

Environment, Food and Rural Affairs Committee

Oral evidence: Performance of the Rural Payments Agency, HC 907

Tuesday 22 November 2016

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Members present: Neil Parish (Chair), Chris Davies, Jim Fitzpatrick, Simon Hart, Kerry McCarthy, Dr Paul Monaghan, Rebecca Pow, Ms Margaret Ritchie, David Simpson, and Rishi Sunak

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Witnesses

I. Mark Grimshaw, Chief Executive, Rural Payments Agency, and Paul Caldwell, Basic Payment Scheme Operational Delivery Director, Rural Payments Agency.

Examination of Witnesses

Mark Grimshaw, Chief Executive, Rural Payments Agency, and Paul Caldwell, Basic Payment Scheme Operational Delivery Director, Rural Payments Agency.

Q1 **Chair:** Welcome everybody. The first thing I have got to do is declare an interest. I am partner in a farm in Somerset. It is all declared within my parliamentary declaration, but I have a direct interest in a farm in Somerset. I will make that clear before we start. Does anybody else want to declare anything? No, fine. Mark, would you like to introduce yourself? You probably do not need much introduction. Perhaps then, Paul, would you introduce yourself as well, please?

Mark Grimshaw: Good afternoon, Chair. I am Mark Grimshaw; I am the Chief Executive of the Rural Payments Agency.

Paul Caldwell: Good afternoon. My name is Paul Caldwell. I am the BPS Operations Director for the Rural Payments Agency.

Q2 **Chair:** Thank you very much. It is good to see you back in the



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Committee, as we had you back in the spring. Many of the targets you met; one or two were slightly blurred, but we will not hold that entirely against you this afternoon. I want to first of all to start off with a fairly straightforward question. What progress is the Rural Payments Agency making to its target of 90% of payments made to farmers by the end of December 2016?

Mark Grimshaw: We are making good progress. We are pleased with where we have got to at this point in the year, and we are looking good for the 90% at the end of December.

Q3 **Chair:** I understand there is an estimate that there are still over 1,000 claims waiting for correction on their 2015 claims. How far along are you at correcting that?

Mark Grimshaw: We have made very good progress with the range of corrections that we were putting through. You will recall from previous conversations that we talked about post-payment adjustments. Everybody has had at least one payment, and most people have had a bridging payment as well. We identified that there were just over 13,500 customers where post-payment adjustment might be required, so that is what we would refer to as the stock. There is a flow that comes in because we invited customers to contact us if they were uncomfortable or uncertain about the amount of money they had been paid.

We have identified recently a small challenge around some of the commons payments. Those are the ones that are still being worked on—the 1,000-plus that you mentioned—but everything is coming together for those, in the main, to be closed during December and the early part of January.

Q4 **Chair:** What seems to be the case, I understand, with one or two of the commons payments is that there is a dispute as to whether you have included enough land in the commons area of any given payment. Are you reviewing that situation?

Mark Grimshaw: Yes, we are reviewing that situation. There is a layering of issues with commons, pretty much all of which have come to the surface over the last couple of months. There is a challenge around the amount of land that commoners believe they can claim against versus the amount that is mapped in the service. There is a challenge around what is ineligible and eligible on a common, including scree, boulders, scattered rocks, bracken and heather. There is a group that Paul has been tasked with pulling together, which is meeting with all of the major commoners. We also have Julia Aglionby as member of our senior stakeholders group now, and this will be the period when we determine what the challenges are with commons and put them right for 2017. You will recall, and I have said many times now, that 2016 is a stepping stone from the foundation year of 2015 so that we have everything right and in place for a good 2017.

Q5 **Chair:** The commoners were singled out, not necessarily by you, by the



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fact that there was the Minchinhampton agreement and various things. They were singled out for having their payments the very last, and probably some of them are still pursuing some of those payments now. I suspect what they want to hear from you is that they are not going to be pursuing these payments through the whole of this next year. I know life might not always be fair, but I do not think that anybody could suggest that the treatment they have had so far is particularly good or fair.

Mark Grimshaw: Yes. I think that will be very much at the forefront of most commoners' minds, especially those where there is an ongoing discussion with us about 2015 payments. Our intention is to resolve as many of those as we can during December, which will then mean that their 2016 payment can follow on almost immediately. We expect to have them resolved by the end of January, with 2016 payments following on straightaway. For those commoners where there is no dispute, there is no discussion and they were comfortable and we were comfortable with the 2015 payment, I expect a high proportion of those to be paid during December.

Q6 **Chair:** Therefore, you can say categorically that this time, through the 2016-17 payment for commoners, a lot of them are going to get that payment in December. Have you any idea of the percentage of how many commoners that would get to?

Mark Grimshaw: The two things that I do not like doing are categorically stating things and giving you percentages, because they often come back to bite me. What I can tell you is that we already have commoners cleared for payment into our payments system today. We do know that there will be commoners paid on 1 December.

Q7 **Chair:** Finally, before I move on to the next question, one of the charges that have been made slightly against the RPA from the farming organisations and farmers is that you do not always communicate with them as well as they would like you to communicate. Both with the commoners and with farmers generally, do you believe you have learnt some lessons from the last year and that there will be improvements through this period?

Mark Grimshaw: Not only have we learnt the lessons; we can demonstrate with actions that we have turned the corner in terms of communication. I happen to have with me a document that has just been posted to all our claimants. It is an autumn update. It tells people exactly what to do and how to do it in terms of coming back to us if they are uncertain in any area of a claim. It was signed off by our industry senior stakeholders, and some 80,000 of those have gone out. They will start hitting doormats on probably Thursday or Friday this week, and we have also written separately to all of the agents.

Communication is quite clearly something that we need to be much better at. I can also confirm that this year we will be sending out inspection reports, which we were not able to do last year. We will be



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sending out remittance advice within five days of a payment landing in the bank account, and we will be sending out statements for December payees in January. Not only have we learnt the lessons but we have acted on them as well.

Q8 Chair: Last year there seemed to be a problem; those that had had inspections seemed to be paid very late. You believe that will not be the case this year.

Mark Grimshaw: Absolutely.

Chair: Is that in words and blood?

Mark Grimshaw: You squeezed quite a lot of blood out of me last time.

Chair: You still have some left.

Mark Grimshaw: A little, tiny bit. We have inspections customers, be they either remote sensing inspections or physical inspections, being paid on 1 December. The functionality is now in place and operating.

Q9 Rishi Sunak: Thank you both for being here. Mr Grimshaw, the RPA's performance criteria states as a target 93% of customers to be paid by the end of March next year. I am interested in the remaining 7% of customers. Could you give a rough sense of the timescale for when they will be paid? Also, are you able to quantify what percentage of total payments, in pounds, that last 7% represents?

Mark Grimshaw: There is a Commission requirement for us to have paid 95.238% of the fund by value by the end of June. That will be the next highlight as far as stated ambitions are concerned. My expectation, however, is that we will be in a position to pay a number of customers through April and May and probably—I hate to say this word—the majority of those that are remaining.

In terms of the value, it is very difficult to apply value at this stage, which is why we work on volume. They will tend to be the more complicated customers. By being the more complicated, they tend to be the bigger and, therefore, the more valuable ones. We have not missed the end of June figure in the five years that I have been running the agency, and I do not think that we will miss it next year either.

Q10 Rebecca Pow: Have you identified which farmers will not receive any payment after March 2017, because there was this group that fell out this last year. Will they be the same farmers? I think you referred somewhat to the commoners already, but what about the ones on the borders? I know that is very difficult for them. Are you going to be in touch with them to give them some information about what they can expect?

Mark Grimshaw: Yes. In terms of those customers that are on the borders—cross-border claimants—the system that we have got set up with the devolveds is much better for this year. It was another of the complex groups that we talked about earlier on that we knew were going



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to be paid later. We are expecting to be making payments for those in England to pay between now and March: not all of them, but a considerable number of them.

In terms of communication, we will be communicating with those customers that we do not expect to pay in December towards the end of December, and highlighting whether we will be paying them before the middle of February or towards the February-to-March window. That proved quite tricky for us last year, and was a little bit of an own goal in that we set a three-week window, but the way that information came in meant that we were not able to adhere to that.

What we will be doing this year, however, is we will be assigning individual caseworkers to all of those customers or agent caseworkers to agents for their groups of customers so that they have got a single point of contact, which again ties into the problems that we had around communication.

Q11 Rebecca Pow: That sounds very sensible, Chair, as long as they know who their contact is, how to get to them, when to get to them and all those things.

Mark Grimshaw: They should do because many of the agents are already in contact with their agent relationship manager and we are exchanging comments on what additional information we need to complete a calculation.

Q12 Chair: I do not wish to be too cruel to you, but considering that with the 2004 payments up until we got them right towards 2012-13, the whole idea there was to make sure you had a single point of contact. I am amazed that you are coming here and saying in a great moment of glory that this is the solution. Surely this has always been a situation. Why did you get into a situation where you were not having an individual that was allocated to a case?

Mark Grimshaw: Interestingly enough, I do not think it is a solution. I think it is part of a suite of tools that we apply to reach the solution. The difficulty, and I have talked to you about this before, with an assigned caseworker is that assigned caseworkers go on leave, they go on sick and they go on training programmes. They are not always available at the end of a telephone when a customer phones through. We would much rather operate a group of caseworkers. That means that we have got far better cover.

We know that post-December, when we are down to a much smaller volume of cases having to be dealt with, because they will be the more complicated ones, it does make sense to try to assign a lead caseworker who is part of a team that can then pick the case up if need be. It is providing that point of contact that we think will be helpful this year.

Chair: You are confident that numbers are going to be far less, so there should be enough bodies on the ground to deal with individual cases.



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Mark Grimshaw: Yes, that is right.

Q13 **Chris Davies:** I want to go back to the cross-border issue. Forgive me, Mr Grimshaw. We have had you sitting in front of us several times since I have been on this Committee, and I have heard similar words, then at the next meeting, when we have not quite reached it, it is, "I am confident that I am going to do it next time", and, "I am confident that I am going to do it", the time after. I am afraid that my confidence is getting less and less, rather than more and more. I would be very interested to hear. Mr Caldwell, you have been quiet all the way through this. How long have you been with the Department?

Paul Caldwell: I have been with the Department in various guises for a very long time, probably 30 years or so.

Chris Davies: But responsible for delivery in this particular role?

Paul Caldwell: I have been with the Rural Payments Agency since around 2005. I have had this particular role as Operations Director for the duration of Mr Grimshaw's tenure, but this delivery role I find myself in now is a new role. It has been put in place to bring all of these activities that Mr Grimshaw is describing together, make sure they happen and provide a particular focus on things like the commons that we have just spoken about.

Q14 **Chris Davies:** Sorry; I have not got to my question yet, Chair. The next time the two of you are sitting in front of us is it going to be your responsibility to deliver this, or will it be Mr Grimshaw's?

Paul Caldwell: My responsibility is the operational delivery. I am not the Chief Executive of the agency. The agency does far more than the basic payment scheme. It carries out a lot of assurance and executive functions as the paying agency for the UK. My role is to make sure that operationally the things we are talking about today get delivered on the ground.

Q15 **Chris Davies:** It will be your responsibility as well then. I see. Going back to the cross-border issue, when I was having surgeries back in the summer holidays, or summer recess, I was quite surprised to have a constituent come in to see me in late August; they sat across the desk from me in a surgery to say that the reason they were in was that they still had not had their single farm payment.

I have heard you sit there and say it will be paid in December and then it will be paid by the end of the window. I have somebody telling me in August that they still had not been paid—I am talking about August, just a few months ago. It beggars belief that we have got to that stage. You are responsible. You have just said that your systems are better for cross-border. How can I go back to that constituent and say, "The systems are better, because they are this"? Can you tell me what those systems are?



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Mark Grimshaw: Yes, by all means. If your constituent was one of those that applied online in 2016, then they will have experienced the new online interface. The problems that we had back in 2015 have now been dealt with. The fact that 80% of our customers applied online this year was great news for us and great news for them, partly because the online application process itself has a series of inbuilt checks. You cannot move from page to page without completing all the relevant information. We do not get fallouts when customers submit their application, as we often do on paper where perhaps they have not signed it or they have not given the correct endorsements.

Your constituent can also track the performance of their claim once it goes through the system. Many customers next weekend will start to see that it is in final payment, which is clearly great news for them. That is a couple of examples of the customer-facing changes. He or she could have made online entitlement transactions and online land transactions: things that they have not been able to do previously. These are things that help speed up their engagement with us, which in turn gives them more time to go and farm the land.

Q16 **Chris Davies:** One last question, Chair. We are going to have to come to this at some point, so I will come to it now if I may. We have had the former Secretary of State and the current Secretary of State sitting where you are, and your Department has taken some criticism. Both former and current Secretaries of State have said, when asked directly, that they do have confidence in you, because those are questions that we raised. Are they right to have confidence in you? Are you now in that right place?

Mark Grimshaw: They are absolutely right to have confidence in me, as I believe this Committee should have confidence in me as well, mainly because there is nobody in this country who understands the basic payment scheme, the history or the payment system that we have got in place better than I do.

Q17 **Chris Davies:** Understanding it and delivering it are two very different things.

Mark Grimshaw: Absolutely, and I explained to you last time I came here that we were on a journey. I mentioned that again earlier on today. We are going to be demonstrating far better performance levels for BPS 2016, and we expect 2017 to get off to a very good start.

Chris Davies: We shall wait and see.

Q18 **Chair:** Going back to what happened last year, naturally you got delayed more and more in making the payments. I know when you came before us you said, "If we make part payments that will double the work." In the end, you got to April and you still had not delivered all the payments that you were going to be able to, and so you did make part payment. The question to you is quite clear now: whatever you have got left in



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January or February to pay, are you going to make a part payment or are you going to have people waiting for months on end to get that payment?

Mark Grimshaw: You will recall that the decision to make bridging payments is not one that sits within my area of responsibilities. It is a ministerial decision, and should Ministers determine that is the way forward then clearly we will act on those instructions.

Q19 **Chair:** We will make sure that we ask the Secretary of State that question, because there seems little justification to keep farmers waiting for as many months as they did. There is an argument with the Treasury over when they can put the full money forward. I understand in April it seems to be easier for them to have money than it does earlier in the year. Is that the case?

Mark Grimshaw: I could certainly understand that being part of the logic string. Clearly, the UK Treasury's financial year ends at the end of March, so to have monies available in April would make sense. Once we have cleared the payment correctly we can recover said monies from the EU.

Q20 **Chair:** My third question, which we have covered quite a bit of, is about how confident you are in the accuracy of the payments in 2015 and, therefore, moving forward to 2016. It is said that there could be up to 1,000 cases or more where there are still corrections to be made. Have you any idea of the numbers, and have you any idea of the amount of money that involves?

Mark Grimshaw: The 1,000 that we are talking about are commons claims where we have identified some anomalies in the commons data. In terms of accuracy, the system calculation will be accurate. The challenge is whether or not the control data that we have is complete, so there is a completeness and an accuracy conversation that takes place. As far as the EU Commission are concerned, and the auditors are concerned, the calculation will be accurate.

That is good news from a disallowance perspective, but if we have not got all of a customer's land or all of their entitlements it has been calculated on a smaller area. We always take representations from customers, and we will recalculate and make an adjustment if that is necessary. This year we did quite a lot through post-payment adjustment. We always operate that system. This year, because of the volume, we had to give it a name, but it happens in the background every year.

Q21 **Chair:** What is the value of the correction payments that you have made this year?

Mark Grimshaw: For commons?

Chair: No, across the piece: not just commoners, because it is not just the commoners that there is a problem with. There is a problem with



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quite a number of other farmers as well, which I think you are rather brushing over, if I may say so.

Mark Grimshaw: No, not at all. As far as other customers are concerned, that would be the 13,500 that I talked about earlier on; we are somewhere north of £60 million in terms of additional top-up payments. We knew that we were going to have to make quite a few of those when we released the original amounts in order to get money out into the industry early. We discussed that with stakeholders. As far as commoners themselves are concerned, I think the range is just over £8 million in terms of additional payments.

Q22 **Chair:** If you are talking about 13,500 claimants out of 88,000 in total, therefore, that is 15% or a bit more, perhaps, that you have had problems with. Therefore, how confident can you be that you are going to be able to make 90% of those payments if you are still correcting 15% of the payments you made last year? If you did not make the correct payment last year you are not going to make the correct payment this year, are you?

Mark Grimshaw: No, obviously not, and the logic is flawless. The bit that is missing is that we have made all of those adjustments. We have made all of those additional payments.

Chair: Out of all of 13,500, you believe.

Mark Grimshaw: Yes, and the additional ones that came in as part of the flow. They have been made. That is why we are confident that the 2016 payments will be based on accurate control data.

Q23 **Chair:** It is interesting because, and I beg your pardon, you do talk a little bit in jargon and you talk about the "control data". The control data, if I can work it out, means that, as far as you are concerned, on the information that you have made the payment, the payment is correct. Of course, if you did not make that payment on the right amount of land with the right amount of entitlements then, therefore, your control system might be right, but the data that it was given to make that payment was not correct. That is what I want to drill down on: are you correcting these problems?

There are still a lot of people out there saying that they have not been paid what they believe is correct. Now you might be right or they might be right. What I am interested to know is not just about whether you believe it is your control system that is working but whether the information that you are making that control payment on is accurate.

Mark Grimshaw: Yes, I understand that. I am sorry if I am using jargon. I try not to, but I know you are all experts in the field.

Chair: We are not experts, but we can work out what you are talking about. It would be better if you explained it in a bit more layman's terms.



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Mark Grimshaw: The control data that I refer to is land—so what we actually map and hold on the land parcel identification system. There are just over 2.2 million land parcels that customers can claim against. In order to be able to make a claim you need to be able to match your land parcel with an entitlement, and you can buy entitlements on the open market. You need to be eligible to claim, so you need to fulfil certain criteria, and you need to be registered on the system. We have got customer data, entitlement data and land data. That essentially completes our control data.

What we have is sourced from a number of areas; we share it with customers, and they are usually validating what we hold to be accurate. We knew that there were some challenges in 2015—the ones that I have already mentioned to you. We knew that we were going to be releasing some payments that were not complete in order to get them out early so that customers had 85% or 90% of the payment that they were expecting. We would then come back and do the other 10% or 15% subsequently.

We did that during the summer, which is what we set out to do. That allowed us to do two things, which was make the additional payment—so complete the 2015 payment—but also confirm with the customer that the control data for 2016 had been adjusted so that the 2016 claim would go through smoothly. If it helps, we know that we were putting payments through the service and into our payments engine, so these payments will go out on 1 December. I asked Paul and his contact centre people at the weekend to call 100 customers and check with them whether or not the amount that we were expecting to pay on 1 December met their expectations. We spoke to 102; 101 said “yes”, and one said he thought so but it might be a little bit high.

Q24 **Chair:** You might be being helped with the value of the pound versus the euro, because they are going to receive quite a lot more this year than they did last year. That might have helped you a little bit. Finally, are you absolutely confident that for all these farmers who tell me you paid them for the wrong fields—sometimes you paid them for other people’s fields and sometimes you did not pay them for the number of fields that they had—this is being corrected and has been corrected? That is what is what I want to have an answer on, please.

Mark Grimshaw: I am confident that where we have the information we are able to correct it. It is important to remember that this is a dynamic system. Every minute of every day additional data is coming in, whether it is from Ordnance Survey, a satellite, an inspection or remote sensing inspection, or something that a customer has sent in themselves. We are constantly churning this database over.

Q25 **Chair:** I know that you are doing that, but the argument very much is that lots of people will tell you that they have made this representation to you for several months and it seems to take a long time to get through your system.



Mark Grimshaw: It does.

Q26 **Chair:** Why?

Mark Grimshaw: One of the things that we do in terms of attaching priorities, through a triage process that Paul and his people operate, is we identify in the first instance whether the change is going to be payment-impacting. If it is payment-impacting, we will act on it straightaway. If it is simply updating the database with, for example, six trees, that is not payment-impacting. We will do that when we have sufficient time to do it; it is not urgent. If the customer is checking online to see whether we have done it or not, they will not see it anywhere near as quickly as they would—

Q27 **Chair:** Therefore, you believe that you have corrected all the cases I have described where people may or may not have had fields included or have had the wrong fields included, because they are payment-impacting.

Mark Grimshaw: Where we have been made aware of them we have corrected them. There will still be some out there that customers have not identified yet. There is a variance between their understanding and the control data. The important thing is that when they make us aware of that we hold it on their claim history and Paul has a team that will go back in and make the necessary changes. It is within our interest, as you know, to try to get as much EU money out to UK farmers as possible.

Q28 **Chair:** You are confident that you react to this information relatively quickly, and there are not outstanding claims out there.

Mark Grimshaw: There is always a workstack that has to be worked through, but we have people to do the triage—put it into work to be done today, this week, this month and so on.

Q29 **Dr Monaghan:** I would like to turn to the journey that we were speaking about earlier, Mr Grimshaw, and to have a look at the performance issues. You will be aware, I am sure, that on 10 October Defra set you agency some targets, one of which was that 90% of customers would be paid by 31 December 2016. If you achieve that 90% target, it strikes me that the level of performance by the RPA would still be lower than in 2014-15 when 97% of customers were paid by the end of December. Can you shed some light on that discrepancy and performance? It does appear that the RPA is going backwards, not forwards.

Mark Grimshaw: There are two things really. First, 2016 is the stepping stone on the way to 2017. I expect the agency to be back up around the sort of figures that it was generating in 2013-14 from 2017 onwards. You will be patently aware of the challenges of not only a new system—and we have had many conversations about the development of the system—but also a new scheme as well. Along with the new scheme, there had been a host of additional requirements for us to have to validate and verify claims.



Where we got to at the end of 2014 was pretty much the pinnacle of performance for that particular scheme on that particular system. We understood it inside out. Paul was able to pre-assign people to work packages that he knew would be an issue at certain dates. This is new work that we are doing now, and in 2015—the scheme that we are in at the moment—we have been reacting. In 2016 we are beginning to be proactive, and in 2017 we will have refined the system parameters to get the system to do a lot more of the work.

Q30 Dr Monaghan: Would there have been any benefit of having kept the paper-based system and run it alongside the new system, to make sure that people received their payments on time?

Mark Grimshaw: No.

Q31 Dr Monaghan: You are certain on that. You did not do any modelling at all to see whether continuing with a paper-based system would have achieved better performance.

Mark Grimshaw: The scheme was never paper-based once it entered onto the IT system. The paper piece was only to collect the data in the first instance to then be ingested into the old RITA system for SPS, or the new rural payments system for BPS. After that point, other than a historic reference, the paper is not used.

Dr Monaghan: That was not an option.

Mark Grimshaw: No.

Q32 Dr Monaghan: *Farmers Weekly* has been quite critical of the RPA, and I am sure you know that. It is also the case that 6,000 farmers will not receive their payment before April 2017, based on the target figures that you have adopted. What would you say to *Farmers Weekly* and what would you say to those 6,000 farmers that will not get a payment before April 2017?

Mark Grimshaw: As far as *Farmers Weekly*, *Farmers Guardian* and the rest of the trade press are concerned, I think we do a fabulous job of promoting UK agriculture. I wince ever so slightly when they do a very good job of making sure that pressure is applied to me, to Paul and the rest of my executive team. We much prefer to see, "RPA payments exceeded" as a headline than "RPA payments not achieved". They do the right job; they do exactly what they are paid for.

To those 6,000 customers, we will be telling them in advance of April when they are likely to be paid, and how much they are likely to be paid, so that they can do accurate cash forecasting and have the necessary conversations with their bank. It is worth remembering that even in the heady days of SPS a number of customers were still paid later because of the complexities of their claims.



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The press are doing a great job in trying circumstances. Customer communication is far better this year than last year, which is helping them position their businesses in what are some very difficult economic times. To the Chair's point, it is helpful that they will be receiving more money this year per hectare of land because of the changes to both the entitlement rates, which are being paid at a higher rate this year, and also the benefit of the exchange rate.

Q33 Dr Monaghan: By April 2017, what percentage of customers will have received their full payment?

Mark Grimshaw: I cannot give you a figure because we will be pushing very hard to get as many customers paid during that period as we possibly can. We have accepted the targets set by Defra. Our ambition is to get us back to the levels that you have already referenced as quickly as we can. We are not going to be taking February and March off; we are going to be pushing very hard to get those payments through.

Q34 Dr Monaghan: What is the ballpark figure for April 2017?

Mark Grimshaw: Dr Monaghan, I do not do ballpark figures. I am afraid.

Chair: You have given us 90%. That is a ballpark figure.

Mark Grimshaw: It was but you twisted my arm to breaking point on that particular day.

Chair: We will again if you do not deliver, but I am sure you will.

Q35 Dr Monaghan: The Defra target is 93% by 31 March 2017. Are you going to do better than 93% but worse than 100%?

Mark Grimshaw: Our ambition is to do better than the 93%.

Q36 David Simpson: To follow on from Paul's question, Mr Grimshaw, relating to targets, what additional resources have you taken on or are you planning to take on to deal with the additional workload and the numbers that are coming forward?

Mark Grimshaw: We are not taking additional resources on; we do not operate the business in that way. We plan the work through the course of the year, and we operate what is known as flexible resourcing. We have a core of RPA caseworkers. We wrap around that temporary contractors when we need them, and on top of that we will bring in short-term temporary workers, again if we need them. We have phased this work through the year so that we know we are in a very strong position for 1 December. While that is not a target, it will be used as a bellwether in terms of performance to the 90%. Come the end of December we will start to see resources drop off because we will have done, I hesitate to say, the vast majority—

David Simpson: Feel free.



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Mark Grimshaw: Thank you. We will have done the vast majority of the work.

David Simpson: You said you do not take on resources, but you have indicated there that extra resources would work through agencies. You would take them on as and when required, so you do take extra resources on when you need them.

Mark Grimshaw: Yes, that is right. We flex our resource base, but that is planned a year in advance.

Q37 **Chair:** Have you got the necessary resources if you need to take on that staff?

Mark Grimshaw: We are operating at the high point of our resourcing plan at the moment. We have got as many people as we need to get the available work through the service.

Q38 **David Simpson:** If you had to take on extra resource or extra employees, financially would the budget be there to do it?

Mark Grimshaw: If we needed more than we have at the moment we would go back to Defra and make the business case for them. We are operating within our allocated budget this year. We are quite comfortable that we have sufficient resources to do the work that is necessary, and we are staying inside our budget envelope.

Q39 **David Simpson:** To follow on from what Paul said about 2017, will you be up there and on target for over 90%, or was 93% the figure?

Mark Grimshaw: Sorry, yes, by the end of March. That is correct.

Chair: I would have thought something like 99.9% would be a good figure. You do not want to put that ballpark out there, do you?

Dr Monaghan: It is within the scope, I think.

Q40 **Ms Ritchie:** As a follow-on to David's question, Mr Grimshaw, do you track the numbers of queries made and individual response times? I recall reading in the evidence that you submitted to the Public Accounts Committee that there were problems around digitisation. Do your staff manually track these, or are they computerised? Do you track the number of queries?

Mark Grimshaw: Yes, we do. If a customer writes to us, be it white mail or an email, we enter that onto our CRM, our customer relationship management system, on which we hold all our information relating to customers. We know why they contacted us and when they contacted us. If they contact us via telephone we enter the information straight into the system itself, so we always know why they are contacting us.

Last time I came here I said that we were going to open up our contact to customers to write to us—we did specify writing to us—to explain what



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their concerns were. We had just over 5,500 of those customers write to us. Pretty much most of them were a subset of the 13,500 we knew we had challenges with anyway, and we have been working systematically through those during the course of the summer.

Q41 Ms Ritchie: Have they all been responded to and dealt with, and have the queries been addressed satisfactorily?

Mark Grimshaw: Yes, to the first two parts. On the second part, there may be one or two who are still in discussions with us about their understanding of the land versus our understanding of the land. We have also touched on the challenges around commons as well. We know that there are a range of new issues as far as commoners are concerned, but we have a plan in place that Paul is leading on to deal with those.

Q42 Ms Ritchie: Moving on, what targets have been set for the RPA's communication and engagement activities?

Mark Grimshaw: We do not carry a target for engagement.

Ms Ritchie: Why not?

Mark Grimshaw: It is not something that was set for us as a target by the Department. We used to carry a customer satisfaction target, but unfortunately the only way that we were able to determine customer satisfaction was by doing rather expensive surveys. In these days of austerity there is no money to do that sort of customer satisfaction tracking.

Q43 Chair: It had nothing to do with the fact that you had not made the payments to the farmers and they were dissatisfied, and you did not want to do a survey any more.

Mark Grimshaw: No, absolutely not. It was purely a financially driven issue. We stopped it towards the end of 2014, which, as Dr Monaghan has said, is our best year ever.

Q44 Ms Ritchie: You have also said that you have sufficient resources to execute the job required. Did you ever ask, in the last couple of months, for additional resources, and did you receive those additional resources in terms of staff and finance?

Mark Grimshaw: No, we did not ask for additional budget, and resources tend to be a function of budget. The Department does not apply any form of headcount restriction to us; it purely applies a budgetary restriction. We were able to operate inside the budget envelope that we had by deprioritising some other activities in order to bring in more people to work on claims.

Q45 Ms Ritchie: You think you are taking a proactive approach in contacting farmers who are facing issues with their claims, considering, in many instances, this may be the sole source of income for many of these farmers.



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Mark Grimshaw: Yes. Wherever we can we are engaging with our customers.

Q46 **Ms Ritchie:** Can you describe or characterise that level of engagement, or how the agency is taking that more proactive approach with farmers?

Mark Grimshaw: Yes, certainly. I have already shown you the autumn mailer, which is going out literally as we speak. We have had a significant number of emails going out to customers. We engage directly with their agents, and, wherever possible, we attend all trade shows and events. We have a stand at all of them. We present to customers. We show them the online service. We ran online engagement centres last year, where customers could bring their applications in and we will sit down with them and help them go online.

Paul himself is leading on our engagement with commoners, which involves commoners in Cumbria and commoners in the south-west. I have met the chair and the Dartmoor commoners. We do as much as we possibly can for our customers.

Q47 **Ms Ritchie:** Have you held any engagement events in any of the quarters of this year?

Mark Grimshaw: Yes, we have.

Ms Ritchie: If so, where?

Mark Grimshaw: I could give you a list of all of the events.

Ms Ritchie: It may be useful if that list could be supplied to the Chair.

Mark Grimshaw: Absolutely.

Q48 **Chair:** You talk about the meeting that we had in the summer with the commoners. One of the agreements that we had after that meeting was that you were going to have some meetings with the commoners, where you were going to go out and explain what was happening. Have you had any of those meetings?

Mark Grimshaw: This is a good opportunity for Paul to talk about what he has been doing in leading the commons activity.

Paul Caldwell: We have been in touch with a number of commons associations and commoners' representatives. We have some people who go out on the road and work through the detail of some of those issues. In addition to that, I met the northern regional commons association on Monday. I have an appointment to come down to see the south-west regional commons association in the next few weeks. I am meeting the Cumbrian commoners on Friday, and I have accepted an invitation, where there are particular issues in the parish of Caldbeck in Cumbria to go and attend their AGM.



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In addition to that, the agency has put a project together to describe and enact an improvement plan around some of the issues that we have talked about. In addition to the mapping issues, there are allocation issues to do with shared rights, split rights, owner surpluses and the like, which makes it a particularly complex area to understand. We have got a team of experts operating as part of that programme.

There is a profile drawn up of the digitising mapping issues that was referenced in order to put that right, where we have differences over the question of eligibility on land. We have got dedicated teams of people that we are lining up to be in communication with commoners as we progress through the claims. Mr Grimshaw has already referenced that we will start paying commoners this year on day one rather than at the later part of the payment period. As for those commoners who are not paid, we will assign people to have an ongoing dialogue with those commoners in respect of their claims.

Q49 **Chair:** I very much welcome this. The only thing I would say to you is that it is a shame that all of this had not happened sooner. I suspect it was a matter of resources, because you had so many problems with all the other claims you did not have the resources to do it. I very much welcome what you are doing, but a lot of commoners would say it has taken you a very long time to get there. What is your answer to that one?

Paul Caldwell: Having spoken to commoners, I am pretty sure that resonates with what they would say. One of the things that is on record from previous meetings is the fact that commons are unique to the UK in terms of its application and the way it is run. Therefore, in essence, it is bespoke to the system that we had. We have made modifications in order to bespoke that application, which has taken a little bit of time. We have developed that functionality and that is now in place, which puts us in a better place for 2016. I accept that we have a lot of work to do with commoners, but the building blocks are there and we intend to see that through.

Q50 **Chair:** I accept that there is no point going over hindsight too much. The key now is to make sure that you have got that communication, you do sort it out, and they do not go through the same pain this coming year that they went through last year. I do not think they would have any sympathy for you, and I can ensure that this Committee would have none whatsoever. I think you can accept that.

Mark Grimshaw: Absolutely. On the subject of the communication, I am in the process of writing to all MPs, and you may already have had an email from me, inviting you to a drop-in surgery next week to talk about BPS 2016 and 2017. That is both myself and some colleagues coming to talk about the changes, what we have done, the communications and the way forward, in Portcullis House next week.

Chair: I very much welcome that. Thank you.

Q51 **Chris Davies:** Last year some farmers received letters promising



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payments and payments subsequently did not arrive. I suppose, Mr Caldwell, you would be responsible for those letters this year. You would also be responsible for this communication operation delivery, which is in your title. Is that going to happen again, and what changes have you made to make sure that will not happen again?

Paul Caldwell: Mr Grimshaw has already outlined that there is a far more intelligent approach to our communications this time.

Q52 **Chris Davies:** First of all, are you still planning to send letters, or are you not sending letters and that is the difference?

Paul Caldwell: No, we have got a more sophisticated approach, which will include sending letters. We will also, as has been referenced by Mr Grimshaw, have individuals that people can speak to. We have got products that can be sent to farmers and agents to keep them abreast of what is going on, but we will have tailored and more individual communications in future.

Q53 **Chris Davies:** We now have a situation with devolved nations where the devolved nations do things a little differently from the Rural Payments Agency. How much liaison are you having with Wales, Scotland and Northern Ireland? We know there are problems with crossover; my constituency in particular has a lot of cross-border problems. When you look back, are some of those devolved nations doing things better than the RPA? Why are Wales and Cardiff quite often blaming London, or Reading in this particular instance, and why is Reading blaming Wales?

Mark Grimshaw: In terms of whether we get together, yes, we do. I have an external relations director who co-ordinates people from each of the devolveds. They meet usual on a quarterly basis to talk about general issues. During the course of the last six months they have probably been on the telephone once a week, looking at making sure that devolved information is transferred. The devolveds are all at different stages of development of either their own system or the scheme that is applied to their particular country.

There are variations. The Welsh have very successfully developed their online capability. We talk to them about the way that they use it. We like the way that they use it and we are trying to incorporate some of the features into our service. It is always a challenge getting multiple cross-border information, because there are some customers who are farming in every one of the devolveds. That creates a little bit of a challenge, but it is also fair to say that these are relatively small numbers compared with the 86,000-plus applications that we get in total. We are seeking to give information to the devolveds as soon as we have it and vice versa, and I know that it will be much better for this coming year.

Q54 **Chris Davies:** The Chair did touch earlier on the fact that you started off last year saying that you were going to make one payment and one payment only. Wales started off saying they were going to make two payments: an early payment and then one followed on. You followed their



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approach out of panic towards the end. Which approach are you doing this year? Are you planning to do just the one payment, and if so will you deliver that one payment?

Mark Grimshaw: We will be making full and accurate payments from 1 December onwards.

Chris Davies: One payment rather than split payment.

Mark Grimshaw: That is correct.

Q55 **Ms Ritchie:** I have a question about the devolved nations. My understanding was that last year the Rural Payments Agency had responsibility for allocating the additional money in relation to the dairy industry and the dairy farmers. In respect of Northern Ireland, have all those payments been made? Is there anything outstanding? If there is, what is it?

Mark Grimshaw: I am not aware of anything outstanding on the dairy fund. If you have a particular constituency issue please share it with us. We did run the dairy fund on behalf of the whole of the UK. That was because it is easier for the approved paying agency to do all of that work. It meant one liaison with the Treasury as well, and we delivered against that particular target two weeks ahead of our timeline.

Q56 **Chair:** One final question on this particular question, last year, especially when you came to see us in March, then in April and May, there were some instances where you had stated you would get the payment out and you let farmers know that you were going to get them out, and you then were not able to achieve that. Now, are you absolutely confident that we are not going to have a repeat of this this coming year?

Mark Grimshaw: That was the reference I made earlier to the three-week notice, where we wrote to customers to say, "We expect to pay you by X." That was a little over-ambitious on our behalf. We were trying to be helpful from a communications point of view. Additional information was coming in, whether it was inspections, remote sensing or changes that the customer had made, that did not allow us to do that. We are in a much better place this year. As I have done on previous occasions, I am more than happy to invite you, Chair, or members of the Committee to come and see the system and the service in action to look at what it is doing. I think you will be pleasantly surprised.

Q57 **Chair:** As far as the farmers are concerned, if they are being pressed by the banks and all these things, they think they are going to receive and then they do not, that is almost worse than not knowing, if you get my meaning. They are expecting it.

Mark Grimshaw: Yes.

Q58 **Chair:** That is where, hopefully, that will not happen this coming year.

Mark Grimshaw: That is correct.



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Q59 Jim Fitzpatrick: Gentlemen, good afternoon. I am stating the obvious that you are in a time-sensitive business, with deadlines and targets and deadlines and payments. It is probably self-evident that when you invite farmers to submit applications, getting them in as timely a way as possible would be at least very helpful if not absolutely essential. The deadline for farmers this year, I understand, is 16 May. How many farmers did not submit their applications by 16 May?

Mark Grimshaw: It is worth remembering that last year there was an extension to the process. This year we closed it on 16 May. I ought to be able to tell you exactly, if I can find the relevant page.

Q60 Jim Fitzpatrick: Is it generally an issue? Does it vary from year to year?

Mark Grimshaw: It is not generally a problem. In terms of the approach, we get by far the largest number in within the window. There are then a number that come in subsequent to the window closing but still being in what we would call the penalty period, which is a four-week period. From memory, it is about 1,200, and then there are about 30 who applied after the penalty window had closed. We will be in a position to drop you a note just to confirm exactly what happened there.

Q61 Jim Fitzpatrick: 1,200 sounds like a lot of farmers. Given that they want the money, they expect the money and they rely on the money, 1,200 seems like a lot of people not submitting their claim to get their payment, but you do not seem troubled by it. Is that because it happens each year and there are always a number?

Mark Grimshaw: Yes, it does happen each year and it is constantly a little bit of a worry to us that customers do not submit on time, but it is no different from submitting a tax return. It is one of those things that, quite often, just sits on the mantelpiece and does not always get in on time. Personally, if I knew that I was going to be penalised by 1% for every day that I was late, I would make sure that I got it in, but farmers lead busy lives. We do remind them. We set out a very detailed process in terms of the run-up to the payment window and beyond, and we also use colleagues in the trade press to make sure that they put out information. We track those customers who have partially completed an online application and, if we can see that they are a page away from pressing "submit", we will contact them and say, "You do realise that you have not submitted this yet", and we will also make outbound calls if we can see that a customer has not started the process. Again, it is in our interests to make sure that as many customers get as much money from the EU as we possibly can.

Q62 Jim Fitzpatrick: You said that the penalties are 1% per day, and you extended the deadline for four weeks or a month, so that is 30% of their claim. Even then, 30 claims were submitted after that deadline.

Mark Grimshaw: Yes, it is strange.



Jim Fitzpatrick: Thank you, Chair. That is stunning information.

- Q63 **Simon Hart:** I have a tiny question but it just reminded me of a bit of casework. For the 20% who submit a hard-copy application, if the deadline is, as I think it was this year, on a Saturday, and if they are sitting on the desk on the Monday morning, even though it is technically two days late, would that go through without penalty?

Mark Grimshaw: Yes. If we received it into the business within the deadline and it was time and date-stamped, then yes, it would.

- Q64 **Simon Hart:** It cannot, however, be time and date-stamped on a weekend, can it, necessarily? Will there always be somebody there to do that? A lot of my guys will go down to the office and physically submit it. Admittedly, there is a different Administration in Wales and I do not know if there is an English equivalent, but there is nobody in the office on a Saturday, so it sits until Monday morning, when, presumably, it gets date-stamped.

Mark Grimshaw: If it is a hard-copy, paper application—bearing in mind that 80% come in online—paper applications come into a claim-handling centre. They know which day they arrived in the centre. They work Saturdays and Sundays over the back-end of the application window, so they will be receipting right up until midnight on the last day.

- Q65 **Chair:** Just one final point: how does the number of farmers who were late in making their applications for this year compare with, say, two years ago, when the single farm payment was probably running most smoothly? Do you have any figures on that?

Mark Grimshaw: Yes, I do. There is no great difference. I think we are talking about human nature here. On a caseload of some 87,000 or 88,000, there will always be those who apply within the first hour of the application window opening and those who leave it too long. We do as much as we reasonably can at the taxpayer's expense to tell them to get their claims in.

- Q66 **Chair:** It has nothing to do then, then, with the fact that they were a bit worried about their 2015-16 claim, and that is why they were not making their claim on time.

Mark Grimshaw: I certainly hope not, and that was not the information that we were sending out. We were actively encouraging people to submit for 2016, and, if they had an issue, just to register it with us and we would deal with it, which is what we have done.

- Q67 **Dr Monaghan:** Sticking with claim statements for a moment, if we can, evidence submitted to the Committee suggests that farmers are complaining—and have complained, indeed—that, without their 2015 claim statement, it is harder for them accurately to apply for their 2016 payment. Others have said that, when they get their claim, there is only one line of information on it, which is not particularly helpful. The NFU has said that delays are dragging on and that farmers cannot understand



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the amount that they are being paid. Others have said that there are thousands of glitches to correct in the system before 2016 payments can be made with confidence, so it is not a happy picture, really, in some respects. I would be interested to know how many claim statements for 2015 were issued after the farmer applied for their 2016 payment.

Mark Grimshaw: That is not information that we have with us currently but I am more than happy to put a note to you, just to explain that. It is absolutely worth remembering that we knew that this was an issue and we said to customers that we would take any submission from them in writing, if they were concerned, that they should claim on what they knew was out there, and that we would make the necessary adjustment subsequently. That led to the whole of the post-payment adjustment process, which we have carried out with support from technical stakeholders and senior stakeholders, including the NFU. While I would never claim to have 100% satisfaction from 100% of my customer base, I do know that we have done what we said we were going to do. If a customer is still unhappy, they only have to write to us. Of course, they can then default into a complaints and appeals process. There are a number of avenues open to them and we will do things retrospectively, if that is required.

Q68 **Dr Monaghan:** So you will do your level best to help them.

Mark Grimshaw: Absolutely.

Dr Monaghan: You will provide us with that bit of information that I asked for.

Mark Grimshaw: Yes, we will.

Q69 **Dr Monaghan:** Moving on from that for a second, in that body of claims, what error rate has the RPA identified?

Mark Grimshaw: Error relating to...?

Dr Monaghan: To, perhaps, incorrect submission because the farmer feels that they have not had sufficient information on a previous claim statement. Where does the responsibility lie for not getting through this process adequately and timeously?

Mark Grimshaw: Customers pretty much have got through the process. One of the things that we did this year, which, again, I talked about last time I was here, was the application of some flexibility and tolerance when customers were submitting their forms. If we noticed that there was something that perhaps they had omitted, we could help them fill that out. I am not in a position to share too much information in an open forum, but we did as much as we could within the rules to help our customers make accurate and timely claims.

Q70 **Dr Monaghan:** You maybe do not have the information with you but, if you could pass a note back to the Committee, that would be helpful, just in terms of what the error rate was for those particular claim statements



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and where the error responsibility lay. That would be helpful.

Mark Grimshaw: Yes.

- Q71 **Chair:** I would follow up on that, because we need to know the number of people who claimed for the 2016-17 payment and who still had not had an accurate breakdown of their payment for 2015-16. You must accept that it is a very unsatisfactory situation to be in. Nobody wants to make a claim for the next year when they are not satisfied with the claim that they have had for this year.

Mark Grimshaw: Yes, I understand. We will provide that information.

- Q72 **Chair:** Are you confident that this should not be happening in 2017-18?

Mark Grimshaw: I am confident, because of the volumes that we are expecting to pay before the application window opens.

Chair: I would reinforce the point that Paul made at the end: that we would want in writing, please, the number. You must have those numbers somewhere.

Mark Grimshaw: Yes, we will pull them together and submit them to you.

- Q73 [Click here to enter text.](#) **Kerry McCarthy:** Can I ask about disallowance payments? Have you made an estimate of what they are likely to be in 2016-17?

Mark Grimshaw: We do not make a direct estimate in the RPA. We sit as part of Defra's broader disallowance management group, and they work out where they believe the disallowance will sit for each individual year. I am not expecting there to be anything particularly challenging in 2016-17, albeit the Commission has changed the way it calculates disallowance. It has gone from an approach that had individual disallowances, let us say, at 2%. If you had three 2% disallowances in the same area, it would be 2%. It now operates a compounding approach, which would have that at 6%. We do, however, have a very good disallowance-defence team who work on our disallowance activity.

- Q74 **Kerry McCarthy:** The Farming Minister, when he gave evidence to the Committee, said that he was expecting a tougher approach. Have you had discussions with Defra as to what their predictions are likely to be?

Mark Grimshaw: I have not, no.

Kerry McCarthy: You do not know whether they are expecting it to be higher.

Mark Grimshaw: I do not, I am afraid.

- Q75 **Kerry McCarthy:** It was said that inaccuracies from the 2015 cycle would be carried over into 2016. Are you doing work to try to ensure that that does not happen?



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Mark Grimshaw: The conversation that we have just had about control data is at the heart of this issue. Providing that we have used accurate control data, the calculations will be accurate, as far as the Commission is concerned, which is why we always go with RPA control data rather than anything else, so that we know that we are starting from the right place.

Q76 **Kerry McCarthy:** We are still relatively poorly performing on disallowances compared with other countries. I know that, when evidence was given to the Public Accounts Committee, Germany was cited as doing an awful lot better.

Mark Grimshaw: Yes.

Q77 **Kerry McCarthy:** Is there an ongoing programme of work to try to tackle those issues?

Mark Grimshaw: Yes, there is.

Q78 **Kerry McCarthy:** To what extent are you involved in that as opposed to Defra taking the lead?

Mark Grimshaw: Defra takes the general lead in terms of the disallowance-reduction plan, and that has just been signed off by the Secretary of State. Most of the activity then comes back into the agency to manage.

Q79 **Kerry McCarthy:** Can I just ask: is that the same thing as the strategy that the Permanent Secretary was quizzed about by the Public Accounts Committee?

Mark Grimshaw: That is correct, yes.

Q80 **Kerry McCarthy:** That has now been signed off then.

Mark Grimshaw: That has now been signed off, and the majority of the activity that takes place within the strategy falls to the RPA as the accredited paying agency for the UK. There is activity for each of the individual devolved countries to pursue. You referenced the conversation that we had with the Public Accounts Committee and the reference to Germany. We have a land parcel identification system improvement plan—a LPIS improvement plan—where we are seeking to get currency of the information that is held there—that is how old the information is—down to three years and then down to one year. If we get it down to one year, disallowance reduces from 5% to 2% and the numbers of inspections that we have to do drops by 80%, so that is a great ambition to have and something that was funded by the Treasury in the last spending review. We are actively engaged with that and it has positive benefits for customers in the short term too, in that we are bringing their land mapping very much up-to-date using aerial photography, satellite imagery and those sorts of things.

Q81 **Jim Fitzpatrick:** I was going to ask Mr Grimshaw about the disallowance committee that he said the RPA sits on. I cannot remember what the



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complexion is and who makes the decision on the £100 million that has been set aside this year against potential fines. Is it a political decision or is it a civil servants' decision? Do the economists make the judgment or is it the departmental lawyers? Who arrives at the estimate as to what may be the disallowance and, therefore, we need the £100 million set aside, if you are not making it?

Mark Grimshaw: The process is quite straightforward in that the Commission will write to the RPA against a range of schemes—the basic payment scheme, the fruit and vegetables scheme, the producer scheme, etc—having done various audits during the course of a year, and they will tell us what they think the headline disallowance will be for that particular scheme. Our disallowance defence team will take that in, they will look at it, they will try to ring-fence certain aspects and they will say, 'Yes, okay, that is fine. That is a fair point. We will give them a win on that. We are going to defend this one.' I am making these numbers up now but we think that, out of an £80 million disallowance, we can get it down to £6 million. If it ends up being £7 million, that is a good place to be. The disallowance committee will then sum up all of those estimates and see whether or not there is a requirement to draw down all the sum or ask for more than the £100 million that is put aside.

Q82 **Chair:** Just one last question on this particular point: the RPA's new IT system was set up to reduce disallowance payments arising from errors. How successful has that been in saving money on disallowance?

Mark Grimshaw: It has been reasonably successful. It was originally set up to maintain disallowance at 2%, and that was what was built into the business case for the system. We know that the way that the calculation is done within SITI Agri, which is the system that we acquired, is 0% disallowance approved by the Commission whilst it is on the system, providing we use the system's control data, which neatly brings us all the way back to why our control data is key and why accuracy on the calculation is important, and its completeness, which then becomes the ongoing discussion. In terms of reducing our disallowance risk, the system was built to do that and is doing it. Your follow-on is probably, "How much?" The difficulty that we have here is in extracting the contribution made by the system from everything else related to disallowance.

Q83 **Chair:** I suppose the farmers out there must be scratching their heads slightly. You have set up a system which, to say the least, has been slightly chaotic. They waited ages and ages for their payments, and it is a new system. You are then trying to tell me that this has been better at saving disallowance. I think they would be slightly incredulous at that. Perhaps the argument could be that it was set up in a way that was always going to be better for disallowance but that was going to be difficult for the farmers to make their payment. What was it set up for? What was its purpose?



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Mark Grimshaw: Its purpose is multifaceted. It is designed to make timely, accurate payments to farmers.

Q84 **Chair:** It obviously failed in that, did it not?

Mark Grimshaw: Not totally, no.

Q85 **Chair:** The fact is that many farmers had to wait until March, April or June to get their payment. You missed most of your targets. That was all satisfactory, then, was it?

Mark Grimshaw: No, I did not say that, and you will remember that I have talked a couple of times about the foundation year, the stepping stone and 2017 being the target year for excellent performance. You are also aware of the back-story to how the system was developed and launched in the UK. The other activity of the system—and the reason we went with the system that we went with—is that it pays out the least amount of money that it can, as opposed to the old system, which paid out a higher amount. By paying out the least amount it can, it improves the disallowance position, because that is what the auditors are looking for.

Q86 **Chair:** You therefore make it as difficult as you can for the farmers to get the payment in order to make sure that you reduce disallowance. That is what the system was set up for, was it?

Mark Grimshaw: No, I do not think it was.

Q87 **Chair:** It did not deliver the payment on time. It did not deliver it accurately. You are then trying to tell me, "But it is very good at stopping disallowance." I do not believe you; I am sorry. I do not think that it is, because I cannot see the European Commission being terribly impressed with the way you have made the payments. Why is it that it has been successful in stopping disallowance? I do not understand it at all.

Mark Grimshaw: It is also worth being aware that, as far as the European Union is concerned this year, we were in the top quartile of all countries in terms of volume paid and timeliness. If you think that there were some challenges in England, then there were many more, bigger, deeper and more damaging challenges elsewhere in the EU. I come back to the fact that this was a stepping-stone year in terms of delivering the scheme. Both the agency and customers were becoming more familiar with it, and we are in a position where disallowance will be borne down on by the way that the system works.

Chair: That remains to be seen, because disallowance is usually several years behind. What is going to be interesting is that I think you are probably going to get the system just about right by the time we leave the European Union, but that is another matter.

Q88 **Ms Ritchie:** The Permanent Secretary of EFRA told us, when she was in with her Secretary of State, that the new IT system tends to pay the lower of two amounts if there is a question about how much the payment



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should be. In that respect, how many farmers have received the lower payment in cases of dispute?

Mark Grimshaw: It does not choose between amounts; it always pays out the lowest amount. It calculates at the lowest level, so all farmers are paid at the lowest level.

Q89 **Ms Ritchie:** Is there not an inbuilt or inherent inequality and inequity in that?

Mark Grimshaw: No.

Q90 **Ms Ritchie:** Why does it pay at the lower amount?

Mark Grimshaw: Because that is the way that it does the calculation. We need to move away from a view that says there are two payment amounts and we choose to pay the lower amount. It calculates down to the lowest amount. That is the way that it is set up. There are not two payments that we choose from. There is only the payment that we make. That is the accurate payment.

Q91 **Ms Ritchie:** There is only one payment, and all farmers receive that payment, but is that a lower value?

Mark Grimshaw: No. Again, I think there is a little bit of a misunderstanding that it is a lower value. It is an accurate payment based on the control data that we have, and that is the payment that we make to farmers.

Q92 **Chair:** If you underpay farmers, you will not get a disallowance, whereas, if you overpay farmers, you will get a disallowance. Therefore, surely, the whole system was set up in order to make sure that farmers have a tough time getting their payment.

Mark Grimshaw: No. As I have said a number of times, the system is set up to pay an accurate amount. It is built in such a way that it pays the lowest amount that it can.

Q93 **Chair:** If the data that you had on the system were not accurate, you were paying a lower payment. That was all partly to do with the IT system, surely.

Mark Grimshaw: It is a bit of a circular argument. That takes us back to the completeness piece. We have to work against the RPA's control data. If the control data is subsequently proven by a customer to be inaccurate or incomplete, we will change it and make an additional payment, but we always calculate based on the information that we have in the system.

Q94 **Jim Fitzpatrick:** Mr Grimshaw, you are captured because of the way the Permanent Secretary portrayed this, as Margaret has explained. She used the phrase, "the lower of two amounts". You have defined it to say that it makes the payment that it believes is accurate on the basis of the data which are held.



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Mark Grimshaw: Correct.

Q95 **Jim Fitzpatrick:** If a farmer thinks that they are being underpaid, do they have the right to appeal? I assume that they have.

Mark Grimshaw: Yes.

Q96 **Jim Fitzpatrick:** How many farmers—a percentage, ballpark figure, roughly—would appeal against the money that the RPA say that they get? Is it minimal, or is it hundreds or thousands? How does that work? As the Chair has said, farmers will fairly regularly say that they think that they are being underpaid, but do many of them take it to a formal stage?

Mark Grimshaw: Yes, they do, and I mentioned earlier that 5,500 customers wrote to us. Those were the people who were taking issue with the amount that they were being paid. In the last year of SPS, it would clearly have been much lower than that, but I would also remind the Committee that, in 2015, there were a number of additional factors that bore down on the amount of money that farmers were paid, not least of which was the exchange rate value. On average, payments were about 11% lower in 2015.

Q97 **Ms Ritchie:** I have just one final question on that. You are confident that measures are in place that enable farmers to make applications in terms of an appeal or a disputes system. That is available to them to do that.

Mark Grimshaw: Yes, absolutely, and they use it every year. We have a well documented complaints and appeals process. It is available online on gov.uk. It is available in writing from us. Paul has a number of people who spend all of their time managing complaints.

Q98 **Ms Ritchie:** For the avoidance of doubt, of those people who have submitted dispute appeals to the RPA, how many have been successful and how many have been rejected?

Mark Grimshaw: I will just make sure that I fully understand the question, because we are going to have to send away for this information. Are you talking about the 5,500 customers who contacted us because they were not happy with the calculation?

Ms Ritchie: Yes.

Mark Grimshaw: Or do you want to know exactly how many official complaints and appeals we had?

Ms Ritchie: Both.

Mark Grimshaw: That is fine; I can do that.

Q99 **Chair:** Just as far as the system is concerned, do you do a check, even on those farmers who have had a payment and have not challenged it? Because of all the troubles that you had with the system, do you check to make sure that they have had that correct payment?

Mark Grimshaw: Sorry, I did not catch the first part of the question.



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Chair: People will complain if they think they have the wrong payment, but what if they have received the wrong payment but have not challenged it? Do you check the payments that are being made to farmers?

Mark Grimshaw: Yes. If you are talking specifically about 2015, you will have noticed that there is a difference between the 13,500 postponement adjustments and the 5,500 customers who wrote to us. There is an 8,000 difference in there. Those were customers where we knew that the amount that we had paid was not the full payment. In a normal year, once we have completed the calculation and it goes through a series of stages and is ready to pay, unless a customer contacts us to challenge the amount, that is the amount that we will pay.

Q100 **Jim Fitzpatrick:** How did you know that there were 8,000 more who were entitled to some more money? Is that an IT algorithm that throws it up? If they are not asking for more money but you are giving them more money, how did you identify the 8,000?

Mark Grimshaw: You will recall that earlier on I talked about tolerances. We knew, at a relatively early stage in 2015, that we could pay some customers 85% of what they had claimed or 90% of what they had claimed, because we knew that there were some areas of—let us call them—dispute. Rather than waiting for the dispute to go all the way through—

Jim Fitzpatrick: That would be the 8,000.

Mark Grimshaw: That would be the 8,000.

Q101 **Chair:** Therefore, this year, provided the payment is being corrected, that should not happen.

Mark Grimshaw: That is right. All of those payments would have been corrected. If they had submitted a 2016 application whilst we were still in the dispute period, we would then have adjusted it, once we had settled, which means that we are making accurate payments in 2016, which we know is why we are at the level of cases going through that we are experiencing at the moment.

Q102 **Chair:** Have you any idea of how many disputed cases you have now that have not been settled?

Mark Grimshaw: There are none where we have not entered into a discussion, and there are very few that have not been paid.

Chair: So there are still a few being discussed.

Mark Grimshaw: Yes.

Chair: If you have any figures on that, that would be useful.

Q103 **David Simpson:** I thought we were going to get through this session without anybody mentioning leaving the EU or Brexit, but I think the



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Chair touched on it.

Chair: I would expect both David and Chris to touch on it.

David Simpson: In relation to the dreaded word, “Brexit”, when we leave the EU, have you had any discussions on the role of the RPA after that, or what vision do you have for it?

Mark Grimshaw: Yes, we have a range of discussions around the long-term future of the agency, and Committee members will be aware that the Treasury has already made a commitment to continue to pay BPS through to 2020. The role of the agency is pretty well defined, certainly for the next four years. In terms of the medium-term future—two years out and beyond—the agency has representatives around the table with Defra colleagues talking about the options. Clearly, we take –

Chair: That is probably the next question.

David Simpson: You have had discussions though.

Mark Grimshaw: Yes.

David Simpson: You are not going to give us the fine detail of those discussions.

Q104 **Chair:** You gave an interesting answer to David there. You said that you believe that the Treasury is saying that the BPS payments will remain. I know that this is probably a political question that perhaps you do not want to answer, but is it your view that it seems to be that the system is going to remain the same up until 2020, or will there be some changes after we leave? I do not suppose that you know that detail, but what is your understanding?

Mark Grimshaw: My understanding is that the system will remain as it is while we are still in the EU. While you are in the club, you have to abide by the rules, including disallowance and all of the inspection regimes etc, which the system is well structured to deal with. Post Brexit, it is a conversation that has yet to be had in terms of whether or not that particular system is going to be used in that particular configuration.

David Simpson: If the Government have given a commitment to 2020, payments of some description will be made, whether or not it is on the same basis as this or not, so it will be kept on until 2020 anyway.

Q105 **Chair:** Just one technical question on the timing: if we invoke Article 50 and say, theoretically, we leave in April 2019—or it might even be May 2019—that application that farmers make in 2019 will then, I take it, still be paid under a similar system, but will be paid directly by the UK Treasury rather than going to Europe and coming back again. Is that how you would see it? Would you see that as the last year of the claim?

Mark Grimshaw: In terms of the process that you outlined, I imagine that that is the way that it would be done; however, none of those conversations have taken place at all.



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David Simpson: A wonderful way with words.

Chair: We cannot necessarily nail you on this one because this is very much the politicians in the dock, not you. I would accept that one. I take that one on the chin.

Q106 **Ms Ritchie:** A supplementary to that, Chair, if I may, for Mr Grimshaw: when you gave evidence to the Public Accounts Committee, you indicated that the Rural Payments Agency had not been in direct conversations or direct meetings with the Department for Exiting the European Union. Has that position changed?

Mark Grimshaw: No, it has not.

Q107 **Ms Ritchie:** Why not?

Mark Grimshaw: Because we would go via Defra. We sit on all of the Defra EU exit boards, so our views are represented, and then Defra has people who liaise with the key Departments within Government; otherwise we would all be going to talk to them.

Q108 **Ms Ritchie:** Are you confident that the views of the Rural Payments Agency, which is critical to the wider farming community, are being properly and adequately reflected through that route?

Mark Grimshaw: Certainly from the conversations that I have, all the indications are that, yes, that is the case but, as I do not sit in the meetings myself, I cannot confirm that.

Q109 **Ms Ritchie:** Who represents the Rural Payments Agency at those discussions with EFRA?

Mark Grimshaw: It could be Paul, it could be my external relations director, who looks after policy, it could be the design director, or it could be the CAP programme director. It depends on which piece of the future proposition is being discussed, but we always have a seat at the table.

Q110 **Ms Ritchie:** Maybe I will ask Paul: are you confident that those discussions are adequately and properly covered to take on board the critical nature of the Rural Payments Agency and the job and function it has to deliver to the wider farming community?

Paul Caldwell: I am confident that the Department has the interests of the wider farming community at heart in whichever way, shape or form that takes. We are involved in those discussions quite heavily.

Ms Ritchie: What a political answer.

Chair: I think, Margaret, the answer is that, when we get Defra in here again, when we are doing the inquiries into Brexit, we will drill down on this one. I do not think we can hold you gentlemen entirely responsible for that, but we will be checking up on it when Defra comes in.

Q111 **Chris Davies:** Clearly, these gentlemen are totally up to speed on great political answers, and we thank them for that, but you do have great



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experience in this particular sector. After 2020, when these payments may no longer be your responsibility—and the likelihood is that they may not—and given your great experience, where would you see the best system to replace the common agricultural policy? What do you say it as being and which direction do you think we should go in? This is Mark Grimshaw as Mark Grimshaw, former head of the RPA. It may not be around any longer.

Chair: Now you are encouraging him into very dangerous places, but go on.

Mark Grimshaw: It depends. It very much depends on what Defra and Parliament are seeking to get out of a not unreasonable amount of money that is invested in both Pillar I and Pillar II schemes. It strikes me at the moment that we have a very good system that has yet to prove its full capabilities, certainly to this Committee, but one that is land-based when we get to one-year currency would, on the face of it, seem to be a good starting point. That said, the political environment at the time might be completely different. I know that Mr Fitzpatrick will be aware of the old headage payments; hopefully, we will not go back to those days but that is perhaps another part of the spectrum that would be considered.

Q112 **Chris Davies:** Could you see a production payment—a finished payment—rather than a headage payment?

Mark Grimshaw: Yes. That is very much a conversation that you need to have with the policy people and Ministers, because, clearly, it is the Ministers who will ultimately decide the direction that we are going to take.

Q113 **Chris Davies:** Paul, if you were head of a different Department that took over from the RPA, which direction would you like to see it go in, free of the shackles of Mark Grimshaw?

Paul Caldwell: At the risk of appearing shackled to Mr Grimshaw, it does depend very much on the outcome that is being sought. A finished payment—a production payment—encourages a particular use of the land and a particular type of agriculture. Land-environmental schemes encourage a different use of the land, and that is really one for a different sort of debate than a Civil Service opinion.

Q114 **Chris Davies:** Would you answer me, either of you, if I said that some would say that we have gone a little too far down the environmental route rather than the food production route? Would that be a fair comment and would I get an answer or would I get two smiles and pass on?

Mark Grimshaw: I think you would get two enigmatic smiles.

Chair: I think, in fairness, it is not a question you can answer; I think that is a political question. If you want to answer it, I do not mind you answering it, but I do not necessarily expect you to do so. You are teasing it out, are you not, Chris? Jim, do you want to make a point?



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Q115 Jim Fitzpatrick: Clearly, the questions are somewhat unfair because we are asking you to crystal-ball-gaze when we do not have the answers either, but have you been asked to do some form of thinking? Obviously you would be and, given the seniority of your position, you are always looking to see which way the agency is going to go, but has there been any suggestion from Defra that you and the other sectors within the Department do some form of thinking, so that, when it does come and you are asked for a professional opinion, you will have had time to sit down with your colleagues back in Reading and think, "This is the best because it has evolved over the past 10 years and it works for the UK, whether it is EU-based or UK-based"? Have you been asked to think about that? Are you just doing it informally among yourselves or are you waiting for an encouragement to start thinking along those lines?

Mark Grimshaw: We have not had a formal request and I would not expect one at this early stage in the developments. Quite rightly, the Department, the Committee, our customers and our own people want us to focus on successful delivery of BPS 2016. Clearly, Paul and I, with our experience, would be more than happy to engage in a discussion at some future time but, right now, end of December and end of March are our focus points.

Q116 Chair: I think the CAP is an interesting one, because we had this vote on the fact that Brussels is dictating to us, Brussels is telling us what to do and Brussels has brought in all these rules. What I want to drill down on is that, once Brussels is no longer doing it, whatever payment is made will be paid by the British Government and we will be entirely answerable. Surely there are complexities, and we have been trying to simplify agricultural policy for years, so you must have some ideas where you think it could be simplified and made, first, easier to administer and, secondly, perhaps easier for farmers to make the claim. Have you thought about that?

Mark Grimshaw: No. As I just said to Mr Fitzpatrick, our thoughts are very much on BPS 2016, end of December and end of March.

Chair: Your thoughts are to get through the next year alive.

Q117 Ms Ritchie: Irrespective of political impressions or political aspects or interpretations or even affiliations in relation to this particular issue on our part, we have heard from the agency that the complexity of the basic payment scheme was the cause of many payment delays in 2015. Casting your mind forward, would the complexity of a post-Brexit payment scheme result in similar delays or would we experience more halcyon times for farmers?

Mark Grimshaw: All options are still to be debated.

Q118 Ms Ritchie: I am sure you have given some thought to this in discussions with EFRA—the Department.

Mark Grimshaw: It very depends on where Ministers would like to take this, but this is not something that we spend time on currently. It may



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well be something that we give a little bit of thought to in the early part of the 2017-18 scheme year.

Chair: Gentlemen, thank you very much. Thank you for giving evidence this afternoon. We have been quite firm with you and you have given us some good answers. They have also been recorded for posterity and we shall be making sure that the accuracy of your judgments and your pronouncements do actually happen. I hope that they do because, as far as farmers are concerned, they will get their payments a lot more quickly. I appreciate your time this afternoon and we look forward to seeing you again in the near future. Thank you very much.

Mark Grimshaw: Thank you.