

Environment, Food and Rural Affairs Committee

Oral evidence: The new farming programme, HC 2542

Wednesday 17 July 2019

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Members present: Neil Parish (Chair); Alan Brown; Mrs Sheryll Murray; David Simpson; Angela Smith.

Questions 1 - 106

Witnesses

I: Tamara Finkelstein, Permanent Secretary, Defra; David Kennedy, Director-General, Food, Farming and Biosecurity, Defra; Sarah Church, Director, Future Farming and Countryside, Defra.

Examination of witnesses

Witnesses: Tamara Finkelstein, David Kennedy and Sarah Church.

Q1 Chair: Thank you very much for joining us to talk about future policy and what-have-you. Tamara, would you like to introduce yourself, and then Sarah and David, please?

Tamara Finkelstein: I am Tamara Finkelstein. I am the Permanent Secretary of Defra.

Sarah Church: I am Sarah Church, the Director of the Future Farming and Countryside programme at Defra.

David Kennedy: I am David Kennedy, Director-General of Food, Farming and Biosecurity at Defra.

Q2 Chair: Thank you very much. Thank you all for joining us this afternoon. The first question I have for you is this. The NAO has called Defra's new policy a "radical departure" from the CAP farm payments regime we have known for 40 years. Is it feasible to deliver it in a value-for-money way by 2028? Who wants that one? Tamara, you are in charge, as the Permanent Secretary.

Tamara Finkelstein: I will start off. It is indeed a radical and an ambitious programme, but the length of time that you indicate is partly a reflection of that. We think it is feasible to do it over the period of time we have set out, because we have built in the pilot period and the slow transition as well. We are building in those elements to make that feasible. We have also learned a lot of lessons from previous changes, both those that have not gone so well and also our recent work on EU exit where, particularly in the IT space, we feel we have learned a huge amount. We are trying very much to build that into the programme.

There are clearly dependencies, including on the passage of the Agriculture Bill and so on, which are built into our timeline. If things shift, that could call into question the timeline, but as it stands at the moment, the timeline we have is feasible, we feel.

Q3 Chair: I have to press you slightly on the confidence you have in delivering the new programme, because there is a history here. There are a few bodies along the way, are there not? We had problems with going from a historic payment to farmers to a regional payment. That took quite a few years to get right. The systems took a long time, and then the basic farm payment had its problems.

What seems to happen is, by the time we have nearly finished a particular programme, it is working well, and then we change it and we seem to have a few more years where it does not. Naturally, we would like to try to avoid that, and I am sure you would as well. Are you relatively confident that we can avoid that situation?



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Tamara Finkelstein: The key thing about that is whether we are learning and whether we are doing something different as a result of that learning. There are lessons to learn about how we work together and how we work across policy development and the development of IT, and we are working very much in a joined-up way. There are lessons to learn about ensuring that we are getting ongoing scrutiny, both building that internally into our development in the Department but also being open to scrutiny externally. I should say that we have taken a lot already from the NAO report. That sort of scrutiny is incredibly helpful for us in trying to get that right. We have learned about not having an overly complex system and how we can get that balance right.

There is a whole range of learnings that we have built into how we are going about doing it this time. However, as I say, if you keep that openness to scrutiny, then it will hopefully help get us on the right track. I hope we will have an opportunity to talk to you about some of the things we are doing, particularly on the IT side, some of which we think will allow us to do it better this time.

Q4 **Chair:** Before I bring Angela in for a supplementary, how many arm's length bodies will be involved in the development of the delivery of ELMS? It is in your gift but you have to work with many others. Will this make the regime more complex or less complex?

Tamara Finkelstein: In developing the programme, we are working particularly closely with Natural England and the Rural Payments Agency. Obviously, we have recommendations from Glenys Stacey about what the delivery landscape we will be looking at looks like as well, but we are working very closely with arm's length bodies. David, I do not know whether you want to add anything.

Q5 **Chair:** What about the people who are going to be using the system? They might be quite important.

Tamara Finkelstein: You mean the wider engagement. I should have added that into my list of learning. The engagement strategy is crucial to that. Since the NAO report, we have put somebody in charge of change and transformation with a particular focus on our communications. We have done a lot of engagement. We had 44,000 responses to the *Health and harmony* consultation. Following that, we had 50 sets of consultations out in all sorts of places, engaging particularly with farmers and land managers. We have a range of ways in which we have engaged people in developing tests and trials. So we have done things.

Chair: We will go on and discuss those a bit more in a minute. David wants to have a go in a minute.

Tamara Finkelstein: On that point about communication and engagement, I would not pretend that we think we have done enough.

Chair: No, we know there is a long way to go.



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Tamara Finkelstein: We are going to use the opportunities for further consultations to do that, because there is a lot more for us to do.

Q6 **Chair:** I always remember saying to George Eustice, when he was Minister, that Government policy was like a ready-mixed load of cement. All of the policy is fluid, and then one day you suddenly tip it out and it is concrete and you cannot actually do anything to it. While it is going round in the mixer, we have to make sure we get it right; we do not wait for it to be laid as concrete. Yes, I am sorry. Do you want to add one last thing?

Tamara Finkelstein: No, I just wanted to say that we are trying, through the pilot and the way we are doing the IT, to build flexibility in to be able to adjust as we learn more in a very different way.

David Kennedy: I would just put a couple of things out there, which we can come back to in more detail. First of all, this is probably a learning from the past when we were developing CAP-D. It was not the absolute focus: what does it feel like to be a farmer using this system? Our perspective for ELMS, for example, is, "What is the customer journey? What does it feel like? How can we design this to be user-friendly?" That is the first thing.

The second is that we are trying to do co-creation. That is what the tests and trials are all about. They are about getting the farmers—

Q7 **Chair:** Can you explain co-creation, please? It is a bit of jargon.

David Kennedy: It is a zeitgeist word.

Chair: I understand what it means, but just define it for the record.

David Kennedy: It is about getting all of the people in the room working in partnership. It is brainstorming together; it is saying, "What do you think as a farmer? We are talking about holistic farmer land plans, but, as a farmer, how would you come up with a plan? What kind of support do you need?"

Q8 **Chair:** Then you have to incorporate naturally the NGOs and others that are dealing with the environment. We are trying to develop quite a different policy, are we not?

David Kennedy: Exactly, yes. They are part of this co-creation and the tests and trials. The other thing is that we have told a high-level story about the set of approaches that we are proposing, so we will reallocate money from direct payments and we will put it into productivity, animal health and welfare and environment. We have not told the more detailed story. 2021, when we are going to kick off the transition, is not far away. We need to start to tell that more detailed story, and it is our intention to tell that more detailed story after the summer in the form of consultations.

Q9 **Angela Smith:** My question comes in here more than it does after any



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other question. It is about the pilots themselves. Where are we? Obviously, the pilots must be in preparation and planning now. We understand that the number of pilots has been cut significantly. It has gone from 5,000 to what?

Tamara Finkelstein: You mean the first year of the pilot. Our expectation for the first year of the pilot is to have around 1,000.

Q10 **Angela Smith:** It is 1,000. Originally it was 5,000.

David Kennedy: 5,000 was not a target; it was a working number. As we have firmed up our thinking about the pilot, we think it is sensible that we aim for 1,000 agreements.

Q11 **Angela Smith:** If it is sensible, it also has to be robust and defensible. I want to know whether you are confident that the necessary width, breadth and depth will be in place in the pilots. If we look at environmental outcomes, for instance, some of the best outcomes could be in our upland areas, as an example, on our blanket bogs. That is not really traditional farming—I am thinking of grouse farming more than anything else—but nevertheless that is where some of the best outcomes could be delivered. Will the pilot scheme have the necessary breadth and depth?

Tamara Finkelstein: Let me start, and then maybe David can add to this. We will be doing some exploring through the tests and trials that we will be starting now, which will also give some indications and give us some input to shape the pilot. We will then be able to set out what the pilot will look like and what we will be asking people to look at, which will give people enough notice. Some will wish to come in at the early point in the first year of the pilot and others later in the pilot. It felt more sensible to increase, in a linear way, over time. That will give people coming in during the second or third years of the pilot longer to look at what they want to come in on.

We are very much looking to get the breadth and ensure we are doing it in a way that is deliverable and gets that breadth so that it will build up over time. We do not know the numbers exactly, but we will build up more steeply over time. Do you want to add to that?

David Kennedy: I became senior responsible officer for ELMS a few weeks ago, probably about six weeks ago. I was really concerned when I saw the NAO report, and I was concerned for two reasons. First, I read it as saying, "You do not have a detailed sense of what you want to do in the pilot, which is not long away". Secondly, it was saying, "You are aiming to build a new IT system"—they compared it with CAP-D and universal credit—and "There is no chance you can build that kind of system in the time you have left".

That has been my absolute focus over the last few weeks. On the design front, we have moved a long way. I am not ready to announce the design of the pilot to you, but I am happy to answer your question. It will be



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broad in scope; it will cover the full range of different types of farms; it will cover landscape, forestry and the different types of things we can do at scale as well. We want it to be broad in scope; that is the point of the pilot.

We will have a detailed design for the pilot that we will propose again in the autumn, and we will consult on that. That will be a great step forward because, at the moment, people are saying, "You have your highest level, but what are you actually going to do?" We will put that out after the summer in a consultation. For the IT system, we need to be clear. We are not—

Q12 **Chair:** You are not trying to reinvent the wheel.

David Kennedy: We are not aiming to build a CAP-D from scratch in a year and a half. We are looking at something that can handle about 1,000 agreements. That could in principle be something very simple; it could be a manual solution, though I do not want it to be a manual solution. We are looking seriously at what bits of existing systems we can reuse to support the pilot before we build this end-to-end system, which will deal with the tens of thousands of agreements that we intend to have in 2024.

Chair: Does that answer your question, Angela?

Q13 **Angela Smith:** Yes, on the IT. Can I just go back to the pilot? This is really important. Some of the outcomes for peatland restoration take a long time to be delivered. We will not see the benefits of them for some time. Forestry, on the other hand, will have a relatively quick return in some instances where trees grow quickly, I suppose. The point is: how are you going to measure success in the pilots? There will be differing timescales in terms of environmental outcomes.

David Kennedy: Ideally, we will pay for outcomes that we can measure.

Q14 **Angela Smith:** But it is about measuring them given that peatland restoration takes years.

David Kennedy: The reality is that it is a nice idea. This morning I was discussing this with Patrick Holden. You have probably had him before you in the past; he runs a sustainable farming group. They have focused on this. It is a nice idea. There are some things where you can measure the outcomes and say, "Yes, this has happened, and we can pay you for it". In many cases, at least for the time being, we are going to have to pay for proxies for those outcomes. I mean the things that we know or where we have very good evidence that, if you do this, the outcome will ensue. We will have to pay on that basis.

We are just working through finding the set of things where you can identify the outcome and measure that, and what the set of things is where you have to find a proxy. That is what you pay for instead.

Q15 **Angela Smith:** So you are going to be measuring the sphagnum moss,



are you, and delivering on that? I am sorry. I am being facetious.

David Kennedy: Let us not be drawn on that very specific thing, but the principle is that, where we can, we will pay for outcomes. That might not be possible, though. If a farmer does everything and the outcome does not ensue because of things that are outside the farmer's hands, it would not be right not to pay them. What do you do in that circumstance? You say, "You have done all of the things that lead to that outcome. It did not happen, but it is not your fault so we will pay you anyway".

Q16 **Angela Smith:** Presumably, you will be welcoming Select Committee scrutiny on the consultation, on the scheme that you put out to consultation.

David Kennedy: Very much so, yes.

Chair: You will be getting it, whether you welcome it or not.

David Kennedy: We will obviously come back to you at the time and talk through this.

Q17 **Chair:** Seriously, though, not only with the pilot but as we develop the systems, we can and should be able to adapt and change them. That will be the benefit. The one big problem with the CAP is that once it is set, it is set. You can only alter a few of the rules. Even though I will probably tell you that you should get it all right straightaway, I do not think we necessarily will. I do not care who it is who is doing it. The strength in the new system will make it adaptable as you go along. Have you thought about that?

David Kennedy: Absolutely, yes. That is the point of all the process tests and pilot. The pilot is a pilot. It is experimental and we will learn from it. We will start small and we will build.

Q18 **Chair:** That is provided that you do listen to those on the ground and you do not just keep your systems very precious and say that you cannot possibly change it.

David Kennedy: We can commit to you that we will very much be listening. The tone of the programme is that it is not for us to dictate and transmit and say, "This is it, and it is set in stone". It is a partnership, and it will adapt and change over time.

Chair: We have all this recorded, and we shall use it in evidence against you. I am sure it will happen, but yes.

Tamara Finkelstein: The big learning has been the requirement for that flexibility. We are building that in by doing tests, trials and pilots and through building it into the way we want to build the IT system so we can listen and adapt. That is the learning we have had.

Chair: If you can get it practical and paid, it will be a marvellous feat in itself.



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Tamara Finkelstein: The other learning is building something where you get paid on time. That is the other thing.

Q19 **Chair:** Yes, and paid for what you have actually delivered. Sarah, do you want to add anything at this stage or not?

Sarah Church: The only thing I would add to that is that we are explicitly treating it as a pilot, not a roll-out of a scheme. Alongside the outcomes David has been talking about, we are explicitly looking at processes and what it was like as an experience so we can change those if it did not work very well.

Perhaps most importantly, we are looking at data. Getting the data requirements right is key to the questions you both asked. We will not get that right first off, but it is another thing that we need to look at so that by 2024, when we are making a bid for a lot of money to do this and roll it out, we have really good evidence.

Q20 **Chair:** We do have time as long as we do not waste the time, really. That is always the problem when you have a little bit of time. We have to make sure we use it to good purpose.

David Kennedy: That is why we have driven this forward, and we are close to having a design now for the pilot. We will then consult, and these will be lines in the sand that will move us forward.

Q21 **Mrs Murray:** Delivering the new farming programme by 2028 assumes that we will leave the EU in October and pass the new Agriculture Bill around about the autumn. What plans have you got in place if we do not do that?

Tamara Finkelstein: We are dependent on the Agriculture Bill passing. We could afford for it to slip a bit beyond the autumn and into the start of 2020, and our expectation is that this is what will happen. That will enable us to put things in place to start the agricultural transition and to start the pilot. Clearly, there is a dependency on us leaving the EU and on passing the Bill, but we have built in some contingency that means it slipping into 2020 would still allow us to keep to this timetable.

We have a clear SRO for the programme and a Permanent Secretary with accountability. If for some reason we think this timing is not something that is deliverable, we will provide that advice. As it stands as the minute, we think we have built in that contingency and we think it is possible.

Q22 **Mrs Murray:** If I could move on, the NAO, the National Audit Office, found that Defra does not have a "detailed, complete and realistic critical path"—although I note what you said earlier—"of how its objectives depend on one another". How are you planning for the knock-on effects when the unexpected inevitably happens?

Tamara Finkelstein: We have done quite a lot of work since the NAO report. We have done some things around governance. David has been appointed SRO. We have brought in a new programme manager as well,



who has been working on the critical path and the key milestones. We have done a lot more to build out those milestones, one of which is doing that consultation in the autumn and understanding when we would need to have the Agriculture Bill through and so on. The Board is very much looking at those interdependencies. I do not know, Sarah, whether you want to pick up on any of those.

Sarah Church: Yes, the programme has moved quite a long way in the last six months from when the NAO finished its work. We do have a critical path; it does feel quite robust; we do know what the key moments are. As you say, events will move things around. It is a live document and we review at least once a month to make sure the things in it that need to be true are either true or that we are doing something about them.

Q23 **Mrs Murray:** Are you confident that we will not see things going drastically wrong that will affect the farmers who rely on these schemes?

Sarah Church: I am confident that we are going to put right things as soon as we see if there are any perverse consequences of what we are doing. Our whole approach will help us do that: to try things out before you roll them out, to get much closer to farmers and to see what behaviour is actually happening on the ground rather than what we thought might happen.

Tamara Finkelstein: In terms of some of the changes we have made, we are building in more of the skills and capabilities to ensure we are good at spotting when things are going wrong. We have developed a culture where we will not pretend it is going right when it is going wrong. We have an openness with the Infrastructure and Projects Authority and the Government Digital Service. I hope we have an openness with you; we certainly do with the NAO, which I am sure will be back. The culture is that we will call it out and work it out. The culture and skills are also really key parts of getting it right this time.

Q24 **Angela Smith:** Can you take us through what the contingency plans are for all of this if we exit the European Union without a deal?

Sarah Church: If we exit without a deal, the European Union (Withdrawal) Act 2018 means that the rate will be directly applicable until the end of 2020. We still need the Agriculture Bill by the end of 2020. It is still very difficult if we do not have it by then. Then the Agriculture Bill would come in and give you the powers to amend the existing schemes and ways of working and to introduce whatever changes the Government wished to make.

Q25 **Angela Smith:** Take me through that again, Sarah. If we exit with no deal—I hope we do not, frankly—then you seem to be indicating that the Agriculture Bill may be delayed—

Sarah Church: You still need it. You need the powers in place, including the secondary legislation, before the end of 2020.



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Q26 **Chair:** It is the power to make a payment, is it not?

Tamara Finkelstein: Yes, it is the power to make a payment.

Q27 **Angela Smith:** Would any changes to the Agriculture Bill be required because of no deal?

Sarah Church: You really do want the powers in the Bill, because clause 8, for example, allows you to change the payments, so you do want the Agriculture Bill, but you do not need it until the end of 2020.

Q28 **Angela Smith:** Does it alter the point at which we will have to start taking over the payments of what was CAP? There is this transition period. Will we still get CAP until the end of 2020?

Sarah Church: There is a quirk. If we exit with a deal and go into an implementation period, then you do need something a bit more quickly because of the carve-out from direct payments in 2020. Ironically, legally it is more straightforward if you leave without a deal than if you leave with a deal. If we leave with a deal, we know we need to do something before the end of this year so that we can make payments in 2020.

Q29 **Chair:** If we leave without a deal or on WTO terms, I suspect you will be straight in here and we will be having more questions on exactly this. It will be about what direct payments you need to make, what sort of payments you need to do to deal with the tariffs and all those things. I do not really want to go into that this afternoon.

Could I just add to this, though? In terms of the timescale, you said this might creep into the spring. If you are not careful, you will get to May quite quickly, when farmers will be making another claim under the existing system. Will they be making the claim exactly the same as they did this year or will you be able to do changes before 15 May when the cut-off date is at the moment?

Sarah Church: The plan for BPS 2020 is to use what flexibility we have available to us to try to simplify a little bit.

Q30 **Chair:** Will we be able to abandon things like the three-crop rule and things like that or not?

Sarah Church: We need to see where we get to in terms of the EU exit and what we consult on in the autumn, but it will look very similar in terms of what the farmer will have to do to apply compared to 2019. At the start of 2020, we will also want to be encouraging people to apply for Countryside Stewardship as well. We need to make sure we have been really clear on the rules and terms under which people can do that.

David Kennedy: The current CAP will start to look and feel very different, in our planning, when we get to 2021. For example, you know that Countryside Stewardship is overly bureaucratic; there are lots of hoops to jump through that do not add anything in terms of environmental outcomes. We will look to strip that stuff in 2021.



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Q31 **Chair:** You see that kicking in more in 2021 than you do in 2020. I suppose in the meantime, whether we are in or out or out without a deal or whatever, you can carry on with the system largely the same, if you want to. You can just pay it through Treasury and not through the system, or am I oversimplifying it?

David Kennedy: The big difference will be the funding. There are scenarios where we continue to get funds reimbursed from the EU and there are scenarios where we do not continue to get funds reimbursed. In terms of the farmer and how it looks and feels to them, next year there will be very limited change and the year after there will be more change, particularly on the CS front.

Q32 **Chair:** That is what needs to be made clear to the farming population: how these changes are going to affect them when they make their claims and when the change is likely to happen. They are all expecting change, but at the moment we are just slightly drifting along. It is not your fault that we are drifting along, but we are. At some stage, they will need to be kept informed when it is actually going to change.

David Kennedy: The opportunity is the autumn. There will be a set of consultations on each of the aspects: the reallocation of money from BPS and what we are going to do with Countryside Stewardship, et cetera. That is a really important opportunity to communicate in a two-way fashion. It is not just, "This is what we are going to do"; it is, "Here are some proposals. Can you engage and tell us what you think about them?"

Chair: That probably leads quite neatly into the third question, David.

Q33 **David Simpson:** The Chairman at the beginning touched on the issue around the ELMS, but the National Farmers' Union has said that it is frustratingly slow. Do you want to give us an explanation of why?

Tamara Finkelstein: Partly the answer will be the consultation in the autumn and being able to do really proactive communications at that time. We touched on the thing about the tests and trials. The tests and trials have been slow, and there is no doubt that has been slower than we would have hoped. We are actually right at the point now where we have 46 of them ready to go. From the end of this month to September, those will be up and running.

We got a lot of applications in, and a number of them were not that well developed. When that happens, you have a choice. You can say, "We will just pick the ones that are", but that is not actually the right answer. It is better to work with people to get them into a shape where they can work. We have been working with people to get them to a place where they can work, where they are usable. That has undoubtedly created delays, but we are at the point of being able to do that. We will also be communicating with those who are in this first phase but would be able to be in the second phase. We will be doing some communications around that this week.



David Kennedy: I should say that we know there has been a lot of frustration about this. We have gripped it. Last week, for example, we spoke with all of the 46 groups that were making proposals. We have said and agreed with them a way forward so they can get their agreement in place and get on with the test and trial on the timeframe Tamara says. By either the end of August or the end of September, all of those 46 will be up and running. Maybe it could have happened quicker, but it will happen now. It is really important that we pick up the pace on it.

Q34 **David Simpson:** You are saying that it is going to happen now. Has the funding been released for them?

David Kennedy: Yes.

Q35 **David Simpson:** It has. What is the total funding, and how much money has been made available for both phases?

David Kennedy: For this year, we envisage that we are going to spend about £3 million on tests and trials.

Q36 **David Simpson:** Tamara, you were saying that you have a lot of applications in.

Tamara Finkelstein: Yes.

David Simpson: There is obviously a big interest. The slower it is, the more frustrating it becomes for farmers. Farmers want to make plans; it is like business. They want guarantees; they want some kind of process whereby they can invest or whatever they are doing. It is important that their frustration level goes. We all get frustrated at times, but farmers get especially frustrated, especially when money is not coming through or there are going to be changes to the system. That is a big issue for them, so it is important that we ensure the trials that are going out are right.

Tamara Finkelstein: The key thing people will want to know is some of this information that will be in that autumn consultation. The tests and trials we are starting now will hopefully give people some information about what we are testing. The information that starts to get people thinking about what they might want to plan on will be more in that consultation and how we then respond to that consultation by the middle of 2020. That is the key. That will be in time for the pilot in 2021 for the people joining later in the pilot. There are not dissimilar timelines in Countryside Stewardship in terms of people seeing what they want to apply for in the following year.

Q37 **David Simpson:** Consultation is important but so is communication. You have to let them know how it is progressing and keep them informed.

Tamara Finkelstein: We feel there is a lot more communicating to do. It is good to communicate when you have more to tell people.

David Simpson: It is good to talk.



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Tamara Finkelstein: Using more information that we will be able to share with people in the autumn to do a bigger ramp-up of communications feels like the right thing to do.

David Kennedy: Let me give you just a small example. I totally agree with you: communication is really important. We had a letter on the stocks to send to people to say, "The tests and trials are not moving quite as quickly as we want. Here are the next steps". It all felt a bit impersonal to me. This is why we said, "Just pick up the phone and speak to the people who are proposing this". That is what we did last week, and that got a really good response. Where there was frustration, it has defused that, and there is a lesson there for us.

There are 200 more applications we have for a second phase. We are not waiting until the end of August or September when we have gone through the first phase; we are processing those now. People know what we are doing. We will have clear and ongoing communication. We will crunch through those and we will get those up and running as well. To your question on budget, what is the budget for those 200 and what is the budget next year? The budget is not set for next year, but we will make sure there is enough available to pay for every good proposal we get.

Q38 **Chair:** The majority of projects selected in phase one did not come from farming organisations. How are you ensuring that individual farmers are involved in the design of ELMS?

Tamara Finkelstein: I will start on tests and trials. Of the 46 we are talking about that are starting now, all but one of them involve farmers. One of them is led by a collective of 50 farmers, but they all are engaging large numbers of farmers. They are led by, for example, the RSPB or some national parks, but all of them, apart from one, have built within them farmers very much being part of this.

Q39 **Chair:** Some 70% of land is farmed, so how come very few of them are actually farmer-led? Do you accept that, at the end of the day, whichever organisation you are, it is probably best to take the farmers with you than it is to leave them behind? Is there not a bit of suspicion out there as to why this is? Let us be more specific. How many of the 46 came from farming organisations?

Tamara Finkelstein: One of the 46 is directly led by farmers. Let me take an example. The Wildlife Trust has a proposition across a number of counties from Gloucestershire through to the Isle of Wight on land management plans, but there are 100 farmers in eight clusters involved in that. They are the co-ordinating group.

Q40 **Chair:** I do not argue that you are not involving the farmers in those other schemes, but can you not see that there might be a slight suspicion in the farming community, if only one of those 46 is actually farmer-led? I say it is my old record, and I will keep playing it again. We actually do



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need food production and farming in our new policy. It does not fill us full of great confidence when, out of 46 pilots, one of them comes directly from the farming community. Is this not sending slightly the wrong message to the farming community?

Tamara Finkelstein: I hear what you are saying.

- Q41 **Chair:** Did the farming community not apply enough? Do we have to get that better? What I do not want to see is one out of 46 become 20 out of 1,000. I will not find that acceptable. I will say that to you now quite clearly. What are we going to do about it in the future?

Tamara Finkelstein: I would say it is misleading to say that it is one out of the 46. I have the same worries as you, and we looked in more detail at what the 46 are doing. They are organisations that are grouping together farmers and land managers in particular areas.

- Q42 **Chair:** Farmers work with the RSPB and many environmental organisations. That is absolutely right, and it is right to do it in the future. I am not complaining that a lot of the projects are led by other groups, but I am complaining that the balance is wrong and it is sending the wrong message. There is a lot of worry out there about whether agriculture and farming is important to this country. It is important to me, and it is important to many in this House. One out of 46 does not send the right message. I am sorry.

Tamara Finkelstein: It strikes me that farmers are at the heart of the vast majority of the 46. It might be that expressing this in terms of the lead organisation is not the most helpful way to do it. As you look into the detail, they are engaging. The organising bodies are engaging bodies and land managers in that area. That is why it feels as if they are engaged, but it is a reasonable challenge to ensure we do further engagement.

- Q43 **Chair:** There is a scheme up on Exmoor. I do not know whether that is included. There are lots of organisations I know within the farming community that want to take part in these pilots. What I and this Committee need is some reassurance on this afternoon that, as we move forward, more of those schemes that have been put forward will be piloted.

David Kennedy: It is not that we have weeded out any proposals from farmers. That is pretty important. Talking with Minette Batters, she talks about ELMS and says that it might even pay for the greening of Trafalgar Square, which is nothing to do with farming, and that would be wrong. Obviously, it is not our intention for it to pay for the greening of Trafalgar Square.

The question here is about whether we are farming-focused with what we are doing with the tests and trials. Whether it is led by the RSPB or the National Trust or whatever, is it farming-focused? The vast majority of this is farming-focused. I wonder whether there is a communication thing here. Picking up on what you are saying, does it send the right signal? I



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am just thinking ahead now to the consultation and what we say about the tests and trials and how we can give a sense that these are very much rooted in farming. That is really important.

I am also wondering whether we can come back, not today, and go through the 46 proposals and give you a better sense of what it is we are doing there. It might just reassure you.

Chair: It might be quite good if you gave us a written submission on how these 46 trials are going ahead and how they involve, naturally, the organisations that are putting them forward but how then they link back into farming. I do not think I would be alone in making this point. I declare an interest: I am a farmer. Like I said, you will find that there is a lot of concern out there as to where the new policy takes us. If we can take the farming community with us and build a greater environment, then it will work very well. If we do not take the farming community with us, it is going to be very difficult to deliver. I am just not sure whether we have got it quite right.

Tamara Finkelstein: To be honest, trying to express where we are with the 46 and the farming involvement will be both useful for this Committee and useful as a basis for our wider communication, clearly.

Chair: Without me going off on one, then, I will park it there. Like I said, I would encourage you to give us a breakdown, please, because it is a concern.

Angela Smith: I just want to echo what you have just said. The more detail we can have in relation to these tests and trials, the better it will be. It is a confidence issue. That is where my question was going.

David Kennedy: We will come back to you.

Q44 **Chair:** I just have a couple more on this one. The Secretary of State told us that there is a legitimate question about whether or not we are investing enough in the tests and trials. Are you going to have robust evidence to make a decision about what outcomes to prioritise? How are you going to design the scheme? This is naturally also a concern for us. I take it that you are taking all of that on board, are you?

Tamara Finkelstein: Yes.

Q45 **Chair:** How are you actually going to make sure it works?

Tamara Finkelstein: I will let David pick this up as well, but the tests and trials will give us good information about particular areas, like how collaboration might work or how we might develop the land management plan. That will help with particular aspects, and it is the pilots that will then help us further on the details. It is going to give us a particular sort of evidence, and then we need to be setting up a pilot scheme to give us some of the richer evidence.



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David Kennedy: We certainly do not see the tests and trials as separate from the pilots. The pilots are an evolution of the tests and trials. As Tamara says, they put the building blocks together. The tests and trials will be, "How do you draft a farm agreement? How do you bring farmers together to collaborate and build corridors that will support biodiversity and whatever?" The pilot will be, "Okay, let us enter into some of these agreements with different types of farms for the six outcomes we have identified: air quality, water quality and whatever else".

The question then for the pilot is—this is where we started—what the bandwidth of the pilot is. Are we testing enough things in the pilot? The intention is that, yes, we will test the range of things both at farm level and at the larger scale as well.

Q46 **Chair:** If you take this country, you have differences in topography, hills, differences in landscape—flatlands and differences in height. You probably have rainfall of anything from 20 inches to 160 inches across the United Kingdom. This is the one strength that a new system could have. Defra is basically looking at England, but then there will be collaboration between Scotland, Wales and Northern Ireland. We should be able to design a policy that is much more specific to the United Kingdom. What are you actually doing to make that happen?

What I do not want is for there to be a few pilots thrown out and then for the Department to say, "We know best, and we will impose this on the rest of the country", even if it does not fit the rainfall, soil types, the type of crop, the permanent pasture and all of these things. I could read them off all afternoon.

David Kennedy: I agree with you. Take Countryside Stewardship, which I am responsible for in Defra. One of the valid criticisms is that this is one size fits all, and we do not want an ELM scheme that is one size fits all. One of the things that my teams are doing at the moment is working through different types of farming in different parts of the country. What are the opportunities there within the six brackets of outcomes? What could you do as a livestock farmer in Lincolnshire? What can you do as an arable farmer in East Anglia or whatever?

We want to have much more local mediation and the flexibility to respond to local circumstances than we have in the current agri-environment schemes. That will be one of the big differences. There will be lots of differences between the current schemes and what we are designing, but that is one of the big ones.

Q47 **Chair:** In terms of cutting grass or managing land, on the whole the springs will be much earlier in the West Country than they will be in the north-east. All of these things could be taken into consideration. I am going to get myself into big trouble in a minute, because we could make it too complicated. This is about trying to make sure it is designed for the landscape and the climate, really.



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David Kennedy: Yes, and it is about pragmatism. Again, take Countryside Stewardship. We know that certain measures will say, "If you have not done it by this date, even if you were one day after, you will not get paid". Is that right? If you were really one day after, probably the outcome is not going to be affected. We are looking at how we can build in flexibility.

The other thing is about how we can build in innovation. We talked before about how ideally you will be paying for outcomes. If you are paying for proxies, however, and you get to the level of slurry management, for example, to improve air and water quality, that might be something where we say, "We will pay you to manage your slurry", but we might also say, "If you can find a better way to do it than we know of and you can deliver the same outcome, that is fine. Please do it that way, as long as you can show you have delivered the outcome".

Chair: I like the flexibility. I am going to hold you to account on that one.

Q48 **Angela Smith:** This question is about IT, which is not my strong area. The NAO report looks at the interplay between designing the new IT system and the data requirements, procuring the new system and establishing the environmental outcomes and the payment methods and so on. The report tells us that you have started designing the new IT system before taking key business decisions about what you are going to pay for or what the Government are going to pay for. Does this not risk having to start all over again further on down the line, because the interplays are more problematic than was envisaged? If that happens, will it not delay the rollout of the new scheme? How are you managing that risk?

Tamara Finkelstein: To start on that one, we have made quite a lot of progress since the report in terms of thinking about the right approach to this and, as I was saying before, trying to learn both from former failures and former successes. One of the things with the systems we built for EU exit was around building a set of common components, common elements and using those.

Where we want to start is looking at both RPA systems and the different building blocks that there are in the RPA systems and in the common components we built for the EU exit. We want to look at what of those could be reused for this system. To be honest, lots of the things that people need to do around identification, customer relationship management and other elements of it are actually common. The first thing we are doing is looking at which of those we can reuse to form the basis of the system before we look at things that we need to build or buy.

Going into the pilot, we think that there will be a lot that we are just reusing from our current systems that will allow us to run the pilot. In parallel, we will be looking at what we need as the final system, as we roll out the full system, and what we might need for that.



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- Q49 **Angela Smith:** Are you saying, Tamara, in effect, that if the final decisions around the environment outcomes and the payments throw up unexpected challenges in terms of the IT system, the risk is minimised because you have effectively covered the bases in all sorts of other areas in terms of that system?

Tamara Finkelstein: Yes, the things that—

- Q50 **Angela Smith:** It does not alter the fact that the challenges may still be fairly significant.

Tamara Finkelstein: They may still be there, but the underpinning key building blocks to how you run a system that is usable and works will be in place, and then some of the flexibilities need to come in, such as how you pay for particular outcomes. That is often not what has gone wrong in the past, however.

- Q51 **Angela Smith:** Could the challenges around that not still delay the scheme, though?

David Kennedy: I do not think so. I had the same concern as you. As I said, I became SRO a few weeks ago and I went up to see the IT team in York, who I was told were busy building the system. I was thinking, "How can they build the system when we have not designed the pilot yet?" Actually, what they have done is very sensible. They have mapped the processes that you will need in any ELM scheme. You will need customer registration; you will need a mapping system; you will need a payments function; you will need somewhere to put guidance. They are doing "low regrets" stuff that we know we will need.

There is a separate question, though. When you have decided what it is you are prepared to pay for and how much you are prepared to pay for it, you have to have a way of getting that on to a system, for example. That remains flexible at the moment and it will continue to remain flexible. There will be bits of things that we do now because in any eventuality we will need them, and then there will be things that we need to leave until we have a more detailed sense of what we are doing.

As Tamara says, however, the other thing is that we are not looking to build an end-to-end CAP-D system for 2021, because we would not be able to. The question is about what we can reuse when we decide, "This is what we are going to do". Can we use the RPA's mapping system, at least for the time being?

- Q52 **Angela Smith:** That is a question I was going to ask. Would you be able to use the RPA's mapping system?

David Kennedy: It is a question. It is a live question. It is one we will be working through over the next weeks and months. We have invested a lot of money in that system. We have just updated a million land parcels on the system not too long ago, and there are 2 million or 3 million land parcels on it altogether.



Q53 **Angela Smith:** By “updated”, you mean it was made more accurate.

David Kennedy: Yes, through aerial photography and various other means. I do not know the answer to these questions, but they are urgent to work through. I will be awake at night worrying until I know what the operational delivery approach is for the pilot. That is a big focus for me and the teams now. What is it we can reuse and what is it we can build, recognising that we do not have a long time to build anything?

Q54 **Angela Smith:** You will be confident in terms of the security of the data, because the mapping is very sensitive data, not just in terms of the farmers’ rights and spare land at the end of the day, but also just in terms of security generally. Undoubtedly, you will be investing in the highest security standards.

David Kennedy: Absolutely, yes. All I can say is that security is at the top of the list of concerns for us. We have a very strong IT team, who have done the build work for the EU exit no-deal stuff. As Tamara said, it is easy to go back to SITI-Agri and CAP-D and look at that, but we do have recent experience. We have come before you to talk about IPAFFS, export health certificates, CITES and all the other things, where we are building new systems and where we are learning.

One of the big lessons is that you do not have to have the all-singing-all-dancing version of your system ready for day one. We have talked before with you about minimum operating capability. What is it that you need to be able to do the job on day one? What is it you are going to build beyond day one? Beyond day one of the pilot, which is 2021, we have three years until we roll out, where we can develop new systems and where we are flexible for that interim period.

Q55 **Angela Smith:** David, you mentioned that the IT system will not be fully operational initially. It has been reported that during the pilot, particularly, the payments system may initially be spreadsheet-based. How simple will that be for farmers to operate?

David Kennedy: It is not my plan that it will be spreadsheet-based.

Q56 **Angela Smith:** It is not?

David Kennedy: If it came to it, the simplest solution for 1,000 agreements would be to have an inbox. You could have PDF agreements sent to the inbox, you could log those on a database and you could make payments. There are many ways of making payments, if you know who it is you want to pay and how much you want to pay them. That will be one way to do it. That will be plan C. Before you get to plan C, we will be looking to have that mix of building and reusing existing systems that will allow us to have an automated approach, which is what we are planning for in 2021. That might not be the final approach we end up with in 2024.

If I draw the parallel with IPAFFS again, which we have talked about, on the food import system, plan A was to build a new system, and we have



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done that. Plan B was to use an existing system, which was PHILIS. That is still plan B, which we will use if, for whatever reason, plan A does not work. If both of those do not work, IPAFFS and PHILIS, we have a manual solution as well. It is that same tiered approach: we will have a plan A and we will have a contingency.

Q57 Angela Smith: In terms of the pilot, though, if you adopt your preferred plan and you can adopt your preferred plan, does that effectively mean the pilots are restricted to areas, for want of a better way of putting it, or to farmers or farming organisations that are able to access broadband? Not all farmers can. There are areas in my constituency where farmers cannot access broadband.

David Kennedy: Yes, there is no reason why we would have to have that restriction.

Q58 Angela Smith: Why is that?

David Kennedy: For example, people who do not have access to broadband at the moment can get BPS payments and they can apply to agri-environment schemes, so there is no reason why they cannot use the same channels for the ELM pilot as well. We do not want to restrict it to people who have access to broadband.

Chair: It is about having enough people there available to help people. You need staff from Defra, the Rural Payments Agency and, where necessary, Natural England to be able to advise farmers and others how it is going to work and to get the pilots together. You will need enough people to get these systems working. You cannot just rely on putting it through a computer system.

Q59 Angela Smith: If we get the promised breadth in terms of these pilots, then some of the pilot schemes will have to involve farmers who are not on broadband, frankly.

Tamara Finkelstein: It is worth saying that the EU exit IT work very much looked at the different customer journeys and lots of user testing in order to ensure that things were fit for purpose. We all want the full breadth of types of user and user journeys mapped out to ensure we get this right.

David Kennedy: There is something more to join up. We are very focused on harder-to-reach farmers, if you can call them that, who do not have access to broadband. We are thinking about this through a productivity lens. These farmers are not going to be going to the AHDB website to see what the best practice is here.

You may have heard about the approach of the Prince's Countryside Fund, the Farm Resilience Programme, which works with these harder-to-reach farmers. It is very personal; it brings them together in groups; it shares information; it does benchmarking. We are looking to see whether we can do something in that space with the harder-to-reach



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farmers. One of the things we will look at is whether we can link that initiative, which is productivity-based, with what we are doing in the ELMS space as well.

That is the point, actually. We cannot see agri-environment and productivity as completely separate things. To the extent we can, let us join them up. It is farmers who have to have a business model that works and that is both productive and good for the environment. That is the future.

Q60 Angela Smith: Yes, absolutely. The upland areas, which is where a lot of the problems around broadband are, get some of that synergy.

Finally, how would you be able to incorporate the lessons learned from the national pilot into the payments system without causing massive disruption to those already enrolled?

Chair: Are you still piloting as the thing is rolling out?

Sarah Church: One of the things we have found really tricky is to get out of the CAP mindset. With the CAP, the rules change all at once on a specific date and you have to do everything by that date. That does raise the risk of things going horribly wrong. We do not have that constraint. In terms of how we iterate and learn and, if something is not working, put it right straightaway, one of the things we have been really keen to build in is getting away from that sense of only being able to do things once a year.

In terms of how we know it is working, we are looking to roll out ELM more widely from 2024. That does not mean it stops at that point and it is fixed. As we continue to learn things, we expect to continue to change it.

Q61 Angela Smith: Okay, so the system will be flexible enough to adapt.

Sarah Church: By 2024, we may not completely know what all the answers are for climate change and adaption for the next 20 years. In terms of the environmental outcomes, we know that we will be learning what is working and what is not, and we will need to be able to adapt the system accordingly.

Q62 Angela Smith: Yes, especially given, as David said earlier, the fact you will be using proxy outcomes. From what you are saying, Sarah, it looks as though these changes may have to be rolled out over a period of time of up to 15 or 20 years.

Sarah Church: We are hoping to build a system that will endure for quite a long time, because we think the principle of public money for public goods is one that should endure.

David Kennedy: We should not see it as, "This is the pilot, and when we get to 2024, that is the scheme and it is designed forever and set in stone". This will be a continuously evolving scheme, as we learn more.



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One of the things is that we will use proxies in certain circumstances. As we develop the evidence base and the science, we may be able to move from proxies to outcomes, for example. That is one of the ways the scheme might evolve. The focus of the scheme might change over time as well, and we might want to focus on certain outcomes.

- Q63 **Chair:** I can feel some Select Committee reports coming on, as the whole system evolves, so we are going to hold you to that. On the maps, one thing that is controversial is how every three years you have to have a new map. Are you going to move away from that? When the maps arrive, they are all foggy sometimes because it was a particularly bad day when the satellite went over. Fields are split when they are not split. I had a field that was cut in half by an electric fence. It then became four fields instead of one. These things are what drive farmers mad. Do you think you can say that we can get away from that?

David Kennedy: As Sarah says, a lot of the things we have to do in CAP are because they are required as part of the scheme design and the reason we updated the maps, which is the three-year currency, is because we had to from a commission perspective. If we did not do that, we would have suffered hundreds of millions of pounds of disallowance, so there was a financial argument. When we are not subject to those requirements, we have freedoms and we can make sensible decisions. That is not to say we would never want to update maps, but we can ask the question, "How often do you need to update maps in order that they are going to give the right information?" Yes, we will have a different approach.

- Q64 **Angela Smith:** What is the role of the OS in the mapping work? Does the OS play a significant role or any role at all?

Sarah Church: We pay the Ordnance Survey to do a lot of the very detailed hedgerow mapping and all of that type of activity at the moment. In theory, we do not need to know exactly where each hedgerow is to the nearest 10 centimetres after we have left the EU, but knowing where hedgerows are and knowing where you might have a rich source of biodiversity if you manage them all well is really useful. One of the things we need to talk about as well is what data we want in future and how we make sure it is proportionate and not a bit over the top.

Chair: The interesting thing is I have several fields that the Ordnance Survey says are bigger than what the Defra maps say. If I came to sell those I would definitely sell them on their position, but it is very interesting, really.

- Q65 **Angela Smith:** What is the potential for using Ordnance Survey for constant updating of the accuracy of maps based on feedback from farmers via photographs and for the security of the mapping data?

David Kennedy: They are a major input to our mapping data at the moment. It is a combination of different sources, but Ordnance Survey is one of the key sources and then it is farmers who fill in these RLE1 forms



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to say, "There has been a change to my data", or they can come and question the mapping data of the RPA.

Chair: I argued for several years that the Ordnance Survey map was right and these other maps were not, but in the end they said, "You will not get a payment if you do not accept the different size". All these arguments go on for years. That is the trouble, so we do have to get to a practical situation where we do not have to be arguing over maps. People start defrauding it, and that leads me neatly on to the next question.

Q66 **David Simpson:** The Committee is aware that Defra has not yet started developing a fraud strategy for ELMS. How will you ensure that the taxpayer gets value for money without putting extra burden on honest land managers?

Tamara Finkelstein: The NAO report was really helpful for us in highlighting this. Since the report, we have a new director of fraud and assurance and a new assurance board that is advising slightly independent from the programme board and has set off the development of a fraud management strategy. We have put quite a lot of focus on ensuring that is a key strand as the work has developed. That brought that to our attention as to trying to get that balance right. We are moving to a more flexible world and we want to use those flexibilities, but we need to assure ourselves of good use of public money and focusing on that. With the IT, it is really important that the policy and the IT work goes hand in hand. Similarly, it is true about the fraud work. Sarah, do you want to say any more about that work?

Sarah Church: It is good and we were grateful to the NAO, as Tamara says. One of the conversations we had with the NAO about this was that it is really important to make a distinction between fraud and compliance, and that gets to your question about how we make sure people are doing the right thing with best of intentions and might have done something slightly wrong. It is a live discussion, because the NAO think we need to keep a close eye on compliance and we do, but maybe we need to be more explicit about what is material and what is not. Where is an issue going to have a material impact on whether we can achieve the outcome we want and where is it not, so that we focus on fraud and we focus on the outcomes, not, "Here are the rules and if you did not follow the rules, then that is a breach"?

Q67 **David Simpson:** Will the system that you hope to develop as far as fraud is concerned be robust? Will it be better than what we have had while we were members of the EU?

Tamara Finkelstein: Our hope is that it will be improved and it will have that right balance, so that it prevents material fraud but does not drive compliance to a point where you add to the bureaucracy and make it harder to comply. It is getting that balance right. Hopefully it will be an improved approach, both to fraud and compliance.



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Q68 David Simpson: Certainly from a Northern Ireland perspective, where we still have the land border with the Republic of Ireland, quite a few cattle disappear either side a few times and there are a few sheep that were claimed for that never existed. There is stuff like that, so we need to make sure that it is robust. You will never stop that sort of activity 100%, but it can be a lot better than it has been in the past.

Sarah Church: We have not talked about the Dame Glenys Stacey piece and the regulation and enforcement, but a lot of the arguments she makes quite powerfully are about moving away from a rule, "You must test 5% of this population", to, "Where is the risk? Where is it material and can you target that?"

Q69 Chair: A risk-based system would work very well. At the moment all farmers are guilty until they can prove their innocence under the system, whereas what you have to find is a way to find the guilty ones, if you see what I mean, and look for them. I could take you round, dare I say, my own constituency and say, "That is the one you should be looking at". It is quite well-known. I hasten to add to my constituents that I am not going to do that. Let us be clear about that, but there is an element of knowledge there that should be used. Instead of having a system that so many people have to be inspected and so many have to be tested, what you have to do is try to drill down on the ones where you think there is a problem.

David Kennedy: There is a problem with the current approach, clearly, which is very pedantic and burdensome without much benefit in terms of outcomes. There was a worry on the part of the NAO that we might go too far in the other direction and simply rely on the advisers, who would be signing off the farm plans and signing that all the things have been delivered. We will need some other lines of defence, but those will be light-touch and risk-based, to find that balance, not overburdening but giving us a degree of confidence that we are getting what we are paying for. There is a challenge there, because we have not worked through in detail what the approach will be, but we have the people in, we have the teams focusing on this and that is a live piece of work for us.

Q70 Chair: Somehow or other, we have to develop a system where we trust the farmers more, but if there are those who really do defraud then they must be taken to the cleaners really, because that way you would not have half the bureaucracy. That is the achievement, really. It is easy to talk about. The work that Dame Stacey has done is very good.

That leads me on to my question, which is about the ELMS. Defra is relying on a big take-up for ELMS. Naturally, it is not all Defra's fault, but with the payments not going out and the complicated systems of the environment schemes partly designed by Europe, farmers are not very keen on a lot of these schemes. They have not been paid. They have now, but there is a real problem. How are you confident that farmers will take up the ELMS and how are you getting that message out there?



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Tamara Finkelstein: We do start, though, from a good base that there are 30,000 farmers involved in the current scheme.

Chair: They are frustrated.

Tamara Finkelstein: They are, absolutely. Key in what we are designing is learning the lessons of less prescription, a simpler system, it being easy to use and paying on time, as you say. We have to make this attractive. The pilot will help us to get that right and to get that feedback. As you say, it has to be genuine engagement. We have to iterate when we hear what farmers are telling us. We intend to have quite extensive marketing and reaching people.

At the same time, the phasing out of BPS means people will be looking for alternative sources of income, so we are also very conscious of that. The multiyear schemes, with certainty of funding, are hopefully attractive, so it is about how we build the right system that is attractive to people to come into it. We are really conscious of that and how we can learn the lessons to do that better.

Q71 **Chair:** If you go through it sector by sector, you realise that there will be huge impacts on some sectors from moving to ELMS away from basic farm payments. To what degree are you looking at that? Some people may decide to go more intensive because of the lack of payment, or they just do not want to involve themselves in it. To what degree are you looking at that? Some arable farms would be very unprofitable without it, and some livestock producers likewise.

David Kennedy: We are very conscious that there is a risk that CS and ES tarnish ELM before it has even started. We are doing everything we can. You have had Paul Caldwell talking about the improvement programmes there.

Q72 **Chair:** It has improved recently, but there is a history.

David Kennedy: It is improving. The payments are now in the bank accounts, so farmers and landowners will be getting those payments if not today, tomorrow or in the rest of the week and they will be complete probably early next week. We have gripped that because it needed to be gripped, but also because we did not want it to damage ELM.

The other thing that I look is whether we are still getting healthy numbers of CS applications and the answer is, yes, we are. For the 2020 agreements there are still many applications and probably more than last year.

Q73 **Chair:** On that one, are they being processed and will they be accepted, because that was the other issue at one time? You had a job to get into the schemes and people did not know until the last minute whether they were in or not.



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David Kennedy: We are getting a lot better there. One of the areas is the process involved to get new applications to agreements, where probably not the last cycle but the cycle before, we did not have agreements out until the summer after when the agreements started. We brought that in by a few months this time around. For the 2020 agreements, we will see more progress. We are doing a lot better there.

To pick up your point on about whether this will be attractive to the range of farms, it goes back to what we said at the opening: that we are designing packages for different types of farms. They will be attractive depending on how much we pay, and that is the big question. How much do you have to pay to make this attractive to farmers? Then there is value for money. If you have to pay an extortionate amount that was not worth it from the perspective of the outcome, the question is whether that is a sensible way to proceed. That is very much in our thinking. There are different farm types and we want offers for each of the farm types that are going to make this attractive.

Q74 **Chair:** On arable, you can look at bee-friendly crops and you can look at all these things, can you not? I take it that is what you are doing, is it, in order to have slightly different schemes in different types of farming?

David Kennedy: Absolutely, yes. If anything, CS has a lot there for arable farmers at the moment and probably arguably less so for livestock farmers. We do not want to lose the opportunities that there are for arable farmers, but we want, equally, opportunities for lowlands livestock farmers, uplands farmers—the set of farms. There should be something that is attractive to all different types of farms in this scheme.

That is not to say that every farmer who gets a BPS payment will want to sign up for ELM. We want to create a situation where every farmer has a chance and will have a choice, but it is up to them, at the end of the day. There will be flexibility for us. We can allocate money between farm level schemes and scale schemes. We can allocate money to productivity, animal health or animal welfare, so there are different ways we can spend this post-CAP pot of money. It comes back to what we have said. Almost the key word for today is “flexibility”. We will have a flexible approach.

Q75 **Chair:** I suppose the concept is that payments and the whole direction of agriculture will move to involving the environment more. The challenge would be that, if not enough people took up the schemes, then it would be seen as not having taken the country, if you like, in the direction that Government and society wants it to go, so there is a slight challenge there, is there not?

David Kennedy: There is a challenge, but if you go back to the numbers that Tamara said, there are 85,000 farms that get BPS at the moment; 30,000 are in either CS or ES, so a very significant number already. Can we grow that to 60,000, 70,000 and 80,000? Potentially we can. The game-changer is that as you start to reallocate money away from direct



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payments, as long as we communicate well, farmers will change their business models, and we need to land this. This is a part of the business model.

Q76 Chair: I do understand that once you see the basic farm payment disappearing and as it gets transferred, then they will be looking. I take it that as we go through the period of transferring from using a percentage of basic farm payment, you will be able then to start to tap in to the new schemes. Is that the idea: that they are run concurrently?

David Kennedy: Absolutely, yes.

Chair: That is going to be the interesting challenge.

Tamara Finkelstein: If it is not attractive and we have not got it right, we have flexibility to make changes.

Chair: You also then have to get value for money for the taxpayer and so on.

Q77 Angela Smith: The schemes we have at the moment, both agri-environment and the direct farm payments, are in the context of us being members of the European Union with all its standards. That context changes, particularly if we leave without a deal and it becomes vitally necessary and essential, in fact, that we secure a deal with the US, with all that that might imply for agricultural imports. Have you calculated any potential risks from US imports, particularly if they are on a significant scale, with chlorinated chicken, US grain, et cetera?

Chair: Hormone beef.

Angela Smith: Yes, hormone-fed beef. What might that do in terms of encouraging farmers to turn away from the schemes on offer and to just intensify as much as they possibly can?

David Kennedy: We have done analysis of, first of all, what the different welfare standards are, for example, of beef farming here and extensive and intensive beef farming in the States. We have looked at the cost differentials of that. We have looked at the price differentials. We understand the risks to the industry, and our Secretary of State has been very clear and consistent that it is our intention, as Defra, that we will continue to support the standards we have in this country.

Q78 Angela Smith: What if all that goes by the by because we have no deal, we have to have a deal with the US in that context because trade becomes very difficult and the price we pay for a deal with the US is that the US earns the right to import its beef products, grain products and poultry products into this country?

David Kennedy: That is not the plan at the moment.

Angela Smith: This is a scenario.



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Tamara Finkelstein: Our Secretary of State has been clear that that would not be the intention.

Q79 **Chair:** Angela, you were right to put it on the record that we are concerned. I have poultry farmers saying to me, "You either have to decide that we have our high standards of welfare and you keep those imports out, or you say to us, 'We will produce the same as the Americans'". Farmers do not necessarily want to go down that route, but do you see what I mean? You cannot hold us to a higher standard and then allow those imports in.

David Kennedy: The stocking density here will be a lot lower than in the US.

Chair: Yes, it is stocking density and all those things, really.

Q80 **Angela Smith:** The poultry industry has also said to me that what the US will do, if it has the opportunity to import here, in terms of breast meat—it is breast meat that it would want to import—is that it would just up its production level in order to provide the market, because it can do it more cheaply than we can.

David Kennedy: It is clear that welfare is a priority for this Government and our Department, and that will be central to any discussions on trade.

Angela Smith: I hope so. Fair enough.

Chair: We will hold the Ministers, Secretaries of State or whoever they might be to account on that one.

Q81 **Angela Smith:** Farmers have been given no guidance on what outcomes ELMS will pay for and what they will need to do to benefit. How do you expect them to plan their business operations without this? It is about forward-planning?

Tamara Finkelstein: That is where we hope to say a lot more to people in the autumn. That will be a consultation that we can then respond to in 2020, which will give people adequate time. We will be able to say more at that point. I do understand the frustrations at this point, but we are close to being able to provide more information and build the line in which people can do planning.

David Kennedy: It is fair, by the way. We have said the six high-level outcomes and we have not said what the next level below that is, in terms of the detailed outcomes and the proxies that we have talked about. If you look at the lead time between when we published the guidance for Countryside Stewardship, for example, ahead of the applications window, it is several months. It is my intention that we will have a much longer lead time between publishing the guidance and saying, "Here are the detailed outcomes or proxies", and getting the applications in for the pilot project. We still have time for that.



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It goes back to, though, that there is an urgency. We have time as long as we do not waste that time and we will not waste it, because we are getting on with the detailed design. We will consult on that, and then then next phase will be in 2020—I will not commit to a particular date—we will need to say, “This is what the scheme is going to look like for the pilot”, and then it will evolve after that.

Q82 Angela Smith: There may be a need for investment on the part of some farmers. Presumably some innovation is required or some thought given to innovation.

Tamara Finkelstein: People need the time to do that.

Sarah Church: The other thing that is worth mentioning, again, is that some farmers will be raring to go the moment we put the guidance out, but we are not going to have a date by which you have to get your application in. If you want an extra six months or even a year to think about it that is going to be okay, because we are not going to be constrained by, “Unless you get your application in by 15 May, you cannot have it”.

Q83 Angela Smith: The Welsh Government’s proposals include farmers submitting information on their business plan, farm size, capital assets, staffing and more. How much information will farmers need to submit to Defra in order to sign up to ELMS and continue to benefit from it? How does it match up to the Welsh?

Sarah Church: As you know from your scrutiny of the Bill, the Welsh have taken slightly different powers than we are proposing to. They are proposing to make some of their environmental payments conditional on some of that information, as you have said. We have not made decisions about that in that space, in terms of what the rules will be and about what you will have to provide and what you will not. We have not got that far and that is, again, the sort of thing we want to be consulting on later in the year.

Q84 Angela Smith: You will be consulting on it.

Sarah Church: On what the conditionality is, yes.

Q85 David Simpson: Your plans depend on a market in accredited environmental advisers that does not exist yet. How many advisers will you need to accredit by the start of the pilot in 2021 and the full rollout by 2025?

Tamara Finkelstein: We have not fully developed what the role and source of advisers will be as yet. It is a theme of the tests and trials, so it is something that is being tested through that. The consultation in the autumn will include options around that. There should be time for a market to build for the sort of size of pilot we are talking about in 2021 and then further on, but the truth is I have not got the detail yet to answer your question, because it is something that we are still testing



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and looking at. What do we mean by “advice”? What sort of advice? What sort of advisers? We are very conscious of the concern of advisers that are not of high quality and so on, and what one does around that. They are things that we want to test.

Q86 **David Simpson:** Are you confident that the market will be in place by that stage?

David Kennedy: I had worried, because I had thought, “Is it really the intention to have an army of advisers by 2021?”

Q87 **David Simpson:** You say “an army of advisers”. How many are we talking about?

David Kennedy: That is what I feared. Remember, we are aiming to have 1,000 agreements in place in 2021, so you do not need that many advisers for 1,000 agreements. The reuse principle that we have talked about with IT—

Q88 **Chair:** You might for 70,000, though.

David Kennedy: Absolutely, yes. In 2021 we can reuse. There are lots of advisers who work on CS at the moment and there are Natural England advisers. There is a bigger challenge for 70,000 accredited advisers who we want to rely on in 2024 and take some of the burden off the processing that we currently have. It is a much bigger number. Let us not shirk from this. There is a big challenge there. What is it that those advisers have to know in order to be accredited? We have not got the details of that yet, but, again, it is one of those areas where it is in the tests and trials and it is something that we will consult on. We quickly need a detailed proposal on it.

Q89 **David Simpson:** You have tests and trials, but do you have any indication on timeframe of when you will have advisers in place for the first phase, or were you saying that you will have enough for that first phase from other Departments? Is that right?

David Kennedy: From existing sources, for those 1,000 agreements, we can do that without having new accredited advisers. That does not mean we can sit back and not worry about getting the accreditation done, because, as the Chairman says, they will be needed for the second phase of the pilot, the third phase and the fourth at the scale.

Q90 **Chair:** When you say accredited advisers, are they coming directly from Natural England or are they going to be accredited private advisers?

David Kennedy: They will be private advisers. The idea is to have a market that is competitive, so that advisers are trying to provide the best service.

Q91 **Chair:** They could be your present auctioneer agents and those people who are very often doing the claims for BPS, as long as they have somebody who understands what they are talking about.



David Kennedy: That is the key point. They have to understand what they are talking about and what they are talking about here is delivering environmental outcomes. They have to be able to go to a farm, walk round the farm and say, "Here are the opportunities and here is the farm plan". They have to draft it with them and then they have to vouch that these opportunities have been delivered now.

Q92 **Chair:** This is an interesting one. Who do you see paying for this advice? Do you see that being paid for by Defra or paid for by the applicant? How do you see that?

David Kennedy: It will have to be factored into the price that we pay in the agreements. If we did not factor this in and we had worked out, "This will make a really good agreement for a farmer, but they will have to pay £500 or whatever for an adviser", then nobody would come forward if we had not factored it in. When we are thinking about how much it is costing the farmer, that is one of the elements of cost and then we will build a margin on top that will be designed to make this attractive for the farmer.

Q93 **Chair:** Then you will have a system of accreditation, which is quite an interesting idea. I might have the qualifications to do it and I might not, but I could say I am an accredited adviser. How will I become accredited?

David Kennedy: There are formal means to get accredited. We will work with the accreditation bodies to design a framework for accreditation. There is a question as to who will do the accreditation and we need to answer that reasonably soon, but it is well established that if you want to accredit people for whatever profession there are ways of doing it that are well understood. There is a particular syllabus for our advisers to be able to deliver our six environmental outcomes, and that is what we are working through at the moment.

Q94 **Chair:** I quite like the flexibility of this, but there will have to be some checks and balances, will there not?

David Kennedy: Yes.

Q95 **Angela Smith:** On this point, because it is almost beginning to sound like a bespoke accreditation scheme, will it be slightly more flexible than that?

David Kennedy: It will be a set of standards that any accredited adviser has to meet and the question is, "What are those standards?"

Q96 **Angela Smith:** Will the accreditation have built into it a requirement for advisers to put at the heart of their thinking and their planning when working with the farmer the opportunities for innovation and the opportunities for improvements in productivity alongside improvements in environmental outcomes, through investment in the latest technologies and so on? This came out in our Agriculture Bill evidence very strongly.



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David Kennedy: It is a really good point. It goes back to what we said before that we should not see productivity and environment as separate things, and there is a question as to how you join up those two approaches. To what extent would the environmental adviser be helping you with productivity more generally, or are there different channels for that?

I do not know if we are going to come on to productivity, but we have a very exciting proposal from the Food and Drink Sector Council for a data-driven approach benchmarking a “what works” hub and a whole set of things that will drive productivity improvement. We have the resilience and we have said we might join up resilience with pointing people towards ELM through the resilience approach.

Q97 **Chair:** Here is one final point on these advisers and others. Where do you see Natural England in all of this, because they see themselves also as an advisory service moving forward? We have just had them and the Rural Payments Agency in, and more and more of the payments side is being done by the Rural Payments Agency. Do you see them involved in ELMS, or are they not going to be as much involved in ELMS but involved with other stewardship schemes that will go alongside ELMS? Have you decided that at Defra? They are part of you, are they not?

David Kennedy: They are absolutely part of the family. They are working very closely on ELM. We see them as our source of environmental expertise within the Defra group, as we are designing the packages, for example, for the different types of farm.

Q98 **Chair:** You see them doing the accreditation, for instance, for these other advisers. What are the practicalities of where Natural England sits in all this? It is quite fascinating sitting here in this chair in this Committee watching it all evolving. Perhaps you cannot say so much at this moment.

Sarah Church: There is a distinction between accreditation and the advice. We have touched on the Dame Glenys Stacey proposal. She had a really clear view about accreditation and where it should sit and we want to consult on that as well, so we have not firmly decided on exactly what bits of the landscape—

Q99 **Chair:** There is lots more consultation to go yet, is there?

Sarah Church: On the Dame Glenys Stacey piece, if you buy the argument that one of the things she was trying to achieve was professionalisation of advice to farmers, which we do, then the question is about what the best way to deliver that is.

Q100 **Chair:** People have to be technical enough, but they also have to be practical enough as well. If you are going to get these schemes to really work, it is going to have to be both, really, and that will be the challenge.

Tamara Finkelstein: There is more work that we are going to be doing on what it looks like and we will be having further conversations.



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Chair: If you get it right it could work really well, so it is not a criticism. It is just really trying to make sure that you have enough technical advisers for these schemes and they are practical, because one of the criticisms in the past is that some of the individuals going out on the farms do not always understand how the practicalities of these things work. We have an opportunity now to link the environment and practical farming together. Do not get me wrong. Some are very good, but some are not and it is how we try to make it more practical as well as more technical.

David Kennedy: The accreditation will have to be designed to get advisers who are useful in designing a plan and who are not just environmental experts but who are practical and understand something about farming as well.

Q101 **Chair:** It will be the culture and all these things around it that will make this work or not work. I am convinced of that. We look forward to all that happening.

What gives you confidence that there will be a functioning market by then? You expect farmers to make up the reduction in direct payments by improving productivity, but some factors are beyond farmers' control, in terms of allocation and soil quality. I talked about that earlier on. How will Defra help less productive farms in less favoured areas to cope? It is always, "You will become more productive". A lot of farms are pretty productive, but others have already gone down the environmental scheme. How do you get this right?

David Kennedy: Our evidence says there is huge scope for many farms to improve their productivity and it is really important for us to support those farmers who want to adjust and want to do better.

Q102 **Chair:** Is this breeding of cattle and sheep? Is it genetics? What is it?

David Kennedy: The AHDB produced a report recently, which was, "What are the 10 success factors for a well-performing farm?" You have well-performing farms in every sector, whether it is uplands, lowlands, arable or whatever. That is the starting point. We want to support those farmers who are keen to move forward and, as I say, the evidence that we have says if you look at the distribution of productivity within sectors there is a huge variation.

How can you get the people on the left side of the distribution towards the right side? There are different things we will do there from resilience to support. As I said, the Food and Drink Sector Council is asking us to work with them on a data-driven approach. Could we give grants for certain things that will boost productivity? We have done that in the past. We continue to do it. That can be part of the future approach. For those farms that maybe still are going to struggle to be viable as farms, with all of the productivity improvements, then it gets into, "What are your diversified sources of income? Are there other things you can do, including the agri-environment schemes?" We quite quickly come to the



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uplands in these discussions; it is very difficult to make money as an uplands farmer, so what are you going to do there? It comes down to the design of ELM and what the support is we can give there, not in the form of income transfers but what the environmental outcomes are that can be delivered by uplands farmers that we can pay for in a way that will make that kind of farming viable.

- Q103 **Chair:** It is not just the uplands. If you have chalk-based arable land you have to keep feeding that, and there is a rude expression, which I will not state, but you have to have rain every other day and something on a Sunday as well to keep it going. The argument will be you are going to want to see a reduction very often in fertiliser use, which you can on some land quite easily, but on other land you will have great difficulty. How are you going to deal with some of this chalk land that is good arable land but that does need quite a lot of artificial fertiliser? It is going to be quite difficult to replace it all with organic matter. We have to move in that direction, but how are you going to have the flexibility on that one?

David Kennedy: That comes down to the details of what it is we are going to pay for through the new ELM scheme. Again, I told you I was talking to Patrick Holden this morning and he was saying, "Can we not do no fertiliser, crop rotation and increased soil organic matter?". That may be appropriate for some farms. It is probably not the right model for the whole country. Again, there is flexibility in what it is we are prepared to pay for. We have not got the detailed set of measures today that we will pay for in future.

- Q104 **Chair:** Soil type, land type, crop type and all these things are going to be so important and they are going to vary across the country immensely.

David Kennedy: That is the challenge for us. It is really important. There is a big challenge and that is what we are focused on.

- Q105 **Chair:** I have land that I could go semi-organic or organic on and it would work quite well, but other people have land where it really would not, because it is very difficult to get that level of organic matter into that soil. That is going to be a real challenge.

David Kennedy: This is where it is important for us to give options. We have said before it is not one size fits all. If it is one size fits all, we will have failed.

- Q106 **Angela Smith:** Just going a little further on the points you are making, Neil, transferring to a no-till form of farming is something that is clearly not appropriate to every farm, but where it has been used it has taken a number of years for the benefits to be felt. It has to be an adaptation over a period of time in order that no-till can work, and then the yield does improve, but it temporarily reduces. Once again it is about the use of proxies, and one would hope that the scheme design would be flexible enough to allow for long-term environmental improvements, while taking the hit in the short-term perhaps.



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David Kennedy: Yes, and you can design a scheme to provide the incentive to act in that way.

Angela Smith: We can do that.

David Kennedy: Yes.

Tamara Finkelstein: That interest in proxies and how that deals with some of that is part of the things that we want to test.

Chair: The interesting one with either no-till or minimum till is that Roundup is very necessary in those systems, so that is going to be a challenge for us, is it not? I would not expect you to answer that question today, but it is a real challenge, because we need to be able to keep the carbon in the soil, but we will need to be able to start with a clean surface. That is going to be an interesting one. We will be able to electrocute the weeds soon, will we not, as long as we get them early enough?

Seriously, thank you very much. I expect you were expecting quite a broad approach to it this afternoon. We are coming over next week to go through some of the processes on how we could deliver systems in a no-Brexit situation and others, so it will be really good to see that. We appreciate the work you are doing in the new schemes and I promise you that this Select Committee will be watching everything, scrutinising everything and doing inquiries into it, because we do have a really good role, all being well, in trying to design something, along with yourselves, that is really good.

Tamara Finkelstein: We welcome it, because we want to get it right.

Chair: We appreciate your time this afternoon and wish you well. Thank you very much.