House of Commons

Environment, Food and Rural Affairs Committee

The Rural Payments Agency and the implementation of the Single Payment Scheme

Third Report of Session 2006–07

Volume I

Report, together with formal minutes

Ordered by The House of Commons to be printed 21 March 2007

HC 107-I
Incorporating HC 840 and HC 1071, Session 2005–06
Published on 29 March 2007
by authority of the House of Commons
London: The Stationery Office Limited
£13.50

Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

Current membership

*Mr Michael Jack (Conservative, Fylde) (Chairman)
Mr Geoffrey Cox (Conservative, Torridge & West Devon)
*Mr David Drew (Labour, Stroud)
Mr James Gray (Conservative, North Wiltshire)
Patrick Hall (Labour, Bedford)
*Lynne Jones (Labour, Birmingham, Selly Oak)
*Daniel Kawczynski (Conservative, Shrewsbury & Atcham)
David Lepper (Labour, Brighton Pavilion)
*Mrs Madeleine Moon (Labour, Bridgend)
Mr Jamie Reed (Labour, Copeland)
*Mr Dan Rogerson (Liberal Democrat, North Cornwall)
*Sir Peter Soulsby (Labour, Leicester South)
*David Taylor (Labour, North West Leicestershire)
*Mr Roger Williams (Liberal Democrat, Brecon & Radnorshire)

*James Duddridge (Conservative, Rochford & Southend East) and Mr Shailesh Vara (Conservative, North West Cambridgeshire) were members of the Committee during this inquiry.

*These Members were nominated as Members of the Sub-Committee on the Rural Payments Agency. Mr Michael Jack was Chairman of the Sub-Committee

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via www.parliament.uk.

Publications

The reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at

www.parliament.uk/efracom

Committee staff

The current staff of the Committee are Chris Stanton (Clerk), Jenny McCullough (Second Clerk), Jonathan Little and Dr Antonia James (Committee Specialists), Marek Kubala (Inquiry Manager), Andy Boyd (Committee Assistant) and Mandy Sullivan (Secretary).

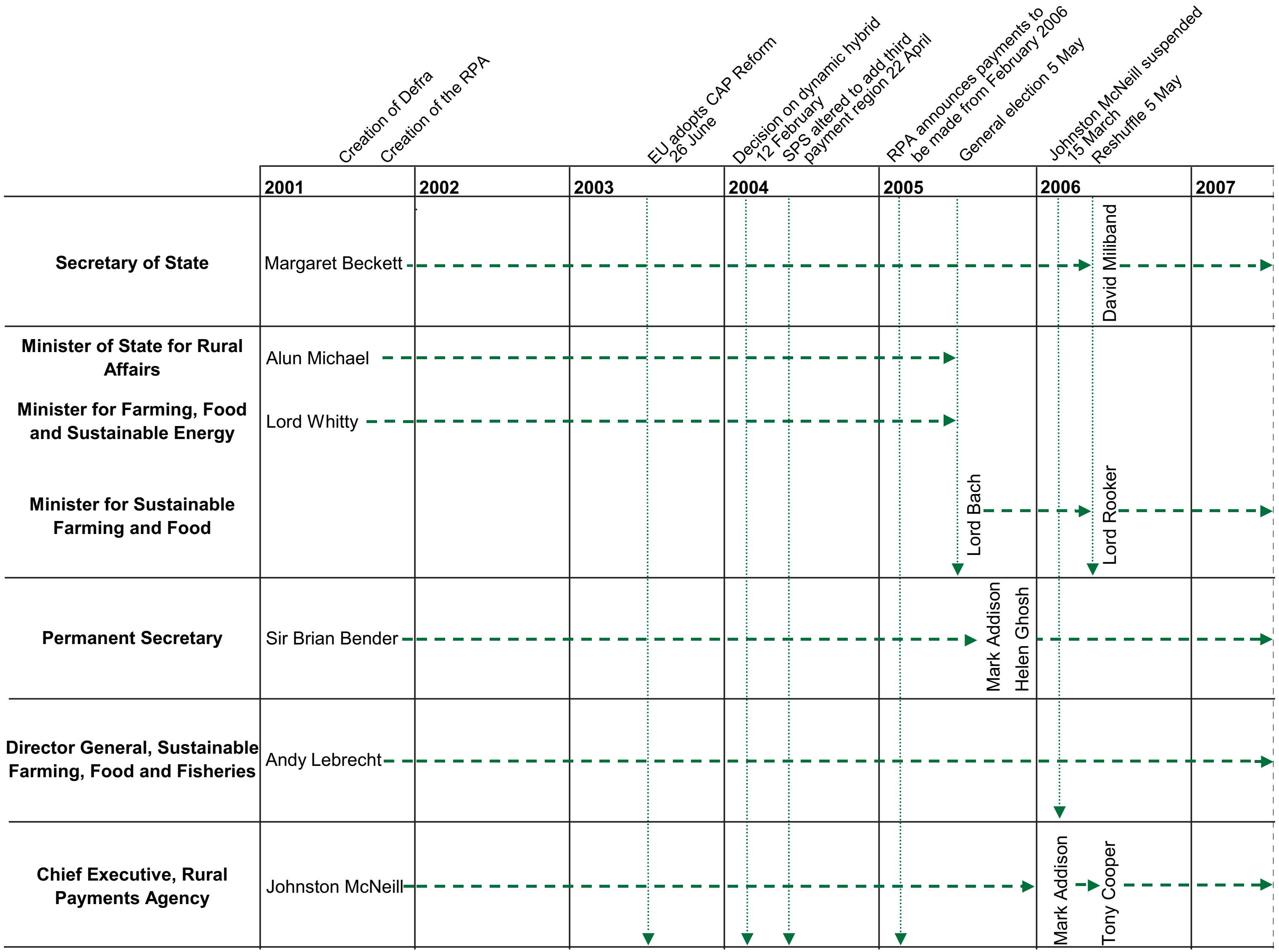
Contacts

All correspondence should be addressed to the Clerk of the Environment, Food and Rural Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5774; the Committee's e-mail address is: efracom@parliament.uk. Media inquiries should be addressed to Laura Kibby on 020 7219 0718.

Contents

OCCUPANTS OF PRINCIPAL MINISTERIAL AND OFFICIAL POSITIONS

This chart should help readers as they study this Report. It indicates which ministers and officials were responsible for Single Payment Scheme policy and implementation over the years.



Overview

1. **This report is as much about failed policy implementation as it is about a lack of accountability.**

2. **The ambition of the Department of Environment, Food and Rural Affairs (Defra) was to introduce a brand new Single Payment Scheme (SPS) for farmers while simultaneously saving operating costs in its Rural Payments Agency (RPA) by changing fundamentally the way in which farm payments were administered. But on 16 March 2006 Defra announced that it would not be able to make single farm payments by the deadline it had itself set and which it had repeatedly assured farmers and others that it would meet. This represented a fundamental failure by Defra to carry out one of its prime tasks, namely to pay farmers their financial entitlements on time. In our view it is this failure by Defra to carry out one of its core functions in accordance with its own policies which differentiates this issue from the myriad of botched Government IT projects.**

3. **This was a catastrophe for some farmers, and a serious and embarrassing failure for Defra and the RPA. A key part of the Government's sustainable farming policy was in collapse. The consequences were:**

- **financial loss totalling £18–22.5m to English farmers,**[1] **which in some individual cases has been very severe;**
- **disruption to the wider rural economy;**
- **the need for financial provision and contingent liability totalling £131m in Defra's 2005–06 accounts for disallowance by the European Commission (the Commission can apply such a financial correction if the UK has not complied with the rules of the SPS). In the 2007 Spring Supplementary Estimates £305m was transferred from the Treasury to Defra as a provision against possible disallowance on Common Agricultural Policy (CAP) Pillar 1 schemes, mainly the Single Payment Scheme (SPS) years 2005 and 2006. Defra has not revealed how much of that £305m relates to the SPS, or whether the £305m overlaps with any of the £131m in the 2005–06 accounts.**
- **higher spending on the RPA running costs in 2005–06 and 2006–07 contributing to pressure on the budgets of the rest of Defra in 2006–07, and additional spending on external consultants;**
- **the likelihood that the SPS will be unstable until 2008;**
- **planned staff cuts in order to comply with the Department's 2004 spending settlement have not been made and most of the £164m of planned RPA/Defra administration savings between 2005–06 and 2008–09 will not be realised;**

1 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 17, para 3.2.

- **a reputational disaster for Defra and RPA; and**
- **a loss of confidence in the RPA on the part of its customers.**

4. **This is not the first time that a major public sector business change or IT project has failed. The Government does not seem to be learning the lessons of previous failures. There is a need for greater expertise within Government in the delivery of such complex and important projects. The debacle also calls into question the quality of the advice from the Office of Government Commerce (OGC) to the Department and the RPA, and what action departments should take in response to the OGC's reports. The governance arrangements for the project in practice produced blurred responsibility and did not adequately challenge the information coming from those responsible for SPS implementation. There was a need for knowledgeable, independent advice to ministers on the real state of progress.**

5. **The seeds of failure were sown a long time in advance of the final debacle, and many problems were evident even to outsiders well before March 2006. The RPA used a 'task-based' approach to dealing with claims which was fundamentally unsuitable and also hindered the Agency's own understanding of the degree of progress it was making in dealing with claims. Defra's policy choice of a 'dynamic hybrid' basis of payment was complex and very high risk, and the RPA warned Defra repeatedly of the risk involved. Defra was more committed to the principle of total decoupling than to the practicalities of implementation. The Defra leadership was at fault for taking the RPA's statements that implementation of the model to deadline was "do-able" as an adequate basis on which to pursue such a risky course. Nevertheless Defra pursued its chosen policy and the Agency was given far too much to do in too short a time. Until the last moment the RPA was optimistic that it would after all meet its targets, but unfortunately this was because it did not properly understand its own business processes or the likelihood of success.**

6. **Defra determined the policies which it required the Rural Payments Agency to implement. But accountability for the eventual failure of Defra's ambition has been limited so far to the removal and eventual dismissal of Mr Johnston McNeill, the Chief Executive of the RPA, and one minister accepting some measure of accountability for what occurred following his removal in the reshuffle in May 2006. But responsibility for this failure goes wider than this. It embraces the then ministerial and senior official leadership of Defra and they too should be held accountable.**

7. **Some of those in the Defra and RPA leaderships most closely involved, in particular the former Secretary of State Margaret Beckett, the former Permanent Secretary Sir Brian Bender, and the Director General for Sustainable Farming, Food and Fisheries, Andy Lebrecht, have moved on unscathed or stayed in post. A culture where ministers and senior officials can preside over failure of this magnitude and not be held personally accountable creates a serious risk of further failures in public service delivery. Accountability should mean that good results are rewarded, but a failure as serious as this of a Department to deliver one of its fundamental functions should result in the removal from post of those to whom the faulty policy design and implementation can be attributed. We recommend new guidance to make clear to ministers what they should do to take responsibility in the event of serious**

departmental failure, and that the Cabinet Secretary reappraise the work of past and present members of Defra's senior management team to determine whether they should remain in post.

8. **The RPA took responsibility for IT design but was not well served by its principal IT contractor. Accenture made an unsatisfactory start; while the RPA and Defra disagree with Accenture about whether it was late in supplying parts of the IT system, the systems it delivered were slow and unreliable and not always able to cope with the volumes of work encountered; and its systems were not user-friendly. If Departments are unable to maintain adequate IT expertise to develop their own IT in-house, the Government needs to press on with its efforts to develop the capacity of Departments to procure and manage IT systems intelligently.**

Introduction

9. The RPA is an Executive Agency of Defra. Its central function is to make payments to farmers under the Common Agricultural Policy (CAP) of the European Union (EU), principally the Single Payment Scheme (SPS). The SPS was introduced following the reform of the CAP agreed in 2003, and replaced 11 existing CAP subsidy payments based on livestock numbers and the farmed area under eligible arable crops. In addition the Agency provides other services including the remaining subsidy payment schemes, carrying out rural inspections, and running the British Cattle Movement Service.

10. In England farmers are entitled to payment from the SPS as long as each 'entitlement' allocated to them is matched by a hectare of eligible land and other eligibility rules are met. Payment may be reduced if farmers do not keep their land in good agricultural and environmental condition or do not comply with requirements relating to the environment, animal and public health, and animal welfare.

11. At the end of 2005 the Committee received information that the process of dealing with SPS claims was not working as it should. To establish in more detail what was going on the Committee decided to appoint two Members as 'rapporteurs' to investigate on its behalf, David Taylor and Roger Williams. They had the terms of reference to follow up the Committee's earlier report in 2003 on the Rural Payments Agency[2] by examining:

- Why the RPA is unable to make payments under the Single Payment Scheme at the start of the payment window in December 2005;
- the issues involved in making an interim payment to farmers, in advance of the new February target;
- what impact the RPA's own Change Programme has had in the introduction of the new CAP payments and the agri-environment schemes; and
- the extent to which the RPA's IT systems have failed to evolve to deliver what is required of them.

12. The rapporteurs invited written memoranda from interested parties and visited the RPA head office in Reading to see claim processing at first hand. As a result they recommended that the Committee hold an evidence session with Defra and the RPA.

13. We took evidence on 11 January 2006 from Lord Bach, then the responsible Defra minister, and Johnston McNeill, then Chief Executive of the RPA. Shortly afterwards we produced an interim report which is referred to in paragraph 103–4. When the serious difficulties with the SPS were announced by the Government in March we decided to conduct a more detailed inquiry by setting up a sub-committee for that purpose. The aim of the inquiry was to:

2 Sixth Report from the Environment, Food and Rural Affairs Committee, Session 2002–03, *Rural Payments Agency*, HC 382.

> … provide an opportunity for a forensic examination of how the current situation came about, looking in particular at the decisions taken at the start of the process of implementing the new SPS and the start of the development of the IT system used to execute it. A key element will be to examine what wider lessons the implementation of the SPS has for the relationship between “core Defra” and its agencies, given the fundamental issues thrown up about communications between the RPA and Defra, and about how Defra validated the information it was given by the RPA.

14. We thank all those who have taken the trouble to give written and oral evidence to our inquiry. We are particularly grateful to the Central Association of Agricultural Valuers (CAAV), who gave us a presentation illustrating the difficulties their clients had had with SPS applications. As we said in our recent report on our work in 2005–06, in some cases we have needed to hear evidence from ministers and officials who have moved on from Defra, in order to establish lines of accountability in relation to policy decisions.[3] We are particularly grateful to them for agreeing to be examined about matters with which they are no longer directly concerned.

15. While we were undertaking our inquiry the National Audit Office conducted a study into the delays in administering the SPS in England. It published its report on 18 October 2006.[4] In a good example of the benefits of joint working between the NAO and parliamentary committees, the NAO used material that the Sub-committee discovered in its inquiry, and the NAO report has in turn been a valuable source of information for us. We record our thanks to NAO officials for their cooperation.

16. The NAO report was the basis for a meeting of the Committee of Public Accounts (PAC) on 30 October 2006, at which the present Permanent Secretary of Defra, Helen Ghosh, gave evidence alongside officials from Defra and the RPA.

17. This report does not attempt to duplicate the NAO report; rather we see our role as examining particularly closely those aspects of policy decision and political accountability that the NAO was not able to address.

3 First Report from the Environment, Food and Rural Affairs Committee, Session 2006–07, *Work of the Committee in 2005–06*, HC 213, para 56.

4 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006.

Single Payment Scheme implementation

Establishment of the RPA and the Change Programme

18. In October 2001, the RPA was formally established as an Executive Agency. It had been formed out of the former Regional Services Group of the old Ministry of Agriculture, Fisheries and Food (MAFF) and the Intervention Board, a MAFF Executive Agency. Johnston McNeill, former Chief Executive of the Meat Hygiene Service, had been appointed as Chief Executive of the new organisation the previous November. This was after an open competition and interviews,[5] which initially he was reluctant to participate in but had been prevailed upon so to do so after repeated urging from recruitment consultants appointed by Defra.[6]

19. In the light of subsequent events we asked Sir Brian Bender, the former Permanent Secretary of MAFF (who in 2001 became Permanent Secretary of the new Defra and held that post until 30 September 2005, when he moved to the Department of Trade and Industry), about Mr McNeill's appointment. He told us that the panel, of which he had been a member, had selected McNeill on the basis of his track record in creating new organisations and "complex mergers in different cultures". He had a reputation as a "robust" manager, but that was thought to be an advantage given the task he faced in bringing the constituent parts of the RPA together and where it might be necessary to "break some eggs".[7]

20. Our predecessors on the Agriculture Committee took evidence from Johnston McNeill on 9 February 2001, shortly before he took up responsibility for CAP payment administration. Members discussed with him his self-confessed lack of expertise in IT matters, and when Mr McNeill assembled his senior team one of his first tasks was to recruit a Director of Information Systems to address this.[8] The man appointed, Alan McDermott, earned £225,000 per year before his contract ended in the summer of 2006, substantially more than the Chief Executive himself.[9] RPA officials told us that they had found Mr McDermott useful to work with, as did Mr McNeill, who said that he played a full and "extremely valuable" role in the Agency.[10]

21. Under the Spending Review of 2000, £130m of ring-fenced funding was made available to streamline CAP claim and payment administration and to allow electronic delivery of RPA services. In 2001 the RPA began a 'Change Programme' based on recommendations from a report produced by PricewaterhouseCoopers and submitted to MAFF in January 2000. The report had been commissioned in response to concerns from the European Commission and the Committee of Public Accounts about the organisation of CAP

5 Ev 152.

6 QQ 1137–8.

7 QQ 990–02.

8 Agriculture Committee Minutes of Evidence, *The CAP Payments* Agency, 7 Feb 2001, Q 1.

9 RPA Annual Report and Accounts, HC 1612, 30 October 2006, p.34.

10 QQ 906–7; Q 1256.

payments.[11] The RPA aimed to make substantial cost savings of £23.7m per annum against the 2000–01 baseline by the end of 2004. These were to be achieved by "re-engineering business processes to eliminate duplication and deliver productivity improvements and by pay, accommodation and IT savings".[12] This involved not only the introduction of a new IT system but also "the switch from a regionally-based organisation to a national organisation with sites which did not deal with local regions but certain sets of tasks, and the reduction in the number of sites by three down to five".[13] A key to making the savings was the aim for 95% electronic service delivery by March 2004 by farmers making their claims online.[14]

22. Meanwhile, on 21 January 2003 the European Commission had published draft legislative proposals for a CAP reform package, under the heading "A Long-Term Policy Perspective for Sustainable Agriculture".

23. Following a tendering process the RPA signed a fixed price, fixed scope contract on 31 January 2003 with Accenture (a private sector consultancy firm) to build and maintain a new claim processing system known as RITA (RPA Information Technology Application). The contract scope included a land register, a customer register, a claim processing engine, a customer service centre, a document management unit and a "customer on-line capability". At this time the exact shape of any CAP reform was not known, but it was known that any changes would almost certainly affect the systems development. The contract excluded CAP reform.[15]

24. The contract was originally based on the premise of the RPA and Accenture working in partnership to re-engineer RPA business processes. However the RPA felt that Accenture's performance in the early stages of the programme was not satisfactory and refused to pay for it.[16] There were also concerns about the quality of the staff Accenture used for testing. The RPA, from then on, designed its own business processes and Accenture focussed on the development of the core IT to RPA specifications. The Agency thereby took on a good deal of the risk itself. Defra's Permanent Secretary, Sir Brian Bender, felt the need to institute monthly meetings with Accenture's relevant senior partner in order to improve the relationship.[17] But Helen Ghosh told us that it was "inconceivable" that they could have delivered a programme of this scale without a partner like Accenture, a judgment with which both Lord Whitty and Lord Bach concurred.[18]

25. The Change Programme envisaged improving efficiency by using a 'task-based' approach instead of a 'claim-based' approach. This had been foreseen in the

11 Ev 260.

12 Sixth Report from the Environment, Food and Rural Affairs Committee, Session 2002–03, *Rural Payments Agency*, HC 382, Ev 3 para 20.

13 Q 646.

14 Q 1137; see also Sixth Report from the Environment, Food and Rural Affairs Committee, Session 2002–03, *Rural Payments Agency*, HC 382, para 4.

15 Ev 153–4.

16 Q 882.

17 Q 441; Q 226; NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 24, para 5.13; Q 1087.

18 Q 226; Q798.

recommendation from PricewaterhouseCoopers and the decision to set up the RPA in the first place.[19] Previously a single member of staff would have dealt with a whole claim. The task-based approach essentially meant that the computer system would allow staff in different offices to process different parts of the same claim. It was thought that such an approach would allow staff to be deployed more flexibly and allow cost savings through a reduction in the number of RPA regional offices and staff.[20] There was to be a single customer service centre to deal with claimants, which it was hoped would remove the previous inconsistencies between regional service centres.[21] Ministers had expressed concerns about the effect on customer service of claimants no longer dealing with a single official.[22] Sir Brian Bender thought that this sort of operational decision was one for the Agency to make and not for the Department to second guess.[23] But Johnston McNeill said that the decision to follow the task-based approach was taken before he was appointed and arose from the PricewaterhouseCoopers recommendations, and was "never up for decision" in his time.[24]

26. In April 2003 the then Environment, Food and Rural Affairs (EFRA) Committee reported on the RPA. It drew attention to the importance of the new IT system and the Change Programme, and asked Defra to monitor progress with the Programme to ensure that it met its timetable and represented good value for money. It stressed to the RPA the need to keep its focus on its customers, particularly in the introduction of the electronic claims system. It warned that the Agency needed to retain experienced and qualified staff.[25]

CAP reform and Defra decisions on SPS implementation

27. On 26 June 2003 EU farm ministers adopted a fundamental reform of the CAP, with 11 agricultural subsidies 'decoupled' from production and simplified into a Single Payment Scheme (SPS) based on land area. The decision left a good deal of discretion to Member States as to the timing and method of implementation. Depending on the choices made by each Member State, payments could be open to a much wider group of farmers and landowners than the previous schemes.

28. In July the UK Government announced that:

- it would adopt the SPS from the earliest possible moment, 1 January 2005
- that each part of the UK would implement the SPS separately
- the UK would not take up the option to keep partial coupling of payments and production.

19 Q 1014.

20 Q 75; Q 879.

21 Q 1021.

22 QQ 1020 and 1023.

23 Q 1014.

24 Q 1142.

25 Sixth Report from the Environment, Food and Rural Affairs Committee, Session 2002–03, *Rural Payments Agency*, HC 382, paras 14, 16, 17 and 19.

The Government then began a consultation on the precise basis on which payments would be made in England, with a decision expected early in 2004.

29. From this point on, introduction of the SPS in 2005 was effectively irrevocable because farmers were making business decisions on that basis. Given the fact that the SPS implementation was later to be so pressed for time, the decision to begin in 2005 and not in 2006 or even 2007 (as the Government could have chosen to) was particularly important. The decision was made partly for political reasons: the UK had been in the forefront of calls for reform of the CAP, and the Government wished to take advantage of the new rules as soon as possible. But Defra also told us that there was "unanimity" among stakeholders that implementation of the SPS should be in 2005,[26] and indeed the National Farmers Union (NFU) and the CAAV both expressed to us their support in principle for the earlier date.[27]

30. The decision on the new SPS obviously had a significant potential effect on the RPA and its development of new business processes under the Change Programme. The then Defra Permanent Secretary, Sir Brian Bender, told us that there were discussions about whether the RPA Change Programme should be merged with SPS implementation or whether they should somehow be split, and that the greater risk appeared to be splitting them.[28] It was decided that the focus of the Change Programme should be the delivery of the SPS.[29] Sir Brian later emphasised that this decision had been "carefully considered", that the proposal to carry on with the Change Programme while implementing the SPS had come from the RPA itself, and that ministers had endorsed it. With hindsight he felt that there could have been further probing of whether the RPA had the capacity to do what it was proposing, but said that "in meetings or in private no one from the agency side said that we were asking too much of it".[30] Johnston McNeill reminded us that the Change Programme had been "high risk" from its inception in 2001, and that the SPS "added yet more to that risk". Sir Brian Bender did tell Lord Whitty, the then minister, that the 'e-enablement' programme to allow farmers to claim online would have to be 'de-scoped' as it would not be possible to implement that as well as the SPS. This caused the minister concern, as he had been involved with the creation of the idea of online applications.[31] It also meant that what had been seen as a main source of efficiencies was lost. Mark Addison later conceded that it would have been helpful to have had an independent view of the decision to run the Change Programme in parallel with CAP reform, and thought that, in retrospect, the wrong decision had been made.[32]

31. **Defra should establish why its decision making processes did not require an adequate examination in 2003 of the implications and changed risk profile associated with introducing the Single Payment Scheme in parallel with the RPA's Change Programme and its associated new business processes.**

26 Q 284. See also Lord Whitty, Q 746.

27 Ev 56; Q 199.

28 Q 212.

29 Q 882.

30 Q 1005.

31 QQ 1162 and 1140.

32 Q 673.

32. With the decision made to press ahead with the Change Programme and the SPS in parallel, discussions began between the RPA and Accenture as to how best the likely changes from CAP reform could be accommodated.[33] However no revised contract could be finalised until the Government had decided the basis on which payments would be made under the SPS.

33. In the second half of 2003 Defra undertook a consultation exercise as to the basis of SPS payments. There were two main options available, at either end of a continuum:

- Historic payments. These would be based on the average direct payment receipts of each farmer between 2000 and 2002 under the previous subsidy schemes.
- Regionalised average area payments. These would be based on a flat rate per hectare of land.

There was also a number of possible combinations, or 'hybrids', arising from these two main choices. One option would see payments based partly on the average historic receipts of each farmer between 2000 and 2002, and partly on a flat rate per hectare of land. A further refinement was also possible by including a 'dynamic' element whereby, over time, the relative weight of the historic element and the regional average area element would be changed.

34. The NFU, the Tenant Farmers Association (TFA) and CAAV said that the initial general assumption had been that Defra would select the historic basis,[34] as Scotland and Wales eventually chose to do. Northern Ireland chose the 'static hybrid' method, a combination of historic and area payments with the proportions of each held constant over time. The TFA told us that they had heard RPA officials describe the dynamic hybrid option as the most complex and expensive to administer, and that this method had initially been "an object of some entertainment" in stakeholder meetings.[35] The Country Land and Business Association (CLA), however, told us that there had been a lively debate from the outset as to the model to follow, with environmental groups particularly keen for an area-based system.[36] Defra has told us that it received 800 responses to its consultation by the closing date in October 2003, and that "there was no obvious consensus about the best way forward".[37] During late 2003 and early 2004 there were indications that the Government was moving towards an area based system.[38]

35. A number of Member States of the EU adopted flat rate or hybrid models rather than a purely historic basis for payments. Germany decided on a dynamic hybrid model and, like England, decided to bring in the new payment system in 2005.[39] On 29 January 2004 the EU Agriculture Commissioner Franz Fischler wrote to all EU farm ministers to warn them

33 Ev 2.

34 QQ 12, 16, 19; Ev 56; Ev 74; QQ 190–1 and Ev 111 and 113.

35 Q 21 and Ev 75, 111 and 113.

36 QQ 126–8.

37 Ev 303.

38 Ev 56 and Q 2. See also below, para 41.

39 See http://www.defra.gov.uk/farm/capreform/mstates/pdf/MSoptionsplus2ndwave.pdf.

of the potential dangers of departing from the Commission's default position of using the historic approach for the SPS. Defra suggested to us that

> Commissioner Fischler was obviously very anxious to ensure that the Member States did not do anything that was outwith the terms of reference of the Council legislation. He was certainly anxious, I suspect more by what he was hearing in Berlin than what he was hearing in London, that some Member States might be going too far away from the broad philosophy of the basic regulation. He reminded us in that letter that all Member States had an obligation, whatever model we adopted, to justify objectively any departure from the default position by reference to objective facts …[40]

36. On 12 February 2004 the then Defra Secretary of State, Margaret Beckett, finally announced that the Government had chosen to implement the SPS in England by means of the 'dynamic hybrid' system. England would be divided into two 'regions': English Severely Disadvantaged Area (SDA) and England outside the SDA. There would be a flat rate system of payment, meaning that 'entitlements' would be allocated on the basis of the number of eligible hectares (excluding permanent crops and forestry) an individual had at his or her disposal in 2005. Anyone who kept certain classes of land in good agricultural and environmental condition would be able to claim for area-based payments. As a consequence whole groups of new claimants would now be able to claim on the basis of, for example, outdoor pig rearing, horse paddocks and fruit and vegetable growing. The value of each entitlement in each region would eventually be the same, with different flat rates applying in each of the two regions. To soften the redistributive effects, the flat rate would be phased in over a transitional period, ending in 2012. During this transition, the value of individual entitlements would initially be based to a large extent on individual historic receipts from existing schemes. This element would reduce as the flat rate element increased. The flat rate element would be 10% in 2005, 15% in 2006, 30% in 2007, 45% in 2008, 60% in 2009, 75% in 2010, 90% in 2011 and 100% in 2012.

37. The Secretary of State conceded that many in the farming industry had wanted the historic model, but said that she did not believe that a system could be justified whereby, at the end of the decade or later, farmers continued to receive aid wholly based on business decisions taken 10 or more years earlier in a very different policy context. The progressive introduction was designed to provide stability during the transition and to encourage farmers to change their behaviour and become more market-orientated. She said that

> We will end up with a system that is increasingly equitable between farm types; is much more market focused; has a greatly simplified bureaucracy; and can deliver a better landscape and environment, and a more sustainable long-term future for English farming.[41]

Lord Whitty later reiterated to us the Defra view of the advantages of the dynamic hybrid model, pointing out also that it could assist the EU position in World Trade Organisation

40 Q 266.

41 HC Deb, 12 February 2004, cols 1586–7.

negotiations, since historic payments might be viewed by the US and other countries as trade-distorting subsidies.[42]

38. The then EFRA Committee examined the decision in 2004 and raised questions as to whether Defra had properly taken into account its economic and environmental impacts. The Committee also noted that the decision required the RPA to introduce a historic scheme while simultaneously managing a transition to an area-based payment. It was concerned as to whether the RPA was equipped to cope with such a complex scheme to a tight timetable while it was introducing new IT and business process changes under the Change Programme.[43]

How the decision on the dynamic hybrid was made

39. A number of witnesses have stated that the underlying reason for the failure of the RPA to introduce the SPS was that it was asked to do too much in too short a time. They have identified the requirement to introduce this particularly complex form of SPS as an important contributory factor to that failure. We have therefore investigated how this decision came to be made and the advice on which that decision was based.

40. The TFA was in favour of the historic basis, as was the NFU, although elements within the NFU membership who were not then in receipt of subsidies (such as horticulturalists) supported widening the scope of farm payments. The TFA told us that RPA officials had told the Defra stakeholder group on SPS implementation that any basis other than a historic one would be a "nightmare" to administer, and that the dynamic hybrid would be the worst model of all. The TFA claimed that Defra and RPA officials continued to have concerns about the complexity of anything other than the historic method until late in 2003.[44] The Country Land and Business Association (CLA) (which favoured the 'static hybrid' system) told us that Defra officials had described the dynamic hybrid model as the most complicated implementation scheme imaginable to the stakeholder meeting in October 2003.

41. The TFA's account of the process leading up to the decision to adopt the dynamic hybrid model claims that by November 2004 the minister, Lord Whitty, was "veering away from a purely historical approach for fear as to how it might look in years to come". In December the minister said he had an open mind on implementation and by January he was implying that he was against implementation on the basis of history alone.[45] The CAAV thought that Lord Whitty had appeared "almost quixotically anxious about what would be the right decision for five years' time", and that this had led him to choose "the purity of theory over the practicality of delivery".[46] The NFU view was that the final decision was "very ministerially-driven".[47]

42 Q 744.

43 Seventh Report from the Environment, Food and Rural Affairs Committee, Session 2003–04, *Implementation of CAP Reform in the UK*, HC 226-I, paras 22, 24 and 26.

44 Ev 35; Q 2.

45 Ev 75–6.

46 Q 192.

47 Q 24.

42. Lord Bach told us on 4 March 2006, ten days before the RPA realised that it would not be able to implement the dynamic hybrid, that:

> "…consultation responses from all external bodies, along with a considerable volume of advice from officials, including those in the RPA, were considered very carefully before Ministers reached a decision to adopt the flat rate model of the SPS in England, with a transitional phase to 2012. […] having taken that advice from the RPA and others, nobody was under any illusions as to the magnitude of the challenge presented by the chosen SPS model, but the consistent advice was that it could successfully be met, as has been borne out by being able to start payments in line with our forecasts and well within the EU regulatory window. Ministers could have chosen the simpler 'historical' model, but that would have done nothing to further our objective of promoting a truly sustainable English agricultural industry. Instead, they focused on securing the best long term future for English farmers. Nothing that has happened since would undermine my conviction that that was the right decision".[48]

43. Sir Brian Bender recalled that in November and December 2003 ministers and officials were discussing the implications of different implementation models, and that ministers were "attracted" to the dynamic hybrid model. The RPA and Defra worked together on the implications. Sir Brian said that he was making clear through this period that he wanted "to ensure that anything that went to ministers covered implementability".[49] It was repeated to us by Defra that the RPA had given its advice on the dynamic hybrid and had not suggested that it was not deliverable.[50] This was conceded by Johnston McNeill, but he said that the RPA's CAP experts had repeatedly warned Defra that it was more risky because of the additional complexity of the model.[51] The RPA certainly favoured the historic basis of payment.[52] Mr McNeill added that he would have told ministers if he had had any objective and authoritative information that it was not deliverable. But neither Accenture, the Office of Government Commerce (OGC) nor the non-executive member of the CAP Reform Implementation (CAPRI) Board (see paragraph 65), Karen Jordan, told him that it was not deliverable.[53] He also said that as an executive agency of Defra, the RPA wanted to carry out what Defra wanted.[54] Lord Whitty believed that the model had complexity but was not as complex as the previous systems, and that the fact that the Germans had managed to introduce it proved that it was deliverable.[55]

44. Following discussions between Defra and the RPA, the papers submitted to ministers made clear that the dynamic hybrid involved "greater risks" and complexity, but also that these risks were manageable. However the different degrees of risk of the different options

48 Ev 29. See also Q 48.

49 Q 1029.

50 QQ 205, 264–5, 1025.

51 QQ 1160, 1185 and 1193.

52 Q 1181.

53 Q 1193–4.

54 Q 1161.

55 QQ 748, 764.

were not quantified.[56] Sir Brian told us that the decision on the dynamic hybrid raised the extent to which there were frank discussions within the RPA which could then feed up to Defra.[57] The decision in principle to proceed with a dynamic hybrid scheme was taken, following a series of ministerial, official and stakeholder meetings, at a meeting chaired by the Secretary of State on 7 January 2004. Following that, the NFU was given privileged access to ministers and senior officials when the final detailed specifications of the dynamic hybrid model were being hammered out, at the end of the policy development process. This was described to us by Helen Ghosh as being "both inclusive and fluid".[58] But the NFU and Defra apparently did not spot the flaw in the choice to have just two payment regions. A campaign from within farming circles led to the original decision being amended very shortly afterwards (see paragraph 49 below).

45. Accenture told us that it was not consulted on the impact on the IT system of the choice of SPS payment system.[59] Sir Brian Bender thought that this was "odd to say the least",[60] and Lord Whitty recalled that Accenture had told the Department that it was confident that the dynamic hybrid could be delivered.[61] Johnston McNeill confirmed that the Agency had indeed consulted Accenture in 2003 on the consequences of choosing the dynamic hybrid.[62] At this stage under the original contract Accenture was running into trouble in developing systems to pay the former subsidy schemes and had been forced to develop nine different systems rather than rely, as it had intended, on a generic system with different rules according to the scheme being claimed against. The contract was now looking under-priced and Accenture was not likely to make a profit. So the prospect of even a complex single scheme, requiring only one system, and not nine, was "not unattractive", especially as the EU tendering rules had been complied with at some cost and there was an IT team already in place. That, Mr McNeill said, was why the RPA said it was "do-able", even though it was not yet clear exactly what the detailed rules of the scheme would be and no detailed models were constructed as to the impact of the choice of scheme. In the end full details of the scheme which the RPA needed to administer the system were not available until the end of 2004.[63]

46. The RPA later admitted to us that it had not predicted the number of land changes and claims that subsequently arose from the dynamic hybrid, so its advice to ministers could not have fully represented the risks of the choice that was made.[64] And unlike the German dynamic hybrid system, under which claims below €100 are not paid, no provision was

56 QQ 1025–49.

57 QQ 1029, 1031, 1049.

58 Ev 303.

59 Q 430.

60 Q 1094.

61 Q 764.

62 Q 1196.

63 Q 1197.

64 QQ 26–9.

made for a *de minimis* payment level in order to reduce the amount of work to be done. In the end nearly 14,000 out of 116,500 English SPS claims were for less than €100.[65]

47. **The policy reasons for the Government choosing the dynamic hybrid are appreciated, but such decisions should not be made in isolation from practical realities. The choice of the dynamic hybrid model made the RPA's task a more complex one than implementation on a historic basis, especially with the Change Programme being implemented in parallel with the SPS. The policy suffered from the closed nature of discussions during its development and a lack of real scrutiny of the implications of what was proposed, such as the fact that payments would henceforth be made outside the farming mainstream.**

48. **We conclude that Defra ministers selected the 'dynamic hybrid' model in the knowledge that it was inherently more complex and risky. But they did not seem to be aware of what they were letting themselves in for. Defra officials did not quantify these risks for them, and relied too easily on RPA assurances that the choice was deliverable in the time available. These assurances were not based on detailed analysis, and were partly motivated by a desire to escape from difficulties with the development of IT systems to pay the previous schemes. No proper appraisal was made of the volume of work that the chosen policy would entail, both in terms of the number of claims and, even more significantly, the number of land changes that the RPA would have to deal with: land not formerly incorporated would now be within the system and there was a strong incentive for landowners and farmers to register as much land as possible. Defra should now identify those who were responsible for this fundamental failure to recognise the consequences of its own actions on the RPA payment delivery mechanism. Senior officials who presided over the lack of policy analysis should indicate why those actions were not undertaken.** The consequences of these factors seem to have taken the RPA and Defra by surprise, and they did not take the opportunity, as Germany did, of putting in place a financial *de minimis* level (of say €100) in order to reduce the number of claims.

49. On 22 April 2004, following representations from the farming industry, the Government amended its plan for SPS implementation, by adding a third region, namely moorland, thus splitting the severely disadvantaged areas into moorland SDA and 'outer' SDA.[66] This was intended to avoid the higher subsidy history of many outer SDA businesses being diluted across all the moorland.[67] **The amendment of the original dynamic hybrid decision so soon after it was announced, by adding a third region, reinforces our conclusion that the wider implications of the dynamic hybrid model had not been properly thought through when the decision was made. It also made the RPA's task yet more complex and lost them more time. Defra should provide a commentary to explain this failing in its internal decision making process.**

50. On 28 April 2004 the then EFRA Committee published its report on 'Implementation of CAP reform in the UK'. It raised the question of whether Defra's analysis of SPS

65 NAO, The *Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 27.

66 Ev 56.

67 Ev 110.

payment options was detailed enough *and concluded that the Government should have produced an in-depth study of the likely impacts of the various possible options for the SPS before reaching its decision. It drew attention to the complexity and tight deadline that the RPA was being asked to cope with and recommended that ministers pay close attention to the Agency's preparations, providing additional resources if necessary. It also wanted to know how the Change Programme would be adapted to provide the systems necessary for the SPS.*[68]

The task facing the RPA

51. The RPA had thus been given an extremely difficult and complex set of tasks by Defra, with the requirement to complete them in a limited and politically-determined timetable. We do not believe that failure was inevitable at this stage, however: given adequate resources and IT, business processes that were fit for purpose, and good management, full implementation could have been possible. But the approach adopted raised the risk of failure higher than was prudent for such a fundamental change.

52. In order to succeed, the former Permanent Secretary believed that the RPA had to move from a 'compliance' culture, where it was concentrating on making payments in a way that reduced the risk of EU disallowance, to a culture which concentrated more on the delivery of payments to farmers. Sir Brian Bender said that he several times told the Chief Executive that he was prepared to accept a higher risk of disallowance in the interests of making payments, but believed that his message had not been absorbed properly throughout the organisation.[69] This may be because the objectives set by Defra for the Agency in 2005–06 included keeping disallowance due to non-compliance with EU requirements below 2% of the value of total CAP payments and processing and paying valid claims with at least 98.5% accuracy, leading to what the CLA called "ludicrously high" requirements for precision in claims.[70] The authorisation checks which were built into the RPA business process and which blocked payments at the last moment in March 2006 were probably a symptom of a continuing 'compliance culture'.[71] **RPA efforts to reduce risk of EU disallowance in fact increased the risk of failure in policy delivery. The RPA and Defra ended up with worst of all worlds: both a failure to deliver and the likelihood of substantial EU disallowance. Defra should identify which ministers and officials contrived to agree a scenario that was a precursor to failure.**

Renegotiation of the Accenture contract and software delivery

53. In May 2004 the RPA signed a re-negotiated contract with Accenture for delivery of RITA to reflect CAP reform and the choice of the dynamic hybrid model. This was at a higher cost of £54.3m compared with the original £34.1m, an additional cost to the Department's budget of £20.2m.[72] Among other things, RITA was now to be capable of supporting up to 150,000 customers rather than the previous 100,000. The contract

68 Seventh Report from the Environment, Food and Rural Affairs Committee, Session 2003–04, *Implementation of CAP reform in the UK*, HC 226.

69 Q 1081.

70 HC Deb, 18 May 2005, col 2WS; Q 143.

71 See Helen Ghosh, Q 225 and Johnston McNeill, Q 1125.

72 Q 626; Q 85 (11 January 2006).

stipulated that the individual IT components were to be tested before being delivered in individual 'releases'. The contract between Accenture and the RPA also provided for a "system integration test" which would—

> concentrate on proving the system requirements and end-to-end business processes, including end-to-end workflow. It will test the whole system and the integration into the other AUTHORITY [ie RPA] work programmes.[73]

54. However no such full test of the system was carried out. Johnston McNeill said that he had been advised that such a test was not possible because it was the first year of the scheme and there would be nothing with which to compare the results. But he had not been advised that the testing regime was unsatisfactory.[74] Mark Addison told us that there was no time for such a test,[75] and the RPA said that a test was not possible because of the way the IT was delivered in "bite-size chunks".[76] Whatever the reason, the lack of a test of the IT system as a whole or the complete payment business process was something that Mark Addison and Sir Brian Bender told us that they regretted.[77] The testing that was done on the IT was in any case not able to simulate the 'live environment', and some systems encountered problems when they went live.[78]

55. The Rural Land Register software was delivered in September 2004, five months after the original target of April that had been set in November 2003 and a month after the revised target set as recently as July 2004.[79] The RPA and Accenture had been pressing for clarity on the details of the scheme in order to be able to build the RITA system without having to change it again later, but because the EU rules for the SPS and certain policy decisions—for example the definition of a 'farmer'[80]—took a long time to finalise and were not all settled until the end of 2004, major changes to the specification of RITA were needed at that stage.[81] By December the RPA had refined the original 60 possible changes to a final total of 23 business critical IT changes compared with its business case of November 2003.[82] This was a factor which led to the announcement that payments would not be made until February 2006 and to the significant de-scoping of the functionality of RITA at the end of 2004 in order to remove things that were desirable rather than essential and strip the system down to get it delivered.[83] This de-scoping included removing systems that provided management information on progress with processing claims and produced a "clunky" system that was "not as good a piece of work as it should be".[84] The original

73 RPA IT Applications Agreement, 28 May 2004, Schedule 3, section 5.9.

74 QQ 1126, 1130, 1133, 1136.

75 Q 661.

76 Q 976.

77 QQ 662; 1052–3.

78 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 14, para 2.4.

79 Ibid, p 14, table 3.

80 See eg CLA, Ev 87 and 97, and CAAV, Ev 117.

81 Ev 155; Q 1165.

82 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 13, para 2.2; Ev 2.

83 Ev 2 and 4; Q 1137.

84 Q 1138.

target delivery dates of some of the software was extended, in some cases by many months.[85] These delays impacted in turn upon the time available to the RPA to process claims.[86]

56. Accenture delivered the Rural Land Register in September 2004 and the Customer Register in February 2005. The original plan to have optical character recognition of application forms was deferred in 2004 in order to increase confidence that the rest of the IT could be delivered on schedule, and a 'high volume data capture' system was developed instead. This manual system went live in May 2005. The rest of the software was in place by October 2005.[87] The RPA told us that the RLR was not able to perform as intended because of the volumes it initially encountered,[88] and that the IT system delivered by Accenture was not as user-friendly as the RPA would have liked. However it had accepted it as meeting the requirements that had been defined. The RPA's overriding priority was to have the IT up and running so that payments could be made, and there was no time to make adjustments to correct elements that were not user-friendly.[89]

57. Accenture had received payments of a total of £42.7m from the RPA by the end of the 2005–06 Financial Year: £14.1 m in 2003–04, £10.2 m in 2004–05, and £18.4 m in 2005–06.[90]

58. Accenture insisted that its systems had been delivered on time and to budget and had been stable since October 2005.[91] Subject to the difficulties with the mapping software, Sir Brian Bender said that Accenture "delivered what it said it would do, albeit sometimes with some slippage".[92] Mark Addison said that the fact that some of the software releases took longer than planned to stabilise ate into the time available for the programme, but believed that the problem with the SPS was more complex than being just an IT failure.[93] Johnston McNeill said that

> The difficulty was not that the system did not work, the difficulty was its availability to our staff and fact that the system kept falling over … Another issue we had with the Accenture systems, possibly as a result of the chops and changes that had been made to the system, was they were incredibly heavy on processing power. At one stage we were considering buying yet more computers, more hardware, to run the systems so heavy were they which is usually a sign, I was advised at the time, I think by the OGC, of perhaps poor coding."[94]

85 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 14, table 3.

86 Ev 4.

87 Ev 155 and 181.

88 Ev 4.

89 QQ 902–5.

90 Freedom of Information release by RPA.

91 Ev 180.

92 Q 1051.

93 Q 197.

94 QQ 1239–40.

59. Accenture were very reluctant when giving evidence to us to venture opinions beyond its own narrow responsibilities about the wider SPS programme, in spite of its very close involvement with the programme, as the builders of the IT systems underpinning it, and its membership of the CAPRI Board and the RPA Change Programme board.[95] Sir Brian Bender told us that he had discussed with Accenture the RPA's capacity to use productively the software that Accenture was delivering. This was conceded after its evidence session by the company, but it was still at pains to point out that this was beyond the scope of its contract. [96] Simon Vry, at the time the RPA's Business Development Director, said that Accenture had been active participators in the Change Programme Board.[97] Mark Addison told us that after he took over as acting Chief Executive of the RPA in March 2006 he had found Accenture helpful in giving advice and not constrained by the strict terms of its contract.[98]

60. **We conclude that the numerous changes to the SPS rules and late policy decisions contributed to the delay in implementation by reducing the time available to build and test systems. Defra was not to blame for all of these delays: the EU was slow to finalise the common rules of the SPS. However this should have been a foreseeable risk, as Defra should have realised that other Member States were not in such a hurry to have the details worked out, either because they were implementing in 2006 or because they were using a historic system. In addition, some of the RITA components were not able to cope with the required volumes when delivered, which reduced the amount of time the RPA had to process the 2005 SPS claims. RITA itself did not work reliably enough. Defra failed to anticipate the volume effects on their systems arising from the implications of the SPS policy for the numbers of additional landowners who could now benefit from the new arrangements. Ultimately ministers and Defra senior management must accept full responsibility for their failings.**

61. **Accenture witnesses appeared to have been well schooled in not venturing comment on matters which they deemed were beyond their contractual observations. This attitude denied the Committee an important perspective on the way the SPS project was being run from the standpoint of a company at the heart of the venture. We regard this as an unacceptable attitude from a company of international repute and which may still aspire to work with UK government in other areas.**

Confirmation of England's SPS policy

62. On 17 June 2004 Andy Lebrecht, Defra's Director General for Sustainable Farming, Food and Fisheries, told the Defra Management Board that Ministers expected the RPA to be in a position to make SPS payments as from 1 December 2005. This was at the very beginning of the 'payment window' during which the EU requires SPS payments to be made; the window continued to the end of June 2006. Defra was thus committing the RPA to a most demanding timetable.

95 See for example QQ 568, 623, 625, 628 and 632.

96 Q 1055 and 1057; Q 454 (footnote).

97 Q 901.

98 Q 706.

63. It was not until July 2004, five months after the announcement of the policy, that Defra published its partial Regulatory Impact Assessment of the implementation of the SPS by means of the dynamic hybrid model. This conceded that making payments from 2005 was "a demanding timetable taking into account the work that has to be done in redesigning computer delivery systems". It also acknowledged that

> If Defra fails to deliver or delivers a poor service, there will be a considerable risk to the ongoing reputation of the department.[99]

64. In August 2004 Defra gave the European Commission formal notification that England would implement the SPS in 2005 by means of the dynamic hybrid model. The Department was thereby locked into its policy choice.[100]

Governance arrangements

65. The principal boards set up to monitor progress with the SPS were:

- The CAP Reform Implementation Board (CAPRI), responsible for technical programme management. It was alternately chaired by Johnston McNeill, then Chief Executive of the RPA and 'senior responsible owner' of the RPA Change Programme, and Andy Lebrecht, Defra's Director General for Sustainable Farming, Food and Fisheries and senior responsible owner of CAP reform. The two were also joint senior responsible owners of the SPS programme. It was intended that this structure would "make sure that the two parts, policy development and implementation, were joined at the hip".[101] The Board included an independent member, Karen Jordan, brought in by Sir Brian Bender from the private sector to provide "independent support and challenge" to the department and himself, and quality assurance and advice.[102]

- The Executive Review Group (ERG) was chaired by Sir Brian Bender, then Defra's Permanent Secretary. Its purpose was to provide a "critical challenge function" in respect of papers reviewed by the CAPRI board. It comprised senior officials in Defra and the RPA with responsibility for the SPS. However Sir Brian Bender questioned in retrospect the extent to which "the challenge of advice at the executive review group that was being shared with ministers was getting under the skin of what was going on at the RPA".[103] Karen Jordan also attended ERG meetings.

66. In early 2005 the NAO reviewed the structures to oversee progress with the SPS and confirmed that, in principle, they would provide a sound basis through which to manage risks.[104] They were suggested by Karen Jordan.[105]

99 Defra, Partial Regulatory Impact Assessment on options for the implementation of the reform of the Common Agricultural Policy – Allocation of single payment entitlements, July 2004, p. 7.

100 Q 286.

101 Q 1034.

102 QQ 1012–3.

103 Q 1076.

104 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 23, para 5.7; Q 1060.

105 Q 1013.

67. The NAO subsequently reported that the ERG took over much of the decision making role from CAPRI towards the end of the project, and that this confused officials as to the roles of the two bodies and where responsibility lay for making decisions. Some decisions were put successively to CAPRI, the ERG and then ministers. In addition, it said that papers for the ERG and CAPRI tended to be long and complex, and were often circulated just before a meeting. Johnston McNeill said that the reports could not have been clearer and found it “extremely difficult” to know how they could not be understood.[106]

68. Mr McNeill later told the NAO that he felt that the CAPRI board came to supersede his role as senior responsible owner of the project, although he did not make such a comment to the Permanent Secretary at the time. [107] He told us that the arrangement whereby the project had two ‘senior responsible owners’ was a most unusual one which the OGC recommended be changed so that there was a single person responsible, something that had not been done.[108] He recalled that many of the decisions were made “by committee” in the ERG or CAPRI and that “If I was an arm’s length agency where I was the Accounting Officer and senior responsible owner I would not expect that level of contribution from the Department … If you want to hold somebody responsible you let them get on with it and you supervise it”.[109] **What this supervisory structure confirms is that Defra did not simply let its executive agency get on on its own and try to deliver the SPS on time. The Department effectively established joint ownership of the project, ‘warts and all’. In so doing it reaffirmed its share of the responsibility for the project.**

Defra and the RPA review the timetable for implementation and payments

69. In late 2004 Defra decided to mothball the stop-gap, but feasible, contingency scheme, based on existing systems, that had been developed at a cost of £8.4m so as to be able to pay SPS claims in case of a major failure affecting delivery of the new IT systems. It was seen as a short term measure that no longer added any value and was now a distraction from work to implement the SPS given that the new IT systems were now at an advanced stage.[110]

70. One of the contingency options was therefore now no longer available. In the first half of 2005, options were put to ministers for developing systems for making advance payments to farmers in the event of delays to the SPS. Officials discussed a part payment scheme using 2004 data with the European Commission, but it was not prepared to allow part payments on that basis without a bank guarantee from each farmer. This was deemed unacceptable and Defra advised ministers that the part payments scheme should also be mothballed and the SPS IT schemes should proceed.

106 QQ 1203–4.

107 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, pp 23–4, para 5.8; Q 1075.

108 QQ 1267, 1273. See also paragraph 91 below.

109 Q 1273.

110 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 22, para 5.3; Q 1250.

71. Subsequently, following the October 2005 EU decision to allow partial payments, a fallback part payments system was developed by the RPA and was made available in January 2006. It was not used, however, for reasons described below (see paragraph 105).[111]

72. Mr McNeill held informal meetings with the Permanent Secretary in late 2004 and early 2005 about risks that the project might not deliver on time.[112] He had also told stakeholders of his concern about the scale of the mapping task ahead of the Agency.[113] On 19 January 2005, following discussions with Defra and the IT changes outlined above (paragraph 55), the RPA announced that the first SPS payments would be made at the earliest in February 2006 rather than the beginning of the payment window. Margaret Beckett was reported as telling an NFU Conference on 21 February 2005 that she was "bloody livid" about this delay.[114] Johnston McNeill said that her reaction caused "confusion" in the RPA given that she should have been aware of the background to the decision, and that the delay was a consequence of SPS policy decisions being finalised late and adding to the scheme's complexity. The Agency was also "very concerned that we had staff who were working their socks off and, indeed, consultants working very hard, the whole team working very hard to get this done and it was not very helpful in terms of staff morale".[115] Margaret Beckett said in an interview three months later that she had not been livid with the way the RPA was handling things but dismayed that payments could not be made as early as hoped. She said that she had always been conscious that there was a great deal of pressure and work for staff connected with this "absolutely massive change".[116] **The Committee very much regrets the former Secretary of State's attempts verbally to distance herself from the consequences of policies which she herself must have approved. Expressing annoyance or dismay was no substitute for her need at the time fully to engage in her Department's efforts to deliver the SPS on time.**

73. Sir Brian Bender recalled telling to the Defra and RPA officials who had decided on this new date that

> … we were now moving from the general to the specific and once we said it would be February 2006 we would be hoisted on that petard. While we said "as early as possible in the payment window" there was vagueness but once we went to February 2006 we had to be confident. Once ministers made that decision not only would they be disappointed that it was not December, which became clear, but we risked being hoisted on a petard.[117]

He suggested that, since they were having to tell ministers of a delay anyway, it would have been possible to "build in a bit more safety" into the timetable than they did.[118] This is puzzling, however, because Johnston McNeill told us that the target had been set for the

111 Ibid, p 23, paras 5.4–5.6.

112 NAO, *The Delays in administering the 2005 Single Payment Scheme in England*, HC 1631, p. 24, para 5.10.

113 Ev 76.

114 TFA, Ev 35. See also Financial Times, 22 February 2005, p 5.

115 Q 1249; Ev 288.

116 *Farming Today*, Radio 4, 17 May 2005.

117 Q 1063.

118 Q 1064.

Agency. The RPA had wanted a target of making payments by the end of the 'window' in June, but had been told by Defra officials in the secretariat of the Ownership Board that this would be "totally unacceptable politically" because farmers had been used to receiving payments at the start of the window in December.[119]

74. We see this discussion over the decision to defer for two months as an illustration of how tight the timetable for introduction had originally been. In spite, it seems, of the views of both the Permanent Secretary and the Chief Executive of the RPA, the timetable remained very tight. However its precision will have led claimants to believe that the new February date was a reliable one. Ministers certainly regarded this as a firm objective and on 18 May it became a formal performance target for the Agency for 2005–06, with the further stipulation that 96% of valid SPS claims should be paid by 31 March. Targets were also set for 98.5% accuracy with payments and for less than 2% disallowance by the EU as a result of non-compliance.[120] The NAO says that pressure to meet deadlines meant that the RPA proceeded without evidence of the robustness of its overall business systems.[121]

Staff reductions in the RPA

75. At the same time as introducing the SPS, the RPA was forecasting that it would cut its staff levels by 1,800 from its baseline of 3,950. Having accepted Sir Peter Gershon's review, published in July 2004 to coincide with the Government's 2004 Spending Review, the Chancellor of the Exchequer announced an Efficiency Programme from April 2005 designed to improve public service delivery by achieving £21.5 billion of efficiency gains a year across the public sector by 2007–08. Defra committed itself to efficiency gains of £610m and a reduction of 2,400 civil service posts by the end of 2007–08.[122] A large proportion of the staff reductions was to come from the RPA.

76. Sir Brian Bender told us that he had told the Agency that the SPS was the priority and if there was any risk to SPS delivery because of this programme of staff cuts, he would take the matter up with the Treasury.[123] The RPA felt able to reduce permanent staff numbers by its target 1,000 in 2005–06 at a cost of £38.9m. But by the end of that financial year, because of the need to recruit people to process the SPS claims, it had as many as 4,329 staff: 2,140 permanent, 838 casual and 1,351 contract staff. The Public and Commercial Services Union (PCS) said that the agency workers brought in were paid the minimum wage for unsocial hours and were being exploited by the Agency.[124] The RPA therefore failed to reduce its overall staffing levels as intended, while losing a large number of experienced people who would have been particularly valuable to the Agency and its customers in this time of major change.[125] Johnston McNeill admitted to us that on reflection he wondered why it did not cross his mind that there would be a problem if the RPA lost staff with experience in dealing with farmers when customer relations were going

119 QQ 1167–70 and 1178.

120 RPA Annual Report and Accounts, HC 1612, 30 October 2006, p.28.

121 NAO, The *Delays in administering the 2005 Single Payment Scheme in England*, HC 1631, p.14, para 2.3.

122 Defra Annual Report 2006, p.201.

123 Q 1006.

124 Ev 45.

125 See Lord Whitty, Q 794.

to be so important.[126] The then RPA Change Programme Director told us that because of the need to give people adequate notice of their departure it was not possible to halt the process when the complexity of what the RPA was having to deliver became clear.[127] A second wave of voluntary redundancies at the Agency was, however, cancelled. Lord Whitty has said that that "In retrospect I think it is probably true that it was not sensible to have reduced the staff by that much … The decision had been made by the senior management in the RPA and with DEFRA at … a much earlier stage. It was a programme which was pursued and which probably should not have allowed [so] many RPA staff to leave at that point".[128] **The RPA did not adequately take into account the effects of losing a large number of experienced people. Lord Whitty should have acted at the time to prevent the departure of so many such staff.**

77. RPA staff were paid less than Defra staff which led to morale problems and there was a risk of industrial action in the Agency during the period of SPS implementation.[129] The staff of the RPA worked very hard to attempt to implement the scheme in spite of the pressure they felt they were under, but did not have the satisfaction of achieving what they had strived to do.[130] When giving evidence to us Johnston McNeill paid tribute to the hard work and dedication of RPA staff.[131] He also apologised unreservedly for the problems he had caused farmers.[132]

The SPS begins

78. The 2005 single payment 'scheme year' began on 1 January 2005. The 'payment window' was to run from 1 December 2005 to 30 June 2006. Forms—the guidance booklets for which the NFU said were of a low standard[133]—were sent to applicants for SPS payments in March and they were required to submit their claims by 16 May.

79. The RPA Customer Service Centre was opened on 14 February 2005 but was almost at once overwhelmed by the number of calls from claimants. Sir Brian Bender recalled Johnston McNeill telling him that this was indicative of a culture within the Agency that "it will be all right on the night", and that when the forms went out he wanted to be able to commit more resources to the service centre than might be strictly necessary.[134] Mr McNeill told us that the 100 staff originally estimated as being needed for the centre was nowhere near enough. In addition, the RPA had problems recruiting experienced staff to work at the centre and the information staff had was not adequate to answer all the complex questions from farmers because the scheme was brand new.[135] But although the

126 Q 1143.

127 Q 891.

128 File on 4, BBC Radio 4, 20 June 2006, 20:00 hrs

129 Q 799.

130 QQ 85, 110, 201.

131 Q 1142.

132 Q 1108.

133 Ev 40.

134 Q 994.

135 QQ 1143, 1148–9, 1152.

RPA did commit more resources to the service centre, it was still unable to cope adequately with the large number of calls (12,000 per day at the peak), and the task-based system prevented officials from helping callers with the whole of their claim. Staff at the centre were inadequately trained.[136] The information that callers received was often wrong. The new system was also a shock for farmers who had been used to what Johnston McNeill called the "excellent service" of a one-to-one relationship with officials in regional offices.[137] The RPA later admitted that "arrangements for customer contact during processing of the 2005 Scheme led to great frustration among claimants because our staff were unable to explain how their case was progressing".[138] Blank continuation forms were also not available in time.[139] The result of this flawed process was that the RPA found that farmers did not provide all the information requested and the overall quality of form completion was significantly below that of the preceding scheme applications.[140] But it was essential for claimants to make an accurate claim as this was likely to be the one opportunity they would have to protect their position for the future.[141]

Mapping problems

80. Digitised mapping of claimants' land parcels on which their area-based claims would be made was a fundamental part of the SPS process, and involved taking a picture of the land, marking the boundaries and turning it into a part that could be put into the IT system. EU regulations had been adopted in July 2000 introducing a requirement for a digitised Rural Land Register (RLR) from January 2005. Following the 2003 CAP reforms, the RPA set itself a deadline of April 2004 for completing the RLR, but it was only in September 2004 that it went live. The Scottish Executive, by contrast, had had a digitised mapping system in operation since early as 1997.

81. Not only did the process take longer than expected, but many of the maps sent back to claimants for them to check proved to be seriously inaccurate. We received many consistent reports of claimants having to attempt repeated corrections in an effort to get the map of their land right, and of previous corrections being lost.[142] The NFU believed that the software being used was profoundly unstable.[143] The CAAV said that in some cases the RPA system was sending letters to claimants requiring an answer before the date on the Agency's own letter, but that the RPA had been reluctant to admit that it had problems with the RLR, and had suggested that any problems stemmed from the quality of information from claimants.[144]

136 Ev 2 and 45.

137 Ev 36, 44, 46 and 117; Q 1143.

138 RPA Operating Business Plan 2006–2007, p 9.

139 Ev 48.

140 Ev 3.

141 Ev 47.

142 Eg Ev 40, 42–3, 48, 52–4.

143 Ev 40.

144 Ev 48, 101; Q 203.

82. Johnston McNeill said that he personally spent an “inordinate” amount of time on the mapping system. He identified several problems in addition to the volume of new claimants and land changes: the RLR software was “incredibly slow” for users which gave the RPA “appalling problems” to resolve; the RPA was told by Defra legal advisers that the Agency was required to send every claimant a set of maps, which created further work and correspondence; and the RPA was working to an unnecessarily high level of accuracy which caused inconsistencies in the maps at boundaries.[145]

83. Lord Whitty recalled being told by claimants he met of the serious problems with the mapping process, and thought that, even though it was another part of the system that failed in the end, this was the “essential failure” of the SPS: “I think it was those weeks of the mapping exercise which put even the February 2006 date in jeopardy”.[146] Lord Bach said that although the mapping caused “immense problems” he was not led to believe that the mapping problems would put the date for delivery of payments in jeopardy.[147]

84. In March 2005 Defra announced the new Environmental Stewardship Scheme including an area-based ‘Entry Level’ (ELS) scheme which required applicants to pre-register on the RPA’s Rural Land Register. For three months ELS work was given mapping priority.[148] This added further to the time pressure on SPS implementation just two months before the SPS application deadline, although the RPA assured the NFU that it could do both.[149] Although it supported the ELS, the NFU believed in retrospect that this was “disastrous” timing, as it left too much for the RPA to cope with, and should have been delayed.[150]

85. Johnston McNeill received his maximum performance bonus in pay year 2004–05 for particularly good performance by the RPA in meeting its targets for delivering the former CAP subsidy schemes. This amounted to £21,062.25, or18.5% of his salary.[151]

The volume of work in processing applications

86. The deadline for completed SPS claims on 16 May 2005 saw over 120,000 SPS applications made, many more than the 80,000 applicants under previous CAP schemes. In addition, the RPA had to cope with more than 100,000 changes in land registrations: a 1,000% increase on a typical year’s 9,000 such changes. Johnston McNeill told us that these figures were “a major shock to us, to be perfectly frank”, although Helen Ghosh later said that it was the number of land changes, not the number of applicants, that was the surprise.[152] Farmers had previously been required to register all their land, even that which was not relevant for subsidy purposes, but in many cases did not do so. Under the SPS it

145 Q 1243.

146 QQ 767, 769, 773.

147 QQ 770–1, 774.

148 Q 257.

149 Q 69.

150 Ev 57, Q 66.

151 FOI releases enclosed with letter from Lord Rooker, Minister of State for Sustainable Farming and Food, to Chairman of the EFRA Committee, 18 October 2006.

152 Q 270.

was advantageous for them to do so, hence the large number of land changes. The Agency and Defra appear to have been too sanguine in relying on farmers having complied strictly with rules which had been of no relevance to their payments.[153] We received information that the RPA was warned by members of its Land Schemes Expert Group of this problem of 'white land' and that there would be likely to be a very large number of land changes arising from the introduction of the SPS.[154] These higher than expected demands led to problems with the availability and stability of the RITA system, and Simon Vry of the RPA told the CAAV in September 2005 that the system had not been built to deal with such demands.[155] Accenture said that the volume of changes was 10 times the expected level and this caused "the temporary issue in terms of the availability of the system which we identified and focused on.[156] The company told us that RITA was stable from October 2005 onwards.[157] In February 2006 the RPA alleged a breach of contract against the company on the grounds of the unsatisfactory performance of the system.[158]

87. The volume of applications and land changes should not have been such a surprise to the RPA. The dynamic hybrid system made land area the key to subsidy and brought in many completely new potential claimants. And although farmers were supposed to have registered all their land with the RPA before, the advent of a land-based subsidy system would naturally lead them to make absolutely sure that the Agency took into account all their land, including some that may not have been relevant to subsidy systems in the past. The 2005 scheme year was also a once-only chance to register land as eligible under the SPS.

88. The problems with the IT, mapping difficulties, and the sheer number of land change requests, therefore produced serious difficulties for the RPA. It later admitted that it had underestimated the work involved in mapping and processing each claim, and the CAAV had the impression that work with logging the data from application forms proceeded slowly in summer 2005.[159] In June 2005 the RPA estimated that the likelihood of implementation in February now stood at only 40%, although it believed it had a 75% chance of making payments in March. Until then the likelihood had usually been 60%, and Sir Brian Bender said that efforts were from then on made to keep the likelihood over 50%.[160]

The Office of Government Commerce

89. At the same time, in June 2005, the OGC reported that there were serious backlogs at RPA processing centres. Among its comments were that

153 Q 26 (11 January 2006); QQ 309 and 311.

154 Ev 304–5.

155 Ev 119. See also CLA, Q 178.

156 Q 553.

157 Ev 156.

158 Q 1239.

159 Q 813; Ev 99.

160 Q 1077.

> the programme is in considerable difficulties … The Agency have sought to keep to the February timescale, but the risks of failing have continued to increase … Our assessment is that the current plan to implement payments in February [2006] … would require a very fair wind to succeed. And recent experience suggests that there will be much bad weather to cope with.[161]

90. In spite of the project being off course, the OGC praised the management of the SPS programme and blamed late policy decisions, and the resulting complexity, for the delays. We see such late policy decisions as being a function of ministers failing to understand the consequences of late decision making on the project's timetable. The OGC stressed the need for a failsafe fallback option, and recommended that Defra reassess what it would define as success, suggesting as possibilities either making SPS payments in February by whatever means, or to make payments using RITA by some later date.

91. Defra did not invoke a contingency solution for fear of delaying the payment timetable. Defra had already begun to investigate the possibility of part payments, but rejected using the 2005 IT system for the same reason and decided to develop a separate system based on 2004 payments. But the European Commission was not at this stage prepared to accept such payments on terms that Defra found acceptable. Ministers were advised by Defra officials to mothball any plans for part payments, and it was only after the EU adopted rules on part payments in October 2005 that a part payments system was developed for January 2005.[162] The Department did once again prioritise mapping for SPS claims rather than Environmental Stewardship applications. No immediate action was taken on another OGC recommendation, that a single person should be responsible for the decision making process on the SPS.

92. The OGC report conclusions, and the overall 'Red' status marking, were brought to attention of the senior leadership in Defra, including the Secretary of State and the Minister of Farming.[163]

93. The RPA and Defra relied on the OGC as the main independent reviewer of the project "to make sure that we were not being overly optimistic, or indeed overly pessimistic".[164] The other main independent 'challenge' was Karen Jordan, who was a non-executive member of the CAPRI board. However her challenge does not appear to us to have been adequate to prevent the problems that eventually derailed the project.

94. However OGC reports have limitations. The NAO found that:—

> … reports focused on the leadership of the project and Ministerial involvement, IT issues and relations with the contractor. There was some consideration of the wider issues that would impact on the success of the scheme but more attention could have

161 Quoted in NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, pp 22 and 44.

162 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, pp 22–4, paras 5.2–5.6 and 5.8.

163 Ibid, p 22, para 5.2.

164 Q 897.

been paid to such issues as staff morale and training, or the Agency's relations with farmers.[165]

The NAO recommended that:—

- for key mission critical projects, the OGC use gateway reviews to specify the circumstances in which it would be appropriate for the senior responsible owner (SRO) to notify the Permanent Secretary and ministers that a project should be stopped or fundamentally reviewed.
- the OGC review how 'red' reviews, and in particular multiple red reviews, are dealt with in terms of guidance to the SRO and bringing them to the attention of the Permanent Secretary.
- the OGC examine whether gateway reviews pay sufficient attention to 'softer' aspects of a project, such as staff training and skills, and customer expectations.[166]

95. Sir Brian Bender confirmed that the OGC never said that the project should stop because it would fail. He found its conclusion in September 2005 that the programme had a reasonable chance of delivering payments in the 2006 window (ie by June 2006) "encouraging", but suggested that the OGC was looking at too narrow a picture. Helen Ghosh has told the PAC that "it would be very helpful if the gateway process could also assist us with judging the underlying capability of an organisation".[167]

96. **The Office of Government Commerce should review its procedures and warning assessment systems which allowed a project to reach a rating of probability of success of only 40% seemingly without effective preventative action being taken.**

97. **Given the high importance of successful implementation of the SPS scheme, to the reputation of the Department and the RPA let alone to the claimants, we find it extraordinary that Defra seemed prepared merely to aim to keep the probability of success above 50% just eight months before payments were due to begin.**

The final months before the start of payments

98. On 30 September 2005 Sir Brian Bender moved to become Permanent Secretary at DTI. Mark Addison was appointed acting Permanent Secretary until November, when Helen Ghosh took over as Permanent Secretary. Sir Brian met Mark Addison and Karen Jordan in his final weeks, and on departure told the Secretary of State and Addison that the SPS needed to be one of the continuing high priorities and deserved "quite a lot of attention".[168] Helen Ghosh concluded on her arrival that the biggest challenge would be to

165 Ibid, p 22, para 5.1.

166 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 9, recommendation 32.

167 Committee of Public Accounts Minutes of Evidence, 30 October 2006, Q 74.

168 Q 1090.

ensure that the management information and likelihoods of making payments on time that were being provided by the RPA could be relied on.[169]

99. On 10 October 2005 Johnston McNeill reassured the NFU Council that payments were on course to begin in February and that most should be complete within three weeks thereafter. We have received evidence from several witnesses that, in response to their concerns about progress with the SPS, the RPA and Defra leaderships had confidence in the prospects for success, although some RPA staff expressed some concerns privately about the risks of not delivering on time.[170] But the percentage likelihoods that Defra and the RPA were discussing internally were often quite low, and the project remained high risk. This unwillingness to be completely frank with those most interested would have serious consequences in the long term for customer relations, already tense because of the difficulties there had been with the claims process.[171] The PCS believed that the RPA was unwilling to tell ministers that it might not be able to deliver on time.[172]

100. On 12 October 2005 the EU Direct Payments Management Committee permitted a new, and more acceptable, option for making partial payments.[173] This was too late for the RPA to make part payments at the beginning of the payment window.[174] Defra also secured derogation from the EU Commission proposals to change the order of deductions from SPS payments, which had threatened to delay the SPS timetable.[175]

101. In the same month the private company Infoterra was given the job of processing the digitisation of maps which had fallen badly behind schedule. The NAO found no evidence of a tendering process, which suggests that it may have been a hurried decision. The CLA found it "staggering" that this decision had been taken so late.[176] Infoterra cleared the backlog by June 2006, by which time the contractors were being brought in to work alongside RPA staff and directly on the RPA system.

102. On 11 January 2006 Lord Bach gave evidence to us and admitted that he still did not know if payments starting in February would be full or partial, but that the RPA was aiming to make full payments.

103. On 24 January 2006 we published our interim report on the RPA. This said how unimpressed we were by the failure of Defra and the RPA to plan properly for the introduction of the SPS. We were also dismayed by the "complacency" of Lord Bach in refusing to admit that anything could have been done differently to avoid the problems. We said that we were "staggered" that so close to introduction the Minister could not say

169 Q 209.

170 Ev 57, 58, QQ 70 and 72.

171 CLA, Ev 41–2 and 86–7.

172 Q 113.

173 Ev 3.

174 Ev 40–1.

175 Ev 3.

176 Ev 43.

when payments would be made. We called for a definitive announcement on the timing and nature of payments.[177]

104. Lord Bach reacted strongly to the Report in the media, saying that the accusation of complacency was "nonsense" and suggesting that the report would cause needless anxiety amongst the faming community.[178] In further correspondence with the Committee Chairman on the matter, Lord Bach pointed, on 4 March, to the start of payments and reiterated his view that the Committee's report was "misleading".[179] In later evidence to us Lord Bach admitted that this response to the Committee had been "perhaps a slight over-reaction".[180]

105. On 27 January the Executive Review Group decided not to recommend partial payments to ministers. This decision reflected the perceived progress towards full payments and their concern about the effect that making part payments would have on this progress. They were also aware that delay could upset the opportunity for some farmers to establish tradeable entitlements, and of the likelihood of disallowance by the European Commission and the impact on payments in the 2006 scheme year.[181] These concerns had been expressed to us in November 2005,[182] and the CAAV too told us in December 2005 that diverting effort to part payments could "prolong the agony". [183] Johnston McNeill said that stakeholders had told the RPA that they would prefer full payments even if later in the payment window. Mr McNeill said that no one on the ERG disagreed with the decision at the time, and ministers took the final decision after a comprehensive briefing to Lord Bach "including a full assessment of the various risks for the options … all options carried very substantial risk". He said that at the time the financial consequences of disallowance were thought to be as much as 10–20% of the whole CAP payment, more than had subsequently been acknowledged, and that this disallowance risk was a "major concern" when making the decision, even though it was assumed by the ERG that the Commission would be more tolerant of mistakes in the level of part payments in the first year of the SPS than in subsequent years.[184] Helen Ghosh later said that although the analysis at the time had been "extremely thorough", in hindsight she regretted this decision.[185]

106. The RPA was reporting to ministers a very large number of 'tasks' still to be done. But Defra said that the advice from the RPA was still that it could meet its objectives, and ministers and officials continued to state that they expected to hit their target.[186]

177 Fifth Report from the Environment, Food and Rural Affairs Committee, Session 2005–06, *Rural Payments Agency: interim report*, HC 840, paras 12–14.

178 *Farming Today*, Radio 4, 24 January 2006; 'Pledge on pay-outs to farms renewed', Letter from Lord Bach, *Financial Times*, 25 January 2006, p 20.

179 Ev 28–30.

180 Q 786.

181 Q 792; Q 855. See also supplementary evidence from Johnston McNeill, Ev 288.

182 Ev 3–4.

183 Ev 49.

184 Supplementary evidence from Johnston McNeill, Ev 288.

185 QQ 210, 341.

186 Q 233.

The RPA is unable to make payments as promised

107. On 31 January 2006 Lord Bach reiterated that full payments would begin in February with 'the bulk' completed by March. It later transpired that this reference to 'the bulk' now meant more than 50% of the total value of claims. On 14 February the process of 'definitively establishing' entitlements began. Soon after, farmers began receiving letters informing them of entitlements and some payments started on 20 February. Many statements of entitlement were, however, not validated when sent. Some were even sent to the wrong people. Subsequently a number of supposedly 'fully validated' statements were found to have been inaccurate.[187]

108. But at this stage there was still optimism in Defra and the Agency that steps could be taken so that more than half of the value of claims could be made by 31 March. The RITA system was working. The OGC 'Readiness for service' gateway review in February had given the programme an 'Amber' rating and congratulated the RPA on its "great achievement" in starting SPS payments during that month. The OGC study prepared in February predicted that payments would be made by the end of March, congratulating the RPA for its "sterling efforts" towards this "momentous achievement".

109. But on 28 February 2006 it emerged that far from flooding out as hoped, payments were trickling out: just 2,400 payments had been made in the first fortnight. On 10 March only 4,484 claims (3.74% of the total) had been paid, and 39,000 out of 120,000 claims were ready for authorisation. But a large number of the claims were small value claims, which would jeopardise the prospects of meeting the RPA target. On that day Johnston McNeill wrote to Lord Bach that he would have expected more claims to have been fully validated, definitively established and ready for authorisation (all stages on the way to payment), and more claims to have been authorised and paid. He pointed out that a "substantial proportion" of the 39,000 fully validated claims were failing authorisation.[188]

110. It had become clear that there was in fact a serious problem with the final stage in the business process that the RPA had designed for the SPS. It was leading to payments becoming blocked. This was "something of a shock" to the Agency, which had expected payments to flow out quickly once the process started.[189] The problem lay with a further six 'authorisation checks' which RPA operators were asked to carry out before the payment could be made. The business process required the payment engine to make payments in batches of 100 claims and a sample of four of the claims in each of the batches were subject to these additional checks. Some of these checks were quite general and discretionary,[190] and resulted in a number of the claims being held up. The problem was made more serious by the fact that problems with a few claims would hold up the whole of their batch and they would all need to be checked individually. Extraordinarily, this blockage took the RPA and

187 Q 851; Ev 99–100. See also paragraph 138 below.

188 SPS Payments Update from Johnston McNeill to Lord Bach, 10 March 2006 (Freedom of Information release by Defra); Q 1109.

189 Q 1114.

190 For example: Is the claim for an eligible scheme activity? Does the amount calculated appear reasonable and conform to scheme rules? (Q 651).

Defra by surprise.[191] The authorisation system had been tested, but the RPA conceded that later that it had not been tested well enough.[192]

111. In addition it was clear that the process of level 2 validation (which ought to mean that a claim was ready for payment) was also proceeding too slowly. In the absence of a 'claims-based' picture of the progress it was making, the task-based system led the RPA to concentrate on clearing certain categories of tasks. But Mr McNeill told us that the RPA found that "as we cleared tasks in a number of cases they generated yet more tasks".[193] It was now clear to the RPA that "this was going to be a slower process than we had anticipated".[194]

112. Helen Ghosh later commented to the PAC that she suspected that "there was no one in the agency who really understood the end-to-end impact of the business process".[195] She had previously told us that:—

> … it was pretty clear that there was a lack of understanding at the very top of the RPA in how the different elements, the IT system that had been commissioned and built, the business processes, customer responses, would actually ultimately all fit together.[196]

Sir Brian Bender also believed that the RPA leadership did not fully understand how productive its staff were in using the system:

> I think there is a question as to how much the chief executive and his senior team really knew about what was going on. I do not believe that that is solely an IT issue … but there is somewhere a question to do with staff productivity, business processes and the interplay within the agency between the culture of compliance and avoiding disallowance on the one hand and the culture of making payments to farmers because that was its business.[197]

Johnston McNeill accepted the criticism that the Agency's capacity to assess its own performance and the tasks to be done was not good enough, but in mitigation said that the fact that it was a completely new scheme meant that it was difficult to be accurate in modelling the progress the Agency might expect to make.[198]

113. The then RPA Change Programme Director told us that it was only in the last stages that "it became increasingly apparent that a task-based approach alone was not adequate to give us proper control of knowledge of how quickly we were getting through individual payments".[199] Mark Addison explained that this was because the task-based system would

191 QQ 650–1; QQ 1109 and 1124.

192 Q 987.

193 Q 1109.

194 Q 988.

195 Committee of Public Accounts Minutes of Evidence, 30 October 2006, Q 26.

196 Q 216.

197 Q 995; see also QQ 1041, 1077 and 1095.

198 Q 1109.

199 Q 882.

involve a lot of work on tasks but until every task on a claim was performed it would not be complete: it was risky to use because “if nothing much is happening, it is quite hard to tell whether nothing much is really happening or whether everything is going as it should and you expect to see a rapid amount of movement towards the end of the timetable”.[200] Johnston McNeill said that the RPA had concluded during his time at the Agency that the task-based approach was “not satisfactory”.[201]

114. Helen Ghosh later concluded that the RPA had been basing its predictions on “overoptimistic interpretations of perhaps inadequate management information”.[202] She told us that she laid responsibility for this failure at the door of the Agency:

> You could not expect the governance groups that we had to be able to go down to that level of detail. What you do expect to have is an overview from the Agency, who should, as a delivery body, have that understanding of the very, very, very detailed workings of the IT system. If they say “We have this level of confidence that it will happen”, ultimately you have to believe them.[203]

115. It transpired that most of these authorisation checks were unnecessary, as the points were covered by the checking process that led to level 2 validation. Building on work already begun under Johnston McNeill towards bypassing these checks, Mark Addison, Mr McNeill’s successor as acting Chief Executive of the RPA, consulted the Agency’s internal auditors and lawyers and abandoned four of the six checks over his first weekend in post. Another was abandoned subsequently. The only one retained was a check that the payment was going to the right person.[204] The fact that these checks could be abandoned convinced Sir Brian Bender that the culture in the RPA had indeed been too risk averse with regard to disallowance.[205] Given Sir Brian Bender’s concerns about disallowance this conclusion raises serious questions about Defra’s communications with its Agency. **Defra should explain why its concerns that disallowance prevention was interfering too much with the preparations for payments were not heeded by the Agency.**

The removal of Johnston McNeill

116. On 14 March 2006 Mr McNeill met the Secretary of State and others in Defra. This was only his second meeting with Mrs Beckett in his time in charge of the Agency.[206] He told her “for the first time” that it would no longer be possible to make the bulk of payments by the end of March as planned. This was particularly dispiriting for ministers since the Parliamentary Under-Secretary of State, Jim Knight, had told the House of Commons—presumably on RPA and Defra advice—five days before that the RPA was

200 Q 647.

201 Q 1154.

202 Committee of Public Accounts Minutes of Evidence, 30 October 2006, Q 28.

203 Q 217.

204 QQ 650–1; QQ 1109, 1155–6.

205 Q 1081.

206 Q 1202.

now delivering on its promise to make SPS payments in full and would make the bulk of payments by the end of March. Lord Bach had said much the same to us on 4 March.[207]

117. Johnston McNeill told us later that the Secretary of State thanked him for his honesty and he and other RPA officials then left the room. The next day, on 15 March, the Permanent Secretary told Johnston McNeill that following consultations between her and the Secretary of State, he was being stood down as Chief Executive of the RPA. He was told that he was to speak to no one and was then sent on indefinite paid leave. This was an administrative rather than a disciplinary act, and Helen Ghosh told the PAC that her explanation to Mr McNeill was that:—

> there had been a loss of confidence between Ministers and him in terms of delivery of the scheme, and therefore a significant loss of confidence in terms of his relationship with stakeholders, and that, on those grounds, it would be better if he moved aside and a fresh pair of eyes looked at the situation.

The Permanent Secretary added that she herself had lost confidence in Mr McNeill too.[208] Johnston McNeill did not recall being told about the issue of confidence on this occasion, however, and remembered that Helen Ghosh had said that he had been totally professional and had given “110%”.[209] Throughout his time with the RPA Mr McNeill’s personal appraisals had all confirmed satisfaction with his performance.[210]

118. Lord Bach later told us that he felt very let down by the advice he had received from the RPA, upon whom he said the Department relied very heavily in these circumstances, and the “conspiracy of optimism” on the part of the Agency:

> On Thursday 9 March, we were given advice that the bulk of payments would be made by the first few days of April, not the end of March but the first few days of April. On the 14th, five days later … we were told that there was no chance at all of such a thing happening, that the bulk of payments would not be made anywhere near by the end of March and, of course, as you know, they were not. I frankly have to say that I do not think that that was satisfactory from senior civil servants whose job is to tell ministers the truth.[211]

Johnston McNeill believed that Lord Bach was in regular contact with the RPA’s Director of Operations, Ian Hewett, at this stage, and that the RPA was giving the minister the statistics on progress with claims which demonstrated that the Agency was “running into trouble”. He also recollected that the RPA had “made it clear to ministers that this was high risk all the way through this programme”.[212] He admitted that at one point the RPA had thought that it would be able to solve the batch authorisation issue within days and were

207 HC Deb, 27 March 2006, col. 543; HC Deb, 9 March 2006, col. 941; Ev 29.

208 Committee of Public Accounts Minutes of Evidence, 30 October 2006, QQ 31–2; Q 76. See also Q 1108.

209 Q 1281.

210 QQ 1282–4.

211 QQ 781; 788; 789.

212 QQ 1110–1 and 1114–5.

optimistic that it could succeed, but "on further reflection and as time went on we started to grow increasingly apprehensive that that would be the case".[213]

119. The day after the removal of Johnston McNeill, on 16 March, Mark Addison (Defra's Director-General for Operations and Service Delivery) was appointed as acting Chief Executive of the Agency. He had instructions to report to the Secretary of State the following week on the steps needed to get payments back on track.

120. On 16 May 2006 Margaret Beckett explained the "unacceptable situation" and the steps that had been taken to the House of Commons, but only by means of a Written Ministerial Statement. English farmers thereby discovered that after experiencing serious difficulties in making applications for payments, they would now face further, unknown, delays in receiving money to which they were entitled when they had been assured for months that they would be paid by March. Their position contrasted starkly with that of farmers in the rest of the UK who had received partial payments at the start of the payment window.[214]

121. Mrs Beckett also announced a fundamental review of the RPA, including its functions and relationship with Defra and other stakeholders.[215] This was to be carried out by a team led by David Hunter, Director of Defra's European Union and International Policy Directorate, and which included non-executive members of RPA and Defra Audit and Risk Committees.[216] Sir Brian Bender had presumably believed that the RPA was fit for purpose a few years before when it was reconfigured. But now that process of change now looked to have been ill founded, as the same Secretary of State had had to set up a further fundamental review of the RPA.

122. On 27 March Mrs Beckett updated the House, though in response to an urgent question rather than by volunteering a ministerial statement. She outlined the administrative steps that she had authorised the RPA to make to speed up payments and to prioritise payment of the maximum value, rather than number, of claims, in order to benefit historical customers. She also said that the option of interim payments was being considered, but at that stage she was reluctant to make them if it jeopardised the timescale for making full payments.[217] On 28 March the Secretary of State agreed to a major change in the way claims were processed, by making staff responsible for individual applications rather than tasks.

123. On 19 April Margaret Beckett made a further written ministerial statement on progress with payments, announcing that 47% of claims and £362.23m (24% of total claim value) had now been paid, which she characterised as "useful progress". However she added that that the acting chief executive had advised her that he could not say with complete confidence that all payments would be made by June. She therefore announced

213 Q 1123.

214 Although the NFU told us that Scottish and Welsh farmers with land in England had not received their payments from the devolved administrations either because of the problems at the RPA: see Ev 56.

215 HC Deb, 16 March 2006, col. 104WS.

216 Terms of reference are on the Defra website at http://www.defra.gov.uk/corporate/ministers/statements/mb060316annex.htm.

217 *Official Report*, 27 March 2006, col. 543–5.

that she had authorised work on a system to make substantial partial payments to the remaining claimants as soon as operationally possible.[218]

124. In the reshuffle of the Government on 5 May 2006, Lord Bach lost his ministerial post as Parliamentary Under-Secretary of State for Sustainable Farming and Food. He believes that this was related to the failure of the SPS.[219] In the same reshuffle Margaret Beckett was promoted to be Foreign Secretary. Sir Brian Bender continued to run the DTI and Mr Lebrecht remained in post.

What went wrong?

125. The fundamental problem identified by Lord Bach, Mark Addison, Tony Cooper (the present interim Chief Executive of the RPA) and others was that the Agency was required to do too much in too little time.[220] In addition, the relationship between Defra and the RPA did not work effectively. Lord Whitty thought that the story showed that it was not possible simply to separate out policy decisions from delivery of those policies and that ministers needed to keep following policies through to delivery.[221] Lord Bach agreed that it was probably "over-simple" to separate policy and delivery, adding that there were "consequences for ministers … when you have … two levels: you have your department that is advising you and you have beyond it a powerful agency and you rely on the agency extremely heavily in these circumstances".[222]

126. We received evidence that the RPA was advised that an end to end test was not possible because there was nothing to compare the results with.[223] We were also told that there was no time for an end to end test of the business process once the IT was in place and when enough validated claims were available. This, it was said, would have jeopardised the target date for beginning payments.[224] Both Mark Addison and Sir Brian Bender said that in retrospect the lack of such a test was a mistake.[225]

127. The RPA knew the project was high risk but this message was accompanied by the statement that implementation of the SPS was achievable. Defra remained convinced that the project remained on course until a very late stage, even when stakeholders and others thought it was in serious trouble. There may also have been a natural inclination on the part of the Agency to say what its political masters in Defra wanted to hear, as Lord Whitty suggested.[226] The information available to the RPA was inadequate, and its management appears not to have adequately understood the SPS business process and their own

218 *Official Report*, 19 April 2006, col. 13WS.

219 Q 783.

220 QQ 644; 770 and 790; 808.

221 Q 779.

222 Q 781.

223 See above, para 54.

224 Q 661.

225 QQ 662; 1052–3.

226 Q 778.

organisation's productivity. These problems arose partly from the use of a task-based processing system for a claims-based processing system. The RPA should have addressed this fundamental problem earlier, when the unsuitability of the task-based system became evident. The partial payments option was addressed too late and in the end rejected on RPA advice. This latter decision is now acknowledged to have been a serious error. There were inadequate contingency arrangements in place, and Defra and the RPA could have made earlier arrangements for a partial payments system in advance of the final EU decision, as Germany did. Their approach involved 16 Länder, 4 different payments delivery systems and three times the number of clients as the RPA had, yet it worked as planned.

128. But even at a late stage some actions could have been taken that would have increased the chances of success, namely the actions that the acting Chief Executive, Mark Addison, later took to improve the rate of payment. They were in train at the time Johnston McNeill was removed, but the fact that they had not been taken even earlier shows that the RPA leadership did not appreciate how their business process would work in practice.

129. Sir Brian Bender thought that in hindsight he should have been a more "intrusive" manager *vis a vis* the RPA.[227] He told us of the things that in retrospect he believed should have been done differently:

> I think that there are a number of lessons. First, there is the lesson referred to by Helen Ghosh, with which I agree, that with the benefit of hindsight we should have pressed ahead sooner with interim payments. Second, with hindsight I would have done more to satisfy myself about the corporate leadership capability of the RPA's top team … and in particular within that what was going on when I thought I was giving signals in the department. Third, … I would want to ensure that more was done to be clear that the RPA understood fully the task it had taken on and keep checking that it was providing as frank and open an assessment as possible and not a misleadingly rosy picture. Plainly, that is linked to the quality of the management information. Fourth, there are plainly questions arising on the quality of the independent processes, including the Gateway review process, in helping us spot these issues. But ultimately I return to the point that if you set up arrangements in which there is an arm's length body that has accountability then to blur that accountability by backseat driving or saying someone else is responsible is the wrong answer. [228]

Whilst this is a candid and helpful assessment, it glosses over the fact that Defra's senior managers were jointly involved through the ERG and CAPRI in running the project.

130. The Department has now identified the following areas of weakness and lessons to be learnt from the debacle:

- the application of contingency planning in high risk projects such as SPS;

227 Q 1099.

228 Q 1103.

- the need for the governance bodies overseeing such projects to establish clarity of responsibility, to avoid straying from their terms of reference, and to challenge effectively the actions being taken;
- ensuring that there are clearly defined metrics to enable objective and effective measurement of project performance and progress;
- that the discretion and independence given to delivery bodies such as the RPA in implementing such schemes should be commensurate with the risks; and
- the maintenance of good communication with customers to explain problems and provide information on progress with claims.[229]

Helen Ghosh told us last year that Defra needed to develop a more sophisticated idea of how far at arm's length different delivery bodies needed to be from the core department, and that some needed to be closer than others. She cited the RPA as one that needed "very close governance procedures".[230]

131. **The Department should indicate in detail what steps it has taken, and plans to take, to ensure that lines of communication between Defra and its Agencies are clear so that parties can be certain in the future that each has understood what the other is saying. Defra must also incorporate in its next Annual Report a section giving a clear and unambiguous account of how it is correcting its weaknesses and responding to the lessons learnt.**

RPA efforts to recover and plans for the future

132. Tony Cooper succeeded Mark Addison as Interim Chief Executive of the Rural Payments Agency in May 2006. Prior to this, Mr Cooper worked as a senior civil servant responsible for implementing major business and IT change programmes in the Department of Work and Pensions and in the National Health Service.[231]

133. In the RPA's Annual Report and Accounts for 2005–2006 and in the RPA's Operating Business Plan for 2006–07, Mr Cooper was at pains to stress that the legacy of difficulties in 2005 would make 2006 challenging as well. He warned that the "deep-rooted" difficulties within the Agency mean that the SPS might take a further 18–24 months to stabilise and improve performance, with significant progress unlikely before 2007.[232] At present, Mr Cooper told us, a scheme year was taking 18 months to deliver and faster processing of claims was needed to restore this to 12 months and stop the scheme years impacting on

229 Defra Resource Accounts 2005–06, HC 1643, 23 November 2006, p. 36.

230 Minutes of Evidence, 19 July 2006, *The Departmental Annual Report 2006*, Q 34.

231 See RPA website: http://www.rpa.gov.uk/rpa/index.nsf/vContentByTaxonomy/About%20RPA**Who's%20who%20-%20RPA%20Senior%20Management%20Team**Biographies**?OpenDocument.

232 RPA Operating Business Plan 2006–2007, p 6; RPA Report and Accounts 2005–2006, HC 1612, pp 5 and 11.

each other.[233] The RPA was given an additional £46m in 2006–07, split between running costs (to cover staff costs associated with processing SPS claims) and capital costs (including software development to support the 2006 and 2007 schemes). This means that the originally planned reduction in RPA spending from £227.8m in 2005–06 to £190m in 2006–07 arising from savings due to the Change Programme will not be achieved.[234]

134. Under Mr Cooper the RPA has focused on making payments as quickly as possible and then moving to restructure the organisation and to clarify roles and responsibilities. It has changed from 'task based' to whole case working which it hopes will improve its service to customers, as Mr Cooper believes the previous method had led to "lots of confusion".[235] It aims to improve its IT systems, which the Agency has characterised as not being user friendly and which do not do the job well enough.[236] This work on the IT will require further payments to Accenture under a new contract to reinstate part of the system, for example management information, that were de-scoped before. The RPA also contracted Gartner Inc to review the Agency's information technology systems by the end of 2006 at a cost of £265,000 excluding VAT and expenses, in order to give an independent and considered assessment of the condition of its IT which he thought the RPA did not have in-house. [237]

135. The NAO recommended that Defra simplify the reporting arrangements between the RPA and the Department "so that in any future projects there are clear lines of accountability between them".[238] Tony Cooper told us that he believed that there had been "misunderstanding" between Defra and the Agency in the past owing to their different responsibilities for policy and delivery.[239] He noted in the RPA's Report and Accounts that he was developing "a more robust governance and organisational structure for RPA, with the aim of strengthening the Agency's management and drawing Defra and RPA closer together". The RPA's performance targets for 2006–07 also include the objective of demonstrating "effective joint working with Defra and the Defra family across all relevant interfaces, as measured by feedback from key partners". The RPA now has the target to ensure that "the risk of disallowance is appropriately factored into all relevant operational decisions. Any decisions taking the cumulative risk above 2% of the value of CAP payments made by RPA and within the control of the Agency to be escalated to the appropriate Defra-led body". The RPA also intends to improve "stakeholder relations and links with Ministers and core-Defra, including creating a Scheme policy division reporting jointly to core-Defra and RPA".[240]

136. The NAO has reported its view that

233 Q 857.

234 Ev 241.

235 Q 878.

236 RPA Operating Business Plan 2006–2007, pp 9 and 10; QQ 892, 903.

237 QQ 867–9; Ev 240; QQ 931 and 941.

238 NAO, The *Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 9, para 31c.

239 Q 972.

240 RPA Operating Business Plan 2006–2007, pp. 9 and 10.

> The new Chief Executive and senior managers at the Agency have demonstrated a business-like approach to learning lessons from what happened with the 2005 single payment scheme and are acting on the recommendations we have made.

It agreed with the RPA that the Agency was unlikely to be able to remedy all the problems in time for the 2006 single payment.[241]

137. By the end of the payment window for 2005 scheme year on 30 June 2006 the Agency had paid £1.438 billion in SPS payments, 94.9% of the estimated total of claims. It therefore narrowly failed to meet the EU requirement to pay 96.14% of payments, and this has put the UK at risk of incurring late payment penalties. It had paid 98% of the value of claims by the end of August.

138. The present Secretary of State, David Miliband, told the House on 7 November that at 3 November £1.516m (99.2%) out of an estimated total of £1.528m of payments had been made to 115,000 (98.5%) of a total of 116,661 claimants. All but 50 of the remaining claimants had claims of less than €1,000.[242] By 12 January 2007 £1,523m (99.74%) had been paid to 116,111 (99.53%) claimants.[243] However on 22 February Defra said that about 25,000 cases were under review from the 2005 scheme year, with further cases continuing to come to light. This is a matter of serious concern, as the figure represents more than one claimant in five. In addition Defra said that the RPA had already made adjustments in respect of some 8,000 2005 claimants.[244]

Progress with 2006 payments

139. In October the RPA moved the bulk of its processing staff to detailed validation of the 2006 claims. Although initial validation had, the Secretary of State said on 7 November, gone "relatively smoothly", he warned that "the difficulties involved in completing the 2005 claim processing have inevitably impacted on the 2006 payment timetable". Subsequently the RPA has said that "because of the delays caused by the volume of residual 2005 Scheme work, the 2006 Scheme processing is likely to continue throughout the payment window with a small number of potentially difficult cases taking longer".[245] In order to reduce complication, for 2006 the new element of SPS arising from sugar regime reform will be dealt with separately and not included on the RITA system until 2007.[246]

140. The Secretary of State reported to the House that Tony Cooper had told him that the Agency could not guarantee making full payments within the payment window that ends in June 2007. Mr Miliband said that he had set the RPA a "challenging" target of paying

241 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, 18 October 2006, p 1, para 4.

242 HC Deb, 7 November 2006, col. 715. The Chairman of the UK 200 Group, comprising accountants and lawyers dealing with farmers, told us in November of examples of farmers who have not received all their payments.

243 HC Deb, 17 January 2007, col. 1130W.

244 HC Deb, 22 February 2007, col. 59WS.

245 RPA Operating Business Plan 2006–2007, p. 7.

246 Ibid.

96.14% of claims by the end of June[247]—the level below which penalties are incurred from the European Union. The Chief Executive will receive a bonus if that target is hit.[248]

141. Mr Miliband also announced a partial payments plan: where full payments are not possible in the early part of 2007, partial payments would start in February for claims over €1,000. These payments would be for not less than 50% of the claim value and would take about three weeks to make. Mr Miliband said that the aim of the partial payments plan was to maximise the payments by making full payments where possible and partial payments where necessary, to minimise the risk of late payment penalties and disallowance, and to help the RPA establish a new and sound footing for SPS payments in the future. The only way to improve on the problems of the 2005 year was "to improve the management of the system so that confidence is rebuilt … this will not happen overnight".[249] Tony Cooper said that the decision to defer a decision on part payments was partly because of the risk of EU disallowance, but mainly because the system to make part payments needed time to become ready to use and in the meantime progress would be made with getting full payments processed.[250]

142. On 16 January 2007 the RPA announced that it had begun a live test for year two of the SPS, which had resulted in "a small number" of full payments being made to claimants.[251] The Agency was therefore a month ahead of where it was at the equivalent time in 2006. **We welcome the RPA's live test of 2006 scheme year payments in January 2007. Defra should have demanded that such a test take place in the 2005 scheme year before it went ahead with the attempt to pay all claims.** By the end of January the RPA had paid 21,940 claims (20.1% of the total) and disbursed almost £201.5m (12.6% of the total). The Agency said that it would continue to make payments as soon as possible, but that the target to pay 96.14% of funds by the end of June remained "challenging".[252] By 22 February 40,697 full payments with a total value of £285.5m had been made. In addition, partial payments had begun in the week beginning 12 February and by 22 February 43,270 had been made with a value of £633.28m. The combination of the full and partial payments meant that by 22 February a total of £919.13m (59% of the total) had been paid to 83,967 claimants (77%).[253] By 21 March, a total of 95,737 claimants had received either a full or partial payment, representing 87.8% of the total claimant population. The total value of these payments was £1,056.36 million—68.6% of the estimated total fund of £1.54 billion.[254]

143. The Hunter review (see paragraph 121 above) reported on 19 March 2007. As part of that review, the Department engaged Corven Consulting to undertake a review of the SPS at a cost of £557,331. Mr Cooper told us that the early stages of the review had identified organisational change, strengthening of leadership and management and the redesign of some processes as things for the Agency to focus on, and he had taken these forward in the

247 HC Deb, 7 November 2006, col. 715–6.

248 Q 861.

249 HC Deb, 7 November 2006, col. 715.

250 Q 865.

251 RPA news release 04/07.

252 RPA news release 07/07, 31 January 2007.

253 HC Deb, 22 February 2007, col. 59–60WS.

254 RPA news release 18/07, 21 March 2007.

meantime. **We seriously question the decision to spend more than half a million pounds in fees to private consultants as part of the Hunter Review of the single payment scheme. The Department must publish an explanation about why use of such a sum was thought necessary and where the resources to fund the review have been found at a time when Defra has been cutting the budget of a number of its agencies.**

144. The Hunter Review concludes that no structural changes should be made to the RPA that would put in jeopardy the target of achieving a stable SPS by the 2008 scheme year, and urges the RPA to focus on that target.[255] It acknowledges the "uniquely complex" version of the SPS that applies in England, and warns that

> so long as a number of its key features remain—three English regions, transitional arrangements involving part historic/ part flat rate payments, difficult grazing and common land issues—its operation will continue to test RPA quite severely. RPA has no choice but to plan for this or something similar until transition to an area payment in England is complete in 2012.[256]

Nevertheless the Review also recommends that in the "slightly longer term" than 2008, the Agency should commit itself to making the SPS application process by 'e channel.'[257] The Review says that it would not be credible to make this commitment until the SPS is stable.[258] This also seems to be a heroic ambition, taking into account the Review's own admission that the complexities of the current arrangements are likely to remain until 2012. The RPA is already having to review 25,000 of the payments from the 2005 scheme year.

145. The Hunter Review also recommends that

> In holding the RPA Chief Executive to account for delivery of his schemes, Defra should ensure that an informed and realistic dialogue takes place around the practicalities of delivery, and that the agency is empowered to advise Ministers directly on the risks to delivery arising from policy variables and timetable pressures.[259]

The Review notes a number of changes in the governance arrangements for the RPA that have been made following recommendations by Corven Consulting. The RPA's Ownership Board has been replaced by a Strategic Advisory Board, chaired by the Director General of Sustainable Farming, Food and Fisheries rather than the Permanent Secretary. The CAPRI Board has been wound up. The Executive Review Group has been replaced by an Oversight Group, also chaired by the Director General of Sustainable Farming, Food and Fisheries. The Chief Executive is on both the new bodies.[260] While the Hunter Review does not propose fundamental changes to the structure or responsibilities of the RPA, we

255 Defra Review of the Rural Payments Agency, March 2007, p 65.

256 Ibid, p 7.

257 Ibid, p 65.

258 Ibid, p 22.

259 Ibid, p 65.

260 Ibid, pp 14 and 61.

will, when we have studied it in more detail, put questions to Defra arising from the report and publish the response.

146. We will also continue to keep close watch on the progress the Agency makes with 2006 scheme year payments. **The Committee requests that the Secretary of State continues to keep the House fully informed of progress with payments and important operational developments.** The new Chief Executive appears to be heading in the right direction by improving the RPA's structures and its relationship with Defra. **Although the move away from the task-based system is welcome, we remain concerned that the RPA is still using an IT system that was designed for a task-based system and has been difficult and unreliable in service. We require the Department and the RPA now to cost and publish details of the further IT changes which will now have to be made to overcome current problems and speed up the SPS payments process.**

Accountability

147. This sorry saga has cost farmers about £20m of their own money. Defra is likely to secure only £7.5m of the expected £164m savings in the Department and the RPA from the SPS and wider change programme.[261] Defra had to give the RPA an additional £46m in 2006–07 to cover higher than expected administration and capital costs at the RPA,[262] although as we said in our recent report on Defra's budget we are doubtful whether this tells the whole story.[263] A total of £131m in provisions and contingent liabilities against disallowance by the Commission was entered in Defra's Report and Accounts for 2005–06, and in the Spring Supplementary Estimates published on 20 February 2007 £305m was transferred from the Reserve to Defra's resources to cover the potential disallowance which could be levied by the European Commission on CAP Pillar 1 payments accrued up to 31 March 2007, mainly on the 2005 and 2006 SPS scheme years. Defra has not revealed how much of that £305m relates to the SPS, or whether the £305m overlaps with any of the £131m in the 2005–06 accounts.

148. Sir Brian Bender told us in December 2006 that "If you set up an executive agency to implement things ultimately the chief executive of that agency is the accountable person." He admitted, however, that he felt "both deep dismay and a sense of responsibility" when he heard of the failure after he had left the Department, and that he shared in the responsibility that attached to Defra. [264] Helen Ghosh said that Defra would have expected the RPA to have foreseen the detailed problems with its business processes, and that that was why the Secretary of State had felt it was crucial to move Johnston McNeill. She was not saying, though, that he "was personally and solely responsible for the fact that there had been complications in the system, there had been some delays in the system and some customers were not getting as good a customer service as they might have done. I am not

261 NAO, *The Delays in Administering the 2005 Single Farm Payment in England*, HC (2005–06) 1631, p 20, para 4.2.

262 Ev 241.

263 Second Report from the Environment, Food and Rural Affairs Committee, Session 2006–07, *Defra's Departmental Report 2006 and Defra's budget*, HC 132, para 31.

264 QQ 996, 1102–3.

saying it was all his fault".[265] Lord Bach believed that "I actually do not think that Johnston McNeill as a personality is someone who should be crucified … My view is that the top management of the RPA was not up to task on this occasion".[266]

149. **Johnston McNeill was Chief Executive and Accounting Officer of the independently accountable delivery body that failed so clearly to deliver, and which failed to foresee in time the fact that it would not deliver. As such he is accountable for, and must bear responsibility for, the failings of the RPA. If he felt that he was being asked to carry out a task that he would not be able to defend on value for money grounds to the PAC, he should have sought a formal written instruction in accordance with the Treasury's rules on Government Accounting.** His removal from post on 15 March demonstrates that Defra ministers and the Permanent Secretary had lost confidence in him and that they held him accountable for the failure. On 1 December 2006 he was dismissed from Defra.

150. **But Mr McNeill was not personally and solely responsible for the failure to pay farmers. The Agency failed largely because Defra asked it to do too much in too short a time and did not pay enough heed to the Agency's warnings about the risks of what was being proposed. The governance arrangements stipulated that Johnston McNeill should share senior responsible ownership with Andy Lebrecht, and all the crucial decisions and recommendations to ministers on implementation were made jointly with Defra by committee through CAPRI or the ERG. We conclude that it is unfair for McNeill to be the only person to be held accountable when he was not given the sole responsibility for delivery.**

151. The action taken against Johnston McNeill by the Secretary of State and the Permanent Secretary contrasts strongly with the fortunes of many of the others closely involved. The periods in office of a number of those persons is shown in the Annex.

152. Some senior members of the RPA leadership who were closely involved in the failed project remain in senior posts. Mr Hewett and Mr Vry both expressed to us their unhappiness about being personally associated with this failure.

153. Sir Brian Bender recruited Johnston McNeill, was his line manager, liaised with Accenture and held regular discussions with Mr McNeill. He chaired the Executive Review Group which was supposed to provide the 'challenge' function but which became heavily involved in the policy making process. He was aware of the high risk and complexity of the project. The RPA was an arm's length delivery body, but was still part of Defra which he led. Defra set the Agency's objectives. The Single Payment Scheme was one of Defra's highest priorities, as it underpinned the financial wellbeing of England's rural economy. **If a failure to deliver on such a scale had occurred in a major plc, the chairman and the senior operating executives would have faced dismissal from post. With this in mind the Committee continues to be astonished that Sir Brian Bender continues to hold the rank of Permanent Secretary. If he does not tender his resignation the Head of the Home Civil Service should explain why a failure such as this results in no penalty.**

265 Q 247.

266 Q 787.

154. Senior Defra officials worked closely with RPA and were party to many of the decisions on SPS implementation. Some remain in senior posts. Andy Lebrecht, Director General of Sustainable Farming, Food and Fisheries from the creation of Defra, was joint senior responsible owner of the SPS project and co-chaired the CAPRI board with Johnston McNeill from which advice to ministers usually originated. We have seen no evidence that he alerted ministers to the likelihood of failure before 14 March. **His long standing knowledge of the importance of timely payments to farmers and his full involvement in the SPS project from its inception mean that he should now consider his position. If he chooses to stay, the Department in its response to this report should explain to us in straightforward language why being so closely associated with the waste of large sums of Government and farmers' money and the widespread disruption of England's rural economy should result in no personal penalty being paid.**

155. Defra ministers set the policy and took the decisions in spite of the loud warnings from the RPA about the high risk of the model they were advocating. They did not detect the serious problems with implementation and accepted the assurances of the Department and the RPA that the SPS would be implemented on schedule. Helen Ghosh told the PAC that ministers had played an "exemplary" strategic supervisory role, without getting into the detail or second-guessing operational issues.[267] Lord Bach thought it was difficult for ministers to strike the right balance between getting too involved in operational detail and delegating too much, but did not think that either he or the Secretary of State was to blame for the SPS having gone wrong.[268]

156. Lord Bach was removed from the Government at the reshuffle in May 2006 and himself believes that he lost his job at least partly because of the problems with the SPS.

157. At the same reshuffle Margaret Beckett, who had presided over Defra since its creation in 2001, was promoted to be Foreign Secretary. Although she may have delegated much of the work on the SPS to ministerial colleagues, she would have been aware of progress with implementation via submissions to ministers and the attendance of her special adviser at briefings for Lord Bach. The SPS was also one of the Department's key projects and one of its top risks. With the experiences of BSE and Foot and Mouth Disease so fresh, we would have expected the Secretary of State to be active to make certain that this key Defra policy choice arising from her successful negotiation of fundamental CAP reform was not implemented in a way that harmed farmers' interests.

158. Margaret Beckett failed to volunteer an oral statement to the House at the time of the failure of the SPS becoming apparent. We are pleased that the present Secretary of State was prepared to come to the House to make an oral statement on the RPA in November 2006; we see this as an indication that he is personally engaged with the efforts to put the SPS back on track.

159. **It will seem strange to many in the rural economy that right at the top of Defra no price for failure has been paid by the now Foreign Secretary. Leaving others to get on with the day to day delivery of services should not remove the obligation from the**

267 Committee of Public Accounts Minutes of Evidence, 30 October 2006, QQ 37–8.

268 QQ 780 and 784.

holders of high office to do more than just apologise and mouth the words "I am taking responsibility". It should be the case that when a Department fails to deliver a key programme right at the heart of its fundamental responsibilities the holder of the office of Secretary of State should not be rewarded with promotion but its reverse. New ministerial guidelines should now be drawn up to make it even clearer that if individuals are prepared to accept the glories that come with high office they also know precisely what to do if fundamental Departmental failure occurs.

Conclusions and recommendations

1. Defra should establish why its decision making processes did not require an adequate examination in 2003 of the implications and changed risk profile associated with introducing the Single Payment Scheme in parallel with the RPA's Change Programme and its associated new business processes. (Paragraph 31)

2. The policy reasons for the Government choosing the dynamic hybrid are appreciated, but such decisions should not be made in isolation from practical realities. The choice of the dynamic hybrid model made the RPA's task a more complex one than implementation on a historic basis, especially with the Change Programme being implemented in parallel with the SPS. The policy suffered from the closed nature of discussions during its development and a lack of real scrutiny of the implications of what was proposed, such as the fact that payments would henceforth be made outside the farming mainstream. (Paragraph 47)

3. We conclude that Defra ministers selected the 'dynamic hybrid' model in the knowledge that it was inherently more complex and risky. But they did not seem to be aware of what they were letting themselves in for. Defra officials did not quantify these risks for them, and relied too easily on RPA assurances that the choice was deliverable in the time available. These assurances were not based on detailed analysis, and were partly motivated by a desire to escape from difficulties with the development of IT systems to pay the previous schemes. No proper appraisal was made of the volume of work that the chosen policy would entail, both in terms of the number of claims and, even more significantly, the number of land changes that the RPA would have to deal with: land not formerly incorporated would now be within the system and there was a strong incentive for landowners and farmers to register as much land as possible. Defra should now identify those who were responsible for this fundamental failure to recognise the consequences of its own actions on the RPA payment delivery mechanism. Senior officials who presided over the lack of policy analysis should indicate why those actions were not undertaken. (Paragraph 48)

4. The amendment of the original dynamic hybrid decision so soon after it was announced, by adding a third region, reinforces our conclusion that the wider implications of the dynamic hybrid model had not been properly thought through when the decision was made. It also made the RPA's task yet more complex and lost them more time. Defra should provide a commentary to explain this failing in its internal decision making process. (Paragraph 49)

5. RPA efforts to reduce risk of EU disallowance in fact increased the risk of failure in policy delivery. The RPA and Defra ended up with worst of all worlds: both a failure to deliver and the likelihood of substantial EU disallowance. Defra should identify which ministers and officials contrived to agree a scenario that was a precursor to failure. (Paragraph 52)

6. We conclude that the numerous changes to the SPS rules and late policy decisions contributed to the delay in implementation by reducing the time available to build and test systems. Defra was not to blame for all of these delays: the EU was slow to

finalise the common rules of the SPS. However this should have been a foreseeable risk, as Defra should have realised that other Member States were not in such a hurry to have the details worked out, either because they were implementing in 2006 or because they were using a historic system. In addition, some of the RITA components were not able to cope with the required volumes when delivered, which reduced the amount of time the RPA had to process the 2005 SPS claims. RITA itself did not work reliably enough. Defra failed to anticipate the volume effects on their systems arising from the implications of the SPS policy for the numbers of additional landowners who could now benefit from the new arrangements. Ultimately ministers and Defra senior management must accept full responsibility for their failings. (Paragraph 60)

7. Accenture witnesses appeared to have been well schooled in not venturing comment on matters which they deemed were beyond their contractual observations. This attitude denied the Committee an important perspective on the way the SPS project was being run from the standpoint of a company at the heart of the venture. We regard this as an unacceptable attitude from a company of international repute and which may still aspire to work with UK government in other areas. (Paragraph 61)

8. What this supervisory structure confirms is that Defra did not simply let its executive agency get on on its own and try to deliver the SPS on time. The Department effectively established joint ownership of the project, 'warts and all'. In so doing it reaffirmed its share of the responsibility for the project. (Paragraph 68)

9. The Committee very much regrets the former Secretary of State's attempts verbally to distance herself from the consequences of policies which she herself must have approved. Expressing annoyance or dismay was no substitute for her need at the time fully to engage in her Department's efforts to deliver the SPS on time. (Paragraph 72)

10. The RPA did not adequately take into account the effects of losing a large number of experienced people. Lord Whitty should have acted at the time to prevent the departure of so many such staff. (Paragraph 76)

11. The Office of Government Commerce should review its procedures and warning assessment systems which allowed a project to reach a rating of probability of success of only 40% seemingly without effective preventative action being taken. (Paragraph 96)

12. Given the high importance of successful implementation of the SPS scheme, to the reputation of the Department and the RPA let alone to the claimants, we find it extraordinary that Defra seemed prepared merely to aim to keep the probability of success above 50% just eight months before payments were due to begin. (Paragraph 97)

13. Defra should explain why its concerns that disallowance prevention was interfering too much with the preparations for payments were not heeded by the Agency. (Paragraph 115)

14. The Department should indicate in detail what steps it has taken, and plans to take, to ensure that lines of communication between Defra and its Agencies are clear so that parties can be certain in the future that each has understood what the other is saying. Defra must also incorporate in its next Annual Report a section giving a clear and unambiguous account of how it is correcting its weaknesses and responding to the lessons learnt. (Paragraph 131)

15. We welcome the RPA's live test of 2006 scheme year payments in January 2007. Defra should have demanded that such a test take place in the 2005 scheme year before it went ahead with the attempt to pay all claims. (Paragraph 142)

16. We seriously question the decision to spend more than half a million pounds in fees to private consultants as part of the Hunter Review of the single payment scheme. The Department must publish an explanation about why use of such a sum was thought necessary and where the resources to fund the review have been found at a time when Defra has been cutting the budget of a number of its agencies. (Paragraph 143)

17. The Committee requests that the Secretary of State continues to keep the House fully informed of progress with payments and important operational developments. (Paragraph 146)

18. Although the move away from the task-based system is welcome, we remain concerned that the RPA is still using an IT system that was designed for a task-based system and has been difficult and unreliable in service. We require the Department and the RPA now to cost and publish details of the further IT changes which will now have to be made to overcome current problems and speed up the SPS payments process. (Paragraph 146)

19. Johnston McNeill was Chief Executive and Accounting Officer of the independently accountable delivery body that failed so clearly to deliver, and which failed to foresee in time the fact that it would not deliver. As such he is accountable for, and must bear responsibility for, the failings of the RPA. If he felt that he was being asked to carry out a task that he would not be able to defend on value for money grounds to the PAC, he should have sought a formal written instruction in accordance with the Treasury's rules on Government Accounting. (Paragraph 149)

20. But Mr McNeill was not personally and solely responsible for the failure to pay farmers. The Agency failed largely because Defra asked it to do too much in too short a time and did not pay enough heed to the Agency's warnings about the risks of what was being proposed. The governance arrangements stipulated that Johnston McNeill should share senior responsible ownership with Andy Lebrecht, and all the crucial decisions and recommendations to ministers on implementation were made jointly with Defra by committee through CAPRI or the ERG. We conclude that it is unfair for McNeill to be the only person to be held accountable when he was not given the sole responsibility for delivery. (Paragraph 150)

21. If a failure to deliver on such a scale had occurred in a major plc, the chairman and the senior operating executives would have faced dismissal from post. With this in mind the Committee continues to be astonished that Sir Brian Bender continues to hold the rank of Permanent Secretary. If he does not tender his resignation the Head of the Home Civil Service should explain why a failure such as this results in no penalty. (Paragraph 153)

22. His long standing knowledge of the importance of timely payments to farmers and his full involvement in the SPS project from its inception mean that he should now consider his position. If he chooses to stay, the Department in its response to this report should explain to us in straightforward language why being so closely associated with the waste of large sums of Government and farmers' money and the widespread disruption of England's rural economy should result in no personal penalty being paid. (Paragraph 154)

23. It will seem strange to many in the rural economy that right at the top of Defra no price for failure has been paid by the now Foreign Secretary. Leaving others to get on with the day to day delivery of services should not remove the obligation from the holders of high office to do more than just apologise and mouth the words "I am taking responsibility". It should be the case that when a Department fails to deliver a key programme right at the heart of its fundamental responsibilities the holder of the office of Secretary of State should not be rewarded with promotion but its reverse. New ministerial guidelines should now be drawn up to make it even clearer that if individuals are prepared to accept the glories that come with high office they also know precisely what to do if fundamental Departmental failure occurs. (Paragraph 159)

Annex: Timeline of significant events and milestones affecting the implementation of the Single Payment Scheme in England

April 2001 – RPA Change Programme established to rationalise office structure and introduce new IT systems.
16 October 2001 – RPA officially established as an executive agency of Defra, taking over responsibility for the CAP payment functions formerly delivered by the Defra Paying Agency and the Intervention Board.
10 July 2002 – EU Commission publishes its communication on the "Mid-Term Review of the Common Agricultural Policy".
21 January 2003 – EU Commission publishes draft legislative proposals for CAP reform package, under heading "A Long-Term Policy Perspective for Sustainable Agriculture".
31 January 2003 – RPA signs contract with Accenture to deliver IT systems.
26 June 2003 – EU farm ministers adopt fundamental reform of CAP, with subsidies decoupled from production and simplified into a Single Payment Scheme (SPS).
23 January 2004 – Commissioner Franz Fischler writes to all EU farm ministers to warn them of the potential dangers of departing from the Commission's default position of using the historic approach for the SPS.
12 February 2004 – The Secretary of State for Environment, Food and Rural Affairs, Margaret Beckett ,announces Defra's choice of a 'dynamic hybrid' system for the SPS in England.
22 April 2004 – Mrs Beckett announces that England will be divided into three regions (Moorland within the Severely Disadvantage Area (SDA); Outer SDA and all land outside the SDA) rather than two, as previously indicated.
May 2004 – Accenture's contract with the RPA is re-negotiated.
17 June 2004 – Andy Lebrecht (Director General for Sustainable Farming, Food and Fisheries) tells Defra Management Board that Ministers expect the RPA to be in a position to make payments as from 1 December 2005.
2 November 2004 – Defra announces that land grazed by horses would become eligible for CAP payments.
1 January 2005 – 2005 single payment scheme year starts. Payment window runs from 1 December 2005 to 30 June 2006.
19 January 2005 – RPA announces that February 2006 is the most probable date for payments to start in England.
21 February 2005 – Mrs Beckett tells NFU Conference she is 'bloody livid' with the situation.
16 May 2005 – Deadline for completed SPS claims sees over 120,000 SPS applications made, compared to 80,000 applicants to previous CAP schemes.
18 May 2005 – Performance targets set for the RPA which envisage payments commencing in February 2006 and 96% of valid claims by value being paid by 31 March 2006. Targets also set for 98.5% accuracy with payments and less than 2% disallowance by the EU as a result of non-compliance.
14 July 2006 – Defra prioritises mapping for SPS claims rather than Environmental Stewardship applications.

22 July 2005 – Cross compliance standards announced, detailing the agricultural and environmental conditions that apply to receipt of SPS payments.
10 October 2005 – Johnston McNeill tells NFU Council that payments are on course to begin in February and most should be complete within three weeks.
12 October 2005 – EU Direct Payments Management Committee permits the option of making partial payments. Defra also secures a derogation from the EU Commission proposals to change the order of deductions from SPS payments, which threatened to delay timetable.
1 December 2005 – 2005 official payment window opens.
4 January 2006 – Lord Bach tells Oxford Farming Conference of his personal interest in ensuring that payment commitments are kept.
11 January 2006 – Lord Bach admits to EFRA Committee that he still does not know if payments starting in February will be full or partial.
24 January 2006 – EFRA Committee publishes interim report on the RPA; Lord Bach suggests that it would cause needless anxiety amongst the faming community.
31 January 2006 – Lord Bach issues statement saying full payments will begin in February with 'the bulk' completed by March.
14 February 2006 – Process of definitively establishing entitlements begins. Soon after, farmers begin receiving letters informing them of entitlements and payments start. Many statements of entitlement are, however, not validated when sent.
28 February 2006 – It emerges that just 2,400 payments have been made. Lord Bach still hoping 'more than half of payments' would be made by 31 March.
8 March 2006 – Joint NFU/CLA letter to RPA demands answers to crisis as it emerges that about two-thirds of entitlements are still unvalidated.
9 March 2006 – Jim Knight (Minister for Rural Affairs, Landscape and Biodiversity) assures the House of Commons that the bulk of payments will be made by the end of March.
14 March 2006 – Mr McNeill tells Mrs Beckett the RPA will not make the bulk of payments by 31 March.
16 March 2006 – Mrs Beckett issues statement announcing that Mr McNeill has been removed from his post and a review of the RPA has been commissioned. Mark Addison becomes acting Chief Executive.
19 April 2006 – Announcement that partial payments are to be deployed as soon as operationally possible, after RPA concedes that it is not confident of making full payments by the end of June. Progress update shows 47,033 claims have been paid, representing 39.55% of total claimants. The value of those payments is £362.23 million, which is 24.15% of the total to be paid out.
2 May 2006 – Announcement that 56,291 customers, representing 47% of the customer population, had been paid a total of £514,702,000 in full payments.
5 May 2006 – David Miliband becomes Secretary of State for Environment, Food and Rural Affairs in place of Margaret Beckett, who becomes Foreign Secretary.
10 May 2006 – Announcement that SPS partial payments have been "tested fully, implemented and delivered". By close of play on 8 May, 89,662 customers had been paid £1.28 billion, with 75% of customers having been paid full or partial payments.
15 May 2006 – Tony Cooper becomes Interim Chief Executive of the RPA.

31 May 2006 – Announcement that at close of play on 30 May, 95,674 customers had received a full or partial payment. 80% of the customer base had received a total of £1.33 billion, which equates to 89% of the £1.5 billion fund having been paid out.

Formal minutes

Wednesday 21 March 2007

Members present:

Mr Michael Jack, in the Chair

Mr Geoffrey Cox
Mr David Drew
Mr James Gray
David Lepper
Sir Peter Soulsby
David Taylor
Mr Roger Williams

Draft Report [*The Rural Payments Agency and the implementation of the Single Payment Scheme*], proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 159 read and agreed to.

Annex agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No.134.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

Several papers were ordered to be reported to the House.

***

[Adjourned till Wednesday 28 March at Three o' clock.

Witnesses

List of written evidence

List of unprinted written evidence

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed. Copies have been placed in the House of Commons Library where they may be inspected by Members. Other copies are in the Parliamentary Archives, Houses of Parliament and are available to the public for inspection. Requests for inspection should be addressed to the Parliamentary Archives, Houses of Parliament, London SW1A 0PW. (Tel 020 7219 3074, Fax 020 7219 2570, archives@parliament.uk). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

RPA Sub 07b Country Land and Business Association (CLA) - supplementary memorandum

RPA Sub 10 Tenant Farmers Association - annexes 1, 3-7

RPA Sub 21 Robert Campbell MBE, Ray Field and Jim Godfrey - timeline

Reports from the Committee since 2004

(Government Reponses to Committee Reports appear in brackets)

Session 2006–07		
Second Report	Defra's Annual Report 2006 and Defra's budget	HC 132
First Report	The work of the Committee in 2005–06	HC 213
Session 2005–06		
Eighth Report	Climate change: the role of bioenergy	HC 965-I (HC 131 06–07)
Seventh Report	The Environment Agency	HC 780-I (HC 1519)
Sixth Report	Bovine TB: badger culling	HC 905-I
Fifth Report	Rural Payments Agency: interim report	HC 840
Fourth Report	The Departmental Annual Report 2005	HC 693-I (HC 966)
Third Report	The Animal Welfare Bill	HC 683
Second Report	Reform of the EU Sugar Regime	HC 585-I (HC 927)
First Report	The future for UK fishing: Government Response	HC 532
Session 2004–05		
Ninth Report	Climate Change: looking forward	HC 130-I (HC 533 05–06)
Eighth Report	Progress on the use of pesticides: the Voluntary Initiative	HC 258 (HC 534 05–06)
Seventh Report	Food information	HC 469 (HC 437 05–06)
Sixth Report	The future of UK fishing	HC 122 (HC 532 05–06)
Fifth Report	The Government's Rural Strategy and the draft Natural Environment and Rural Communities Bill	HC 408-I (Cm 6574)
Fourth Report	Waste policy and the Landfill Directive	HC 102 (Cm 6618)
Third Report	The Work of the Committee in 2004	HC 281
Second Report	Dismantling Defunct Ships in the UK: Government Reply	HC 257
First Report	The draft Animal Welfare Bill	HC 52-I (HC 385)

Printed in the United Kingdom by The Stationery Office Limited
3/2007 364648 19585