



Environment, Food and Rural Affairs Committee

Oral evidence: Work of the Department, HC 1027

Tuesday 1 February 2022

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Members present: Neil Parish (Chair); Kirsty Blackman; Ian Byrne; Geraint Davies; Rosie Duffield; Dr Neil Hudson; Robbie Moore; Mrs Sheryll Murray; Julian Sturdy; Derek Thomas.

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Witnesses

I: Rt Hon George Eustice MP, Secretary of State for Environment, Food and Rural Affairs; Tamara Finkelstein CB, Permanent Secretary, Department for Environment, Food and Rural Affairs.



Examination of witnesses

Witnesses: George Eustice and Tamara Finkelstein.

Q1 **Chair:** Welcome to the EFRA Select Committee. We have the Secretary of State and the Permanent Secretary with us this afternoon. Secretary of State, would you like to introduce yourself for the record, and then Tamara also, please?

George Eustice: I am George Eustice, Secretary of State at DEFRA.

Tamara Finkelstein: I am Tamara Finkelstein, Permanent Secretary at DEFRA.

Q2 **Chair:** Thank you both for coming in this afternoon. We have some set questions, but we are going to probably go on an all-round journey. It is great to have you here, Secretary of State and Permanent Secretary, so that we can deal with lots of things. It is the state of the Department and the state of what is happening generally this afternoon, so we will be quite wide-ranging.

Food exports fell significantly in 2021, a trend that continued for the first two quarters of this financial year, due to a combination of Covid and new trade rules. When do you expect the sector to recover and what support is the Department providing?

George Eustice: It is important to recognise that it is difficult at the moment to disentangle impacts of Covid from impacts of the end of the transition period and the new restrictions. When the dust settles, we will find that probably some of those smaller trades—potentially an artisanal cheesemaker who might have sent small consignments to different European countries and who may judge that that is a less cost-effective way to operate in future—may drop.

Overall, on the big exports, in things like salmon, they have seen an increase in their exports now since we have left the European Union, driven by high demand for their premium product. We will see a similar situation on our other major agricultural exports like lamb. There will be some impacts because of the additional export processes that are required and the costs associated with those, but the big exports that we rely on most will resume, just as Scottish salmon already has.

Q3 **Chair:** Do you see that there is any progress? When we looked at this last year, there is no doubt that, dare I say it, the Europeans were being quite pedantic on how they were interpreting some of the new rules. Do you see that there is a way to get this in a better place, so that we can have less paperwork and more of an electronic system, so that we can get the exports moving better than they are at the moment?

George Eustice: Yes. At the moment, coming out of the European Union, they had a particular point that they wanted to make. They approached it in a very legalistic way and, although they would understand that there is no risk whatsoever from goods coming from GB, they had a highly



principled legalistic approach that meant that they wanted to regard us like they would any other third country.

However, it is the case that, in terms of the approaches that they have and the type of form that they require, which is a very generic WTO-type form that is not really designed for the volumes of trade that take place between the UK and the European Union, they will, over time, see that it is in everyone's interests to try to put in place some kind of veterinary partnership agreement, where you might be able to reduce some of the burdens in terms of paperwork and the number of checks. We stand ready to have that intelligent, sensible discussion when they are in the right frame of mind to have it.

Q4 Chair: Just before we finish on that, because I know that Neil Hudson would like to come in, I want to say that, on the trade—you talked about where we have increased trade—one of the big problems that we had was with shellfish. I take it that we are still in that same place, are we? There have been many shellfish fishermen that really have not been able to export. Where are we on that one? Some of our waters were put into A category, but not that many in the end. There are still quite a lot of shellfish fishermen not able to get their shellfish over to the EU. Is that likely to be settled?

George Eustice: It is specifically bivalve molluscs, which are principally oysters and mussels. When it comes to oysters, it is possible to do the depuration—that is the purification—here in the UK and export them as a purified product. That does not work as well on mussels, where, typically, they have been depurated in the Netherlands and then gone on for onward distribution.

It remains, I am afraid, a point of contention, in that the European Union had originally told us that we could send that under a particular type of export health certificate. They said that, for wild-caught bivalve molluscs, that would not be available until April 2021, but, as you will recall, when we got into February last year, they announced that they were going to change their entire regime to make it impossible to sell that. That remains, I am afraid, difficult, but we have reclassified some of our waters, adopting a slightly different methodology.

Q5 Chair: Are we purifying oysters now? Do we have the physical capability? It is just about whether we can get them out there, really. Have DEFRA and the Government helped at all on this one?

George Eustice: We have made it clear that we would support grant applications for depuration equipment from those who want to do that. I have visited oyster fisheries that have their depuration equipment in place in Cornwall, and they have managed to resume exports on that basis. It is important to note that depuration of mussels here in the UK is more difficult because it affects the freshness of the product, and they tended, therefore, to be depurated in the Netherlands, so it is more of a challenge. It is possible that, with mussels, what we will potentially see is a greater focus



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on processed mussels rather than live bivalve molluscs. That may simply be the way that that particular sector needs to go.

Q6 **Chair:** But you are continuing to work on this.

George Eustice: Yes, we are continuing to work on it, supporting businesses in a range of ways: first, helping them to invest in depuration, if that works for them; secondly, we will be continuing to make the case through the specialised committees in the EU and trying to make progress there, although it is fair to say that we have not made any progress so far on that. The EU remains of the position that it took around a year ago. We are also revising the way that we classify some of our waters to ensure that more waters are classified as A, so that the exports can continue.

Q7 **Dr Hudson:** We have all seen that infectious agents do not respect international or domestic borders, so I am encouraged by what you are saying about the prospect of a veterinary or sanitary and phytosanitary agreement with the EU. Do you feel that that is possible? Is the appetite there from the British Government? Can we do that? If we did secure such an arrangement, are you confident that that would facilitate the smooth transition of products between GB and NI as well? That would really help.

George Eustice: It could. The discussion on the Northern Ireland protocol is a very different one, in that that is not an export but a sale from one part of the UK to another. We are very clear about that as a principle. In those discussions, we are sensitive to the EU's concerns about its single market, but we need it to recognise that this is a trade within the EU. Liz Truss is leading those particular negotiations at the moment, and there is an SPS dimension to them.

What I would say is that, as you know, we have now introduced the need for EU exporters to GB to pre-notify the arrival of those goods through our systems. We will also be requiring them to fill out export health certificates soon and introducing phased physical checks from July. Their appetite to find a mutually acceptable solution here may well develop at that point, because, at the moment, we have not put in place checks on them.

They sell us a large number of goods and it may be that, as the dust settles after Brexit and they get over the fact that we have left, they take a more risk-based approach to this and recognise that it is in all our interests to have a bespoke set of arrangements, recognising that export health certificates will still be needed, but there could be streamlined processes that we can all put in place.

Q8 **Chair:** Do you have any chance of meeting July? We have had three or four dates for these imports to be checked, and my view is that, until we start checking imports, we are not going to get them to budge very far on getting some better export rules in place. Are you confident today that it will go ahead? I know that it is not all down to DEFRA—it is Border Force and everybody else—but are you sure that July will be the date that we will check imports?



George Eustice: Yes, we are. There are a number of reasons, as we have discussed previously on the Committee, for former delays to this. There were concerns around stresses on supply chains linked to Covid and concerns that we should not do anything that might have added to that. The decision to introduce prenotification in the new year, which is a first important step, went very smoothly. As a next step, we will be requiring export health certificates to be provided. We will have the physical facilities in place to do import checks from July.

There is an issue in Wales, where they are not going to have permanent facilities in place, but our officials are working closely with theirs to ensure that there are temporary arrangements for that trade coming in from the Irish Republic through ports like Holyhead. We have temporary arrangements for some of those ports, but at Sevington and some of those other locations, we will have the necessary checks in place. We are going to phase them in as well and not do it all in one big bang.

Q9 **Chair:** With the result of Brexit, we were hoping to export more and import less. We have got completely the opposite at the moment. When are we going to rectify that?

George Eustice: As you highlight and the report is quite honest about, last year we exported less to the European Union. Imports from the European Union were also down, so trade in both directions was down. It is also the case that we are seeing the reshoring of certain activities. It used to be the case that cut flowers from countries like Kenya used to fly in to the Netherlands and be re-bunched there and imported into the UK.

Changes to rules of origin mean that more of that business is now coming directly into the UK. There are some changes to patterns of trade, much of it caused by the fact that some of those imports passing through the European Union are now coming directly to the UK from other countries as a result of rules of origin.

Q10 **Geraint Davies:** Secretary of State, I presume we want to increase exports to the EU again. In order to reduce trade friction, would you agree that there is a case for more convergence of our standards and products? There is talk of more divergence, which, presumably, will just encourage more barriers to trade, when, ultimately, our agricultural sector wants to sell its products.

George Eustice: Without wanting to refight the debate that we all spent quite a long time fighting about in the last Parliament, you have to go back to what the public voted for, which was to take back control and to be able to make our own laws again, including in these areas.

Q11 **Geraint Davies:** Not for their own sakes, though, but for the sake of better standards.

George Eustice: The only way you could maintain a convergence with the European Union would be through some kind of mutual veto process. The United Kingdom would have to have the right to veto any EU law, and I do



not really see much prospect that the European Union would accept such an arrangement. If that cannot be done—and I do not think it is reasonable or realistic to expect either the UK or the EU to agree to that—the next approach is to recognise equivalence.

Our contention all along is that, at the moment, the laws and the SPS regulations that we have are identical in most cases, or incredibly similar, and achieve the same ends. What you should do is build a lighter-touch SPS inspection regime on both sides of the Channel, between the UK and the EU, which recognises the fact that the level of risk is very low because there is such a convergence between our different systems.

Q12 Rosie Duffield: Secretary of State, I had a meeting with one of my local fishing representatives on Friday in Whitstable. He was representing others along the east Kent coast in Herne Bay and Thanet. You were talking about the water purification and the new rules and things, but we have purification plants in Whitstable. Our oyster producers and whelk producers have their own, but if the water that they are using is contaminated because of the sewage or effluent that is going out to that bit of the sea, they have been throwing away £20,000 worth of whelks and oysters in the last few weeks. They have no financial compensation. Is there anything that your Department is looking at to help them? They are desperate.

George Eustice: Water quality is another big issue that we are looking at. We are shortly—in fact, likely tomorrow—to publish the final strategic policy statement on water, which is our instruction to Ofwat about its priorities in the next pricing round. As I have said many times before, that is going to place a big emphasis on reducing the use of storm overflows, which are one of the factors that contribute to E. coli in water courses that can then affect water quality.

More generally, we are also seeking to tackle diffuse agricultural pollution. We have doubled funding so far in catchment-sensitive farming and are keen to do more to invest in improved slurry-handling infrastructure on farms as well.

On both fronts—both with water companies and sewage works, and with diffuse agricultural pollution—we are making steps to try to improve the situation, which will then improve the standards of those waters.

Q13 Ian Byrne: Secretary of State, I wanted to ask you these questions last time, but if you remember, you were saved by the bell, because we had to go and vote.

George Eustice: I do not think that that is going to happen today.

Chair: Definitely not, Secretary of State.

Q14 Ian Byrne: We are entering an extremely difficult period at the moment for so many people, with the cost of living crisis. Just for the record, I am trying to establish—this came about from a meeting with the Minister a couple of weeks ago—who has ultimate oversight and responsibility for



tackling hunger in our communities.

George Eustice: The Government do as a whole, and we work collectively, but I can spell out the different roles of different Departments. DEFRA is the Department that is responsible for food security, including household food security, and monitoring that. We carry out surveys on an annual basis, looking at household expenditure on food, and we monitor that very closely. For the poorest 20% of households, it has been broadly stable, at around 16%, for probably the best part of 12 to 14 years. In the last few years, it dipped to under 15%, but is likely now to probably rise a little further again. That is our role.

The role of DWP is to tackle poverty in the round and to be responsible for the benefits system, ensuring that the benefits system supports those who have particular issues and challenges in their life.

Q15 **Ian Byrne:** With our call for the right to food—the campaign that we are working on—where does the buck stop? What Department do I need to speak to? When I spoke to one of the Ministers in your Department, there seemed to be a switch towards the Chancellor blocking any move forward or any ability to implement any programmes that would be part of the right to food. I am just trying to find out where the buck stops, rather than going down endless passages where I am just getting nowhere.

George Eustice: DEFRA is responsible for food supply and monitoring household spending on food. We also have direct responsibility for projects like FareShare and Government grant aid to organisations such as that. The DWP is responsible for the benefits system. As you will understand, since most things require funding, the Treasury has responsibility in this area as well, and will sometimes have a view on things, which is not remotely unusual.

Q16 **Ian Byrne:** In 2015, the UK Government signed up to Agenda 2030, an approach to delivering global goals for sustainable development both abroad and at home. Goal 2 in the document is zero hunger by 2030. Can you state for the record whether DEFRA is responsible for that implementation on home soil? If yes, what is the plan? I have looked and I cannot find it. If no, any idea, once again, who I go to?

George Eustice: In addition to the survey that we do on household spending on food—this is where the Department of Health has a role—we also, through the FSA, conduct a separate survey that looks at people's—

Q17 **Ian Byrne:** Do you have any oversight or knowledge of that agreement? Is it under your remit within DEFRA? It is a really comprehensive agreement that states zero hunger, both here and abroad. I am trying to find out who is responsible for the oversight of that. What is the plan? Your statistics differ slightly from mine. I see a map with an absolute explosion of food banks since 2010. I am trying to find out, within that agreement, who is responsible for delivering that. Is it you or another Department?



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George Eustice: Ultimately, it is the Government collectively. With some of these agreements, I am afraid it is not possible to hive it off and say that there is one Department responsible for an entire international agreement that we have signed up to.

Q18 **Ian Byrne:** Are you working on that?

George Eustice: We are working on household food security. We published a detailed report on this as part of our requirements under the Agriculture Act 2020 shortly before Christmas. Tamara, is there anything further you wanted to add?

Tamara Finkelstein: The FCDO has oversight as to a whole set of goals and would then draw the different strands from the different Departments that the Secretary of State described.

Q19 **Ian Byrne:** Number 2 is zero hunger. What Department should be focusing on that?

George Eustice: These are the sustainable development goals, and this is principally about tackling hunger overseas in developing countries.

Q20 **Ian Byrne:** It says on home soil.

George Eustice: In that sense, it is a combination of DEFRA, through the work that we do with groups like FareShare, and DWP in terms of the benefits system. I am afraid that it has always been the case that there will be crosscutting issues that affect more than one Department.

Ian Byrne: Just to finish, I will write to you to find out if there is a strategy that I can get oversight of.

Q21 **Chair:** In our report on food, we said that we considered a Minister for Food Security. You made the point here this afternoon that it is several Departments, so please consider that again.

You gave me an interesting answer to my question in DEFRA questions on Thursday, when you said that you would look again at the money or consider the situation with FareShare. I have written to you twice and had several private conversations with you. Especially when you are buying food directly from farms, I feel that it is a very good way of using taxpayers' money to provide food to those who really need it. Are you considering that again, Secretary of State?

George Eustice: I know that you have raised it a number of times with me, Chair. FareShare wrote to me regarding this and I told my officials that I would like to meet them to at least discuss their proposal and to understand what they are proposing in more detail.

Q22 **Chair:** Are you going to meet them reasonably quickly?

George Eustice: When diary allows, but I am normally impatient to get these things done.

Q23 **Chair:** Will it be early spring rather than late summer?



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George Eustice: Probably in due course, but I have made clear that I would like to meet it.

Chair: We have been discussing this for some time, so if you could, I would be most obliged.

Q24 **Dr Hudson:** While we are on food, Secretary of State, and on issues that I and we have raised with you, we identified in our report on food procurement that the current loophole in the Government buying standards is that public bodies can divert from having to purchase high-quality, high animal welfare standard food, if it is on the grounds of cost. In our questioning, it sounds like that loophole was rarely used, but as the Committee has asked in the report and as I have asked you, is there any update on the progress of potentially stopping and closing that loophole, so that we can uphold the same high standards in our domestic food purchasing as we are trying to do in our international deals as well?

George Eustice: Outside the European Union, procurement is an issue that we can look at again to see if we can improve the way we approach this. In the past, there has been too much of an obsession with process and too much fear of litigation in these areas, because it was an EU procurement regime that we existed under. In the usual way, everybody was very worried about litigation risks and infraction risks, so we have a chance now to do something differently. I know it is something that Michael Gove is looking at as well as part of the levelling up agenda.

What I can say is that we have had a number of improvements on this. We introduced what we called the balanced scorecard that superseded the Government buying standard in around 2014. In around 2017, we made it a requirement of Crown Commercial that all Government contracts using Crown Commercial had to pursue that and follow that. That required them to take a more balanced approach and not just to look at price.

You are right that the Government buying standard has always had this "get out of jail" card that enables them to consider price, and we might not want to remove that altogether, but if we can find ways of strengthening the presumption of buying British and buying produce from local communities, I am certainly keen to do that. As I have said when you have raised this question with me on the Floor of the House, it is something that we are exploring.

Q25 **Dr Hudson:** In follow-up to Ian's comments, this is an issue that goes across Departments. In our line of questioning, it is the MoD that has occasionally used this loophole on the continent. If we can get clarity across Government to close the loophole, that would surely be much better for local producers but also for animal welfare standards in the UK.

George Eustice: That is absolutely right. The big purchasers in terms of direct Government Departments are the MoD and the MoJ, with the prisons estate. To be fair, they have worked quite closely with us and adopted that. You then have other public sector organisations like hospitals, through to trusts and schools, which are now, in many cases, slightly more



independent. Nevertheless, we do as much as we can to encourage them to adopt the same approach.

Q26 **Chair:** Just before we leave this one, Secretary of State, we have taken evidence from Bath and North East Somerset when it had its food hub, which brought producers together. It saved 6% on public procurement, and yet we cannot get these food hubs rolled out across the country. Every time we ask for funding, we get pushed to DEFRA, to DWP and all over the place. When are we going to take this seriously? It is in our party's manifesto, and yet we are not delivering on it. I would have thought that this is a really good win, both politically and also in terms of more local food, fewer miles and better standards.

George Eustice: We launched a digital marketplace three or four years ago as part of the work we were doing on the local—

Q27 **Chair:** It has stalled. It has just run out of money.

George Eustice: Sadly, it did not really get sufficient engagement from smaller businesses in the way that we had hoped. The idea was that it would be a portal for smaller suppliers to be able to get involved, and it just really did not get the uptake. We are looking at the moment at whether we should replace that with a similar concept but maybe try to make it simpler or, alternatively, to just hardwire into contracts much more that they need to engage local suppliers, so that, for the bigger suppliers—the Compasses and Bookers of this world—to be able to access Government contracts, they have to demonstrate their engagement with the rest of the supply chain. There is more than one way to get access for smaller suppliers, and we are weighing up the pros and cons of each.

Q28 **Chair:** I understand that, but the whole idea of this food hub was precisely that. That is what they were doing and they were very successful at it. It just seems a shame that we never seem to quite roll it out. We almost get there and we do not. Can you again look at it, please?

George Eustice: I will. I always look at what you ask us to look at, Chair.

Chair: Yes, but do not say no afterwards. Say yes, Secretary of State.

George Eustice: It is very easy to say that you will look at something.

Chair: Yes, exactly. I do realise that, Secretary of State. It is not lost on me.

Q29 **Geraint Davies:** Some research last year showed that the least well-off 10% of people had to spend 74% of their disposable income after housing costs to have a nutritious diet, according to the Eatwell Guide. The top 10% had to spend only a small percentage. Since then, we are now seeing higher inflation, national insurance up and cuts in universal credit. What plan do the Government have to stop the number of people in food insecurity and hunger on a daily basis rising from about 6.6 million who we found to maybe 10 million by the middle of this year? What is the plan?



George Eustice: The issue of household food security is a complex one, but it is important to recognise that it is not the case that people cannot afford food because food is too expensive. It is simply the case that it is a daily requirement. People need to eat on a daily basis and have to, therefore, shop on a weekly basis or more frequently than that. If they have financial pressure in their life, maybe because they have struggled to afford their council tax, or their rent or energy bills have gone up, the first thing that presents itself is a struggle to put food on the table.

You have to disentangle the inability that is definitely there in some households to buy food from the fact of whether that is because food is too expensive or because there are other financial pressures in their life. We have to recognise that it is generally the latter. If you look at the poorest 20% of households, UK household spending on food is the lowest in Europe, which shows that we have competitive food prices.

On the issue that you raise that some families, undoubtedly, struggle financially at the moment, we have to look at the causes of that. That is why colleagues in BEIS are looking at energy costs, which are a big contributor at the moment. It is why we have to be constantly mindful of things like council tax, which can contribute to that, and also housing costs through rent. Those are the big-ticket items that cause household-level poverty.

Q30 **Geraint Davies:** The Trussell Trust tells me that three out of four people referred to their food banks are disabled. Is there something that you can do about that in terms of talking with the DWP to ensure that people in the worst conditions and who also have disabilities are not starving in Britain today, increasingly, because of inflation, of course?

George Eustice: On disability benefits specifically, Thérèse Coffey would be the right person to talk to if you wanted to look at and explore that in depth. There have been issues in the past, for instance, in terms of universal credit, when it initially went to a monthly payment. I know that that caused some issues, and we are all aware of that as MPs. The Government moved to try to make sure that people could get advance payments to tackle that particular challenge.

We have a disability benefits system that supports people with disability and often tries to support them into work, which is a good thing. As I said, that is probably drifting a little beyond DEFRA's responsibilities.

Chair: If you could raise that in Cabinet, whenever you have an opportunity, that would be useful.

Q31 **Robbie Moore:** In a slight change of topic, we will now cover flooding. I am just wondering what your view is. Several stakeholders, including the NAO and this Committee, have called for a better way to measure national flooding resilience and the impact that investment in flooding defence is having.

We looked back to what the NAO said, which is that the measures in place



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at the moment fail to take into account the wider benefits and do not factor in properties that have become less well protected over time due to housing development, climate change or the deterioration in condition of flood defence assets. Does the policy statement announced in June 2020 address the NAO's, this Committee's and other key stakeholders' concerns enough?

George Eustice: There are a number of issues that I have been looking at on the way we allocate flood spending. The first thing to note is that it is a big increase in the capital programme to £5.2 billion in this current financial period. That is a big increase in the size of the programme.

The general approach that we have taken, particularly working with the Treasury on this to make sure that we maximise the benefit from the money that we spend, is to focus on the number of homes protected. The objective is to better protect around 336,000 homes.

Within that, there is something else that we have been looking at, which we will be giving more detail on shortly, and that is what I call the frequently flooded communities. There are some communities where maybe a flood scheme would not protect a huge number of homes. Nevertheless, those homes suffer flooding every other year. In some cases, it is an annual event.

In those frequently flooded communities, the demoralisation of getting the insurance in, getting your home back together and then having it all happen again two years down the line is, in my view, a big issue. We are about to introduce a ringfenced amount to deal with some of these frequently flooded communities that otherwise might not pass the cost-benefit analysis approach on the old measure. We are trying, as we move through the programme, to consider that.

The second big area that we need to look at is improving river defences. A lot of work has been done over the last 10 years with demountable defences and so on. You get a flood event, it contains the river and everything seems to be okay, but you can sometimes still get flooding. That is often because the street and surface drainage are not up to spec, and water will back up through the drains and literally flood the streets.

The other thing that we need to start turning our attention to as we deal with flood risk around riverbanks is how we deal with some of these other consequential problems around street drainage. In my view, there has been a tendency over the last 10 years for everybody to be signposting the problem to someone else, in that water companies that are responsible for the drains say that it is a local authority thing because it is the streets, and the local authority might say that floods are the Environment Agency. We need to try to work out how we tackle this challenge of street drainage.

Q32 **Robbie Moore:** On that very point, take Ilkley in my constituency. We are right on the periphery of West Yorkshire. North Yorkshire is on the other side of the river. You are dealing with two different local authorities. The Environment Agency is involved, as well as different landowners and key



stakeholders. What are the plans going forward in terms of making sure that, when schemes and modelling are put in place, there is value for money driven to the taxpayer through soft structures that are put in place, alongside making sure that all stakeholders and Government Departments are taken into account with that?

George Eustice: It is important to stress that, when we design these schemes—sometimes they are complicated and can straddle several authorities, particularly if you do something significant upstream that could affect a number of local authorities on that catchment—the Environment Agency holds the ring and leads the process. When you start playing with the hydrology of a water catchment and a river, you have to be careful that you do not do something in one place that just displaces the issue somewhere else. We always have to be mindful that, if we put in place a defence in one area, you can, if you are not careful, cause a flood further down the river on somebody else.

The only way to guard against that is to have an authority like the Environment Agency, with technical hydrologists whose job it is to really understand these things, to do the modelling and then have a holistic scheme, for them to then bring onboard the partners, and then to try to get local authorities to contribute financially to the overall costs of the project through partnership funding, so that you can get a coherent scheme that is right for everybody on that catchment, even though you may need to engage a number of different authorities.

Q33 **Robbie Moore:** Are you reassured enough that the model that is done at the moment and the key indicators take into account changes within the hydrology or topography or whatever other impacts there would be within that watercourse, such as a new housing development? One of the common themes that we are always told about is that, when a new housing development is built, not all of the sewage system or water runoff is upgraded enough. Do you feel that, at the moment, enough is being done to take into account the changing nature of influencing factors within the modelling?

George Eustice: Broadly, yes, in that, when I have conversations with the Environment Agency and say things like, “Why is this taking so long? MPs want this project built. Why does it take several years? Why do you have to study this?” the answer is always, “It is not that simple”. When I have probed into it, indeed it is not that simple. There are all sorts of different hydrological challenges that you have to work through, and sometimes communities that you have to carry with you when you do these things.

By and large, yes, that is all taken into account, with one exception, which is that we need to look at strengthening the role and the advice of the Environment Agency on new planning applications, so that, if the advice is against a particular development because it creates a flood risk or adds to one, there should be a stronger presumption that that decision cannot be ignored. If it is, there should be a stronger presumption that there is a Secretary of State call-in, because what has sometimes happened is that



maybe local authorities or even the Planning Inspectorate have brushed aside concerns when they should not have done.

Tamara Finkelstein: As an addition to the response to the NAO criticisms that you set out at the beginning, we published the investment plan in July, which set out a very comprehensive set of KPIs that very much responded to the concern from the NAO that homes protected was not an adequate measure. That includes progress against the 11% commitment to a reduction in flood risk and different ways in which we can do that. Another thing that it raised was a more strengthened oversight from the Department around progress. We have responded to some of the things that you mentioned from the NAO.

Q34 **Robbie Moore:** On a slightly separate point, Storm Arwen hit the north-east, Northumberland, Yorkshire and Cumbria, going up into Scotland, very hard. There was a definite feeling on the ground—I am saying this as a Yorkshire MP—that the response was not quick enough and a feeling of still being forgotten about, given that there are hundreds and hundreds of hectares of forestry that are completely flattened and now have no value attached to them, and miles upon miles of stock fencing completely obliterated.

At this moment in time, what lessons are there to be learned for DEFRA? Do you feel that the response was quick enough, not only to deal with getting people back on in terms of electricity connection but also dealing with the huge aftermath of Storm Arwen that still exists? Of course, we have had several storms on the back of that.

George Eustice: There is a division of responsibility here within Government, but we work closely together. Where you have a storm and the principal impact of it is electricity supply—electric lines that are down and lots of trees that have fallen down—that is something that BEIS leads on. On Storm Arwen, it was the Department that had lead responsibility. I know that it would have been working with the electricity providers to deal with that particular incident, which was of a huge scale, as you say.

Where there is a storm that is principally a flood incident, DEFRA and the Environment Agency lead on that. Because of the sad frequency of flooding, we have quite a well-tested and experienced flood response team who almost on an annual basis has to spring into action. We have a team of people in our flood response centre in Bristol who lead on this, and they have become pretty good at doing it and standing up a national flood response team.

There were some criticisms of that, and I know that BEIS will be looking at whether there should be a similar kind of approach to what we have on floods that can be stood up quite quickly. In terms of our responsibility, Victoria Prentis visited. Some of the issues in the aftermath are longer-term and not really pertinent to the immediate crisis, which was principally around electricity supply.



Q35 **Mrs Murray:** Secretary of State, I want to ask about the flexibility of funding for flood schemes by the Environment Agency. It has been very rigid in the past, when they were not able to fund a project until it had got to the stage that it was going to be put into place. You can often find that schemes have found the finance to get it to a certain stage, and then there is a tiny amount of money needed to move the scheme onwards. You know the scheme that I am talking about in particular, which is in Looe, in my constituency. We have discussed it lots of times, but I am sure that there are others around the coast that are in a similar situation.

Would the frequently flooded communities scheme that you mentioned enable Government to assist with, say, the funding of the design phase of a scheme to move it forward? Is that what you intend to do? Looe is the most frequently flooded town in the country, and I wonder whether this might be an opportunity for places like Looe and others to see their schemes brought forward.

George Eustice: I know that we have discussed Looe and that Cornwall Council was seeking a piece of work to do the next stage of that. It is already the case that the Environment Agency will provide funding to do the initial work on scheme designs and so on. It is not the case that it will need all the funding in place before it will do early seedcorn funding to identify what a scheme design should be.

It is often the case that, once it has a fully designed scheme, knows the total cost of it and is able to assess the benefit of it, it has to say to local authorities, "We can go only so far on this to be consistent and fair across the country, so we are going to need to have a contribution from you to get it over the line". That conversation does happen quite often, depending on the cost-benefit ratio of the scheme.

Q36 **Mrs Murray:** So we can see perhaps more schemes coming forward with increased flexibility for the Environment Agency in the future.

George Eustice: The intention behind the approach that we are taking on frequently flooded communities is to create a ringfenced fund to help communities that otherwise might be told that there is no business case for their scheme, but who nevertheless suffer repeated frequent flooding and, therefore, are in a special category.

Mrs Murray: So it is quite positive news, really.

George Eustice: It is very positive news and it has been long overdue. I do not think that you can have a scheme design that just looks literally at homes better protected based on whether they would be potentially flooded in a 100-year timescale, when many homes are flooded much more frequently than that, and often flooded every other year.

Q37 **Dr Hudson:** My question is a follow-up to Ian's point about cross-Government working and Robbie's point about responses to major events like storms. I am sure that we will be touching on this in our mental health inquiry into the impacts on rural communities when they have these



episodes. One of the lessons that we learned from foot-and-mouth and from flooding is the importance of getting in the armed forces early. I know that from first-hand experience in foot-and-mouth, working alongside the army in terms of disease control. Is there some mechanism whereby we can get cross-Government agreement?

I take on board your comments, George, that BEIS has the responsibility for power, but calling in the armed forces early in these traumatic episodes—whether it is storms, flooding or a major disease outbreak and culling, etc—is something that all inquiries say is important. Again, with Storm Arwen, we were pushing to get the army in early and it was slow. Is there something across Government that can do that and press the button to say, “Yes, the armed forces know what to do. They have the logistics. Let us deploy them”?

George Eustice: I would argue that that is in place through, as you know, what is called MACA, which is military aid to civil authorities. We have a permanent wing of the army that is on standby at all times. When we had the floods in 2020, we called on military assistance, which was given immediately when it was required. I have never had any complaints of the MoD and its speed of response on this once a call has gone in. Once a call is lodged, the response is very quick, and we have the MACA process that ensures that that can happen.

Chair: Neil’s question is whether you are quick enough on the draw.

Q38 **Dr Hudson:** Yes, the call should go in earlier. We know that the armed forces are there, they are brilliant in how they respond and they have all the capability and the logistics. It is just that we need to call for them more quickly.

George Eustice: DEFRA has called on them. The one time I have had to call on them, I called on them quickly and they arrived quickly.

Q39 **Dr Hudson:** Again, it needs to be cross-Government though.

George Eustice: There may well be times when people judge that it is not necessary. We do not do it unless it is necessary, otherwise the army is called on when it should not be and is overused. There is a threshold you should cross before you need to call on them, but certainly, when we have needed to, they have been there.

Q40 **Julian Sturdy:** Secretary of State, I wanted to touch on the comment you made about strengthening the advice of the Environment Agency over planning applications, which I would fully support. I have two quick questions: does the Environment Agency currently have the capacity to cope with that, if that came forward? Secondly, what conversations have you had with the Secretary of State for Housing and Communities on this matter?

George Eustice: The first answer is yes, it does have capacity and is already a statutory consultee on developments and will give an opinion. By and large, that opinion is followed; it is in around 95% of cases. The



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problem is that, in around 5% of cases, it is not, and either the Planning Inspectorate or a local planning authority will look at the advice from the Environment Agency and choose to set it aside or make their own decisions about how they can mitigate that risk.

The point that I have made is that, when that happens, there should be a presumption in favour of a Secretary of State call-in. I discussed that with Robert Jenrick; I have not yet had a chance to discuss the specific proposal with Michael Gove, but I intend to. The Department and Robert Jenrick had previously signalled that they were content to explore this and publicly said that they were keen to explore something like this.

Q41 Chair: It is just the case that the Environment Agency makes a recommendation about the application, but it can be overruled by the local authority. That is the bit where it needs to be strengthened, otherwise you get more houses in flood areas than we should. Around York, there is a lot of pressure on the Ouse, because I have been there to see it.

George Eustice: The proposal that we have been developing was not to say that there may not be cases where you would want to weigh up its advice but choose not to follow it. What I am saying is that, if that were to happen, there should be a Secretary of State who takes that decision on their own shoulders, not a planning inspector.

Q42 Geraint Davies: Secretary of State, your annual report shows that the current strategies in place for combating air pollution are not sufficient to deliver your long-term targets. What other policies do you have up your sleeve? I am particularly thinking of whether any thought has been given to urban wood burning, for example, and maybe giving local authorities more powers or restricting the sale of those. The BEIS strategy is to double incineration by 2030, and these incinerators will be in urban environments with risks around ultrafine particulates. What else are you going to do, other than what is in the strategy, to improve urban air quality?

George Eustice: There are a number of clean air zone projects in some of our urban centres to try to restrict certain types of vehicles or require them to be fitted with mitigating equipment to reduce their impacts. That will continue to be a big part of the approach that local authorities lead on, in close co-operation with DfT and DEFRA.

We will be setting, as we have outlined, two key targets under the Environment Act, one of which will be a population exposure target, so that we look at reducing the exposure of the population, where you have a density of population, to PM2.5. The other will be an absolute concentration target.

It is a complex area because a lot of the PM2.5 that we have is diffuse background PM2.5. Some of it is linked to agriculture and industrial emissions from the continent. Quite a bit of background PM2.5 can come over when the weather conditions are conducive to that. In terms of the policies that are within our control, it is through best available techniques,



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as we describe them, under our existing law to try to reduce industrial emissions, so we will be continuing to do that. In fact, we are in the process of updating that so-called best available technique document.

Wood burning is something that we have already looked at in terms of banning the sale of wet wood, which can be a key contributor to PM2.5. The further down the list you go, it gets harder. You start to get into restaurants that have extractor fans and the type of filtration that they might have. You can get into discussions even around barbecues, which most people would regard as probably a step too far. It is quite problematic, and a lot of the background is outside our control.

The unknown thing at the moment is how far switching from diesel and petrol to electric vehicles will get us. There is scepticism. Some say that just wear and tear on the roads and the fact that these vehicles are heavier means that the gains may be less than some people hope, but it is slightly unknown at the moment.

Q43 Geraint Davies: But you can differentiate between localised anthropogenic, human-made burning and background noise, if I can put it that way, from Europe. I am in Swansea. Sea air has salt in it that you can measure as PM2.5, but it is not harmful. What thinking is being done on reducing the overall amount of harmful PM2.5? Are you still minded to introduce targets in line with the World Health Organization by the end of this year?

George Eustice: Mr Davies, I know that you have raised this with me previously. My personal view is that there is a powerful case. There is probably PM2.5 that might be riskier. Intuitively, it must be the case that natural sea salt would be less harmful to health than, say, toxic metals that have come out of an engine. I have asked this question of our air quality expert group and asked them to look at this in more detail. The advice that I keep getting at the moment is that there are evidence gaps and that we are not in a position, anywhere in the world, to be able to distinguish between the two. That is why the World Health Organization looks at PM2.5 in a very generic sense.

It is an area where we are not in a position to be able to differentiate yet, but instinctively you are absolutely right on this that we should be trying to identify where there might be types of PM2.5 that are more toxic and more harmful to health than others, and supporting the science to understand that better, because that can then guide the policy response to the challenge.

Q44 Geraint Davies: Despite these difficulties, which I accept, are you still intending to introduce World Health Organization air quality standards? This Committee was suggesting 10 micrograms per cubic metre, but I appreciate that WHO has now gone down to 5 micrograms. The lower the better, but there needs to be a cap to drive activity by local and central Government and others in order to achieve that, otherwise it will not happen, will it?



George Eustice: The question is whether we should set a target that is exactly what the World Health Organization says. The problem is that, as we have just discovered, it has just moved the target down to something that would probably be simply unachievable in many of our areas. The target of 10 might be achievable in some areas within a certain timeframe.

This was debated at great length during the passage of the Environment Act 2021. We are considering all of the technical detail of this and will be going to consultation soon on targets in this area. I cannot announce to you today what that will be, because we have not yet finally agreed it. It is challenging and difficult, but we are looking at and taking into account what the World Health Organization has said.

Q45 **Geraint Davies:** Finally, shifting to plastics, similar to climate change and what we have talked about on air quality, are you minded to consult on overall targets for plastic consumption and production—particularly but not limited to single-use plastics—in the round of consultation you are doing on air-quality targets, for instance, so that we can have a target for Britain and then gradually add strategies to reduce the amount of plastic that we needlessly produce?

George Eustice: In our targets framework, as well as air quality, there is a separate area of targets on waste and resource efficiency. We will be looking at issues there that may include single-use plastics or look more broadly at resources. The principal policy tool that we have for delivering progress in that area is through the extended producer responsibility, which is also in the Environment Act and which we are taking forward.

Q46 **Geraint Davies:** Will there be a target?

George Eustice: There will be at least one target on waste and resources.

Q47 **Geraint Davies:** Will the aggregate amount of plastic pollution be measured and targeted, so that we can then focus on reducing that?

George Eustice: For a similar reason, I am going to be very honest and say that I am not in a position to tell you what would be in it, for the simple reason that we are in the process of discussing these things across Government, having done a lot of quite detailed technical analysis. There will be at least one target, and possibly more, on waste and resources.

Chair: Geraint, we are going to have an opportunity, when we finish our plastics report, to go in.

George Eustice: It is a fair question, but I will be honest and say that I do not have an answer yet.

Q48 **Chair:** I am very interested in salt air. We are an island nation, so we have salt air blowing in all the way round. Surely, there is an argument that, if we cannot look at the difference between a pollutant in salt air and non-salt air, we are always going to be at a disadvantage in meeting the targets. There would be a real advantage to trying to find a scientific difference between the two.



George Eustice: I very much agree. It is an area that I have asked our chief scientific adviser to explore further, to see if there is research in this area that we can do. I have debated this issue at some length with our policy officials. We have asked the air quality advisory group to look at it. Its advice at the moment is that it simply does not have sufficient evidence, one way or the other, to be able to ascertain the extent to which there could be a different impact from different types of PM2.5, but it is something that, maybe in 10 or 15 years' time, people will have a better understanding of. At that point, we would want to refine the type of targets that we have for these things.

Chair: A little sooner might be better.

Geraint Davies: We might all be dead by then.

Q49 **Ian Byrne:** DEFRA is the lead Department for domestic climate adaptation. There was little evidence of work on adaptation in your annual report. How effectively is DEFRA managing its domestic adaptation responsibilities?

George Eustice: As the Committee will know, we now have, because of the sheer volume of workload within DEFRA, an additional Minister. Jo Churchill has joined the ministerial team in the last few months. One of the key tasks that she is taking on is all of the work on net zero for the Department, as well as climate change mitigation. She is putting in a lot of time talking to other Government Departments, whether it is Transport—to consider the potential impacts on railways—whether it is DLUHC—to look at things like building regulations and new housing—or whether it is BEIS for things like energy infrastructure. It is an area that we are looking at.

The Climate Change Committee has said that, broadly, on flood risk and mitigation, we are doing well and that area is addressed. In its most recent report on climate change adaptation and mitigation, it highlighted that there could be other areas such as building where we ought to be putting more attention, so we have responded to that.

Q50 **Ian Byrne:** So you have extra capacity in now.

George Eustice: We have an additional Minister, and a key part of her function is looking at that area.

Tamara Finkelstein: In terms of the work across Government, we have also put in place various bits of governance, like the cross-Government group on adaptation. The Cabinet Committee on Climate Change is doing a lot more on adaptation this year. A lot of the work in the run-up to COP26 was around mitigation, so a lot more of the Committee's focus will be on adaptation.

Q51 **Ian Byrne:** What will be your top three priorities for the 2022 national adaptation programme?

George Eustice: I do not know if I can name three. I am going to ask Tamara.



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Chair: Come on, Secretary of State. I am sure you can name some.

George Eustice: Flood risk remains the number one, because we know that we are going to get more frequent and heavier rainfall. The impact of that on water quality and on flood risk is considerable. Beyond that, there is something around building regulations in terms of new development and whether more consideration should be given there. The final one is probably around transport. If I had to name three, I would probably highlight those.

Tamara Finkelstein: There were some others that we picked up from the Climate Change Committee report on biodiversity, carbon stores and wider effects on soil health. A range of things that we have accepted from it will form part of the plan.

Chair: We will look forward to your top three priorities next time you come in, Secretary of State.

Q52 **Rosie Duffield:** In 2021, DEFRA missed its annual peatland restoration target by about 25%. What work are the Department and you doing to improve your performance and meet the target for future years?

George Eustice: A lot of this was down to Covid and people isolating because they were affected or off work, or had family who were affected. That was a setback.

In terms of what we are doing going forward and facing the future, which is the most important thing, we have made funding available through the nature for climate fund to support peatland restoration. That is a big focus of ours at the moment. Natural England is working on this with landowners. We have announced the landscape recovery scheme, which is the third component of our agriculture policy, and some of that will also be used over the medium term to support peatland restoration. We have schemes there, principally through countryside stewardship, to support that peatland restoration.

Q53 **Rosie Duffield:** Is it quite easy for landowners and farmers to access those? Do they know about them? Have you been advertising that widely?

George Eustice: Some of these will be higher-tier schemes of countryside stewardship or, in some cases, the legacy HLS scheme. The answer is yes. These landscapes—and particularly blanket bog—are quite distinct. They are often in the control of some of the larger landowners, and Natural England has people on the ground who work quite constructively, generally, with them to encourage and support them going into schemes. They are often some of the largest schemes that we have, because you are dealing with some of the larger landowners.

Q54 **Chair:** Secretary of State, as you are well aware, South West Water has a scheme on Exmoor where it has rewetted a lot of peatland. They hold the water in the winter and draw it off in the summer, which has saved it having another reservoir. To what extent can DEFRA, the water companies and



others work on this together? It does not always need to be Government money that is going in. It could be water company money and they could be saving money on building a new reservoir, as well as the environmental benefits.

George Eustice: That is a very good point. I visited the Mires project in Exmoor about five years ago. It is really quite interesting because of the work that it did to remove or block up the drains. In terms of benefits, it reduced peak waterflows in the winter, because the landscape held water back and you did not have gullies of water going into the rivers. In summer, it helped with drought risk, in that it gradually released water. In addition, it was a carbon store and helped the natural habitat.

It is a good project. As part of our work on future farming, we are looking very closely at this issue of what we call blended finance, where you could have projects that might be part-funded through the landscape recovery scheme but might have stacked on top of that payments from a water company to really make it worth the while of a landowner. You might work with water companies and offer some matched funding in order to get certain projects over the line that are good for water quality as well as for the environment.

This concept of blended finance is something that we are very keen to develop. It is also the case that, even moving beyond a regulated monopoly like a water company, there may also be ways we can get other private green finance brought to bear in this space.

Chair: Like carbon credits, for instance.

George Eustice: Absolutely, yes. We are looking at all of these things.

Q55 **Chair:** You are looking not to rule out one or the other but to try to work alongside payments that may come from the City of London.

George Eustice: Yes. The term often used in this area—and it is moving very quickly—is “blended finance”, where you could have some Government money that supports something but attracts a certain degree of match funding from the private sector as well. Some of it could be offsetting credits, for instance. Some of it could be money that a regulated monopoly like a water company is required to spend.

Chair: Neil, I have not stolen your question, so over to you. It is no good to say that I have.

Q56 **Dr Hudson:** I would not accuse you of doing such a thing, Mr Chairman. Secretary of State and Tamara, I wanted to move on to the environmental land management schemes now. Talking to farmers and land managers in my constituency in Cumbria, there is still a lot of anxiety and worry about the new schemes and how they are going to work. Tamara, I would like to put on my record thanks to Janet Hughes and her excellent team in terms of the outreach they are doing in terms of communicating this.

That said, there is still a bit of a discrepancy. You will be well aware that



the Public Accounts Committee concluded that the Department had not done enough yet to gain farmers' trust in terms of successfully delivering the programme, and that the Department should review its communications strategy. With that in mind, why is there still this anxiety and worry in the farming and land management communities in understanding the schemes? They have a fear that they may not work.

George Eustice: You have to untangle a natural apprehension about change. Sometimes when people say, "We do not have enough detail", what they really mean is that they would rather just have an area-based subsidy and not have to see change. Conceptually, an area-based subsidy makes no sense. In terms of moving to a system where we pay farmers for the work that we want them to do, without begrudging them a margin, rather than having a subsidy that has loads of strings attached, the direction of travel that we are in is right.

There is then a second, separate issue, which is around communicating directly with farmers. It is probably fair to say that, if we relied only on announcements and speeches that I have given and documents that we have put on the DEFRA website, there will be a lot of farmers who just will not engage with that. Now that we are in a year when we are going to be announcing and opening certain schemes—most importantly, the sustainable farming scheme, as well as the voluntary exit scheme and a number of productivity schemes—what we are planning to do is direct communication to the 80,000 farmers who we know are going to engage in the scheme and are already claiming BPS. We have their contact details and can contact them directly through the RPA.

What I am keen to do is to start communicating by letter, through the post in the old-fashioned way, or by email, directly with those farmers to spell out exactly what the schemes are and how they can apply for them. This year, they will be able to apply for the animal health pathway and the annual vet visit—something that I know, Mr Hudson, you have been very keen to promote and very supportive of. Probably few farmers realise that that is going to be an option, but it is quite an important thing that we want them to take up if they are in the livestock sector.

Q57 **Dr Hudson:** Thank you; that is very helpful. I am a passionate believer that you can produce food locally and sustainably whilst, in parallel, looking after the environment, but there is the fear—perhaps it is the fear of change and of the unknown—that some producers will move to much more intensive ways of producing things, because they fear that the payments that they are going to be given are not sufficient to encourage them to do food production as well as look after the environment. What steps are you taking to make sure that the payment rates are high enough so that farmers can both produce food and look after the environment? If the payments are not high enough, they are not going to engage in that.

George Eustice: I would turn it around and say that that is something that Government should be worried about. We are setting ourselves ambitious, legally binding targets under the Environment Act, including a



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target for species abundance by 2030 and to halt the decline of nature by 2030. We will have targets on improving water quality. We will not hit those targets unless we get change across the whole farm landscape and unless we have a large number of farmers going into those schemes.

They might worry that they will not get enough money, but it is a bigger worry for Government, because we will not hit our targets unless we get the uptake necessary. The way we get the uptake necessary is by making the payment rates generous enough such that it becomes a no-brainer for farmers to take part. That is what we are trying to do with the sustainable farming incentive, by making sure that these are simple interventions around good soil husbandry, which a lot of farmers are already doing and which we want everybody else to do as well. We want it to be a no-brainer for them to take part in those schemes.

If they do not think that the SFI quite works for them, we have also increased the payment rates in countryside stewardship by 30% on average, which is sending a very clear signal to farmers that, yes, we are winding down this legacy subsidy based on how much land you own but which is not conceptually defensible in the long term, but that we are going to pay them properly for the things we are asking them to do. Some 40,000 farmers are already part of countryside stewardship and already engaged, so we are halfway there. We hope that, by sending that very clear signal with a 30% increase in payment rates, the remainder will also engage with the schemes.

Q58 **Dr Hudson:** Can I just press you on that point? You said one scheme is being wound down. Can you assure rural stakeholders that a) it is encouraging that the levels of payment will be high enough, but b) that, as the payments are scaled down and the other scheme is phased in, there will not be any cliff edge for any of the stakeholders? Something that people are reporting to us is that they are worried that there is going to be a sudden cliff edge with their funding system. Can you give us some assurance?

George Eustice: To avoid the cliff edge, we have adopted a seven-year agricultural transition plan. We are on that journey. We are reducing BPS payments by 15% this year. People cannot have it both ways. I am sometimes told, "It is too piecemeal. We want to know now. We want to be able to fully engage in new schemes now". The only way that we could do that is to cut BPS more quickly than we already are, and they do not really want that either.

On balance, this is a gradual journey, where people can see a seven-year transition and the direction of travel where the BPS payment will eventually go, but as each reduction is made, there is new headroom and new schemes that are open to farmers to join, should they want to, and that are generous enough to make it attractive for them to join. That is the journey that we are on. We will not necessarily get it perfect, but this iterative approach, where we can tweak and change things each year,



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rather than have a big-bang revolution that goes wrong, is the way to do it.

Q59 Dr Hudson: I am encouraged that you say that it is an iterative approach and that you will adapt and respond. I have a final point in terms of assurances. Our Committee report on ELM highlighted key stakeholders who were very concerned—people on smallholdings, hill farmers, small tenant farmers, and people who farm common land. Can you give assurances to those particular stakeholders that this scheme can work for them and that, if they engage with the programme, it is going to be worth their while and we can move forward together? There is some anxiety in those particular stakeholders.

George Eustice: Yes. I recognise some of that anxiety, and it is a good point. The sustainable farming incentive is readily accessible to tenant farmers. Some of the schemes that are about longer-term land use change might be harder to do without the landowner involved. I recognise that challenge and have asked Baroness Rock to lead a review on the tenanted sector and its ability to access the schemes or to benefit from them, because it may not need to directly access them to benefit from them. That review is under way and has been welcomed by the Tenant Farmers Association.

Other criticisms are less justified. In the uplands, it is quite easy to see how an upland area would be able to engage quite extensively with an agri-environment scheme and for that to be an important part of their model, while still being able to farm. A more generous agri-environment scheme is something that I can see upland areas being able to benefit from more than perhaps they seem to fear at the moment.

Some of the anxiety comes from the fact that we made a very modest first step on a moorland scheme, which was literally a tiny payment for them to engage and collect some data. This was wrongly caricatured as being “no money for the moorlands again”, which is not what the situation is. It is just that we needed a bit more time to try to design a scheme for them.

Q60 Chair: Before we leave this one, Secretary of State, the first SFI payment is £20 a hectare. You want to get more farmers to engage. A lot of farmers may already be engaging in it, but do you think that £20 a hectare is going to get those who are not to do it? You talk about having generous enough payments. By 2024, they will have lost £110 a hectare in basic farm payment, with, as far as I can see, very little to replace it. How are you encouraging them with this carrot? Your carrot, dare I say, is quite small, without being too personal.

George Eustice: At the moment, every penny that is produced from BPS is being made available for other schemes. If you look at an individual farmer this year, what is the situation for them? They lose £15 an acre in BPS. They can gain more than you say. The rates are between about £25 and £50 a hectare under the sustainable farming incentive.



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Q61 **Chair:** These lead us to 2024, so it is no good quoting the figures that are happening today. It is what we will get to. Next year, it is going to be 20%, and then 35% and 50%, so it is not going to be long before substantial money is lost. Farmers have woken up to this, and I just do not think that there is enough there to get farmers interested in the new system. Are you not worried about that?

George Eustice: In this first year, farmers who engage in the sustainable farming incentive—which, at its simplest, is around soil nutrient and carbon analysis and, on the more complex levels, a bit more emphasis on green cover crops, which a lot of farmers do anyway—will be able to recoup all of the money that they have lost through BPS. Farmers who are already in countryside stewardship—and that is 40,000 of them, nearly half—will already see their countryside stewardship payment rates rise by, on average, 30%, depending on the types of intervention that they are involved with. That will largely offset what they lose through BPS.

Next year, there will be a further BPS reduction—

Chair: And the following year.

George Eustice: Yes, but it will then be open to them to go to the higher tier of ambition on soils or to enter a hedgerow scheme or an integrated pest management scheme. Through this journey, as we gradually wind down the BPS payment, we will be opening new modules and new instalments of the sustainable farming incentive, and increasing, as I already said, the payment rate in countryside stewardship, which they can engage in if they want more ambition. The local nature recovery scheme will come after that. As we wind down the BPS, there will be additional modules of the new scheme.

Q62 **Chair:** As you take away the basic farm payment and introduce these new schemes, are you going to do an impact assessment every year to work out where the farmers are?

George Eustice: We are monitoring farm incomes very closely.

Q63 **Chair:** Is that a yes or is that, “We might think about doing it”?

George Eustice: It is a yes.

Q64 **Chair:** Otherwise, farmers will not have the confidence to join the new schemes or will not choose to use them if they are too complicated and there is not enough money there.

George Eustice: There is never a good time to embark on a reform, but at the moment, the most recent data that we have shows that gross margins in the arable sector are up considerably, by about 30% per hectare, more than offsetting what is going to be lost.

Q65 **Chair:** Because wheat is trading at £220 a tonne, Secretary of State, but you cannot guarantee that to last for many years, can you?



George Eustice: You can never guarantee anything, but we know that those increased margins per hectare, pretty much across the board, mean that it is a good time to embark on change. Unlike the previous schemes, there will be a profit margin in those that we are going to come forward with. It is not going to be on the basis of income forgone.

Chair: I watch this space, but we do need more impact assessments than we get.

Q66 **Mrs Murray:** Secretary of State, I wonder if you can answer this question for me. In 2021-22, the Department paid, I believe, £22 million in fines for incorrect CAP payments. I welcome—and I am sure a lot of other farmers do too—the fact that we are not going to be thrust into these dreadful CAP payments and all the bureaucracy that comes with them as time moves on. What were the reasons for these fines? Are there any lessons that the Department can learn from this as you design the new ELM payment system, which I am sure will be very welcome, free of that EU bureaucracy?

George Eustice: I do not think it has any lessons for us. The point that I would make is that, in the EU era, as a Minister in DEFRA, I used to hear about disallowance risk every day. Whatever you wanted to do, there was a disallowance risk in it. It had a chilling effect on policymaking because the Department literally lived in terror of disallowance and the draconian penalties that we would get from the EU. I can say this, and Tamara would perhaps say it in a more restrained way, but one of the reasons why I campaigned to leave was because I was sick of hearing about disallowance risk.

Typically, we used to get fined £100 million a year. It used to be things like you had not recorded the way you had checked things in quite the way the Commission would have liked. It was all about form and process, and rarely was it about any genuine issue of fraud. At the time when George Osborne succeeded in constraining the EU budget, the EU response was to increase the scale of the fines, so that they could claw back some of their lost money.

Q67 **Mrs Murray:** Could wrong colouring perhaps feature in any of the fines?

George Eustice: It is important not to give undue legitimacy to the disallowance system. It was a bit of a racket and often about very minor things. That said, there would have been some reason—probably some form that was the wrong shape or an ear tag that was the wrong colour—that would have led to it. I do not know whether Tamara has a precise answer. She is going to tell me that it was some substantive issue.

Tamara Finkelstein: It is a mixture, and many of them are things that now are not things that we need to pay regard to because there are things that we have changed or are changing in the schemes that we have, which will make it easier for people to comply. There is always the odd thing, such as late notification of debts to someone. There are things that we can learn from and improve our controls. The RPA is putting that in place for new schemes, so that we are able to have proper controls in place, swap



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those things and make changes. There is not a huge amount to learn from the list that we had. As I say, a number of the areas are ones that are no longer relevant. Particularly by moving away from the greening commitments, those things are no longer relevant in the new schemes.

Q68 Chair: How long will we continue to make these payments to the EU? We have left the EU for quite a few years now. I take it that these are back payments, but how long will they go on for?

Tamara Finkelstein: These are from audits from 2017. The accounts are for 2021. On direct payments, it is no longer relevant.

Q69 Chair: There should not be many more; is that the answer?

George Eustice: In theory, under the agreement—we may need to write to the Committee just to confirm this—they can have up to four years to still look at issues that happened while we were an EU member, and so their auditors have that period. Having said that, there was an auditors' visit last year and I am sure that we are expecting another one, certainly on BPS. There are also some agri-environment schemes, where they can also do this, which we are still paying into for the remainder of the programme.

The risk has not gone entirely, but we will still get these issues. We have a small issue at the moment, for instance, where we are representing Scotland on a piece of disallowance that they had, where we think it is unfair, and we are going to try to challenge that. There will be a tail-end of this sort of nonsense to deal with.

Q70 Geraint Davies: You just said you welcome the fact that Britain cannot be penalised by the EU through CAP fines for fraud and maladministration. Will there be any opportunity for the Office for Environmental Protection to have the powers to administer similar fines if there are genuine problems, or will you just get off scot-free?

George Eustice: Tamara can describe the whole infrastructure. We have the National Audit Office that polices Government spending. We have the Public Accounts Committee. There are then a multitude of Cabinet Office and Treasury procedures around value for money, so we have plenty of our own safeguards to protect against genuine fraud.

The point I am making is around the fines that we had from the EU. I remember once that they felt that the RPA had not checked something, when the RPA showed a paper trail that proved that it had. They said, "It is not in the correct form that we would like", and they still fined us. It is that kind of unjustified fine that was the bread and butter of the disallowance system.

Chair: We are going to leave that, because he has pinched my question, so we will come in there on it.

Q71 Derek Thomas: Secretary of State, you have been in DEFRA for a long time. For much of that time, we were a member of the EU, subject to EU



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rules, including the common agricultural policy. Some of the frustration earlier in this meeting was about the pace of change and how long it is taking to grasp the Brexit dividends.

It cannot be avoided that the Department is full of people who grew up knowing about nothing other than EU legislation and how to meet all the requirements that you talked about in terms of payments, etc. As Secretary of State, how do you shift the culture of a Department that big, which is so absorbed in everything EU, to become a post-Brexit, modern-thinking, new opportunity-focused Department? Are some of the frustrations that we, as well as farmers and fishermen, are seeing because that transition is quite a challenge?

George Eustice: Tamara can come in, but you do have a challenge when you have a Department in which 80% of its laws and regulations used to come from the EU and it was about putting those in place. It is different when you are thinking about a Department that designs coherent policy. I want to defend the Department and say that it has done it incredibly well.

The first area where there was movement was on fisheries, where it very quickly became apparent to all the officials working on fisheries that the opportunity to be like Norway and to be in control of your fishing, to negotiate and to have a seat at the table that we had never had previously, and that there were opportunities from that, was really quite refreshing. Although fishermen had some concerns around elements of the TCA, the opportunity to manage fisheries differently was something that became very apparent very quickly.

Not far behind was the team working on agriculture. The common agricultural policy has never really been credible. It has always been a basket case. People there very quickly saw that we could do things differently and chart a different course. Even more recently on the environment side, we are starting to see that part of the Department, having initially been cautious about departing from what used to happen in the European Union, see that there are opportunities as well to do better by our protected sites and to have different processes and procedures that deliver more for our environment.

What I see now is, across the piece, the Department and officials working in it really starting to see the opportunities. The key thing—and I always say this to people—is that, when there is a new policy challenge or dilemma that faces us, it is not to say, “What are we required to do under retained EU law?” which is often a starting point, but to say, “What is wrong with the retained EU law? In what way should we change it?” You need to have that in people’s minds, so that, when they are confronted with a challenge, the default is not to implement the law that we inherited but to ask whether this law is valid or whether we should change it.

Tamara Finkelstein: It is really good to hear the Secretary of State say that that is how it feels, because we have a Department that is very excited by change. Our Department has taken through ground-breaking legislation



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on agriculture, fisheries and the environment and, with it, some really significant, big programmes of change to deliver. We have shifted very much from being a Department that was going off and getting marching orders in Brussels to delivering our own programmes. We have grown and brought in new expertise in order to do that.

The sort of feel for the Department is one of very significant change, and people who are attracted to the Department are keen on being part of that change and that delivery. We are also making really good use of our longstanding, fantastic and deep expertise that we have in the core Department and our arm's-length bodies, providing the sort of advice on, say, environmental targets that we can draw on right across the Department. It is a very exciting time to do that work.

Q72 **Derek Thomas:** That is brilliant. When I first stood as an MP, I stood on a promise that, for every new regulation we would require of business, we would scrap two bits of regulation. That would impact farmers, landowners and food producers. Is that culture and drive from you, as Secretary of State, still something that is at the forefront of your mind or is that a manifesto promise that we tidied up a long time ago and have not really bothered about?

George Eustice: We implemented it, and I was at the Department as we were going through that process. I am not sure that those regulatory budget-type approaches are a good way of approaching these, if I am honest. What happened—and I saw it happen—is that, in DEFRA, we immediately discovered that you could not do anything about the most difficult legislation that had the greatest impact, because it was the EU. We were then, effectively, directed to round up all of the pit pony regulations from the 19th century that we could find, which were no longer relevant and that had been superseded and so on.

Derek Thomas: The point is that that is no longer the case.

George Eustice: Exactly. We had to remove those. Often, you could not introduce a regulation that made sense because you could not find the relevant redundant regulation to get rid of.

What we need to start doing is to ask about the cost of a regulation and its impact, rather than how many regulations you have. That is where the right type of budgetary approach to take is probably best done not as a budgetary approach but by a mindset that says, "We want clear, simple regulation where we need it and not to have it where we do not need it".

Q73 **Derek Thomas:** Is that the mindset?

George Eustice: That is the mindset that I am bringing to the role, certainly.

Derek Thomas: We would be cheered by that, Chair.

Q74 **Chair:** Yes, we are looking forward to the delivery of it, are we not? As a last question on this, your priority outcomes for the spending review are



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the same as the previous year. Will any of your performance indicators that sit beneath those objectives be changing? That might be one for Tamara.

Tamara Finkelstein: The first thing to say is that the set of priority outcomes that we took into the spending review are those in the outcome delivery plan, which are a little different from those that are in the accounts, so they have changed a little. We have agreed a full set of metrics with the Treasury, No. 10 and the Cabinet Office, so they are part of the new outcome delivery plan and are consistent with the spending review outcomes. They are outcomes and we need more money to deliver those. If you take something like flooding, you need to expand the programme, and that is money that we received in the spending review, but there will be a full set of metrics.

Q75 **Chair:** We will expect to see that come from the Department in the future, will we?

Tamara Finkelstein: You will, yes, as part of the outcome delivery plan.

Q76 **Julian Sturdy:** The spending review commits you to raise £1 billion a year in private finance for nature's recovery by 2030. How are you going to achieve this and what would count towards those figures?

George Eustice: We have the nature for climate fund, which is a capital fund of around £600 million over the next financial perspective. We have the repurposing of our agriculture budget, which is £2 billion a year, a lot of which is going to be aimed at nature and nature's recovery by 2030. In addition, we are doing a big piece of work at the moment on how we can attract more private green finance to bring to bear in this space. We have a number of tools that we are using in order to get that commitment to deliver on our objectives for 2030.

Q77 **Julian Sturdy:** Will the money have to go on joint Government/private sector projects as well?

George Eustice: Yes, it could be blended finance. Some of it could be private institutional finance around carbon offsetting. Some of it could be from water companies. Some of it could be from the agriculture budget that we are refocusing.

Q78 **Julian Sturdy:** Are you confident that you are going to get there?

George Eustice: Yes. It is a big challenge to hit the target that we set, which is to halt the decline of nature by 2030. It does not sound much, but it is quite a big deal. Having that key biodiversity metric around species abundance, where you take perhaps up to 1,000 key indicator species, really pursue the recovery of those and treat that as a proxy for the whole ecosystem, is quite a big deal and quite a big change, and it will need the policy tools to deliver it.

Q79 **Julian Sturdy:** The metrics are also absolutely crucial.

George Eustice: Yes.



Q80 Chair: You talk about taking various aspects of Government money, but I did not see where this £1 billion of private sector money was. I remember previous flood Ministers like Richard Benyon coming here and saying, “We are going to raise lots of private capital to pay for flood schemes”. I suspect we have raised very little of very little from the private sector. Where is this £1 billion coming from? This is not from the Government but private sector money, so where is it coming from, Secretary of State?

George Eustice: It will be largely from offsetting markets. There is green finance out there. There is a lot of money that is interested in forestation at the moment, and possibly peatland restoration as well. The interesting thing—and there are people looking at this—is whether you could create a biodiversity credits market as well, where you might have certain obligations and people might pay in money in order to mobilise finance for nature.

We are doing it already through biodiversity net gain, which could raise around £200 million a year for local nature recovery strategies, and that will come from the planning system, but there could be other mechanisms to do that as well. You mentioned Richard Benyon, and the now Lord Benyon is tasked with taking on this big ambition that we have and finding a way to do it.

Q81 Chair: Just as an aside, I would like perhaps a written answer to how much finance has been raised for flooding projects. It would just be a matter of interest, because we have been promised this for years. I do not say that you cannot reach it, but just that £1 billion is quite ambitious. I know that it is 2030, so you have a little time, but we will need to plan it in order to hit it. I am not saying that you cannot do it. It runs off the tongue very well, but I am not sure how much it is being organised.

George Eustice: I can see if we can get you that. There are cases where, again, through the planning system, as a planning gain, there can often be a requirement to do flood mitigation.

Q82 Chair: There are usually local authorities and many others that add to it, but if you drill down on this, there is very little private sector contribution. It is very laudable, but it never works. If you are going to achieve this, you are going to have to be very proactive. Do you accept that?

George Eustice: Yes. I am not disputing for a moment that it is an ambitious target, but it is important for us to have that level of ambition. If we could crack it, it would be a gamechanger.

Q83 Chair: On the flooding contribution, you might be able to get us some figures.

George Eustice: We will see what we can do.

Chair: Thank you. That is your homework.

Q84 Julian Sturdy: Can I could just very quickly come back on that? Are you anticipating that there will be quite a bit of money coming in through



planning applications, so developments that then contribute to the natural environment and flooding schemes?

George Eustice: Under biodiversity net gain, which is established under the Environment Act, a developer has to compensate for any biodiversity loss, plus an additional amount of around 10%. What our estimates suggest is that that will bring around £200 million a year of private planning gain into nature projects.

Q85 **Julian Sturdy:** But it could bring more.

George Eustice: It could, but we also have an approach that says that they should try to mitigate environmental damage first within that. If it were too great, something would not be going right at that first stage, which is trying to make space for nature within new housing developments.

Q86 **Kirsty Blackman:** Just quickly on private finance and nature's recovery, are you going to be including only money that is spent by DEFRA? If a company is spending this as part of their ESG anyway, will you say, "That was our money. We made them spend that on nature's recovery"? Are you going to claim it, or is it only new money that you are going to be considering? Is it only on DEFRA projects or on projects that other people are doing?

George Eustice: In some cases, there may be a contribution from the public sector in that there may be a payment that is made under one of the agri-environment schemes or similar, and there may be some match funding that comes from the private sector, so you could get that blended finance, where it is a mixture of both. To be blunt, if it were money that DEFRA had, then it is because we have taxed somebody and taken the money, which is then public money that we are spending.

By definition, private money is institutional finance from the private sector that Government have a role in facilitating, maybe through creating some sort of obligation or regulatory requirement for someone to pay something. By definition, it is a private contribution, and so some of it could be ESG-type offsetting.

Q87 **Kirsty Blackman:** These questions are probably for Tamara in relation to the accounts. The Department's accounts have been qualified for a second time because the Environment Agency's assets have been valued wrongly. What actions are you taking to fix this? Crucially, when will that work be completed?

Tamara Finkelstein: We were first qualified last year on the basis that we needed to change the way in which the Environment Agency's assets are being valued to depreciated replacement cost. We were using a modified historic cost, which was quite a cost-effective proxy, but that is no longer adequate. It is a very big project. This year, we had to expand it to all of EA's assets. There are 8,000 assets that we need to go through. We have started that programme of work. My estimate is that it will take



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another year to complete that, so we will get a similar qualification next year. We have put a lot of resource into the project to do this work.

This time we also had a regulatory qualification, because we had to make some changes to the way that we valued reservoirs. That came quite late in the year, so we had breached our budget controls on that on a technical basis.

Q88 Kirsty Blackman: Do you expect that one to be sorted as well?

Tamara Finkelstein: That is a one-off and will not be for next year. The thing that will appear next year is a qualification with exactly the same EA asset depreciation value project.

Q89 Kirsty Blackman: It will appear next year, but you would not expect it to appear the year after.

Tamara Finkelstein: I absolutely would not. There will be a bit of a balance, because we are also desperately trying to pull forward the date at which we publish the accounts, because it is too late. Next year, we will bring it forward again. If we had to pull it forward to pre-recess, we probably would not complete the project, so our preference would be to slip a bit after recess, but we will complete the project.

Q90 Kirsty Blackman: In March 2021, DEFRA had to pay £19 million to HMRC to cover lost tax revenue because of incorrect classification of workers under IR35. The Department has a provision for an additional payment of £35 million for this year. Will that be the totality of DEFRA's costs and liabilities in relation to this, or will there be extra money on top of that £35 million plus the £19 million that may need to be paid? Are we likely to see more of that come through in future years or is this the end of it?

Tamara Finkelstein: When we made the calculation of that provision, we were part way through a project to assess historic contractor relationships to see what the total would be. I cannot commit that that is the end of it, but we are making that assessment at the moment. HMRC is doing an audit that will give us a good handle on that, so we are certainly completing the project and we will know, but it may be somewhat more.

Q91 Kirsty Blackman: So at this point, there is no certainty around whether or not there will be an increase on the £19 million plus the £35 million.

Tamara Finkelstein: The £35 million is a provision. We made an estimate of it. Whether £35 million is right, or whether it is a bit more or a bit less, we are not at the end of the project to know that yet.

Q92 Kirsty Blackman: That is really helpful. What percentage of post-implementation reviews of legislation does DEFRA undertake in time?

Tamara Finkelstein: I do not have the answer to that question. I will have to take that away.

Q93 Kirsty Blackman: If you could get back to me on that, that would be incredibly helpful.



Tamara Finkelstein: I will do.

Chair: Can we have that answer in writing?

Tamara Finkelstein: Yes.

Q94 **Chair:** Just as a final point on this, if you are an individual taxpayer and HMRC asks you to change something, I am not convinced that it would give you two or three years to do it. Why does it take us so long, especially on the valuation to do with the Environment Agency? It can either value its assets or not. If I, as an individual, was told to revalue my assets, I do not think HMRC would give me very much time to do it. Why does it take us so long and why are Government a special case?

Tamara Finkelstein: The way in which we had been valuing the assets, which was regarded as a reasonable way to do it, was quite a low-cost way of doing it, by taking the historic cost and modifying it. Having to do it on this basis requires looking at 8,000 assets and making quite a big judgment. It is a really big project. Of course, the thing about the Environment Agency is that it has quite a lot of very unique assets, with every weir and bridge and all sorts of things that you need to do. In fact, this year, as part of the qualification, we extended it to all the assets.

We have been working very closely with the NAO as to whether this is reasonable and whether we are going as quickly as we can, so it is quite a big resource project and quite difficult.

Q95 **Chair:** I have to correct myself because it is the NAO to whom you are answerable, not HMRC.

Tamara Finkelstein: On this, yes. We have the same IR35 issue as most Departments have, and people are working through that programme of work with the agreement of HMRC. In part, we were waiting because it changed its advice and guidance that we needed to use to do that assessment.

Q96 **Geraint Davies:** Secretary of State, on water quality, we have had a huge scandal about enormous quantities of raw sewage going into our rivers and seas, basically because private companies find it more cost-effective to give out profit and pay some fines than to put in the investment. Are you now putting in place a system, through the regulator, whereby it will be more in the water companies' financial interests to make the investment than to pay the fines and to pay off shareholders?

George Eustice: Last June, we published a draft strategic policy statement. As a West Country MP, I have always felt very strongly that we should be doing more on storm overflows. That contained, therefore, a key requirement that, in the next pricing review, Ofwat should be significantly reducing the use of storm overflows and requiring water companies to invest in the surplus capacity that will enable that to happen. We will shortly be publishing the final strategic policy statement that will make that clear again.



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You will also be aware that, during the passage of the Environment Act, we put in place an amendment that made it a legal requirement to significantly reduce the use of storm overflows. The delivery mechanism is the next pricing review of Ofwat, which is something that we have signalled our direction of travel on over nine months ago, as I said, and we will be confirming shortly.

Q97 Geraint Davies: So we will not end up with a situation where, in the board meeting, people are saying, "It is easier just to pay the fine", even if it is a higher fine, than to do the investment, because the investment is so large.

George Eustice: I do not think that we will get to that situation, because we had a record fine on Southern Water of £90 million, which the Environment Agency brought last year. Indeed, as a result of that, the company changed hands. That was a significant, very large fine. I do not think that there is any doubt that water companies recognise that, if they break their permits and act in a way that is not consistent with the law, they will be fined. That was a demonstration of it.

Q98 Geraint Davies: The water companies are making billions of pounds of profit, are they not?

George Eustice: When Ofwat looks at these issues, it makes an assessment about what a fair return on capital would be for the infrastructure investment that is required to deliver the change. It is in the interests of water payers that we keep that as low as possible.

Equally, if you want to attract the capital to make the investments we need to make, there needs to be a return on capital, and so there is a return on the capital. These are capital-intensive investments that need to be made, but the regulator exists precisely for that reason: to ensure that you do not have excessive profits being made from water payers, but also to ensure that companies make the investments that we require of them.

Q99 Geraint Davies: Are you minded to change the self-reporting model, whereby the water company reports—and maybe under-reports—the amount of raw sewage that it is putting into our rivers and seas and polluting the fish, as we heard earlier? Are you minded to give some more money from the fines to the Environment Agency, so that it is in a better position to police this appalling situation that we find ourselves in, floating around in our own sewage?

George Eustice: On the point of fines, we do not have a system of hypothecated fines, but the Environment Agency charges licence fees and permitting fees and so on, and so much of the work that it does in this area is cost recovered, including some of the monitoring and analysis. It has the resources to do this and, indeed, is bringing further investigations into some water companies at the moment.



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In terms of the monitoring, we again made some further changes on that through the Environment Act in order to improve the monitoring and reporting.

Q100 Geraint Davies: The Environment Agency has told us—and we know—that the amount of money that it has for enforcement work has been halved. Self-evidently, the need for enforcement and regulation is growing, because we all know about the sewage everywhere.

George Eustice: The Environment Agency's board makes a decision about where it applies its resources. We have helped it, for example, to identify additional funding for inspectors who help on diffuse agricultural pollution. It is important to recognise that the Environment Agency is our largest agency by a very long way, with around 10,500 staff, and accounts for the lion's share of the DEFRA family budget. It is a very large and very well resourced organisation. The board has operational independence about where it puts its resources, but it is not the case that it does not have the resources to do the enforcement action that is necessary. You really cannot say that when you have an organisation with 10,500 staff.

Q101 Geraint Davies: Less enforcement is being done now and there are more cases. Is that not right?

George Eustice: As I say, a lot of the work that it does in this space is cost recovered, because there are licences and permits that water companies pay for, and it recovers that cost from water companies.

Q102 Robbie Moore: I just wanted to pick up on the operator self-reporting model. You mentioned that the Environment Act is now making some positive changes. Could you outline exactly what they are? I will give a live example. I represent the first constituency that has bathing water status on a river system—the River Wharfe. We have instances where Yorkshire Water has discharged raw sewage into the River Wharfe as a result of its apparatus failing. It is then not notifying the Environment Agency. This has happened on occasion after occasion, and it is only when residents, rather than Yorkshire Water, have notified the Environment Agency that the Environment Agency then does something about it.

I know that some positive progress has been made in the Environment Act, but I just want your reassurance, Secretary of State, that we are really on top of this issue with the operator self-reporting model. I am not satisfied that it quite works at the moment, given live examples that I am experiencing, and I know that other colleagues have experienced the same thing.

George Eustice: There have been some cases where, apparently, some water companies have been doing things that are not consistent with their permit conditions, and so the Environment Agency is investigating some of those cases now. I do not want to go into too much detail, because I need to give it the space to carry out those investigations, but that shows that it does take the matter seriously. We have made some changes in the



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Environment Act to increase and strengthen the requirements for reporting, particularly when sewage overflows are used.

All I can say is that this is issue that has attracted a lot of attention. It is something that both I and Rebecca Pow have been pushing very hard over the last two years. It is going to be a big part of the next pricing strategy. We have made some changes through the Environment Act to strengthen those requirements, and the Environment Agency itself has reprioritised these things and is bringing some prosecutions, most notably with Southern Water last year.

Tamara Finkelstein: Just to add, there has also been a really big data programme in place since 2013 or 2015, putting in event duration monitors, which is already in 12,000 of 15,000 storm overflows, and all to be in place for 2023. There has been a gradual increase in the data and monitoring by the Environment Agency, which is one of the things that prompted companies to say that they might not be keeping to the rules, knowing that the monitoring information was going to the Environment Agency.

Robbie Moore: I suppose it is just seeking reassurance from the Department that actually, where there is evidential circumstance, whether it is surge overflow or apparatus failure—I have seen that in my constituency, where there has been sewage getting into the river system because of the failure of apparatus by a water company—the Environment Agency will be empowered to hold those water companies to account. I suppose that is where the Environment Act will help, but it is just getting reassurance that the Environment Agency will have the powers to do that.

Q103 **Chair:** Further to that, unless you make the fines big enough, unless you make it the responsibility of the water companies to pay for the infrastructure rather than pay for the fine, they will carry on trying to get away with it or else paying the fine. We have been talking about this now for years; nobody else can pollute our rivers without being held to account, whereas these water companies really have a licence to pollute, provided they actually notify the authorities. If they do not notify the authorities, surely it is double jeopardy. Secretary of State, are we putting the fear of God into these people or not?

George Eustice: I raised the point earlier that the £90 million fine on Southern Water was a record fine. It led to that company changing hands.

Q104 **Chair:** We see Yorkshire Water is going to be fined, but what happened there? South West Water is always polluting and yet it is not necessarily fined. It is all over the country. Thames Water is the same. We have the Thames Tunnel that will eventually greatly help here, but we do need to do more.

George Eustice: We need to do two things. One is, where existing permit conditions are being breached and water companies are operating illegally, obviously an investigation needs to be held and prosecutions need to be brought. The Environment Agency is doing that.



The second thing we need to do is to make sure that Ofwat, through the pricing review, requires water companies to make the investments required to ensure they have sufficient capacity to cope with flash rainfall events, which are becoming more frequent and are contributing to this problem.

Chair: We will look forward to that and making that really stick. That is coming forward now, so we will look at that again.

Q105 **Mrs Murray:** Secretary of State, can I just turn for a moment to the MMO? We have been talking about the Environment Agency. Have you any plans for fines relating to a breach of our fisheries conditions? Have you any plans to reinvest that in enforcement so that the MMO is able to carry out more inspections on vessels from other member states that come into particularly our six to 12-mile limit, but maybe beyond, to our 200-mile or exclusive economic zone? It would provide reassurance for our fishermen and fisherwomen who were out there if they could actually see the fines that were paid being invested in enforcement. I wonder if you could just give me any idea if you have thought about this.

George Eustice: I will write to the Committee with the precise details, but we have increased the resources and the funding for enforcement in the MMO as we have left the EU. As you will recall, three new offshore patrol vessels at the Overseas Patrol Squadron were brought into use. They did not decommission the older three; they kept them in reserve.

In addition to that, we have privately contracted to bring additional enforcement vessels in, and we have trained several hundred new warranted protection officers, including training some Border Force operatives so they could double-task. Quite a lot of work has been done to expand our capacity, and overall our enforcement capacity increased about fivefold in preparation for leaving the European Union. There has been a big uplift, but, as I explained earlier, we tend not to hypothecate fines for enforcement. The fines go into the Treasury central fund, but where there is a case for higher levels of enforcement, as there undoubtedly has been on fisheries, we have made that case and we have some additional resources. I might write to the Committee just to clarify exactly what that increase has been.

Q106 **Mrs Murray:** That would be very useful. Thank you very much. Turning back to the Environment Agency's own annual report and the health and safety of its staff, it said that its staff were vulnerable to some organisational, cultural and behavioural factors that had previously been difficult to identify and act upon. Are you concerned that the Environment Agency is not taking sufficient action to keep its staff safe? That came from its own annual report.

Tamara Finkelstein: We had two views. One thing is that we very sadly lost a member of staff while working for the Environment Agency in an operational activity, which is obviously really tragic. Luckily that is a very rare event. The first thing is that on something like that we immediately did some lessons learned. We have learned from that and ensured that



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those in the agency and contractors that work with it are aware of some changes to make. The Health and Safety Executive will also do an inquiry, as they do when there is any fatality at work. That has been paused for the minute, pending the inquest, so there will be more to learn.

That is not a measure of a lax health and safety environment. The Environment Agency has its own health and safety policy. We have it separately for each part of the group, because we have different sorts of activities that we engage in that require different health and safety approaches. We do work across the group so that we learn from each other, so I do feel reasonably confident of the way in which we manage health and safety. That is not a measure of it.

Mrs Murray: Thank you. I appreciate your giving us that update.

Q107 **Chair:** When will DEFRA publish the environmental principles policy statement to inform the work on the Office for Environmental Protection? I know it is due. Are we going to wait as long as we did on the trade principles within the Department for International Trade, or are you going to be somewhat quicker?

George Eustice: Shortly, I hope.

Q108 **Chair:** Your predecessor used to say “shortly”, and I used to ask what he meant by “shortly”.

George Eustice: It is one that we have consulted on and we have reflected on some of the consultation responses. We have made a few changes. We are in the final phases at the moment of checking it legally and getting cross-Government agreement. We would expect to publish it quite soon. I do not want to put a timescale on it, but I would imagine in the next month or two.

Q109 **Chair:** Are you confident, once you have published this environmental principle policy statement, that the role of the OEP is not to take fines against the Government but to try to influence the situation to make sure that we get to a stage where we can sort out a lot of the environmental problems before a lot of them get to judicial review and to court? Are you confident that we can actually do that?

George Eustice: The system we have set up tries to charter a slightly different course. The OEP has some oversight role when it comes to policy and progress towards our targets. There is a role for it, for instance, in reviewing the environment improvement plan and our annual update on that. There is a role for it in expressing a view on our progress.

Separately, there is a role for the OEP where it is alleged that a breach of the law has taken place. Where Government or a Government agency is said to have broken the law, in the first step the OEP will investigate that allegation or that perception, and engage with the relevant public bodies to ascertain the facts and to discuss the different perspectives on that. It may at that point be satisfied that there is not a case to answer. It may be



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that it receives certain vexatious complaints or complaints that it does not feel pass the test for it to consider in the first place, in which case it might do that.

Where it believes there may be a case, there is effectively a process where they can have a mediation with the right public body to establish what it might do in response. If that does not work, then there is the process of environmental review, which would be run on judicial review principles where a challenge can be brought. Where it is not possible or where an agency decides or takes the view that the OEP has actually misunderstood the law and is actually wrong about it, then it is open to it to challenge that to the point of environmental review. It is a system that tries to avoid things jumping straight to litigation and all the jeopardy and uncertainty that goes with that, but instead to have a body like the OEP that can actually investigate these things in a proportionate way and hopefully resolve issues before they need to get to the courts.

Q110 Chair: I am optimistic that under the stewardship of Dame Glenys Stacey the OEP will actually perform a very good role, because we could cure a lot of environmental problems. It would be much better for the environment and far less beneficial for lawyers at the end of the day. Do you share my optimism in that?

George Eustice: Yes, I do. In the system we had there was the constant legal jeopardy of EU infraction. It is sometimes quite an ambiguous body of law, and it is difficult to understand whether you are following what is required of a particular piece of EU law or not until it ends up in court. We want to move towards something where there is more legal clarity and more understanding that there is a safe space for policy judgments. That is important. You cannot have the courts second-guessing a policy judgment, but then, having established that space and having set legally binding targets and other legal framework, there needs to be independent scrutiny of that.

Q111 Chair: I am conscious we are running over time. Tamara, DEFRA is not meeting all its targets under the greening Government commitments for its own sustainability performance. What steps are you taking to meet the target you missed this year?

Tamara Finkelstein: There are areas in which we are making really good progress. We have a 59% reduction in emissions since 2009-10, a 42% reduction in waste and a lot through our IT recycling of laptops to schools and desk phones to the NHS. There is quite a lot of good stuff going on. The challenges on the waste-to-landfill and water reduction are very much around our operational activities. Kew's need for water for irrigation is very much challenged by the weather in the years we are looking at. Our labs use a lot of water, particularly in the work they have been doing in Covid on waste water.

There are those challenges that make it hard. We are doing things around rain harvesting and water recycling and so on to do that. The place where



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we expect to make quite a lot of progress is waste-to-landfill, because what the Forestry Commission had been using for fencing and so on was historically treated wood that we cannot then recycle in any way. That will begin to peter out as that changes.

Q112 **Chair:** Are you not going to treat as much wood?

Tamara Finkelstein: It will not be treated in a way that is challenging to recycle and use in different ways, so you will not have the same problem. That contaminated wood will end. There are things like that that will help us get there.

Q113 **Chair:** You are expecting to come here next year and tell us that much of this has improved, are you?

Tamara Finkelstein: I feel more confident about waste-to-landfill, less so on water, because there are just inherent things that are going to make it difficult for us. We need to make sure we are presenting it in a way that you can see where it is due to those operational areas, because we are making quite a lot of progress where we are more like some other Departments in terms of being office-based. There is a lot of progress there. It might be also how we present it so you can scrutinise it effectively.

Q114 **Chair:** Will the return to the office by staff put additional pressure on your environmental performance?

Tamara Finkelstein: No. In terms of our offices, we have done quite a lot to make our offices meet the greening Government commitments. We will be able to reduce our office footprint a bit because we are moving to a hybrid working model where people are two to three days a week using office space where they are office-based staff. Obviously, a lot of our staff are not; they work in labs or they work out in the field. Clearly, people in their homes also use all sorts of energy and so on. I am not clear that that will make a negative impact on the environment, but it is obviously something that we are working on in terms of ensuring that people are confident to come back into the office.

Q115 **Chair:** I have been written to by a Yorkshire pig farmer. Pigs are being culled on her farm as we speak. This food is being wasted. There are animal welfare issues on this, and it is a sheer waste of food. These pigs have had to be fed for longer because of processing. Now, it is not all DEFRA's problem. We have taken this up with the Home Office. What more can we do to get the pig sector back to having its pigs properly processed and the animal welfare issues solved? What is your position on this?

George Eustice: It is quite difficult. We have been in touch with the pig sector and the processors. You will recall that in October their ask was that they should have a temporary visa scheme. That was a departure from Government policy, but nevertheless we did it. We had a bespoke temporary visa scheme for the pig sector. It has not been used as much as we had hoped. There was a provision for about 800 workers. The numbers that the processors actually bring in under that scheme will be in



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the low hundreds. Some of them have used the skilled route to bring butchers in from some areas, but they have not been recruiting in the way that we thought they might, given that labour shortage was one of the key issues they kept highlighting.

It is also the case that we had hoped they would run Saturday slaughter days and culls in order to clear the backlog. They could have dropped the price of pigs to clear the backlog and put them on the open market in markets like the European Union, unprocessed and unbutchered. They have not generally done that to the extent that we would like. There are things that Government have tried to do to offer them what they wanted, but we need those processors to try to do their bit as well.

Q116 Chair: The pig farmers feel they are caught between the two. They are caught between the fact that they are producing the pigs and they are not always entirely sure that the processors actually step up to the plate quite like they would like them to. The pig producers and farmers want you to meet with them. Are you going to meet with them? It is really important to get this settled, because I am not convinced it is their fault that they cannot get their pigs processed.

George Eustice: Of course I am always willing to meet people, but when we looked at this in October we did meet them. The first request was for a private storage aid scheme, which we did, and has not really been particularly used. The second was a scheme to pay an additional payment to processors so that they could run overtime and it would help compensate the cost of that. We offered that, and, again, it has not been taken up as much as we would have liked. The third was a temporary visa scheme that has also not really been taken up.

Q117 Chair: These are all things that help the processor, but the processor may not actually put that in place to help the pig farmers. The question I ask you specifically is whether you are going to meet with the pig farmers.

George Eustice: Of course, yes. Victoria Prentis has met with the NPA on several occasions to discuss this. There is a limit to what we can do, short of buying an abattoir ourselves and doing it all ourselves as a Government. In a private market like this we do need those processors to do their bit here to try to help clear the backlog. What we really needed them to do was to start running Saturday culls, to use the private storage aid scheme, to reduce the payment that they are paying farmers for pigs just to help them clear the backlog to get through this. At the moment it is not happening at the scale we would like; that is true. As well as talking to us, industry should obviously be talking to those processors, because those processors have a responsibility to the farmers that are contracted to them.

Q118 Chair: They have, but you also have a responsibility to the pig farmers.

George Eustice: We obviously have the powers under the Agriculture Act to introduce new regulatory requirements on contracts. It may be that one of the lessons from this is that the Government need to come in with a statutory requirement on how the major pork processors should behave.



Q119 Dr Hudson: That is really helpful. The Chair has talked about the animal health and welfare issues, and it also impacts on human mental health; this will come up in our mental health inquiry. Do you have any figures? We have been given estimates that it is probably in excess of 35,000 pigs that have been culled on farms that are not going into the food supply chain, and that is perhaps an underestimate. Do you have current figures at all? Equally, how many pigs are damming back on farms? We could potentially still be at this precipice where we could end up with a mass cull on-farm. Having witnessed that in the foot-and-mouth era, it is not something that anyone wants to go into. Do you have any current status report at all?

George Eustice: These are all estimates, because nobody knows for certain. I had seen an estimate that it was around 15,000. That was later last year. It is possible, therefore, that it would have got to something like the number that you give, but I cannot know for certain. You have to put that in the context of the millions of pigs that are slaughtered each month. It is a relatively small percentage overall, but that is not to say that there is not a really severe problem with pigs that are now overgrown, oversized and out of specification in some cases.

Q120 Dr Hudson: It comes back to the point that Ian was making. We are questioning you about the work of DEFRA, but this is a situation where it goes cross-Government as well, in terms of the Home Office—we looked at the visa situation—and the Department for International Trade. Are there ongoing discussions to try to open back up that China market that was shut down? Can you give us the reassurance that everything is being done to mitigate against an animal welfare crisis, but also the impacts on people? Are Government working and pulling out all the stops, not just in your Department? I do appreciate very much what your Department is doing, but there are other Departments that you need to work with as well.

George Eustice: Yes, I think I can give that. There are times when we make requests of other Government Departments that are divergent from their policies. The Home Office is a case in point. To be fair to the Home Secretary and Kevin Foster, they did respond to our request. They put in place that temporary visa scheme.

Chair: Eventually.

George Eustice: The visa scheme was put in place for pork quite quickly, in fact. When it comes to market access we work very closely with the Foreign Office, because a lot of the issues we have with access to the China market are linked to wider political complications in that relationship. DIT has a bit of a role to play, but most of the market access work is led by our own team in APHA at Carlisle. We have been trying very hard to get those abattoirs relisted again for supply.

Dr Hudson: You can give us the reassurance that the Government are still on it, because we are very concerned, across the Committee, about a potential catastrophe coming again.



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Chair: Can we also have in writing, please, what you believe to be the up-to-date figures on the number of pigs that are being culled on farms? This is really important for us to have, because it does need to be sorted.

Dr Hudson: We need the numbers damming back up on farms as well.

Chair: Yes, exactly. A lot of pigs are overweight. Pig farmers are putting more food in, very expensive food, and then their pigs are worth less as well. There is an economic issue as well as welfare.

Dr Hudson: Also, if your health advisers are receiving any data on the health implications—increases in instances of tail-biting or respiratory diseases—that will add evidence to help Government make their decisions.

Tamara Finkelstein: We will send what data we have, but much is estimates.

Q121 **Chair:** I have not heard the Secretary of State saying that, yes, he will provide this.

George Eustice: We will write to you with the best estimate we have, but I have to stress that it will be an estimate. The data is not recorded in terms of on-farm.

Q122 **Geraint Davies:** The Government are spending £800 million a year and Drax power station is burning 7 million tonnes of wood that we import. That is not accounted in our carbon trading schemes. It produces more particulates than any other power station in Europe. How can that be justified economically or environmentally?

George Eustice: It sounds counterintuitive because you are burning a wood fuel, but biomass is recognised as something that is a carbon-neutral, sustainable way to do this, provided you are sourcing your wood fuel sustainably. Biomass is therefore recognised as something that can contribute to our climate change ambitions, and that is why, although it seems counterintuitive and controversial to some, the work that goes on at Drax is recorded in a particular way.

Q123 **Geraint Davies:** If you compare burning coal with burning wood, both are burning a carbon store, but in the case of wood you are destroying something that is absorbing CO₂ and emitting oxygen. In the United States they claim that they are chopping down the same number of trees as they are planting, although the ones they chop are of course bigger. Even if that is the case, you end up with the wood and just burn it. Should that not at least be counted in our carbon footprint? It is not.

George Eustice: The emissions are counted, but then they are offset by the tree planting that follows. That is how a biomass system is assessed. As I say, I know it sounds counterintuitive to some, but the argument would be that if there was not a commercial value on those trees then they would not necessarily be planted in the first place in all instances. It is complex, but at the moment biomass around the world is scored in a particular way because of the fact that the trees that supply the biomass are also locking up carbon.



Q124 **Geraint Davies:** We do not end up with any more trees if we cut some and we plant some more. In fact, we end up with smaller trees, but then we just burn all these trees. In the one instance there is no change to the carbon balance, but then we burn all these trees rather than mash them up into insulation and keep them as a carbon store, for example in construction. Why do you not encourage more trees in construction, in place of cement and steel, instead of burning trees?

George Eustice: A big part of our strategy on buildings is to use more wood materials. You are right: you have that carbon store that is then trapped and is part of your built environment as well. That is indeed part of what we are doing, but, to avoid a protracted discussion, our chief scientific adviser can give you chapter and verse on the merits and pros and cons of biomass and different systems of biomass versus trees. It might be that we should write to the Committee and set that out.

Chair: That will be very useful.

Geraint Davies: It is only £144 subsidy a time, after all.

Chair: Secretary of State, Permanent Secretary, thank you very much for being very generous with your time. We have taken you on quite a journey this afternoon. We very much respect the fact you have answered all our questions. There are some more in writing to come. We look forward to that, and we thank you very much. Thank you for the extra time you have given us.