



Environment, Food and Rural Affairs Committee

Oral evidence: [Defra's performance 2014–15](#), HC
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Wednesday 14 October 2015

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Written evidence from witnesses:

- Clare Moriarty, Permanent Secretary;
- Sonia Phippard, Director General, Policy Delivery; and
- Nick Joicey, Director General, Strategy, International and Biosecurity, Department for Environment, Food and Rural Affairs

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

Questions 1-89]

Witnesses: **Clare Moriarty**, Permanent Secretary, **Sonia Phippard**, Director General, Policy Delivery, and **Nick Joicey**, Director General, Strategy, International and Biosecurity, Department of Environment, Food and Rural Affairs gave evidence.

Q1 Chair: Good afternoon and welcome to the Select Committee. If you would like to introduce yourselves, then we will start.

Clare Moriarty: I am Clare Moriarty; I am the Permanent Secretary of Defra.

Nick Joicey: I am Nick Joicey; I am the Director General for Strategy, International and Biosecurity at Defra.

Sonia Phippard: I am Sonia Phippard, and I am the Director General for Policy Delivery at Defra.

Chair: Welcome to you all, and, Clare, welcome to your new role. I knew you in a previous role in transport, but welcome to Defra. We have some questions for you. The first one talks about what Defra's main achievements have been over the last year or 18 months and whether the Department has had any significant failures. You have

only been in post since August, I realise, but I am sure you have had time to look into what Defra's achievements are, so perhaps you would like to have a shot at that, would you?

Clare Moriarty: I will start and I will call on my colleagues' help. I would pick out three things, which are only representative of a much broader number of successes in the Department. The first one is about exceeding the flood defence target. Clearly, coming into 2014-15, there had been the major floods, and there was a very large programme of work that was required to get people back onto their feet again and to address that. The work that was done during 2014-15 has taken us a long way in that process, and we also now have agreement to the six-year capital programme to make sure we are providing appropriate defence to the right proportion of houses.

The second thing I would pick up is the creation of the Animal and Plant Health Agency. We started the year with the Animal Health and Veterinary Laboratories Agency and Fera. Various changes took place within the year such that we brought APHA, the Animal and Plant Health Agency, into being from 1 October. That has proved to be a positive development in terms of having a real centre of excellence around animal and plant health, and that enabled us to deal with what have now been, over the last 18 months, three outbreaks of avian flu. They have been well managed, and, each time, there has been a process of learning, which has been carried on to the subsequent outbreak.

The third thing I would pick out is the work we have done on reducing the volume of guidance from the Department. There were tens of thousands of pages of guidance existing. There has been a very strong programme to look at what we really need, look at it very strongly from a user perspective. That has resulted in an overall reduction of 80% in the amount of guidance over the last parliament.

Q2 Chair: Richard McDonald did a survey previously into regulation, so, funnily enough, I was asking questions about that as to what has happened to that and its progress, so that is good. One point on your statement is that I have met with members of the poultry industry, who are a little concerned about avian influenza and, with the constraints on funding for Defra in the future, that there will be enough people in place to be able to deal quickly and swiftly with an outbreak of avian influenza, because it is a case of being able to shut down that area very tightly, control the poultry units and stamp out the disease very quickly. I will probably be coming forward with some more questions on that, but I am sure you are aware of that.

Clare Moriarty: Yes, indeed.

Q3 Chair: We will be asking more questions about it in a minute, but I think it will be about whether, as we move forward with the budget reductions, you can protect as far as possible the chalk-face, and I would suggest that very much is the chalk-face.

Clare Moriarty: Yes.

Q4 Chair: I have supplementaries here. You have answered quite a lot of it, but one patch you have not covered is which policy areas present the Department with the most significant challenges in the coming year.

Clare Moriarty: The obvious example, which I am sure we will come onto, is the implementation of the CAP delivery programme. That certainly, over the period of 2014-15, was a significant challenge to the Department. We now have a clear way forward and we are confident of being able to pay farmers in the appropriate timescales, but, if I was just picking out one, that would probably be the one I would alight on first.

Q5 Chair: You are in constant contact with the Rural Payments Agency. It is not a case of whether it is delivered within the window, because the window is right up until next June. It is whether it is delivered as fast as we can after 1 December that is really the point in hand.

Clare Moriarty: Yes, absolutely, and I am in constant contact with the Rural Payments Agency. They have a very comprehensive process in place now to make sure they are tracking absolutely what is happening. They are confident that we can meet the objective of paying the majority of farmers within December and the vast majority by the end of January. I think that is what Mark Grimshaw said to you a few weeks ago when he appeared before you.

Q6 Chair: This is my final point. On which policy areas and corporate activities are your own key performance targets focused? Which particular ones are you focused on?

Clare Moriarty: We will probably come onto this when we talk about the coming year and the process of the spending review. A lot of my time at the moment is spent on thinking about how we get the organisation into the right place so that we are able to operate effectively and make the most efficient and effective use of the money that we have available. The management and leadership of the Department is a priority area for me.

In the time that I have been here, I have spent quite a bit of time on issues like air quality and a certain amount of time on some of the immediate issues that have arisen where there is a public interest. The badger culls started shortly after I arrived, so I have been involved in those as well, and a variety of issues as they have come up the importance radar.

Chair: Air quality, of course, with your previous work in transport, when quite a lot of the air quality is down to emissions from transport, will be quite an interesting one to deal with.

Q7 Chris Davies: Can I just go back to your initial question, Chairman? You said that you have cut back on 80% of guidance, rules, regulations, etc, but the perception out there from our farmers and agricultural industry is that very little has changed. How are you going to change the perception? How are you going to get the message across that the rules, regulations and red tape are getting less?

Clare Moriarty: I am going to ask Nick to provide a bit of an answer there, because it is in his area that this programme has happened. It is fair to say that there are a lot of rules and regulations relating to farming, many of which come not from anything that national Government does but from the fact that we operate in a European context. Many of the

things that are very important to farmers, like the payments they receive through the basic payment scheme, are driven by the Common Agricultural Policy, which we believe is quite a complicated system. We are constantly in dialogue with partners in Europe to see how we can make that simpler.

There are some constraints on what we can do, and what we have been trying to do is make sure that we provide information in the simplest possible way, bearing in mind that we are operating in quite a complex environment. I do not know, Nick, if you would like to add anything?

Nick Joicey: Over the last parliament, we did make progress in simplifying guidance. Certainly, in terms of talking to people, including in the waste industry, in the environmental sectors, people recognise the progress that we have made there. With regard to farming, it is a very good point that you make. Richard McDonald's report provides a critical reference point, and, as this Committee heard in the hearings with Richard McDonald earlier this year, he has recognised that we have started to make progress on some of those, but we need to sustain and build on that.

One of the critical areas that we need to look at is European regulation and how we can make further progress in simplifying European regulation. Critically, it is around the Common Agricultural Policy and the simplification agenda there, and we have stepped up our dialogue and interaction with Commissioner Hogan about his focus on simplification. That clearly is a priority for us.

Q8 Chris Davies: Thank you for two very good answers. Nobody is denying the fact that it is difficult out there and difficult dealing with Europe, but you are achieving reductions and you are moving forward. My question was how you are going to change the perception about what Defra is doing. What are your plans to tell the farmers out there and deliver to them that we are making progress? They do not feel it at the moment.

Nick Joicey: That was something that I heard personally at the NFU conference in February; it comes across very strongly there. Clearly, we need to look at how we can continue to step up our engagement with farmers and others in the farming sector. The work we have done with people like Richard McDonald, with the NFU now, is a way of engaging, but continuing to look for further ways of simplifying is critical.

Q9 Chair: I think the point Chris is making, which is a good one, is that perhaps, at some stage, we should list what has been taken out, because I do not think farmers realise it. Sometimes Europe is, of course, adding other things in at the same time; that is one of the problems. Also, Richard McDonald said, which is why we will have him back at some stage, that some of the regulation will take time to negotiate away and to change. Therefore, I am very optimistic that, over the last few years, you have made progress and you will make even faster progress. We shall look forward to inviting you back to find out exactly how fast this progress has been.

Nick Joicey: One of the areas, in terms of your point about communicating what we can do and making a real difference on the ground, is the approach that we take to farm inspections and how we can strengthen the co-ordination of our work on farm inspections. Clearly, the Government have a manifesto commitment to set up a single point for farm inspections and bring together. I think that is an area where we can build on the

co-operation between our different agencies within Defra, and make sure that we are working as one, given what Clare was saying about the Animal and Plant Health Agency, but also co-operation between APHA, the RPA and Natural England. That is an area where we are putting a lot of emphasis. It is one of our main priorities for the coming year.

Q10 Rishi Sunak: You mentioned the single farm inspection taskforce, which I think is a brilliant idea and lots of farmers are asking me about it. Is there a timeline in place for that? How are you and the Department thinking about the timeline for getting that together, so it can start benefitting farmers?

Sonia Phippard: In one sense, it has already started. The RPA and the Animal and Plant Health Agency are working together so that we have a single telephone point of contact, and they are working through how we have a single inspection arrangement. The aim is to have that starting to be in place for the spring, so we want to make real progress. There will be more to do after that, because there is IT investment, to be really smart about how we send people out, but we want to have visible change this autumn and then in the spring.

Clare Moriarty: It is a really interesting point that you raise. I am not sure if it is permitted to congratulate the Committee on its questions.

Chair: Certainly the Chairman warms to that idea.

Clare Moriarty: People receive information in different ways, and we may think that we are communicating things but, if it is in not a way that lands with the farming community, then we may be wasting our effort. If we are in a position where we are not communicating, we have not found the right ways and there is more that we need to do to ask the farming community how they want to receive information and what is most helpful to them, that is something very helpful that I will happily take away.

Chair: I just think that farmers always see the fresh regulation. They never really realise when it has disappeared, so sometimes perhaps they ought to be reminded that something has gone; otherwise they will say nothing has gone. That is probably something we could do.

Q11 Rebecca Pow: My question is very much about finances and money. Your Defra budget has gone down from £3 billion in 2010 to £2 billion in 2015-16. I just wondered if you would let us know what impacts that might have had already on the way you operate and what you bring forward for the agricultural sector, the environment and all the areas you deal with, including animal health and flood prevention.

Clare Moriarty: I will probably need to call on my colleagues to fill in more of the picture in relation to what has happened over a five-year period, because, as the Chair said, I have only been here since August. There was a programme agreed at the last major spending review in 2010 of a significant change of approach. I was in the Department for Transport at the time; we had the same challenge. What has been important in all Departments is that it caused a rethinking of how we achieved the objectives.

There have then been various, more immediate short-term challenges. Just after the election and in the budget that followed, there was a further reduction in the 2015-16

budget for the Department, which we have been managing on a very relatively short-term basis. As to the four to five-year period, Sonia has the longest Defra roots and may be able to describe the trajectory of the Department over that period.

Sonia Phippard: The trajectory has certainly been to be smaller. We have lost quite a few staff over that period.

Q12 Rebecca Pow: How many? On what scale?

Sonia Phippard: It is around 6,000, but that includes the departure of Fera from the Defra family, so that is not all cuts because it includes some changes in the boundary. The good news is that, basically, we have pretty much continued to deliver. We have done that by working in new ways.

Perhaps I will take a couple of examples on the floods and water side, because I know that well, as some of you know. In floods, we introduced at the beginning of the last spending review period the partnership funding approach. That has brought in additional money, but, by working closely with local partners, the other thing it has done is really focus on the cost of schemes, because, if you are contributing, you look for the most efficient and effective scheme. We have seen real win-win outcomes from that. On the whole question of nature, but water particularly, there is a lot more local partnership working. The catchment approach in water has brought in a lot of voluntary groups and other players, like water companies and local businesses. They have brought money, but they have also brought huge enthusiasm, expertise and information, so we have been able to make limited Defra money go a lot further.

Q13 Rebecca Pow: In Somerset, we have had lots of do with flooding. Can you give us a couple of other examples, then, where you have done that, just out of interest? I personally did not know lots of other people were putting money into this pot, so, on flooding and water systems, give us some examples of where you have done such good projects.

Sonia Phippard: In terms of flooding, in Morpeth in the north, in Sandwich, there is quite a wide range of examples. £134 million was contributed over the last four years of the last parliament, after we introduced the change. We know that the six-year programme requires £600 million of partnership funding, which is ambitious, but £250 million of that is already committed. We are seeing, right across the country, people really coming forward and being partners, and full partners, in those schemes.

Q14 Rebecca Pow: We have more spending cuts on the horizon, rumoured to be between 25% and 40%. Have you got a strategy already for how you might deal with that?

Clare Moriarty: We are an unprotected Department in the spending review, and, like other Departments, we have been asked to provide illustrations of what reductions of 25% and 40% would involve. We have submitted a lot of information to the Treasury and we are in discussion with them. I am not going to go into every detail of it, but, broadly speaking, we think there is a lot that we can do through quite a radical approach to transforming how the Department operates. What we are trying to do is step back and identify the big outcomes that we are seeking to achieve as a Department in the areas of environment, having a world-leading food and farming industry, a thriving rural sector and, very importantly, protection against natural threats and hazards.

We have those as our big outcomes, and then we have developed a set of principles to guide the things that we think we need to do be doing. What we are trying to do is to make much better use of data and finding technology solutions to environmental problems. We are looking for ways to get out of people's way, to become less of a controller and more of an enabler, which includes the work we are doing on better regulation. We are looking to invest in economic potential and create opportunities for people. We are looking at how we share risk and reward, and we are looking at how we can create opportunities for potentially different ways of delivering services.

With those principles, we then looked at everything that the Department does, and the package of measures we are constructing is around doing things that deliver our outcomes in the most efficient way possible, which particularly protects the frontline, so we are looking very hard at corporate services. To give one example, the whole of Defra, as I tend to describe it, consists of 34 separate organisations, which have traditionally all operated in their own way. What we are trying to do is create much more sense of an integrated whole, partly so that we have more impact, and partly so that we can work as efficiently as possible.

We have created something called Network Corporate Services: we are creating a single corporate services organisation that supports certainly at the moment the larger of those organisations, and we will see if we can extend it to cover all of them. We have plans to make significant savings around IT, where we have duplicate systems, in the way we interact with our customers. We have, I think, 45 different IT systems, all of which are to do with animal movements, so there is a real opportunity to make savings there.

Rebecca Pow: That could help with the red tape and the regulations.

Clare Moriarty: Exactly, so there are things, and there are areas where we can simultaneously spend less money and provide a better service.

Q15 Rebecca Pow: I think George Eustice referred to this at the conference and said he did think there were ways that we could save money. Is your gut feeling that it will all be more efficient when you have done this?

Clare Moriarty: I think it will be, yes. There are some really great opportunities to have the organisations working together. There is the single farm visits programme that Sonia talked about. That is somewhere where we start from the end user and how we provide a better service to the end user in a way that is also less costly for us. We collect vast amounts of data, which provides hugely good information about what is going on at granular level. Can we use that to substitute for some of the visits? There are real opportunities there.

Q16 Rebecca Pow: That is very interesting. Thank you very much for that answer. You have big challenges with the huge programme that the Secretary of State has set: the 25-year programme for agriculture and flooding. You have a massive agenda, but I am heartened to hear what you are doing; I hope the others are. Also, you have said that you have this network of 34 organisations. Do you see that you will actually amalgamate with any of them?

Clare Moriarty: One of the things we are looking at is whether those are the right

boundaries. As a general principle, we are not starting from the idea of saying, “Let us do away with 34 bodies and just have one homogenous organisation.” There is huge value in the brands that those organisations have, so the starting principle is, where it makes sense, where we have a strong identity, where we have an organisation doing something that is clear and distinct and where it is viable, then we are bringing them together, but in a group operating model rather than in a squishing everything together model.

There may be some examples where, when we look at the functions of organisations, there is a reason to move on. That is why, more generally, the Government has a programme of reviewing all arm’s-length bodies on a regular basis, because sometimes the world moves on. Sometimes there are different and better ways of carrying out the functions that were carried out, but we are not starting from the presumption that this is about drastically reducing the number of bodies in the family.

Q17 Rebecca Pow: I have a final point. In the major areas that come under Defra, which you referred to in the beginning, like avian flu and outbreaks of disease, have you got enough of a contingency plan and funding in case we have to face ash dieback or an equivalent plant disease coming in, or something we suddenly have to react to that involves a lot of money and perhaps manpower?

Clare Moriarty: Some of this comes back to prioritisation. I talked about the outcomes we are trying to achieve. Within those four outcomes, the one about protection against natural threats and hazards has a particular quality, because that function is something for which we absolutely need to make sure we retain the capability. As we have looked at the whole range of what we do and at how we can be more efficient, we have given priority to those functions. It is important to note that that does not mean nothing will ever change in those areas, because there may be different and more effective ways that we can achieve the outcomes, but we are certainly very conscious of the need to make sure that we have the capability.

Now, some of that is understanding how we can resource individual issues, so, within the Environment Agency, people have all sorts of different jobs. Many of them have jobs where they know that, if there is a major flood, then they will drop what they are doing and go and help out in the floods. We do not want to have lots of people sitting on standby waiting to deal with an outbreak, but we need to make sure that we have the capability and people have the right skills, training and an understanding about how their priorities fit together so we can resource outbreaks if they occur.

Q18 Chair: Rebecca has been far too nice to you, really, because one part of the question said quite clearly: if you get 40% cuts, is the Department viable? How radical are you going to be? There have been some serious questions asked. If you had too savage a cut, would Defra survive?

Clare Moriarty: Nobody is asking me at the moment, “Do you think Defra is a viable organisation?” We have been asked to identify what we would do to meet a 40% reduction in expenditure, and I have been through this process before. I was the director general for corporate affairs in transport when we did the spending review in 2010, and we had exactly the same exam question and we answered it.

The way to look at the 40% is not so much whether many Departments are going to reduce by 40%, but, if the Treasury is trying to optimise the overall outcomes that are achieved across the whole of Government, it needs to be able to see what the marginal choices are going to be. We have diligently gone through the process of identifying what savings we would need to make, through this process of: what is it that we absolutely need to prioritise; what are the areas of spend that we do not have any option about?

Q19 Chair: What is your answer? You are going around the trees. I think it is right that Defra should survive. Food, farming, rural affairs, flooding, environment—all these things are very important, but what is the situation?

Clare Moriarty: Ultimately, machinery of government decisions are for the Prime Minister, so whether Defra continues to exist is a question for the Prime Minister and not for me to answer. Do I think that there is a viable future for Defra? Yes, I certainly do, but we will need to think very carefully about how we deliver services, how we deliver outcomes, what is right for the Government to do and what can be done by the people. Crucially, we are looking at ways in which we can work in partnership with other people so that these big outcomes for the country are achieved.

Q20 Chair: Is recovering more costs of services one aspect of it?

Clare Moriarty: As the Minister has said, it might be that we need to look at cost recovery. That has been the direction of travel in a number of areas of public service, so we are not ruling it out, but that is one area.

Q21 Rebecca Pow: To pick up on Neil's point when he said I was being far too nice, if it was 40%, what would go? Can you give us any indication of that? That is almost half of what you do. What might we be looking at?

Clare Moriarty: To be honest, we are in a negotiation. The spending review is a negotiation, and I do not particularly want to get into the detail of what our bid has been to the Treasury. I can assure you that, in order to understand what a 40% reduction might be, bearing in mind that there are some significant fixed costs within the Department's budget, that does take us into quite radical places.

Chair: We will be kind to you now, because you are not necessarily facing 40% cuts, but it is something we are all concerned about if you did get to that situation.

Q22 Jim Fitzpatrick: Permanent Secretary and colleagues, good afternoon, welcome and congratulations on your appointment. Can we move into domestic territory? One of the tools that you, I suspect, looked at was the staff survey, the people survey, and some of the figures were not that positive. How do you weigh that as a new leader coming into an organisation? What value do you give to that? How does that then affect your determination in terms of specific ways of approaching your team?

Clare Moriarty: I think it is an incredibly valuable tool. The fact that the people survey is carried out across the entire 400,000 or so people in the civil service means that it is a very effective tool. The reality is that different Departments answer questions in different ways, but we have now had it for several years and you can look at trend data. Right now,

people are completing the 2015 people survey, so I am waiting with a huge amount of interest to see what that tells me about the current mood in the Department. I have looked at the 2014 figures and they are now somewhat out of date.

In general terms, I agree. The figures are lower than I would like them to be. Within the headline figure which appears in the annual report and accounts, we get that number broken down between the core Department and the agencies. When I was talking about our 34 members of the Defra family, many of them are not part of the civil service, so they will have their own measures. This is an important slice, but it is only one slice of the whole.

For me, the people's survey is really important, because it tells us how people feel about working in the organisation, and I care passionately about how people feel about working within the organisation, because it drives performance. We know that organisations where people have a higher level of engagement are also organisations where performance is better. It is something that I am absolutely determined to work on.

One of the messages that these particular results are conveying, in the case of some of our agencies, is about the change that has gone on. Both APHA and Fera have got lower figures particularly in areas like leadership and managing change, and you tend to get that when people go through restructuring. Big operational bodies tend, in the civil service, to have lower engagement scores than particularly small bodies. The figures for RPA are actually quite similar to the figures for the DVSA, which is one of the bodies I used to deal with in the Department for Transport.

Within the central Department, there is a lot of appetite for visible engagement. People want to feel that there is a vision. It is quite difficult when there is a lot of change. It is quite difficult in the circumstances we were talking about, with this spending review, to be able to give people the absolute clarity they would like. What I have always done, when I cannot give people clarity, is at least give them as much communication and opportunity both to be heard and to understand what is happening as is possible.

Since I arrived, I have spent a lot of my time going out and talking to people. I have done two sessions with our SCS. I have done sessions with anybody who wants to come along in the central Department. I am doing another of those next week. I have done online Q&As. I have been out to visit four or five of our delivery bodies. I am encouraging my team and doing a lot of work to make sure we have an effective top team. All of my experience is that, if you have an effective top team, that starts to give people a lot of confidence in how the organisation is operating.

We are trying to do something that is quite difficult, in terms of creating this more integrated whole. We are trying to do it in difficult circumstances, because everybody knows that there is a spending review going on. My experience is that you can do a lot even in those circumstances. I have taken on difficult challenges in the past in terms of teams of people and managed to get people survey results to a much better place by making it a big focus, talking to people about it a lot, finding out what really matters to them, fixing what we can and being honest about where it is going to take longer to get there.

Jim Fitzpatrick: That was a very comprehensive answer, Chair.

Chair: Yes.

Jim Fitzpatrick: I have another set of questions, if I may, very briefly.

Clare Moriarty: I will be very quick.

Chair: Before you come in, would you mind keeping your answers just a little bit shorter?

Clare Moriarty: Yes, I will do that.

Chair: They are very good answers, but I rather fear we are not going to get through everything. Be a little bit more concise if you can. I understand.

Clare Moriarty: Yes, I am very passionate about the people survey. I promise to be quiet.

Chair: No, I am not faulting you. I am just saying we have to speed it up a little bit.

Q23 Jim Fitzpatrick: If I reel the questions off, perhaps you can do them in one hit. You say there are 34 family organisations. What percentage does the survey cover, then, from those who are civil servants and those who are not? When will the new data be published from this year's survey? In respect of the leadership question, only 28% of staff across the board have confidence in the leadership. That is quite a challenging figure; I wonder if you might comment on that. The RPA, which we obviously focus on quite a lot as one of the most sensitive agencies, is lowest in terms of positive responses.

I assume there is a recognised trade union within the Department. Does the union support the people survey? I know that, initially, when they came out, there was some angst amongst trade unions as to whether they should encourage their members to participate or not. Do they encourage their members to participate, and do you engage with the trade union officials representing those who are union members to try to use that as a way to get better data?

Clare Moriarty: The percentage is a bit less than 50% who are covered, because the Environment Agency is a significant element. The results of the current people survey I think will be published around the end of the year. Departments start to get some early results quite soon after it closes at the end of October, but publication will be at the end of the year.

On leadership, you are absolutely right; that is a low figure. There is often a lag between leadership and engagement, but that is one I am particularly focused on. This comes to the point about visible leadership, talking to people about change and creating the purposeful sense that we are not changing just for the sake of it and we are not changing just to save money, but we actually have a vision of how we can be as an organisation. The RPA figures are lower than some other organisations. As I have said, that is not untypical of that kind of organisation, but it is, again, something we need to try to address.

There are a range of unions that are recognised. The PCS is the largest union. Certainly last year they were encouraging people not to complete the survey. My understanding is that, this year, they are certainly not encouraging people not to complete the survey. I do not know if they are actively encouraging people to participate, but we will work with the

unions. It is the best possible way of us getting the data that allows us to respond to people's concerns.

Chair: They were very detailed questions from Jim, and good ones. If you want to add anything in writing to us afterwards and you feel there is something you have not covered, please feel free to do so.

Q24 Chris Davies: Can I pick up on something we talked about earlier? You mentioned that there will be various organisations within the Defra group that will be working closer together. We have also talked about the fact that there will possibly be massive savings coming in your direction. We have seen in Wales where three organisations under the title have merged. I am sure the Chairman will not allow me to ask you the question—it will be seen as unfair—as to whether you think that was successful or not. However, in your recommendations to the Secretary of State, will you be going down that line of seeing various organisations merging under Defra or would you not think that was a good idea?

Clare Moriarty: Well, I cannot comment at all on the Welsh example.

Chris Davies: I would not expect you to.

Clare Moriarty: I do not know anything about it. As I was saying to Rebecca earlier, we are not embarking on this with a view to it being something that drives merger. There are interesting ways in which organisations can work together without having to go through a structural merger. What we are trying to do on the corporate services side is to have one single corporate services organisation that supports all of the front-line operations in these different organisations. However, we recognise the value of the brand identity of organisations like the Environment Agency, Natural England and so on. Their boards have statutory responsibilities and they have a very clear focus. That is the frame in which we are endeavouring to work.

Q25 Chris Davies: From that, I take it that no was the answer. Thank you. What practical evidence are farmers seeing that Defra is winning the argument in Brussels for reduced bureaucracy, particularly for a simplified CAP?

Clare Moriarty: Can I ask Sonia to comment on that one?

Sonia Phippard: The answer is that, so far, movement has been relatively slow. Commissioner Hogan, I think, is genuinely committed to simplification. He has asked for ideas; he has had a lot of ideas, over 1,000 pages of ideas, I gather, including, I hope, nice concise ones from us. So far, we have seen some simplification of the guidance but less simplification, yet, of the substance.

However, he has committed to carry on with the process and particularly to look at some of the more onerous requirements, notably the review of the so-called greening requirements, which he is going to carry out next year. We are very keen to support that. We want to learn from this first year so we are putting in hard evidence-based advice to that review and hoping that that and the next phases of his review will deliver real change. However, I have to say that, while we think they want to make change, so far it has not been very spectacular.

Q26 Chris Davies: I have two supplementary questions, if I may. Has your Department identified a decline in applications for the Countryside Stewardship scheme and, if so, what are you doing to address that?

Sonia Phippard: We have seen what we would regard as an encouraging response to the new mid-tier scheme, which of course has just closed for applications. It is not as high as entry level; we did not expect it to be, and we also are not surprised that in the first year some farmers are waiting to see how it goes. We think that provides a good base for the first year. Obviously, for higher level, we are working with both individual farmers and groups of farmers to develop applications. We are cautiously optimistic about the start, but we recognise that it is the very start.

Q27 Chris Davies: Finally, how will you ensure that so-called dual-use CAP applications are meeting EU rules and are fair to both tenants and landlords alike?

Sonia Phippard: Again, we found a way of ensuring that dual use can continue and is open to both. We will continue to work and discuss with farmers to make sure we get the framework absolutely right.

Q28 Chair: One of my experiences in Europe was that the Commissioners make a lot of difference. Mariann Fischer Boel, who was Danish and quite keen on reducing bureaucracy, achieved something. Cioloş, if I may be so bold, was not and added more red tape back in. Although Commissioner Hogan appears to be going in the right direction, delivery will be the interesting one there, will it not?

Why have Defra and the Rural Payments Agency not been prepared or able to match the EU's flexibility and pay much-needed BPS and Countryside Stewardship money to farmers by the earlier permitted date of mid-October? Were we not able to do it? What is the situation?

Clare Moriarty: I will hand over to Sonia in a moment. Broadly speaking, the answer is that, in order to make sure that we are in a position to pay farmers accurately and reliably from 1 December, we need the time between now and then to make sure we have all the systems running properly and all the checks running properly. We could not pay farmers ahead of that date without exposing ourselves to unacceptable risk in terms of not doing the checks and therefore having a very high risk of disallowance.

Sonia Phippard: That is absolutely it.

Q29 Chair: If I am right, the BPS payments have not necessarily been changed for this year, or have they? Therefore, why were we not in a position to pay those earlier? The stewardship schemes are changing this coming year, but, as far as I can see, for the existing ones the farmers are surely being paid historically. Why can you not press a button and make it all happen?

Sonia Phippard: We have not changed the basic system, so the level at which a farmer is broadly entitled. An amazing amount does change year by year. The number of farmers who submit the forms to vary the payment a bit and to change is quite high. You probably need Mark Grimshaw to give you absolute chapter and verse. Each of those claims has to be technically validated and verified. That process can only take place once we have all

the applications and all of the data is in the system. As Mark has explained, that is happening through October and November. Until that is complete, the RPA cannot start payment.

We did suggest to the Commission that they could lift some of those validation and verification requirements, which would have allowed us to pay early, but they were not prepared to do that. As the Permanent Secretary has said, that would leave us open to hundreds of millions of disallowances, which is not good use of public money.

Q30 Chair: What analysis has been undertaken of Defra's and the Rural Payments Agency's governance and co-ordination arrangements? Why did this then lead to costly failures in the CAP delivery programme? How are we going to stop having these failures happen, especially when it comes to computer programs?

Clare Moriarty: That is a very fair question and one that I would expect you to be asking. Obviously, I have come in at the stage after those decisions were taken and a lot of my focus is on looking forward. The immediate short-term issue is to make sure that we do indeed get the BPS payments made at the time we have said we were going to make them. There are legacy payments to be made on the existing environmental stewardship scheme that should start to be being made later on this week. We also have quite a significant task to make sure we improve the system for next year and again for the year after. I know Mark talked to you a bit about that.

The National Audit Office at the moment are doing a value for money study on the CAPD programme and they are in the process of identifying the areas where they think we can learn lessons for the future as a Department, as we progress with this programme. It is worth remembering that this is a system we have put in place for 10 years. We have not got to quite where we expected in the first year of the new scheme.

Q31 Chair: If I could stop you there—it is not on your watch; I accept that—what seemed to be the case was, instead of allowing the Rural Payments Agency to develop the new system, it was put out to an offshoot agency, for want of a better way of expressing it. It then did not work. As far as I can see, the Rural Payments Agency then had to be brought back in to save the day. This has actually cost an awful lot of money. Why was it farmed out originally? When you had somebody who was reliable, who we had worked on for five, six or seven years to get them to a reliable state, why was it then decided to use somebody else to set the new system up? This is what I cannot understand.

Clare Moriarty: You will appreciate that I do not have any first-hand knowledge of this.

Chair: The question is not targeted at you, but it is targeted at the management of the Department

Clare Moriarty: Yes, and all I am saying is that I can give you my best understanding, but it can be no more than that. One thing worth noting is that there is no question of the RPA not being involved in the programme. It was not taken away from the RPA and put somewhere else. The RPA were involved all the way along. There were clearly a number of changes of senior responsible owner in that process.

The simplistic way in which I can understand it is that the critical element is what is called the “rules engine”, i.e. the software thing that makes sure we pay the right amount of money to the right people. That is a system called SITI Agri made by Abaco. That has been introduced and that is what the RPA are using to make the payments. There was an absolutely right desire to make sure the user interface of the system was as friendly as possible. The basic SITI Agri product does have a user interface, but it is not one that is very easy for farmers to use. The objective was to provide a front end that would work with this kind of black box.

Q32 Chair: I understand. I have gone through in quite a lot of detail what the problems were. I just cannot quite understand why, when you had a proven delivery organisation, you did not leave them entirely in charge of delivering a new system. I think it was a mistake. What I would like to know, not that I want to go back over it time and time again, is that we would not go down the same path again. We should learn a lesson from it.

Clare Moriarty: Absolutely. I can give you greater confidence, I hope, over learning the lessons than I can, inevitably, over what it was that caused people to make particular decisions in the past.

In terms of learning the lessons, we are learning the lessons. The work the NAO are doing will be really helpful, because what they will do is distil it down and give us really sharp lessons. However, we also have to have the clarity of accountability and responsibility to be absolutely clear about what it is we are seeking to produce, making sure we have the right resources and that there is the right understanding of risks. Those are issues that, again, from previous issues I have been involved in, I am very clear that we need to get absolutely in the right place.

That is why I am particularly focused on how we go from here forward and that, as we develop the improvements for 2016 and 2017, they are done in a way that keeps the core delivery at the heart and then says, “If we want to get to a place that is even better, let us make sure we do that in a way that causes everything to converge in the right place but keeps the focus on delivering the basic product.”

Q33 Chair: I wish you well, and thank you for that answer. The final one is this. There have been additional costs, because of the need for extra staff and all sorts being brought into the Rural Payments Agency to get us to where, hopefully, we will be delivering payments on time. Who is going to absorb these costs? Where does this extra money come from, especially when you are going to have to make reductions anyway?

Clare Moriarty: The total cost of the system will have to come out of the overall allocation that comes to Defra. A lot of the cost has already been incurred in previous years, and there certainly has been some additional cost we have had to absorb in the current financial year because the manual processing, which is being used for 2015, is more expensive than if it had been possible to get the system working properly. There are some additional costs. They are spread over a number of years, so the hit in any one year is a small percentage of the Department’s budget. However, in absolute terms, these are still significant amounts of money, and they are amounts of money I personally regret that we are having to put into it.

Part of the issue is to do with the reliability of the estimates at the start of the process. Whether the costs have gone up or whether the costs are the costs they were going to be but they were written down too optimistically at the beginning, the fact of the matter is we budgeted on one basis but are paying on another.

Chair: Perhaps you would not mind giving us something in writing on that particular. I want to make sure, if it was the fault of the Department, that it is the Department that picks up those costs, not necessarily the Rural Payments Agency. If we are going to learn any lessons, they need to be learned quite bluntly.

Q34 Rishi Sunak: Thank you all very much for being here and sharing the very evident breadth of your expertise. One of you mentioned, in an answer to a previous question, that disallowance penalties were obviously a poor use of public money, with which I wholeheartedly agree. In light of that, it is troubling to learn that we have incurred over half a billion pounds in disallowance over the last 10 years. That could have been better spent. I would be interested to learn what steps you are taking to minimise the risk in the future for disallowance penalties. Do you have any early assessment of what penalties might be for the forthcoming payment cycle?

Clare Moriarty: Let me have a go to start off with, and then I will hand over to Sonia. Clearly, disallowance is something we would like to have at a very low level. In terms of countries in Europe, we are not the worst, but there are certainly other countries that have managed to achieve a lower level of disallowance relative to the amount they are paying.

Some of those countries, like Ireland and Germany, have invested over many years in developing mapping systems. Mapping is one of the areas where the Commission, when it has come to look at disallowance, has found we are not where we should be. Some of that is about how up to date the mapping is. We know that other countries who have, over a period, as I say, invested more in that have got themselves into a good place. One of the things we are seeking to do—this is part of the investment decisions we have alongside the spending review discussions—is to invest in improving our mapping so we can make a material difference to our disallowance risk.

We are looking at all of the ways we can to minimise disallowance risk. We do not know what it is going to be in any one year, because that comes out of the process of the Commission's auditing. We do know that there are some factors which will tend to drive an increase in disallowance. That is partly to do with the way the Commission handle it. It is done several years in arrears at the moment. They are trying to shorten that process, but that does mean there will be some bunching while they resolve several years at a time.

Sonia mentioned the complexity of the new scheme. The more complex the scheme, the more things it is possible to get wrong. They have also changed the way they apply the penalties, so we are aware that we are operating in an environment where there is quite a lot of scope for disallowance risk, but we are very focused on trying to make sure we manage it down.

Sonia Phippard: We had a very helpful NAO report about six months ago, which gave us lots to think about but also did note that we were taking the right steps to try to get on top of disallowance. I chair a senior group across Defra. As the Permanent Secretary said, we are trying to address the biggest single causes, of which mapping is one. Getting really

good and timely data into the calculation in a way that the Commission will applaud must be the single biggest achievement. There are also a number of other historic issues that we also need to resolve gradually.

Then there is working very closely with the RPA to ensure the risks of the new CAP and the changes we have had to make this year to the delivery approach are absolutely minimised so that, in that case in particular, the controls are in place. We are working very closely with the RPA to understand the detail and make sure we are not taking any decisions that would increase that risk in any way.

Ministers have been very committed to going for the simplest delivery mechanism and decisions that make delivery as straightforward as possible, recognising, certainly, that in the 2005 experience one of the drivers of the very high disallowance was a very fast and very complex set of delivery options that were chosen.

Q35 Chair: There was one last point I had. Have you worked out the level of disallowance that is likely to happen on this year's 2015/2016 payments because of the complexity of it? It is probably too early days to get there.

Sonia Phippard: I would hate to give the Commission something to shoot for.

Chair: Yes, exactly.

Sonia Phippard: We are of course looking at what we think the risks are and where the areas of risk are, but, also, what we can do even as we speak to bring that risk down. The Commission does very much take into account what is being done to reduce the risk, even if you are incurring it in the short term, and everything you can do to ring-fence that risk. Our joint RPA and Defra teams have a very good record of really getting on top of the detail and arguing hard.

Q36 Chair: What Europe has done this time is they have made the system more complicated and then, if we are not careful, we will turn around and pay penalties for it. The last Government had to pay £642 million in penalties. Some of the arguments could be that England had a fairly complex system to start with, which we set up, and that was partly, you could argue, our own fault. However, in this respect, if we are not careful, we are going to get clobbered twice: one for the regulation and two for the fact that they have put it in place and then there are penalties because we did not administer it correctly. Somehow or other, we have to try to make them answerable as well.

Sonia Phippard: There is obviously something to do that is about making common cause with other member states, because everybody is looking at the complexity of the new CAP—and indeed other parts of the United Kingdom—and the fact that the Commission have ratcheted up the way they accumulate disallowance. That is where our arguments on simplification are so key. We need to do that in concert with others.

Q37 Rishi Sunak: Could I ask a very simple question? Where does the disallowance money go?

Sonia Phippard: Back to Europe. *Back to the Commission.*

Q38 Rishi Sunak: Then where? Does it necessarily get spent on other CAP payments or does it go into an amorphous European Commission budget that gets spent on whatever they fancy?

Sonia Phippard: My understanding is it goes into an amorphous European Commission budget, but let me check that.

Rishi Sunak: I would be very interested to hear, actually.

Chair: It probably goes back to keep the Commission in the style they have become accustomed to, but I could not possibly comment. No, I suspect you are right on that one. We wish you well on that one.

Q39 Harry Harpham: What systems are in place to ensure that Defra and the Food Standards Agency work effectively together?

Sonia Phippard: The short answer is good co-operation and close working particularly on two sets of issues. One is the whole area of food labelling, where clearly the Food Standards Agency lead on labelling in relation to the safety of food, allergens and that sort of thing. The Department of Health have an interest in nutrition and obesity. We have the interest in country-of-origin labelling and consumer information more generally. We work closely with both the FSA and the Department of Health in that area.

The other thing is, as we have seen, most food safety and, indeed, often animal-disease-related issues involve both us and the FSA. In that crisis or potential risk area, we work closely with them. I keep in close contact with the chief executive, as do animal health colleagues. It is a mixture of formal and informal contact.

Q40 Harry Harpham: Do you have any examples of successes by the Food Crime Unit in tackling food crime?

Chair: This is the one set up after the “Horsegate” scandal.

Sonia Phippard: I am going to have to let you have a note on that. I am sorry. I do not have any at the top of my brain. I am sure I should.

Q41 Harry Harpham: What is Defra’s estimate of the impact of budgetary constraints on local councils’ ability to police food retailers and food hygiene, for example?

Sonia Phippard: Again, that is a difficult question to answer right now. We have seen local authorities make reductions in that area as a result of reductions in the past spending review. Clearly I cannot possibly answer in terms of the forward period. On the whole, we have worked closely with local authorities, both through the LGA and directly, to try to understand those issues, but a lot of those are primarily for the FSA, rather than for us, because they are about safety.

Q42 Harry Harpham: How do Defra officials work with the police and criminal justice systems to ensure that they have sufficient training and give adequate priority to tackling food crime?

Sonia Phippard: We have tried to ensure a better understanding of the range of the issues. Obviously, in the food crime area, we are working with a range of organisations: the police domestically and the various border agencies in terms of cross-border crime, which has been an issue. We have spent quite a lot of time trying to make sure that everybody understood the nature of the issues and therefore could put in place appropriate training for the frontline specialists.

Chair: When you come back in writing to us on the Food Crime Unit, I would be very interested to know not only what it is doing but what it could do in the future. I am not convinced that anybody was ever really brought to book for the horsemeat scandal. There were one or two small people they found, but there were a lot bigger operators involved in it. They never got nailed properly, not only in this country but in other countries as well, not too far away.

I would like to know whether this crime unit is fit for purpose and, if we had the same thing again, would they actually be able to hold people to account? Nobody was really held to account over it. They only found one or two small individuals, whom they took a little bit of action on because they had to, and that was it. I would be interested to know not only what the unit is doing but also what Defra's approach to the FSA would be to make sure this crime unit is working. Otherwise, don't have it. Either make it work or don't have it. That is my view.

Q43 Dr Paul Monaghan: I would like to turn to the issue of food waste, if I might, and ask you what impact you believe a reduction in the Waste & Resources Action Programme's budget has had on action to tackle food waste.

Sonia Phippard: We have obviously worked closely with WRAP over both the food waste issue and questions about their budget. They have done remarkably well to continue to keep the focus on food waste. One of the things they did in response to the reduction in their budget was to focus their work a bit more, and food waste remained very much one of their key priorities. The second was a lot more work with third parties to gain funding, because reducing food waste is something which provides benefits, obviously, to individuals and householders but also to business. Business has become a much more active partner in that work. Both the original Courtauld Commitments and the work they are doing now on the Courtauld 2025 set of commitments offer the scope for substantial further reductions in food waste, which are very encouraging and very necessary.

Q44 Dr Paul Monaghan: To follow that up, what assessment has Defra made on impact of regulatory measures such as perhaps a requirement that retailers redistribute food rather than waste it or a ban on food waste in landfill sites.

Sonia Phippard: On redistribution, our view so far is that the voluntary agreements, both Courtauld and the agreement with the hospitality sector, have been very effective in keeping the focus on redistribution, as is evidence that redistribution is generally far more cost-effective than landfill or anaerobic digestion. From that point of view, we have come a long way on the voluntary approach. Clearly, where legislation is proposed, we will try to evaluate the costs and the benefits.

Dr Paul Monaghan: You have done no assessment so far; is that what you are saying? Are you about to do an assessment?

Sonia Phippard: We will do an assessment in the context of proposed legislation.

Q45 Dr Paul Monaghan: Turning to healthy food, rather than food waste, what assessment, again, has Defra made of the impact of food labelling on the UK's health?

Sonia Phippard: As I explained earlier, the food-labelling area is complicated. It is the Department of Health who lead on labelling in relation to nutrition. We have worked very closely with the Department of Health and, again, the food sector to look at what the most effective ways are of getting messages to consumers around food health. We have commissioned some research on what works and have worked with the sector and the Department of Health to try to evaluate the most effective ways of getting clear messages to consumers. If you would like a note with more detail, again I would be happy to provide that.

Q46 Dr Paul Monaghan: That would be helpful, thank you. I have a further, final question. What further measures are in Defra's gift to improve the provision of healthy food at affordable prices?

Sonia Phippard: Again, we see our role as very much being part of a partnership. A lot of this is about working with the food sector. A lot of work has already been done in the salt area to work out how you can change the way food—processed food, in particular—is put together. We are planning to do exactly the same with them on sugar, which obviously has a serious health impact. Again, we can help by providing research, by bringing key people together and by encouraging the food sector to engage, which they are doing.

We are very actively engaged in that area, particularly, as I say, in respect of reducing sugar in processed food, because sugar is the big evil, not so much when it is in the sugar packet, but when it is in the fizzy drinks, chocolate bars and so on. It is frightening how much sugar is in many of those foods at the moment.

Q47 Dr Paul Monaghan: Beyond partnership working, of which I accept the benefits, to tackle some of these issues—like the sugar issue, which is so prevalent at the moment in the public's eye—are there any powers that Defra would like to have to make sure that impact was felt and that change was actually delivered?

Sonia Phippard: Again, the question for these types of areas is: is regulation the answer? Is reformulation, which I was just talking about, the answer? Are there fiscal options?

Most of the regulation and the fiscal options are not solely within Defra's gift, but, again, with the rest of Government, we will of course work through whether, for example, any restrictions on advertising might be of value and have real impact. It is entirely for the Treasury to consider fiscal options and definitely above my pay grade to suggest what those are, but we have all read that there is thinking around whether you could tax sugar. Again, you would have to tax it very smartly, because overseas experience is that just taxing sugar is not the solution, but are there measures in that area? All of those need to be explored, but Defra is one of a number of Departments coming together to look at those obesity-related issues.

Q48 Chair: Taking the labelling question a bit wider than health, I know the Secretary of State is very keen on the labelling of food and where it has come from. British food is the best for you and the most healthy; I am convinced of that. Do you work on that between Departments? It is something I know we are all keen on, as the Secretary of State is.

Sonia Phippard: We work with Departments, particularly so that we can join up the health meets. On things like clarity on country of origin, a lot of it is about making sure everybody understands the law and we have clear principles about how it is applied. Again, a lot of that work is work with the supermarkets, since they ultimately sell about 50% of the food we consume, and, probably less well advanced, the whole food-service sector. How can we encourage restaurants and all those other forms of food service to provide rather more information that is, again, helpful and accessible for consumers, which gives you the country or origin?

We know a lot of people want to buy British, because of their confidence in British food, because it is the right thing to do, and for seasonality and other reasons. How can we most effectively, given the numerous different routes that food gets to consumers, ensure clarity of labelling at the point of receipt, as it were?

Q49 Chair: You could also argue that it is good for the environment, the fact they are eating local food and it is closer to home. In a way, it does fit quite neatly. It might be slightly beyond health, but I do not know. It links in.

Sonia Phippard: We would argue that good local food and good information about your food is itself helpful to the health set of issues. Of course, if you walk to buy your food, that is even better.

Chair: Yes, perhaps I should do that.

Q50 Simon Hart: On that very last point, the frustration some of us feel is that the reference to food sourcing and food security has been a feature of our lives for 25 years. As far as I can remember, it has come up in pretty much every manifesto from every party. We all seem to be committed to it; we all seem to believe in it, but none of us seem to be able to deliver it. I do not quite understand why we are not really capable of doing that. It is not really what I was going to ask about.

Chair: Carry on. That is alright, Simon.

Sonia Phippard: Again, this may go back to the earlier point about perception, but there have been spectacular improvements. It is not that long ago that you could find products that were labelled as British and, indeed, packaged to look as British as possible, but it turned out that they had been processed or packed in Britain.

Simon Hart: That definitely does not happen anymore.

Sonia Phippard: That certainly does not happen. All of the supermarkets now fully abide by the principles.

Simon Hart: You will never find a Union Jack on a product that was not born, bred and packaged in this country.

Sonia Phippard: You are asking me to say something very risky. What I can say with a lot more confidence is that, not very long ago, you found a lot of products—this was true in the meat sector and for dairy—that were, as it were, almost definitely misleadingly labelled. Where those products do still exist now, they do tell you where they come from and they do not have Union Jacks on.

There are ways you can have a Union Jack symbol on food. For example, if it meets Red Tractor standards and has applied to be part of the Red Tractor scheme, it can be, and that looks like a Union Jack. I cannot promise there is nothing that looks like a Union Jack on something that is not completely British, but we have made a lot of progress, particularly with the supermarkets.

Chair: It is often very much where you put the flag on the label as well.

Clare Moriarty: Ever since I joined Defra, I have become obsessively interested in reading the country-of-origin labelling, which I have to say I had not done quite so much before, and there is actually a lot of information you can find, including information that might previously have been slightly disguised.

Simon Hart: I completely agree there is but nobody, when they are going shopping, has time to find and read it. To me, it is that initial reaction I get from the front of the packet, where it is visible on the shelf, which might define my choice, not some stuff on the back, which I cannot read anyway if I have not remembered my glasses.

Chair: We have really set a hare running. Rebecca, be very quick. I am being very indulgent this afternoon.

Q51 Rebecca Pow: This goes back to the food waste issue. It concerns me that your budget has been more than halved on food waste. We have this big remit to grow more British food, to use our land better and all that. Equally, we import something like 35% of all our food and, I am told, about half of that is thrown away. We have to deal with that side of it. Realistically, you have all these things you are going to do; you are reducing targets, reviewing fiscal measures and doing this, that and the other. Are you actually doing it? Are we actually getting to the crux of it?

Chair: Not too long a question.

Rebecca Pow: Sorry, but it worries me.

Sonia Phippard: On the food waste issue, absolutely we are working with WRAP and with the industry, primarily on the Courtauld and Hospitality Commitments to reduce food waste. They are to reduce food waste through the food chain and at the household level. The household level is even larger than through the food chain, but both are significant.

Chair: We will leave it there. We will have another chance. We must go on to broadband now, please.

Q52 Simon Hart: Another slightly lively topic is broadband, but my questions are relatively straightforward. Firstly, do you think that the joint Defra/BDUK project programme is providing value for money? Do you think it is on time, on budget and is that something we can communicate to a wider audience as a success, in the context of rural communities, particularly isolated rural communities?

Clare Moriarty: I am afraid poor Sonia is getting all the questions at the moment. Broadly speaking, we think this is something that is delivering what it has promised to do.

Chair: You are in dangerous territory now. Carry on.

Sonia Phippard: It is fair to say, on the specific element of the Rural Community Broadband Fund, that we have had to be fairly careful to review projects for value for money. We think that, broadly, yes, overall the programme is delivering value for money. For less than £13 million, we are expecting to give super-fast access to an additional between 20,000 and 25,000 premises. That is useful and real progress. Some of the projects had a slightly rocky start and we are currently having to review the delivery of one of the currently contracted community projects, so we need to keep it under review, because it is novel and difficult activity.

Q53 Simon Hart: It is a question that may come up in a different context in a minute, but most of us in here have sat through endless broadband debates, either in Westminster Hall or in the main Chamber, and DCMS is always the Department that is sent in to bat on behalf of the Government, and yet this is something that we are here talking to you about as Defra and there is a BIS element. It is one of those issues that crosses every single Department of Government. Are you happy that the cross-party liaison and co-operation puts isolated rural communities prominently enough in people's minds, so that they do not get lost in the overall statistical analysis, and we are meeting a 95% target or whatever it might be? Are you happy that those people whom we are interested in and whom Defra is responsible for assisting are not going to be lost at the back of the queue somewhere?

Clare Moriarty: That is the value of having the specific programme that Defra is responsible for. As you say, the main activity is a DCMS issue, but we have the Rural Community Broadband Fund and the projects that Sonia was just referring to. It always helps to have a ring-fenced pot of money and a set of projects that go with that. It needs to be looked at across the piece; I absolutely agree. I live in a rural community and rural broadband is the single thing that people are most exercised about, whether it is from the point of view of their domestic lives or people trying to run businesses. I am absolutely with you on the importance of that. We have maintained a focus on that, but it is not somewhere where we can ever step back and feel complacent.

Sonia Phippard: The only other point to add is absolutely we work closely with the other Departments and there is strong ministerial interest. Rory Stewart leads this on behalf of our Department, and of course he comes from an extremely remote rural constituency, so he is very familiar with the issues and the challenges, and he is very happy to work with DCMS and BIS officials, when that is the most sensible way of getting solutions.

Chair: One thing we will be doing in future business is talking about actually having a rural broadband inquiry ourselves, because I think it is very important. Do not let me loose on this, because we will be all afternoon talking about it.

Q54 Rishi Sunak: I wanted to just ask you a little about the Rural Communities Policy Unit. I would be interested to know how it goes about its business of ensuring other Departments are taking into account rural issues in their own everyday policymaking. Secondly, what successes do you think that unit has had, over the previous few years, which you could point to? The last thing would be how many people within Defra are engaged specifically on this topic.

Sonia Phippard: We have a team headed by a deputy director that is exclusively working on rural issues. Rural issues go relatively wide because, as we have “rural” in our title, almost any question rurally related comes our way. Primarily, how they go about their work is by deciding what the key issues are, focusing on those issues and the relationships with other Departments that are the most important. We have already addressed one of them.

The Rural Productivity Plan, which was published in the summer, sets out what are going to be our priorities going forward, so that is looking at the other issues that are really important to rural communities, including rural housing, access to childcare and the other things that make it possible for people both to live and work effectively in rural communities. There is also the pure living issue, so questions of local transport as well. That is probably another main area in which to continue to work co-operatively with other Departments. We will obviously be working hard with other Departments that agreed that Rural Productivity Plan now to track delivery. That will probably be the primary focus in that area of the unit’s work.

Clare Moriarty: It is worth saying that the “rural affairs” bit is where the number of people in the Department is not at all a good indicator of how we are working, because it is all about leverage. The Rural Productivity Plan is a really interesting example, because it has got some big ambitious goals, but they are not ones that we have the means to deliver internally.

The big prize, which we have secured, is that each Department has to produce a single departmental plan, which is intended to be the document by which the Department manages itself and delivers manifesto commitments and other major priorities. We have secured agreement that, for the Departments that are contributing to the Rural Productivity Plan, that contribution will be written into their single departmental plan. We then have the task of making sure that that process is managed and pulled together, and that we are chivvying people up to make sure that things get delivered. We can have a vastly greater impact on rural affairs through having delivery priorities implanted in other Departments than we could hope to do just from the Department itself.

Q55 Rishi Sunak: Can I ask a specific example on something like rural school funding? There has been a campaign in place for a long time. Many colleagues around the table would have been involved in it. Is that something that you, as a Department, have been involved in? Are you speaking to the DfE about that separately and adding to the lobbying on this issue?

It would be nice for some of the rural MPs to know that you are also helping make the case for why rural schools are unfairly funded and what we ought to be doing to correct that.

Chair: Before you answer that, can I add to that? One of the issues is that DCLG actually identifies rural populations in a different way than Defra does. When you are looking at a fair share for rural authorities and things, what DCLG says is different to what Defra says. Are you fighting the corner for the rural population? That is what we want to know.

Sonia Phippard: We aim to fight the corner for the rural population. As the Permanent Secretary has said, we do have to pick our battles and try to focus on the main issues. We have quite a lot of contact with DfE. At the moment, it is probably truthful to say that one of the things we are really focusing on is how the Government's commitments on affordable childcare can properly benefit rural communities, because the very challenges you have mentioned in respect of schools will apply to childcare as well, because of distance and access, so our short-term priority with our DfE colleagues is to talk about how we can ensure that some rural areas are in the first wave of affordable childcare rollout and, overall, that that is a policy that is of as much use to rural parents as it is to urban parents.

Rishi Sunak: We welcome that support.

Q56 Ms Margaret Ritchie: You are very welcome. How much of the £200 million external funding secured by June this year for flood defence schemes has come from the private sector?

Sonia Phippard: The partnership funding comes from a range of sources, so you have Regional Flood and Coastal Committee levy funding. You have direct contributions from local authorities. You have communities themselves voluntarily getting together, and then you have private sector organisations that provide an input directly. To get that figure for the £200 million or £250 million that has so far been secured, again, I think I would probably need to provide you with a note with the detail. It is not the majority of the funding.

Chair: I think you will probably need to give us a detailed answer in writing.

Q57 Ms Margaret Ritchie: Yes, we need a detailed breakdown. When will the remaining £400 million required to meet your targets be secured?

Sonia Phippard: It is £350 million; we have £250 million. The majority of that has already been identified; it just has not yet been secured. Whether the funding is local authority or business, they can express a willingness and there comes a point when they take a vote. It is only a very small proportion where the Environment Agency is, as it were, still talking to people about where this is going to come from. It is a very small proportion. For the vast majority, it is either pretty clear, but not yet handed over and formally committed, or very likely. We are a lot of the way to the £600 million, in terms of knowing where that money is going to come from.

Q58 Ms Margaret Ritchie: Whilst it is good that flood defences have been restored following the 2012-13 winter storms, what plans are there to upgrade defences to cope with increasingly intense flood events predicted by the Committee on Climate Change?

Sonia Phippard: The significant upgrading of flood defences is where having secured the six-year capital programme is so important. As you will know, a lot of those major capital works are about replacing and upgrading existing defences, more than just maintenance, so it is often more important and better value for money to put in place a new more significant defence, in a community of high risk that has a defence, than it is to go and defend a lower-risk community. The answer is that that is absolutely integral to the Environment Agency's six-year programme and will continue to be as they look further into the future.

Q59 Ms Margaret Ritchie: Given the short-term pressures on both the capital and resource budgets, has Defra made a case to Her Majesty's Treasury for ring-fencing for building and maintaining flood defences in the autumn spending review submission, which we understand is due to be published by 25 November?

Chair: It is the maintaining in particular. In Somerset, they are dredging it, but you have to keep dredging it and keep it clear once you have started it. Thank you, Margaret. Sorry to interrupt.

Clare Moriarty: The capital money is ring-fenced. Speaking from previous experience as much as now, getting maintenance money, which is resource money, ring-fenced is pretty difficult and, in a sense, that is not the way the Treasury works. Ultimately, they will give us an amount of money. What we can do and are doing is being very clear about the priority that we attach to that money or particularly to the outcomes that we need to achieve from it. We have to keep constantly challenging ourselves on whether we can deliver the same outcomes for a smaller amount of money, and we are looking constantly at more risk-based approaches.

Traditionally, maintenance of flood defences, as other kinds of maintenance, was time-based: "Every two years, I will do X" or "Every five years, I will do X". What we are doing, across the board, is using better information to make risk-based judgments, so we can say, "When this needs repairing, I will repair it." There may be ways of achieving the outcome, which is communities properly defended, for less money, but certainly in terms of those outcomes we regard that as a priority. I do not expect that to turn up as an amount of money that is absolutely ring-fenced, because that is not the way the Treasury tends to work.

Q60 Ms Margaret Ritchie: Would a more cost-effective approach be to tighten planning regulations to limit building in high-flood-risk areas, no doubt a thorny issue that comes up every now and then?

Clare Moriarty: I will have a go and then pass over to Sonia. As I understand it, there has been quite a bit of change to planning regulations over the last few years, so that the likelihood of flooding is much higher up the consideration list in planning, whether that is about whether houses can be built in the first place, or whether it is the attributes with which they have to be built in order to withstand flooding.

Sonia Phippard: Absolutely, and I think the much greater transparency of information on risk of flooding, which obviously feeds through to insurance—while the Flood Re scheme provides protection for older properties, it does not provide protection for new properties—means that everyone is looking at building in unprotected flood-risk areas in a much more clear-sighted way. We have to remember, of course, however, that many of our major cities have a flood risk but are defended, and they have huge economic value. We have to balance those two competing pressures.

Q61 Chair: I have one further question. I am always quite cynical about flooding because, as soon as it stops raining, there is no urgency about what we are going to do about flooding. How do you keep the Treasury and the Government focused? When the cameras are down, the rivers are flooding and people's houses are swamped, then it is very apparent but, as soon as it stops raining, everybody is inclined to forget about it. Of course, that is really when we should be doing the work. Are you finding it difficult to keep it in the forefront?

Clare Moriarty: To be honest, my observation since arriving at Defra is that flooding is very much at the forefront of people's minds. The fact that we have a six-year capital settlement is highly unusual. There are very few areas where anyone will commit to that spending. Now, I agree that that is the capital side and not the maintenance but, in terms of the sense of priority attached to flooding, as part of our broader natural threats and hazards, there is a strong focus on there. The Environment Agency have it absolutely. It is not the whole of their business, but it is a very important part of their activity. They are very focused on working out the risk of flooding and how we make sure we are mitigating things. All the time that things are not flooding, their people are working away to build defences.

A month or so after I started, I went up to see the scheme at Morpeth that Sonia mentioned. I actually went out with the team and they explained how they had not just constructed something to withstand the frequency of floods they thought they might get but, in order to provide a much higher degree of protection, they had done a lot of stuff in the town. They had actually created out of the landscape a phenomenally effective dam upriver. All of that is going on all the time and there is a very strong focus. I agree; there is always the risk that, if we get several years without a flood, it will go down in priority, but it is our job to keep it up there.

Q62 Chair: I am reassured by that. Now, Sonia, you were talking about Flood Re, so this is my question: why did your predecessor feel the need to request ministerial direction regarding Flood Re? I will give you the whole lot of the question. If the wider costs that are not fully reflected in the value for money calculation were included, would the benefits of this policy outweigh the costs?

Clare Moriarty: I will do my best to answer that.

Chair: You are not guilty of asking for that.

Clare Moriarty: I do not think it is a question of being guilty, but obviously I do not know directly. Certainly we had similar issues in transport, where the Permanent Secretary there needed to ask the Secretary of State for a direction. We work within government to very clear parameters in terms of how we assess investment schemes. We work out the benefits

and the costs. As the Permanent Secretary, one is required to be able to give assurance that money being spent represents good value for money. That never means that, if it does not represent value for money, then money cannot be spent, but it does mean that it is then a decision for a Minister to say that it should happen.

My understanding is that, according to the appraisal methodology that we use under the guidance of the Treasury, the benefits of the Flood Re scheme did not exceed the costs. On that basis, in a perfectly proper way, my predecessor said that this is the position as it comes out of the appraisal, but it is then for Ministers to decide. Ultimately, that is all a direction is.

Q63 Chair: We did quite a lot of work on Flood Re in the last Select Committee, in the last parliament. As far as I can see, it will work okay if we have long enough before we have a major flood, so the pot of money builds up. If, this year, we were to suddenly get a huge flood across the country, I do not think there would be enough money in there to pay out. I suspect that, in the end, whether the Government say they would step in or not, they would have to, for the simple reason that they would almost have to be the insurer of last resort, if it was a real, major flood. Is that the weakness of the system, do you think?

Clare Moriarty: At that point, I am beyond my depth of understanding of the scheme. I do not know if Sonia can help.

Sonia Phippard: What the scheme provides for is both the regular levy and an additional levy. The nature of floods is that you can always hypothesise an immense event, whatever system you have in whatever country—and we looked at a lot of other countries—where in effect the Government would step in, but that is not just a one-in-100-year event; it is not even a one-in-200-year event. It is outside that. It is of course possible, because that must be the case. It is, however, very unlikely.

Q64 Chair: You are then confident that, if we had a one-in-100-year event, there would be enough money in the pot for the Government not to have to step in. That is probably a bit of a loaded question.

Sonia Phippard: It is a loaded question. The arrangements that have been put in place should allow Flood Re, between the money it has in the pot and its ability to supplement the money, to cope with that sort of crisis, but again you have the one-off absolutely huge event, and the equally unlikely event of a whole series of very big floods. Of course you can hypothesise circumstances that for any country would just be overwhelming for whatever system you put in place.

Q65 Rebecca Pow: In Somerset, they are putting a precept, or it has been suggested, that the public will contribute towards flood maintenance and the future flood programme. Is that something that, with the reduction in Defra budgets and things, one might see more of, i.e. people deciding in their own areas what they are going to contribute towards?

Chair: In a way, Rebecca, that is linked to whether we are going to see an increase in internal drainage boards. It is linked partly, but not entirely, to having drainage boards and levies as well. Are you looking to increase those areas?

Clare Moriarty: It is an issue that we are looking at, because there are areas where people prefer the idea of an internal drainage board and having more local control. It is an idea that is being debated. There is then obviously the question, as Somerset has been looking at itself, of how the funding then works.

Chair: It is the ongoing maintenance in particular.

Q66 Chris Davies: We have a particularly important and successful forestry sector in this country, and I would declare that I am Chairman of the All-Party Group on Forestry, but what assessment has Defra made of the impact of its tree health management plan and the likelihood of diseases such as ash dieback?

Nick Joicey: On ash dieback, we are very focused on how we deal with the risks that we face there. We have a number of restrictions in place, including restrictions on imports and also surveillance mechanisms in place. We hope that that is helping, in terms of managing the spread of the disease, but we need to remain very vigilant on that. Clearly, one area that we are looking at is the work that we can do in research and development, including around developing resistance in ash trees, and there are some early encouraging signs there, but that is something on which we are continuing to focus.

Q67 Chris Davies: Is the plan at the moment in finding resistance or just leaving the trees to find their own resistance? We understand that ash dieback is a massive problem around this country. Are you trying to eradicate it or have you left the situation now where the healthy will survive; they will find their own resistance, and those that do will survive and those that do not will go?

Nick Joicey: Certainly, our aim is to do whatever we can to manage the risks. With regard to tree resistance, there are two strands of work. One is research around genetic resistance and the other is around actually observing, in a controlled way, a large proportion of trees to see whether we can identify resistant strands.

Q68 Chris Davies: Within your Department, you have the Animal and Plant Health Agency, which carries out a very important and vital job. How do you see the future of this very important element of Defra?

Nick Joicey: Our work on animal and plant health is one of those areas that we have flagged up as absolutely core to what Defra does. That links back to some of your earlier questions on the spending review and priorities in that context. With that in mind, I would say that this is an absolutely core priority for the Department.

With regard to the Animal and Plant Health Agency, the creation of the combined agency has been successful and we are seeing benefits in bringing together the plant health expertise and Plant Health Inspectorate with the Animal Health Agency, so I think that is something we want to continue to build on. One of the roles that we have created recently is the role of the Chief Plant Health Officer. The way in which she works and complements the work of the Chief Veterinary Officer is another area where we are getting benefits.

Q69 Chris Davies: Chief Veterinary Officer would be for each of the devolved nations, whereas the Animal and Plant Health Agency covers UK Ltd, so how would you fit that together, if that is your future plan?

Nick Joicey: In terms of the Animal and Plant Health Agency, you are absolutely right that it plays a role. In terms of its disease response role, it is a GB role, although it does provide services to Northern Ireland as well. We have in place an agreement that dates from 2010-11 around how we work in England, Wales and Scotland to ensure that we have that capability in place for GB-wide response. That was an agreement for the original spending review period. That was extended for an additional year and we are working to ensure we have similar agreements going forward.

Q70 Chair: What evidence base is Defra using to assess the impacts of the components of its bovine TB strategy on the incidence of disease in cattle in England, including the impacts of the pilot culls in Gloucestershire, Somerset and now started in Dorset? Who wants to handle that very non-controversial subject?

Clare Moriarty: That one is for Nick, I think.

Nick Joicey: Thank you for the question. First of all, and you referred to it in your question in terms of the 25-year strategy that the previous Government published last year, the Government have emphasised in its manifesto its commitment to the implementation of that strategy. Clearly drawing lessons around how the different elements of that strategy work is critical, in terms of implementing that and moving that forward.

There are a number of elements of evidence that we are drawing on. One is the international experience. We have tried to learn from the approach that has been taken in countries such as New Zealand, Australia and, closer to home, the Republic of Ireland. In addition, the work that the Animal and Plant Health Agency is doing around understanding better the epidemiology of bovine TB continues and is providing some helpful results. Also, there is the regular publication and analysis of the bovine TB statistics, around both the prevalence of bovine TB and the incidence.

Coming on to the culls, which was part of your question, there the primary evidence base for the approach that we have taken is in the RBCT, which demonstrated that reduction of badgers can have disease benefits, although those are observed over a number of years. In the RBCT, we have seen those disease benefits.

In terms of the current operations that we have, in Gloucestershire and Somerset, there APHA is monitoring bovine TB levels in the cull areas, alongside those in other areas, to provide the appropriate control. Our expectation and the advice of the APHA scientists is that we will need to observe those areas for at least four years to be able to draw statistically significant conclusions.

Q71 Chair: Certainly, the evidence in West Somerset at the moment is that the reduction in the disease in cattle, in the cull area, is a significant drop in the numbers, far more than the 16%. It probably is too early to be able to declare that, but it is relevant when we are making decisions for further culls and further rollout, if that is a decision to be made.

Nick Joicey: It is absolutely critical that we draw on the experience on the ground, in

Somerset, Gloucestershire and now Dorset, and some of the things that you were referring to in terms of what local farmers are reporting.

Q72 Chair: Within the area, the number of cattle that are going down with TB has gone down by two thirds, so it is quite significant, but it is whether it is too early to be able to publish those figures. I still think they are relevant.

Nick Joicey: In the annual statistics that Defra is publishing, we are including data on Somerset and Gloucestershire. The data we have at the moment just refers to the first year of the culls. There are some reductions, but there is also a varied pattern demonstrated in what has been published. The really important aspect of this, though, is the experience of farms going clear of bovine TB. That clearly helps in support for action to address the broader biosecurity risks and support for the broader range of measures that we are taking to tackle bovine TB. We know that, alongside tackling the disease in badgers, that cattle movement controls are also going to be critical there. It is really important that we look at and work on how we can build momentum behind the full set of actions to tackle bovine TB.

Q73 Chair: I will just ask the last part of the question, because it really linked into my question. That is: what evidence base will be used to decide if and when there will be extended culling of badgers into new areas of England? I do not believe, with the disease as rife as it is, especially in the West of England and parts of Wales, that we can wait that long. Four years is too long.

Nick Joicey: In terms of the evidence for the case for operations to cull badgers, to remove badgers, the evidence base is there in the work that was done under the RBCT. What the pilot operations and now the additional cull in Dorset have been seeking to demonstrate are not the issues around the scientific case for addressing that, but about doing that effectively, humanely and safely. There, the evidence that is most relevant to the decision about rollout is the advice that we had from the Chief Veterinary Officer on the experience to date in Somerset and in Gloucestershire. His advice to us last year was that the experience in Somerset demonstrated that the methods we have could lead to effective operations that could be expected to have disease control benefits.

On that basis, we continued the culls in Somerset and Gloucestershire this year, and we have also taken the measured approach of extending to another area, Dorset. The advantage of extending to Dorset is that we are able to look at how, in applying the lessons that we learned from the first two years in Somerset and Gloucestershire, that is working in a third area. All that together will provide a basis to take that further decision.

Chair: That is the evidence that you will use.

Q74 Rebecca Pow: That is very interesting. I just want to be absolutely clear that you are gathering the data from the farmers about whether incidents went down and that it is not just hearsay. There are lots of rumours flying around. I come from those areas myself. That was one question, whether you really are gathering the evidence. Was it Lord Stern on *Farming Today* this morning, who was very critical of the system, based on scientific evidence? There

seems to be scientific evidence on both sides. Also, is Defra thinking of doing anything in relation to the wild animal prevalence of TB in the future?

Chair: Do you mean wider than badgers?

Rebecca Pow: Yes, because there is lots of hearsay as well about it being in the deer population and then passing to other animals, like alpacas, which have very low compensation rates, I gather. It has been raised with me. Are you really sure about the data?

Chair: Can I help you out a bit? As far as the record is concerned, as to how many cattle, do not forget it is a matter of record of how many farms are down with TB and how many cattle are taken with the disease. That you can trace.

Rebecca Pow: Does that all get fed in then? It was my understanding that perhaps it was not, but you can correct me.

Nick Joicey: In terms of the official statistics that we draw on in looking at and shaping our bovine TB policy, that is the element that I was referring to earlier of the systems we have in place to monitor the levels of new instance of BTB, both in herds and in cattle. That is what we published in Defra in August, and those were the figures that were referred to on *Farming Today* this morning. The conclusion from the APHA paper was that those figures did not show a statistically significant difference in those cull areas compared to the control areas, but that APHA paper also stated that that was expected, in that the APHA scientists expected that we would need four years before you would see the impact, and that was true in the RBCT.

The other issues that I was referring to, which the Chair was picking up, were in terms of our work. As you would imagine, we stay in close contact with those farmers who are involved in the delivery of the cull, and those farmers are reporting that they either have gone clear or are seeing significant improvements. It was that that I was referring to.

Chair: That is what I was also referring to. Thank you for that. We will be pursuing this with vigour, so thank you for that.

Q75 Harry Harpham: This is about climate change. Can you give some examples of the Department's progress towards ensuring greater resilience to climate change?

Sonia Phippard: In terms of our direct responsibilities, I would say that the most important areas, and they have been mentioned by the advisory Adaptation Sub-Committee, are in relation to floods and drought, because those are the two responsibilities for which Defra has domestic responsibility. We have already talked a little about floods and the fact that the Environment Agency's planning is very much predicated on their understanding of the climate change impact on risk. The six-year programme is addressing the first instalment of that and its observed manifestations—sea level rise and so on.

In the case of drought, we work in partnership with Ofwat, in terms of the water companies' preparation, and we directly require them to do drought planning. Perhaps more important is some of the longer-term work that the Environment Agency and we are doing, of which water abstraction reform is a part, to try to ensure that we have, really looking 50 to 100 years ahead, adequate and sustainable water supplies for all needs, domestic, economic, etc. The Department of course has a wider role, which is working across Government, rather like the way we work on rural issues, to ensure that adaptation is mainstreamed in everybody's thinking. We have the national adaptation plan and, again, we will be reporting back on progress on that.

Q76 Harry Harpham: How will success against the objectives set out in the national adaptation programme report be measured?

Sonia Phippard: In one sense, we will look at those objectives. We will see what has been achieved, but we will also be looking at it against the update of the climate change risk assessment and thinking about how that would impact our success, our national adaptation plan. This is the first time round and what we really want to learn is how much people have moved—are people taking this issue seriously?—where progress has been made, which is making a real difference, where it has not and whether we can understand the reason why. It is quite complex. It may literally be how far you have got towards your objective, but also why. In particular, if there are areas where good progress is not being made, what is stopping it? What we would want to do with the owners of that particular area, whether that is another Government Department, the wider public sector or whoever, is try to get underneath why progress is not happening.

Q77 Harry Harpham: Can you just explain a bit of detail about how you are co-ordinating with DECC on mitigating the impact of agricultural activity on climate change?

Sonia Phippard: Again, we have responsibility in the mitigation space for agriculture, for waste and for forestry. Forestry is a sort of plus; we plant more trees in the right place and we achieve success. In the case of farming, what we are doing is supporting the industry-led agricultural industry Greenhouse Gas Action Plan. We have seen significant reductions in annual emissions over the first five years since 2010, but we know there is a challenge to get the whole way to the plan target by 2020.

We are continuing to work closely with a range of Departments that includes DECC, but it also includes Treasury and other Departments, to try to ensure we have all the evidence on what is possible and what can be reasonably expected from agriculture, as part of the overall plan. We clearly are looking to balance the things that agriculture can do practically and the things that might be non-practical, and then to see whether there are alternatives. It is an ambitious target, because there is not a silver bullet for agriculture; it is doing a lot of different things differently.

Q78 Harry Harpham: Can you give us some example of how the Climate Ready Support Service is helping a range of sectors respond to the potential social and economic impacts of climate change, and how will you measure its success?

Sonia Phippard: It is providing advice to a whole range. This might again be another one

where it would be easiest if we just sent you a note with examples. I am conscious that time is ticking, so why do we not follow up with that one?

Chair: That would be very useful, thank you.

Q79 Rishi Sunak: I understand there are plans for legislation to reform the abstraction of water. I would be interested in what steps you are taking to help that along and when a timetable will be published in that regard?

Sonia Phippard: We are expecting Ministers to announce the final proposed way forward. I think “shortly” is probably the correct phrase, but really it should be shortly. That will then set out the broad timetable. We have existing commitments, which are basically to legislate as early as reasonably possible in this parliament and to ensure that implementation is complete by the early 2020s, which means starting sooner than that. There are some very high-level timetables already out there but, again, like one or two other things, I could not possibly commit to exactly when legislation will happen, because that is a pan-Government decision.

Q80 Rishi Sunak: Have the water companies provided some feedback to you about the timetable and whether they will be able to implement the changes required in the timescales that are envisaged?

Sonia Phippard: Absolutely. Water abstraction has required us to work with quite a wide range of abstractors. The water companies are big abstractors, but only about 50% of abstraction is carried out by the water companies. The energy sector is a large abstractor. Even though a lot of that water goes back, they still need to have it there, and then you have mines, quarries and of course agriculture.

We have been working with all the principal abstraction sectors to work through the issues of implementability, and one of the reasons why the timescale is not frightfully speedy is that it will take everybody time to get used to working together in new ways, and literally just to change licences, depending exactly how it is done. We have made commitments about not having a short-term impact, so the Environment Agency and the abstractors will need to work steadily through that.

Q81 Rishi Sunak: I have another question regarding water and the Urban Waste Water Treatment Directive, yet more of the European Commission taking money from us. I understand that it has been listed as a contingent liability in the accounts that we may have to pay more fines to the EC. We will find out what they do with all these things in due course, but I would be interested to know how you are budgeting for that, if at all, or what comparisons there are for the level of fines that might be levied.

Clare Moriarty: I think the answer is we are not budgeting for it at the moment. The nature of the contingent liability is that we recognise that there may be fines. What we are focusing on is the things that we need to do to ensure that the fines do not materialise, so clearly one of the big areas there is the Thames Tideway Tunnel, which has been one of the Department’s major projects and on which we have now made very significant progress and got a provider in place. I will let Sonia say more about that, because that was her project. That is one area where the financial implications, were we to do nothing

about it, would be very significant, but we have been working over a number of years to make sure that we have a credible answer there. There is at least one other place, which is a much smaller issue.

We have to recognise that, if we cannot resolve things to the Commission's satisfaction, and that would be about not just the existence of a solution, but whether they think that we have done it in a sufficiently timely fashion, they have the legal right to impose fines on us, but our focus is very much on making sure that we actually address the underlying issues.

Sonia Phippard: It is probably worth saying that the Commission's rule of thumb is that they give you about five years from a judgment so, in the case of the second site, Whitburn in Northumberland, that work should be well complete. Northumbrian Water is committed to a programme and that should be completed by 2017.

In the case of the Thames Tideway Tunnel, again, as the Permanent Secretary said, we have made very significant progress. The Commission is well aware that this is not a five-year project. This is a 10-plus-year project. Hopefully the tunnel will be up and running in the early 2020s. We have been very clear with them; we have been keeping them up to date with progress and I think they are delighted that we are on track, so we really just have to keep talking. We hope that in neither of those cases will we incur fines. There are some other cases, in a much earlier state mostly, it has to be said, not in England.

Q82 Chair: Just before we move on to air quality, just one final question on abstraction: in the first two years of the last parliament, we were talking about drought, of course, and then in the next three years, we were talking about flood. In the eastern counties, where we grow a lot of root crops, that is very often where the water situation, the rain, is less as an amount of rainfall. That is where we have to make sure we secure enough for growing crops. One of the problems when you move into a drought is, naturally, you are going to concentrate on having enough water for your population to drink. That is something I am sure that Defra is looking at. Are they?

Sonia Phippard: Yes, and it is why the water abstraction rules can work both ways, with low flows, but then permitting more abstraction during times of high flow and encouraging users like farmers to store. Absolutely, it has to be an integrated set of responses.

Q83 Rebecca Pow: My goodness, you have a lot to deal with, because Defra co-ordinates the whole of the UK's air quality assessments. Is that right? It comes under Defra; that is what my notes say here. I gather that we failed to meet reducing our nitrogen dioxide levels to the right amount, but my question is actually about whether Defra will re-evaluate the impact of its consultation proposals in the light of the concern with the real-world emissions that we have all heard about from vehicles. It seems that what we are actually emitting is much higher than we thought we were or is in legislation. Are you having a rethink about that?

Clare Moriarty: It is an issue that is very much on our minds at the moment. The UK has consistently campaigned for real-world testing within Europe and, in the light of the developments with VW, we are active in Europe talking about how we can get to a regime

that accurately matches up what comes out of the testing regime and what is happening in the real world.

We are currently consulting on a plan that we must submit to the European Commission by the end of this year on how we are going to address the exceedances, as they are called, on nitrogen dioxide. That plan was developed on the basis of the best available modelling we had. The modelling has always been done on the basis of real-world emissions, not on the basis of what the tests say. For what are called Euro 5 cars, which are the cars that were being sold up until recently, our assessment of what the real-world emissions are can be pretty accurate, because it is based on a very large volume of cars.

For Euro 6 cars, again, we have not assumed that cars are going to be operating at the test levels. We are working on the basis of real-world emissions but, because those cars are only just now coming into the market, the real-world levels are being estimated from quite a small sample of cars, because that was all that was available to test. The UK and other countries, in the light of the issues with VW, are now redoing the tests to get to a set of figures based on a wider sample of cars, which we can be more confident about.

It may well be that the real-world emissions from Euro 6 cars turn out to be higher than was estimated at the time of the modelling, so we recognise that, when that process is finished and when we have a better and more reliable figure, based on a higher sample of what the emissions are from Euro 6 cars, we will certainly need to rerun the modelling and we may need then to revisit the plans, but we are not ready to do that at the moment.

Q84 Rebecca Pow: That all sounds like a really good idea, but am I allowed to ask this question here? Apparently, we had the responsibility, the Secretary of State, for producing a plan to come up with acceptable nitrogen dioxide levels and we failed to do it. How can we be doing all these worthy ideas that we need even above the testing that we have now, when we have not met any of our requirements ourselves? Am I allowed to ask this question, Chair?

Chair: Yes, we are a scrutiny committee.

Rebecca Pow: It is jumping out at me. I am wondering why we have not done that and if we are now going to be fined for that, too.

Clare Moriarty: Many countries, many member states, are not in a position to meet the requirement on nitrogen dioxide at the moment. There is a whole range of pollutants where there are targets, and we are on track, in the right place, for all of them apart from nitrogen dioxide where, as I say, along with many other member states, we are not. There was a plan to bring them into conformity. That plan was not felt to be sufficient, and so that is why what we are now consulting on is a plan that goes further.

We have revisited that. We have factored into it those things that are already going to happen because, obviously, as time goes on, new cars and new generations of cars have better performance in terms of nitrogen dioxide.

Harry Harpham: Or they can cheat better.

Clare Moriarty: No, I think they genuinely do because, as I say, what we measure is the real-world emissions. Whatever is happening in the testing regime, we have always

sought to base the modelling on what is actually happening in the real world, because otherwise it is no use to us. The new generation of cars are producing lower emissions and we are seeing greater take-up of electric cars, so there are a number of things that are helping the trajectory to move in the right direction, but we know that we need to do more things. The plan we are consulting on sets out a range of actions that we think may be needed, which could potentially include access controls, so low-emission zones, clean-air zones, for a small number of towns and cities.

Q85 Rebecca Pow: To get to farming, we have very high emissions of nitrous oxide from farming, from vehicles, and an awful lot of methane. Is Defra factoring in something to tackle that as well?

Chair: Sorry to interrupt, but I suspect that nitrous oxide comes from a lot of nitrogen fertiliser, rather than vehicles on the land.

Clare Moriarty: Yes, or making fertiliser.

Sonia Phippard: There is a range of issues there. In terms of nitrogen control on the land, there is a favourite regime that we have discussed on other occasions. That is controlled by the Nitrate Vulnerable Zones in the Nitrates Directive. Although most farm vehicles are diesel, in practice, they are mostly used in areas where there is not a problem. The point about air quality is that it is a very local issue. One of the reasons that providing plans and a consultation is so complex is that it requires incredibly detailed local modelling. All the evidence is that it is around busy roads in cities, where the traffic is going quite slowly.

Q86 Rebecca Pow: This says that agriculture is responsible for 66% of the UK's nitrous oxide emissions. Is that correct?

Sonia Phippard: That is nurturing the land.

Q87 Chair: I think the point you make is that nitrous oxide would perhaps be coming off the fields with fertiliser, but of course that might be well away from the cities where you have the problem. The argument is how much of that nitrous oxide goes up into the atmosphere and then affects what is also happening in the cities, but certainly the rural areas are not where air quality is bad.

Sonia Phippard: All the evidence of what is causing the problem, in the areas where it is dangerous to people, is that it is first and foremost transport, and secondly industrial emissions. Industrial emissions have come down rapidly. They are still a problem, and there are a number of bits of regulation designed to address those, which industry needs to come into compliance with, but transport, I am afraid, is left as the big area for continuing challenge.

Q88 Chair: The New Zealanders did quite a lot of work on the digestive system of cattle and sheep, so that they give off less methane gas. They were going to have a tax. I will not say what they were going to call that tax, as you have probably heard. Have we done work on forage? In the end, they do a great job by ruminating and taking poor quality proteins to

make meat from it. In the process, they do give off methane gas. Is Defra taking this seriously or not?

Sonia Phippard: Again, this comes back to a lot of the work that is done jointly with the agriculture sector. We do have and have consistently had quite a lot of agricultural and agri-tech-related research, and we have taken that forward in a big way in the last two or three years. We are looking continuously to find approaches that improve productivity in the broadest sense, so they deal with both nitrogen-related gases and greenhouse gases, in terms of achieving the climate change mitigation targets we were talking about earlier, which are usually a win-win for farmers in terms of more conventional productivity.

Q89 Harry Harpham: I do not suppose you will be able to answer this one, to be honest, but whose responsibility is it to check whether other motor manufacturers are also using the same sorts of cheat tactics that VW did? I would assume, I would certainly hope, that there will be humongous fines imposed, certainly on Volkswagen, if there are cars running around that have cheated, and other motor manufacturers if their cars have cheated as well. Air quality is a huge factor in my constituency, in Sheffield, and we have missed the targets for NO₂ for as long as I can remember. I would argue very hard that the money, the fines that I hope are imposed on the motor manufacturers that were cheating, would be used to tackle the really poor air quality areas.

Clare Moriarty: The responsibility for testing cars lies with transport departments, rather than with us. I am not an expert on what is called the type approval system, but every car that is sold has to be certified by a type approval authority, but it does not have to be approved by a type approval authority in every country that it is sold in. In the UK, the type approval authority is the Vehicle Certification Agency, which is part of the Department for Transport, but VW cars, I imagine, will have been type-approved by its equivalent authority in Germany.

All of these organisations are looking at the testing, but exactly whose responsibility it is to go back and test particular makes of car may go back to the original type approval authority, or there may be some other arrangements at European level, but that is within the transport sphere.

Rebecca Pow: Mr Chairman, the Environmental Audit Committee is looking into exactly that tomorrow.

Chair: Excellent. I shall be absolutely delighted to have its findings. There are two or three last questions to which I suggest you give us answers in writing. I feel that you have been put through a real baptism of fire this afternoon, for nearly three hours. We have covered virtually everything we can think of and you have done very well in answering our questions. Thank you very much. Can I thank the Members who have stayed here to ask the questions?

Defra covers a huge remit, as Rebecca was saying, and you have done your very best to answer the questions this afternoon. Thank you very much. Clare, we wish you all success in your new role. I am sure you will be coming before us again. You did not even get the interruption of votes today, did you? We had a whole session through. Thank you very much.

Clare Moriarty: Thank you very much. They were very good and penetrating questions, and I hope we have managed to answer most of them. We have undertaken to provide you various notes and we will pick up the remaining questions in writing.

Chair: Thank you very much. We very much appreciated your evidence.