House of Commons

Public Accounts Committee

Oral evidence: Environmental Land Management Scheme, HC 639

Thursday 21 October 2021

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Richard Holden; James Wild.

Gareth Davies, Comptroller and Auditor General, and Adrian Jenner, Director of Parliamentary Relations, were in attendance.

Questions 31 - 134

Witnesses

Tamara Finkelstein, Permanent Secretary, Department for Environment, Food and Rural Affairs; David Kennedy, Director-General Food, Farming and Biodiversity, Defra; Paul Caldwell, Chief Executive, Rural Payments Agency.

HOUSE OF COMMONS

Report by the Comptroller and Auditor General

The Environmental Land Management Scheme (HC 664)

Examination of Witnesses

Witnesses: Tamara Finkelstein, David Kennedy and Paul Caldwell.

Chair: Welcome back to the Public Accounts Committee on Thursday 21 October 2021. We are really pleased to have now as witnesses, on the subject of the environmental land management scheme, representatives from the Department for Environment, Food and Rural Affairs.

We are delighted to welcome in the room, in person, Tamara Finkelstein, the Permanent Secretary; David Kennedy, the director-general for food, farming and biodiversity; and Paul Caldwell, the chief executive of the Rural Payments Agency, which is an arm's length body of the Department but is very critical in this area. It is an agency that we have examined many times over the years. We are really pleased to have you as witnesses. I know you listened in to the previous session, so we do not need to do another preamble. I just need to ask Sir Geoffrey Clifton-Brown to declare an interest, and then he has a question.

Q31 **Sir Geoffrey Clifton-Brown:** I should declare an interest from my entry in the register of Members' interests: I am a farmer who benefits financially from that. I would also like to declare that I am a member of the NFU, in case questions about the NFU should come up.

Good morning, Ms Finkelstein and colleagues. Thank you very much for coming this morning. As you will be well aware, the pig industry has faced a perfect storm of restrictions in the Chinese market, Covid affecting processing facilities, and problems with CO_2 in storage and transport to get their goods around the country. I and others were pressing you to try to provide help for the pig industry. It seems to me you have responded quite comprehensively. Do you want to put on the record what that comprehensive help is, please?

Tamara Finkelstein: Yes and thank you for that. It is exactly right to say that there has been this perfect storm. We have been having conversations—we talk very regularly with the industry—to ensure we know exactly what the issues are.

We have now pulled together with them very much a package of solutions to help, one of which is our support for private storage aid, which will enable them to get back the flow of pigs through the system. We are also offering ongoing support on getting more exports and a month's relief from the AHDB levy. We are looking at the welfare slaughter payment too.

We have been talking with them about getting more apprentices and more automation in as longer-term solutions. There is also the high-skilled route for butchers that they are looking at and we have been able to put in place a short-term visas route for up to 800 visas as part of the seasonal worker scheme. Between those things, we hope that will provide support for getting back the flow of pigs through the system.

Q32 **Sir Geoffrey Clifton-Brown:** Thank you very much for that answer. One of the elements of the perfect storm was CO_2, which affected not only the pig and pork industry, but other bits of the food chain as well. Where are we in relation to supplies of CO_2?

Tamara Finkelstein: The Government stepped in when it was clear that CF Industries, which was supplying most of the CO_2 to the range of industries, was going to withdraw. There was a three-week support to keep it going while we facilitated discussions to enable the creation of a proper market for CO_2. That is now in place. There are also other sources, but, again, that was a little bit of a perfect storm. The other major plant that provides it in the UK was down for maintenance and some of the overseas sources were also not available.

Q33 **Sir Geoffrey Clifton-Brown:** Just to press that answer, can we take it that the CO_2 market has now stabilised?

Tamara Finkelstein: That is where we are. There is now a market. As I say, part of that resilience is additional sources in the UK and overseas. We are monitoring that very carefully to see how the resilience is.

David Kennedy: Very quickly, one of the main reasons we stepped in on CO_2 was pigs and poultry, given the potential animal welfare impacts. It is fair to say that the market has stabilised. That is due to us working with the industry, which has agreed to pay higher prices while the gas price remains high. More generally, we work very closely with the pig industry, as we do with the whole food system. For example, we are having continuous engagement on getting people in through the short-term visa scheme and the storage aid that Tamara has talked about.

Sir Geoffrey Clifton-Brown: I am sure the industry will be very grateful for the emergency help that you gave it. Thank you to both of you for those answers.

Q34 **James Wild:** I have pig farmers in my constituency. Can I press you a bit on the detail of the various elements? You announced that a private storage aid scheme would be launched. When will the detail of that scheme be published?

David Kennedy: There are two things that we need to announce. One is the welfare slaughter payment and how much we pay per pig for additional slaughter, which will then have minimal butchering. The second is what the storage aid payment will be. Informally, we have talked with the big processors and we have given them an indication of what those prices will be. We will publish them in the next few days. We want to have this up and running by the beginning of November so it can start to clear the backlog on farms.

Q35 **James Wild:** Of the 800 pork butchers eligible under the seasonal workers pilot scheme, how many have been identified so far?

David Kennedy: We are feeling very positive that all 800 will be used. Again, we have continuous engagement with the big processors that will bring these butchers in: Karro, Morrisons, Pilgrim's and Cranswick. They will bring in about 200 each, and they are making good progress on that.

Q36 **James Wild:** When do you expect the first ones to arrive?

David Kennedy: We expect the first poultry workers to arrive at the beginning of November and the first HGV drivers to arrive at the beginning of November. This is running about two weeks before that, so it will be about mid-November, and then we have six months. Let us be clear: we have a six-month problem with the pig industry, given what is in the system. We will come through it.

Q37 **Mr Holden:** One of the concerns raised in the press recently, which you have mentioned yourselves, is not just around pigs, which is a big concern across the country, but around poultry and the impact that might have on food for Christmas. I am just wondering if that is something you are on top of. Do you expect there to be any concerns in that regard?

David Kennedy: On the poultry side, we acted because it is seasonal work. EU people come and do the turkey processing each year. Not all of them have settled status; that is why we got the 5,500 visas. The uptake of that is pretty good at the moment. We are confident. If you listened last week to the chief executive of Bernard Matthews, he was saying that there is enough capacity now in terms of turkeys for Christmas.

More generally, there is an HGV system that is affecting the whole of the food system. We monitor that closely. The current supply situation is reasonably stable. It is not at the ideal level, but it is not in a bad place at all. We continue to monitor that closely.

Q38 **Chair:** I wanted to ask about the butchers and the visas. The visas side of it is down to the Home Office, but it is really critical. According to press reports, it takes 12 months to train a butcher. As the Department responsible for the security of food supply and so on, what is the Department doing to see what domestic training can be put in place to make sure that we have a supply of butchers if we cannot continue to recruit from overseas? Clearly, there has been a problem. The visa scheme may solve it in the short term, but it is not likely to be the long-term solution.

Tamara Finkelstein: As I say, we work really closely with the industry, and have for some time, to talk about how it trains up more domestic workforce, including the apprenticeships and so on that it is putting in place. There is also automation and technical things in terms of managing the issues with the workforce. We have been clear that, to the extent that visas can support them, it is a short-term solution. That is true across our sectors. We are working very closely with them on both skills and training but also terms and conditions to attract a domestic workforce.

Q39 **Chair:** You are working closely with them. Does that mean there are openings now for people to train to be butchers so that in 12 months' time we will have the necessary people working in the abattoirs?

David Kennedy: Yes.

Tamara Finkelstein: Yes.

Q40 **Chair:** You are confident sounding. Mr Kennedy, can you give us a few facts behind why you are so confident?

David Kennedy: Yes, absolutely. It is fair to say that two things have happened with the pig industry that were not foreseeable. The first is Covid and the impact on the Chinese market, where you do not really need much butchery. What happens for the Chinese market is you chop the pig into six, put it in boxes and send it to China. That has dropped off as a result of Covid. Plants have been delisted and we cannot get them relisted at the moment. We are trying to do that. Secondly, some of the EU butchers, on which we were reliant, have returned home during Covid. There is a need for domestic butchery.

We are confident, because there are a number of apprentices already coming through the system. They have been hired by the companies, and by next summer they will hit the ground running and be able to pick up the gaps in this industry. We have continuous dialogue about the importance of bringing more apprentices in. The feedback is that, yes, the industry wants to bring apprentices in and is fully committed to doing that.

Chair: That sounds remarkably positive. We will soon hear from people out there if they do not agree with that take on it. Thank you very much indeed.

Now we want to move on to what we have been dubbing ELMS, but of course it is the environmental land management scheme, which is the replacement for the common agricultural policy, and how it is being rolled out. I am going to ask Sir Geoffrey Clifton-Brown to lead off.

Q41 **Sir Geoffrey Clifton-Brown:** ELMS is a real opportunity to reset the post-war and post-CAP settlement for agriculture. Defra has had plenty of warning that CAP was ending, yet, with ELMS coming into operation in 2024, many stakeholders are saying that the detail is becoming very lastminute.com. How would you respond to that, Ms Finkelstein?

Tamara Finkelstein: I would start by saying that it is a very exciting programme. We have been working and preparing for it, and engaging with our stakeholders. We have put out quite a lot of information. In fact, we have put out quite a lot of information, as noted in the report, since the last time the NAO reported.

We have set out the high-level timeline for the seven years and the different elements of the programme. We have set out the overarching outcomes that we are trying to achieve. We have now set out the details of the pilot for SFI—the first part—and the standards that we will be using for SFI 2022. We will continue to provide information. There will be more information before Christmas about the landscape recovery and local nature recovery elements of the programme, and then before spring on the standards for SFI 2023 and SFI 2024.

We are filling in some of the detail that stakeholders are looking for, but I am very, very conscious of the wish to see more detailed information. It is that balance between wanting to get on with the programme, which is delivering really important environmental outcomes which you seek to see progress on when I come to you, and trying to ensure we are piloting and learning from that as we go. There are a lot of tensions that we are trying to balance.

Q42 **Sir Geoffrey Clifton-Brown:** I understand that, and it is good news that more people want to take part in the pilots we are getting today. I know other colleagues will come in on that. Is the pilot going to give you enough time to get a comprehensive scheme in place ready for the full roll-out of SFI 2022?

Tamara Finkelstein: The whole programme is aligned so we will be continually learning from what we are doing. Yes, we are already learning a lot from the pilot. There were questions raised by the former witnesses whom you were talking to about how the guidance works and how the application front end works. We have already been learning from the pilot and improving that for SFI 2022.

We thought we needed around 1,000 people in the pilot, and that is what we have. We are really happy with the spread of that as well. As you say, we might be picking up more on that later. We are confident that we will be able to learn from that. We will also learn from SFI 2022, as we go. That will be a continuing learning process. That is the way in which we are designing the programme.

Q43 **Sir Geoffrey Clifton-Brown:** I know my colleague Mr Holden wants to pick up on the pilots and SFI 2022. I would like to take you, if I may, to page 13, paragraph 27, in the NAO report, which says you should "urgently agree a clear, realistic and logical set of strategic objectives for ELMS". Do you agree with that? When are we likely to see that sort of picture?

Tamara Finkelstein: I absolutely agree on the importance of clear objectives and SMART objectives. In the first instance, there are things on this that we have already set out. There is work that we are doing, and there is more that we are going to publish.

As I was saying, the overarching outcomes of what we are trying to deliver through ELMS are the six outcomes that appear in the report, which were set in the 25-year environment plan. They are shaping the programme.

When we set out the detail of SFI 2022 and the soil standard, we also put in the SMART objective around the impact that will have on outcomes and what we are expecting that to deliver in terms of carbon reductions.

What we are doing—we were starting it when the NAO was doing its study, and we have done a lot more on it since—is around the strategic objectives as a whole. We have developed a set of measurable outcomes that we can deliver across the six outcomes. We are working with Ministers on prioritising those. That will underpin what we publish before Christmas, as I said, on the two elements of landscape recovery and local nature recovery and what goes into SFI 2023 and 2024.

Between those and the SMART outcomes that we will be setting out for those elements, we will have set out the SMART objectives across the money that we will be spending this Parliament. That will fill in the gaps that people are looking for.

Sir Geoffrey Clifton-Brown: That is very helpful.

David Kennedy: That is the key point. Within the next months, it is right that we should say, "Here are the objectives related to the spending that we will do over the next years". Within the next months, we will have published all the spending decisions, the objectives underpinning those spending decisions and the impacts of those spending decisions, which we will hold ourselves to account for.

There is a set of things about spending in the next Parliament. As we get into 2024, 2025 and beyond, are we going to invest in, for example, sustainable farming or tree planting? It will probably be a mix of both. Those are open questions. It is not urgent, in the next weeks and months, that we answer those questions, but we are progressing that work and we will put that into the public domain at the appropriate time as well.

Q44 **Chair:** I love that you have said "weeks and months" and "at the appropriate time". That is a very civil servanty answer, if I may say. Can you give us a bit more of a precise time? It does not sound like a long time to your average person, 2024, but, if you are a farmer trying to plant or plan the forestry turnover of your land, you need to be thinking much sooner.

Sir Geoffrey Clifton-Brown: That is a really good point.

Chair: Can you give us a bit more precise detail?

David Kennedy: We can say that before Christmas we will publish our update of environmental land management. That will set out more details of SFI 2022, with the learning from the pilot. It will include details of local nature recovery and landscape recovery. In the next months, maybe early next year, we will set out the details of SFI 2023 and 2024.

On these questions relating to spending in the next Parliament, we have not agreed a date with Ministers as to when we will publish that. We are progressing the work. We are looking at what the opportunities are. That is the SMART objectives work that Tamara has referred to. There are some choices to make. That is something where we need to fix a date. We are working with Ministers on it. That is probably as much as we can say today.

Q45 **Sir Geoffrey Clifton-Brown:** You have gone into the territory where my next question was coming from. Professor Fraser articulated that in SFI 2022 you have concentrated on soil improvement and all the related issues there. Your answer just hinted that, after we get past that, you will then start adding further things into the scheme. You talked about SFI 2023 and 2024. Is that the case? You indicated that there are decisions to be made. Could you just give us a little peep into what those decisions might be?

David Kennedy: As you say, SFI 2022 is based largely on soil standards. SFI 2023 will build on that and offer a wider range of standards to farmers. You can get a clue of what those standards might be, because we have a set of standards that we are using for the SFI pilot. We are going to choose from them and possibly add to them as well. We are not ready today to say, "Here are the standards for SFI 2023 and 2024". That is work that we are doing to finalise and decide with Ministers, but there is a range of things that we are—

Q46 **Sir Geoffrey Clifton-Brown:** Could you give us an idea of the timetable for that? I am sure there are lots of farmers out there who want to know when that is likely to be announced.

David Kennedy: It is particularly important. If you take a tenant farmer who is on a three-year tenancy, they will want to know not just what is in SFI 2022; they will want to know what is in SFI 2023 and 2024. That is why we want to urgently get this out. It will be early next year when we are able to say, "Here are the standards that we are offering as part of SFI 2023 and 2024". That is work that we are urgently progressing, on which we are engaging very closely with Ministers. We will be able to say something very shortly on it.

Q47 **Sir Geoffrey Clifton-Brown:** The Chair made an extremely good point. Almost all farming systems are at least two years from inception to getting the produce to market. As you say, farmers do need that lead-in time. I take very much what you are saying. You are trying to get it done as early in the new year as you can.

David Kennedy: Yes, exactly.

Q48 **Sir Geoffrey Clifton-Brown:** I have a completely different question, Ms Finkelstein. When I was thinking very late last night about what I was going to ask you, this suddenly struck me. What steps are you taking to consult the public? After all, a big amount of taxpayers' money is going into this scheme. They surely ought to have a say in how it is designed. What steps are you taking to take into account what the public think or want?

Tamara Finkelstein: The original *Health and Harmony* consultation was a wide consultation, which was open to everyone. We have massively stepped up our engagement. Much of that engagement is more directly with farmers and landowners. We are doing it in a very open way. We have open blogs and open visiting at agricultural shows. There is a wide range of ways in which we are engaging quite publicly and learning quite a lot in that way. Those are probably the main ways in which we are engaging.

Q49 **Sir Geoffrey Clifton-Brown:** Can I take you to paragraph 14 on page 8? It talks about skills gaps in your team. You did have significant skills gaps and you have filled those. Well done. You still have 22 unfilled, probably to get to a team of around 200 people, I suspect. That is an opportunity, is it not, to fill the gaps you have at the moment? Could you tell us what sort of people you are currently recruiting and how that is going?

Tamara Finkelstein: We did at one point have quite a lot of gaps, as you say. We also had to move some people on to other work. We have very much rebuilt the team. Since last September, we have put in place a programme director, who has considerable programme-delivery experience and digital experience. We have reset the team and the skillsets in the team, bringing in quite a lot of programme delivery experts, user experience experts and digital experts—a whole range.

Our arm's-length bodies, the RPA, NE and EA, are very much embedded with us. We have considerable expertise on farming and the farming industry. We have very much multidisciplinary teams. It is more than you imagine: we have 450 permanent people and 37 contingent labour at the moment. We are now down to a handful of vacancies. We are in a good place in terms of our skills going forward.

Q50 **Sir Geoffrey Clifton-Brown:** When do you expect to complete that handful?

Tamara Finkelstein: I would expect it to be by the end of this year.

David Kennedy: It is ongoing. We have brought in, as Tamara said, service-delivery people, those people who are expert in bringing together digital, IT systems, processes and people to deliver something. We want to bring in about 20 more, and we are actively doing that.

Q51 **Sir Geoffrey Clifton-Brown:** What this Committee can really be assured about is that there is no hindrance to the programme delivery because of skill shortages within your Ministry.

Tamara Finkelstein: No.

David Kennedy: Given the progress we have made, I do not think so.

Q52 **Sir Geoffrey Clifton-Brown:** That is fine—fair enough. I would like to come to you, Mr Caldwell. Ms Finkelstein gave you the pass there, involving all the arm's-length bodies. How has the RPA been involved? Paragraph 15 says, "Defra did not always understand or take into account the operational impact of its own policy decisions on its partners". Is that still the position or has it improved?

Paul Caldwell: The position has improved considerably. There are a number of substantial changes since the report was in draft. I would firstly like to thank the NAO for the way in which it conducted the report. We were very much involved. It was a participatory process that enabled us to learn as we went along.

For example, the position set out in the report around the accounting officer has been confirmed. We now have a lot greater involvement. We are now embedded into the process by dint of something called virtual teams, which includes representatives from all the arm's-length bodies. We are represented significantly there. We have made great progress with that team, answering the detailed policy questions through to delivery.

Essentially, the classic considerations of time, cost and quality are foremost on our minds. You mentioned that this is taxpayer's money. There is a balance to be struck as to how simple you can make a scheme in order for it to be accessible and improve take-up, and how you insure against fraud and error and ensure value for money for the taxpayer. Those conversations are very much embedded into the thinking of the programme now, I am pleased to say, working with the appointed programme director that Tamara has referred to. We continue to iterate that process.

Q53 **Sir Geoffrey Clifton-Brown:** You articulated two elements to that—the policy and the delivery. Just sticking with the policy for a moment, are you having full input into the design of the policy? Particularly, you will have heard me mention, right at the end there, the need to deliver a programme that is user friendly. In the past, with great respect, Ms Finkelstein, Defra has produced some pretty complicated schemes. Is that something, in terms of policy delivery, you are working on?

Paul Caldwell: Only yesterday, I was involved in a three-hour meeting with a lot of departmental officials where we went through, line by line, some of the policy implications of the details that Mr Kennedy has referred to announcing. The short answer is yes.

We have a lot of experience from the feedback that we have had from our customers over what works and does not work. That is being enhanced in some of the digital design teams to make that as accessible as possible. On a range of fronts, we are accelerating at pace.

David Kennedy: I think you are referring to countryside stewardship there. It is fair to say that originally it was designed by policy people without as much thought as we should have had for delivery.

Chair: That is quite a long list.

David Kennedy: Yes, it is, but this one is fiendishly difficult. We have learned the lessons. My message to Paul, as SRO of this programme while also being responsible for the RPA, is that, in designing the policy, he should make sure that deliverability is front and centre and that he learns all the lessons from those experiences.

Q54 **Sir Geoffrey Clifton-Brown:** I am sure that will be a great relief to a number of people listening to this. I have the scars on my back about the RPA's delivery of past schemes. There was a problem at the beginning that you did not know what resources you were going to have to devote to this. Do you now have a comprehensive idea of what resources you need to deliver what Defra is going to design in this scheme?

Paul Caldwell: We have a good idea. "Comprehensive" is a slightly provocative term, because the detail has not yet been announced. This refers to your previous question about how policy is handed on to delivery and my teams are expected to make it work. This programme is functioning in a very different way. We are designing the outcome from the policy through delivery stages and translating that into whether it will have the desired effect. That has resulted in some of the frustrations you have been hearing this morning about the way in which that evolution takes place. From a delivery perspective, it is a sensible way to go forward. We are fully part and parcel of that.

In order to deliver the schemes next year, we have to make some assumptions. I am sure you are going to come on to the various cost assumptions that have been published in the report. Enhancing the top-down assumptions, we have done our own bottom-up assumptions. We know we need to be ready for a scheme as soon as possible next year and we know we need to make payments by the end of the year. We have a fair idea of what assumptions we have made on take-up, and we have planned our resources around that.

Q55 **Sir Geoffrey Clifton-Brown:** One of the problems with previous schemes was that the software that you needed to deliver them had not been given to you by Defra. How are you going to make sure that you have the necessary IT and that it is sufficiently up to date to deliver what is going to be a changing programme?

Paul Caldwell: It is important to recognise that the pilot is already being conducted. It is live; it is out there. The system that they are using for that is also the system that we use for the basic payment scheme and for countryside stewardship, which have enjoyed their best ever performance with significant improvements. We know that they work. That is the basis on which we have launched the pilot.

We are looking, with Defra colleagues, at whether we can make that system more accessible in a digital way for self-service, for example. That work is ongoing, but that will not be to the detriment of the payment timelines we have set out. We are confident in the software, because we are using it. Any changes that we introduce will go through a testing process and a sign-off process before we would do it.

Again, there is a significant difference between this and previous schemes. Previous schemes operated to the tried and tested formula for not succeeding, which was to announce a date. Everybody works to a date. You work in a linear fashion, and then you end up cutting back on the viability of the product in order to meet the date that has been set publicly. That is not what we are doing. We are evolving, as I say, the policies, the processes and the IT to go with it, building on what we have, rather than starting from scratch or throwing everything out and starting again.

Q56 **Sir Geoffrey Clifton-Brown:** We can be pretty confident from what you have just said that, even if Defra delivers the scheme to the timescales it has set, the end user will not be left waiting months or even years, as has been the case in the past, to be paid for it. With a cash-strapped business, that can be a real problem. We have seen that in the past: people having to go to their banks and extending loans, and so on.

Paul Caldwell: We would want to, quite naturally, see anything that we release by way of change thoroughly tested before we did it. We would want to be confident at that point.

David Kennedy: We would not implement IT changes if they were to put at risk the payment schedule. We have been very clear and have committed that the first payments under SFI 2022 will happen before Christmas.

Q57 **Sir Geoffrey Clifton-Brown:** Paragraph 1.16 rated the ELM project as amber. As we heard from the pre-panel, there is still a lot of worry that SFI 2022 is not going to be able to be delivered on time. If it is not, is there any contingency to delay it, as some people have asked? Indeed, we had a discussion on the pre-panel on this issue.

Chair: The vote was fairly evenly balanced, as you saw.

Tamara Finkelstein: It was indeed. As was the NAO review, the IPA reviews have been really helpful in moving us along to make us most likely to be successful. Mr Caldwell described the way in which we are developing the programme through to delivery and ensuring that we test things as we go. We would not do something that we had not tested.

Our main contingency to ensure we are delivering things that work is through that testing process. If you are asking whether there is a level of risk that means we need to delay, I do not think that is the case. We are set up to do the right things to test and use the pilot. We are on track to do SFI 2022 and to give more information about SFI 2023 and 2024 and the other elements. Clearly, as accounting officer, I always have to take that judgment as to whether there are issues about deliverability and give advice on that basis. It feels like there are risks for us to manage, but it is on track.

Q58 **Sir Geoffrey Clifton-Brown:** This might be a false assumption, but, taking into account that answer and Mr Kennedy's previous answers about SFI 2023 and 2024, is the reason you are perhaps delaying slightly on announcing the details of 2023 and 2024 that you do not know how complex scheme 2022 is going to be able to be?

Tamara Finkelstein: I would say that we did not delay when we were getting more information about 2023 and 2024. That is part of the plan. We are learning. We are partly learning as we go and as we roll out. It is the way in which we are rolling out the programme. There has not been a delay of that kind. We will be feeding into that some of the further work we have done on SMART objectives, which will underpin some of the choices for 2023 and 2024. Those are not off track.

Q59 **Sir Geoffrey Clifton-Brown:** Finally, I have a question that you can see I have a concern about, having had considerable experience in the industry, which is the issue of whether farms are inevitably going to get larger under this scheme. How are you going to manage this scheme for the smaller farmer, particularly the small tenant farmer? I have a number of those in my constituency, and I am very concerned as to how you will develop a scheme that will enable them to stay in business, frankly.

Tamara Finkelstein: I will say a couple of things, and then I might bring in Mr Kennedy. The first is that we are very actively engaging right across all the different types of farms—tenant farms, large farms, small farms—to ensure that that informs the design of the programme we put in place. We want to have schemes, particularly in SFI, that are widely available to all of them. That is feeding into our—

Q60 **Sir Geoffrey Clifton-Brown:** Being available is slightly different from giving them sufficient support, frankly, to remain in business.

Tamara Finkelstein: The size of the farm does not of itself inform the efficiency of the farm. All farms will have the opportunity to deliver environmental goods. Size in itself will not determine that. The elements of ELM and the wider programme of future farming provide the opportunity to be involved in environmental schemes and the opportunity to invest to improve productivity.

There are other elements that farms are always looking at around diversification and reducing waste. Our animal health and welfare work is designed around that. There are different elements that all farms will be able to pull on. The very active engagement is to ensure that we are understanding that full range of both size and type to get that right.

David Kennedy: Can I just add to that? Our objective is that every farm now can be viable in the future through the farming transition. The evidence and analysis says that is possible.

The first thing to say—you referred to the farm business income data before—is that, other things equal, if all you did was take away direct payments, you would worry about livestock farms in particular and, to a lesser extent, cereal farms. Small farms are more reliant, as you say, on direct payments, as are tenant farmers, on average.

We are not just taking direct payments away. We have to think beyond ELM. We have two pillars to our programme: productivity improvement and environmental land management. The productivity improvement is about resilience and, for example, the grants we are offering. There is a great opportunity for farms to increase productivity. The more productive farms—there are small productive farms, as you know—are twice as productive, so they get twice as much output per input, as the least productive farms. We want to do something about that. We want to help the least productive farms to prosper.

Environmental land management, as Tamara says, is designed to be applicable to all farmers, particularly SFI, the sustainable farming incentive. We know from the uptake of the pilot that it is attractive to small farmers and tenant farmers. We have good representation there. That combination of productivity and the way we have designed the schemes, particularly SFI, gives every farm an opportunity, including small farms and tenant farms, to prosper in the future.

Q61 **Sir Geoffrey Clifton-Brown:** That is a very optimistic answer. I thank you for that; I am sure people will be reassured by that. If I can take you to figure 5, as I did the previous panel, most people would be very surprised that the average farm profit without direct payments is only £22,800. At the bottom end of the income scale, there is obviously a degree of fragility.

Is it going to be that a lot of those at the bottom end just move into full environmental schemes and probably give up farming, as the professor tended to indicate? Is that what you are thinking? If that is what you are thinking and you are taking all this land out for environmental schemes, forestry and so on, does that mean inevitably, as it came from the pre-panel, that we are going to be importing more and more food?

David Kennedy: Frankly, no, I do not think so. If you are a small tenant farmer, the first thing you might do is join our resilience programme so you can understand what the best farming practice is, how you can improve your business planning and how you can boost your productivity. You might apply for grants for kit, and you would boost your productivity that way.

You would join SFI 2022, you would take on board one of the soil standards and you would carry on producing food but you would do it in a more sustainable way. In SFI 2023, you would take on an additional standard; in SFI 2024 you would take on a further standard. None of that means that you have to become a forest manager instead of a farmer, for example. There will be opportunities for farms to adjust. Particularly over the next two or three years, that is what we are absolutely focusing on.

In terms of food production, are we going to produce less food? The whole point is that we are trying to boost productivity so we can produce more food with the same amount of land. That would allow you, potentially, to free up some land and convert it to forestry while producing the same food and not importing any more. That is the joined-up approach that we have.

We cannot just think about environmental land management without thinking about productivity as well.

Q62 **Sir Geoffrey Clifton-Brown:** What I am hearing from you, Mr Kennedy, is a huge amount of positivity, which is fantastic. Can I implore you? I have regular meetings with my farmers, and there is a lot of worry out there. How can you improve your comms so that the sort of message you are giving us this morning can get out? They could be greatly reassured about their future if they heard the sorts of things that you and Ms Finkelstein have been saying this morning.

David Kennedy: It is a fair point, first of all. It is down to the detail, is it not? You have me being optimistic, because I know what we are planning to do. Unless we share that, it is just blind optimism as far as the farmers are concerned. We have our networks, by the way. We are engaging. We have 1,000 farmers we co-create with. We have social media channels.

Q63 **Sir Geoffrey Clifton-Brown:** We have 200,000 farmers in this country.

David Kennedy: We have 1,000 we co-create with, but we have a very wide engagement through membership organisations and different channels. Until we get the detail, until we say, "Here is SFI 2022; here is the final design and you can apply for it", until we launch the farming grant scheme and until we say, "Here is SFI 2023 and 2024", it will be a fair point to ask, "How am I going to make up for the reduced direct payment?"

That is why it is so important for us to put the detail and substance out there, and that is what we will do. At that point we can then start to build a sense of shared purpose with farmers, who will be able to see, "This is what I can do with my farm. This is how I can work with the transition".

Tamara Finkelstein: I do not want to understate the size of this transformation. This is a huge change. That is the reason why we are doing it over seven years. It is a massive change for people, and it is asking a great deal of people. We are trying to do the most engagement that we can. When we can do that direct engagement, people do see some of that picture. As you say, there are a lot of people. A lot of people are quite hard to reach. We are using intermediaries: vets, agronomists and so on. We are asking a lot of people in making this change.

Although confidence will increase as we put out more detail, the real truth of this will be when they see schemes working and payments happening on time. You have mentioned that we have a representation that is not positive, so we are putting everything in place for all of that to work, but it is a big change programme and there are risks. We are not being complacent.

Sir Geoffrey Clifton-Brown: No. Can I just reinforce—I am sure other colleagues would say the same—that in rural constituencies there is a great deal of worry out there? The more you can get out and the more quickly you can get it out there, I am sure the more reassured they will be.

Q64 **Chair:** We will be coming to Mr Holden in a moment for more detail on these issues. I just wanted to cover off a couple of quick points about the design of the scheme. Picking up on Sir Geoffrey's point about working with the different delivery partners, we have heard from Paul Caldwell from the Rural Payments Agency. You do not seem to have very formal processes about what is expected of them.

The NAO was critical of the lack of understanding both ways. These are critical delivery partners. In fact, they can take a lot of the heat off you in terms of expertise. Have you approached that in the wrong way? What are you doing to improve that understanding of exactly what their role is in this?

Tamara Finkelstein: I would say two things. The first is that we have made a lot of progress since the NAO—

Chair: It is amazing how many Departments make progress since—

Tamara Finkelstein: We were already on the journey.

Chair: Bingo: the word "journey".

Tamara Finkelstein: You have some evidence in terms of what Mr Caldwell has said about the way in which we have been embedding and building virtual teams. We have been taking a very different approach in terms of bringing both the RPA, the Environment Agency and Natural England very much as part of the programme. In fact, we were testing some of the conclusions of the report at the Defra board. The chairs of EA and NE were there, and they also said very directly that it has changed in terms of the level of engagement and how they are brought in.

The question was asked in the report as to whether there should be MoUs. We have had those conversations. Mr Caldwell is the accounting officer for the RPA. What we have built in rather is the role to be signing off elements of it, and it fits with that role. It may be that we should be looking at our chair's objectives for EA and NE to build it in a little more formally. However, there is no substitute for what we are doing now, which is the genuine embedding of the expertise in that way. We will look at the greater formality of it as well.

Q65 **Chair:** The point about formality, picking up again on what Sir Geoffrey says, is so that the farmers who are engaging with the different agencies have a clear understanding of the agencies and they know exactly what they are doing. The agencies are the frontline on this. We will park that for now, and I am sure we will come back to it in a moment.

You have plucked—I do not know exactly where from—this figure of 10% for administrative costs, which is higher than rural payments but lower than some of the other conservation schemes. Where did that figure come from? Maybe Mr Kennedy can answer. Are you confident that it is the right level? Can you just talk us through where that number is from?

David Kennedy: Rather than plucked, I would say it was an informed judgment.

Chair: Of course you would, yes.

David Kennedy: It was between the BPS cost, which is a simpler scheme than the sustainable farming incentive and ELM, and the countryside stewardship cost, which was about 18p at the time and has come down since. That needs to be tested, and the only way to test it is to do very detailed modelling and bottom-up assessment of what resources are required to deliver these schemes.

Paul started to talk about this. We have done that bottom-up assessment, particularly for SFI 2022. We have done that in the context of our spending review bid with the Treasury, and that process is just coming to a close. Everything that we have got from the bottom-up assessment is consistent with that 10p number. It is going to require further testing, particularly as we get into the delivery of landscape recovery and local nature recovery, which are more complex.

Q66 **Chair:** A bare 10% is different for different types of farms and different sizes of farms. If you are bringing someone in to help you do the admin, you have a very small amount that you are going to get back from it. There is potentially a baseline upfront cost to administer this, is there not?

David Kennedy: The 10p in the pound cost is the cost to us, Defra. This came up in the previous session as well. If you are doing the sustainable farming incentive, do you have to have an adviser, who will cost you money and help you put your application together? No, absolutely not. There was a sense that it may be mandatory; it is not mandatory. As with any scheme, even with direct payments at the moment, farmers will use land agents and agronomists for countryside stewardship. They will be free to do that for the sustainable farming incentive, but we have designed it in a way that any farmer should be able to—

Q67 **Chair:** If it is that simple, would that mean your admin costs go down, or go up indeed, in order to make farmers do it without going through third parties?

David Kennedy: We should probably bring Paul in, but the sustainable farming incentive is relatively low cost within ELM and relatively straightforward to deliver. Frankly, we have to do more thinking about local nature recovery and landscape recovery.

Q68 **Chair:** Is it still a bit of a moving target?

David Kennedy: Yes, that is fair to say.

Q69 **Chair:** Give us some reassurance. What steps will you take to try to drive down that 10%? I can see the Treasury coming back to you, if not at this spending review then at the next one, and going, “Well, we have given you a free run of 10%; you have to make a saving in your budget, Ms

Finkelstein”. They will say, “Permanent Secretary, come up with a cut. We are in a difficult financial situation”. It will be easy, will it not, to salami slice this figure so you reduce the costs of admin in your Department?

David Kennedy: There is a big opportunity to bring costs down. Paul has talked about how we are looking at how we can evolve the IT system in particular. The related question is what we can automate within that. We are going to be very risk averse. We are not going to do big amounts of automation ahead of SFI 2022 next year. As you get out into 2023, 2024 and beyond, there are big opportunities in that space. In the inspection space, as well, we could use remote inspections or draw on trusted advisers, for example LEAF or Red Tractor. Can we piggyback on those schemes rather than incur costs ourselves? There are big opportunities in different areas.

Q70 **Chair:** I am sure the Treasury is listening to that. Ms Finkelstein, that is a certain percentage of next year’s savings banked by them. Fraud and error is always a big concern where Government grants and money are coming in. Do you have anything you can tell us to reassure us that you are on top of that issue?

David Kennedy: I am reluctant to say that we have made good progress since the NAO report, but it has been an absolute area of focus. It was a fair point by the NAO. We have a lot of experience in this area through agri-environment schemes that we deliver at the moment. We have brought that experience to bear, with Paul’s expert team in particular, to design an end-to-end process that protects taxpayers’ money and make sure we get what we pay for.

Q71 **Chair:** Mr Caldwell, can you give us an example of something you have done that has tightened up the risks of fraud and error?

Paul Caldwell: We have reduced the complexity of countryside stewardship, which has enabled us to improve its delivery. That was acknowledged by the Select Committee. In doing so, we have also been able to rebuff a £402 million disallowance proposal from the European Union. Just for explanation, disallowance is generally associated with fraud and error. It is the penalty applied. We came out with an outcome of £19 million. We have been able to do that through—

Q72 **Chair:** We were higher than Germany, were we not, a much bigger country with much more farming?

Paul Caldwell: Yes, absolutely. We have made huge strides. We have been able to do that through an audit negotiation, which is an evidence-based process. It is not optimism bias. That shows we can do it, but it talks to the wider point about the balance I spoke about before in terms of value for money and simplicity. The two things are not necessarily mutually exclusive.

It is about being smarter. We have been able, for example, to improve our mapping to such a degree that we have reduced the amount of change load by a third; we have currency that is now more current and better quality than ever before. The quality of the data is what drives the ability to process admin claims very simply and not spend time on error correction. We are talking to Ordnance Survey and others in a geospatial capacity, and we are now planning to extend our earth observation capability to import data sources much more frequently, possibly daily, with very high resolution satellite imagery.

Q73 **Chair:** Just talk me through what the risk of fraud would be on a daily basis, if you are taking pictures of—

Paul Caldwell: The frequency by which we detect change via satellite imagery is imported to us, and our maps are updated as a result.

Chair: You just compare one time period with another and see if someone has taken down a hedgerow.

Paul Caldwell: We compare the image in one time period with the image in another to detect change. Change in land use is generally a trigger for some sort of investigation and comparison against a claim. Rather than physical visits on the ground, we have been able to replace that with satellite imagery to a substantial extent. The limitation of that satellite imagery is how current it is.

We had an extensive conversation in this Committee four years ago about the currency of that. We have gone from what was then an ambition for three-year currency to a conversation now about whether we can achieve that on a much more regular basis, even as frequently as daily updates. That allows us to keep a constant intelligence source, which keeps the data quality good, which means there is a reduced admin overhead without compromising the objectives in terms of fraud and error.

Q74 **Sir Geoffrey Clifton-Brown:** Mr Kennedy, can I just ask you a question? More use of this geotechnology is music to my ears. It means that we will not get so many inspections on farms, which are time consuming, but it is also presumably cheaper for you because you will not need so many inspectors to go round all the farms. Does this give you greater confidence that the 10% administration costs are more likely to be met?

David Kennedy: Through the range, yes. First of all, we are simplifying relative to current schemes, so that will drive costs down. We will also be using different technologies, as we have just described. The automation of things that are done manually will save us money. The use of technologies will mean that people do not have to go on farms. We do not have to send our own people on farms; we can rely on others who are going to farms already. That set of things will allow us to deliver at lower cost, absolutely.

Q75 **Sir Geoffrey Clifton-Brown:** On that subject, clearly you have to have an enforcement regime. What is the enforcement regime going to be?

David Kennedy: The enforcement regime will be a set of checks, but lighter-touch checks than in current schemes. You have to have eligibility checks when you are making payments to farmers; you have to have verification checks. Have you done what we are paying you to do? We are looking at a self-declaration there with some things built around it. There will have to be evidence that is used.

At the moment, we primarily rely on farmers doing inspections. There are two things you can do about that. You can do inspections, and Paul's team is doing inspections anyway in a different way post the EU era. They are not tick-box, pedantic and to the nth degree. There is a bit more flexibility and outcome focus. We can improve in that respect, but, as I say, we can bring in these other sources of verification. That set of automated checks, eligibility and verification with some evidence around that is going to allow us to deliver while protecting taxpayers' money, making sure we get the outcomes we want to achieve.

Q76 **Mr Holden:** I just wanted to pick up on something that the Chair and Sir Geoffrey have been pushing on and you have been answering, which is data. The more I have looked into this, the more concerned I am about baseline data. How are we going to see that things are improving? When does it start and what are you looking at?

One of the big issues that we saw with rural payments before was that we ended up looking at field sizes and all that sort of thing, and everything had to be measured. In this system, I cannot see what is going to be measured and what baseline you are going to be going from. Perhaps, Ms Finkelstein, you could give us a general overview of how that is going to happen.

Tamara Finkelstein: If it is okay, I am going to bring in Mr Kennedy.

David Kennedy: I may bring in Paul, actually. If we are talking about baseline data with respect to land, we have, as Paul has said, a very good understanding—

Q77 **Mr Holden:** I know that we have in terms of land area, which is something that has been worked out over a long time. Now we are switching from payments for land to payments for environmental benefit.

David Kennedy: If you think of the soil standard, SFI 2022, for example, and what the basis is there, we are paying pounds per hectare. If we were doing hedgerows, we would be paying pounds per metre of hedgerows. We have very good data on all of that.

There is a question. How do we know what has happened on the land? How do we know the various soils measures are being implemented? Is that the question?

Q78 **Mr Holden:** Yes. For example, if we were going to talk about peat restoration or changing land use and things like that, it is very difficult to see from space the depth of the peat or what is going on there. Where is the baseline?

I understand that you can have a physical baseline that you can see such as a hedgerow or something like that, but we are talking about much bigger issues here like peat and carbon capture and storage. These are huge things. We are talking about bird and insect life on farms. That is what we are looking for now; that is what we are expecting farmers to deliver. Where is the baseline in what is coming forward?

David Kennedy: Let us bring in Paul. To start the answer, though, in the sustainable farming incentive, for example, we are paying for outcomes. We are not paying for a delta. We do not need a baseline to say, "This is where we were; this is where we have got to". We need to say, "Has this set of things happened?", for example with low till in the case of soils. We have to be able to establish that.

When you are talking about more complex things like peatland restoration, as part of landscape recovery—that is probably where peatland restoration will happen—we will do detailed assessments of what the condition of the land is, then we will measure the change and be able to understand what the impact is there. Do you want to add to that, Paul?

Paul Caldwell: If I have interpreted your question correctly, there will be an evaluation and monitoring programme. There are two angles to this. One is how you establish the basis on which to make a payment and make sure that payment is justified, value for money and not erroneous, which is the job of a payments agency such as ours. But the programme has within it lots of capability. There are other arm's-length bodies that are not here today that advise the Department on the evaluation and monitoring criteria.

You heard in the previous session that the professor also works alongside the Department. There is a body of academic and arm's-length body advice from which the Department can undertake that monitoring and evaluation. That would not be my role, but the two things need to work hand in hand.

Q79 **Mr Holden:** I understand that. You are the ones who are paying out, but the policy elements and the broader drives and objectives come from the Department. I am trying not to labour this too much, but, for example, I imagine ELMS will be looking at things to increase water quality. It sounds like you are saying to me, "We will measure the outputs as to whether those measures have been put in place rather than measuring the actual improvement in water quality". Does that make sense? That concerns me. We are going down a processes line rather than an outputs line.

David Kennedy: If you are making a distinction between outputs, outcomes and impacts, there is a set of things that we know lead to a particular environmental benefit. Are we going to measure the environmental benefit as opposed to the things that drive the benefit?

Q80 **Mr Holden:** Yes. Seeing as this is the environmental land management scheme, are we actually going to measure the environmental impact in an area of what we are doing?

David Kennedy: Yes, that is the monitoring and evaluation of the programme that Paul refers to. There is a set of things we will pay for—"Have you done this?"—and then we will establish whether the environmental benefit has ensued from it.

Q81 **Mr Holden:** I understand that. For example, on the River Wear in my constituency, do you have a baseline at the moment for water quality in tributary streams? We can only really measure whether the environmental land management scheme is working down the line if we can see improved water quality. It is not about whether the peatland has been restored or what extra hedges have been put in. If we are looking at the environmental outcomes, we need to know that those things we are driving for are creating upticks down the line, rather than using a study that may have happened somewhere else that says, "These are things that might help, but we are not quite sure".

David Kennedy: The answer is that we have very good information about the environmental state of assets across the country. We have that through the Environment Agency data and Natural England data. We do have a working baseline anyway, and we will continue to update that, compare and understand what impact is ensuing from our schemes relative to that.

Q82 **Mr Holden:** It seems a little like you are saying, "This is what we can put cash into, and this is easy to measure because we can see from a satellite whether a hedge has gone in". We are actually interested in the environmental impact of this. It is like saying, "We want to improve education, so we will put another £100 million into education. That will mean we have more teachers". We are not looking at the outcomes of it.

I am really concerned—it is the entire basis of this scheme—that I do not see the baseline data for a farm. We have the baseline data of the actual landholdings. It has taken a very long and arduous process that has driven farmers bananas. We have acreage and square meterage to multiple decimal points, but what about the baseline data for the environment?

David Kennedy: We have land parcel-level data about the environmental quality of assets. That is the Natural England and Environment Agency data. For example, that will be the basis of local nature recovery. The way local nature recovery works is it says, "What are the environmental challenges at the region and the land parcel level?" That will filter a long list of actions that we might pay for into a short list of actions, which will then become the basis of a farm plan. We have the data that you are referring to already. That will be the basis of—

Q83 **Chair:** Is that done by physical inspection? Exactly as Mr Holden says, we are all still struggling to understand how you gather that. Is that your partners? Is it Natural England going out and checking on the peatland restoration?

David Kennedy: It is through a range of sources, but that is one. They have people on the ground who go out and collect that data.

Chair: Nothing can beat that.

Tamara Finkelstein: It is probably worth saying that there is a bit of a difference—Mr Kennedy will correct me if I am wrong—between what we do through SFI and landscape recovery and local nature recovery.

Mr Holden: Yes, I would expect there to be.

Tamara Finkelstein: Those are going to provide the very big environmental shifts that you will see through the outcomes. They will be of a different nature. You would expect the mass schemes with mass participation to be evidence-based: what are the actions that will drive the outcomes we are looking for? They are designed in that way. Local nature recovery and landscape recovery are of a different order. It is partly about the differential in how we capture those.

Q84 **Mr Holden:** I understand that the SFI scheme will be much broader. I am thinking about the more advanced schemes, which I know have not been fully worked up in quite the same way.

There are other elements in my constituency. There are people interested in ornithology and things like that. One of the concerns across the country, if you chat to the RSPB, is around the decline or, in some areas, recovery in birdlife. Some of the outcomes will be in that area. Is that something that you are going to have a baseline on? Are you going to look at whether there are more golden plovers, or whatever it is, up on my moorland than there were 10 years ago as an outcome for the scheme?

David Kennedy: The short answer is yes. There is what you pay for, and we are paying for leading indicators of things that will result in environmental benefit, particularly in SFI. It is difficult, practically, to design a scheme that purely pays for outcomes, because there are multiple things that drive outcomes and they are difficult to measure. It is equally important that, while we are paying on that basis, we are able to say, "This is what is ensuing in terms of actual environmental benefit".

Q85 **Mr Holden:** I understand that it is difficult to measure. I understand that it is much more difficult to measure than, say, a field. That is why I am a bit concerned about it. It is much more difficult to measure. It will require more resource to measure the baseline and then the outcomes. What I am really concerned about is the baseline.

Let me go on to my main area of questioning, because I have gone off on a bit of a tangent on that one. It plays into something that Sir Geoffrey was mentioning before, which is this element of trust in the scheme and farmers' trust in Defra and the RPA. I would like to thank Mr Caldwell and his colleagues and some of your Defra colleagues, Ms Finkelstein and Mr Kennedy, for visiting my constituency a few months ago to do a visit with my farmers. It was very helpful.

Why is it that you are only saying now that it is going to be seven years, Ms Finkelstein? Why do you only see this as year 1 of 7 in regaining farmers' trust? Surely the entire basis of this scheme coming in now is that people have to trust that this is moving in the right direction. We have seen the devolved Administrations taking a different approach. How can they be confident that they can trust the Department and that this is heading in the right direction?

Tamara Finkelstein: Clearly, it is a priority for us to have the trust of farmers and their willingness to engage in the scheme. That is critical for the success of the schemes. There are things that we are doing, as I say, particularly around communication and engagement. We are not taking a narrow view and engaging with those who want to engage but trying to find wide ways in which we can reach people. We are using trusted intermediaries like vets and agronomists to reach people and to engage, so that people have the information they need.

I just do not want to be naïve about this. What makes the difference is seeing stuff happen and be delivered. The improvement in payments from the RPA in recent years, which is really quite impressive, is one of the ways in which you improve trust, but there is a way to go. As I say, we are embarking on a major change programme. That causes people anxiety, and we need to do everything we can to communicate and ease that anxiety. There is no quick fix.

Q86 **Mr Holden:** Ms Finkelstein, I know there is no quick fix. We are embarking on a major change programme. This is Government policy. This Committee looks at the implementation rather than the overall drive. One of the issues with the implementation of this policy is that we are now in October; farmers are looking to next year when these first payments are going to start coming through. The anxiety is not driven by the change; it is driven by the fact that they do not know what is going to happen next year.

Tamara Finkelstein: I suppose I would say that there is information about what will happen next year. We have been clear about what SFI 2022 is about. It is about the soil standard. We have been clear that we will be giving further information on the process next month. There is some information.

Q87 **Mr Holden:** You will be giving further information next month. I spoke to a young farmer in my constituency just a few weeks ago. These guys are deciding on the future of their lives. They are in their mid-20s or early 30s, and they are thinking, "Do I want to be involved in this? Are we going to make these big investments? Should I go and do something else? Will it support me and my brother or will one of us have to work part-time?" They are making huge decisions. This scheme kicks in next year, and they are only going to be told exactly what is going to be happening with the main SFI scheme next month. Is that an acceptable timeframe for somebody to have to make these decisions?

Tamara Finkelstein: First of all, I completely understand the need to know and to have more information. We set out quite a lot of the information in June, so the information is out there. Further information will come next month. I completely recognise that providing more detail as soon as we can with good and wide communication is critical. That is what we are seeking to do.

Q88 **Mr Holden:** You would accept that it is not an ideal scenario.

Chair: You did ask to delay it and the Minister said no.

Tamara Finkelstein: We did talk about delaying it in the context of a whole range of decisions that we were asking Ministers to make to respond to how we had had to move resources around. That was not one of the choices that Ministers made. We reframed and reshaped the programme and the resourcing; we brought some of the resourcing back. We are in a position where we can do this to time; we are providing the information as quickly as we can. We do have quite a lot of information out there as to what it does. We are communicating as well as we can. What is going to be key is that we deliver.

Q89 **Mr Holden:** Yes. Let us go back to the trust element. The trust element is that they have to know that this is going to happen; they have to know what the schemes are. We are still not there yet, even for next year. Why has it taken so long to get to this point? Why is it so close to next year? The full details of the scheme are not there for farmers yet.

Tamara Finkelstein: We have put out quite a lot of information—a lot more information than when the NAO was last looking at what we had done. We put out a detailed roadmap for the whole programme and the elements of it last November. We updated that in June with the details of the soil standard that we will be using as the basis for SFI 2022, and we have had much better engagement and communication as to what it is about.

As always, the sooner you can do things, the sooner you can give more information, the better. We are also learning from opening up the pilot and some of that work, which will feed in to what we can put into the programme and the details we can provide in November. It is always a balance.

David Kennedy: I have said that we need to get more details out there, particularly on SFI 2023 and 2024, but we do regular farmer surveys to a representative sample from a statistical point of view. When asked the question, "Do you have the information you need about the productivity schemes that we are about to launch and about SFI 2022?" the feedback there is very positive. There is a question about what goes beyond SFI 2022. It is a fair question, and we have discussed that already. From the feedback on whether they have the information they need now for those imminent decisions and the schemes that are about to open, the answer is, as I say, positive.

Q90 **Mr Holden:** Mr Caldwell, you have met some of my farmers. What is your understanding of the mood of them all regarding the reductions in direct payments at this time, especially after the Covid pandemic?

Paul Caldwell: In the last session, you heard that this is a huge change. There are going to be a range of outcomes in terms of people's incomes. The phrase used was "inevitably disappointed".

Q91 **Mr Holden:** I have a quote here. "A lot of people will be worse off and unhappy about it". That is what the professor who advises the Defra board said.

Paul Caldwell: In my experience, most people are unhappy about being worse off. It is a statement of fact. Do we want to take the opportunity to change the way in which we operate and invest in the environment and land management, having left the common agricultural policy? That is a bigger question than one specifically to me. The answer, from all the evidence that I have seen, is yes. That will have ramifications that will need to be worked through.

The role of me and others is to explain how best to take advantage of the new scheme. Mr Kennedy has referred to the resilience fund. We are making the packages that are available under sustainable farming widely available. We are encouraging them to be as simple and as accessible as possible.

Q92 **Mr Holden:** Mr Caldwell, you are talking around the broad issue, but you are not really addressing the question I have asked you. What is your understanding of the mood of farmers regarding the reduction in direct payments?

Paul Caldwell: Some see it as a welcome opportunity to embrace a new future; some feel very threatened by it.

Q93 **Mr Holden:** Do you recognise that broader feeling of all of them and the anxiety about what is going to happen?

Paul Caldwell: I recognise that many farmers are anxious about the future.

Q94 **Mr Holden:** That would be the first thing I would have thought. They are anxious about the future, because they do not know what is going to happen next year.

Paul Caldwell: Absolutely, I recognise that farmers are anxious about the future. Our role, collectively, is to try to help assuage that anxiety and encourage people to embrace the fact that by changing farming practice there might be a different way forward.

Q95 **Mr Holden:** I understand that. Mr Kennedy and Ms Finkelstein, you have both talked about how you have tried to do as much as you can to get as much information out as possible. Given everything that has happened, with the impacts from Covid on what has been able to be done over the last couple of years—there have been fewer abilities to do physical meetings like Mr Caldwell did with my farmers, purely because of Covid restrictions and things like that—why not just delay this even for a short period of time?

Everybody knows the objective. There is a broad buy-in to the objective from the farming community to move away from direct payments. Why not just delay it slightly in order to allow the schemes to catch up? Perhaps that would engender some more trust from the farming community that you had listened to them after a tough period. We have had other things. We have had furlough that has come in and protected jobs. That has been in for a year and a half. Some of those schemes were extended. Why not delay the implementation of this?

Tamara Finkelstein: I am not convinced that a delay would engender more trust. What is key is that we get the information out there and that we deliver on the schemes. We have made changes around ELM, which was going to be a national pilot and then roll out in 2024. With SFI, and through running countryside stewardship alongside it, there is more of an opportunity for a much wider set of farmers to benefit from the schemes much earlier on.

What we are designing is a way in which we pilot, do a quite simple SFI 2022 on a small number of standards and then build that up in the later ones to de-risk it as much as possible and to make it as open as possible for farmers to participate. For me, trust is about getting the detail out there, communicating really effectively and delivering, which is also what the NFU says: your representation will depend on whether you deliver and deliver on time.

David Kennedy: There are two things that we keep under regular review. Are we able to deliver on the timeframes that we have set out? Are farmers able to join the scheme and deliver? Our assessment is that on both of those, yes, we are ready to deliver, and farmers are ready to join the schemes and play their part. If either of those were to change—and, as I say, we keep them under regular review—we would have to think again. We are pragmatic in that respect, but there is nothing in our assessment that says we cannot proceed on this timetable.

Q96 **Sir Geoffrey Clifton-Brown:** David, I have to challenge your statement that farmers are well prepared on this whole matter. Let me take you to the NAO report at paragraph 3.16.

Chair: It is on page 41.

Sir Geoffrey Clifton-Brown: This is about the survey that was done. Admittedly it was done in March, so the situation no doubt will have changed, but not hugely. It found that only 4% of respondents were very prepared for upcoming changes in farming; 37% were not at all prepared; worryingly, 41% of respondents did not know what SFI was.

Chair: I would also point you to figure 9, which is a useful pictorial summary.

Sir Geoffrey Clifton-Brown: Mr Holden represents a rural constituency; I do. I have to say to you that there is a considerable amount of not understanding what these schemes are going to be requiring them to deliver. This is causing great worry about their future. I cannot emphasise that too strongly.

David Kennedy: Yes, although the timing is really important there. After March we published the details of SFI 2022. We said, "This is about soils. Here is what we will pay you to do". That was not available in March. At that point, it was fair to say, "I do not know what SFI is about" as a farmer. Now farmers understand what SFI 2022 is. They do not understand SFI 2023 and 2024, because we have not set out the focus on those, and we need to.

Q97 **Sir Geoffrey Clifton-Brown:** If I can use my own farmers as an example, our cropping is now fixed for next year. It is mixed in with a bit of countryside stewardship. We have no ability to alter it to take into account SFI 2022. That is why we need the details of SFI 2023 really as soon as possible. Harvest 2022 is the first opportunity we have to change our farming system. This is why farmers are complaining: they are not getting information in a timely manner.

Chair: You have heard us loud and clear on that, Mr Kennedy. Do you have any further comments on timeframe?

David Kennedy: No. I agree: we need to get the details of SFI 2023 and 2024 out, and that is what we are committed to do. We are working very hard on it.

Q98 **Mr Holden:** Just picking up on Sir Geoffrey's point there, you say that more detail has been published since the surveys in the NAO report were done. That is fair enough, but, looking at paragraph 3.18, "Defra's most recent communications strategy for ELM, prepared in June 2020, does not include any detail on how its success will be measured. Without this, Defra cannot be confident that its communications are reaching the full range of stakeholders or that the level of trust is improving". What monitoring are you doing of these strategies? What measures are you putting in to ensure success for the future?

Tamara Finkelstein: In terms of the information that was in June 2020, the information on SFI 2022 that we published in June 2021 provided the information, including the way in which we will track the impact of SFI 2022 on carbon reduction. That is one of the examples of us beginning to put the SMART objectives around that.

Q99 **Mr Holden:** Moving on to those SMART objectives, paragraph 3.19 says, "Defra is now contracting with an external supplier for more regular monitoring of farmer opinions from a wider sample of farmers than is currently achieved through Defra's own surveys". Has that now been done?

Tamara Finkelstein: Yes. We have this farmer opinion tracker.

Chair: This is figure 9.

Tamara Finkelstein: Yes, I am going back to figure 9. We have that tracker, which is an official national statistic. It has improved. I am not going to be complacent about the statistic you raised around whether people have the information they need. Those who say, "I have all of it" or "I have most of it" did shift in six months from the 30% that is in here to 40%. That is not yet 100%, but it is a shift in six months. It is going in the right direction.

Q100 **Mr Holden:** Going back to the specifics of my question, which was about contracting with an external supplier for more regular monitoring, what is that? Is there a contract coming? What is happening in that regard?

Tamara Finkelstein: I might need to write to you on this.

Mr Holden: That is fine.

Tamara Finkelstein: I am pretty sure that we upped the quality and the breadth of what we are getting. It will be pretty rigorous because it is a national statistic. I should write to you on that.

Mr Holden: That is absolutely fine. Thank you, Ms Finkelstein.

Q101 **Sir Geoffrey Clifton-Brown:** In order to test what you are both saying about these surveys, one of the most shocking statistics uncovered in March was that 41% of respondents said they did not know what SFI was. Mr Kennedy has now told us that has changed since this was published. What, Ms Finkelstein, is the latest percentage of those farmers who do not know what SFI is? It is not in the report.

Chair: Yes, this is the figure since then.

Tamara Finkelstein: I apologise.

Sir Geoffrey Clifton-Brown: Yes, you were referring to the farmer opinion tracker.

Tamara Finkelstein: There certainly is a shift. The number in here for "I do not have the information and I do not know where to find it" has gone down from 36% to 32%, but that was in April this year.

Q102 **Sir Geoffrey Clifton-Brown:** I was not asking about that. I was asking about the percentage of farmers who do not know what SFI is. It was shocking.

Chair: The Department does not actually measure that, presumably, because your tracker does not include that question.

Tamara Finkelstein: No, the tracker is along the lines of those areas. I am not sure where that one comes from.

Q103 **Chair:** Perhaps you could write to us with the updated tracker.

Tamara Finkelstein: I will do so.

Chair: You could send that to us regularly, because we want to see what is happening.

Tamara Finkelstein: It is all on GOV.UK. We can send it to you, yes.

Q104 **Sir Geoffrey Clifton-Brown:** We do need to track how many farmers are aware of SFI. This is a key part of the scheme. If 41% in March did not know anything about it, that is a pretty shocking statistic, is it not?

Tamara Finkelstein: That is. I am not completely sure of its source.

Chair: That was a focus group.

Tamara Finkelstein: I understand.

Chair: It takes us back to the information for 2023 and 2024 and when people will have that. Even if they know theoretically what it is for SFI 2022, that is a very small-scale and narrow scheme compared with the full rollout long term. We got the point there. I am keen to get back to Mr Holden, if that is okay, and then Mr Wild needs to come in as well.

Q105 **Mr Holden:** The real question for all farmers—this is why it is so anxiety inducing—is what impact it will have on their bottom line, their lives and the viability of their farms.

The NAO report at paragraph 1.13 goes into some detail. For mixed farms, average net profit would have been 80% lower based on the analysis of the farm business survey from 2017-18 to 2019-20, because the reliance on direct payments has been so much higher. At NAO report figure 4, "Grazing livestock farmers in England would see the greatest impact to net profit from direct payments removal".

In the upland areas of my constituency, that is a major concern. I also have mixed farms, which will often do some upland and then some fattening of stock in the more lowland areas. For these guys, the later schemes, the land-use change schemes, are what they are really interested in. This is where you could see big financial changes for them. That is what they are going to have to look at in order to make up for some of the loss of the basic payments.

The concern that they have is that those schemes are still at a relatively early stage. Regions like mine, the North Pennines, will be the areas that are potentially greatest hit by these, and certainly there is the most uncertainty there. What analysis do you have for those farmers today on what the likely impacts on their profitability will be over the next few years?

Tamara Finkelstein: If I start, Mr Kennedy might then want to add to it. Clearly, the withdrawal of BPS has a direct impact on farm incomes based on the reductions that are going through. That is what is shown. We published an analysis of that in 2019 in the future farming compendium. As you described, there is very significant variation in types of farm.

As we were describing before, there are different ways in which farmers can make up income. One is to increase income, and that is in part going to be around schemes and through a range of other ways such as diversification or exports. It will be through reducing costs. Mr Kennedy talked earlier about the range of support around productivity, which is coming in soon in terms of the farm investment fund and the ability to participate in some of the R&D programmes as well. There is also reducing waste, which is the animal health and welfare pathway. There will be a range of ways in which the changes we are making through the future farming programme can support them.

Q106 **Mr Holden:** I understand that some of those schemes are coming in, but, as I said, the real concern is that certain parts of the country and certain sorts of farming are going to be hit more now. They are already more anxious, because they are more reliant, as the NAO report shows, on basic payments. What are you doing to look at those areas of the country that have the most anxiety because those land use schemes are going to affect them the most?

Tamara Finkelstein: We continue to look at how we think it will pan out and how it impacts across the country, and the range of ways in which people can engage in schemes. Countryside stewardship, which is continuing, is of use and interest to those farms as well. I might see if Mr Kennedy wants to add anything to any of that.

David Kennedy: We keep it under continuous review. We want an offer that is relevant to everybody in SFI. It is not just about LNR and LR for the types of farmers you have talked about. That is why we have the moorland standard that we will introduce as part of SFI 2022. As a package of measures, if you put everything together, we are taking away direct payments, but you have the resilience; you have the productivity grants; you have SFI; and then you have other aspects of ELM; you have diversification; and you have rent changes, which could be a big adjustment variable. Our analysis is that there is a good opportunity for the vast majority of farms to prosper in the future.

Q107 **Mr Holden:** Overall, there is £2.4 billion in SFI payments coming through that goes to farmers. It looks like there will be a bit of a lag, because the heavier environmental schemes with higher payments are not going to kick in as rapidly. My understanding is that this will mean that there will be some shorter-term countryside stewardship schemes brought forward over the next couple of years in order to fill that gap. What work are you doing to ensure that those countryside stewardship schemes are focused on areas like rural uplands that are clearly the ones that are most vulnerable at the moment to the broader changes?

David Kennedy: You are right: there is a big ongoing role for countryside stewardship. It is attractive, as Paul has driven improvements, to farmers. The applications we get are very healthy for countryside stewardship. In terms of making it relevant and improving it, Paul runs the schemes. Do you want to tell us what you are doing?

Q108 **Mr Holden:** Mr Caldwell, Mr Kennedy says they are incredibly attractive and that everybody is flocking to you for them. Could you give us a bit of an update on how they are looking?

Paul Caldwell: The numbers show that there is increased attraction to the schemes. It is also important to recognise that those schemes are operating alongside SFI; they are not competing with it. They are complementary measures, and that is part of the transition we have described and set out.

We are introducing new measures all the time. The year before last, we introduced a wildlife package that has proved immensely popular. Alongside the schemes, there is a range of other measures in the Department, such as peatland restoration or the moorland standard that is being worked on for the new schemes or in tandem with the new schemes. It is more than about one scheme or the other. It is about listening; it is about evolving; and it is about tailoring those.

I would also add into the mix that the Department has launched the farming in protected landscapes programme for areas that are not conventional in the way they may generate profit, but make an outstanding contribution to the landscape and heritage of this country, of which your constituency is one. There is a range of things there. I would refer to my previous answer. It is our job, working in the Department, to communicate that offer, to get it out as we have done, to try to help with that anxiety and to start helping farmers to tailor their business and use the assets in their area via the range of schemes that are available. This is not just about SFI.

Q109 **Mr Holden:** No, of course. Are you confident that countryside stewardship will be able to fill the gap here? There has never been that over-demand that was always anticipated when countryside stewardship first came up. Are you confident that it is going to be able to fill the gap for those farmers during this changeover period?

Paul Caldwell: It will be one of a range of measures to help. "Gap" is probably not the word I would use. It is one of a range of measures to help with the transition for a whole host of farmers whom we will work with in order to ease over the seven years that was referred to earlier. Indeed, part of the process is to be able to work with farmers and learn what those gaps may be, if they exist. The listening and learning is a fundamental part of this, and I would not interpret that as delay so much as approaching things in a cautious and sensible fashion.

Q110 **Mr Holden:** Moving on to the co-design of the scheme, which, Mr Kennedy, you talked about a lot, we heard evidence earlier on that it seems to be more consultation than co-design. Another of our witnesses told us that there was quite a lot of confusion in the Department, mistaking activity for progress, in terms of making use of input from organisations representing the farming community.

Looking at paragraph 3.11 of the NAO report, "Defra views co-design as a critical part of its plans to secure participation in ELM and the wider programme. It defines co-design as 'working collaboratively with farmers, land managers and others'". That is your definition of it. Do you recognise that, when it comes down to it, that might be how you started out but it has just gone a bit wonky, Mr Kennedy?

David Kennedy: There are different levels of where we are co-creating. We are co-creating through the tests and trials that we do as part of environmental land management. We have a panel of 1,000 farmers we work with on co-creation. Then we work very closely with the organisations that were in the hearing before, so the Tenant Farmers Association, the National Farmers Union and whatever.

The previous session highlighted that the NFU came up with its own design for the sustainable farming incentive. Our design is not exactly the same as what it proposed. That is totally appropriate, but I would say that we engaged very closely with it; we took receipt of its report; we considered it very carefully; we incorporated the bits of its proposal into the SFI design that we thought were right. There is a big overlap between what the NFU suggested and what we have ended up with as SFI 2022. It is not exactly the same.

Q111 **Mr Holden:** No, and nobody would expect it to be exactly the same. It was striking to me that it was a representative of the forestry group who seemed to feel that co-design had worked better for them than either of the more traditional farming groups. Have you possibly placed too much emphasis on forestry compared to farming?

David Kennedy: The short answer is no. We place a lot of emphasis on co-creation with farming and with the organisations you have talked to. They have raised their issues about what they think we should do differently. Again, we are not going to have policy that is written by the NFU in this space. We have our own policy. We listen very carefully to them. There is a bit of creative tension when we have policies that are different from what they are recommending.

As for the Tenant Farmers Association, we have worked very hard to make SFI relevant for tenant farmers. We have had some success, because in the 1,000 applications for the SFI pilot there is a healthy representation of tenant farmers. It works for tenant farmers.

Q112 **Mr Holden:** A review of co-design, looking at paragraph 3.15 of the NAO report, back in April highlighted some concerns: "inconsistent project delivery approaches between teams"; "policy teams' lack of understanding and engagement in co-design"; and "insufficient staff capacity and capability to deliver co-design".

This is not something that has been made up by different parts of the sector. This is something that you have agreed with the National Audit Office is an issue. Since April, what have you done to address those concerns?

David Kennedy: If you go back in time, through Covid we were totally underresourced and unable to engage through any conventional channels with farmers, which made co-creation very difficult. This is going back to the beginning of 2020. That made things very challenging for us. As things have gone back to normal—we are not back to normal now—we have been able, on the one hand, to put more resource on this and, on the other, to engage more closely through the conventional channels again. There has been a significant change over the last year to 18 months in our ability to engage with farmers.

Q113 **Mr Holden:** Ms Finkelstein, Mr Kennedy says that the Department is in this area, on co-design, underresourced and unable to engage with farmers. You have explained the reasons why you do not think you should delay. Some people might view that as the main reason why you might wish to consider it. Overall—this is my final question—how different is the farming sector going to look in seven years' time compared to how it looks today? Is the fact that this scheme is being moved on so quickly going to have any impact on that?

Tamara Finkelstein: On the issue of underresourcing, there was a temporary shift of resourcing out of the programme in response to Covid. We moved people on to food resilience and food for the vulnerable. We moved them back in the September and then rebuilt and reshaped the programme.

Q114 **Mr Holden:** How long were those people out of those teams?

Tamara Finkelstein: They were out from April to September, approximately. That was when we were down by about that number. First of all, we moved people back. Secondly, we reshaped what we needed in the programme and we used it as an opportunity to get in some very different skills.

I see the response around co-design in 3.15. We have made quite a big shift in terms of skills, in user design and so on, that we have built into the programme. We are trying some quite cutting-edge techniques in the programme. It is right that we should evaluate how that is going and learn from it, but we are continually moving on to make it very much an engaged programme.

It is a very fundamental shift from supporting incomes directly to putting in place programmes that are paying for environmental goods. The SFI will enable a broad base of participation, but the impact of landscape recovery and local nature recovery will fundamentally shift the way in which these areas work together.

Q115 **Mr Holden:** I understand that, but what does it look like in actual measurable outcomes? This was my initial question around environment. What are we going to see in terms of environmental change? What are we going to see in terms of UK reliance on either domestic or foreign food production? Those are the two key areas of what we are looking at.

Tamara Finkelstein: There is more we need to do in painting that picture, but, just to bring it back, the six outcomes that are defined in the programme are around water quality, air quality, net zero, biodiversity, and beauty, heritage and engagement. We have those six areas, and some of the targets we have set ourselves in the 25-year environment plan. What we have to do, which is what the report says, is to make those SMART objectives.

We have done a lot of that work, but there are choices to be made about exactly what elements of the scheme we are trying to shift in terms of the numbers. Those are the outcomes that are going to shift in terms of environmental outcomes. Productivity and animal health and welfare will be alongside that as part of the wider future farming programme.

Mr Holden: I will hand back now. I just want to say that we need some better baselines in order for you to have a look at whether we can measure those outcomes and whether it is actually providing value for public money.

Q116 **James Wild:** I want to cover the impact of these changes a little bit. Figure 5 on page 23 of the report shows that the loss of direct payments in the east of England will see a reduction in net profitability nearing 50%. I have been contacted by an arable farmer in my constituency who wants to see the changes to the basic payment postponed for 2022 and 2023 until there are well defined schemes in place. Is your evidence to him, your message to him, that he need not worry because very shortly he will have all the detail that he needs to be reassured about the future?

David Kennedy: I would not say he need not worry, which would be patronising, given the anxiety that we know farmers are feeling. We do not want to become complacent, as Tamara has said. The answer is that, if nothing else changed and all we did was take direct payments away, we know the profitability and viability of many farms would be impacted.

That is not what the future farming programme is about. It is about boosting productivity, giving alternative income streams through SFI 2022, 2023, 2024 and the other elements; it is about rent changes; it is about diversifying income. That set of things together will at least give your farmer the opportunity to be viable and prosperous in future.

Q117 **James Wild:** The point that he is raising, and Mr Holden has covered a little bit of this, is the lack of knowledge as to what that actually looks like in tangibles—in numbers coming to his farm and his income. At the moment, he does not feel that he has that confidence. Are you ruling out that you will suspend these changes?

David Kennedy: We are not going to suspend changes at the moment. I would say to the farmer, "You know what you can do in terms of productivity schemes. That information is all there. There is SFI 2022. You know what you can do. You will be very interested in SFI 2023 and 2024. We have said it is incumbent on us urgently to put out the details of that so you can plan against it on the cycles that farmers need to plan".

Q118 **James Wild:** He has some specifics, which I will forward separately to the Ministers for a response. The other area of the impact is on the wellbeing of people in this sector. Last week, as you will know, was agriculture mental health awareness week. YANA in my own constituency does a lot of work as a charity supporting farmers. I have seen survey data saying that the biggest challenge that farmers under 40 think that they face at the moment is around mental health. How focused is Defra on supporting people in the farming sector through this period of transition?

Tamara Finkelstein: We are very conscious of those issues. One of our non-executives on the board of Defra, Elizabeth Buchanan, brings that very much to our attention as well. She provides quite a lot of input on that. One of the things we have put in place is the farming resilience fund. Engaging with partners who can then provide support and advice to farmers is one of the elements of what we have put in place. I do not know if you want to add anything, David.

David Kennedy: It is a real issue; it is a real concern for us. I personally have been passionate about the farming resilience fund, which reaches those farmers who are going to be most impacted, works with them on a personal basis with trusted advisers and helps them move forward and adjust. That is a really important part of our programme. We do not talk about it as much as environmental land management, but it is very important. It can steer people, and help them into those other income streams like SFI 2022.

We also work very closely with the farming charities as well. Paul, at RPA you have very strong connections with the farming charities. You have a good understanding of the situation and things that we need to do to address problems on the ground as they occur.

Paul Caldwell: Yes, we have an ongoing working relationship with the farming charities in terms of both the service we provide and getting access to be able to help with those services. We also have a helpline. I do not underestimate the anxiety that is there in terms of the size of the change that potentially lies ahead. I would again stress the range of measures in the package.

In the past, we focused a lot on IT systems, performance and payments. One of the things I have spoken about is the RPA's role in being here to help, which is an intangible concept but has a very real consequence. I will make that offer. It is not just about the administration of the schemes. It is about our interface with farmers themselves. Mr Holden has talked about visits to constituencies and putting ourselves out there. Whatever we can do to help, we will. It is a work in progress, and we redouble our commitment to it.

Q119 **James Wild:** Thank you for those answers. I am encouraged by that. I want to move on. I am not sure we can go through a hearing on agriculture and farming without mentioning "Clarkson's Farm", which has put into the spotlight the lives of farmers and the challenges they face, particularly some of the bureaucracy and complexity involved, which will be familiar certainly to my farmers and farmers across the country. You talked earlier about simplicity in the design of this. Will these reforms pass the Clarkson test and avoid Defra's unnecessarily bureaucratic approach, as he put it?

Tamara Finkelstein: To start with, that is very much the intention. One of the things in the SFI pilot has been about how we can test ways in which we can simplify what the front end looks like. As we design further, it is about how we can simplify the processes and what is required. Simplifying the schemes is at the heart of some of the transformation.

David Kennedy: We recognise the criticism. The schemes—this is not Paul's fault; they were designed in this way under CAP—are prescriptive and pedantic, and the penalties are disproportionate. There is not an outcome focus. The opposite of those things is the founding principle of how we are designing environmental land management. We are learning from all that experience. We cannot speak for Jeremy Clarkson, but we will have a scheme that is as simple, as outcome focused and as pragmatic as it can be.

Tamara Finkelstein: Some of the approaches to the programme are very innovative. We have built quite a lot of user understanding and work on creating services that are useable by users as expertise into the programme, in a way that is quite unusual in Government programmes. We are trying to set ourselves up to tackle this issue exactly.

Q120 **James Wild:** This show did underline a lot of this. Are you prepared to approach Diddly Squat Farm to take it through your system and mechanism to see whether it passes his test?

David Kennedy: We have been on a visit there recently with Minister Prentis and my programme director. Certainly we are very happy to engage on the new scheme with any farmer.

Chair: That was very diplomatically put, Mr Kennedy. We will draw a line under that bit, Mr Wild, and move on.

Q121 **James Wild:** Mr Caldwell, earlier we were talking about payments, and Mr Kennedy gave a guarantee that the first payments would go out before Christmas next year. How are you going to be held to account for that? What happens if it does not happen?

Paul Caldwell: I am not thinking about it in terms of what happens if it does not happen; I am thinking about what we need to do to make it happen. There has not been any shortage of people holding me to account over payments, and I am acutely aware of that. I would prefer to look at this from the point of view of what we need to do between now and then to make sure that happens. That is what we are working with the Department to do.

Q122 **James Wild:** Farmers have memory. If this does not happen—you are putting all these things in place, because you want it to happen—how are you held accountable? How is Defra holding the RPA to account? If the first payments are not made by Christmas next year, who is in the firing line for that?

David Kennedy: How are we holding them to account? I am responsible for the RPA in Defra. I am Paul's line manager. We work together on a daily basis, and this is one of the key things we talk about, the end-to-end process, including the payments process, for SFI. When I say we do regular readiness reviews, this is one of the things we are always asking ourselves. We have committed to make the payments before Christmas. Are we on track to do that? If we were not on track to do it, it would raise a question. Our assessment is that we are on track and we will make sure we stay on track.

Q123 **James Wild:** That is very clear. I hope that proves to be the case. Mr Kennedy, you talked about small farmers being well represented in the pilot. Do you have some numbers that you can share with the Committee to evidence that so we have that breakdown?

David Kennedy: We can share them with the Committee. Can we write back on the breakdown more generally?

James Wild: Yes, if you would like to.

David Kennedy: We can go into tenant farmers, small farmers, different geographies and different types of farming as well. That will be useful for you.

Q124 **James Wild:** That granularity would be helpful to see. Mr Holden asked you how you were going to measure the impact and at what level. You talked about land parcel levels and data, and what you would be measuring. Is there an example of that you could share so we could see what you are talking about in practical terms?

David Kennedy: We can send you an example of the environmental baseline data that we hold, even the data at the parcel level. Yes, we have good examples of that.

James Wild: That would be very helpful.

Q125 **Mr Holden:** I just have a couple of very brief questions. How confident are you that there is a strong approach to managing fraud and error for the payments that are about to be made through the pilot scheme, Mr Kennedy?

David Kennedy: This is something that we have worked on with the RPA. There is a system in place. It draws very much on the countryside stewardship system, where we have a very robust approach to fraud and error. I have the same degree of confidence for the SFI pilot as I have for countryside stewardship.

Q126 **Mr Holden:** It is the same system for the new scheme as you use for the existing schemes.

David Kennedy: For the SFI pilot, yes. We will look to develop SFI 2022, 2023 and 2024 and the other aspects of ELM in the same way, yes.

Q127 **Mr Holden:** Just in case there is a problem with SFI over the next weeks or months, what contingency plans do you have in place?

David Kennedy: We are going to make sure there is not a problem. As I have said, we do continuous and regular reviews. If there was something that said, "Having put out the final details of SFI 2022, we are not in a position to deliver it or to make payments ahead of Christmas, which is what we have committed to, or it is very clear that farmers, having seen all the final details, are not ready to engage with this scheme", it would raise a question about what the contingency is.

We are not going to launch a scheme that is going to be a delivery car crash. We have to be pragmatic there. We keep all of this under review, and we could always push back the deadline if there was something that was a red flag. As I say, our current assessment is that we have not seen those red flags.

Mr Holden: Given that the last scheme was perhaps a delivery car crash, it sounds like lessons have been learned on that one. As soon as there are any issues, do also let us know. In terms of schemes like this, we have seen big issues around the entire agriculture sector. Nobody expected CO_2 to have a major impact on agriculture over the last few months or the fact that it would suddenly knock all the way through.

From the Committee, we would be urging you to be cautious and definitely to do any contingency planning that you can just in case, because we cannot see our farmers in a really difficult patch as they enter this. That trust, as we talked about, is vital for these schemes to go forward.

Q128 **Sir Geoffrey Clifton-Brown:** I have two or three very quick questions. We are getting right to the end. Ms Finkelstein, on page 27 at paragraph 1.27 the NAO report says that Defra planed an audit of ELMS in autumn 2021. Has that happened? It is towards the bottom of the paragraph.

Tamara Finkelstein: I have it. I do not know if that was indicating an internal audit report, which I do not think we have had. We did have the Infrastructure and Projects Authority back to review the programme, and our business case has gone through MPRG—the major projects review group—in the Treasury. I do not think an audit of those skills happened in quite that way. I will revisit that with internal audit to see if we need to do that.

David Kennedy: We have reviewed. We have done a skills audit of the programme, basically. We are getting confused—was it NAO, an internal audit or whatever?

Tamara Finkelstein: I thought you meant a formal audit.

David Kennedy: We have done a skills audit. We did that because we had to do it. We did it in the context of the spending review and the future resourcing requirements. That is how we decided we need a team of up to

500 with this skillset. We talked about the 20 positions we need to fill. That has all been done, yes.

Tamara Finkelstein: Apologies, yes. I thought it was a general audit.

Q129 **Sir Geoffrey Clifton-Brown:** Given that I referred earlier to the IPA as ranking this project as amber, when will we get the results of that latest IPA inspection?

Tamara Finkelstein: The IPA revisited this again and it is stuck at amber, but I would not have expected it to go to green given the level of complexity and the risks we were managing. It was positive in terms of the progress we have made, particularly around communication and engagement, not to be complacent, given the kinds of conversations we have had today, and everything around skills. We are seeing progress within it.

Q130 **Sir Geoffrey Clifton-Brown:** That is helpful. Mr Caldwell, paragraph 2.11 on page 34 says that you are planning to introduce a new user front end for farmers for the SFI 2022 and they should notice a difference. It then goes on to say that, if it is not ready, it will revert to the existing countryside stewardship system. How are you getting on with that new user front end?

Paul Caldwell: That is going through extensive testing, as I referred to earlier. I would position it slightly differently and refer to my earlier answer. We have a system; we have a system that works. We would like to build on that going forward to make it more user accessible and user friendly, and bring it up to some digital standards, but we will not do that at the expense of the timetables we have set out.

We are working together, in the virtual teams that I spoke of, to assess all the things that need to happen to make sure we do not fall foul of the mistakes of the past, that the front end talks to the back end and all of those sorts of things, as you would expect us to do. We are working confidently together.

David Kennedy: We will take a decision on it in the next several weeks as well.

Q131 **Sir Geoffrey Clifton-Brown:** I have two quick questions for you, Mr Kennedy. One is that I have had ongoing dialogue with Defra about commons. Can we make sure that we do design in something for commons. These are some of the most rare and difficult ecosystems in the entire country. They are flowers; they are butterflies; they are insects. The two commons I represent, Minchinhampton and Rodborough, are unique, yet some of the hoops that the farmers, who do not make any money out of this, have to go through are unbelievable. Could we please consider the commoners? Otherwise, these commons simply will not exist.

David Kennedy: The answer is yes. They are a really important constituency and a really important opportunity for environmental benefit.

We have had engagement this week, for example, with a group of commoners. It is very complex, as Paul can tell you, just dealing with commoners in the context of the current scheme, so yes.

Q132 **Sir Geoffrey Clifton-Brown:** That is a really helpful answer. On trees, I have recently had the offer of two substantial amounts of trees. When I start talking about who is going to maintain these trees, and who is going to beat up the ones that fail, there is absolute silence, including an offer from the local council. Please can we in any forestry schemes design in ongoing maintenance programmes?

David Kennedy: Absolutely, there are capital payments for planting the trees and there are ongoing maintenance payments. That is very much part of our thinking.

Q133 **Sir Geoffrey Clifton-Brown:** Finally, Ms Finkelstein, this is the $64,000 question that arises out of the panel. If we are sitting here in five or 10 years' time, will we be importing more or less of our food?

Tamara Finkelstein: As Mr Kennedy said before, there is not a reason why that would need to shift. The improvements in productivity could mean that we have exactly the same amount coming from domestic sources as we do now. There will be quite a lot of evolution and change over this period.

Q134 **Sir Geoffrey Clifton-Brown:** Given what has happened in world energy prices, and the same thing could happen to world food prices, we ought to be aiming to grow more of our own food, not less.

Tamara Finkelstein: One thing that we might learn from the supply chain issues is that some of the issues that impact on us are not directly in the sector. They can be issues around transport and other things. We have to look very broadly at our resilience. It is not clear that our resilience is improved by more domestic production. We benefit from an open and competitive food market as well.

David Kennedy: You can debate what the right level of self-sufficiency is, but there is nothing in our approach or our programme that says that in 10 years' time we should be importing more food.

Sir Geoffrey Clifton-Brown: We will end it on that note.

Chair: It is interesting. I wonder what the Trade Secretary is saying at the moment. That is not for our Committee, happily at this point in the hearing. Can I thank our witnesses very much indeed? Thank you again for coming at a later time than you had originally planned for. I know it can be very difficult when you are running a busy Department and you have lots on your plate. I know we are an important Committee, but nevertheless I appreciate you being flexible.

The transcript of this session and the previous one will be up on the website probably by Monday uncorrected, and our report will be out well before

Christmas. Thank you very much for your time.