through the trade press. We had difficulty with those customers that were inspected—those customers that were part of commons; the bespoke, which are the large customers such as the National Trust and the Woodland Trust; and cross-border claimants, whom you mentioned earlier. That is roughly 14,000 customers in total. We knew that we did not have the technology at the



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beginning of 2015, and that we were not going to be able to deliver for those customers at the beginning of December.

The good news is that we now have the ability to do inspections online and to do the commons online. As a comparator between last year and this year, we have just finished entering all the data for the National Trust, the Woodland Trust and the RSPB, some six months ahead of when we did it last year. There is relevance in that, because of the webs that those customers operate—they have land all over the country. That links to a disproportionate number of other claimants, whom we were not able to process as quickly last year, because we had not processed the bespokes. I'm fairly sure you will remember that we talked about 2015 being the initiation year, 2016 being a stepping stone with improvements, which we are seeing come to fruition, and the 2017 claim year being—

Chair: Nirvana!

Q51 **Mr Bacon:** Can you tell us what proportion of the basic payment scheme payments were paid accurately first time this year?

Mark Grimshaw: In terms of those that were paid accurately, the work that the NAO will do for us will pick up on anything that is above a level of materiality of 1%. I expect that we would be in the area of 99%-plus in terms of accuracy. The system is very good in terms of accurate calculations, which is a benefit to us because that is one of the things that the EU auditors will look at.

Q52 **Mr Bacon:** My question is really about the payments that have been made already. What proportion of them were accurate first time?

Mark Grimshaw: Those payments that were made were accurate at the time of them being made. There may have been a 10% or 15% tolerance where we were waiting for further information to come in, but the calculation would have been accurate for the data that we had when we made the payment.

Q53 **Mr Bacon:** I thought that there were thousands of payments— aren't there 13,000 payments that you are revisiting and looking at again? Why would you do that if they were right the first time?

Mark Grimshaw: Because we had additional information coming in that customers had made us aware of, or we were aware that we were waiting for. In order to get money out to the industry, because of the challenges that the industry was under, we took the decision to allow a tolerance. The calculation, bearing in mind the tolerance, was correct, and we knew that we would have to go and do planned reconciliation a bit later in the year, which is exactly what we have done.

Q54 **Mr Bacon:** It is paragraph 2.1, which says there are "13,600 claimants that may require an additional payment, around one in six of the 87,500 total claimants." If one in six require an additional payment, the payment cannot have been accurate the first time round.



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Clare Moriarty: We absolutely need to make sure that we see this from the perspective of the farmer. As you say, for the farmer's point of view, the amount of money they received in their first payment was not the totality of their money. From that point of view, I would certainly put my hands up and say—

Q55 **Chair:** Can we just be clear? For that one in six, this is an underpayment of €100 or more, but actually €100 was very much the lower end of the scale. For a lot of them we are talking about €10,000, aren't we? It is a lot of money for farmers.

Clare Moriarty: Yes. As Mark says, it was a planned process; however, I absolutely accept that, from the point of view of the farmers, if they receive two payments that certainly does not say to them that it was right the first time. We should accept that from the point of view of the RPA, the system worked as it was intended to and there was a planned process to revisit.

Q56 **Mr Bacon:** I just want to be clear. Mr Grimshaw, you are saying that it was 99% accurate. I want to précis what you said, and then you can tell me if it is wrong. What you were saying, when you said that it was 99% or whatever, was that the payments that were made were accurate, but not necessarily complete. Is that what you meant?

Mark Grimshaw: Exactly.

Q57 **Charlie Elphicke:** Page 21, figure 6, states under "NAO assessment of progress (October 2016)" that, "The chief executive of the RPA has stated his aspiration to pay 90% of farmers in December 2016." Will that be achieved—yes or no?

Mark Grimshaw: That is still the ambition that we have. We are currently on track to reach that level. Clearly I cannot talk about unknown unknowns that are out there, but all of the signs at the moment are that we will be on target.

Q58 **Charlie Elphicke:** It then goes on to say, "The RPA first made its payment targets public in October 2016, when it published its key performance indicators. These included a target to pay 90% of BPS claimants by the end of December 2016 and 93% by the end of March 2017." Why are you expecting to pay only 3% of farmers in the three months from January to March?

Mark Grimshaw: Because the claims that we will be working on at that point become progressively more complex.

Q59 **Charlie Elphicke:** It says, "No target for the end of June 2017 was included, nor was any target on the accuracy of payments made."

Mark Grimshaw: There is a statutory target of 95.238% by fund value from the EU, which is essentially what we work to as a minimum.

Q60 **Chair:** By the end of June?



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Mark Grimshaw: The end of June, yes. I have already mentioned that we are held to our performance level in terms of accuracy at 99%. It was not deemed necessary to print a target reflecting that, because we are audited to that level by the NAO and the EU.

Q61 **Charlie Elphicke:** So you are saying that that is your target?

Mark Grimshaw: Yes.

Simon Helps: It is probably worth clarifying what the NAO were auditing to. We audit them to the accuracy of the financial statements. We audit the equity and the financial statements as a whole, not that 99% of individual farmers' claims will have been fully accurate. It is a very different level—

Q62 **Charlie Elphicke:** Mr Grimshaw, I am slightly confused by your answer. It seems slightly different from the one in the NAO Report, which says, "RPA told us that the delay in publishing its payment targets was due to the European Union (EU) referendum and changes to ministerial teams." That seems slightly different from what you just said.

Mark Grimshaw: No, I don't think so. You didn't ask me about the timing of the publication of the targets. The targets were clearly something that the new ministerial team wanted to review. As soon as they had reviewed them, we were in a position to be able to publish them.

Clare Moriarty: It is worth distinguishing, as Mr Helps said, that there is the NAO's process of financial audit—as part of that it looks at the accuracy of the financial statements and the materiality of any errors that they find—and that, separately, from a management point of view, the RPA has formulated its KPIs. Those are part of the management process, but clearly they are public and become important commitments from that point of view.

Q63 **Charlie Elphicke:** Then the Report says, "The Department has not stated when it expects to return to previous performance levels." When do you?

Mark Grimshaw: As I said a few minutes ago, we see 2016 as a stepping stone and 2017, providing there are no more surprises from the EU, as the time when we will restabilise the performance of the system and the scheme.

Q64 **Kwasi Kwarteng:** What went wrong when it came to missing whatever targets or being slightly laggard in the payments for 2015?

Mark Grimshaw: There is a long history of the development of the system. I am not sure whether you are aware of the background. In 2014, we were at an all-time high, with 95% on day one and 98% by the end of December. However, for the 2015 scheme, we had to change not only the scheme itself, but the system on which the scheme was run. That IT rollout was fraught with difficulties. However, we still managed to get more than 35% out on day one and our performance, compared with other countries in the EU, put us in the top quartile for payments.



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Q65 **Chair:** I want to come in on an issue about common land. Anne-Marie Trevelyan, one of our members, is unfortunately unwell today, but there are some common land issues in her area of Northumbria. We understand—and the NAO Report touches on this in the first bullet point of paragraph 1.7—that “where more than one applicant has rights to use the eligible land, for example for grazing animals”, it gets more complicated. There are some issues about how to calculate areas of common land. That is obviously difficult for those involved. What is your plan to tackle payment issues for people using common land?

Mark Grimshaw: Common land applicants were one of the complex areas for 2015. We recognised quite early that one of the difficulties was that rights on common land change on an almost hourly basis. We were constantly going back and recalculating individual common by individual common.

Q66 **Chair:** You say on an hourly basis. Is that because it depends whose animals are on the land?

Mark Grimshaw: Exactly. What we have started to do this year, in consultation with many of the common land trusts and groups, is to have a cut-off point after which we will not recalculate. That will allow us to do the calculations and allocations in one go.

Q67 **Chair:** Will they still be at the back of the queue?

Mark Grimshaw: No, they won't. There will be commons customers paid early in December.

Q68 **Chair:** Will a re-evaluation be needed to check the accuracy, or are you hoping that that first payment will be accurate?

Mark Grimshaw: It will be an accurate payment and if anything needs to be done to make an adjustment, we would pick up on that as part of our annual planned reconciliation, which happens every year.

Q69 **Mr Bacon:** Just to be clear: if somebody has a flock of 100 sheep, they put them on the common land for seven days and then take them off again, and somebody else puts some other animals that they own on and leaves them there for 10 days and takes them off again, you have to separately record each of those occurrences?

Mark Grimshaw: No. You may have 10 rights on a common and the Chair may have 10 rights on a common. You both have to claim them. You may then buy another right from Mr Foster. We have to make all the adjustments as we go through. That was the problem in 2015. This time, once you have bought your right, we are going to cut it off and say, “That's it, we're not doing any more adjustments after a certain period”.

Q70 **Mr Bacon:** May I stop you for a second? Whoever happens to own them at any one moment in time may change, but the totality of rights available to be owned on a piece of common land is a known quantum, yes?

Mark Grimshaw: Yes.



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Q71 Mr Bacon: Would it not be more effective and efficient to identify what that total is and get rid of all the stuff underneath? Is there no way of doing that, so that, for common land, you don't have this constant churn?

Mark Grimshaw: I wish there was. That isn't something that is within my bailiwick. It is further compounded by the legal decision around Rodborough and Minchinhampton, in terms of the way that funds are allocated to commoners. 2015 was very complicated indeed when it came to allocating commons rights and the amount of money for each commoner.

Q72 Mr Bacon: It seems to me, if you're going to have any chance of getting anywhere near the Germans, what you have to do is get much simpler. We understand that the success the Germans have had is mainly around the fact that, every time they have the choice to make something simpler, they go for the simpler option. That is a country where they have a huge amount of environmental lobbying and protection—actually more than we do here—yet they still manage to be 19 times more accurate than you are. What are you going to learn from them?

Mark Grimshaw: There is an awful lot to learn, in terms of attempting to simplify the CAP, which the Department has been endeavouring to do for a number of years—and it has had some success. Clearly, the amount of time we have left in the EU will apply some sort of pressure to doing certain things, as far as the CAP is concerned.

Sir Amyas Morse: I want to pick out something interesting you said earlier about this. I get the impression that the Germans spent a lot more money on getting the right data, and they therefore have much more current data than we do. I thought I heard you give that as a major reason.

Mark Grimshaw: You did. When we were talking to them, the Germans had over 200 digitisers—people who take graphical information on maps and turn it into digital information—permanently employed. We had about a dozen at the time. We now have a contract with a third party that can make available hundreds of digitisers, hence the ability to do all of the digitising work that I talked about earlier on land cover. We are well on our way to becoming a country that has a currency of less than three years, and we will continue to drive that through to one year.

Sir Amyas Morse: One year is about what the Germans have got. Is it a Departmental ambition to get to one year? Is that what we're saying? You're going to spend the money to get to one year?

Clare Moriarty: That is our ambition, yes. That is the object of the investment programme that we agreed, and that we have the funding for.

Q73 Chair: So it wasn't a shortage of resources that has caused problems? You are saying that the resources are there to do this?

Clare Moriarty: There are two different sets of resources. We have been very clear that we have made sure that the RPA has the resources to do the processing. The digitisation is a different task and a different skill set,



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and as Mr Grimshaw said, that is where we have let a contract with people who can do that.

Q74 **Chair:** But even then, with any complex IT project, which we look at rather a lot—Mr Bacon has written a book about it—you can plan ahead. We won't revisit the pain of the hearing we had with the then head of the digital service and Mr Grimshaw. There were obviously other issues that were involved in this, but was it about not planning ahead, in terms of the IT roll-out, and putting in the project planning so you had the right resource to do it at the right pace? Was it an underestimation, or was it a lack of resources in that respect? We heard what you said about people doing the work.

Clare Moriarty: I think the question of the currency of the data, which is significant from the disallowance point of view, is a separate one from the implementation of the system, but I will defer to Mr Grimshaw.

Mark Grimshaw: Back in December when we were talking about this, we were in the process of taking on board the company called Psion who do the digitising for us. The land parcel identification system, which is the core land element of the rural payments service, was by then up and running. The challenge then was to start to make the changes to the land parcels. We have worked successfully on over 800,000 of those in the intervening period. We are now well on our way. In last year's spending review settlement, the Department was given additional funds to invest in the LPIS improvement plan because of the benefits that it generates in terms of reduction of disallowance. There are other benefits as well—

Q75 **Chair:** For farmers.

Mark Grimshaw: Yes. A considerable one. When we get to one-year currency, we drop from 5% inspections to 1% inspections. A one-year currency buys us an 80% reduction in the burden of inspections and obviously the opportunity to reduce the number of inspectors that we have.

Q76 **Chair:** May I ask you clearly about the 2015 payments? Have they all been paid yet?

Mark Grimshaw: No.

Q77 **Chair:** How many are outstanding and how many are partial payments that are still waiting? Are there any farmers who haven't received any money?

Mark Grimshaw: No, there aren't any farmers who haven't received any money where they are due money. The reason I said no is because technically not all of the payments have gone out, because there are just over 400 payments sitting in our finance system for various reasons, such as probate or fraud or not having the bank account details available to us. Even in this day and age, customers still don't give us all of their bank account details. Where we believe a payment should be made, it has either been made or we have attempted to make it.



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Q78 **Chair:** I would just highlight that Anne-Marie Trevelyan says that some of her farmers only recently received their 2015 payment, and some are still waiting for part of it. You are fairly clear, though, in that previous answer that for most of those people, it will be because there is some issue around their bank account or probate, or something slightly more complex. You stand by that.

Mark Grimshaw: Absolutely. I do stand by that. We have a considerable amount of correspondence with Ms Trevelyan on a regular basis around some of her constituents, so I checked this morning to see what the position was on commoners. We have paid all of the commoners that we expect to pay.

Q79 **Chair:** I will touch on flooding. When you came in front of us, Ms Moriarty, at the end of a hearing on something else, you kindly agreed to answer some questions about the then problems of flooding. We asked you if you would accelerate payments to farmers with floods because of particular problems they are having. You made that commitment. Figures 3 and 4 on page 13 and 14 of the NAO Report refer to that. Paragraph 1.17 note that although there was some progress in Cumbria and North Yorkshire, there was not good progress in Lancashire, and it didn't include "farms that were indirectly affected in areas of widespread flooding," which were perhaps struggling because of other issues relating to the general situation in the neighbourhood, even it wasn't on their own land. Overall, across those three counties, the NAO says: "Our analysis shows that payments in these three counties have lagged behind the rest of England." So you made a pledge to try and speed it up, but it didn't seem to deliver. What went wrong?

Clare Moriarty: I don't think anything went wrong. What happened in practice is that the RPA put together aerial surveillance data, which was commissioned by Cobra for Cumbria and North Yorkshire in particular. They were able to match that up with the map of the farms, identify a group of 900 farms that were affected by flooding, and sought to prioritise them within the categories of payment that they were in.

Q80 **Chair:** So they weren't saying they were top priority; they were just prioritising over similar types of farm.

Clare Moriarty: If I could just explain, the counties that we are looking at are counties that have a larger proportion of commons, for example. Some 35% of all the common land in the country is in the north-west region. Cumbria as a county has a lot of commons; North Yorkshire has commons. Within the overall group of farms that were affected by flooding, there was a proportion that were affected by commons, where we could not accelerate the payments—

Q81 **Chair:** You had the complexity of common land and flooding.

Clare Moriarty: We had the complexity of common land and flooding. We did make sure that those cases that were not complex were brought forward for payment. The figure that does not appear in figure 3, looking at the two counties, is that between the end of January and the end of



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February, for the non-complex flood-affected farms, we went from a 72% payment rate to a 91% payment rate. Between then and the end of March, it went up to about 95%. There was certainly an impact. We did what we could. It is quite difficult to compare counties, because, as you can see from—

Q82 **Chair:** So Lancashire is particularly complicated, is it?

Clare Moriarty: The reason why Lancashire doesn't appear in these numbers is that we were not able to do the work using the mapping, because the mapping that was commissioned by Cobra does not extend into Lancashire. The RPA have looked at the farms in Lancashire—particularly those that have applied under the farming recovery fund, which is a good indicator of farms that were affected by flooding—and I think five of the six of them were paid early in the process.

Mark Grimshaw: They were. There were actually only six farms in Lancashire that were affected by the flooding.

Q83 **Chair:** And they got money quickly.

Mark Grimshaw: They did.

Q84 **Chair:** Does the NAO back that up? It is just that the graph here looks different from what we are being told. I am not suggesting you are lying; I am just saying it doesn't quite tally with figure 4.

Simon Helps: We weren't give information on Lancashire, so that is not something—

Chair: Okay. I am sure that our colleagues from Lancashire will soon tell us if there is some disagreement with that. We have about 10 minutes to go, so I am going to bring in Caroline Flint briefly, Chris Evans and then Richard Bacon.

Q85 **Caroline Flint:** I apologise for arriving a little late to the session. Ms Moriarty, what are the consequences of farmers not getting their payments? Can you give me some examples? I think part of this is grasping whether you and Mr Grimshaw understand the human costs for farmers of not getting their payments on time. Give me some examples of the stories you have heard about what has happened to farmers as a consequence.

Clare Moriarty: I have heard stories, as I am sure you will have done, of farmers who have needed to get bank loans. I certainly read something the other day about a farmer who had needed to sell some livestock. I am absolutely under no illusion about the impact on farmers, and both Mr Grimshaw and I feel very keenly and acutely that this is somewhere where we have not been able to give the service to farmers that we should have been able to.

Q86 **Caroline Flint:** You have just given some examples of some core issues that affect farmers and their families as a consequence of not getting these payments. The Department established a hardship fund, which was



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going to pay out 50% of CAP payments, but there has been a low take-up. What are you trying to address in that? Perhaps farmers feel quite proud about taking advantage of something called a hardship fund. Are you doing anything to encourage greater take-up—perhaps changing the title of the fund, or something, in a way that makes some of these farmers less embarrassed about going down that route?

Clare Moriarty: That is a really good point. It was done with absolutely the right intentions so that those people who did find themselves in a position where they needed cash flow in order to be able to meet their outgoings could receive money, and we worked through a group of farming charities. For some people, that was clearly a lifeline, but it is a very good point about whether the name could be off-putting to people. That is something we should look into.

Q87 **Caroline Flint:** You can understand, can't you? Basically, people should be paid the payment—it is their right to get it—but then they are almost being asked to put out the begging bowl.

Clare Moriarty: Yes, I think that's right. As we have said, the aspiration we had was to pay 90% to 95% by the end of March. As it turned out, because of the complexity, we were not able to meet that. As we got into April, we realised where we were, and that was the point at which we made the bridging payments. At that point, 7,500 farmers received 50% on the basis of the expected value of their claim. We certainly did not rely wholly on the hardship fund to bridge over to the point where we could make the full and final payments.

Q88 **Chair:** Ms Moriarty, you are here talking for the Department, and not just the rural payments side of it. As the Department for rural Britain, have you got any understanding of the impact on the supply chain and the wider rural community and the people who farmers cannot pay because they are not getting their money and are having contracts cancelled? Do you do any analysis of the knock-on effect in rural areas?

Clare Moriarty: It is a very good question. I do not know whether we have done that analysis.

Q89 **Chair:** Shouldn't you be doing some analysis? You are the Government steward of that area of the economy. This is devastating.

Clare Moriarty: Yes. I don't know how easy it is to separate out that impact from other things, but it is certainly something that I will take back and talk to my colleagues in the Department about.

Q90 **Caroline Flint:** If those who are tasked with ensuring they input the data properly have a bigger understanding of the human cost of this failing—not only the direct cost to the farmers, but the cost to the supply chains—that will perhaps first of all give them a sense of how important their work is and how valuable it is to the community. If you lose sight of the human side of this, it just becomes a "Computer says no" exercise, doesn't it?



Clare Moriarty: I couldn't agree with you more. I do not think there is any lack of feeling from the people in the RPA. As we discussed when Mr Grimshaw and I and others appeared before you in December last year, this is a project that has had some really difficult bumps in the road. People have tried their best, but we were trying to come back from a position that was well behind where we should have been. Mr Grimshaw can speak for his team, but people in the RPA have worked hard exactly in the knowledge that farmers and these communities—they have a lot of day-to-day contact with the farmers affected. We should constantly try to put ourselves in the shoes of those on the receiving end of our services. At a human, personal, individual level, not getting that payment is—

- Q91 **Caroline Flint:** Obviously, we want you to get the payments right, but could you agree that you will look at the issues around the hardship fund? That is a backstop if things don't go according to plan. So far, things have not gone according to plan. It is a crying shame if there are resources there, but people are not taking advantage of that for different reasons—pride or whatever. Can you go and look at that and write to us about how you are going to address that?

Clare Moriarty: We can certainly do that.

- Q92 **Chris Evans:** Mr Grimshaw, why is Rural Payments Wales better at paying farmers than the Rural Payments Agency in England? Is it a computer problem, or is it simply that they are more effective than your organisation?

Mark Grimshaw: I think it is a range of issues, actually. The Welsh Government have taken an approach, and the elements of CAP that have been decided locally are not as complex as some of those in England. The software development was done in advance of the one that we did. Rather than putting a brand new system in for the current basic payments scheme, they were able to evolve an existing capability that customers already had a very good feel for. That is a position that we are somewhat envious of. We were not in a position to be able to evolve our SPS capability into BPS.

- Q93 **Chris Evans:** Why was Wales prepared and England not?

Mark Grimshaw: I really don't know. That is probably something that you would have to discuss with my Welsh counterpart.

- Q94 **Chris Evans:** I am looking at a press release from the Tenant Farmers Association Cymru from April. It might be out of date. They said that as of April, 3.8% of 2015 claimants were waiting to be paid in Wales, as opposed to 13.6% in England. Of those claimants left to pay in Wales, half of them had cross-border issues and were being left at the back of the queue because the Rural Payments Agency in England was dragging its feet. Is that still the case?

Mark Grimshaw: No, it is not still the case. We have settled the cross-border claims with colleagues in Wales.



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Q95 **Chris Evans:** Are you anticipating anything like this occurring next year?

Mark Grimshaw: I think there are a couple still outstanding in Scotland, in terms of the complexity. I think the Scots were in a slightly more difficult position that we were in England. That said, we are dependent on the information coming across in a timely fashion, and we now have a better agreement with Wales, Scotland and Northern Ireland.

Q96 **Chair:** On Scotland, we know that they performed less well than the Rural Payments Agency, which raises two points. First, why isn't there more conversation between the countries of the United Kingdom about what's working and what's not? Secondly, who is going to be paying the penalty for late payments on the disallowances? Because the late payments are higher in volume percentage-wise in Scotland, there was some discussion that the Scottish Government would foot that bit of the disallowance bill. Where have you got in those negotiations?

Mark Grimshaw: If we could split that question, I can deal with the first part and perhaps Ms Moriarty can deal with the second part. We are active in the exchange of information and the learning. There is a learning network, which covers the four countries that you just mentioned, and also extends into northern Europe. We are very active on that group, and we use the learning network to try to influence the Commission on certain decisions about simplicity and what have you. The learning network meets, I think, once every two months.

Q97 **Chair:** Are you learning anything from Wales?

Mark Grimshaw: Yes. We very much like their customer portal. We have got one that we have to develop, and we have been developing it. We have pinched a few ideas from the Welsh, in terms of the simplicity of the language.

Chair: It seems to me that there would be some money saved if there were common procurement across the UK. We will perhaps leave that.

Chris Evans: Wales should run the country.

Chair: Mr Evans is making a bid for a take-over.

Clare Moriarty: There is still some calculation and discussion to go on. The Commission gave countries the opportunity to have the late payment penalties that would have applied between the end of June and the end of October waived, so the cliff edge is the middle of October. When they look at the late payments, they don't look at it in the whole bundle for the UK; they look at it across the UK, but according to various individual slices. There is a bit of work that needs to be done to understand exactly what the position of the component countries is in relation to a number of separate slices, and then there is a discussion to be had in the UK co-ordinating body.

Q98 **Chair:** Could you write to us when those negotiations are settled so we know who is footing which part of the bill? That would be helpful. We are a cross-national Committee, so we have got an interest in that.



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Clare Moriarty: Yes.

Mr Bacon: I have got a few points I would like to cover up—I mean cover, not cover up.

Chair: We don't cover up anything on this Committee.

Q99 **Mr Bacon:** Mr Grimshaw, can I briefly return to the question of land parcels? Paragraph 2.6 on page 16 says: "The Comptroller and Auditor General's audit of the Department's Annual Report and Accounts indicated that the most common cause for partial payments was the RPA not updating its systems to include all of the information provided by the farmer." Why didn't the RPA just take all the information provided by the farmer and use it? Was it a capacity question or what?

Mark Grimshaw: At the time, it was a prioritisation challenge. The work has now been completed. It had not been completed at the time that the NAO were doing their audit.

Q100 **Mr Bacon:** When you say a prioritisation challenge, what had a higher priority than using all the information provided by the farmer?

Mark Grimshaw: Quite possibly getting out payments to those customers who hadn't been paid at that time.

Q101 **Mr Bacon:** Got it. And then working out all the details later.

Mark Grimshaw: Yes.

Q102 **Mr Bacon:** You said "provided no surprises come from the EU". Were you covering every base or are you expecting a surprise of one kind or another?

Mark Grimshaw: I'm not expecting any, but the unknown unknowns are out there, aren't they?

Q103 **Mr Bacon:** Yes. I suppose if you were expecting it, it wouldn't be a surprise, but it is not obvious. Could you give us an example of something that might come along and change things radically for you?

Mark Grimshaw: There have been a number of areas where the Commission has been asked to reinterpret the legislation, and that has had a negative impact on the amount of work that we have had to do. They come out quite often from meetings that we are not expecting them to, in which case we will have a lot of re-work to look at if we are going to avoid disallowance. Until it happens I can't really say.

Q104 **Mr Bacon:** Are you saying that because we are going to have Brexit—I will come on to Brexit in a moment—the Commission is being more difficult than they might otherwise have been?

Mark Grimshaw: I have no experience of that.

Q105 **Mr Bacon:** I remember the staff of the Rural Payments Agency some years ago being—I thought—4,000. I was told by the NAO the other day that it is around 1,000. Is that right? You now have 1,000 staff or



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thereabouts?

Mark Grimshaw: There were 1,958 at the beginning of this financial year. We have come down from 2,461 when I took over, so we are doing more with less, which is a challenge that we were given, and the systems are helping us with that.

Q106 **Mr Bacon:** You were formed in 2001. Is that correct?

Mark Grimshaw: I believe so.

Q107 **Mr Bacon:** Can you send us a sheet with the maximum and minimum number of employees in each year since you were formed? Not with all this full-time equivalent stuff; just in old money, if you wouldn't mind. The number of full-time and part-time staff, maximum and minimum, in each year for the last 15 years since you were formed.

Mark Grimshaw: Yes.

Q108 **Mr Bacon:** That would be very helpful. Who is the senior responsible owner for the CAP delivery programme?

Mark Grimshaw: Me.

Q109 **Mr Bacon:** How long have you been the senior responsible owner as opposed to the chief executive of the RPA?

Mark Grimshaw: Since May 2015.

Q110 **Mr Bacon:** You were appointed SRO then. How many SROs have there been?

Mark Grimshaw: Four.

Q111 **Mr Bacon:** And you are expecting to stay as SRO.

Mark Grimshaw: Yes, I am. I am also expecting to successfully close the programme early in 2017.

Q112 **Mr Bacon:** That brings me neatly to Brexit. You obviously can't understand yet because people are still thinking about it inside Government and Ministers have not made any decisions on what the nature of the successor programme will be after Brexit. We know there are certain assurances from the Treasury up until Brexit, but there must be information that you will need regardless, come Brexit that will enable you to help implement any scheme that the Ministers eventually decide upon, whoever is running the Department at the time. Can you tell us what work you have done and are planning to do to put you in a position to respond to whatever requests you get? The other day HMRC said there were eight key questions for them. What work have you done on Brexit so far and what work are you planning?

Mark Grimshaw: A number of people in my directorship team sit on various EU exit strategy groups in the Department.

Q113 **Mr Bacon:** Do you mean in the Brexit Department?



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Mark Grimshaw: No, in DEFRA. We have a seat at all of the tables where the discussions are taking place and we are continuing to develop the current capability. Should a future system be land-based, we want to be in the best position to talk about the land, as we have shared already today.

Q114 **Chair:** You say “should it be”, but are you making recommendations?

Mark Grimshaw: I personally would not make a recommendation on my own.

Q115 **Mr Bacon:** On that point, you said DEFRA when I asked whether you meant the Brexit Department. Do you or people from the RPA attend meetings in the Department for Exiting the European Union on all these questions?

Mark Grimshaw: Not people from the RPA.

Q116 **Mr Bacon:** It’s the most important part of the EU budget. It is basically—famously—mostly agriculture, and the rest of it is science and some other stuff. Of the net contribution, the biggest chunk is still agriculture. Why wouldn’t you be involved with DEFRA around the table in the Department for Exiting the European Union directly?

Clare Moriarty: As Mr Grimshaw says, the RPA is absolutely round the table in terms of the early work that the Department is starting to do in thinking about what future land use in farming policy might be. The discussions we are having with the Department for Exiting the European Union are much more in the space of the withdrawal process: making sure that we are in a position to operate on day one and dealing with the repeal Bill. At any point when we need that delivery understanding in those meetings, we will certainly have it, but where we absolutely need it is in all our thinking about what the future policy might be. One of the lessons which I take very strongly both from the experience of 2005, as I have read about it, and from the experience of 2015 is that we develop policy at our peril if we do not build in right at the start the understanding and expertise of people who deliver it on the ground.

Q117 **Mr Bacon:** Music to our ears. If there is not a good representative of the implementer in the room when the policy is designed, the chances are it will not be a very good policy.

Clare Moriarty: Indeed, yes.

Mr Bacon: It is amazing that you are actually saying this to us. This is most reassuring.

Chair: There is still a long way to go. I will bring in Mr Boswell briefly. I remind Members that we will be voting at 4 or thereabouts, so we need to crack on.

Philip Boswell: Two very short questions. You stated earlier that we in the UK use a complex system for assessing payments based on land cover and use and also compounded by a new IT roll-out. Who is responsible for this new system? Who put it in place? Was it your Department?



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Chair: We have covered this quite a lot in previous in previous hearings.

Q118 **Philip Boswell:** Okay. On the shortage of resources, you specifically mentioned digitisers. Given that Scotland has one third of the landmass of Great Britain and just 8.3% of the population, we therefore probably have more farms per capita than anywhere else in the UK. Would that make it more or less difficult and time consuming to calculate accurate payments in Scotland?

Mark Grimshaw: It depends on how good the control data are.

Q119 **Philip Boswell:** Given your points earlier about land users' lack of accurate details, a one-word answer: more or less owners in Scotland?

Clare Moriarty: To be honest, I think you would need to ask that question of Scottish colleagues.

Philip Boswell: Okay, I tried. Thank you.

Chair: You have tried, Mr Boswell, but I think we need to draw it to a close. We have gone over a bit, but of course it is really important. As Ms Flint and I highlighted, farmers and their suppliers up and down the country rely on this, so we are glad to hear that it will all be fine in 2017, Mr Grimshaw. We will be holding you to that. We will publish our transcript in the next couple of days on the website uncorrected and we hope and expect our report will be out before Christmas. Thank you for your time.