



Environment, Food and Rural Affairs Committee

Oral evidence: [Defra's performance in 2013–14](#),
HC 802

Wednesday 19 November 2014

Ordered by the House of Commons to be published on 19 November 2014.

Written evidence from witness:

- [Department for Environment, Food and Rural Affairs](#)
- [Department for Environment, Food and Rural Affairs: follow up evidence](#)

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Members present: Miss Anne McIntosh (Chair); Richard Drax; Jim Fitzpatrick; Mrs Mary Glendon; Mrs Emma Lewell-Buck; Iain McKenzie; Sheryll Murray; Neil Parish; Ms Margaret Ritchie; Mr Mark Spencer; Roger Williams.

Questions 1–75

Witnesses: **Bronwyn Hill** CBE, Permanent Secretary, **Peter Unwin**, Director General, Policy Delivery Group, and **Alastair Bridges**, Finance Director, Defra, gave evidence.

Q1 Chair: Good afternoon and welcome. Thank you very much indeed for being here. I fear there may be another interruption, but I thought we should start our proceedings. If you would like to introduce yourself and your team for the record, that would be marvellous.

Bronwyn Hill: I am Bronwyn Hill, the Permanent Secretary at Defra. On my right is Peter Unwin, who is Director General for Policy Delivery; on my left is Alastair Bridges, our Finance Director.

Q2 Chair: Thank you. You are very welcome indeed.

I apologise for the delay in starting, but thank you very much for being here to discuss Defra's performance in the context of the annual report and accounts. Just to begin with, obviously there have been many changes in both the ministerial team and the official team, but do you think the churn, particularly at ministerial level, and the change of priorities has had a big impact on the performance at the Department—either positively or negatively?

Bronwyn Hill: What has been helpful is that successive Ministers have built on what their predecessors did. When our new Secretary of State, Elizabeth Truss, arrived in July, she was very keen to build on the work that Owen Paterson had done. She set out her four priorities—leading the world on food and farming; protecting our country from floods, plant and animal disease; improving the environment; and championing the countryside and rural services—very broadly in the same areas, but I guess you could say with a renewed sense of urgency about what she wanted to achieve before the end of the Parliament. That continuity has really helped the Department to focus.

Q3 Chair: Excellent, thank you. Just before we move on to staff and official matters, could I just ask a question in terms of the property portfolio? If you do not have the answers immediately to hand, perhaps you could write to us. What was the value of the property estate in 2010, as opposed to the last year covered by the annual report?

Bronwyn Hill: I do not have the valuation of the assets, but I do know that in terms of where we have made efficiencies and reduced our estate, broadly speaking, we have exited about 120 properties to date since 2010. We have also done quite a lot to share properties across the network. For example, we now have both core Defra and Natural England staff in Nobel House, our London property, and we have leased Ergon House to the Environment Agency. We are trying to make savings across. In terms of money, our estimated annualised savings from the estates efficiencies are broadly £52 million. That gives you a broad snapshot of where we are and we continue to look for further ways of improving the efficiency with which we use our estate, bearing in mind, if you like, our business needs. We are quite a diverse Department, and we do need offices, sites and laboratories up and down the country in order to deliver the priorities.

Q4 Chair: You will be aware we met Professor Elliott yesterday, so obviously we would be interested to see in the next year how you implement at the Department his recommendations. Obviously, just locally, we saw the office at Northallerton close—I think that was the RPA office. The staff had the choice of moving to York or Newcastle. Are you able to give a commitment that the York and Newcastle offices will remain open for the foreseeable future?

Bronwyn Hill: I certainly think they will be for the foreseeable future, because we have plenty of staff there and lots of work to do, but I should stress that our principal approach to estates is that they are a corporate overhead. We obviously need them—we need locations for our staff and we want to use them flexibly—but I think I would rather save money from lease breaks and office accommodation, and maintain my resources to focus on front-line delivery and the necessary corporate services support. I would never say never, but we look on a case-by-case basis. In the case of Northallerton, there was a lease break and it is the Government's policy that we should seriously look at opportunities provided by lease breaks.

Q5 Chair: I do not think there will be opportunity later to ask—obviously we can explore this with the Secretary of State next week—but can you confirm that during the course of the last year, the money that was allocated within the period of the annual report to

the Forestry Commission and the forestry estate was indeed spent as intended? I think from memory it was £3.5 million and then an additional £2 million.

Bronwyn Hill: I am pretty sure it was. I do not know whether Peter can give you some more detail.

Peter Unwin: The money we give to the Forestry Commission is significantly greater than that, so I do not recognise the £3.5 million. Certainly the money we have given to the commission has been spent, and it is on target to meet its budget, as far as I am aware.

Chair: Perhaps you could write to us.

Bronwyn Hill: Shall we drop you a note? I think it was an additional amount because it was unable to pursue the sales of woodland because of the Government's policy. The £3.5 million was to help with its running costs because of that change, but we can drop you a note to just confirm that.

Q6 Chair: Again, this may be more of a political question for next week, but I understand that there was a Bill on the table to confirm the structure and ownership of the forestry estate that actually never reached the statute book. I do not know if the amendment that has been proposed to the Infrastructure Bill is actually implementing what had been in that previous Bill. Is that the case?

Peter Unwin: The amendment to the Infrastructure Bill arises because in that Bill there is provision to transfer land from certain bodies to the Housing Corporation. There was concern in the House that this might enable part of the Public Forest Estate to be so transferred. The Government's position has been very clear that they had no intention of that transfer. They also believed that the Bill as drafted would not have allowed that transfer. However, because of concern expressed in the House of Lords, an amendment has been put down today, I believe, for Third Reading to make absolutely clear that that could not happen under that Bill. That is obviously linked to the wider legislative proposals that the Government have.

Q7 Chair: The national forest estate, it was deemed, was quite small and its size would be reviewed. Did that review take place allowing it to increase the area of the estate?

Peter Unwin: Is this the National Forest Company?

Chair: In Derbyshire, yes.

Peter Unwin: There is a triennial review of the National Forest Company and that has now been published. It concluded that the company should continue, but should work over a period of about 10 years to look into transferring out of the public sector. It is working now towards a model to do that, but over the long term.

Chair: That is very helpful indeed. Thank you very much.

Q8 Roger Williams: Good afternoon. Two out of five of your most senior officials left in October 2013 and the replacements were not in post until January 2014. Was their departure unexpected and why did it take so long to find the replacements?

Bronwyn Hill: One of them, I can remember, was a Director General who left to go to DECC. It was simply the time taken to advertise through a competition. We were very successful and replaced that DG role in January. In the interim, we temporarily promoted one of the directors in that area so that we had cover. I am now trying to remember who the second one was.

Q9 Roger Williams: Was Mr Bridges one of them?

Bronwyn Hill: Sorry, do you mean the Finance Director? Anyway, they do not always come as a surprise. They are often so that civil servants who have done four or five years in one role can go and develop their careers elsewhere, which helps to motivate people. In both cases, sparing Alastair's blushes, we have got a good replacement. Again, it helps us to get experience from elsewhere. Normally, any time lag is simply the time taken to do a recruitment process because we do like to compete these roles in most cases. There are exceptions to that.

Q10 Roger Williams: Could better co-ordination among the civil service not anticipate when somebody has done four or five years and wants other opportunities to develop their career, rather than it coming suddenly?

Bronwyn Hill: Yes. I guess we could do better to reduce the period of the gap, but it is a bit like moving house. You have a negotiation about who holds the vacancy and in discussion, certainly, with DECC, we agreed that we were better able to cover it and I think we did a negotiation around it. I take the point, though, that we should try to reduce the gaps as far as possible.

Q11 Roger Williams: Was the leadership over the Department seamless during that transfer? For instance, who took responsibility for Mr Bridges' job before he—

Bronwyn Hill: Again, we always put in place cover, especially for an important role like the Finance Director. We had a deputy who acted up at the time and was so good that I believe he has now joined the National Audit Office, so we were very pleased for him. We had full cover of the very important role of Finance Director during that period.

Q12 Roger Williams: Turning now to the Environment Agency, it had a number of job losses. What assurances did you have that there were not any skills gaps left by those job losses?

Bronwyn Hill: The headline news was that we ensured that it certainly maintained the same coverage on front-line flood defences. We provided the money to make sure that that was secured. Secondly, we have a very good Chief Executive Officer who works with a very good board, and I know they went through the restructuring proposals, because they went from a three-area model to two, so they now have a national and local focus. They

had a very thorough process to appoint people into those roles with the right skills and experience. Indeed, as a result, I understand that they have been able to reduce their reliance on interims through that process.

Q13 Roger Williams: Were any contract people brought in to make good those skills gaps?

Bronwyn Hill: The agency has, from time to time, used people on contracts to fulfil short-term roles on the grounds that that is important for delivering key priorities. Through the restructuring, it has reduced that reliance. My guess is that it will never entirely be free of that, because there will always be important work that may involve a peak of work when it makes more sense to hire someone for a six to 12-month period because that work might not be ongoing. I do not know whether Peter has anything to offer on that.

Peter Unwin: Just to confirm what Ms Hill has said. When the Agency has run voluntary exit schemes, it is always very careful to ensure that it keeps the people it needs to keep, so it guards that very heavily. Just to confirm again, the top priority for Ministers, which the agency followed, was to maintain capacity on front-line flood defence. In terms of numbers, the numbers for front-line flood defence did not reduce during the reductions last year at all.

Q14 Chair: Could I just ask a follow up? Obviously some of the front-line staff from the Environment Agency who were looking to transfer were involved in flooding. How does the Environment Agency—do you keep an eye on this?—allocate staff to deal with various issues such as flooding, waste permitting, and fracking for which increasingly there will be numbers required? Can you give the Committee an assurance that there will be sufficient numbers to look after each of those main responsibilities for which the agency is responsible?

Peter Unwin: First, on flood defences, as I said, it has ensured that it has not lost staff. It has maintained the same number of front-line flood defence staff. The other thing that is very important—and was particularly important, obviously, over the last winter with the extreme weather—was that it maintained the ability. One of the advantages of having such a wide remit and so many non-flood staff doing other things is they can take people temporarily off other duties and bring them on to front-line flood defence during any events. I do not have the precise figures, but during last year's floods, probably about one third of the people working on them were brought in from other areas. That is a very rough guess, but it is that sort of order of magnitude.

On fracking, its main work at the moment is preparing for environmental regulations, dealing with what might or might not be emerging from Europe, and dealing with some of the early permits for exploration. That is another key ministerial priority and they are resourced for that. I do not know them precisely, but the numbers involved in that would be very, very small compared with the front-line flood services and waste permitting, on which it is doing a much bigger national job over a very large area.

Q15 Chair: Planning ahead, there have been seismic surveys in the whole of one district in my area. If there were to be multiple applications, could you give the Committee an assurance there will be the staff in place to do all the work in addition to the fracking applications, which will be time sensitive?

Peter Unwin: Obviously, as we go forward, this is likely to be a build up from a fairly low level. That is an issue that the Environment Agency will have to consider and discuss with us, and in turn we with Treasury, as we discuss budgets and resources for the agency going forward into the next spending review.

Q16 Mr Spencer: Defra told us that the £130 million extra for flooding that was announced in February was found from underspends in existing budgets and rationalisation. Given that the amount of underspend was only £61 million, where did the other £69 million come from?

Bronwyn Hill: It is probably worth saying where the £130 million came from. Obviously we got £140 million of new money from the Treasury, so that was part of it. The £130 million is roughly broken down between disallowance money that we did not need in those two years—remember, it is being spent over two years—and I think that that was about £70 million. Then there was about another £30 million, where it was either spend in 2013-14 or spend in 2014-15, where we moved in from one budget to another with the Treasury's agreement. It is more about flexibility because the additional money spent on repairs was starting to be spent towards the end of 2013-14, and then most of it has been in this year, up to about October/November.

Q17 Mr Spencer: So it is wholly made up of that underspend and extra capital from the Treasury?

Bronwyn Hill: Yes and I assume the £61 million in the accounts is net of that. The £61 million is the end result.

Alastair Bridges: That's right. The £61 million is the end result. It includes some capital underspending, disallowance and then £20 million of resource underspending which, with the Treasury's agreement, we carried forward into the current financial year—2014-15—to help with the response to the floods. It was a managed underspend that we brought forward.

Q18 Mr Spencer: I suppose I am just trying to get to whether there is an administration saving in there as well. Is that included? Has there been no administration saving in that budget?

Alastair Bridges: We have made administration savings this year as part of generally living within our budgets. That has certainly been an area that we have taken a tough look at to make sure we are getting our central costs down while meeting the serial priorities. The main bulk of the £130 million, as Bronwyn said, was made up of disallowance moneys that we did not need in that year, and then managed underspends from a range of other programmes.

Q19 Mr Spencer: Whatever the figures are, have those admin savings diminished your ability to deal with the issue?

Bronwyn Hill: I understand. No. We took a careful judgment of what we needed to spend in 2013-14 and in this year, and have reprioritised it into the flood repairs that we absolutely had to do. It is not that things got left last year that are now hanging over us this year, if that answers your question.

Q20 Mrs Lewell-Buck: As you know, the cuts to Defra since 2010 have been quite severe and, with another £200 million to be found by 2015-16, can you explain to the Committee where those cuts are going to be found?

Bronwyn Hill: It is certainly true that we have had significant reductions in expenditure, as have many other Departments, since 2010. We have always, though, managed to live within our means, despite new pressures such as flood repairs. It is about 10% of our overall budgets on resource, and actually we are in the happy position of having a slight increase in capital because of the increasing investment in flood defences. Where we are at the moment is that we have not actually taken those decisions to set budgets for 2015-16. We are in an advanced stage of preparing for it, but we will need to discuss with Ministers what their options are. I am confident that we will set a balanced budget for next year.

Q21 Mrs Lewell-Buck: Do you know when it will be decided? I know you said you need to have conversations with Ministers, but I assume you have a time frame around that. When will it be decided?

Bronwyn Hill: Exactly. Normally we go to them before Christmas, so that we can let our agencies and NDPBs know—at the latest in January—what their budgets are for the following April.

Q22 Mrs Lewell-Buck: Is it going to be quite strategically done—i.e looking at one particular area? We heard yesterday that a lot of the cuts thus far have been salami-slicing little bits of different areas. Do you think it is going to be one particular area that is going to be hit harder than others within the Department?

Bronwyn Hill: I obviously do not want to share too much because we need to discuss this with our Ministers, who ultimately make the decisions. We are not doing it on a salami-slicing basis. Indeed, quite a lot of what we have always done throughout the spending review is to start with corporate services and back-office estates, as I was explaining earlier, and to make the real efficiencies there where we can, and then look at other areas within ministerial priorities. It will come from a variety of areas. We do have a very varied and diverse set of delivery arrangements, but I do not want to pre-empt the advice we are going to share with our Ministers at this stage. Obviously we will need to set those budgets for our agencies and delivery bodies.

Q23 Mrs Lewell-Buck: I know this might be difficult to answer, bearing in mind what you have said about how you do not want to pre-empt the discussions you will be having with Ministers, but have you had any preliminary discussions with any interested parties about where the cuts are going to fall?

Bronwyn Hill: We have certainly had lots of requests from stakeholders not to make any cuts in their particular areas of concern, as you can imagine.

Mrs Lewell-Buck: You haven't had the conversation the other way round.

Bronwyn Hill: We tend not to go them saying, "We are thinking of cutting your area, what do you think?" What we tend to do is to engage with them throughout the year and actually to talk to them about areas where more voluntary effort could help us. One of my examples is an area where we have actually put more money in, which has been plant health, partly in response to the increasing threat from disease. This includes the need to improve our surveillance and to appoint a plant health officer, but we do not want to stop there. We want to see what other organisations outside Defra—whether that is on research or operations, or voluntary bodies—can do to increase wildlife, pollinators, bees, etc. For example, we have been talking to the Department for Transport and the Highways Agency. They own lots of large areas of land which, if they managed it properly, could be great attractors for pollinators. What we are trying to do is to say, "It is not just what Defra can do". By talking to our stakeholders and interest groups, we can find out how we can enable outside bodies to operate.

Peter Unwin: We have been talking to all our network bodies about the sort of savings that they would be able to deliver, in particular through efficiency savings. We mentioned estates earlier on; we saved £52 million a year since 2010. On ICT, similarly, we saved about £45 million a year, and then there is the annual finance cost of about £14 million a year and so on. We are looking first at those efficiencies. We are also talking to the network about working across the network to try to get more efficiencies by working as one business. We have a project called Network Corporate Services, through which will be joining up corporate services and bringing more of the network into our shared services, and therefore saving money. Those are the first savings we look at, obviously, before we have to go to Ministers and let them make some of the choices they might have to on policy priorities.

Q24 Iain McKenzie: Possibly, panel, you have answered most of the question that I am about to put to you, but we can just underline and re-emphasise. It is around the NAO's report on strategic flood risk management. As you will be aware, that report echoed this Committee's concerns about the level of spending on flood defences and maintenance. In light of what we have heard of the savings that have to be made in 2015-16, how will Defra ensure its increasing maintenance requirements for flood defence assets are met?

Bronwyn Hill: I will start with that. What we have actually done for flood defences is that, as part of the package of announcements that were made in the Budget about increasing capital spend on repairs, we allocated an additional £35 million to the Environment Agency to spend on maintenance. That is both in 2014-15—this year—and for 2015-16. I may have got the wrong number; it is about £171 million. There is a paragraph in the report—apologies, I have forgotten the exact paragraph number that says that the EA is satisfied that this will help it to improve its maintenance effort.

There is a table in the report—I think it is table 10—showing that broadly, before last year’s floods, over 95% of its assets were in their target condition. The high-consequence assets, which are the ones that have the biggest impact if there is flooding, were at 97%, which is the target. Obviously that got significantly affected by the floods, which is why we have been doing the repairs. So they were already at a pretty high level, and what we need to do is to make sure that they are retained at that level.

Q25 Iain McKenzie: How confident are you of that £171 million covering all eventualities towards maintenance? Would that be preventative maintenance as well as ongoing necessary maintenance due to such things as adverse weather?

Peter Unwin: That is the amount that we and the Environment Agency think is necessary to keep its assets in their target condition. There is a slightly grey area between capital maintenance and capital expenditure. The first thing to say is that over the past nine months, with a lot of the extra money it has been given, it has been able to meet its target of getting all the defences, after the hammering they were given last winter, back into the same state or a better state than they were at this time last year. That was a target it had by the end of October, and it has met that. It has now got the maintenance budget of £171 million for this year, and probably about the same or perhaps even slightly more for next year. It believes that that is sufficient to see it through maintaining the assets in their target condition.

Q26 Chair: We understood from Ministers that they were actually supporting what we concluded: there should be a total expenditure budget. Is the Department making representations to the Treasury along those lines—that you would not have separate budgets between capex and revenue expenditure? Looking back to what happened at the Somerset Levels, it seemed rather odd to have a debate about the size of the pump that was required determining which budget it came from. Are you making representations to have a total expenditure budget?

Bronwyn Hill: First of all, it is worth remembering that we are allowed to switch money between revenue and capital in any year. Actually we quite often allocate, quite properly, a lot of revenue to the agency at the beginning of the year. That is then converted into capital expenditure at the supplementary estimates, depending on the accounting rules about what counts as revenue capital, so there is flexibility that way. It is important that we retain that flexibility, but for accounting purposes, because of how the Treasury and the ONS run it, you do need to know what you have actually spent. We will bear in mind that question of whether more flexibility would help us, which is more switching from capital into revenue, but I think that will be a question for the next spending review, which I think most people expect to start after the general election. It is certainly an issue that we keep carefully under watch and discuss regularly with the Treasury.

Q27 Chair: If it is the wish of Ministers to have the greater flexibility and the change, are you making representations at this stage—before the next spending review? If you wait until the spending review it will be too late.

Bronwyn Hill: It is probably worth saying that we talk a lot to the Treasury—particularly over the last year or so—about the right balance between revenue and capital, and the right level of spend for the Environment Agency. I doubt we will get to any conclusions about flexibility and the totex, as it is known, but I would reassure you that we are regularly talking to the Treasury about all these issues.

Q28 Chair: So, without putting words into your mouth, you are making representations.

Bronwyn Hill: If Ministers want us to talk to the Treasury, we will do, yes—obviously.

Alastair Bridges: If it helps, I can reassure the Committee that we have specifically raised that point with Treasury colleagues recently. We are in a place, essentially, where the Treasury wants to look at that as part of the next spending review, as the Permanent Secretary has said. We have made those representations. I think the way forward is to use the existing flexibilities we already have, which are quite significant, and then to look at the wider issue in the spending review.

Chair: It was not a difficult question. Thank you very much indeed.

Q29 Jim Fitzpatrick: Permanent Secretary, gentlemen; good afternoon. Can we turn to the people survey? How important an exercise is this for the Department?

Bronwyn Hill: In terms of the survey results that you will have seen in the annual report and accounts, obviously I would always like the people survey scores to be higher than they are, but I am a realist. If that is what staff think about the Department, I have to deal with that and act on it. I was pleased to see that for the core Department last year, there was a 2% improvement in the overall score. For areas where we had focused a lot of attention, like learning and development, there was a noticeable upkick, but I still think we have a lot more to do on improving our leadership of change, because we have a lot of change to do. It is not going to go away and we could get better at doing it.

Q30 Jim Fitzpatrick: That raises a whole number of questions. The departmental average is six points below the participatory level across the civil service. Is there a particular reason for that? Do you talk to staff representatives? Do you talk to the trade unions? Do the unions support it? Do the staff bodies encourage people to participate, or do they stay neutral on this subject?

Bronwyn Hill: We talk regularly to staff, obviously, and one of the things we are trying to do is to increase the amount of face-to-face engagement that we, as the senior management team, have, through interesting things like question times, when people can come and ask us any question they want. We have engagement with the trade unions. You probably may be aware that one of our main trade unions, PCS, advised its members not to fill in the survey this year—it happened in October. I am pleased to say that despite that, because we are encouraging them to fill it in, because we like to know what they think, the participation rate was about 87%. So the good news is that our staff think it is worth

filling in the survey form. We do encourage them to do that and to say what we do as a result of each survey every year.

I am confident that, despite some of the challenges around budgets and money that we have been talking about, we are on a positive trend. If I could do something to make that increase even better, I would. We will be looking at this year's survey results, which are due out very shortly, to see what further we could do and in which particular areas.

Q31 Jim Fitzpatrick: You mentioned training and development. Last year to the Committee, apparently, you commented on publicising to staff that there were five days a year available for their own personal training and development, and that you were going to try to use that as a way of improving morale, engaging with staff and encouraging them to feel more involved. It appears that there does not seem to have been a monitoring exercise as to how successful that was. Do you have anecdotal evidence as to whether or not more staff did take it up, and what the outcome of that activity was?

Bronwyn Hill: We have not monitored it. What we are doing is using the staff survey to say to people, "What do you think about learning and development in general?" In fact, we do not want it to be a stick to beat people with, to say, "Why did you not go on five days rather than four?" We want it to be a positive offer to people. My anecdotal evidence is that we have had a number of events recently—it is Parliament week this week, it was policy making last week, and we had a big event on better regulation—which were some of the best attended events. They are meant to be about learning where people in the Department have been doing some good work, so we have been doing a lot on better regulation, and sharing that learning with people across the Department who may want to find out more about how to do it. Anecdotally, I think there is quite a positive message.

If you spoke to staff, I think they would probably say that one of the challenges is finding the time for that learning and development, so actually trying to encourage them to discuss and plan ahead with their line manager what their priorities are for the year, and reviewing that in mid-year reviews and at the end of year, is one of the things that we need to do more on.

Q32 Jim Fitzpatrick: Might it be helpful as a tool to monitor and calculate it, to find out how much the uptake was, so that you can identify if it is being successful quite clearly from an evidential basis, as opposed to an anecdotal one?

Bronwyn Hill: Yes.

Q33 Jim Fitzpatrick: Does PCS encourage people to engage, or does it sit on the fence on that one as well?

Bronwyn Hill: PCS and all the unions are very keen that people should get learning and development, because obviously that helps individuals in their career progression. I do not think they pressed us particularly on the monitoring of take-up. I agree with what you say: where can we get the hard evidence? It is quite difficult, because some learning development will be on the job, some will be going away on a course and some of it will

be attending a seminar. One of the ways we can get some evidence is Civil Service Learning, which is the new cross-Government offer for the majority of paid-for courses. You can get some feedback on that. We know how many of our staff have done mandatory training on things like health and safety, for example, and unconscious bias. It is building on what CSL can tell us about our staff. I am certainly very happy to think about what the practicalities are of collecting that information without making it seem like a chore for the people.

Q34 Jim Fitzpatrick: Lastly, on the areas of leadership, management change and clear vision, and the executive committee and leadership, those scores were not very impressive. Do you think that is symptomatic of just a general malaise of austerity and the difficulties that we discussed earlier on—budgets, etc., and people having to move and what have you? Is that more of an indictment on yourselves as senior management? Is there a difference of view from staff about any ministerial role and lead in this, or is it purely at the executive leadership that they decide whether they are going to score you up or score you down?

Bronwyn Hill: We do not invite them to score their Ministers, which I think is good news, although it is an interesting question. One question is about whether ExCo—which is code for my DGs, finance director and myself—has a vision for the Department, and that is a low score. My personal view on this is that I am not surprised, because we have spent more time focusing on ministerial priorities, to go back to the question that the Chair asked at the beginning, to make sure that staff understand the ministerial priorities and Government commitments. I think we could do more. We have been engaging with them over the summer to say, “This is our vision of how we operate as one business,” but we need to put more substance behind that, so I think there is more work to be done. It is not about Ministers; it is about us, so I take responsibility for that.

I do think there is an element of what you are saying about, “Times are tough.” I fill in the form myself and it says, “Do you think leading and managing change is well done?” If you do not like change, you are slightly more inclined to answer no, so it is a slightly complex question. I do not think that lets us off the hook. I manage my team and I get managed by Jeremy Heywood, and they really want to see us putting more effort and energy into talking to staff and engaging with them, at all levels of leadership. So I think there is more we could do there. Sorry, I do not know whether Peter wants to add anything.

Peter Unwin: One of the things we are trying to do is to push leadership down the Department. We have done a lot of work on leadership because of the results last year. We had a lot of discussions in groups with staff and we ran a survey as to, “Do you think you are a leader?” A remarkably small number of people—I cannot remember the precise percentage—thought they were leaders. They saw leaders as something up there. In a sense, getting that leadership pushed down to the middle level of the Department is really important to get the Department as a whole feeling engaged with us as leaders. We can do our bit from the top, in terms of trying to get our messages across to people, but unless we can get that down through middle management as well, we are not going to get that engagement that we need to get our scores up. We have done a lot on that this year. We will see whether it bears fruit in this year’s survey or not.

Q35 Mr Spencer: How does that compare in the RPA? Obviously you have a fairly low engagement score there as well. Are you using the same approach as you do in other Departments?

Bronwyn Hill: You are right. The RPA has been low, although it increased in the 2013 survey by a few percentage points. I am very keen that the leadership of the RPA—the chief executive, Mark Grimshaw, and his executive team—do the leadership in that organisation. Some of the stuff we share across is best practice about visibility and engagement, but they have done some quite imaginative stuff that we might copy. For instance, the RPA has more sites than we do up and down the country, and what it has done is that each of its directors—that is its senior management team—has adopted a site. They go out regularly to that site, engage with the staff and talk them through. That is an example of where you see the RPA doing something slightly different from us.

Also, with RPA, there is an issue about people beginning to feel more proud of the agency now that it has turned round the performance on single payments, for example. That was bound to take some time and energy, and I think the leadership team there, who are very strong, should take credit from having gone from what you might call a very low point a few years ago to where they are now. That is not to say I would not like them to go further, but I think we need to be realistic about how quickly they can make that change.

Q36 Mr Spencer: Chair, I probably should have drawn attention to my declaration of interest. I wonder if you would recognise that there is a policy connection to a certain extent. For example, if you push back the cutting of hedgerows into September and that clashes with soil protection plans for farmers, they get very grumpy and then take that out on your RPA staff. Is there that connection between policy and morale?

Bronwyn Hill: Yes. Not directly on to staff morale, I suspect, but you are right in relation to the agency's abilities to get high scores, for example, on customer satisfaction, which it monitors regularly. Its target is 8 out of 10, and it is there or thereabouts at the moment. The chief executive, Mark Grimshaw, has said that that is going to be tough to do in a year when we have got the new schemes and systems for CAP reform to implement, because the farmers, as you say, do not make any distinction between decisions that are made by Ministers around policy on hedges or whatever it is, and the activities of the Rural Payments Agency. I guess what we need to do we have done: policy and operations are working much more closely together on decision making, and also how we communicate that to farmers. They will not always agree with us, but at least if we explain what we are doing and why we are doing it, that will help.

Q37 Mr Spencer: Yes. If you will forgive me, Chair, I have just one more. How much involvement does the civil service have in making a decision like pushing that hedgerow date to 1 September, and how much is ministerial?

Bronwyn Hill: A lot.

Peter Unwin: Going through the new CAP programme, as we have been doing this year with Ministers, one of our big objectives has been to have everybody in the room for that

discussion. We have the Minister, clearly, who ultimately takes the decisions, and we have the policy officials from core Defra who do most of the negotiations with Brussels. A lot of this is pushed at us from Brussels, and we are pushing back. Crucially, this year we have also made sure that we have the RPA and those dealing with the new CAP delivery programme. They are in the room so that everybody's voice is heard before the final decision is taken, and we go through all the issues you have referred to, including what the reaction of stakeholders will be, how easy—or not—it will be to implement, and how risky it might be in terms of disallowance. All those issues we take account of before Ministers come to a final decision on a CAP issue.

Neil Parish: After 10 years of the single farm payment, finally we have got it right, which is good. How confident are you that with the new system we are not going to have the same sort of problems as we had—

Chair: We are actually coming on to that in a moment.

Neil Parish: Madam Chairman, if I am not allocated any questions, when am I actually supposed to make any contribution?

Chair: We are coming on to that point in just the very next moment.

Q38 Roger Williams: Perhaps I ought to draw to the attention of the Committee my interest as well, not in Defra, but in the Welsh payments scheme.

Rural Payments Wales has said that it will not be able to make its full payments in 2015. I was just wondering whether the Rural Payments Agency could give some advice to Rural Payments Wales, which is dealing with the same problem that was dealt with seven years ago of moving from historic to area payments. Is there engagement between the two?

Bronwyn Hill: Yes. I can confirm the Rural Payments Agency has been talking to its counterparts in Wales, Scotland and Northern Ireland, so we share the learning. You are right: it is the change from historic to area-based payments that is a particular challenge facing Wales at the moment. I assure you that we share that learning, but it is still quite a challenging change to make.

Q39 Sheryll Murray: The Secretary of State has informed us that a range of services are being provided to support digital applications for CAP funding. Who is responsible for managing assisted digital?

Bronwyn Hill: It is the Rural Payments Agency. Is it worth me just saying a little bit about where we are now?

Sheryll Murray: That would be very useful—and also about the different methods for providing assisted digital.

Bronwyn Hill: It is just saying, first of all, that we are still in the early days, because we are still developing the technology and testing elements of it with farmers to make sure it works and to get their feedback. We started early this time. The way the assisted digital is working is that there will be two main elements. There will be a telephone call line, which

we are encouraging people to call if they think they are going to have a problem. The RPA has been proactively sending messages out to about 13,000 people who are not currently online, inviting them to get in touch with this call centre to discuss what their needs might be. That is giving them some early information about how people might deal with it.

A key part of the offer is to have some digital support centres. The first three, which they are setting up already, are going to be in Exeter, Carlisle and Penrith. The idea is not that people just go straight there, because it is a good idea to have a telephone call first to see what you might need to bring with you by way of information about your farm business before you arrive. We are starting early and building up. The RPA has already identified in total 49—so that is the three plus another 46—centres across England that it is preparing to get ready so that there are places within roughly 30 miles of any farmer. Does that help? That is where we are at the moment.

Q40 Sheryll Murray: It does, but how long is this going to take? I understand farmers are supposed to be doing this online from next January, Madam Chairman. We are now in the middle of November and you have three in place. I know that in my constituency I have a lot of farmers who are really concerned because they live in not-spot areas, so they are not able to access digital at all, let alone good speeds. They are also very concerned that they have not received the promised notification from you or from the Rural Payments Agency about registering. I really would like to know if you have a contingency plan should this not work, because we are coming very, very close to the deadline, and it seems as though there is not a lot in place at the moment.

Bronwyn Hill: Just to be clear, first, about the deadlines, we are testing early elements of the scheme, the registration and land mapping, with a few people at this stage so that we can get their feedback and improve it. Early next year, we will have what we call the end-to-end process—how it works from one end to the other. That is when we want more people to come on board. What we do not want is for too many people to come too early. I take the point about communicating with those people to let them know when the right time is. Actually, we have had the reverse problem, if I may say so. The RPA has sent out quite a lot of information to a subset of people and, say, only half of them have responded. They then follow that up with up with a phone call and say, “Why have you not responded yet?” I think some of them are still thinking, because they are waiting for this year’s payments, that they will not get round to next year’s, which is fine. So it is a build-up.

I have been discussing with RPA the need to have the right capacity and capability at the right time. It is a bit too early for everybody to be worrying about it now, but plans to build that up are developing. What is encouraging me, though, is that of the people who have responded to say what sort of help they would need, it is a variety. It is quite interesting. Some will be using family and friends to help them, some say they will be going online for the first time, and some have said they will want to come in and use the assisted digital support centres. I hope we will reassure you.

I think your Committee is having an inquiry in which you will be able to go through this in quite a lot more detail with the chief executive. We are very aware this is one of our big

challenges. We want to make it as simple as possible for farmers to claim rural payments, and we are starting early as a result of that.

Q41 Sheryll Murray: If I may, Madam Chairman, I have just one more question. Are you confident that we are not going to see the same shambles that we saw last time?

Bronwyn Hill: I am confident that we have learned the lessons from last time. I am also confident that so far, although it is early days, we have done three of the technical releases on time. I am also sure that it is a big test of our ability. I am having weekly meetings on this to deal with any issues and problems that arise. I have assured the people who are leading it, in the CAP programme and the Rural Payments Agency, that we are willing to draft in people from all over Defra if we need to. That is my contingency; I do not think we need to at this stage. We need to go through it on a step-by-step basis, dealing with all the risks and issues as we go through it.

Q42 Sheryll Murray: So you are as confident as you can be.

Bronwyn Hill: I am as confident as I can be.

Q43 Chair: Just to support what Mrs Murray has said, it is good that the service is going to be free of charge, which I think is the case. We would be interested to know what privacy levels are going to be when farmers visit these centres opening their accounts. That would be helpful to know.

Bronwyn Hill: Perhaps we could drop you a note on that.

Chair: Perhaps we could take that in evidence as part of our inquiry as well.

Bronwyn Hill: Or take it at the hearing.

Q44 Chair: I think that would be acceptable if the Clerks permit that.

The other thing is just to say that the not-spots in my area will be between 22% and 27%, and they are precisely where the farmers are based. There is this mismatch of where the lack of provision is and where you are actually asking the farmers to sign up, so anything the Department can do to put pressure on DCMS would, I think, be most welcome.

Bronwyn Hill: We will continue to do that, but I agree with you: we will not have fixed all the not-spots. That is why we are making this assisted digital provision available.

Chair: The comment was made by Mr Parish and others that it should be secure and confidential, so that if they are opening their accounts, they do have the privacy that anyone would expect going to a bank, for instance.

Q45 Roger Williams: It is really welcome news that you as a Department have had that unqualified accounts from the NAO this year. However, given the historical problems

with disallowance, is this just a one-year respite, and will there be further disallowances in future years relating to the current CAP scheme?

Bronwyn Hill: It is important to remember that there were two reasons for the qualification of the accounts by the CAG. The first one we have dealt with, which was the level of debtors and creditors, on which—much credit to the RPA—we have now got to a better place. The second one, which is the continuing risk, is the level of disallowance penalties that we incur. Obviously it is a decision for the Comptroller and Auditor General, not for me. He has said that if that is a material amount in relation to our overall budgets, he reserves the right to qualify us, so I cannot say we will never be qualified, because there is always that risk.

The other thing to bear in mind is that there is a time lag between when we make payments in any scheme year and when the EU auditors come and check us, and raise issues about the risks. I think I am right in saying at the moment that the amount you see in our accounts relates to scheme years up to and including 2011. They have not yet audited all of 2012, 2013 and 2014. There is still a significant risk from there that, obviously, we are working on. We have a disallowance working group, which is chaired by Alastair. However, I think we will still see disallowance in the future.

Q46 Roger Williams: With the new scheme that is being brought in, will there be any new mapping requirements that could lead to some of the same problems as were experienced about seven years ago with the changeover from historic to area payments?

Bronwyn Hill: Obviously it's not the same change, but there are different requirements this time. What we are doing is taking the mapping information that we already hold on farmers from the legacy IT systems, and putting it into the new scheme. So farmers will need to check that is right and obviously any changes they have had. Secondly, one of the biggest new requirements is the greening—whether it is hedges, again, ponds etc.—will need to be mapped and checked if farmers want to claim those for their greening. The three crop rule as well, I assume, will need to be picked up. Those are the main new risks. That is why we have been improving a land parcel identification system, which I think is its proper title. We have been testing that to see how easy it is for farmers either to do it online, or to do it with assisted digital. That is a key part of the new approach.

Q47 Roger Williams: Will you be populating their claim form with these features as far as possible?

Bronwyn Hill: As far as we can, we will pre-populate the features, but obviously we do need the farmers to check those features and to make sure nothing has changed. We have been developing—it should be ready fairly soon; I hope this month—something called a greening estimator. It is not a guarantee, but it is a way the farmers could go and put in the details of the things they want to claim for their greening allowance, and check whether it comes up to the required percentage to inform their choices about what they do.

Q48 Roger Williams: As well as getting things right from your end, it is important that you have good conversations with people in the Commission to make sure that the things

they are looking for are covered by your systems. What are your relations with the Commission? How does that work?

Bronwyn Hill: We talk to it quite a lot. Peter has been over there recently.

Peter Unwin: Yes, you are absolutely right. We have been pushing that very hard. We have had constant working-level contact with the Commission, but I and Nick Joicey, my fellow DG who covers Europe, have been over together to see the DG Agriculture. We have gone through this and focused our points on simplification and having rules that are verifiable but also are practical. That is things like the three crop rules, where a lot of our farmers have had some difficulties if they are farming crops that do not come in the normal season for the inspection window. We have been looking at ways—aerial photography or whatever—of getting round those problems, so we have been pushing that at the highest level. Of course, on top of that, Ministers, and the Secretary of State in particular, have been over and had several conversations both with the previous commissioner and now with the new commissioner, Mr Hogan, on these.

In addition, an area in which we possibly have not been as active in in the past as we might is contact with the European Court of Auditors, because they are ultimately the people who decide these things. Only last week I was speaking to the UK member of that court, and he is coming over to London later this month or early next month for a seminar to which we will be sending senior representatives to discuss all these issues.

Q49 Roger Williams: Have they highlighted any particular points that they see as very important that you have in your schemes?

Peter Unwin: One of the challenges we have had this year—in a sense it is nobody's fault—is the speed of European negotiation, but we and the other member states have been pressing for decisions on what the details of scheme will be. For example, on greening, how do you define a hedge, and if there is a gap in the hedge, how big a gap is it before it counts as two hedges? These are what sound like trivial points of detail, but when you come down to being the farmer on the ground having to map this, they are incredibly important. They and we have had to go through all this, and I think we have got a lot of what we wanted out of them. Some things we would have liked to be simpler, but we have not been able to persuade them. We are certainly in a much better place than we were a few months ago.

Q50 Roger Williams: You have told us how you are preparing for this, but have you got any specific systems in place to make sure that the system rolls out as easily as possible when it becomes live.

Bronwyn Hill: One of the things that we have done, in terms of the IT bit rather than “how do you map a hedge” party, is on an IT component—something called the rules engine—that has been used elsewhere in other member states successfully. It is a product that we know the Commission has audited and liked, because it helps it with the audit trail and is a simple way of explaining things. Clearly, that is just one element of the system and we need to make sure it integrates with the other elements. We are as confident as we can be that that is a good improvement that we have made compared to the 2005-06 IT systems,

because it is something the Commission is familiar with and the product has been developed for other member states as well.

Q51 Chair: Just on this point of the new IT system, which I think is the point that Mr Parish wished to raise, how have the trials gone in the other Departments? Did you say it was the same one that was trialled in another Department?

Bronwyn Hill: No, that was other member states.

Q52 Chair: It is just we are all mindful of the fact that in 2005 the then Department introduced a new IT system that proved to be not fit for purpose. I think we just want an assurance that that is not going to happen again.

Bronwyn Hill: This one is very different, partly because of the changes in technology and IT since then, and we have learned a lot about why things went wrong then. One of the biggest changes in terms of IT is that we will be using open source software, which is much easier to change than hardwired code. That was one of the problems with the previous system, which was very inflexible when last-minute changes came across either from Europe or within the implementation in England.

The fact that we are able to test bits out of it earlier, and then recheck it and improve it, makes us more confident. The short version is: we are avoiding a big bang. We are testing and trialling pieces along the way so that we can be more confident that when we need it, starting early next year and in the run up to the May deadline, we will have tested more components than we could ever have done with the 2005-06 system.

Q53 Chair: But it is still in private testing mode at the moment?

Bronwyn Hill: It is still being tested.

Q54 Chair: Are you confident it will be available from 1 January?

Bronwyn Hill: It is not 1 January; it is January/February. Actually, we want it to work well. I should just stress that February or March is usually the earliest moment for the opening of applications. We are trying to do things in phases. Basically, if you are a farmer, you have to register, and check all your details of your business and your maps, and then you have to apply. We are trying to do it in bite-sized chunks up until the point of 15 May—I think it is then—which is the deadline for formal applications. We started earlier than we did last time as well.

Q55 Chair: Excellent. Are you pleased with the level of registration, or is it that registration is slower than you had hoped for?

Bronwyn Hill: There are two separate things going on here. There is a wider Government-wide piece of identity assurance—I think it is now called Verify—that will fit into the new system and is going to apply to everyone who wants to use Government

services in future. That has been tested as well, and I think that has led to a little bit of confusion about what is being tested. Because fewer people than we had hoped were getting through Verify, which is the Government's identity assurance regime, we have been working on how we help people to get round that if it is not working perfectly. We now have a system in place so that if you cannot get through Verify, you can ring up the RPA and it will help you to get straight on to the system, so we have worked round that problem.

Q56 Mrs Glindon: As part of Defra's improving the environment priority, how have you measured the Department's progress towards ensuring greater resilience to climate change?

Bronwyn Hill: We have a major programme called the National Adaptation Programme, which we published—I forget the exact date—in the last year. It is not just what Defra can do, but it is working with people out there—utility companies, other public sector bodies and local government—to say what their plans are for adaptation to climate change. In terms of Defra's main responsibilities, one of our biggest ones is flood risk and flood defences. There, the Environment Agency has been doing a major piece of work on its long-term investment scenarios, which it is due to publish around the time of the autumn statement. That will set out its views on the sort of scenarios it faces, including a factoring in of the effect of climate change and other things on flood defences. It will set out its forward look over the next 30 years.

Q57 Mrs Glindon: You have indicators for a lot of the business the Department does, but there have not been any specific ones for climate change. Do you feel that there are enough measures to be able to do this?

Bronwyn Hill: In the indicator set?

Mrs Glindon: Yes.

Bronwyn Hill: The measures in Defra's indicator set are the ones that are closer to our business. There I think the number of homes protected is a key indicator for us because we had set a target of 165,000 in the course of this Parliament, which we are on track to deliver. With the new six-year capital investment programme that we have secured from the Treasury, we should be able to add another 300,000 over the six-year period. We have tended to focus there on specific things that we can deliver with the resources that we have.

Q58 Mrs Glindon: How will success against the objectives set out in NAP be measured?

Peter Unwin: Under the Climate Change Act, we work on a five-year cycle of producing a risk assessment with the help of the adaptation sub-committee of the Committee on Climate Change, which looks at the risk to the UK across not just Defra's business, but all UK business, and public and private sectors. Then, in response to that, we produced the National Adaptation Programme, I think last year. We are now starting to look forward to the next risk assessment. I cannot remember the date precisely, but I think it will be

coming out at some point in 2015 or 2016. When we see what has happened to the risk since the previous one five years ago, that will give us an indication of how well we are doing on adaptation, and on whether we are keeping up with the threat of climate change, getting ahead of it or falling behind it. That is the time when we would judge where we had got to.

Q59 Mrs Glindon: I just want to ask about some of the changes at Fera as well. Could you say when the final decision will be taken on the future partner for Fera?

Bronwyn Hill: As you probably know, we are in the middle of the procurement process. The timetable is that we expect to go to Ministers for a decision in February next year.

Q60 Mrs Glindon: What guarantee is there that Government-based work will remain a priority for Fera under the new joint-venture arrangements?

Bronwyn Hill: We will have an agreement with it about the services we want the new joint venture to deliver. That will become part of a formal contract, so it will have to deliver those services. If anything, I think the challenge is to find more commercial work to make sure that it has a sustainable financial model. I am pretty assured that if we could find more work for it to do, it would do it, if we can fund it

Q61 Mrs Glindon: But are you quite confident about that and the contract?

Bronwyn Hill: I am confident because—I cannot remember how many years it is—we have had to set out what we are willing to commit to giving in the way of work so that there is a sustainable business model. The more that it can bring in additional commercial work on top of that, the better it will be.

Q62 Mrs Glindon: So it is extra work. What guarantees have been provided to staff at Fera regarding their terms and conditions, pension arrangements and long-term employment—their future careers really?

Bronwyn Hill: As with any transfer, if it goes ahead, which we obviously hope it will do, TUPE rules would apply. There has been a lot of engagement with staff around what that means. Obviously we need to continue to do that through the decision-making process. We are very keen to work closely with them. I understand that the jobs that would go into the JV have now been confirmed through local discussions with people at Fera.

Q63 Mrs Glindon: So the staff would come under the private partner as opposed to being retained as Government.

Bronwyn Hill: Yes. We have already removed some staff from Fera. The Plant Health and Seeds Inspectorate has been merged into the newly named Animal and Plant Health Agency. Some staff have already transferred. There was another unit called the Government Decontamination Service, which is now part of core Defra. So we have already made some changes. We will continue to engage properly through the trade

unions and with staff themselves as we go through that process. If there is any uncertainty among the staff now, it is that the rules around the confidentiality of the procurement process mean that the next major engagement will be letting them know just ahead of a decision about who the partner is. Then, after that, there will be a lot more engagement on all the details that stem from that decision.

Q64 Mrs Glindon: Finally, you said before that you were putting more money into work with bees and in regard to plant health. Could you say why were Fera's inspectorate functions for bees, plant health and GM organisms were removed from the organisation before the joint venture was entered into?

Bronwyn Hill: Partly because they are the ones that have a more statutory basis and are regulatory. A decision was taken that they should be more part of a Government function because it is carrying out a regulatory function that properly only Government should do.

Q65 Mrs Lewell-Buck: I have just a quick question in relation to some of the answers that you gave to my colleague there. It seems like there are a lot of things being farmed out, for want of a better word, so is there some kind of programme of privatisation or part-privatisation going on in the Department?

Bronwyn Hill: I would not describe it quite in those words. What we have done is that we have carefully looked at and reviewed a lot of our bodies—Fera was subject to a science agency review—to see what the future is. It is a case-by-case basis. In the case of Fera, we were very keen to retain its scientific capabilities and expertise, but we have to be realistic against a declining level of spend from Defra because of our wider reductions. We felt that the best solution was a joint venture, and we will still have a very strong interest in the success of this arrangement. The joint venture was the best way of retaining that scientific capability because we genuinely need it for the future.

We have done that in other areas and come up with different conclusions. The other example I would have is the British Waterways Board, which slightly preceded this Government. I think it started in 2009, if I am right in thinking. A view was taken—there was a lot of consultation—that a good future model for that would be in the voluntary sector as a charity. We take a case-by-case view about how best to secure the services that we all want to see in a world where there is a lot of pressure on our budgets.

Q66 Mrs Lewell-Buck: Are you are confident with the contracts that you have in place that the level and the standard will still be maintained and that it will actually save money? Sometimes doing what you are doing does not always result in saving money.

Bronwyn Hill: It is a very important point that you make. One of the things that we are trying to do very actively is to improve both the sort of contracts that we sign up to, given lessons learned from the past and other Government Departments, and also our ability to manage those contracts in practice, because that is often where problems start to arise. One of the things we want to do is to equip our staff and get those commercial skills in to make sure we get the savings. To give one example, we are part of the Cabinet Office joint venture with Steria for our HR and finance services. My understanding is that

although it is still in the first year of operation, they are on course to deliver the savings that we projected. Obviously we need to keep a close eye on that.

Q67 Chair: Could I just ask that you can guarantee that, if there was a scare, Fera would still give top priority to the Government business under the new model.

Bronwyn Hill: I have not got all of the details of the service level offer, but my understanding is that providing emergency resilience will be part of that. It is absolutely part of one of our core objectives to maintain that ability to gear up in an emergency.

Q68 Ms Ritchie: Moving on to the Animal and Health Protection Agency, what review mechanisms are in place to ensure the adequacy of post-mortem services during the transition phase of the closure of the former Animal Health and VLA laboratories?

Bronwyn Hill: I am not sure we have a specific thing on the post-mortem bit on its own, but clearly this is a major change. We have been very careful to keep a close check on how that change is going by getting the new arrangements in place and having a transitional period.

Q69 Ms Ritchie: Who has responsibility for those post-mortem services?

Peter Unwin: This will be under surveillance for 2014. Although there will be fewer Government points, there will be more points where post-mortems can take place closer to the place where the affected animals died. Therefore, we are confident that the new service will be better than the previous one.

Q70 Ms Ritchie: I have a final one, on the urban waste water treatment directive. Defra could be required to pay substantial fines due to infringements of the directive. This is listed as an unquantifiable contingent liability in your annual report and accounts. How are you budgeting for that?

Bronwyn Hill: We do not have a budget for it, because it is seen as something that is remote. In other words, we do not expect it to happen. The contingent liability reflects the decision that we had infringed on two schemes. One is the Thames in London, which is about sewage discharges into the river, and the other is Whitburn, in the north east. What we are doing is actively working on solutions to those problems. In the case of London, it is the Thames tideway tunnel, where I think we continue to make good progress. In Whitburn, I understand that there is a proposal around how we will deal with the sewage capacity problems up there.

What we do is to maintain close contact with the Commission to engage with it and keep it informed of the progress we are making. It is important to remember that when you have an adverse decision against you, it does not automatically mean that there will be fines. Our policy is always to engage closely with the Commission to show that we are committed to addressing the reason for the infraction and to manage the risk that way. So there is no reason to make a budget provision yet.

To give you a really concrete example, if it wished to impose fines, which I do not think it does, it would have to go back to the court, and we could also go to the court and explain what we were doing to remedy the breach. Because of that, in accounting terms, it is considered a very remote prospect, but in the interests of transparency and the way we do our accounts, we register it nevertheless.

Q71 Ms Ritchie: In a purely hypothetical situation, if it were to happen and infraction proceedings came about from the European Union or wherever, how would the Department deal with that from a budgetary point of view?

Bronwyn Hill: Do you mean if, despite our best efforts in court, we were fined?

Ms Ritchie: Yes.

Bronwyn Hill: It depends on the size of the fine and how it occurs. The Treasury always looks to Departments to pay their own way in life, but if it is over a certain amount, we would have to go and talk to the Treasury about how to manage it.

Chair: Not quite within the reporting period, but on air quality, Iain.

Q72 Iain McKenzie: Just yesterday we have heard that the European Court of Justice has delivered a ruling on the UK's air quality. By its ruling, it seems it would take 20 years for the UK to meet the deadline. What are the next steps for Defra following today's ruling on air pollution?

Bronwyn Hill: This is the ruling in the ClientEarth case, where it went to the Supreme Court here in London. That was then referred to the EU, and the EU's judgment is informing the Supreme Court. So today's judgement is for the Supreme Court here to consider. That is the first thing, so I shall be careful not to pre-empt its consideration.

From the first look at it that we have had, though, the question raised by ClientEarth was one about process, which was quite complex. We can try and explain it if you want, but the question was: should the domestic court—the Supreme Court in this case—be chasing Defra harder to comply with the 2015 deadline? We understand, from a first look at the judgment that we heard today, that the judgment is more on Defra's argument that that is not the right process. However, obviously, it is a matter for the Supreme Court here ultimately to consider in the light of that advice. I do not know whether Peter wants to say a bit more.

Peter Unwin: The Supreme Court, which was considering the case, asked specific questions of the European Court of Justice and questions about the interpretation of how the directive operates. The European Court has now given its answers. From what we have been able to see this morning, because it only came out this morning, those answers broadly accord with our view of how the directive operates. So those questions have been answered, but it is now for the Supreme Court to continue considering its view of the case and we cannot really comment on it until it has come to that view. In that sense, the European Court gave answers that are in line with our view of how the directive operates.

Everybody agrees that we are in breach of the directive at the moment, because on NO₂ we are exceeding the limits that were set in that directive. The question is how quickly we have to come back into compliance. The answer is as soon as possible, and that is what we are trying to do. The question is around the interpretation of “as soon as possible”, and that will be something for the Supreme Court to consider.

Q73 Ms Ritchie: What will be the implications, subject to whatever the Supreme Court says, for the devolved Administrations?

Peter Unwin: Broadly in the UK we have improved our record on air quality significantly. We have a particular problem with NO₂, as do many other member states with major conurbations. The areas in which we have those problems, I think, are primarily if not exclusively in England. We can send you a note on whether there are any in the devolved Administrations. I cannot for the moment remember.

Bronwyn Hill: NO_x tends to be a problem, so the biggest problem obviously is in London, followed by, I think, Birmingham. It tends to be in large conurbations, but we would need to check just in case there is a particular place in a particular city where there was an exceedance. It is quite a long list, so we just need to be very careful and drop you a note on that. It is always the UK Government who get taken to court because we are the member state. We could read out the list. Oh, Glasgow.

Peter Unwin: Glasgow and Edinburgh are on the list, yes, and indeed Belfast.

Q74 Jim Fitzpatrick: On the subject of air, ClientEarth is, I assume, some kind of environmental pressure organisation. Was the derogation sought to 2015, or was it sought to extend to 2020 to avoid the fines in the first place? To ask the question of you Mr Unwin, given that I think you said that the Court said that it should be complied with as soon as possible, was there a derogation—

Peter Unwin: The original directive said that member states should comply by 2010. There was a possibility to ask to get a derogation to extend to 2015. If you do not meet it by then, you are in breach of the directive and you have to come out of breach as soon as possible. I think that is probably what the directive states.

Jim Fitzpatrick: I see. That is very helpful. Thank you

Q75 Chair: Just finally, if I may, where are we on the application for state aid in connection with Flood Re?

Peter Unwin: Flood Re is with the Commission along with several others that we have got. It is on track, as far as we are concerned, to meet the timetable. Obviously it is an issue we have got to get through before Flood Re is established.

Chair: We might pursue that line a little bit further next week with the Secretary of State.

On behalf of the Committee, may I thank all of you for being so generous with your time and answering all our questions this afternoon? We will probably see you next week. Thank you very much indeed.