Environment, Food and Rural Affairs

Oral evidence: [Common Agricultural Policy](), HC 405
Wednesday 16 September 2015

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Members present: Neil Parish (Chair); Chris Davies; Jim Fitzpatrick; Harry Harpham; Simon Hart; Dr Paul Monaghan; Ms Margaret Ritchie; David Simpson; Rishi Sunak

Questions 1-62

Witness: **Mark Grimshaw**, Chief Executive, Rural Payments Agency, gave evidence.

Q1 Chair: Good afternoon, Mark. Welcome to the Committee. You are a very brave man; you are going to sit there all on your own, are you? We do very much welcome you and thank you for coming and coming quickly. The single farm payment is one issue where I feel the Government can do something; they can get the direct payment out to farmers. With the farm gate prices as they are at the moment, not just for milk but across the piece, it is necessary to get that payment out. You took on the role under difficult circumstances, because the system had failed. Most people believe that you have picked up the ball and run with it, so the bold question is: how many farmers are going to be paid in December?

Mark Grimshaw: Thank you for the opportunity to come and speak to the Committee.

Chair: Perhaps you could explain to the Committee exactly who you are.

Mark Grimshaw: Yes, I will do. I am Mark Grimshaw. I am the Chief Executive Officer of the Rural Payments Agency. I have been there almost five years now, and I think this is my seventh visit to the Committee. Congratulations, Chair, on your elevation.

In terms of payments in December, I am on record publicly as saying that we will seek to make the majority of payments in December and the vast majority of payments by the end of January. Currently that is a position that I still stand by. In terms of the overall approach, which I am happy to go into, we are on track.

Q2 Chair: We have a series of questions. When you talk about majority, that is 50% plus one at least. Would that be fair to say in December?

Mark Grimshaw: That is a good starting premise, and the reason that I am not able to go into specific detail is that there are two considerable steps that we have to go through with the new process, known as validation and verification. We have not gone through those steps previously because it is a new system, but I would be quite happy to come back to the Committee at the end of October/early November and give you some specifics, because we will have got through the process by then. Equally, I would be more than happy to host either yourself or members of the Committee at our head office in Reading, where you can actually see the process working.

Chair: We might well take you up on that. If we had a very short session with you, perhaps in November, it could be quite useful. We will decide that, but that is a very good offer. Chris, you wanted to come in with a comment.

Chris Davies: Chairman, it was exactly what you said. I was just going to query what the majority is. Is the majority 51% or is it 99%? It is a very wide-ranging majority and I am disappointed, as a starting point, that you are not confirming your majority as being in the high 80s or 90s. We will see in October.

Chair: In fairness to Mark, he picked it up when the system had failed. I was rather fearful that we might be in a position that we would not be delivering 50% or 60% in December. I am sure that, if you can do better than the 51%, if you can do 91%, you will do it. I understand you have to be a little cautious. We want to have expectation there, but we do not want to raise it beyond capability either.

Q3 Harry Harpham: What guarantee is there that all payments will be made within the fixed window, which is by the end of June 2016?

Mark Grimshaw: As is always the case at this stage, I am not in the position to give guarantees. However, the agency over the course of the last five years has always delivered by 28 June, both on value and volume, and I would personally consider it to be somewhat of a drop in performance if we were not able to hit those legislative requirements. My ambition is to deliver more payments earlier in the window. We set out to do that four years ago. We achieved year-on-year improvements. We have had the setback with the development of the new system, so we have to build back up again, but I fully expect all the eligible payments to have been made by midnight on 28 June.

Q4 Chair: What percentage of the applications are very complicated? Surely those are the ones that will be delayed the most.

Mark Grimshaw: Just to go back a little bit if I could, we anticipated some 86,000 applications for BPS 2015. We actually received just over 88,000, and I would say that probably 10,000 of those would be in either the complex or the super-complex category. The "super-complex" category, in which there are generally about 100, includes the National Trust, the RSPB and organisations of that nature.

Q5 Harry Harpham: Can I follow the point that, if they are not made by the end of June, you would consider that to be a drop in performance? What steps would you take to show your disappointment if there was such a drop in performance?

Mark Grimshaw: I do not actually expect a drop in performance.

Harry Harpham: What if it came about, because you cannot guarantee that there will not be.

Mark Grimshaw: No, I cannot. I would probably have to review the situation towards the end of May next year, if that were the case. I am not the type to speculate; I prefer to deal with hard facts and figures. Once I have them, I will happily share them with you.

Chair: We can always shoot the manager, I suppose, but we hopefully will not do that.

Q6 Rishi Sunak: Thank you, Mark, for being here today. It is kind of you to come. Two very quick things: first, if you could elaborate a little bit on the previous comment, what would it take to have a greater percentage of payments made in December? Is it people? Is it money? Is it processes? That would be helpful for us to understand.

My main question was about paying people earlier than that. You would have noticed that the Secretary of State was recently in Brussels and was calling for some acceleration of payments and the relaxation of the European rules. It was particularly to help dairy farmers, who are going through a tough cash flow situation currently. If she was successful in achieving that—I appreciate your insight into whether that is possible or not—what would you be able to do? If she came back and said, "Yes, this is a green light", how would you respond and what would you be able to do to help?

Mark Grimshaw: If I deal with the second question first, and then the first one, the Secretary of State was very clear on advice from the agency that we can bring payments forward if we are in a position to reduce some of the inspections, for example, but we can only bring them forward, so more people will get paid earlier, in the payment window, so from 1 December onwards. We are not in a position to pay earlier than 1 December.

In terms of the question around what else you need, it would always be nice to have some form of commitment to the resources but, as things stand currently, the Secretary of State has been very clear that the RPA should have the resources that it needs to deliver. I currently do have those resources. I need a couple of software releases to go as smoothly as the last half a dozen have, in order to be able to move people on to the next phase of the work. Using a normal red/amber/green status, which I report to the Secretary of State on a weekly basis, the programme is currently green and I am reporting green on all aspects. We have recovered it from the slightly parlous position it was in back in March.

Q7 Rishi Sunak: Does green mean you will hit the target of 51% in December and the vast majority in January, or does green mean you might be able to exceed those targets?

Mark Grimshaw: Green means on target to achieve majority and vast majority currently. There are a couple of areas where we may well see some improvements and that is why I am more than happy to come back when I have actual facts and figures at the end of October.

Q8 David Simpson: You are very welcome to the Committee. I have a couple of questions and I will sort of tie them in together. The Audit Office has noted the risk of disallowance penalties arising from manual entry. Have you, at this stage, seen any evidence of that? What is your opinion on the risk of that? Also, the other side of it is penalties as regards to the mapping. That has been an issue in Northern Ireland for a number of years. Tying those two together, what is your assessment?

Mark Grimshaw: In terms of addressing penalties with regard to the manual entry on to the system, we were in the fortunate position where all the data were actually captured on the new system back by the beginning of March. When we went to the contingency approach, we were actually able to send out pre-populated paper forms to potential claimants. We were also able to send them out as emails and, in certain cases, people were able to respond electronically.

What we are in the process of doing now is data capture of the changes that people have made to their claims. Typically they will write on a paper form or perhaps attach a hand-drawn map or a few details around a split field, something of that nature, and our people are capturing that and entering it on to the core system. As long as the calculation and the land management is done on the system, the disallowance impact is much lower.

In order to make sure that we manage disallowance as tightly as we possibly can, I have a very senior official who is the compliance officer who does our liaison with the auditors. She and her team sit in with the software development people to ensure every item that they are developing is compliance-proofed. Now, the approach that we are seeking is to maintain disallowance at the current levels for on-system activity. You will be aware, because you have already mentioned mapping, that compliance is a function of a whole range of things, not least of which is mapping. Disallowance can be made up by activity that takes place on farm, so the agency or the agencies—so DARD in your case—can do everything that they need to do, but a customer can actually do something inaccurately, which potentially leads to disallowance.

Q9 Jim Fitzpatrick: Just following on from what Mr Simpson was asking, the National Audit Office report on disallowance risk makes some comments about the Northern Ireland agency being able to make progress because it allowed audits to take place, and the German pay agencies making progress because, the suggestion was, they accepted the findings of the Commission, rather than challenging them, and then argued to reduce the penalties, rather than arguing about the findings. Is that something that you recognise? Is there more that the RPA can do to be proactive in getting the Commission more onside or not, or do you not think that it is an accurate reflection of where you are?

Mark Grimshaw: I think it is a very sensible approach to take. In terms of dealing with disallowance, in many cases, disallowance that we will get, let us say in 2015, will be a function of activity that took place anything up to five years ago. In many cases, we are suffering the sins of our fathers, so to speak.

Jim Fitzpatrick: And mothers.

Mark Grimshaw: And our mothers as well.

Jim Fitzpatrick: Sorry, it is only because it is an all-boy Committee today.

Mark Grimshaw: Yes, I did notice that. One of the challenges that we face is to make sure that we have really good evidence to go back to the auditors to engage in conversations about proposed disallowance. I would say, probably eight times out of 10, we can reach a more amicable settlement. We can always go to arbitration if we feel that the Commission is taking an unreasonable position, but we would prefer not to do that.

Our preference is to build in the sorts of controls that the Commission would rather us have, which we have sought to do with the new system.

Q10 Jim Fitzpatrick: Is this the software system that you are talking about?
Mark Grimshaw: That is right, so both software and the way that we actually apply, for example, on-farm inspections to make sure that we are doing them in the most productive way. In terms of value, just looking at my notes, in 2012, €71 million disallowance; 2013, €69 million; and in 2014, €52 million. We are negotiating this down.

The Commission has just changed the way that they calculate disallowance. Historically, if for example you had three elements where disallowance was considered to be 2% in the same sphere, disallowance would have been 2%. The view now is that they will compound that, so it will be, in that particular example, 6%. That is something that we are having to put a lot of time and effort into a) understanding, but b) producing the evidence to say that, from our perspective, it was a ring-fenced group of customers, so not the whole of the scheme. Again that is part of the role of the compliance team.

Q11 Chair: If I could ask you a question, with DARD in Northern Ireland and then you would have the paying agencies in Scotland and Wales—because you make the payment in England, do you not?
Mark Grimshaw: Yes, we do.

Q12 Chair: I suspect the actual penalties are paid by the UK, are they not?
Mark Grimshaw: That is absolutely right.

Q13 Chair: How do you work with your counterparts in Northern Ireland, Wales and Scotland to try to make sure we do not get too many penalties?
Mark Grimshaw: The compliance team and the external relations team—our policy team within the agency—spend a lot of time talking to colleagues in the devolved Administrations. Of course, you have to also remember that their schemes are slightly different from ours, as well. The UK paying agency, of which I am the Chief Executive, is responsible for all payments but, for the devolveds, we make a single payment to them and they then administer that payment on our behalf, through a series of service-level agreements and memorandums of understanding. We have a UK body called the Co-ordinating Body, which is the link between all four of the paying agencies, the Department and the EU. Of course, we are all working together to try to drive disallowance down collectively.

Q14 Chair: Just one final question: I think that Wales, Scotland and Northern Ireland are being asked to move more towards area payments, rather than so much being based on a historical payment. To what extent are you helping them with the English system, for want of a better expression? Although the system was complicated to start with, it is probably where we need to be, is it not?

Mark Grimshaw: It is. We have been through the pain and angst of the transition. It took seven years to go from a headage-based scheme to an area-based scheme, and we share all the lessons that we learned and all the anxiety with our colleagues in the devolveds.

Q15 Chris Davies: May I just have a supplementary to that last question? You say that you pay out to the devolved nations in one lump sum, but you are also responsible for anything that goes wrong throughout Great Britain. Are you in a position to impose sanctions, fines, etc, on any of the devolved nations if they do not get it right? If so, is that sometimes difficult, whereas England will find itself in the position of somewhere between 51% and 100% of payments being late?

Mark Grimshaw: We are not in a position to levy any charges on our colleagues in the devolveds. They still suffer from disallowance in the same way that England does, and of course it comes down through the EU auditors, because they are audited separately as well. "No" is the short answer.

Q16 Chair: If Wales has a problem and they have a disallowance, does Wales pay for it out of its portion of money? How does it work?

Mark Grimshaw: That is exactly how it works.

Q17 Chris Davies: Is it your responsibility to get the money off Wales?

Mark Grimshaw: No, the way that it works is that the Commission does not actually release the money, so you never had it in the first place. Then you go to whichever Treasury you go to, to get the payment. We take the money from Treasury and then we get it back. We get a rebate, if you like, from the Commission to settle the payments that we have made. If they are disallowing, they simply withhold a portion of the monies.

Q18 Chris Davies: Just to go back a question or two if I may, I am sure the Chairman and we would be delighted to have a Defra away-day to Reading. It is something that excites me already, and it would be nice to see how your department works. You mentioned that there are cases; there are complex cases; there are super-complex cases. Until we see how you work in Reading, do I assume that your instructions to your department are to pick the low-hanging fruit first, so the easier cases are dealt with first and the complex and super-complex then come to in that order?

Mark Grimshaw: No, we are working on all of the cases most of the time. Clearly, we do not have to spend too much human capital on the more straightforward ones, so they tend to go through the system quite quickly and quite easily, but we do have complex-case teams who are currently working through the challenges of the complex cases. The super-complex actually have people assigned to them on a permanent basis. We are talking many hundreds of thousands of hectares, lots of land changes and lots of entitlement changes. It is almost like a mini-business in itself and the easiest way to manage that currently, because we do not have everything on the new system, is to work alongside people like the National Trust.

Q19 Chris Davies: Defra's annual report suggests £5.2 million has been lost by April 2015 as a result of the suspension of your new IT system. In your opinion, what is the final impairment cost figure?

Mark Grimshaw: £5.2 million is the impairment for the last financial year. I suspect that there will be some additional impairment, which we will have to negotiate with the National Audit Office, but impairment comes as a function of actually deciding not to go ahead with a piece of software that has been developed, so it is essentially on the shelf possibly ready for deployment or it needs to be attached to something else that has not yet been built and we might decide not to build the second item.

At the end of each year, we essentially look back at all the software development we have on stock, decide what we are going to include in future developments so it does not get impaired. Anything that we are not going to use and can see no future use for would be impaired. I would imagine it would be considerably lower than the £5.2 million, because of the approach that we are taking to try to use all the software in the most appropriate way.

Q20 Chris Davies: Just to clarify that, is that additional cost on top of the £5.2 million or additional cost compared to the £5.2 million?

Mark Grimshaw: It will be additional cost on top of, so the £5.2 million was the financial year 2014-15 costs for impairment on the programme.

Q21 Chris Davies: The National Audit Office says that the March suspension of your new IT system will mean delays in savings you expected to record from reducing the need for manual data input. How much has been saved, in your opinion?

Mark Grimshaw: It is fair to say that the savings are not actually due to start until later this year. To date, we will not have saved anything in terms of the original business case, but we are just going through the process with Treasury at the moment of revalorising the current business case. The savings that were originally forecast have been downgraded, but there are savings over the 10-year period.

Q22 Chris Davies: In your expectation when it comes to the saving period, how much do you think we will save in this financial year?

Mark Grimshaw: In this financial year, I do not think we will save anything, because of the additional resource cost to get the contingency approach through and also to make sure that we can load all the data on to the system.

Q23 Chair: I think the total cost of the new system was something like £150 million over a period. My question is really, when it first came out that there had been a problem and we could not get on to it digitally or through the computer system, the whole lot was lost. What in your view, as a percentage of the original system that we paid for, have we lost? How much have we managed to retain? Are we not making double payments and going back over a system that we have already paid for?

Mark Grimshaw: It is very important that the Committee understands that, when we went for the contingency approach, there was quite a lot of press that said—and I can almost quote—"RPA Defra writes off a £154 million IT system".

Chair: Yes, I remember that figure.

Mark Grimshaw: I am sure you do. The £154 million is actually the 10-year cost of building and running the system, so it still has another eight years to go. I can assure you that we have not lost £154 million. £5.2 million I accept has been impaired. There have been a number of changes to the business case, as we have better understood the cost of the software and the cost of the developments. As I have just said, the most recent business case is on its way to Treasury, almost as we speak. It is important to remember that, until we start using the system in anger, which will now be 2016 for applications, but this year for the calculation of payments and the payments, we will not be seeing the savings that you have been referencing. It is a 10-year business case.

Q24 Chair: Therefore, the maximum that would have been paid in the first year would have been £15 million anyway. Is that right or not?

Mark Grimshaw: No, it is not, because the first two years of the business case are the majority of the investment in the development of the software and the use of various contractors to actually do the necessary work. I am more than happy to drop you a note in terms of the spending for 2013-14 and 2014-15, if that is helpful.

Chair: Yes, because there is particular interest in how much of the system has been maintained and how much money we actually lost, rather than just these bold outline figures that we heard. It would be very useful to put out in the public domain exactly what happened. Rishi, did you want to make a point?

Q25 Rishi Sunak: I was going to come on to it later, but you mentioned timing there, so I thought I would jump in now. I think the annual Defra report mentioned that the online IT portal is still being developed for future use, which I take to mean the front-end part.

Mark Grimshaw: Yes.

Q26 Rishi Sunak: You said something about things happening for next year. When will that portal be completed and will it be ready for use for next year's applications?

Mark Grimshaw: The portal is complete now, but we have not released all the functionality that we were originally building. Customers can actually go on to rural payments today and look at their account. The likelihood is that there will be an online application capability for 2016 and we are also likely to have online entitlement transfer and land transfer capability. Again, it was not thrown away; we simply suspended the development of the online application capability and the online map-editing function.

Rishi Sunak: Thank you, so the whole package should be ready by next year is your expectation.

Mark Grimshaw: The elements I am looking to release I am absolutely sure will be ready for next year, but we are now using 2016 as a stepping stone to having a full solution available in 2017.

Q27 Rishi Sunak: Forgive me for just pushing on this. I am just trying to understand what the interim 2016 solution looks like. Is it digital or half-digital/half-paper? I am still a little confused, so my apologies if I am not following.

Mark Grimshaw: No, that is fine. Rather than following the mantra of "digital by default", which did not deliver what we would have hoped last time round, we have slightly tweaked that, so we are now looking at what we refer to as "digital by design, practical by application". For those customers who choose to use the online capability, and we will be promoting it heavily, it will be there. Equally for those customers who have no intention of going online, we will provide assisted digital support or we will provide a paper solution, so that they can get their applications in on time and we can do the necessary work to load them on to the system.

Q28 Chair: I think that is a very practical solution. Therefore, the older farmer, and it may not be just an older farmer, but the one who decides that he or she does not want to do it digitally, will be able to do it by paper if they want to.

Mark Grimshaw: Yes.

Q29 Chair: Defra's non-executive directors specify achieving the planned service and benefits from the CAP-D project as a key objective for this financial year. Will that service and those benefits be achieved by March 2016?

Mark Grimshaw: No, not all of them. The process that we are now going through enables us to make payments to farmers and landowners, which is absolutely vital given the state of the industry currently, and then we will focus on developing systems capability that is most required in order to drive the efficiencies or drive the savings, but we have to have a very close focus on making sure that customers can apply for their payments in a timely manner and that what they are claiming is accurate, otherwise we open up all of the issues around disallowance, so the system is being designed to do those two things.

Q30 Chair: With the changing of the system this year, with the new CAP payment system, will a lot of the information that has been put in by farmers and landowners this year, where it is fairly identical, be able to be churned out of the system, for want of a better expression, so that they do not have to redo it all again in the following year?

Mark Grimshaw: Yes, absolutely. All the information that we took in during the application period is now in the system. All the changes that customers have advised us of are being put into the system through the data capture process. All the work that we are doing to digitise new land areas is also in the system and we have a considerable focus on data quality. We want to be able to continue to improve the data quality, so that in 2016 we can push back at you pretty much 98% of the information accurately and then, the following year, even more. As a farmer, you look at the information that we have; we have either picked it up because you have told us about changes or we have identified them separately. What we hold is essentially a mirror image of what you have and then you simply have to say, "Yes, I agree", and the process picks it up from there. Data quality is key.

Q31 Chair: We look forward to that utopia. Hopefully it will happen. What quality control measures are in place to prevent additional errors arising from the need to input data manually? The original system was supposed, if you tried to input it, to deny access if you had got it wrong. Certainly that was the way it was sold. How have you moved on, on that one?

Mark Grimshaw: We have two lenses that we look at this through. Our people are doing the data input now, and they are all trained to a very high standard but, in order to make sure that the work that they are doing is compliant, we have supervisor or team leader checks on a random sample. It may be that, if you do 20 today, we will check seven of them; tomorrow we might do one. The system also picks up on a random 30% as well, which is the parameter that we have set, because it is user-configurable. For the first year, we have set it at 30%, which our team leaders have no choice but to do. If we find somebody is not meeting our quality standard, then we take them off the service, retrain them and put them back through.

Q32 Chair: I think it is the slaughterhouses that are supposed to use a risk-based system. To a degree, can you work out when you are checking the system that there are particular aspects of the system that may fail more than others? Do you do that process?

Mark Grimshaw: We know that there are certain elements of data capture that are more complicated than others, and we make sure that our people understand exactly how they have to do that. Right now, probably the biggest challenge we face is a very simple one and it is data transposition, so a line of numbers that somebody has to lift off an SP5 application form and key into the computer system. If it is going to go wrong anywhere, it will go wrong there. Fortunately, the system picks that up, because it would not recognise, for example, an applicant's number if it was incorrect.

Q33 Dr Paul Monaghan: Thank you for coming today, Mr Grimshaw. I would like to ask you why you felt it was necessary for you personally to head the CAP Delivery Programme from May 2015.

Mark Grimshaw: There has been a range of SROs, senior responsible officers, who have been seeking to deliver a solution on behalf of the Department, and the Rural Payments Agency is by far the largest customer of this service. It was fairly clear in March of this year that the requirements of the agency perhaps were not at the forefront of the programme. While it is interesting to provide a service that focuses on the user, one of the conversation points today has been about disallowance, and disallowance is a function of managing the end-to-end process. I would go so far as to say that there probably is not anybody in the country who understands the way the RPA works any better than I do, so it seemed logical to me to put myself forward as the person to pull all this together. It is also fair to say, in the space of the last four months, we have come on in leaps and bounds.

Q34 Dr Paul Monaghan: Good, thank you. Just to follow that up, what deficiencies did Defra's internal auditor identify in the previous programme governance?

Mark Grimshaw: In terms of the internal audit process, there is a range of different audit views that we have of the programme. One of the biggest issues was a little bit of optimism bias and an inability to get key questions raised, asked and dealt with, and a concern that there was a little tiny bit too much focus on being first on a number of key development areas, so compounding the difficulties of being a digital exemplar for digital by default, being one of the first to use some of the new contracts on Government's G-Cloud and being the first to try the identity verification service called Verify in a live environment. Of course, the more firsts you add together, the greater the level of risk.

There were a couple of issues around the quality of the documentation associated with the software development and also an issue around being one of the first Departments to look at systems integration in-house, whereas historically that has always been outsourced to a third party. Adding all those together, the sum of the parts is actually quite high and it drives the risk up.

Q35 Dr Paul Monaghan: Just to follow that up, given that the RPA has overall market support across the UK, what impact, if any, did these identified deficiencies have on farmers and crofters in Scotland?

Mark Grimshaw: I do not think there would have been a great deal of impact on farmers and crofters in Scotland from the English issues. We were still able to make all the headline payments to the Scottish paying agency. There may have been one or two cross-border claimants who suffered a slight delay in their application processing but, 2014-15, which was the last year of SPS, was actually a record year for us in terms of payments, so it would have just been the application process. They would also have fallen into the complex category, so we would have people on the telephone talking to them.

Q36 Dr Paul Monaghan: Can you confirm specifically then that a disallowance liability arising in England will have no effect on CAP payments in Scotland or the other devolved nations?

Mark Grimshaw: That is my understanding.

Q37 Simon Hart: Sticking on procedures, process and mechanics, I think you told us that you had two senior officers in the six months before the system was abandoned. Is that correct?

Mark Grimshaw: Yes, there were.

Q38 Simon Hart: One of these was replaced, I think we have been told, after what is interestingly described as "a review of their programme delivery approach". What does that actually mean in our language?

Mark Grimshaw: It is a very good question. On the basis that I did not write it, I do not actually know what was behind it, but I suspect it was an overall understanding of the end-to-end programme requirements.

Simon Hart: Right, so they were bad.

Mark Grimshaw: As I said, I did not write it, so I cannot say.

Simon Hart: Fine. Assuming those two things are right—

Chair: I understand it is from the Defra annual report.

Q39 Simon Hart: Right, so it has to be right. If that is the case, is there an argument for saying you should have got behind the steering wheel rather sooner than you did?

Mark Grimshaw: There is an argument for it. I am sure it is the sort of thing that will get debated over a pint and a glass of red wine many, many times.

Q40 Simon Hart: What do you think about the last few months and the service that you are providing to people in a very difficult time? Do you think it warrants a slightly more serious answer than the sort of thing we might chat about in the pub?

Mark Grimshaw: With the benefit of hindsight, it would have been advantageous to put me in charge of it probably six months before.

Q41 Simon Hart: Whose decision should that have been?

Mark Grimshaw: That is a collective decision for the Department.

Q42 Simon Hart: Is it the Secretary of State's decision or is it the Permanent Secretary?

Mark Grimshaw: I am sure the Secretary of State would have been involved in any discussion of that nature, but we are talking about a hypothetical situation now.

Q43 Simon Hart: We are not, actually. We are talking about a real situation where this did happen, and all I am trying to ascertain is what the decision-making process was and where it might have fallen short. Surely somebody somewhere knows who took these decisions and why they took them. It is not really intended to be a hostile question, just a fact-finding question. I do not think we have to speculate about it; presumably somebody knows, do they not?

Mark Grimshaw: On the basis that I would not have been involved in those decisions and discussions, I am afraid I cannot help you.

Q44 Simon Hart: Projecting forwards, let us say in the unfortunate situation where you might have to do this in the future, who would be part of the decision-making process and who would carry the can?

Mark Grimshaw: The way that Defra's governance has evolved, it is the sort of discussion that would now be a paper that would go to Defra's executive committee and it would be discussed there. The new Permanent Secretary would clearly have a view and she would decide whether it was something that needed to be discussed with the Ministers or with the Secretary of State. Things have evolved over the course of the last month and a bit, because of the change of internal governance.

Q45 Simon Hart: There is not really a defined process. It is sort of on a case-by-case basis. Is that what you would say?

Mark Grimshaw: I think you would tackle these individually on their merits.

Q46 Simon Hart: A lot of what you have told us is quite positive or sounds quite positive. Whether farmers would necessarily feel as positive as you do about the progress you have made is a different matter. We will no doubt find out about that, so we start from that position of things looking slightly better. If I could ask, if you were a private contractor providing this service at a cost to the Government, would you have had your contract renewed after all this? Would you still be in business?

Mark Grimshaw: I think I would, but again we are in the space of the hypothetical. The approach that is being taken currently brings together four separate software providers to work as one and a series of systems integrators. It is actually quite a significant piece of work to do. It is unlikely anybody in the private sector would ever be asked to do the sort of programme management that I am being asked to do.

Just to help you in terms of progress, I had nine members of the NFU's National Council in my head office in Reading on Friday of last week. Only this morning they issued a national press notice. If I can quote, Mr Chairman, a couple of points, one is from Guy Smith, who is the NFU Vice President, saying, "After a meeting with the RPA on Friday, the NFU was impressed by the progress it had made so far." Andy Robertson, who is the NFU Director General, said, "The NFU welcomes the RPA's willingness to keep us regularly updated on its progress. We are encouraged to see the RPA has now got its hands firmly on the tiller." They are probably my most critical audience.

Simon Hart: We will ask them when we have them here.

Q47 Chair: Can I do one or two questions because, all through the previous Select Committee, all through the last year, we were told all the way along that it was all going fine, everything was hunky-dory, then all of a sudden it was pulled and could not be done online. You basically took over. At what stage through those processes when we were being reassured in this Committee that everything was wonderful were you concerned that it was not?

Mark Grimshaw: There were elements of concern for me that stretch back probably a year. That is more to do with what I would consider to be the part of the iceberg that is under the water, so the case management, the payment capability, the links between payment and accounting, the MI and the recording of information for the EU. The closer we got to the point of applications, the more apparent it became to me that, unless we took a decision quite quickly during March, we simply were going to run out of time. At that point, raising the issue with the then SRO and the Secretary of State on 16 March, we turned the whole thing around by the 19th, but there were certainly a number of concerns in the time running up to that point.

Q48 Chair: I perhaps naively thought that the single farm payment was going to be delivered by the Rural Payments Agency and that it was being managed by the Rural Payments Agency. I think the decision was made that you were not directly managing that system, so who took the decision to do it in a different way? I do not know whether I can lead you into why that decision was made; you may not want to go there.

Mark Grimshaw: As to why, you would have to ask the individuals concerned.

Q49 Chair: Was it a Defra decision or what?

Mark Grimshaw: If we go all the way back to 2012, prior to the development of the CAP Delivery programme, there was a programme called Future Options, which I actually led. When it became the CAP Delivery programme, because of the involvement of Natural England and the Forestry Commission, which delivers the Pillar 2 schemes, and the fact that CAPD was going to deal with everybody, it was decided at Defra senior executive level that it ought to be a cross-Defra programme. That is the point at which the first of the Defra SROs was appointed.

Q50 Chair: How much involvement did you have? You were the guys with the practical knowledge of how to deliver the single farm payment previously, so to what extent were you invited in, shall I say, to give advice, or were you not?

Mark Grimshaw: Not as much as perhaps we should have been.

Chair: Perhaps there is a little bit of a lesson to learn there.

Mark Grimshaw: Absolutely.

Chair: Perhaps I will leave it there, rather than put you too much further on the spot.

Q51 Harry Harpham: I have a two-part question. What impact have the new disallowance governance arrangements had on communications between Defra and the agency? Do the structures now in place secure sufficiently strong integration between Defra and the agency?

Mark Grimshaw: There is an awful lot of communication between the Department and the agency. I mentioned earlier our external relations function, which is essentially the CAP policy arm of the RPA. My external relations director is in literally daily, if not half daily, contact with policy colleagues here in Westminster. We also have the compliance team, who I mentioned earlier, who are involved with the Defra finance team. On disallowance impact, the impact on the development of the software, the solution and the processes that we operate, I have no concerns that that is the area that we ought to be looking at. As far as I am concerned that was one of our number one challenges, so we had to be seen to integrate all that.

I also chair a weekly programme executive committee, which brings Defra policy people, Defra finance people and senior leads from Natural England and the Forestry Commission, alongside all the functional directors in the RPA, into a room for half a day.

Chair: Welcome, Margaret. I understand that you had not been able to get here before. We have covered quite a lot, but I think you wanted to raise something on broadband. That we have not covered, so over to you.

Q52 Ms Margaret Ritchie: I did indeed. Could I thank you, Chair, and say that I was at a meeting? The VAT on tourism people are over from right across the UK today. Obviously, rural broadband is an issue that this Committee has examined through the rural committees report in the last Parliament. It is one that interests Members right across the piece and right across all parties, and it is really the one to do with accessibility. There are some areas where, because of topographical reasons, it may be difficult from an accessibility point of view, but there is also a feeling that super-highway broadband does not reach those hard-to-reach rural communities, because it is very much urban-focused and lowland-focused. Now that many farmers are expected to complete their application forms online—and I suppose you may have already addressed that particular issue—I think there was an amendment to that that allowed them to submit via paper copy.

Where I am coming from, and where we as Committee members would be coming from, is to ask what plans the RPA has for those who live in those hard-to-reach areas. Will paper applications still be accepted in this new scenario under the current Common Agricultural Policy? Is this an issue that has been discussed already with the EU Commissioner, and also with the EFRA Secretary of State and the BIS Secretary of State?

Mark Grimshaw: There are a lot of questions in there. Yes, I know that it has been discussed directly with BIS and the current Secretary of State. I know that the Secretary of State is a strong exponent of rural broadband and rolling it out as fast as it possibly can be done.

If I can go back to something that I said earlier, accepting that you were not here, the approach that we are taking in the agency now is "digital by design, practical by application". You will be aware that I have been here a number of times and my ears have been burning around the issues of making sure that those farmers and landowners in difficult-to-reach areas have a facility to go online if they so choose.

During the application process last year, we procured 10 mobile support units. They are satellite broadband units. They are quite large. They sit on top of some of our inspectors' vans and, when they are operating, you get broadband anywhere in the country providing you can get access to the sky. They also produce a Wi-Fi hotspot, so we went to an awful lot of cattle markets and local village halls, where we would actually create a Wi-Fi hotspot that extended up to a quarter of a mile from the unit, so that local farmers and agents who did not have broadband would be able to use the service. In fact, we visited over 140 locations.

Q53 Ms Margaret Ritchie: They are solely based in England, Scotland and Wales. Would that be a correct assessment?

Mark Grimshaw: They operated in the main in England, because it was an English challenge in terms of the contingency approach, but they are now available through the Government's surge capacity, so we clearly want to continue to use them.

Q54 Ms Margaret Ritchie: As a follow-on from that: as a result of that, do you find that there has been better accessibility as a result of this "digital by default" mechanism?

Mark Grimshaw: Yes, absolutely. We were able to take digital to some of the most out-of-the-way parts of England, some of the more difficult-to-reach rural areas in Northumberland, for example, down in Cornwall and Devon, where it is very difficult to get on to a network. We also wanted to make sure that we targeted what I referred to as the hardest-to-help individuals, so we did not want anybody to be left out. Where necessary, we actually sent an inspector with the vehicle to sit down with an individual customer.

Q55 Ms Margaret Ritchie: As a consequence of that, has the level of applications increased?

Mark Grimshaw: What—digital applications?

Ms Margaret Ritchie: Yes.

Mark Grimshaw: No, I do not think we could say that this year, simply because of the difficulties that we had rolling out the online solution for BPS 2015. We were at 73% of applications being done digitally in 2014. It has dropped considerably. We have to build it back up, but the good news is that the will is there within the customer base.

Chair: I was just going to say, Margaret, that DARD has a different system of making the payment, does it not? What is DARD's philosophy? Are they going entirely digital or are they still doing it by paper?

Ms Margaret Ritchie: It is both.

Chair: In a way, a lot of what Mr Grimshaw is talking about is for England, really.

Ms Margaret Ritchie: It is indeed, and I think Mr Simpson and I would concur with that viewpoint. In Northern Ireland we use both applications, but I was very conscious from the last time we carried out the inquiry in this area that it was the lack of accessibility for many of your mountainous regions here in England. We have similar issues in Northern Ireland. In the main that was due to topographical issues—the altitude.

Chair: Aside from what we are talking to you this afternoon about, I suspect the Committee will actually look at rural broadband again and the delivery of it, because it is conscious of that. What Mr Grimshaw actually said during the evidence he gave earlier is that the plan now is to encourage more and more people to go online when we have a system that works, but those who still want to carry on with paper will be able to. I think, in a way, that is a much better system than where we were. I just have a couple of last questions. They have just disappeared now; can you get them back again? A wonderful electronic system.

Chris Davies: While that is being sorted, Chair, can I say to the Committee we had an excellent debate in Westminster Hall on broadband last week. We are very grateful to you for bringing that debate forward. We have problems all over the country, as Margaret quite rightly says, not just here in England, but I emphasise the fact again that I have some 27 farms in a particular part of my constituency that do not even have mains electricity, never mind broadband. It is a real problem out there.

Chair: I thank Members very much for supporting me in that debate. We managed to have quite an entertaining afternoon, but also one that was useful. That does reinforce to the Minister that he has to be very proactive on the issue and he cannot just wave it away and it will happen with a press release. It has to be managed delivery. Everybody gets so worked up about percentages, when 90% of the country is getting it, when 90% of some of our populations are not getting it.

Chris Davies: The only thing we did not find out was whether Mrs Parish was happy afterwards.

Chair: She was mildly happy, but we will not go into all those details.

Q56 David Simpson: I just want to emphasise the point, Mark, that the payments this year especially are vital to the farming community, not only the dairy sector, but the red meat sector and sheep. They are going through a very, very difficult time. I emphasise again the dairy sector. That payment could be the life blood for some of the small farms. It may not help larger farmers.

Chair: Are you talking about the specialist dairy payment now?

David Simpson: Yes.

Chair: You had better ask Mr Grimshaw whether they are going to be delivering it. I do not think they are.

David Simpson: The Chairman has asked.

Mark Grimshaw: In terms of the specialist dairy payment—I would say that in inverted commas, because I do not think it has been determined yet how the fund will be used. It may be dairy; it may be cattle; it may be sheep and cattle. There is a range of options—my expectation is that the RPA will be asked to deliver that, certainly in England. It is unlikely we will be asked to deliver it in the devolved Administrations. We would certainly want to be involved as early as we possibly could be in determining the "how", because there are a lot of variables in here. From my perspective, the easiest way to do this would be to make a standard payment to everybody and not differentiate, but that is from the perspective of being the practical deliverer.

Q57 Chair: The debate will be with the dairy sector: whether you give it to everybody, even those who are on 32 pence a litre, or if you concentrate more on those who are on 17 or 18 pence, or whatever. I can understand from a delivery point of view, but not from a fairness point of view. You could argue, playing devil's advocate, that it is those farmers who negotiated a better contract; it was down to their expertise and so why should they be penalised by not having any of the money? On the other hand, places like Northern Ireland and other parts of the United Kingdom are on particularly low amounts of money. I accept that, but I suppose that will be a decision for the Secretary of State, will it?

Mark Grimshaw: Absolutely, sir. I am sure the Secretary of State will talk to her colleagues in the devolveds around the options, assuming that the UK is successful in securing some funds, and then it is a question of practicality. It is not simply talking about different farmers with different pence-per-litre rates for their milk; I would need to see the evidence. I would have to justify it, I would have to verify it, I would have to be able to report against it, and that is before I started allocating funds against it. The more detail you introduce into it, the longer it will take.

Q58 Rishi Sunak: Just to echo what Mr Simpson said more broadly and to go back to the beginning of the Committee, you have an important job at the best of times delivering significant income to 100,000 people, and it is clearly not the best of times. This year in particular, your payments will be the difference between people being in business, maintaining their livelihoods and deciding to pack it all in, at great hardship. I thank you for being here at short order. I thank you for offering to come here again and bring us to Reading, but I urge you and your team to do absolutely everything you can to increase the number of people who get their payment, as soon as possible. It literally will be the difference between them being okay and not okay, come Christmas time. Thank you.

Mark Grimshaw: Mr Sunak, that is absolutely recognised within the agency. We are not comfortable with the likely outcome for payments for December and January, given our previous year's payments, which have been in the high 90 per cents on the first payment day of the year. You could argue we have created a rod for our own backs, but we recognise that certainly in England we release around about £2.6 billion into the rural economy. That has a snowball effect. We think it turns out to be closer to £10 billion, by the time it has gone through bank accounts to seed merchants and onwards and onwards.

Just to make sure that you go away knowing that we are pulling out every single stop, we are on seven-day working and have been since the start of this month. That is extended seven-day working as well so, whenever we can squeeze an hour out of system availability, we have people volunteering to come in and work, because they recognise how important the work that they do is to the famers and landowners in this country, and it drives prices.

Rishi Sunak: Please pass on all our thanks to your team for that level of dedication. That is appreciated.

Chair: I think the farmers will be impressed by the fact that you are working seven days a week, because they have argued, especially the dairy farmers, that they work seven days a week always. But seriously, we thank you for that.

David Simpson: Very briefly, Chairman, I would just echo again what has been said in relation to that. You have made a comment there in relation to the simple way of giving money out as the same payment to everyone, but I understand—and I stand to be corrected—that at Monday's meeting the Commissioner gave flexibility to member states on how they divide that money. Of course, Margaret and I would be selfish in the sense that we believe that Northern Ireland should be managed as a special case. That may not happen, but we are in dire circumstances at the moment.

Chair: I do not necessarily disagree with you, but the point that Mr Grimshaw is making is that if we want to—and I quite want to—differentiate then, if we are not careful, we might make it complex and then we do not get the payment out at all in time. That decision will have to be made, but it will not be for us. I think it is something we probably ought to make our views known on as well, when the time comes.

Q59 Chris Davies: First of all, could I echo my colleague's words on that side of the table? Could you just clarify something for me there? You just said that the special payment would be for both the dairy and the lamb sectors. When we had the Minister sitting in that seat last week, he just said it was a special payment for the dairy sector.

Mark Grimshaw: No, I said it could be. It is a special payment and it is yet to be determined which farmers it is going to go to, under which delivery methodology and through which allocation process. Yes, there is money available, but it has not been determined yet, certainly not when I left the office this morning, who was getting what and when.

Q60 Chris Davies: Could you clarify the process as far as we are concerned? As the world is watching, and certainly the farming sector, there will be a lot of livestock farmers out there now thinking that they may be in for a special payment. Is that the case?

Mark Grimshaw: Until Ministers determine how they are going to use their allocation from the special payment, I do not think any of us could say.

Q61 Jim Fitzpatrick: Just to further ask, given the limited amount of money that we were told it might be and how small that might be for whoever gets it, how much is the risk that that coming forward will jeopardise the overall payments procedure, which is much more important? Is it possibly going to get in the way and make life more difficult for you to meet your targets for December and January?

Mark Grimshaw: It is not going to make life any easier, but it very much depends, Mr Fitzpatrick, on the way that it is allocated. If I can do this alongside BPS payments, rather than as part of, that would be slightly easier. I have different mechanisms that would allow me to make one-off payments. What I really do not want to be doing is spending an inordinate amount of time validating an application. I really do not want people to have to apply for it. I really do not want different amounts going to different owners, who have had their herds at different times. Is it going to be effective from date X or date Y? Then you have to be able to prove to me that you own the cattle on said dates. You can see how this all gets very confusing. I recognise that, if you have a herd of 10 and you get the same as somebody who has a herd of 1,000, that might not be perceived to be an equal distribution. From my perspective, it would be an awful lot easier to do.

Q62 Chair: We have the Minister and we have the Secretary of State coming in, in October. I suggest that that is something that we ask her about. I think that is very much a Minister's decision. I thank you for your advice on delivery.

I have one last question, and I am going back now to this year's single farm payment. This is what Commissioner Hogan said: "I will now propose that member states may pay 70% of advances after the administrative controls have been completed and without the need to complete the on-the-spot checks." What does that mean? Does it help you get those payments out any quicker? What actions are you going to take on that?

Mark Grimshaw: As a statement, it does not have very much impact on what is happening in England at all. We would not be making payments earlier than 1 December. What we are looking for and what the Secretary of State is pressing the Commission on is the waiving of certain controls during the payment window. If we did not have to do all the inspections and have all the data, we could pay more customers earlier in the window, but we do not pay before 1 December.

Chair: Most of the farming community accept that they are not going to be paid before 1 December. Echoing Rishi's and other people's words, the more you can get out on 1 December and in December, the better. Not only will the farmers be pleased, but I suspect their bank managers also. It is a hugely difficult time out there.

I very much thank you for the frank and open way you have answered our questions. We will try to bring you back probably in early November, when you will be able to tell us that you will be able to deliver 90% to 100% of those payments in December, because everything has gone so well, but I will not put words into your mouth. I also very much respect the fact that the RPA and its staff are working seven days a week to deliver these payments. May I encourage you to carry on? I thank them for their hard work, so thank you very much. If Members could hang on a minute, we will do the last little discussion about the forward programme and things. We do very much appreciate, Mr Grimshaw, your coming this afternoon. Thank you very much.

Mark Grimshaw: Thank you very much.