

Cold Comfort: the Administration of the 2005 Single Payment Scheme by the Rural Payments Agency

Cold Comfort: the Administration of the 2005 Single Payment Scheme by the Rural Payments Agency

Second report

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Foreword

I am laying this report before Parliament, under section 10(3) of the *Parliamentary Commissioner Act 1967*, as I have found injustice in consequence of maladministration and the Government does not propose to remedy all of the injustice.

I want to bring to Parliament's attention this rare occurrence of a refusal to accept all of my recommendations in full, particularly as my investigation concerns the administration of the Single Payment Scheme in England. This Scheme has previously been of interest to Parliament and the subject of scrutiny by the House of Commons Environment, Food and Rural Affairs Select Committee and the House of Commons Committee of Public Accounts. So problems with the administration of the Scheme have been in the public domain for some time. What this report adds now are my findings of what happened to individuals who, with the support of Members of Parliament, brought their complaints to the Parliamentary Ombudsman in pursuit of a remedy for the injustice they sustained. A pursuit which, despite having their complaints upheld, has won the individuals cold comfort from the Government.

This report sets out the results of my investigation of two representative complaints about the administration of the 2005 Single Payment Scheme by the Rural Payments Agency (RPA), part of the Department for Environment, Food and Rural Affairs (Defra). These two complaints are representative of twenty-two other complaints made to my Office about the 2005 Single Payment Scheme in England.

In 2005 the Single Payment Scheme based on land area replaced the previous production-based system of farm subsidy within the European Union. Farmers in England receive about £1.6 billion a year

in subsidies from the Single Payment Scheme. For many farmers, the money is essential. By any measure, the good administration of the Scheme is in the public interest. My investigation found that there was injustice as a consequence of maladministration in the administration of the Scheme. Few people will be surprised by this, including those in Parliament and the two Select Committees who have scrutinised the Scheme.

In October 2006 the National Audit Office (NAO) reported on problems experienced by RPA in administering the 2005 Scheme, with update reports in December 2007 and October 2009. The NAO's first report included research that revealed, among other things, that delayed payments had been a source of increased stress for 20% of the farmers surveyed. The House of Commons Environment, Food and Rural Affairs Select Committee looked in detail at the same subject in 2006 and 2007. RPA's Chief Executive acknowledged in the Agency's annual report for 2008-09: '*...our greatest challenge remains the accurate and timely payment of the Single Payment Scheme to some 106,000 customers*'.

My report shows that RPA was unable to keep to its timetable for handling the digital mapping of land or for making payments to farmers. But RPA continued to tell farmers that it would keep to its payment timetable, when it knew, or should have known, that the timetable was increasingly unrealistic. In the language of the *Ombudsman's Principles*¹, RPA failed to *get it right*, to be *customer focused*, or to be *open and accountable*. As my report details, these failures of the 2005 Single Payment Scheme took a direct personal and financial toll on the two farmers² whose complaints I have investigated.

¹ The *Ombudsman's Principles* was most recently published in February 2009 and is available at www.ombudsman.org.uk

² The names of the complainants are not used in this report to protect their anonymity.

The reader of this report will see that the remedies I have recommended are modest, particularly set against the overall cost of the Single Payment Scheme. But my recommendations go beyond what Defra believes is appropriate, as my report explains.

Important principles are at stake here. My view is that an appropriate remedy should be forthcoming where injustice has been suffered as a consequence of maladministration by a public body. A public body should not be able to avoid *putting things right* simply by asserting that it has met the minimum standards required by law; or that statements by Ministers do not create reasonable expectations. I am also concerned by Defra's argument that responding to demands for compensation for injustice resulting from its maladministration '*would divert both staff time and financial resources, when both are at a premium, from the job that most farmers want us to get on and do*'. As I say in my report, it is not a recognisable, or defensible, principle of good administration that an appropriate remedy for a justified complaint should not be forthcoming on the grounds of the administrative convenience of the body whose maladministration caused that injustice.

I recognise that the provision of remedies can be time consuming and involve the diversion of public resources but the best way to avoid these opportunity costs is, of course, to ensure that maladministration does not cause injustice to the users of public services in the first place.

In any event, as I say in my *Principles for Remedy*, whilst I understand that there is often a balance between responding appropriately to people's complaints and acting proportionately within available resources, finite resources should not be used as an excuse for failing to provide a fair remedy.

Nor do I consider that it would be appropriate to refuse to remedy such injustice in one case because other people might also have suffered similar injustice and might make a similar complaint seeking equivalent redress. Defra has suggested that my report will '*inevitably generate a new demand for financial compensation for alleged actual financial loss*'. I think it unlikely that providing a fair remedy to the 24 individuals referred to in my report will result in a flood of complaints from others that require similar remedy. That is not to say that I think it impossible that there are others who suffered some level of injustice as result of the maladministration I report on now. Rather, I have no evidence that, in addition to the 24 individuals referred to in my report, there are people who experienced such substantive injustice at the time of the failures in the administration of 2005 Single Payment Scheme that they considered it necessary to ask Members to refer their complaints to the Ombudsman.

Finally, it also saddens me that a public body refuses to provide relatively modest financial remedy for substantive injustice to people whose complaints have been referred to the Ombudsman by Members of Parliament and which the Ombudsman has upheld following an independent investigation.

I therefore ask Parliament to consider the personal stories told in this report, the approach to remedy that I have recommended and Defra's response to my recommendations.



Ann Abraham
Parliamentary and Health Service Ombudsman
December 2009

Section 1: introduction

- 1 This report sets out the results of my investigation into complaints by Mr W and Mr Y, referred respectively by William Hague MP and Henry Bellingham MP, about the administration of the 2005 Single Payment Scheme in England, including the Rural Land Register. The Single Payment Scheme and the Rural Land Register were administered by the Rural Payments Agency (RPA), an executive agency of the Department for Environment, Food and Rural Affairs (Defra).
- 2 Mr W's and Mr Y's complaints were broadly typical of the 24 complaints about the same matters referred to me by Members of Parliament. Given that these complaints related to the same Single Payment Scheme and to similar issues, I decided to conduct one investigation into the administration of the Single Payment Scheme, using Mr W and Mr Y as representative complainants.
- 3 Annex A to this report contains a full account of RPA's work on the Single Payment Scheme and its aftermath. Annex B is a summary of the other complaints made to me about delays in making Single Payment Scheme payments, in receiving entitlement statements and in receiving an accurate set of maps.

The complaints

Mr W

- 4 Mr W complained that RPA's failure to provide him with an entitlement statement and make payments under the Single Payment Scheme in accordance with statutory deadlines and announcements, caused his farm to sustain a financial loss. He sought financial redress. Mr W said that he had a legitimate expectation that

before January 2006 he would have been told the number, value and type of the entitlements to be allocated to him; he would have been able to calculate his income from the Single Payment Scheme and take business decisions based on that information; and would have had the opportunity to restructure his existing borrowing, or secure additional finance by borrowing against the entitlement.

- 5 Mr W said that the delay in receiving his final entitlement statement and payments had caused stress and family hardship. He had taken out an additional bank loan and a family loan so as to save further interest payments. He said that his telephone bill had increased significantly and that he had spent an '*immense*' amount of time chasing up RPA – time that should have been spent on his business.
- 6 Mr W said that his business had been damaged; he had been unable to replace essential equipment or to buy a new stock bull, which had impacted on his cattle breeding programme. Additionally, some land which the farm had used for grazing for several years had become available to purchase; Mr W said he had intended to bid for it but had decided not to do so because of the uncertainty of his financial position.
- 7 Mr W said that Defra's failure to comply with its legal obligations and to act in accordance with its announcements caused his farm to suffer a financial loss, and he wanted redress for that.
- 8 Mr W's grievance was representative of the complaints I received that RPA had failed to inform farmers of their entitlement under the Single Payment Scheme by 31 December 2005, which Mr W said was the deadline for doing so, and that RPA had failed to make Single Payment Scheme payments in accordance with deadlines and ministerial announcements.

Mr Y

- 9 Mr Y complained that RPA had not provided him with an agreed set of digital maps, despite repeated corrections and amendments. He also complained about the disjointed service that RPA provided. He alleged that RPA's failure to provide an agreed set of maps delayed his Single Payment Scheme payments, prevented him from joining Entry Level Stewardship (he expected to receive around £17,000 a year), and affected his cash flow. He had to make an employee redundant. He said he had suffered anxiety and stress, and incurred unnecessary telephone and photocopying costs. He wanted an accurate set of maps, financial redress for the stress he suffered and the unnecessary costs he incurred, and compensation for lost Entry Level Stewardship payments.
- 10 Mr Y was one of several farmers who complained to me that RPA had not provided him with an agreed set of digitised maps of his land, despite repeated corrections, causing financial loss, unnecessary expense, and stress. Every field for which Single Payment Scheme payments are being claimed must be registered on the Rural Land Register. Without an agreed set of maps, Single Payment Scheme claims cannot be validated and full payment is delayed. Also, applications to the Environmental Stewardship schemes, which attract separate funding, require land to be recorded on the Rural Land Register. Mr Y's complaint was representative of these complaints.

- 11 In 2005 the Rural Development Service, part of Defra, administered the Environmental Stewardship schemes. It became part of Natural England, a new non-departmental public body, in October 2006. It is not part of this investigation and I have included its actions here only to aid understanding of the background to the complaint.

Summary of my decisions about the complaints

- 12 I upheld Mr W's and Mr Y's complaints. I concluded that RPA had been maladministrative and that Mr W and Mr Y had suffered an injustice because of RPA's maladministration. This summary sets out the findings of maladministration and injustice that led me to my decisions on their complaints.

Maladministration

- 13 I made five general findings of maladministration (paragraphs 135 to 142).
- RPA did not meet the legal obligation to determine entitlements by 31 December 2005 and did not reveal the true extent of the 2005 Scheme problems until March 2006. Those failings represented a serious shortfall against the Ombudsman's Principles of *getting it right* and *being open and accountable*, which amounted to maladministration.
 - Defra and RPA failed to heed the warning information from their own systems and from the Office of Government Commerce about the payment timetable from summer 2005 onwards and they

failed to alert farmers. Those failures represented serious shortfalls against the Ombudsman's Principles of *getting it right* and *being customer focused*.

- RPA's and Defra's public statements in early 2006 failed to recognise the internal concerns they had. That was a failure to *be open and accountable* or *customer focused* and continued the earlier failures to *get it right*.
- On 30 January 2006 Defra officials and Ministers considered RPA's position, and the next action they should take. The 'best case' scenario was 70% of payments made by the end of March 2006. Defra decided to tell Parliament that RPA would make the 'bulk' of payments by the end of March 2006. This was a failure to *get it right*, or to *be open and accountable*.
- RPA was the only body in a position to estimate how much more digital mapping work it would have for the 2005 Scheme. Its planning for the mapping process fell far short of *getting it right*.

Mr W's specific complaint

- ¹⁴ I made three findings of maladministration specific to RPA's dealings with Mr W (paragraph 143). These findings reflected RPA's serious failures to *get it right*, *be customer focused* or *be open and accountable* with Mr W.
- RPA issued Mr W's entitlement statement ten months after the legal deadline for determining entitlements and four months after the deadline for making 96.14% of payments.

- RPA mishandled Mr W's application.
- RPA misdirected Mr W about the likely timing of his payment.

¹⁵ I identified four types of injustice sustained by Mr W. In making my findings about injustice, I decided that the actual financial loss was best considered in the round rather than precisely calibrated, because the issues were not clear-cut (paragraph 147). Mr W's 2005 Single Payment, when he received it, was worth £40,000.

- He lost the opportunity to plan his affairs with adequate information to hand.
- Worry about his Single Payment caused him stress and heartache.
- He incurred costs, for example some bank interest, that he would otherwise have avoided.
- He let go investment opportunities and postponed repairs, because he did not have access to funds when he needed it.

Mr Y's specific complaint

¹⁶ I made three findings of maladministration specific to RPA's dealings with Mr Y (paragraph 144). These findings reflected RPA's prolonged failure to *get it right* or to *be customer focused* with Mr Y.

- From early 2005 until January 2007 Mr Y had repeated difficulty in resolving errors on the digitised maps of his farm.
- Communication with RPA was confusing for Mr Y.

- Map changes agreed with RPA were missing from Mr Y's Stewardship Scheme application pack.

17 I identified four types of injustice sustained by Mr Y. As in Mr W's case, in making my findings about injustice, I decided that the actual financial loss was best considered in the round rather than precisely calibrated, again because the issues were not clear-cut (paragraph 147). Mr Y's Single Payment, when he received it, was worth over £85,000. He had also expected to receive £17,000 a year in funding from the Environmental Stewardship Scheme.

- He lost the opportunity to plan his affairs with adequate information to hand.
- He suffered unnecessary anxiety and trouble.
- He incurred costs, for example some staff costs and professional fees, that he would otherwise have avoided.
- He let go opportunities and sold crops early, accepting a lower price than usual, because he did not have access to funds when he needed it.

Summary of the injustice

18 As I have summarised here, and set out in more detail in paragraphs 146 to 164, Mr W and Mr Y each lost the opportunity to plan their affairs with adequate information to hand. Each suffered unnecessary trouble and anxiety as they tried to establish the facts about their cases and how RPA would put things right. Each also sustained a financial loss in consequence of RPA's maladministration.

Remedy

19 I have made five recommendations for putting right the injustice sustained by Mr W and Mr Y and any similar injustice sustained by the other complainants listed in Annex B.

- My **first recommendation** is that the Chief Executive of RPA should send Mr W a personal, written apology which acknowledges the maladministration that occurred in his case and the injustice that resulted. This should be sent to Mr W within one month of the date of this report.
- My **second recommendation** is that RPA should pay Mr W £3,500, within two months of the date of this report, in recognition of the stress, heartache, effect on his ability to make informed decisions and the cumulative financial impact that flowed from its maladministration.
- My **third recommendation** is that the Chief Executive of RPA should send Mr Y a personal, written apology acknowledging the maladministration that occurred in his case and the injustice that resulted. This should be sent to Mr Y within one month of the date of this report.
- My **fourth recommendation** is that RPA should pay Mr Y £5,500, within two months of the date of this report, in recognition of the anxiety, inconvenience, effect on his ability to make informed decisions and the cumulative financial impact that flowed from its maladministration.

- My **fifth recommendation** is that RPA should carefully and critically review the complaints made by the 22 individuals listed in Annex B (whose details we will give to RPA) and identify where administrative errors have led to unremedied injustice. In doing so, it should keep in mind the general findings I have made in this report about the administration of the scheme and also the *Ombudsman's Principles*. RPA should then provide any individuals who it finds have sustained such injustice with an appropriate remedy (financial or otherwise), being guided by the *Principles for Remedy* and the recommendations I have made in this report. RPA should complete this work within three months of the date of this report and inform my Office of the outcome on each case.

The investigation – how we set about our work on these complaints

²⁰ In the course of the investigation we have made enquiries of Defra and RPA, examined their relevant files and visited an RPA office to gather background information. My officers visited Mr W and Mr Y to talk to them about their complaints, and we have considered the papers they supplied. We have taken account of the reports on RPA's implementation of the Single Payment Scheme published by the House of Commons Environmental, Food and Rural Affairs Select Committee, the National Audit Office and the House of Commons Public Accounts Committee. We shared drafts of this report with Defra, RPA, Mr W and Mr Y in 2008 and again, after substantial revision, in 2009. I also met the Permanent Secretary of Defra and her officials in 2008 and discussed with them my draft findings

and recommendations. In reaching my findings, I have taken account of the comments we have received. I have not included all the information found during the course of the investigation but I am satisfied that I have not omitted anything of significance to the complaint and my findings.

My role and remit

- ²¹ My role is determined by the *Parliamentary Commissioner Act 1967* (the 1967 Act), which enables me to investigate action taken by or on behalf of bodies within my jurisdiction in the exercise of their administrative functions. Complaints are referred to me by a Member of Parliament on behalf of a member of the public who claims to have suffered injustice in consequence of maladministration in connection with the action so taken.
- ²² When deciding whether I should investigate any individual complaint I have to satisfy myself, first, that the body or bodies complained about are within my jurisdiction. Such bodies are listed in Schedules 2 and 4 to the 1967 Act. Secondly, I must also be satisfied that the actions complained about were taken in the exercise of that body's administrative functions and are not matters that I am precluded from investigating by the terms of Schedule 3 to the 1967 Act, which lists the matters over which I have no jurisdiction. Mr W's and Mr Y's complaints were directed at RPA, as the agency responsible for administration of the Single Payment Scheme. RPA is an executive agency of Defra, which is listed in Schedule 2 to the 1967 Act, and so it and its executive agencies are within my jurisdiction. Mr W and Mr Y complained about administrative functions, which are also within my jurisdiction.

23 My approach when I conduct an investigation is to consider whether or not there is evidence to show that maladministration has occurred that has led to an injustice. If there is an unremedied injustice, I will recommend that the public body in question provides the complainant with an appropriate remedy (in line with my *Principles for Remedy*). My recommendations may take a number of forms such as asking the body to issue an apology, or to consider making an award for any financial loss, inconvenience or worry caused. I may also recommend that the body in question reviews its practice to ensure that similar failings do not occur.

Section 2: the basis for my determination of the complaints

Introduction – establishing the overall standard

- 24 Comparing what actually happened with what should have happened is generally my starting point for determining whether or not a person has sustained injustice because of maladministration. I need to establish the facts relevant to the complaint. I also need to establish a clear understanding of the standards which governed the exercise of the administrative functions of the bodies and individuals whose actions are the subject of the complaint, at the time the events complained about occurred. This means understanding both the general standard and the specific standards for the circumstances of the case. I call this establishing the overall standard.
- 25 The general standard comes from general principles of good administration and, where applicable, of public law. The specific standards come from the legal, policy and administrative framework relevant to the events in question.
- 26 Having established the overall standard I then assess the facts in accordance with the standard. Specifically, I assess whether or not an act or omission on the part of the body or individual complained about constitutes a departure from the applicable standard. If so, I then assess whether, in all the circumstances, that act or omission falls so far short of the applicable standard as to constitute maladministration.
- 27 The general and specific standards which I have applied to this investigation are set out below.

The general standard – the Ombudsman's Principles

- 28 In February 2009 I republished my *Principles of Good Administration*, *Principles of Good Complaint Handling* and *Principles for Remedy*. These are broad statements of what I consider public bodies should do to deliver good administration and customer service, and how they should respond when things go wrong. The Principles are based on over 40 years' experience of investigating complaints, built up since my Office was established in 1967, and derived from the practical processes of our casework.
- 29 The same six key Principles apply to each of the three documents. These six Principles are:
- Getting it right
 - Being customer focused
 - Being open and accountable
 - Acting fairly and proportionately
 - Putting things right, and
 - Seeking continuous improvement.
- 30 Three of the Principles of Good Administration are particularly relevant to this complaint: *getting it right*, *being customer focused* and *being open and accountable*.
- 31 Among other things, *getting it right* means providing effective services with appropriately trained and competent staff. Public bodies should plan carefully when introducing new policies and procedures. Where public bodies are subject to statutory duties, published service standards or both, they should plan and prioritise their resources to meet them. They should take reasonable decisions based on all relevant considerations, ignoring irrelevant ones and balancing the evidence appropriately.

- 32 *Being customer focused* is about ensuring that customers are clear about their entitlements; about what they can and cannot expect from the public body; and about their own responsibilities. It is also about public bodies meeting their commitments. They should meet their published service standards or let customers know if they cannot.
- 33 *Being open and accountable* entails making public administration transparent and handling information as openly as the law allows. It is about giving people information that is clear, accurate, complete, relevant and timely, and being open and truthful in accounting for decisions and actions. They should take responsibility for the actions of their staff.
- 34 *Acting fairly and proportionately* is the Principle of Good Complaint Handling that I found particularly relevant to this complaint. It entails avoiding a rigid, process-driven, 'one size fits all' approach to complaint handling and ensuring that the response to an individual complaint is proportionate to the circumstances. By that, I mean taking into account the seriousness of the issues raised, the effect on the complainant and whether any others may have suffered injustice as a result of the same problem.
- 35 *Putting things right* is relevant to this complaint as a Principle for Remedy. *Putting things right* entails considering fully and seriously all forms of remedy, such as an apology, an explanation, remedial action or financial compensation. It means, if possible, returning the complainant and, where appropriate, others who have suffered similar injustice, to the position they would have been in if the maladministration had not occurred. If that is not possible, it means compensating the complainant and others appropriately. There are no automatic or routine remedies for injustice resulting from maladministration.
- 36 Remedies may be financial or non-financial, and may include an apology or explanation; remedial action (such as reviewing or changing a decision on the service given, revising published material); a revision of procedures to prevent the same thing from happening again; or financial compensation for direct or indirect financial loss, loss of opportunity, inconvenience, distress, or any combination of these. Remedies may also need to take account of injustice that results from pursuing the complaint, as well as the original dispute.
- 37 The *Principles for Remedy* also recognises that, in considering a remedy, it is reasonable for a public body to take into account any way in which the complainant has contributed to, or prolonged, the injustice.
- 38 Payments for financial loss should be calculated by looking at how much the complainant has demonstrably lost or what extra costs they incurred. In addition, and as described in the *Principles for Remedy*, an appropriate interest rate should be applied to payments for financial loss, aimed at restoring complainants to the position they would have been in had the maladministration not occurred. As a general principle, and if there is not a good reason to use another rate, I recommend using the rate specified in the rules for the relevant courts.

Rural Payments Agency and Common Agricultural Policy reform – the history

³⁹ RPA, set up in **October 2001**, is England's paying agency for the Common Agricultural Policy (CAP) schemes. The Chief Executive of RPA reports to the Defra Secretary of State and Permanent Secretary. In **June 2003** the European Union (EU) started a fundamental reform of the CAP and RPA was responsible for implementing CAP reform in England. It made the reforms the focus of its own 'change programme' which it had begun in 2001.

⁴⁰ The Single Payment Scheme was part of the CAP reform. It brought several EU agricultural support schemes into one. By **January 2004** it had been decided that the agriculture departments in England, Scotland, Wales and Northern Ireland would each implement the Single Payment Scheme in their own parts of the United Kingdom. In England Defra Ministers decided to use the dynamic hybrid model and implement the scheme from the earliest possible date of 1 January 2005. Dynamic hybrid meant it would base early payments on historical payment levels, which had been based on production. Payments would move gradually to being based on land area.

⁴¹ The National Audit Office report published in **October 2006**, *The Delays in Administering the 2005 Single Payment Scheme in England*, explained what RPA intended to achieve:

'From its inception in 2001 the Agency [RPA] had embarked on a business change programme to improve efficiency but had to revise its approach in November 2003 to include the development of the single payment scheme which then became the key element of business change. The way the

scheme was implemented was designed to achieve efficiency savings by enabling staff in different offices to work on any tasks relating to any claim, rather than for the same individual or small team to process a whole claim from end to end. The Agency [RPA] anticipated that this "task based" approach would enable faster processing and improve staffing flexibility.'

The specific standard – Rural Payments Agency and the 2005 Single Payment Scheme

⁴² I set out here the administrative and legislative background to RPA's implementation of the Single Payment Scheme. It is the specific standard for this investigation. The dates in bold refer to the relevant part of the chronology in Annex A.

The statutory timetable

⁴³ EU legislation sets out the terms of the Single Payment Scheme. The legal framework derives from Council Regulation 1782/2003. In particular, article 28 of the Regulation provides: '*Payments shall be made once a year within the period from 1 December to 30 June of the following calendar year*'. For the 2005 Single Payment Scheme, this meant a payment window of 1 December 2005 to 30 June 2006. Commission Regulations provide the detailed rules for the implementation of the Regulation.

44 An **entitlement** is a right to a payment under the Single Payment Scheme. A definitive entitlement is the basis for future claims and is an asset that can be traded or used to secure loans. Among other things, Commission Regulation 795/2004 sets the regulatory deadline for establishing definitive scheme entitlements. Paragraph 3 of article 38 provides:

'The value and number of the payment entitlements allocated on the basis of the farmers' declarations for the establishment of the payment entitlements in the first year of application of the single payment scheme shall be provisional. The definitive value and number shall be established, by 31 December of the first year of application of the single payment scheme at the latest, after the checks made pursuant to Commission Regulation (EC) No 796/2004 are carried out.'

The checks in Regulation 796/2004 are about ensuring that the rules for claiming aid are met. For example, they should identify multiple applications by the same farmer or for the same parcel of land.

45 There is a further statutory deadline for RPA to meet as a paying agency for EU aid. EU legislation for the financing of CAP has always provided that aid paid to farmers outside the predetermined payment periods will be treated as irregular and will be subject to disallowance. In practice, disallowance means that the European Commission applies a penalty and reduces the amount of aid it reimburses to Member States. A sliding scale sets the amount of the disallowance, according to the seriousness of the irregularity.

46 The requirement is, in effect, to make 96.14% of the year's Single Payment Scheme payments on time, that is, by 30 June of the following calendar year. The preamble to Council Regulation 1290/2005 says:

'Community aid should be paid to beneficiaries in good time so that they may use it efficiently. A failure by the Member States to comply with the payment deadlines laid down in Community legislation could create serious difficulties for the beneficiaries and could jeopardise the Community yearly budgeting. Therefore, expenditure made without respecting deadlines for payments should be excluded from Community financing. In order to respect the principle of proportionality, the Commission should be able to provide for exceptions to this general rule.'

Article 16 of the Regulation provides:

'Where payment deadlines are laid down by Community legislation, any overrun of those deadlines by the paying agencies shall make the payments ineligible for Community financing, except in the cases, conditions and limits determined, according to the principle of proportionality.'

The current position is governed by Commission Regulation 883/2006, which gives the percentage of aid that may be left unpaid by the deadline and the penalties that underpayment will incur.

Rural Payments Agency's targets and customer service standards

⁴⁷ RPA's 2004-05 business plan, published in **March 2004**, included some targets. Three targets given in the plan were that RPA would 'process and pay CAP claims on time, specifically to avoid any financial correction for late payments'; and 'process and pay at least 96.14% of valid IACS³ claims by value within the EU deadline'; and 'process and pay at least 98.5% of valid claims correctly'. There was also a commitment in the plan, from the then Chief Executive, that RPA would continue to meet its normal targets and maintain continuity in the service it gave its customers.

⁴⁸ In **March 2006** RPA published an updated version of its leaflet *Our commitment to good customer service*. It set out RPA's service standards in similar form to previous editions of the document. Under the heading 'The service you can expect', the leaflet said:

'We are committed to providing a consistently high standard of service. We aim to make sure that you are dealt with quickly, politely and professionally at all times. We publish our performance targets in our Business Plan, and details of how we are performing are given in our Annual Report and accounts...'

The service standards set out in the leaflet included the following:

- when dealing with telephone calls, 'we will make sure that we deal with your call quickly, politely and professionally';

- 'we will make sure the information we give you is understandable, up to date, and correct';
- when dealing with letters, 'we will provide a full reply to letters within 15 working days of the day we receive them or, if this is not possible, we will tell you the reason for the delay';
- when dealing with emails, 'we will confirm that we have received your email within one working day. We will then send you a reply within 15 working days or, if this is not possible, we will tell you the reason for the delay';
- 'we will use our website... to publicise our services and provide the latest information as quickly as possible'; and
- 'we are committed to paying claims within set times each year'.

⁴⁹ The leaflet also explained that RPA was 'dedicated to meeting the needs of our customers. We will offer you choice in the way you can contact us and will make sure that the information we provide is easy to understand'.

⁵⁰ In **May 2005** the Secretary of State set out RPA's targets for 2005-06. They included starting Single Payment Scheme payments 'by February 2006'; processing and paying 96% of valid claims by 31 March 2006; and processing and paying valid claims with at least 98.5% accuracy.

³ The Integrated Administration and Control System, set up by the EU in 1992, is a database. A very simple definition of its purpose is that it allows the EU to track, and to some extent cross-reference, claims for and payments of EU agricultural aid.

Rural Payments Agency's messages to farmers, Parliament and the public

- 51 In **May 2004**, a letter to farmers and growers in England from Lord Whitty, then the Minister for Food, Farming and Sustainable Energy, included an annex of key dates which gave autumn 2005 as the date that RPA would '*advise applicants of their entitlement amounts*' and said RPA's objective was '*to make payments as early as possible within*' the payment window of 1 December 2005 to 30 June 2006. Two RPA leaflets about the Single Payment Scheme, published in **July** and **November 2004**, said that RPA would send out information about entitlements in August 2005.
- 52 Ministers had expected RPA to be able to make Single Payment Scheme payments from 1 December 2005, according to what Defra's Director General for Sustainable Farming, Food and Fisheries had told Defra's management board in **June 2004**, but in **January 2005** RPA announced that it would start making payments in February 2006. It said that was '*the earliest date to which farmers, their advisers and banks should plan*'.
- 53 In **February 2005** RPA published the *Single Payment Scheme Handbook and Guidance for England 2005*. It explained the payment window but did not mention the timetable for payment. A leaflet published by RPA the same month said '*...RPA have announced that the most probable date for payments to start is February 2006. During autumn 2005, once all claims have been processed and validated, we will let you know the probable value of your entitlement*'. Later the same month the *Financial Times* reported that the Defra Secretary of State had told the National Farmers Union (NFU) conference that she was '*bloody livid*' at the delay to the planned start of scheme payments until February 2006. In **April 2005** a Defra Minister responded to a question about arrangements for interim payments if there were delays in implementing the Single Payment Scheme. He said '*The Rural Payments Agency has announced that it expects to begin payments under the single payment scheme in February 2006, well before the deadline of 30 June 2006 set in EU legislation. The Government are considering what action can be taken to improve on this position or to help in other ways*'. At this point, **April 2005**, RPA still expected to send out information about the value of Single Payment Scheme entitlements in autumn 2005. Applications for the 2005 scheme closed in **May 2005** and RPA said the 116,322 applications received included claims from about 20,000 new customers.
- 54 In **July 2005** an article in the *Farmers Guardian*, titled *No payment window slip*, said '*Food and Farming Minister Lord Bach has refuted NFU claims that the Single Payment Scheme window has slipped again, from February to March*'. RPA's *Annual Report and Accounts 2004-05*, also published in **July 2005**, included its aims and objectives. It said RPA would aim to '*deliver a high quality service that is responsive to the needs of its customers and operates as economically, efficiently and effectively as possible, in accordance with EU accreditation requirements and policies laid down by the Secretary of State*'. It also said RPA was focused on meeting its customers' needs, which means the '*timely and accurate payment of claims, good communication, involving customers in the development of our business and dealing fairly with complaints*'. It said that in 2004-05 RPA had met all its customer-facing targets.

- 55 In **October 2005** Defra issued a press statement titled *Defra takes further action to ensure payments to farmers in February 2006*. Among other things, it said RPA would tell farmers their definitive Single Payment Scheme entitlements as early as possible in 2006, instead of issuing provisional entitlements in the autumn of 2005. Also in October, the then Chief Executive of RPA told the NFU that RPA was on course to begin payments in February 2006 and that most would be completed within three weeks of that. Later the same month the Secretary of State told the House of Commons that RPA remained on course to start payments in February 2006. RPA also updated its Single Payment Scheme information leaflet in October 2005. It said RPA remained committed and on target to start making scheme payments in February 2006. The leaflet said RPA would send out entitlement statements as early as possible in 2006. During **November** and **December 2005** the message from Defra was that RPA remained on course to start payments in February 2006 and to have made most payments by the end of March 2006.
- 56 In **January 2006** the Minister for Food and Farming told the Oxford Farming Conference that farmers '*can be assured that I am taking a close personal interest in ensuring that the commitment is kept, to start making payments in February with 96% made by the end of March...*'. The same Minister appeared before the House of Commons Environment, Food and Rural Affairs Select Committee a week after his speech in Oxford and faced questioning about the timetable for and nature of scheme payments. He said there would be a payment, full or partial, by the end of February 2006. He repeated that message in an interview with the *Farming Today* radio programme and, later in January 2006, rebutted the doubts about timing raised by the Select Committee's report. He repeated that payments would start in February and 96% would be made by the end of March, although he said it was possible that the payments would be partial payments. On **31 January 2006** Defra Ministers made a statement to both Houses of Parliament. It said RPA would establish definitive entitlements on 14 February 2006 and send those to farmers within two weeks of that date. It also said that payments on fully validated Single Payment Scheme applications would start before the end of February and RPA would make the 'bulk' of payments in March. It said the validation process would continue beyond March '*in the minority of cases where queries remain unresolved*'.
- 57 In early **February 2006** the Secretary of State acknowledged that the 'bulk of payments' meant less than 96%. A month later, in early **March 2006**, a Defra Minister said RPA remained on track to complete the bulk of payments by the end of March 2006. The Minister for Food and Farming told the *Farming Today* programme that Defra still expected the bulk of payments to be made by the end of March 2006. He asked farmers to be patient. On **16 March 2006** the Secretary of State announced that it was no longer possible to make the bulk of scheme payments by the end of March 2006.

The Rural Land Register and the Environmental Stewardship schemes

58 The Rural Land Register, run by RPA, holds digitised maps of all registered land parcels. To be eligible for payments under the Single Payment Scheme or under one of the Environmental Stewardship schemes run by the Rural Development Service, a sister organisation of RPA (see paragraph 110 for more on the Environmental Stewardship schemes), land must be on the Rural Land Register. The report published in March 2007 by the House of Commons Environment, Food and Rural Affairs Select Committee, *The Rural Payments Agency and the implementation of the Single Payment Scheme*, summarised the task expected of the Rural Land Register:

'Digitised mapping of claimants' land parcels on which their area-based claims would be made was a fundamental part of the SPS [Single Payment Scheme] 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 Rural Land Register was also significant for work on the Environmental Stewardship schemes, as I explain in my account of Mr Y's experiences (paragraph 109 onwards).

What happened in practice: some snapshots

Snapshot: 12,000 calls in a day

'The RPA Customer Service Centre was opened on 14 February 2005 but was almost at once overwhelmed by the number of calls from claimants ... although the 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.'

Source: March 2007 report by the House of Commons Environment, Food and Rural Affairs (EFRA) Select Committee, *The Rural Payments Agency and the implementation of the Single Payment Scheme* (March 2007 EFRA report), paragraph 79.

Snapshot: repeated corrections

'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.'

Source: March 2007 EFRA report, paragraph 81.

Snapshot: a 1,000% increase

'The deadline for completed SPS [Single Payment Scheme] 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. ...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 was advantageous for them to do so, hence the large number of land changes. ... These higher than expected demands led to problems with the availability and stability of the RITA system [RPA's claims and payments computer system]...'

Source: March 2007 EFRA report, paragraph 86.

Snapshot: customer behaviour

'We had a mixture of people catching up with notifications and amendments to their land holding that they should probably have made under the old scheme and the incentive element of the new scheme, for example to the people with land that had not previously been covered, but also to existing claimants to maximise the areas of land and then there was customer behaviour ... The surprise was the scale of the work, as it were catching up with the historic backlog and the incentivisation effect, which was involved in sorting out the land.'

Source: the Defra Permanent Secretary's 15 May 2006 evidence to the House of Commons Environment, Food and Rural Affairs Select Committee.

Snapshot: increased stress

'RPA had paid 95% of the Single Payment Scheme payments by the end of June 2005 and 96% by the end of July. Most farmers had received some money by the end of June, but almost 9,000 [out of 116,000 claimants to the Single Payment Scheme] had received none. Research commissioned by the National Audit Office revealed the impact on farmers: 20% said delayed payments had been a source of increased stress; 5% said they had considered leaving farming; the problem had been particularly acute for farmers where the subsidy was a large proportion of their family income, such as hill farmers; a significant proportion of farmers had taken action to save or raise money because of the delay; and many farmers had postponed purchases or investments.'

Source: the National Audit Office report published in October 2006, *The Delays in Administering the 2005 Single Payment Scheme in England*.

Rural Payments Agency's targets and commitments, in summary

59 Let me spell out, in simple terms, what farmers and growers were entitled to by law; what I have concluded they could reasonably expect from the public statements made by Ministers and in statements from officials or on the Defra and RPA websites; and what they were told to expect by RPA's service standards.

- By law, farmers and growers were entitled to have their entitlements under the Single Payment Scheme established by 31 December 2005 and to receive their payments any time between 1 December 2005 and 30 June 2006.
- RPA's messages in its public statements were, at first, that farmers and growers should expect entitlement statements in autumn 2005. That changed, from October 2005, to a message that RPA would send out entitlement statements early in 2006. RPA's early message on payment was that it would make payments as soon as possible in the payment window of 1 December 2005 to 30 June 2006. That changed in January 2005 to the message that payments would start in February 2006. RPA's business target was to make 96% of payments by 31 March 2006, three months earlier than the target set for it by EU legislation. Those dates were used until 16 March 2006.
- RPA's published targets and service standards said, among other things, that it would continue to meet its normal targets; it would reply in full to letters and emails within 15 working days or tell customers the reason for the delay; it would make sure the information it gave people was understandable, up to date and correct; and it would pay within set times each year.

Section 3: my findings of fact about Rural Payments Agency, the 2005 Single Payment Scheme and the Rural Land Register

- 60 Having considered all the evidence set out in my chronology in Annex A, including the information set out above, I have drawn twelve principal facts from it.
- 61 My first finding of fact about the general administration of the scheme is that **RPA recognised that scheme payments (and evidence that a farmer would be receiving such payments) were important to farmers.**
- 62 The payments (and evidence of entitlement to them) formed a central part both of the financial and business planning of farmers and of their income. They were critical in helping farmers to obtain new or continued credit from banks, landlords or suppliers. Delays in making payments (or in providing evidence that such would be forthcoming) were known to threaten the livelihoods and wellbeing of farmers. For example, the two submissions made to Defra Ministers by RPA officials on 30 September 2005 recognised all this.
- 63 My second finding of fact is that, **before implementation of the Single Payment Scheme, farmers had had reason to expect a reasonably good level of service from RPA** as regards the payment of subsidies.
- 64 Specifically, farmers were used to receiving such payments close to the beginning of the payment window for each of the individual schemes which preceded (and which were replaced by) the new scheme. This is clear, for example, from the evidence contained within the National Audit Office's October 2006 report on the administration of the scheme and from evidence given to the Parliamentary Select Committees.
- 65 My third finding of fact is that **RPA had significant difficulties in mapping the land of potential applicants to the scheme.** Mapping was a necessary part of making a valid application to the Single Payment Scheme and to the Environmental Stewardship schemes. The stewardship schemes were the responsibility of the Rural Development Service, but RPA's role was critical for potential claimants.
- 66 In March 2005 the NFU had raised concerns about backlogs in land registration on RPA's Rural Land Register. In October 2006 the Permanent Secretary of Defra acknowledged and summarised the mapping difficulties during her evidence about the administration of the Single Payment Scheme to the House of Commons Committee of Public Accounts. In response to a question about why there had been so many problems, she said: *'As the National Audit Office Report highlights, problems with the mapping were probably one of the key challenges. There was a vast increase in the number of mapping changes, which had either not been previously reported or were produced — incentivised — by the new scheme'*.
- 67 My fourth finding of fact is that **RPA had originally hoped to make scheme payments at the beginning of the payment window in December 2005 but it was decided instead that payments would not commence until February 2006.** An RPA announcement of 19 January 2005 said RPA would start making payments for the 2005 scheme year in February 2006. An RPA spokesman told the *Farmers Guardian*, for a story about that announcement, that the intention had been to start making payments soon after 1 December, but *'one or two delays had caused that date to slip a bit'*.

- 68 My fifth finding of fact is that **RPA had formal business plan targets about the timing of scheme payments** – which were never amended and were not met. Those targets were announced in Parliament on 18 May 2005 and publicised widely – and were that RPA would make 96% of scheme payments before the end of March 2006 and that it would do so accurately in at least 98.5% of cases.
- 69 These precise commitments contrasted markedly with the previous payment targets which were broader and merely reflected the EU regulatory requirements, which were that 96.14% of payments would be made by the end of the relevant payment window.
- 70 My sixth finding of fact is that, **from summer 2005 onwards, RPA had good reason to believe that it would not deliver on its public commitments about the timing of scheme payments** – with the grounds for doubts growing over time. Defra said, as part of its response to a draft of this report, that the expectation remained throughout that RPA's targets would be met. It said that, rather than grounds for doubt growing, it was the case that concerns arose and receded as individual problems were dealt with. I think the evidence tells a different story.
- 71 As can be seen from the chronology of events in Annex A, RPA's own internal risk assessment about the schedule for the work to be done to implement the scheme was 'red' as at 23 June 2005. An external assessment by the Office of Government Commerce made in the same month explained that:
- '... 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... would require a very fair wind to succeed. And recent experience suggests that there will be much bad weather to cope with.'*
- 72 A later assessment by the Office of Government Commerce in September 2005 gave RPA only a 'reasonable chance' of making all payments by the end of the scheme window on 30 June 2006. Defra commented that, closer to the target payment date, the Office of Government Commerce assessments were more favourable. I am not persuaded that this is a reason to change my finding of fact. As I see it, the evidence in front of RPA always gave it grounds for doubt.
- 73 An internal RPA email dated 5 October 2005 recorded the outcome of a meeting held with Defra Ministers the previous day, at which RPA had explained that the establishment of definitive entitlements – a prerequisite for making payments under the scheme – was not projected to occur until 23 February 2006.
- 74 The entries in my chronology for **18 October 2005, 17 November 2005 and 15 December 2005** show that the internal RPA risk assessment about the payment schedule was 'red' throughout this period.

- 75 My seventh finding of fact is that **RPA failed to meet the statutory deadline for determining the entitlements of potential applicants to the scheme.**
- 76 Article 38(3) of European Commission Regulation 795/2004 provided that the definitive value and number of payment entitlements should be established by 31 December 2005 at the latest.
- 77 Yet, as can be seen from the chronology of events in Annex A, RPA did not begin to definitively determine such entitlements until 14 February 2006, which it confirmed to my staff during the investigation. RPA also told my staff that the UK did not secure a derogation which would have relieved it from performing the statutory requirement to establish definitive entitlements by 31 December 2005.
- 78 My eighth finding of fact is that through 2005 and into 2006 **RPA continued to make promises that payments would begin to be made in February 2006 and that 96% of payments would be made before the end of March 2006 when the evidence in front of Ministers and officials showed, increasingly, that RPA was unlikely to keep those promises.**
- 79 Defra has said that it does not agree that the evidence pointed to the targets not being met. It has also commented that, although Ministers later used ‘promises’ as shorthand when referring to targets, they deliberately did not present RPA’s targets as ‘promises’ at the time. I do not accept Defra’s view of the evidence about the likelihood of meeting the targets, or its distinction between the meaning of ‘promises’ and ‘targets’ to Defra and the generally understood meaning of those words.
- 80 A press notice issued on 14 July 2005 – at a time when, as noted above (paragraph 71), RPA’s internal risk assessment about the schedule was ‘red’ – confirmed that the business plan targets would be met. This message – that RPA was ‘on course’ – was also endorsed at stakeholder meetings, such as the meeting of the NFU Council on 10 October 2005 and in Parliamentary answers given during October, November and December 2005. This was despite the doubts, outlined above, which existed internally at the time.
- 81 The administration of the scheme was based on the completion of tasks. As can be seen from the chronology of events, regular briefing by RPA to Defra Ministers explained progress in resolving outstanding tasks. Throughout the period during which the ‘on course’ message was being publicly conveyed, the evidence before RPA and Defra showed that little, if any, progress was being made in clearing these remaining tasks. The number of such tasks is set out in the table below. The total number of validation tasks was growing over time – from just under 500,000 towards the end of November 2005, to 631,000 a month later, to 712,000 by 27 January 2006. Progress to clear tasks was also slow. Until the end of February 2006, there were always more than a quarter of a million tasks which RPA **had not even begun to address**, and often considerably more – with 440,000 as at 21 November 2005, 484,000 at 21 December 2005, and 497,000 at the beginning of 2006.

2005 Single Payment Scheme – outstanding validation tasks

Date of update (see relevant chronology entry)	Effective date of report	Total number of tasks	Approximate number of tasks neither cleared nor already underway
23/11/05	21/11/05	<i>'just short of 500,000'</i>	440,000
30/11/05	28/11/05	522,000	443,000
07/12/05	05/12/05	527,000	436,000
15/12/05	13/12/05	562,000	433,000
22/12/05	21/12/05	631,000	484,000
06/01/06	Not known	662,000	497,000
13/01/06	11/01/06	687,000	379,000
18/01/06	17/01/06	708,000	362,000
27/01/06	25/01/06	712,000	328,000
01/02/06	31/01/06	713,000	301,000
09/02/06	07/02/06	731,000	282,000
15/02/06	13/02/06	c. 796,000	247,000
23/02/06	21/02/06	c. 807,000	242,000
07/03/06	06/03/06	c. 802,000	188,000

Source: compiled by the Ombudsman's Office from the briefings to Ministers from the Chief Executive of RPA, detailed in the chronology in Annex A.

82 And yet positive messages continued to be given, for example, by the Defra Minister at the Oxford Farming Conference on 4 January 2006 and before the House of Commons Environment, Food and Rural Affairs Select Committee on 11 January 2006. Even when internal briefing on 18 January 2006 gave further reason to doubt progress, media appearances by the Minister the following day continued to give assurance that the timetable remained valid. On 31 January 2006 a statement to Parliament confirmed that the 'bulk of payments' would be made by the end of March 2006. The announcement reflected advice from officials which said that, at best, RPA would make 70% of payments by then. RPA's target was to make 96% of payments by the end of March.

83 My ninth finding of fact is that **Defra and RPA rejected criticisms by a Parliamentary Select Committee which raised doubts about whether RPA would deliver against its public payment timetable.**

84 Ministers decided on 30 January 2006 to make an announcement the following day which dismissed the doubts expressed by the House of Commons Environment, Food and Rural Affairs Select Committee in its report published on 24 January 2006 and which re-committed RPA to meeting the payment timetable it had publicly announced.

- 85 This was in spite of the doubts about progress outlined above and RPA's failure to meet the statutory deadline for the determination of establishments. This was also in spite of internal recognition on 18 January 2006 that RPA would not be able to validate all claims by the middle of February 2006. Defra has commented that it had been evident from its announcement of January 2005, when it said payments would start in February 2006 instead of December 2005, that the 31 December date for establishing entitlements would not be met. I disagree. That may have been evident to RPA and Defra. It was not evident to others, particularly in the context of Defra's assertion about being otherwise on course.
- 86 My tenth finding of fact is that **farmers only discovered on 16 March 2006 that RPA would not meet the payments timetable** when it was announced that the Chief Executive of RPA had been removed from his post and that payment by the regulatory payment deadline of 30 June 2006 could not be guaranteed. This contrasted with the public messages which had been given up until 10 March 2006 that RPA remained on track to make 'the bulk' of the payments by the end of that month.
- 87 My eleventh finding of fact is that **Defra and RPA have apologised for these failures, recognising the adverse impact on farmers, and also accepted that their public assurances about the timing of scheme payments had constituted promises which had been broken.**
- 88 This can be seen, for example, from the statement in the House by the then Secretary of State on 22 June 2006 and from media appearances by other Ministers (such as on 23 June 2006, 25 October 2007, 5 November 2007, and 8 November 2007). Defra has commented that when Ministers referred to 'promises', they were using that as shorthand. As I have said in paragraph 79 above, I am not persuaded by this argument.
- 89 My final finding of fact is that **Defra and RPA took a number of steps to remedy for the future the systemic failings which occurred in their administration of the scheme but have not provided any remedy for the other adverse consequences of those failings** beyond a general apology and the payment of interest on those payments which were made after the end of the scheme payment window.

Section 4: the key facts of Mr W's complaint – problems with the Single Payment Scheme

- ⁹⁰ Mr W and his wife farm about 700 acres (roughly 283 hectares) in North Yorkshire. They took the farm over from his father in the 1960s and run it with their son and daughter-in-law. They are tenant farmers. They grow cereals, have some permanent grassland and also have breeding sheep and suckler cows. Mr W's daughter-in-law also runs a free-range egg business.
- ⁹¹ Mr W's early dealings with RPA about the Single Payment Scheme went well. In August 2004 RPA sent him an 'Information Statement for the Single Payment Scheme'. It set out details of the animals and the area of land covered by payments under the previous aid schemes in 2000, 2001 and 2002. RPA has told us that in the same month, after a small amendment, Mr W agreed that the statement was right. On 4 May 2005 RPA received his Single Payment Scheme application for 2005.

Mapping problems begin

- ⁹² Six months later, in November 2005, RPA told Mr W that ten parcels of land covered by his claim were not on the Rural Land Register (paragraph 58). It asked for a map showing the fields' location. The letter said: *'the processing of your claim cannot progress until we have this information'*, and that it needed the information within seven days of receipt of the letter. Within a week Mr W's son had sent RPA the maps it needed. He told RPA that two of the field numbers had been amalgamated and that another field number, NZ 8712 6815, was not part of the farm's claim – he said it was possible it had been mistaken for a field with a similar reference number, NZ 5712 6815. In December RPA sent Mr W a letter confirming that it had corrected the amalgamated field numbers.
- ⁹³ In January 2006 RPA sent Mr W two further letters about mapping, including a duplicate of a letter it had sent him in December 2005. The only explanation for that in RPA's papers is a note in RPA's files made at the time by a caseworker. He said: *'Someone had picked that task [see paragraph 81] and hadn't completed it. So I picked it again and did the rest of the things'*. At the end of January 2006 Mr W asked how he could access information from RPA's website about how much his payment would be. RPA told him there was no facility to do that because it had still to establish definitive payments.

Contradictory information

- ⁹⁴ Early in February 2006 RPA wrote to Mr W again, querying the location of fields. Nine of the ten fields it queried were the same fields queried in November 2005 and one of them was field number NZ 8712 6815 – not part of Mr W's claim, as his son had explained in November. Mr W's son contacted RPA. In a telephone call, it told him to ignore the letter. He wrote to RPA the same day saying: *'At this late stage it is very distressing and worrying to still be getting the same queries as three months ago'*. His letter said: *'We are told payments are due to start next week, is all this confusion liable to delay my payment further? We have always answered all questions promptly, please can you give me some answers quickly to reduce the stress we are being put under, through no fault of [our] own'*. RPA's Rural Land Register maintenance unit replied, confirming that he should ignore their letter and saying that he had received his final set of maps. RPA has told us that, by mid-February 2006, it had established definitive 2005 Single Payment Scheme entitlements for farmers.

Rural Payments Agency says most statements and payments due by the end of March 2006

- 95 In the first week of March 2006 RPA asked Mr W for more information to support his 2005 Single Payment Scheme application. Ten days later, in mid-March 2006, Mr W's son telephoned RPA to ask about the farm's entitlement statement. This telephone call was the start of frequent contact between the Ws and RPA. RPA told Mr W that it planned to issue most statements and make most payments by the end of March, but it could not guarantee when they would receive their payment. Mr W called the same day. This time RPA told him it would get the entitlement statement sent out to him. The next day, 16 March, RPA noted that it had sent an 'entitlement statement request'. On 17 March, when Mr W telephoned to ask for an update, RPA's system showed that it had requested a statement. The official told him that the statement might be on its way but, given his concerns, they requested another. RPA told him to contact it again if he had not received the statement by 21 March 2006.
- 96 Mr W had expected to receive his entitlement statement by 31 December 2005, because that was the date given in the European Commission regulations. He has said that what he found most frustrating was that no one at RPA could tell him what the problem was and why he had not received his statement. He recognised that one particular RPA official was very helpful, but overall he had felt '*fobbed off*', lied to, and that RPA was looking to catch him out in some way.

Absence of an entitlement statement or payment

- 97 Mr W called RPA three times on 21 March 2006. He had not received his statement and he asked to speak to a manager. RPA made a fresh request (the third) for an entitlement statement – the official who took the first call recorded that, despite the notes made by colleagues, no request seemed to have been made. The manager established that her colleagues had received the statement request and would arrange to make Mr W's statement a priority. Mr W also told RPA that he had received another letter asking about field NZ 8712 6815 – the field that was not part of his claim, as the Ws had explained twice already. RPA established that it had received Mr W's response about field NZ 8712 6815 and agreed to follow that up with colleagues. But it was unable to give Mr W a confident response about his entitlement statement. Mr W has said that each time he or his son telephoned RPA, they found themselves speaking to different officers in different locations.
- 98 RPA's records show that Mr W telephoned again two days later. He explained he needed the statement in order to get credit from a feed supplier. He also mentioned a telephone call he had made to RPA the day before and asked for a response. RPA agreed to follow up his queries. We have seen no evidence of any follow-up action being taken. On the same day Mr W's son emailed RPA, asking for a written explanation of what had happened to the statement. His email said:

'Despite numerous phone calls to various departments that we have been passed to, no one has given us any answers as to why we are still without an entitlement statement. One [call] tells us all is in order, another tells us there are outstanding queries (when we questioned these we found these were things that had long since been clarified, and have a letter from yourselves to acknowledge that fact!), another told us it had already been posted out, today we are told it has not in fact been posted at all. We despair!! We can not seem to get to the bottom of this, on the telephone we never seem able to speak to anyone with any particular authority. Please can you give us some answers, you can imagine the stress this is placing on our family and the business.'

The email received an automated reply on the same day, with a commitment to respond within 15 working days. On 30 March 2006 RPA replied. It said that the request made for a statement on 21 March 2006 meant Mr W should receive his entitlement statement within the next few days, if it had not already arrived.

- 99 No statement arrived. On 6 April 2006 Mr W telephoned RPA again. The official who took his call asked colleagues to find out what had happened to the statement. She noted *'Mr W is struggling for money and has marital problems due to this and is very concerned that he needs money to feed his animals'*. Four days later he called again. RPA noted: *'He seems distressed as he rents the farm and feels he no longer can carry on [farming] ... His wife is no longer with him as she left last Friday [this proved to be only a temporary absence] and he has no money to pay his way. He really needs to know what he will be receiving so he can let his landlord know when he can pay his rent'*. RPA

attempted again to find out what had delayed the statement. The official emailed a colleague, asking for clarification. She explained Mr W's distress, adding that he owed a lot of money to his landlord. She also asked why a 'payment hold' flag was on Mr W's case when no action was outstanding on his claim. She said the system also held a rejected claim note for his case and she asked her colleague to investigate urgently. Also on 10 April 2006 the official telephoned Mr W and agreed to call him daily with updates.

Unexplained 'payment hold' flag

- 100 A 'payment hold' flag meant the claim had not been fully processed. RPA could not issue the payment until it finished the 'tasks' for the claim and removed the flag, although it could issue an entitlement statement. It has a list of the tasks for Mr W's 2005 Single Payment Scheme claim. It holds 28 tasks: 24 are about 'failed land cross checks' or 'land to be digitised'. The last date shown on the list is 24 March 2006. RPA has said that it holds no records of contact with Mr W about land parcels after 14 February 2006. (It does hold a copy of a letter to Mr W in June 2006, telling him that it had changed the classification of some land parcels for his 2005 claim.) We have seen no papers that explain the delay in issuing an entitlement statement.
- 101 Also on 10 April 2006 Mr W's son contacted RPA by email. Among other things, he said *'Have you any idea the pressure you are putting our business under? This is a family run partnership on tenanted land, hence no security for the bank with property assets etc'*. RPA's system sent an automated response with a list of answers to 'frequently asked questions'.

Anxiety about money due for payment to the bank and the landlord

- ¹⁰² Just over a week later, on 19 April 2006, Mr W telephoned asking for an update. (We have seen no record of whether or not RPA made the daily telephone calls agreed earlier in April 2006.) The official who took the call noted that Mr W's case was still being looked at. On 25 April 2006 the W family contacted RPA again. RPA noted that Mr W owed two months' rent and his landlord was unsympathetic. The official noted that she and colleagues were looking into Mr W's case. They were still seeking an explanation for the payment hold flag. Two days later the same RPA official telephoned Mr W. She told him she planned to send him a letter giving an estimate of his entitlements, subject to managers' approval. She noted that Mr W needed something to show the bank that some money was due to him as he was *'struggling to make ends meet'*. She requested, again, an entitlement statement for Mr W. The next day, 28 April 2006, the same official telephoned Mr W. She had decided a statement would be more useful to him than the letter. Her note of the call said *'He asked if it would be today as the weekend was a long one to get through ... He seemed quiet but not tearful today'*.
- ¹⁰³ Early in May 2006 RPA was still unable to trace the statement, but had established that it should remove the payment hold flag which an official had queried a month earlier. It arranged, again, to resend the statement. The next day, 4 May 2006, RPA decided it was able to send Mr W a *'letter of confirmation of his approximate entitlement'*. He asked RPA about partial payments, but it was unable to tell him any dates for payment. He said that he hoped the letter would relieve some of the pressure from his landlord and the bank. On 5 May 2006
- RPA wrote to Mr W, saying that it estimated his entitlement, calculated on his 'non-validated' statement, as being £46,777.74.
- ¹⁰⁴ A day later, on 5 May 2006, the RPA official looking after Mr W's case was asked for an update about it for senior management. Mr W had featured on a list as *'one of many not to have received an entitlement statement'* in a meeting with RPA's acting Chief Executive and a report on those delayed cases was going to the Minister.
- ¹⁰⁵ On 10 May 2006 Mr W received a partial payment and Mrs W telephoned the RPA official to thank her for her help. The note made by the official said *'She said on a personal note it could help them sort out their lives'*. RPA told us that the partial payment was £37,129.07. Later in May 2006 Mr W asked William Hague MP to refer his complaint to me.
- ¹⁰⁶ RPA's records show that it sent Mr W a statement on 5 October 2006. He did not receive it. Four days later, on 9 October 2006, he telephoned RPA to ask about the balance of his payment for 2005. The official noted that his claim was authorised and asked a colleague to find out about the payment. Mr W telephoned again two weeks later, on 18 October 2006. The official told him the payment had gone through. RPA has told us it paid him £7,219.44 on 19 October (making his total payment £44,348.51). In November 2006 RPA sent him £129.01 interest on the late payment.
- ¹⁰⁷ Mr W received his entitlement statement only in June 2007, after my Office's intervention. The statement RPA had issued in October 2006 had not reached him.

Mr W's comments: the effect of the 2005 Single Payment Scheme problems on Mr W and his family

¹⁰⁸ Mr W has described how he and his family dared not delay paying their rent for the farm (due twice a year), although they had not received their Single Payment Scheme payment and had no evidence to show their creditors of how much the payment would be. That caused them intense anxiety. That was demonstrated in their telephone calls to RPA, which mention Mrs W's decision to move out of the farm for a time. Their overdraft generally peaks in June when their largest bills fall due. In September 2005 they had taken out a bank loan of £15,000 (separate from the overdraft facility), and in November 2005 Mrs W had lent the farm business £5,000 of her own savings. Mr W has said that he and the family had become stressed and tired, had difficulty sleeping through worry and had come to dread receiving telephone calls and letters from RPA. They had seriously considered leaving farming. He has given these further details of how he believes the events of 2006 affected the farm.

- They sold 18 animals earlier than usual (in January, March and April 2006), at a cost they put at £200 a head, totalling £3,600.
- They were unable to afford to repair their fertiliser and straw spreaders or their hay turner. That required them to put in 184 extra hours of their own labour. They also believe their crop yields fell about 5% because of machinery problems.
- They were unable to replace their stock bull in December 2005 when they intended and as a result culled 9 animals in October 2006, which they would otherwise have expected to be in calf. They put the loss caused by that at £900, or £100 a head.
- Their free-range egg business started about a year late, losing a year's trading worth £38,000, because they could afford to buy a large flock only in mid-December 2006 (as they needed to place the order five months in advance).
- They decided against bidding for 18 acres of land (which was sold in March 2006) on which the farm had grazed animals for many years. They felt they could not take on additional debt without knowing how much they would be paid.
- They lost early payment discounts because they paid their bills late.
- They incurred costs in their own time; in £75 of telephone calls; and almost £640 of professional fees in pursuing their complaint, including providing evidence to my Office of the injustice they had suffered.
- They incurred interest on loans.

Section 5: the key facts of Mr Y's complaint – problems with mapping land

- 109 Mr Y farms about 1,200 acres (roughly 485 hectares) of arable land in East Anglia. His farm is in an area of outstanding natural beauty. As well as farming, he runs a campsite and a hostel for backpackers. He is part of various environmental schemes and he wanted to join the Entry Level Stewardship Scheme with effect from 2005. In his complaint to me, Mr Y said that his farm could survive only with the help of EU subsidies.
- 110 Entry Level Stewardship is one of the Environmental Stewardship schemes which started in 2005. They are part of the funding for rural areas provided by the EU's European Agricultural Fund for Rural Development. The schemes were, and are, separate from the Single Payment Scheme and go beyond the Single Payment Scheme requirement to keep land in good agricultural and environmental order. Their object is to encourage farmers to conserve wildlife and protect natural resources, among other things. The Rural Development Service, now part of Natural England, relied on the mapping data collected by RPA through the Rural Land Register in order to handle claims under the schemes.
- 111 Mr Y had found, and corrected, errors in the RPA maps of his farm since 2003. But the story of his dealings with RPA and the Single Payment Scheme began in earnest in summer 2004, when RPA sent him a first set of maps as part of its work on the Rural Land Register. In December 2004 it sent him what it believed to be a final set. In spring 2005 Mr Y's agent sent RPA details of fields, using the IACS22 forms used for registering land. The first form, sent in March 2005, showed amendments needed to the maps held by RPA, but also showed parcels of land that needed to be registered for the first time. Also in March 2005, RPA produced two further sets of maps. In early April Mr Y told RPA about a boundary error he had noticed in those maps.
- 112 In April 2005 RPA set up a system to prioritise people who needed land registration applications to be processed in order to make their Entry Level Stewardship applications.
- ### Repeated mapping errors
- 113 Also in April 2005 Mr Y's agent sent RPA another IACS22 form for four parcels of land that needed to be registered. The same month Mr Y wrote again to RPA about further errors in the maps produced in March. One of the errors was in the boundary of a field, which I shall call 'Long Field', for which Mr Y had been claiming subsidy for seven years. Mr Y has used that field to sum up his dealings with RPA:
- '[This field's] boundaries have not changed during that time. The digital maps I was sent in March [2005] showed the boundaries as having moved. I corrected the relevant map and returned it (with others). On finally receiving new maps, the RPA had allocated to [my farm] the field next to [Long Field] – this field does not belong to us and is farmed by a neighbour. I corrected the error. The subsequent map omitted [Long Field] altogether!'*
- 114 In the first week of May 2005 Mr Y received a further set of maps from RPA, prepared in response to the form his agent had submitted in April. In the same week he sent RPA his 2005 Single Payment Scheme application and documents detailing the errors, new or still uncorrected, in the maps produced by RPA. In mid-May 2005 Mr Y asked Defra for an Entry Level Stewardship application pack. It told him he could not enter the scheme unless the land was registered on the Rural Land Register.

Mapping backlogs at Rural Payments Agency

115 By this stage, May 2005, Mr Y expected to miss the first round of Entry Level Stewardship agreements. At this stage, the application deadline for the first agreement start date was 31 May 2005. He had received maps updated to include the additions made in the form his agent had submitted in April 2005, but had received nothing to show the changes and additions in the form submitted in March 2005. The Northallerton RPA office had told him there were 2,500 people on their 'priority' list for applications to have land registered. He contacted the NFU to find out how he might join that list. After a telephone call to RPA, Mr Y told the NFU and Henry Bellingham MP:

'The computer collapses whenever they try to do a big IACS22. So they are playing the numbers game and pushing through all the small ones. They have to stop work after 5 fields and reload the maps again. My correction letters of 23rd April, not on an IACS22, might be in a miscellaneous box and have not been looked at yet. These are unlikely to be looked at for at least 2 months. Unless I list all these extra parcels and errors on an [Entry Level Stewardship application], this farm will not even get on the priority list.'

Looking back on this time, Mr Y has said *'the individual, front-line staff I have dealt with ... have been courteous and as helpful as they possibly could be in the circumstances. However, I had the overwhelming impression that, try as an individual might, the real failure to deliver lay far above them, at a senior level'*.

- 116 In the third week of May 2005 Defra extended the deadline for the first round of Environmental Stewardship agreements from 31 May to 1 July 2005. It later extended it to 15 July 2005.
- 117 Also in May 2005, Mr Y faxed the Rural Development Service. His fax said *'I formally send this fax to apply for Entry Level Scheme for this farm'*. He attached copies of his letters to RPA and the accompanying notes. He asked: *'As I understand the situation all these matters need resolving before I can provide you with a completed application. Please confirm that this is the case and let me know when they will be done'*. He asked what could be done to speed up the Entry Level Stewardship application process. The Rural Development Service managed to have his name added to the list of priority cases for land registration.
- 118 Mr Y stayed in touch with RPA throughout June 2005. He also contacted the NFU with details of the trouble he was having with RPA. He said *'I have no confidence whatever that the maps I receive will be correct when they arrive. What happens then?'* By the end of June 2005 he had established from RPA that his IACS22 forms were with its Northallerton office. But RPA held only some of the detailed explanations he had sent it. And it did not know he was on the priority list. An official told him that the computer system locked when two people worked on maps for neighbouring fields, forcing them to stop work and start afresh.
- 119 On 15 July 2005 RPA closed its Environmental Stewardship priority list for land registration in order to focus on making Single Payment Scheme payments in February 2006.

Lack of a co-ordinated response from Rural Payments Agency

¹²⁰ In August 2005 Mr Y emailed RPA, saying *'I have previously written, faxed or emailed several different people in several different offices as had been requested. The problem seems [to be] that each letter and email is being dealt with separately'*. He asked it to give him one person to look after his case. RPA told Mr Y it would allocate his case to the most capable member of staff and it aimed to finish editing the maps as soon as possible. At the same time, Henry Bellingham MP intervened on Mr Y's behalf. Just over a week later RPA's Rural Land Register maintenance unit contacted Mr Y and he sent them fresh copies of material he had sent before, including the maps RPA had produced in March and in May. He told RPA that the cost of photocopying and postage came to almost £60. Adding the sixteen-and-a-half hours of his own time, at £90 an hour, he put the total cost of providing the information at £1,814.55, including VAT.

¹²¹ Mr Y's contact in the maintenance unit sent the material to his colleagues in the mapping department and on the same day, 18 August 2005, the mapping department wrote to Mr Y saying that they had captured on the Rural Land Register the changes he had requested. The letter, which covered three fields, had contact details but did not make clear what part of the information from Mr Y (the March 2005 IACS22 form, the April 2005 form or his corrections to the maps he had received) the mapping section had considered. Mr Y emailed his contact to say he had received the information. He added that one of the maps RPA had sent him contained a new mistake – RPA had corrected a boundary error for Long Field, but had allocated a neighbour's field to

him. He asked for a full set of maps so that he could check them. Also in August 2005, Defra announced that the Rural Development Service was encouraging farmers to apply for the Environmental Stewardship schemes based on the land shown in their application packs, even if it was incomplete. Mr Y has said that he saw Defra's announcement, but when he spoke to officials at the Rural Development Service, the situation had been more complex than it seemed. He could put in an incomplete application, but he would not be able simply to top up that application once he had complete maps. He would, in effect, have to make a further application for the areas of the farm that were missing from the maps and it would need to stand on its own, with its own start and end date. Their advice was not to apply. Mr Y has said he would have applied at this stage if just one small track was missing. But the gaps were so large that he decided to wait, because he considered the administrative problems of running different applications on that scale would be too great for him to manage.

¹²² In mid-September 2005 RPA's Chief Executive replied to Mr Bellingham. He said RPA had captured the edits to Mr Y's maps and was due to load the data that week. It would then be available to the Rural Development Service. He said RPA was also about to send Mr Y a new set of maps. He apologised for the problems Mr Y had faced and said RPA had seen an unprecedented increase in requests for new or changed land registrations. To mitigate the effect of the delays, the Rural Development Service had introduced monthly start dates for the stewardship schemes, instead of quarterly, he said. At the end of September RPA sent Mr Y the new set of maps mentioned in the Chief Executive's letter.

¹²³ In October 2005 Mr Y received the new maps. The next day Mr Y emailed his contact at the Rural Land Register maintenance unit. He asked about an 'IACS inspection 2004' mentioned in the papers with the maps. He also pointed out three errors on the maps he had received. For example, the new maps still allocated his neighbour's field to him. He asked again for a full set of maps so that he could check them. On the same day, he received an update from the NFU. They told him that, in a meeting with RPA the week before, officials had given them the clear impression that his 'IACS22' (the land registration form he had submitted) was finished, apart from quality control checks. Mr Y received no reply from RPA, although the Rural Development Service did write to him to ask about the stewardship application he was due to make to them. In mid-November he emailed his contact in the Rural Land Register maintenance unit again, asking for a response. The official told him he was unable to reply because Mr Y's case was with the ministerial complaints team. (RPA has said that after Mr Y contacted his MP about his case, it had changed his contact to someone in the ministerial correspondence team.)

Further mapping errors

¹²⁴ Mr Y received a set of 37 maps in December 2005. They held errors which Mr Y had highlighted in May 2005, when he made his Single Payment Scheme application. He made contact with an official in the Rural Land Register mapping section and, just before Christmas 2005, returned 15 of the 37 sheets of maps to be corrected.

¹²⁵ Mr Y's situation seemed no better to him in the new year. RPA sent him some corrections on 6 January 2006 and he stayed in touch with the mapping section throughout January,

February and March 2006 about the amendments needed. In January 2006 he told RPA that he was considering making at least one man redundant because he had missed out on Entry Level Stewardship for this year. In February 2006 RPA queried an entry in his Single Payment Scheme application for 2005, the form he had submitted in May 2005. The same month Mr Y noted that RPA had told him the mapping system was down and it would be the beginning of March before it received the next upload from the contractors. RPA also told him the Entry Level Stewardship maps would not include the changes he had sent in December 2005.

¹²⁶ In April 2006, having received piecemeal corrections but feeling unable to check them adequately until he received a complete set of maps, Mr Y emailed Mr Bellingham about the problems he was facing: he had still to receive a correct set of maps; without them he could not apply for Entry Level Stewardship. He said:

'I have already made one man redundant (he leaves in a week's time), another has left voluntarily. My two remaining farmworkers keep asking me what is happening or should they start looking for other jobs now. In the present situation it is virtually impossible to make even a short term plan for next harvest, let alone a 5 to 10 year plan. This is needed as I am now 61 years old.'

¹²⁷ Separately, Mr Y's exchanges with RPA about the errors and corrections to the maps continued through April and May 2006. On 14 May 2006 he submitted his 2006 Single Payment Scheme application: a 51-page form, 7 continuation sheets, 8 maps, cross-referenced notes and a covering letter. (In April 2007 he received the set of maps on which his 2005 scheme award had been based – 2 fields were missing.)

- 128 Also in May 2006 RPA sent Mr Y a partial 2005 Single Payment Scheme payment of £72,351.01. (It sent him the balance of £13,783.29 in September 2005 and paid him £191.45 interest on the payments made after the 30 June 2006 regulatory deadline.)
- 129 In July 2006, after one further set of corrections, Mr Y received a set of maps that he considered to be correct. He asked for a summary map. RPA has said that it received an email from Mr Y on 6 July confirming that the maps he had recently received were correct. In fact, there were still problems with his maps.
- 130 In October 2006 Mr Y received his Entry Level Stewardship application pack. (He has said it took some chasing to obtain the pack.) He found that the maps he received with the pack were wrong. He summarised the problems in an email to the Rural Development Service. He said:

‘Three substantially sized fields have been left off the maps and listings altogether. These alone total 28.95 hectares. At least one land parcel was listed on the summary sheet but not marked on the map. No handbook was enclosed with the pack. Several discrepancies between these maps and the ones I received from RPA mapping. I am still trying to sort out the actual details. Summary, I am still not able to apply for [Entry Level Stewardship].’

He also said that a Rural Development Service official had told him the RPA mapping computer and their own computer were not sharing information effectively; that they were having to produce manually the maps for larger farms; and some fields were not listed under his holding and he would have to go back to RPA. He asked the Rural Development Service to liaise with RPA as he believed the July 2006 maps had been correct (he later identified two minor corrections which he gave RPA in October 2006). He also sent the incorrect maps to RPA, highlighting the errors.

Agreement on maps and the change to the Stewardship rules

- 131 RPA has told us that in November 2006 Mr Y agreed a set of maps for Entry Level Stewardship.
- 132 In January 2007 Mr Y and his agent, having received an Entry Level Stewardship application pack and maps, decided he should submit his application. One parcel of land was missing because it could not be uploaded to the Entry Level Stewardship computer, but they decided they should press on despite that. His application was accepted. Nine months later, in October 2007, Mr Y received his first Entry Level Stewardship payment – £8,103.50. But within months he realised that EU changes to the terms of Entry Level Stewardship, applied with effect from 1 January 2007, would affect his farm. (The changes to the scheme would not have affected him if he had had an agreement in place by 1 January 2007. The information released in December 2006 by Defra shows that it would only have been possible to make that date if he had submitted an application in, at the latest, October 2006.) In January 2008 Mr Y pulled out of Entry Level Stewardship.

Mr Y's comments: the effect of the mapping problems on Mr Y

¹³³ Mr Y had planned to apply to Entry Level Stewardship as soon as he could – joining in June 2005 and receiving the first payment in December 2005. Instead, his application had not been accepted until March/April 2007, because he did not have an accurate set of maps covering his entire holding. He received his first payment in October 2007 – 22 months later than he had expected. He gave these examples of what that had meant for him and his business.

- He made one employee redundant at a cost of about £8,500 in May 2006.
- He lost approximately £34,000 in subsidy (£17,000 per year for two years).
- He unnecessarily incurred land agent's fees.
- To address cash flow problems, he had sold 400 tonnes of wheat earlier in the year than was usual and at a lower price than usual.
- At times, he had been working on the paperwork at 4.30 in the morning and he had had to hire staff – a farmworker, a labourer and a tourism worker – to make up for the time he spent on paperwork. He incurred avoidable photocopying costs.
- His health had suffered and he had seriously contemplated giving up farming two years previously. His son had decided against going into farming.

Section 6: my findings – whether there was maladministration by the Rural Payments Agency in the implementation of the 2005 Single Payment Scheme

Maladministration

¹³⁴ I turn now to my determinations as to whether, in the light of the findings of fact I have outlined (paragraphs 60 to 89), there was maladministration both in the general administration of the scheme and in RPA's handling of the specific cases of Mr W and Mr Y. The general administration of the scheme is inextricably linked to their complaints and I will first consider it against the standards that I have set out earlier in this report (paragraphs 24 to 59).

General administration of the scheme

¹³⁵ I have said that *'getting it right'*, *'being customer focused'* and *'being open and accountable'* were the Principles that I found particularly relevant to these complaints (paragraph 30). Let me recap a little in order to explain why. It strikes me that a public body that 'gets it right' will plan ahead for major changes in order to provide computer systems that work and enough adequately trained staff. They will organise themselves to meet their legal obligations. They will take reasonable decisions based on all relevant considerations. 'Customer focused' public bodies will tell their customers what they can expect and what customers need to do themselves. They will keep their promises and if they cannot, they will say so. 'Open and accountable' public bodies will give people information that is clear, accurate, complete, relevant and timely. They will be open and truthful when they account for their decisions and actions.

¹³⁶ RPA failed to 'get it right' when it did not determine Single Payment Scheme entitlements by 31 December 2005, in line with its legal obligation under Commission Regulation 795/2004 (paragraph 44). It also failed to be 'open and accountable'. How much better it would have been if RPA had chosen to take the difficult step of admitting that it was in trouble before the end of 2005, instead of waiting until March 2006? I am not suggesting that being open and truthful would have avoided the criticism that hit RPA and Defra in 2006, but it would have given RPA's customers a better chance to plan their affairs. **Those serious failures were maladministration.**

¹³⁷ Defra and RPA failed to 'get it right' when they failed to heed the warning information generated by their own internal systems and by the Office of Government Commerce about the payment timetable from summer 2005 onwards. In **July 2005** a note to RPA's 2004-05 annual report had noted the problems RPA faced in implementing the Single Payment Scheme by February 2006 and, as my chronology of events in Annex A makes clear, evidence of those problems continued to grow during 2005. It had the opportunity to 'take reasonable decisions based on all relevant considerations'; it chose instead to believe in its increasingly unrealistic timetable. Overlooking the warning information RPA had to hand was also a serious failure to 'be customer focused' because it meant RPA failed to tell farmers the full story about what they could expect. **Those two serious failures were maladministration.**

- 138 RPA's and Defra's information to Parliament and the public was a further failure. Their public statements did not reflect the internal concerns they had. They also sought to rebut, with vigour, the Parliamentary Select Committee report of January 2006 that set out concerns about the likely impact of the problems plaguing the Single Payment Scheme. RPA and Defra could have given their customers accurate and complete information, but they did not do so. **In both these areas RPA and Defra failed to 'be open and accountable' and failed to 'be customer focused'. Their approach at this stage continued the earlier failures to get it right. Those failures were maladministration.**
- 139 RPA and Defra failed again to 'get it right', or to 'be open and accountable' on 30 January 2006. Officials and Ministers considered RPA's position, and the next action they should take. The existing commitment was to start payments in February 2006. RPA had told officials and Ministers, in setting out the options available, that the 'best case' scenario for payments was that it would process 70% by the end of March 2006. The meeting on 30 January 2006 knew, from the previous briefings, the extent of RPA's problems with the Single Payment Scheme. The Secretary of State was due to address the NFU annual general meeting at the end of February 2006. What was the outcome of officials' and Ministers' consideration on 30 January? The Minister told Parliament that RPA would start making full (not partial) payments before the end of February and would make the 'bulk' of payments by the end of March 2006, although the process might continue beyond March for a minority of cases.
- 140 I recognise that Defra and RPA faced a complex situation: RPA's immediate problems; the effect of whatever action they took for RPA's ability to meet EU deadlines for 2005; and the further effect on the 2006 scheme. But, as I have said, good decision making requires public bodies to 'take account of all relevant considerations, ignore irrelevant ones and balance the evidence appropriately'. 'Being open and accountable' entails 'giving people information that is clear, accurate, complete, relevant and timely, and being open and truthful in accounting for decisions and actions'. In those respects, **RPA's and Defra's consideration on 30 January 2006 fell far short of what good decision making by a public body should be. It was maladministration.**
- 141 I have also considered RPA's work on land registration – mapping. The House of Commons Environment, Food and Rural Affairs Select Committee report of March 2007 describes the 1,000% increase in the number of changes to land registration that RPA had to manage in preparing for the Single Payment Scheme. It also explains how the Single Payment Scheme meant that, from 2005 onwards, farmers stood to gain from being more diligent in registering their land. I have considered those facts, and the emphasis that Defra and RPA have put on the impact of this increase in workload when they have considered what went wrong. It strikes me that RPA has attributed a large part of its mapping problem to the behaviour of its customers. That attitude is, of course, wholly wrong-headed. Who else but RPA were in a position to foresee the expected level of demand for its services or its customers' capacity for leaving things as late as possible? No one. **In that respect, its planning for the mapping process fell far short of getting it right. That was maladministration.**

¹⁴² My chronology also sets out the many ways in which RPA sought to mitigate the effect of the problems with the Single Payment Scheme and the Rural Land Register. I recognise and welcome those efforts, which were in keeping with the Principles. But the shortfall against the Principles in other areas was so large that it outweighed its work to 'get it right'.

Mr W – maladministration

¹⁴³ Individual RPA staff did their best to deal properly with Mr W but they were unable to do so because of the larger organisational failure. In that, RPA failed to 'get it right', to 'be customer focused' or to 'be open and accountable'. RPA was unable to keep to its commitments and it failed to inform Mr W about what he could expect. The problems with its systems meant it did not have consistently 'reliable and usable records', so it was not able to give Mr W 'information and advice that was clear, accurate, complete and timely' about his own claim. The corporate message it gave, about most payments being made by the end of March 2006, was not 'open and truthful'. There were three points in particular where RPA fell so far short of *'getting it right'*, *'being customer focused'* and *'being open and accountable'* with Mr W that it was maladministrative.

- It did not issue his entitlement statement until October 2006, which was ten months after the 31 December 2005 regulatory deadline for determining entitlements and four months after the 30 June 2006 deadline for making 96.14% of payments.

- It mishandled his application, asking for the same information (which he or his son promptly provided on each occasion) several times, making errors in mapping, and not keeping him informed of progress or responding to enquiries in line with RPA service standards.
- RPA misdirected Mr W by telling his son in mid-March 2006 that RPA was on track to make the bulk of payments before the end of the month. At that stage, RPA and Defra knew that very few payments could be made.

Mr Y – maladministration

¹⁴⁴ In Mr Y's case, as with Mr W's, individual RPA staff did their best to deal properly with his case. Again they were unable to do so because of the larger organisational failure. There were three particular areas where RPA failed significantly to 'get it right' or to 'be customer focused' in his case.

- From early 2005 until January 2007 Mr Y had repeated difficulty in resolving errors on the digitised maps of his farm. Errors he corrected continued to appear. Rogue errors crept into maps: among other things, details that had been registered for years and had required no correction were altered by RPA; a neighbour's field was attributed to Mr Y; and the maps included a reference to an IACS inspection that Mr Y could not trace and did not happen.

- Communication with RPA was confusing for Mr Y. RPA did not co-ordinate its correspondence, so the different officials dealing with Mr Y's case were not necessarily up to date. It was only by complaining that he persuaded RPA to allocate one officer to look after all the maps for his farm.
- The changes submitted to RPA did not fully read across to the maps prepared for Mr Y's Entry Level Stewardship application.

¹⁴⁵ I have considered whether or not RPA's mitigating action did 'get it right'. I am thinking of the priority list for farmers who had an Environmental Stewardship deadline to meet, the increased number of scheme entry dates, and the relaxation of the requirement to have all land mapped before making an application. Those measures may have been enough in other cases, but they were not enough for the extreme situation of Mr Y's mapping problems. RPA was maladministrative not simply because it made mistakes, but because it made so many mistakes and was unable to correct them adequately in a reasonable time. In Mr Y's case, RPA's shortfall against the Principles of '*getting it right*' and '*being customer focused*' was so large that it was maladministration.

Section 7: my findings – whether any such maladministration led to an injustice for those who have complained to me

¹⁴⁶ I will now consider whether the consequences of the maladministration I have found in the handling of Mr W's and Mr Y's cases constitute injustice. I have set out in paragraphs 134 to 145 how RPA failed to *'get it right'* in its handling of the 2005 Single Payment Scheme. The chapters about their individual stories summarise the injustice they each claimed.

¹⁴⁷ Let me say something here about how I have approached *'getting it right'* in my consideration of the injustice sustained by Mr W and Mr Y, particularly in terms of *'taking a reasonable decision, based on all relevant considerations'*. I have considered the evidence they gave us about the stress and anxiety they suffered, the costs they incurred and the opportunities they missed. I have considered the connection between what went wrong and the injustice Mr W and Mr Y claimed. I have taken account of how other factors, apart from RPA's mistakes, may have contributed to the costs the complainants incurred and opportunities they lost. And I have also considered the way incomplete information from a public body can contaminate even decisions that, with hindsight, should still have been straightforward. I decided against attempting to arrive at a precisely calibrated figure for the financial injustice I have identified. Why? Because that would be pretending that these things are more clear-cut than they are. It would also be a difficult and time consuming model for RPA to apply in its consideration of the other complaints listed in Annex B. Instead, I have looked at the injustice in the round, using the evidence from Mr W and Mr Y as my starting point.

¹⁴⁸ I should emphasise that both Mr W and Mr Y suffered a similar injustice – the effect of RPA's maladministration on their ability to make timely and considered decisions about their businesses. For different reasons, they both needed RPA to give them accurate information. Both lost the opportunity to plan their affairs with adequate information to hand. Both described the effect on their wellbeing and on their own and their families' attitudes to continuing as farmers. This too was an injustice and a factor that I have taken into account in my recommendations for redress.

Mr W

¹⁴⁹ Mr W's total payment from the 2005 Single Payment Scheme was over £40,000. This was a significant sum for a business that, without those funds, could not even afford to repair some of its machinery. It is also clear from RPA's own records of Mr W's calls to it that doing without those funds caused enormous stress and heartache, despite the efforts of RPA staff to keep him informed.

¹⁵⁰ Mr W has ascribed some costs incurred by the farm to RPA's maladministration. He has said they had to sell animals early, for less than they would usually have received. He has also explained that, because the farm had been unable to replace a stock bull when they planned, they had culled animals which would otherwise have been in calf. I recognise these costs were significant, but I believe only some were related to the maladministration I have found. I will therefore largely discount them in my consideration of overall redress.

- 151 Mr W's claim for redress also includes lost opportunities – the late start to the farm's free-range egg business and the lost opportunity to bid for 18 acres of land that they had used for many years. I am unable to link those lost opportunities to the maladministration I have found, although I recognise the effect of uncertain cash flow on any decision making. Again, I have largely discounted those lost opportunities in my consideration of overall redress.
- 152 I understand how machinery repairs have to be postponed when there is no money to fund them, although I am unable to make a precise judgment about the actual cost of the work required to make up for the absence of machinery. I consider that part of these costs should be recognised, but in the round as part of the overall redress recommended.
- 153 There are links between the maladministration I have found and the costs in time, telephone calls and professional fees that have accumulated for Mr W and his family. Again, I am unable to apportion those costs so that only sums directly linked to maladministration take their place in the calculation of redress. I consider that dealing with this part of Mr W's claim as part of the overall remedy will provide a suitable remedy.
- 154 I am unable to say, from the evidence I have seen, that the lost early payment discounts and the interest incurred on loans were more than marginally related to the maladministration that I have found, certainly before the end of March 2006. I have largely discounted these costs in my consideration of redress.
- 155 Let me explain why I have been unable to make a precise apportionment of the cash costs sustained by Mr W as a consequence of maladministration. The evidence tells us that Mr W took out a bank loan in September 2005 and borrowed a further £5,000 from Mrs W in November 2005. The farm repaid most of the loan and Mrs W's £5,000 after RPA made the partial payment of £37,000 on 10 May 2006. When Mr W took out those loans, RPA's message to farmers was that Single Payment Scheme payments would start in February 2006 and 96% of payments would be made by the end of March 2006. What would have happened if RPA had acted without maladministration? If it had established entitlements by the legislative deadline of 31 December 2005 and met its stated commitment of making most payments by the end of March, the farm would still have had those loans. After the end of March, but for the maladministration, Mr W would have been able to repay the loans more quickly. However, decisions about whether or not to replace the stock bull, to sell stock early or to bid for the land that had come on the market would still have been finely balanced until the Single Payment funding was in the bank.
- 156 It is more difficult to say what would have happened if RPA had been unable to establish entitlements, but had been '*open and accountable*' about the problems it faced in making payments. It is possible that, even when Mr W arranged the loans in September and November 2005 he would have known from RPA that his Single Payment might be very late. Or, it could be that RPA would have decided more quickly that it would have to make partial payments. Either way, Mr W would have been better informed when he arranged funding and made decisions about running the farm until the payment came through. But I also recognise that some of his decisions from December to March 2006 were far from clear-cut even before the additional strain of RPA's maladministration.

Mr W – his injustice summarised

¹⁵⁷ I have identified four types of injustice sustained by Mr W.

- He lost the opportunity to plan his affairs with adequate information to hand (paragraph 148).
- Worry about his Single Payment caused him stress and heartache.
- He incurred costs, for example some bank interest, that he would otherwise have avoided.
- He let go investment opportunities and postponed repairs, because he did not have access to funds when he needed it.

I turn now to my findings about the injustice suffered by Mr Y.

Mr Y

¹⁵⁸ RPA's maladministration undoubtedly put Mr Y to much unnecessary inconvenience, anxiety, time and expense over a period of several months, and deflected him from the core business of running a farm and camp site. He was unable to plan ahead, which affected him and his staff. He felt he needed to involve my Office; that should not have been necessary. I am not persuaded, however, that all the costs of hiring extra staff, of land agent's fees, and of making an employee redundant flowed from RPA's maladministration. I believe that only part of those costs should be subject to redress and that that amount is best addressed overall and in the round.

¹⁵⁹ Mr Y has said that he sold crops early, in order to raise cash because the expected payments from the Stewardship and the Single Payment schemes had not come through, although that meant accepting a lower price for the crops than he would usually have received. I accept the principle that compensation is due for the part of this claim that is attributable to maladministration by RPA, but I am not in a position to apportion that precisely.

¹⁶⁰ Let me explain why in Mr Y's case, as in Mr W's, I have been unable to make a precise apportionment of the cash costs he sustained as a consequence of maladministration. As with Mr W, had RPA acted without maladministration, it would either have established Single Payment Scheme entitlements on time and made most payments when it had said it would, or it would at least have been '*open and accountable*' and taken the appropriate steps to inform farmers and release payments to them sooner than it did. Also, without maladministration, RPA's planning could have anticipated the scale of the mapping workload it needed to manage – it would have been closer to '*getting it right*'. And if it had done that, it would have been able to mitigate the effect of delays and mistakes.

¹⁶¹ At the very least, in the absence of maladministration, Mr Y would have been able to take properly informed decisions about his business. I am satisfied that the unexpected delays in receiving the Single Payment and in joining the Stewardship Scheme were significant factors in leading Mr Y, for example, to raise cash by selling crops early and to cut costs by cutting staff. However, I also believe that such decisions are not clear-cut in a business such as Mr Y's and I cannot rule out the impact of other factors in his decision making.

¹⁶² Mr Y received his Single Payment later than the ‘bulk of payments by the end of March 2006’ message from RPA had suggested and received his first Entry Level Stewardship payment almost 22 months later than he had planned. I fully recognise the worry caused by such late payments. To him, the delayed Stewardship payment felt like an absolute financial loss, even if he would still have the benefit of the full five years of the Entry Level Stewardship Scheme. He then found that he had made his agreement too late to avoid the impact of later changes to the Stewardship Scheme. It seems to me that, had Mr Y been able to make his application by October 2006, it is likely that he would have had an agreement in place by 1 January 2007 and he would have been unaffected by the change in the Stewardship Scheme rules. RPA’s mapping problems were a factor in that delay. But I must also consider the effect of Mr Y’s decision to hold on to his Stewardship Scheme application until the maps were fully correct. That was a reasonable decision in autumn 2005 and early 2006, but I am not persuaded that it remained necessary to keep to that approach throughout 2006. I take the view that Mr Y’s claimed loss in this area is only partly related to RPA’s maladministration and that it should be substantially discounted in my overall consideration of redress.

¹⁶³ That may seem harsh. In effect, I am saying that Mr Y had a responsibility to make a claim even if RPA kept making mistakes as it did. Two reasons have led me to that view. First, access to the Stewardship funds requires a person to make a claim. It was open to Mr Y to make a claim based on incomplete mapping information; he took the view that it was better for him to postpone access to Stewardship funding until he could be confident that the maps to support his claim were accurate and complete. Secondly,

it was an external factor (paragraph 132) that deprived Mr Y of the chance to benefit from the Stewardship Scheme as he had intended. Had it not been for the change in the terms of the Stewardship Scheme, he would have been able to continue receiving funding based on the claim he made in January 2007. RPA was not responsible for that change in the rules. It follows that Mr Y has suffered a financial loss, but the loss is only partly a consequence of RPA’s maladministration.

Mr Y – his injustice summarised

¹⁶⁴ I have identified four types of injustice sustained by Mr Y.

- He lost the opportunity to plan his affairs with adequate information to hand (paragraph 148).
- Worry about his Stewardship claim and his Single Payment cause him unnecessary anxiety and trouble.
- He incurred, for example, some staff costs and professional fees that he would otherwise have avoided.
- He let go opportunities and sold crops early, accepting a lower price than usual, because he did not have access to funds when he needed it.

Section 8: representations received and my assessment of those representations

The representations made by the Permanent Secretary of Defra during 2008

¹⁶⁵ Before setting out the recommendations I consider to be appropriate in order to remedy the injustice I have found resulted from maladministration by RPA, I will deal with some representations I have received concerning what it might be appropriate to recommend in the particular circumstances of the scheme which has formed the subject matter of this report.

¹⁶⁶ In line with my normal practice, in September 2008 I sent a draft of an earlier version of this report to Defra and RPA and also to both the complainants. I asked them to comment on the accuracy of the facts set out in my report and to make any representations that they wished to make about the provisional findings that I was then minded to make. I should make it clear at this stage that the financial injustice described by Mr W and Mr Y was considerably greater than the financial injustice I have identified as a consequence of maladministration. It follows that the remedy I have recommended is less than the cost of RPA's maladministration as perceived by the complainants. Mr W and Mr Y have told me that this is a disappointment to them and I recognise the frustration this must cause them. The representations I set out now are Defra's arguments against paying compensation, as I have recommended.

¹⁶⁷ In her responses of July 2008 and October 2008 the Permanent Secretary of Defra made three general points concerning my findings which she asked me to take into account before making any recommendations concerning an appropriate remedy for the injustice which I have found was caused to Mr W and to Mr Y.

¹⁶⁸ The first of those three points related to whether it would be appropriate for redress to be provided for financial loss claimed as being incurred within the payment window for the scheme. In the words of the Permanent Secretary:

'RPA and Defra made a number of announcements throughout the payment window to explain the progress on payments. Farmers had no legal right to receive payment of their claims before the regulatory deadline of 30 June 2006. Even if the bulk of payments had been made in accordance with Ministerial announcement[s] made in 2005, farmers had no reason to expect that their individual claim would be one of those. Farmers, including Mr W, who received payment after the end of the payment window received interest, subject to a de minimis of £50. This is regarded as sufficient redress.'

¹⁶⁹ The second point related to whether providing redress on the basis of the findings I have made about the information provided by RPA about the timing of scheme payments would be appropriate. In the words of the Permanent Secretary:

'... we do not accept... that the Ministers' statements that they hoped to commence payments in February 2006 and complete the bulk of payments by the end of March 2006 amounted to a reasonable expectation, let alone a legal obligation, to do so. ... We do not think that there are grounds for paying compensation as though we had breached a legal requirement. I do not think the Taxpayer would regard this as an appropriate use of public funds.'

170 The final point related to whether a factor in deciding whether to provide redress for Mr W and Mr Y should be the administrative convenience of RPA. In the words of the Permanent Secretary:

'... we would be opposed to setting up elaborate arrangements to calculate actual financial loss in circumstances where the counter-factual would be very difficult to prove. We believe that your report will inevitably generate a new demand for financial compensation for alleged actual financial loss. To respond to all those demands would divert both staff time and financial resources, when both are at a premium from the job that most farmers want us to get on and do.'

My assessment of the representations made during 2008

171 As regards whether redress should ever be forthcoming other than the payment of interest on scheme payments made outside the regulatory window for such payments, I do not accept the view that, so long as a payment is made, there can be no basis for a finding of maladministration.

172 Where, as here, a public body has departed from the standards of good administration and that departure has caused injustice to those affected by the actions of that body, I believe it is an important principle that an appropriate remedy should be forthcoming for such a wrong. I do not accept that a public body can avoid the responsibilities it has to put right the effects of maladministration simply by asserting that it has met the minimum standards required in law.

173 The argument put by the Permanent Secretary is about whether or not they met their legal obligations. It should be clear that my arguments are about maladministration, which manifests itself in many and varied ways that only rarely amount to illegality. Sometimes maladministration does include failures to meet legal obligations but it also covers mistakes that a devotion to legality will not correct. In the absence of maladministration, as I have said in my findings about the injustice suffered by Mr W and Mr Y, most farmers would have received their Single Payment Scheme funding in February and March 2006, as RPA had told them they would; or farmers would have had the opportunity to plan their affairs properly because Defra and RPA would have acknowledged the scale of the problems with implementing the scheme and, for example, could have decided sooner that they would make partial payments.

174 This brings me to the second point, about whether any recommendations for redress would be inappropriate on the ground that it would be akin to finding that a legitimate expectation in a legal sense had been created, and then broken, by the information RPA gave to farmers about the timing of the scheme payments.

175 I have not found that that information created legal rights such as those to which the Permanent Secretary referred, nor is my assessment of the consequences of the maladministration I have found about that information grounded in the doctrine of legitimate expectations.

- 176 Instead, it is a basic and established principle of good administration that information provided by public bodies should be clear, accurate and complete. Where such information is misleading or deficient in other ways, and individuals who might be expected to rely on such information do so to their detriment, it is also good administration to provide a remedy for the consequences of them doing so.
- 177 As for questions of administrative convenience, it is not a recognisable – or, I believe, defensible – principle of good administration that an appropriate remedy for a justified complaint that injustice has been caused to a citizen should not be forthcoming on the grounds of the administrative convenience of the body whose maladministration caused that injustice. Nor do I consider that it would be appropriate to refuse to remedy such injustice in one case because other people might also have suffered similar injustice and might make a similar complaint seeking equivalent redress.
- 178 The provision of remedies can be time consuming and involve the diversion of public resources, but the best way to avoid these opportunity costs is, of course, to ensure that maladministration does not cause injustice to the users of public services in the first place.
- 179 In my view, wrongs caused by the maladministrative acts of public bodies should be remedied. As I say in my *Principles for Remedy*, I understand that, for public bodies, there is often a balance between responding appropriately to people's complaints and acting proportionately within available resources. I accept that public interest, and the possible impact on the public purse of any compensation, can be legitimate considerations. However, finite resources should not be used as an excuse for failing to provide a fair remedy.

The response to my revised draft report in 2009, and my assessment of that response

- 180 I sent a further draft of my report to Defra and RPA in September 2009. In the revised draft I presented, as clearly as I could, the effect on the complainants of the serious mistakes made in the 2005 Single Payment Scheme and the evidence of Defra's and RPA's roles in those mistakes. I gave Defra and RPA a further opportunity to respond to my recommendations. In November 2009 the Permanent Secretary said:

'We remain of the view that it would be inappropriate to accept both your second and fourth recommendation in terms of the level of payment suggested, and your fifth ... recommendation in so much that, where it was determined that maladministration had occurred in other cases, we would apply the same rationale as you have done in terms of calculating the level of any consolatory payments due. However, with the agreement of my Secretary of State and in recognition of the long wait involved for the 24 cases you have identified, I have agreed that the RPA should make consolatory payment[s] of a higher level than I previously suggested, namely £500, to both Mr W and Mr Y. That applies equally to any of the 22 others where subsequent investigations reveal that maladministration has occurred.'

The Permanent Secretary had previously agreed to make consolatory payments of £250 to Mr W and £350 to Mr Y.

181 The Permanent Secretary said that it was inappropriate to elevate formal targets to the same status as legal obligations and that, even without making that distinction, the formal target was for 96.15% of claimants to be paid by the end of March 2006 and no individual claimant could have relied on not being in the remaining 3.85%.

182 In response, I would say that I have not elevated formal targets to the same status as legal obligations; nor are any of my findings of maladministration or injustice based on any individual claimant being able to rely on being in the 96.15% of claimants to be paid before the end of March 2006.

183 The Permanent Secretary also commented on the findings I have made about the shortfalls against the Principles of 'getting it right' and 'being open and accountable'. She said:

'I would ask you to consider the implicit message that runs through some of the findings of maladministration, that the RPA knowingly misled Ministers or farmers in general. It is a matter of public record that the Agency's targets were not met. Ultimately, the then Chief Executive was accountable for that failure and was relieved of his post as a result. However, to the best of my knowledge, in all the enquiries that have been undertaken into these events no evidence has emerged that the Chief Executive or others in the Agency were not open or truthful. Although significant issues arose throughout the second half of 2005, they were all actively addressed. Right up to a matter of days before the public announcement that it would not be the case. I believe it remained the assessment of those concerned that

the bulk of payments would be made in March 2006. Payments did of course start in February 2006 in line with the target. While I can, therefore, accept findings that we fell short of your test "to get it right", I do not accept the same applies to your test "to be open and accountable".'

184 My findings of maladministration are set out in full in paragraphs 134 to 145. I do not consider that those paragraphs contain a message, implicit or explicit, that RPA knowingly misled Ministers or farmers in general. Nonetheless, for the avoidance of any doubt, I can confirm that is not my belief.

185 In summary, none of the representations I received from Defra in October 2008 or November 2009 persuaded me that I should alter my findings or that I should not adopt my usual approach to the securing of remedies for justified complaints.

186 I therefore uphold Mr W's and Mr Y's complaints.

Section 9: my recommendations for remedy

Recommendations

- 187 I turn now to my recommendations for putting right the injustice sustained by Mr W and by Mr Y as set out in paragraphs 146 to 164 above; and any similar injustice sustained by the other complainants listed in Annex B. These recommendations are in line with my general approach to the provision of remedies – which, as I have explained, entails restoring the complainants to the position they would have been in had maladministration not occurred or, where that is not possible, compensating them appropriately.
- 188 This I will do in the light of both my detailed assessment of the extent to which the remedy sought by them can be deemed to be appropriate to provide redress for the injustice that I have found them to have suffered and my consideration of the submissions made to me by Defra on the question of what an appropriate remedy might be. I will also have regard to the fact that it is now too late to restore either Mr W or Mr Y to the position they were in before maladministration occurred.
- 189 My **first recommendation** is that the Chief Executive of RPA should send Mr W a personal, written apology which acknowledges the maladministration that occurred in his case and the injustice that resulted. This should be sent to Mr W within one month of the date of this report.
- 190 My **second recommendation** is that RPA should pay Mr W £3,500, within two months of the date of this report, in recognition of the stress, heartache, effect on his ability to make informed decisions and the cumulative financial impact that flowed from its maladministration.
- 191 My **third recommendation** is that the Chief Executive of RPA should send Mr Y a personal, written apology acknowledging the maladministration that occurred in his case and the injustice that resulted. This should be sent to Mr Y within one month of the date of this report.
- 192 My **fourth recommendation** is that RPA should pay Mr Y £5,500, within two months of the date of this report, in recognition of the anxiety, inconvenience, effect on his ability to make informed decisions and the cumulative financial impact that flowed from its maladministration.
- 193 My **fifth recommendation** is that RPA should carefully and critically review the complaints made by the 22 individuals listed in Annex B (whose details we will give to RPA) and identify where administrative errors have led to unremedied injustice. In doing so, it should keep in mind the general findings I have made in this report about the administration of the scheme and also the *Ombudsman's Principles*. RPA should then provide any individuals who it finds have sustained such injustice with an appropriate remedy (financial or otherwise), being guided by the *Principles for Remedy* and the recommendations I have made in this report. RPA should complete this work within three months of the date of this report and inform my Office of the outcome on each case.



Ann Abraham
Parliamentary and Health Service Ombudsman
December 2009

Annex A: chronology of events

16 October 2001

The Rural Payments Agency (RPA) was established as an executive agency of the Department for Environment, Food and Rural Affairs (Defra). It was formed by the merger of the Regional Services Group of Defra and the Intervention Board. RPA became the accredited European Union (EU) paying agency for Common Agricultural Policy (CAP) schemes in England.

Under the Government's *Spending Review 2000*, an additional £130 million was made available in order to streamline and modernise the system of administering claims under the CAP. RPA embarked on a Change Programme to secure the implementation of these changes. According to the April 2003 report on RPA by the House of Commons Select Committee on Environment, Food and Rural Affairs, the aims of this Programme were to:

- ensure 95% electronic delivery capability for CAP schemes by 2004, with the facility for electronic submission of claims for all schemes;
- reduce the cost of CAP administration and the risk of disallowance;
- reduce the average time taken by a claimant to complete a claim for CAP payment;
- pay all valid claims submitted electronically within two weeks of the start of the payment window (or three weeks from the date of receipt where no payment window existed); and
- improve the level of staff and customer satisfaction, measured in annual surveys, by 5% per annum.

26 June 2003

The EU adopted a fundamental programme of reform of the CAP. This programme left a degree of discretion to Member States as to the timing and the method of implementation of these reforms.

As the paying agency for England, RPA became responsible for the implementation and administration of those reforms in relation to English farmers and producers. RPA combined its plans for the delivery of the reforms with its Change Programme.

EU legislation sets out the terms of the Single Payment Scheme. The legal framework derives from Council Regulation 1782/2003. In particular, article 28 of the Regulation provides: '*Payments shall be made once a year within the period from 1 December to 30 June of the following calendar year*'. For the 2005 Single Payment Scheme, this meant a payment window of 1 December 2005 to 30 June 2006.

Among other things, Commission Regulation 795/2004 sets the regulatory deadline for establishing definitive scheme entitlements: paragraph 3 of article 38 provides: '*The value and number of the payment entitlements allocated on the basis of the farmers' declarations for the establishment of the payment entitlements in the first year of application of the single payment scheme shall be provisional. The definitive value and number shall be established, by 31 December of the first year of application of the single payment scheme at the latest, after the checks made pursuant to Commission Regulation (EC) No 796/2004 are carried out*'. The checks in Regulation 796/2004 are about ensuring that the rules for claiming aid are met. For example, they should identify multiple applications by the same farmer or for the same parcel of land.

EU legislation for the financing of CAP has always provided that aid paid to farmers outside the predetermined payment periods will be treated as irregular and will be subject to disallowance. In practice, disallowance means that the European Commission applies a penalty and reduces the amount of aid it reimburses to Member States. A sliding scale sets the amount of the disallowance, according to the seriousness of the irregularity. The requirement is, in effect, to make 96.14% of the year's Single Payment Scheme payments on time, that is by 30 June of the following calendar year. The preamble to Council Regulation 1290/2005 says: *'Community aid should be paid to beneficiaries in good time so that they may use it efficiently. A failure by the Member States to comply with the payment deadlines laid down in Community legislation could create serious difficulties for the beneficiaries and could jeopardise the Community yearly budgeting. Therefore, expenditure made without respecting deadlines for payments should be excluded from Community financing. In order to respect the principle of proportionality, the Commission should be able to provide for exceptions to this general rule'*. Article 16 of the Regulation provides: *'Where payment deadlines are laid down by Community legislation, any overrun of those deadlines by the paying agencies shall make the payments ineligible for Community financing, except in the cases, conditions and limits determined, according to the principle of proportionality'*. The current position is governed by Commission Regulation 883/2006. Article 9 gives the percentage of aid that may be left unpaid by the deadline and the penalties that underpayment will incur.

January 2004

In a memorandum to the House of Commons Select Committee on Environment, Food and Rural Affairs, Defra provided background to the reform of the CAP and also informed the Committee that certain decisions concerning the implementation of the new Single Payment Scheme had already been taken by Ministers.

The memorandum explained that the main elements of the reform proposals which had led to the introduction of the Single Payment Scheme included *'breaking the link between farm subsidies and production by "decoupling" direct subsidies to agriculture'* and *'cross compliance to make subsidies dependent on meeting standards in key areas like environment, and animal health and welfare, underpinned by a new Farm Advisory System'*.

The memorandum also explained that:

'... some key strategic decisions concerning the implementation of CAP reform have already been made collectively by UK agriculture Ministers. These are:

— implementation of the SPS in the UK will be on a regional basis: Agriculture Departments in England, Scotland, Wales and Northern Ireland will be responsible for implementation in their respective countries; and

— the SPS will be introduced in the UK from the earliest date permitted under the agreement, namely 1 January 2005.

'In addition the Secretary of State has already announced that, with the possible exception of seed aid, none of the options for partial coupling of payments will be taken up in England.'

It was said that these decisions reflected the clear majority of views expressed by stakeholders in response to earlier consultation exercises.

The memorandum also set out Defra's view that the reform package would contribute to the achievement of the Government's Strategy for Sustainable Farming and Food in England in a number of ways. Those included the objectives of '*reducing bureaucracy*' and '*providing a long-term regulatory framework that will enable farmers to plan for the future*'.

12 February 2004

The Government announced its decision to adopt a 'dynamic hybrid' model of single farm payment in England. In its subsequent report on the *Implementation of CAP reform in the UK* (published on 28 April 2004), the Select Committee on Environment, Food and Rural Affairs described this model as constituting '*a Single Payment initially based on historical payment levels, but which over time would move to an area basis*'.

March 2004

RPA published its *Business Plan 1 April 2004 – 31 March 2005*. In the Foreword, the then Chief Executive explained that, during the period covered by the Plan:

'RPA will implement the new Single Payment Scheme which is a major part of the radical change to the Common Agricultural Policy agreed in 2003. The delivery of the scheme now represents the main focus of our Change Programme that will transform the way we work and deliver major benefits to our customers and the taxpayer. The successful delivery of the scheme provides an opportunity to reduce the bureaucracy farmers face by rolling a plethora of subsidies into a single payment which is not linked to what they

produce. During all of these changes we will continue to meet our normal targets and maintain continuity in the service that we provide to our customers.'

In section 1.5 of the Plan, the contribution that RPA would make to the delivery of Defra's objectives was set out. The particular targets set for RPA in order to achieve this included delivery of a customer focus performance target under a service delivery agreement. This target was that RPA would '*Process and pay CAP claims on time, specifically to avoid any financial correction for late payments*'.

Section 2.3 of the Plan also set out the '*key targets*' that had been set for RPA. Those included targets '*To process and pay at least 96.14% of valid [Integrated Administration and Control System – IACS] claims by value within the EU deadline*' (that is, by the end of the payment window for each scheme) and '*To process and pay at least 98.5% of valid claims correctly*'.

(Note: The different payment windows for the schemes which operated before the introduction of the Single Payment Scheme were set out in a Parliamentary Written Answer given on 18 October 2004 (HC Deb column 429W).)

14 May 2004

The then Minister for Food, Farming and Sustainable Energy, Lord Whitty, wrote to all farmers and growers in England. His letter was entitled '*Major changes to CAP payments from January 2005*' and aimed '*to explain the changes coming into force next year as a result of last year's agreement on the reform of the Common Agricultural Policy*'. The Minister noted that '*these reforms may have an impact on your business*'.

After describing the new arrangements as constituting *'the biggest change farmers will have faced since we joined the EEC in 1973'*, the Minister said that farmers would *'need to make some important decisions during the months to come'*. He explained:

'We will be sending you the information that will enable you to consider your options. We will also be placing information on the Defra website and we will be making a number of announcements in Parliament, the farming press and at key agricultural events. You should look out for this information in the coming months.'

Annex C to the letter contained a timeline of *'key dates'*. This said that RPA *'will advise applicants of their entitlement amounts'* in autumn 2005, and that RPA's objective *'is to make payments as early as possible within'* the payment window of 1 December 2005 to 30 June 2006.

17 June 2004

Defra's Management Board was told by its Director General for Sustainable Farming, Food and Fisheries that Ministers expected RPA to be in a position to make scheme payments as from 1 December 2005.

14 July 2004

The Select Committee on Environment, Food and Rural Affairs published the Government's reply to that Committee's April 2004 report on the *Implementation of CAP reform in the UK*.

The Committee had expressed concern that RPA was:

'... being asked to deliver a new and complicated Single Payment Scheme against a tight deadline. It is an administrative process which will initially bring with it all of the problems of introducing a historic scheme whilst at the same time having to manage the transition to an area-based payment.'

It had recommended that Ministers pay close attention to the steps taken by RPA to ensure that all necessary systems were in place on time. In reply, the Government said:

'The Government recognises that the timetable is an ambitious one. This is why Defra and RPA have a joint "policy to delivery" implementation programme which reports to the Permanent Secretary and to Ministers.'

'This is a significant programme for the Department and every effort is being made to ensure that we deliver the new arrangements in time for the 2005 scheme year. A considerable amount of work has already been done on policy and operational development.'

'The Government recognises the Committee's concern about the ability of new systems to be delivered on time to implement the new scheme...'

July 2004

RPA issued an information leaflet, *Single Payment Scheme: information for farmers and growers in England*. This included a timeline, which said that *'information about entitlements'* would be sent out by RPA in August 2005.

November 2004

A further updated information leaflet was issued by RPA. This again said *'August 2005 – Information on the value of entitlements sent out to applicants'*.

6 December 2004

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group.

This report, like subsequent such reports, rated the risks in meeting the objectives and targets associated with the delivery of the scheme according to a 'traffic light' system. A 'green' label denoted that the milestone was on track for delivery; amber denoted a potential issue with achieving the milestone; and red denoted that the milestone was under serious threat of not being achieved and that urgent remedial action was required.

The report set out RPA's assessment of the risks within six categories, which were:

- the business case, covering the updated costs and benefits of the programme;
- the scope of the project, covering the strategic direction of the programme and its wider environment, such as Ministerial involvement;
- the schedule, covering those risks likely to impact on the delivery timetable and overall performance against the timeline;
- resources, covering the risks associated with staffing and other key resources;
- stakeholders, covering those risks from the farming industry, such as communications with farmers; and
- risks/issues, covering all other risks not covered elsewhere, such as the risks of industrial action.

In this status report, those risks were graded as follows:

- business case – red;
- scope of the project – red;
- schedule – red;
- resources – amber;
- stakeholders – amber; and
- risks/issues – red.

(Note: The source for the material in this entry and subsequent similar entries on the risk matrix is Appendix Six of the Comptroller and Auditor General's October 2006 report on the administration of the scheme.)

7 January 2005

The then Defra Minister, Lord Whitty, sent a New Year's message to readers of *Farmers Guardian*. The Minister, recognising that there remained a number of challenges ahead for the farming industry, said:

'We've seen the start of the biggest change in farming since the early 70s with CAP reform and the foundations laid for the introduction of the Single Payment Scheme (SPS).

'Everyone in the agricultural industry will feel the effects in some way. Also because of horrible weather, the harvest at one stage looked touch and go but the industry pulled through fairly successfully. The SPS simplifies the system by consolidating the ten existing major payment schemes – and some others – into one.

'It will considerably reduce the administrative burden for many farmers. CAP reform will remove the perverse production incentives that compel farmers to chase subsidies.'

The Minister continued:

'I believe 2005 will present a major new opportunity for farmers to reconnect to markets and the consumer. For some, this new system will be a challenge – for others, it will be little different to the way they usually operate.'

'It is certainly a key time for business decisions. If payment entitlements are not established in 2005, the boat will be missed. Everyone will have to reconsider the future of their business to make the most of the new opportunities. And Defra, working with the industry, will play its part.'

11 January 2005

Defra announced by way of a press statement that RPA was holding a series of roadshow seminars at which farmers would be able to find out how to apply for the scheme.

18 January 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – green;
- scope of the project – amber;
- schedule – amber;
- resources – amber;
- stakeholders – amber; and
- risks/issues – red.

19 January 2005

In a press statement entitled *Single Payment Scheme in England: further information on payment date*, RPA announced that it would start making payments to farmers in respect of the 2005 scheme year in February 2006.

RPA also provided an update on payment dates on its website. It said that *'the objective has always been to make payments as early as practicable within'* the payment window and that this *'remains the case'*.

RPA said that *'farmers are naturally concerned to know when within that window they can expect to receive payments'*. RPA said that it could *'confirm that the most probable date for payments to start is February 2006. Therefore that is the earliest date to which farmers, their advisers and banks should plan'*.

This announcement was also widely covered in the national, local and specialist press. For example, the *Farmers Guardian* reported on 21 January 2005 that an RPA spokesperson had told them that:

'... the intention had been to start making payments soon after December 1 but one or two delays had caused that date to slip a little bit.'

'He explained the RPA was in the middle of its Change Programme, a huge restructuring of its much-maligned IT systems and processes. Coping with the introduction of a complex new farm payment system has further been complicated by the fact that the details of the scheme are regularly changing, he said.'

January 2005

The Office of Government Commerce (OGC), as part of its Gateway review of RPA's change management programme, which included the systems necessary to deliver the administration of the new Single Payment Scheme, said that:

'The review team found the programme is under strong leadership and has very visible Ministerial and Departmental support.'

'However, there is no room for further change requests, which would lead the programme into serious difficulties and overload the operation of the Agency.'

'The issue of interim payments was discussed; such a concept, if implemented, would require additional changes, and as such may endanger the achievement of payments within the legal window. It should therefore be eliminated as a possibility following the completion of a clear and concise impact assessment.'

February 2005

RPA published the *Single Payment Scheme Handbook and Guidance for England 2005*. This explained the payment window but gave no further information about the planned timetable for payment to farmers.

However, RPA also published a further updated information leaflet about the Single Payment Scheme. This explained, under a heading *'When will I get my payment?'*, that the payment window opened on 1 December 2005 and closed on 30 June 2006. It continued that *'the objective is to make as many payments as practicable within that window'*. The leaflet further explained that:

'... The RPA have announced that the most probable date for payments to start is February 2006. During autumn 2005, once all claims have been processed and validated, we will let you know the probable value of your entitlement.'

Also in February 2005, the Rural Development Service published two information booklets on Defra's website. *Entry Level Stewardship – Look after your land and be rewarded* said *'Before you can apply for the new scheme, all the land which you intend to enter into the scheme must*

be on the Rural Land Register'. The *Entry Level Stewardship Handbook – Terms and Conditions* said *'All the land which you intend to enter into the scheme must be on the Rural Payment Agency's Rural Land Register before you submit your application'* [their emphasis].

16 February 2005

RPA began to issue specimen scheme application forms. A Defra press statement announcing this explained that the February 2005 update would include a sample, blank form.

The then Chief Executive of RPA was quoted as saying that:

'We want farmers to be able to familiarise themselves with the application form in advance of receiving the real one in late March/early April.'

'By receiving a sample application form now, this will give farmers – and others who may not be familiar with IACS and will be applying to SPS – the opportunity to gather the information they will need to fill in their application, and also to seek any help they may need in advance of the 16 May application deadline.'

'This year is the only opportunity that farmers will have to establish their entitlements and it is imperative to get their applications in on time. They won't be able to establish entitlements next year – this is the one and only chance they will get.'

17 February 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – green;
- scope of the project – amber;
- schedule – amber;
- resources – amber;
- stakeholders – amber; and
- risks/issues – red.

22 February 2005

The *Financial Times* reported that the then Secretary of State, Margaret Beckett, had told the national conference of the National Farmers' Union (NFU) the previous day that she was '*bloody livid*' at the delay to the planned commencement of scheme payments until February 2006. The Secretary of State's speech was widely quoted in the press. For example, the *Birmingham Post* reported her as having said:

'I am more than disappointed – to be honest I am bloody livid. The NFU has been vocal as ever on this issue and put very strongly the anxieties and concerns that we understand very well.'

'The problem has been exacerbated because we strongly believe the Rural Payments Agency is ripe for reform. There was a need for modernisation and improvement.'

'We were already embroiled with changes before seeing the new reforms come along. The two processes have had to work together and that, in the long term, will be to everyone's advantage.'

18 March 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – green;
- scope of the project – red;
- schedule – amber;
- resources – amber;
- stakeholders – amber; and
- risks/issues – red.

25 March 2005

The NFU wrote to the then Countryside Minister, Elliott Morley, regarding what the industry press described as '*huge backlogs*' in land registration on RPA's Rural Land Register.

The NFU asked Defra to ensure that RPA devoted more staff time to land registration and relaxed the existing rules regarding the application process for participation in the Entry Level Scheme.

Noting that Defra would only accept applications for this Scheme on land which was already registered on the Rural Land Register digital maps, the deputy president of the NFU was quoted as saying:

'Farmers are keen to apply for the Entry Level Stewardship scheme and many want their agreements to start in August. We are asking Defra to be flexible and remove the barrier standing in the way of farmers applying in time for the August start date.'

'Environmental Stewardship schemes will play a vital role in farm businesses following decoupling and will help the industry provide the environmental management of the land that the public demands.'

April 2005

RPA published its *Corporate Plan 2004-05 to 2008-09*. This set out the mission of RPA as being: *'to be a customer focused organisation delivering high quality services, including processing payments and receipts, conducting inspections and recording animal identification, to government and the rural community'*.

The vision set out for RPA in the Plan was that it would be *'a customer focused agency, respected as the European leader in efficient and effective administration'* and that the things it would do as part of achieving this vision included providing *'customers with information and a choice in the way they access services'*.

On page 12 of the Plan, RPA said that, within the period covered by the Plan, it *'expect[ed] to achieve'* a number of things. These included *'to make payments on new CAP schemes in a timely manner from pre-populated data, and to promote take-up of e-systems'* and *'to be recognised by customers as providing excellent public services'*.

An updated *Framework Document* for RPA was also published by Defra. This set out the status of RPA and the legal framework within which it worked, explained RPA's organisation, and gave details about the accountability, performance measurement and reporting, and financial planning and control systems that were in place.

In Chapter 3 of the Document, it was explained that RPA's principal objectives included the administration of CAP schemes and the provision of *'fair, responsive, high quality services to its customers, minimizing administrative burdens placed on the industries it serves'*.

It was also specified that RPA would *'operate within spending review agreements using resources economically, efficiently and effectively whilst delivering all agreed schemes, services and targets'*.

5 April 2005

Lord Whitty, the then Food and Farming Minister, met the leadership of the NFU and other industry representatives. The NFU President, in a joint statement with the Country Land and Business Association (CLA), explained that the purpose of the meeting had been to express the industry's *'grave concerns'* and to seek *'formal assurances'* that farmers would not be penalised for the delays in registering land.

The President of the NFU said:

'The NFU and CLA are pressing for a formal guarantee that if maps are not ready by the May 16 deadline farmers will be able to submit their details later without penalty. We are also demanding assurances that farmers will not be punished for genuine errors that have been made as a results [sic] of inadequate advice. However, it is still essential, despite all the difficulties, for farmers to make every effort to submit their completed forms before the deadline.'

The President of CLA said that *'It's simply not good enough that it's taking as many as 18 calls and several minutes on hold to get through to a helpline offering inconsistent information'*.

Following the meeting, Defra issued a short press statement, which said that *'Defra is very concerned about the problems that have been highlighted by the NFU and has asked for urgent action to be taken'*.

The 8 April 2005 edition of *Farmers Guardian* quoted a spokesperson for RPA as having said that:

'RPA recognises and apologises for the delays that some customers have experienced in calls to the customer call centre being answered.'

'The numbers of calls received have increased several fold over the last month and while we had projected and planned for increased call volumes during the introduction of the Single Payment Scheme, the call volumes have been even higher than those projections.'

7 April 2005

In response to a written Parliamentary question, which had asked *'what arrangements will be put in place for interim payments to be made where there is a delay in the payment of the single farm payment'*, a Defra Minister, Alun Michael, replied:

'The Rural Payments Agency has announced that it expects to begin payments under the single payment scheme in February 2006, well before the deadline of 30 June 2006 set in EU legislation. The Government are considering what action can be taken to improve on this position or to help in other ways.'

11 April 2005

RPA published a document *Single Payment Scheme: frequently asked questions*. This said that *'Provisional notifications [that is, of the value of Entitlements] will be made in the Autumn of 2005'*.

In response to question 96 – which asked *'What are the start and finish dates of the payment window? Is it correct to assume that the number of individual businesses who receive payment will be spread evenly throughout the payment window, or are the majority of recipients, in the*

first year at least, likely to have to wait until towards the end of this payment window?' – it was said that:

'The payment window opens on 1 December 2005 and closes on 30 June 2006. The RPA will make every effort to issue payments as soon as practicable within the payment window. The announced start date for payments is February 2006.'

A reference amount calculator was made available on RPA's website to assist applicants to work out the approximate value of the historic element of their entitlement. The calculator was not available from August 2005, until a revised version was published on 3 February 2006. A leaflet, *Single Payment Scheme – Entitlements and the Calculation of a Reference Amount*, was available throughout this period.

12 April 2005

The then Chief Executive of RPA attended a meeting of the Council of the NFU. According to the 15 April 2005 edition of *Farmers Guardian*, the Chief Executive had told the Council meeting that the problems RPA had faced in the administration of the scheme had stemmed from the fact that RPA had underestimated farmer demand for its services.

The Chief Executive was quoted as saying that:

'We have had problems with the IT system but it is now pretty much up to standard. What we didn't expect was the demand...'

'Now we could have designed a lorry with a big engine to cope with this demand had we ever thought it likely. As it was we looked at normal rates and added a reasonable contingency. We might argue that we underestimated it'

but I think we have some defence. We knew as far back as June 2004 that this needed to be addressed but 20,000 customers did not engage with the process.'

RPA's operations director was also quoted as explaining that there were at that time still mapping problems with about 100,000 field parcels out of the 1.7 million parcels that had been dealt with by RPA. He explained the steps that RPA had taken, including devoting additional staff to the work, to mitigate the delays that were being experienced.

19 April 2005

RPA provided '*important information on mapping requirements for all applicants*' to the Single Payment Scheme via its website. This informed potential applicants that they could apply to the scheme even if the mapping of their holding had not been finalised on the Rural Land Register.

RPA also informed farmers that, if the finally agreed area of a land parcel differed from the figure used to complete such applications, RPA would not penalise an over-estimate provided that the farmer had made '*a reasonable attempt to estimate the area accurately*'. Instead, RPA said that it would adjust the area either upwards or downwards to the new figure.

26 April 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – green;
- scope of the project – red;
- schedule – red;
- resources – amber;
- stakeholders – amber; and
- risks/issues – red.

13 May 2005

A further status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – green;
- scope of the project – amber;
- schedule – red;
- resources – amber;
- stakeholders – amber; and
- risks/issues – red.

16 May 2005

By this date, which was the deadline for applications for the Single Payment Scheme (that is, those submitted by this date would not attract any late application penalties), RPA received approximately 120,000 applications.

In the 20 May 2005 edition of *Farmers Weekly*, a spokesperson for RPA was quoted as having said:

'At close of play on May 16 we had received 116,322 application forms... We are pleased that this figure suggests that the vast majority of farmers who wished to claim under the SPS submitted their form by the deadline. The result confirms the RPA's planned approach to introducing SPS has been successful.'

Referring to the accuracy of the information given out by the helpline, the spokesperson was quoted as having admitted that '*scope for inconsistency*' had been introduced because the information provided to RPA operators had been updated regularly.

The spokesperson was reported as having also accepted that '*there were lessons to be learned in dealing with the new customer base – which looks to have grown by about 20,000 farmers – and in particular in responding to large volumes of enquiries*'.

17 May 2005

James Paice MP tabled Early Day Motion 117 on Rural Payments. This motion, which attracted 76 signatures, said:

‘That this House recognises that the delays in rural payments to farmers are a direct result of the complexity of the system that the Government introduced; notes the serious cash flow problems this has caused for farmers; calls on the Government to make a specific undertaking to make interim payments based on farmers’ historic entitlements; and calls for an assurance from the Government that farmers will not be penalised for the delays in registering land for the Single Payment Scheme as a result of problems within the Rural Payments Agency.’

18 May 2005

The then Secretary of State for Environment, Food and Rural Affairs, Margaret Beckett, tabled a written statement before the House of Commons.

In this statement, she set out the performance targets that Ministers had set RPA for the 2005-06 business year.

Those targets included that RPA would:

- ‘commence payments under the single payment scheme by February 2006 and... process and pay 96 per cent of valid SPS claims by value by 31 March 2006’; and
- ‘process and pay valid claims with at least 98.5 per cent accuracy.’

These were set out in RPA’s *Business Plan for 2005-06*.

31 May 2005

RPA issued a press release informing farmers of the impending final closing date for applications to the Single Payment Scheme. This explained the consequences of late application, which were that those received between 17 May and 10 June 2005 would be subject to late claim reductions and that those received after 10 June 2005 could not be accepted other than in limited, exceptional circumstances.

9 June 2005

Defra Ministers answered Oral Questions in the House of Commons. James Paice MP, in the exchanges, said *‘The Secretary of State referred to payment by February. Her own published targets show that the Department does not expect the bulk of payments to be made until next March’*.

He also asked for an assurance regarding whether farmers would see penalties imposed on them for problems arising with inaccurate or late applications to the scheme *‘because they did not receive the correct information from the RPA’*.

The then Secretary of State, Margaret Beckett, in her reply explained:

‘We published what we hoped would be the payment dates [that is, at the beginning of the payment window in December 2005], and we published the new date [that is, February 2006] as soon as we knew that it would have to be a little later, to try to give people at least some long-term planning certainty.’

16 June 2005

The then Minister for Food and Farming, Lord Bach, replied to Oral Questions in the House of Lords. These sought to explore whether the change in expected payments from the beginning of the payment window in December 2005 to February 2006 had been a result of IT system problems.

The Minister explained that modifications to the IT system as a result of late policy changes at an EU level had had an impact on the payment timetable. He continued by saying:

'Nevertheless, we believe that the planned delivery dates provide a sufficient margin to process and pay valid applications by the projected payment date of February 2006. The noble Baroness says that that date has been put back. Across Europe, there is a window between December 2005 and [June] 2006 for these payments to be made. We are due to pay in February 2006.'

17 June 2005

Defra announced that the Rural Development Service was moving from having quarterly to monthly start dates for the five-year agreements for the Environmental Stewardship schemes. The first agreements were to start on 1 August 2005.

23 June 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – amber;
- scope of the project – amber;
- schedule – red;
- resources – amber;
- stakeholders – green; and
- risks/issues – red.

June 2005

The OGC, in its Gateway review, commented that:

'... 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... would require a very fair wind to succeed. And recent experience suggests that there will be much bad weather to cope with.'

The OGC review assessed the project as 'red', which indicated that RPA was being recommended to take immediate remedial action at Chief Executive level to address the issues that had been identified.

Defra officials, when informing the then Secretary of State of the outcome of the OGC review, informed her that RPA's confidence of making payments by February 2006 was only 40%, with 75% confidence in making payments in March 2006.

12 July 2005

Timothy Farron MP tabled Early Day Motion 572 on Single Farm Payments. This motion, which attracted 19 signatures, said:

'That this House welcomes progress achieved so far towards reform of the Common Agricultural Policy; notes that British farmers are amongst those who have adapted best to the changes they have been asked to make; but notes with concern that the implementation by the Rural Payments Agency of the new Single Farm Payment scheme will cause significant additional hardship to farmers because of expected delays in payments to eligible farmers; and calls upon the Secretary of State for Environment, Food and Rural Affairs to intervene to ensure satisfactory interim advance payment is made to farmers in this calendar year in order to avert unnecessary hardship.'

13 July 2005

In the House of Commons, a Defra Minister, Jim Knight, gave a written answer to a question which had asked whether farmers would receive their payments under the scheme in February 2006, whether compensation would be paid to those

who received their payments after *'the due time'*, and whether advance payments would be made to farmers *'in the event of foreseen delays'*.

The Minister replied:

'The payment window set out in EU legislation for the single payment scheme runs from 1 December 2005 to 30 June 2006. Our forecast of a February 2006 payment date for England fits comfortably within that window and remains our position. Payments made within the window do not attract compensation. We have not ruled out the possibility of making advance payments or similar measures but there are real legal and practical difficulties in doing so and we would not want to take action that would delay the main payment.'

14 July 2005

Defra issued a press statement entitled *'Defra acts to secure February date for Single Payment Scheme'*. This statement explained that *'the Rural Payments Agency will now prioritise registrations of land onto the Rural Land Register to ensure the fastest possible progress towards a February 2006 start date for payments under the new Single Payment Scheme...'*.

After giving details of the new priority arrangements, the statement said that:

'This approach will support the Government's clearly stated goal of making SPS payments in February. The majority of these will then be paid within a matter of weeks, and 96% by the end of March in accordance with the RPA's 2005-06 Business Plan.'

The 15 July 2005 edition of *Farmers Guardian* reported this statement, in an article entitled *'no payment window slip'*, in the following way:

'Food and Farming Minister Lord Bach has refuted NFU claims that the Single Payment Scheme window has slipped again, from February to March.'

'Following a stakeholder meeting with Defra and Rural Payment Agency officials, the NFU put out a statement expressing anger at the decision.'

'NFU president Tim Bennett said he was extremely disappointed and was seeking an urgent meeting with Lord Bach. He also reiterated calls for an advance payment to be made to ease cash flow problems.'

'But Defra claimed the NFU had misinterpreted the briefing. In a statement Lord Bach said: "It is untrue to say that the payment window has moved to March 2006. Nothing has changed and we still expect to start paying in February and to process the payments as quickly as possible after that".'

'RPA officials said there were no plans to make advance payments. While this has not been formally ruled out, it would require EU permission and present legal and practical difficulties that would further delay the whole process.'

15 July 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – amber;
- scope of the project – amber;
- schedule – amber;
- resources – amber;
- stakeholders – green; and
- risks/issues – red.

On the same day RPA closed its priority list, opened in April 2005, for Environmental Stewardship mapping cases that needed attention in order to meet the application deadline for the Stewardship schemes.

19 July 2005

RPA published its *Annual Report and Accounts 2004-05*. After reiterating that its vision included the provision to customers of *'information and a choice in the way they access services'*, the Report and Accounts explained that one of the values governing RPA's work was that *'our customers and stakeholders are our business'*.

This value was explained in the following way:

'We make sure we understand the needs and expectations of our customers and stakeholders and are proactive in responding to those needs. We communicate with our customers, consulting them and keeping them informed about changes that are likely to affect them. We apply effective management controls to safeguard European Union and domestic funds and protect the interests of taxpayers by improving efficiency.'

Another value was said to constitute *'partners in progress'*. This value was explained as being:

'We work across boundaries within our own organisation and with our partners, making sure we deliver excellent performance to our customers and stakeholders. We work as part of a team within Government and seek new partnerships where this will help us to realise our vision.'

Explaining RPA's aims and objectives, the Report and Accounts stated that RPA would aim to *'deliver a high quality service that is responsive to the needs of its customers and operates as economically, efficiently and effectively as possible, in accordance with EU accreditation requirements and the policies laid down by the Secretary of State...'*

A principal objective was again said to be the provision of fair, responsive and high quality services to customers. The Report and Accounts also:

- (on page 8) described the service provided by RPA in relation to certain of the predecessor schemes to the Single Payment Scheme as *'excellent'*, with other schemes showing *'significant improvement'* in performance over previous years;
- (on page 17) explained that *'RPA is focused on meeting the needs of our customers'*, which meant the *'timely and accurate payment of claims, good communication, involving customers in the development of our business and dealing fairly with complaints'*; and

- (on page 38) set out RPA's performance against the key delivery targets set for it during 2004-05, noting that RPA had met all its customer-facing targets. These included processing and paying at least 96.14% of valid claims within the relevant payment window and doing so accurately in at least 98.5% of cases.

On page 48 of the Report and Accounts, significant internal control problems were dealt with. Under a heading *Implementation of the Single Payment Scheme*, it was explained that:

'RPA is currently facing considerable difficulties in carrying out its prime directive: the implementation of the SPS by February 2006... Data processing of applications and the determination of claimants' entitlements have been affected by a combination of factors:

- *The high volume of SPS claimants.*
- *A high volume of late submissions by claimants about changes in their land holdings (IACS 22 forms).*
- *Poor performance and scalability issues with RPA's land register (used to record IACS 22 changes).*
- *Incomplete applications submitted by claimants.*
- *A huge number of customer enquiries from claimants about their submissions that exceeded all estimates of demand upon the Customer Service Centre.*
- *A three week delay in establishing a stable platform to capture SPS claims once they were received.*

'Successful mitigating action has been taken to counter the effects of all the above difficulties; additionally, RPA has well advanced contingency measures upon which to draw.

'However, it remains to be seen whether these initiatives coupled with ongoing action to manage a very demanding testing timetable for the core software releases designed to process SPS claims will be sufficient to meet what was already a tough target for delivery of a completely new regime.

'Additional resources have been acquired to address not only CSC response rates but also to secure higher data capture rates of both claims applications and IACS 22s through the deployment of multiple shift working that makes the most of scarce processing capacity. Beyond this, the priority assigned to delivery of SPS has meant the suspension of certain aspects of business that carries the risk of disallowance.'

18 August 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – red;
- scope of the project – amber;
- schedule – red;
- resources – red;
- stakeholders – red; and
- risks/issues – red.

30 August 2005

Defra announced on its website that farmers could submit Entry Level Stewardship applications *‘for the majority of their farms, they don’t have to wait until outstanding issues with the Rural Land Register on individual land parcels are resolved’*. It said that the Rural Development Service encouraged farmers to submit applications for land that appeared on the maps within the stewardship application pack. The land would become eligible for payment as soon as it processed the application and farmers could add further parcels of land later, once any Rural Land Register issues were resolved.

September 2005

The OGC reported on a further Gateway review it had conducted of RPA’s change management programme. The authors of the report concluded they were *‘convinced’* that the programme had a *‘reasonable chance’* of delivering all payments within the payment window.

21 September 2005

The then Chief Executive of RPA provided briefing on the Single Payment Scheme for Lord Bach. This said:

‘We continue to make progress on the various processing activities required to validate SPS claims. Taking into account the proposed outsource of IACS 22 processing, all work streams remain on target to complete processing activity in time to facilitate an end-February start date for making payments.’

‘As of 19 September nearly 71,000 claims (c60% of the total population) have cleared the first stage of validation, with validation complete on approaching 24,000 claims (20%). The majority of the remaining claims have been reviewed and “parked” awaiting further guidance and/or system fix.’

‘There are just over 30,000 IACS 22 and miscellaneous mapping cases in process.’

The briefing concluded by saying that, in the coming week:

‘The focus will continue on first stage validation, with a limited number of staff working on more detailed validation routines. Work will continue off-RITA on National Reserve applications and cleansing historic reference data. The Inspectorate will prioritise claims involving energy crops and proteins, and making a start to cross compliance inspections.’

22 September 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – red;
- scope of the project – red;
- schedule – red;
- resources – amber;
- stakeholders – amber; and
- risks/issues – red.

29 September 2005

The then Chief Executive of RPA provided further briefing on the scheme to Lord Bach. This stated that there had been:

‘Sustained progress on processing claims, with around 12,000 claims clearing Level 1 validation in the past week.’

‘All work streams remain on target to complete processing activity in time to facilitate an end-February start date for making payments.’

'Both the data capture and scanning exercises will not now complete until mid-October at the earliest, as just over 100 English claims, together with around 350 cross border claims, require single business identifiers to be raised. The extension should not compromise the validation schedule.'

The briefing continued:

'As of 26 September around 83,000 claims (c69% of the total population) have cleared the first stage of validation, with validation complete on approaching 34,000 claims (28%). The majority of the remaining claims have been reviewed and "parked" awaiting further guidance. The continued focus for the business is providing staff with sufficient guidance to close down the remaining 31,000 parked claims.'

'The main focus for the Customer Registration team is the registration of new customers; generation of new and amended County Parish Holding numbers; and modification of existing registration records. The latter is likely to be most resource intensive, and a first step is to identify major modifications that need to be implemented prior to payment.'

The briefing concluded by saying that, in the coming week:

'The focus will continue on first stage validation, once the system returns on 3 October. Release 3A2 will be deployed on 3 October, and Infoterra will start to digitise IACS 22s on the same day. Work will continue off-RITA on National Reserve applications and cleansing historic reference data. The Inspectorate will prioritise claims involving energy crops and proteins, and making a start to cross compliance inspections.'

30 September 2005

Defra officials made two submissions to the Minister then responsible for RPA and the administration of the scheme, Lord Bach, in advance of a meeting to be held on 4 October 2005 to discuss two issues: the first being *'how to deal with provisional entitlements to SPS claimants, definitive entitlements, and related appeals'*; and the second being *'Single Payment Scheme communications handling'*.

In the official submission on the first issue, it was said that:

'The urgent need to agree a coherent communications strategy brings into focus the issue of whether or not to issue provisional entitlements. The intention to issue a provisional entitlement was included in a House of Commons statement in July 2004 and repeated in subsequent booklets sent to farmers. Potential creditors, namely the banks and the supply trade, regard them as important in determining whether to make credit lines available.'

In relation to the recommendation that RPA should not produce provisional entitlements but instead concentrate on issuing definitive entitlements and making scheme payments, the submission noted that:

'... both CLA and NFU expressed real concern if definitive entitlements were not to be notified until the actual payments were made, for two reasons: first, because it would make farmers' relationships with their bankers and suppliers more difficult... and, second, because it would prevent the trading of entitlements for which a sizable shadow market [is] already developing.'

The submission on the second issue, which set out a proposed communications plan, started by saying *'Following recent positive developments, the RPA remain confident that payments will start in February, with 96% paid by the end of March'*. After noting that previous commitments that RPA would issue provisional entitlements during autumn 2005 had been made, the submission continued:

'It is important to note that the [Secretary of State] made a personal statement about her own frustration at suggestions of delay at the NFU annual conference in February 2005. This will be raised in respect of any announcement which is seen as bad news for the claimant. Also potential creditors, namely the banks and the supply trade regard them as important in determining whether to make credit lines available.'

The submission then set out a proposed communications plan. One of its objectives was said to be *'to ensure that farmers are kept informed of the process underway to deliver the SPS in a timely fashion and know where to go for advice and support'*. The submission then set out four *'core messages'*. In relation to the decision not to issue provisional entitlements, it was said that communications should convey the message that *'the absence of provisional entitlements does not mean that February payments are any less certain'*.

3 October 2005

RPA outsourced to Infoterra (one of its suppliers) work to handle the backlog of map digitisation on the Rural Land Register.

4 October 2005

Defra and RPA officials met the then Minister for Food and Farming, Lord Bach, to discuss the submissions which had been made to him on 30 September 2005.

An email the next day recorded the outcome of that meeting. In this email, one of the Minister's Private Secretaries noted that *'RPA reported that definitive entitlements were projected for 23 February 2006'*.

The Private Secretary also recorded that a decision had been taken to issue press statements, which would be discussed with key stakeholders, providing updates on the administration of the scheme and using the *'core messages'* set out in the submissions.

5 October 2005

Defra issued a press statement entitled *Defra takes further action to ensure payments to farmers in February 2006*. This explained that RPA remained:

'... committed and on target to commence payments in February 2006. To help ensure that happens and to allow for notification of final entitlements to be issued as soon as possible in the new year, farmers will not now be informed of their provisional entitlements in the autumn as was envisaged.'

'Definitive entitlements will however now be notified to farmers as early as possible in the new year We are continuing to put all our effort and resources into commencing payments in February.'

The statement quoted the then Minister for Food and Farming, Lord Bach, as saying:

'I am determined, however, to keep the farming community well informed as the processing of SPS claims proceeds. With that in mind, and because I am also aware that farmers want definitive entitlements to be made available as early as possible in the new year, we are announcing today that we have taken the decision after discussion with the NFU and others not to provide provisional entitlements to farmers in the autumn.'

'This week's news that changes may be made to EU rules governing the payment details is unwelcome at this late stage in the process, as it is likely to delay the main payment by at least a month ...'

'If it proves impossible to defer these changes I am determined that payments will start to be made in February, even if that involves an interim payment, with the balance following before June.'

6 October 2005

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This said:

'This week has seen slow progress with claim processing and land registration, reflecting limited system availability in preparation for deployment of Release 3A2 (entitlement calculation and payment authorisation functionality). Work on the RLR outsource commenced on 3 October. Release 3A2 was deployed on time also on 3 October. Limited progress on processing, coupled with potential changes to the payment calculation method, means the end-February start date for making full payments is under threat.'

'As of 3 October around 86,000 claims (71% of the total population) have cleared the first stage of validation, with validation complete on approaching 35,000 claims (29%). Progress has slowed as parked tasks, which require further information to be provided before processing can continue, are proving difficult to clear. Effort is now focussed on expediting clearance.'

'Work has started on digitising land parcels. Additional staff are being recruited and trained to increase productivity. RPA staff are being trained to quality check digitised parcels. RPA are actively seeking to expedite the completion of receipt routines for uploading digitised parcels.'

The briefing concluded by saying that, in the coming week:

'The focus will continue on first stage validation, National Reserve applications and cleansing historic reference data. I will be attending the NFU Council on 10 October, after which my team will resume detailed discussions with stakeholders.'

10 October 2005

The then Chief Executive of RPA attended a meeting of the Council of the NFU. He reported that RPA was on course to begin making scheme payments in February and that most should be completed within three weeks.

The 14 October 2005 edition of *Farmers Weekly* reported that delegates at the meeting had left the Chief Executive and his officials *'in little doubt about farmers' frustration'* and that those delegates had explained that *'payment delays were causing huge cash-flow problems that were forcing many people to extend their overdrafts or sell commodity at low prices'*.

The Chief Executive was quoted as recognising 'the need to get payments out', saying:

'We've worked very hard to keep to the schedule that was announced in January last year, and here we are now, and we are still on schedule. That has taken some considerable effort on our part. But I realise it is not when you would like payments to come... and for that I'm sorry.'

12 October 2005

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that there had been:

'Continuing progress with claim processing customer and land registration. Work on the RLR outsource is ramping up, following deployment on 3 October. Release 3A2 (entitlement calculation and payment authorisation functionality) is working, following deployment on 3 October. Further work undertaken aimed at increasing productivity, with a view to ensuring an end-February start date for making payments. Clarification expected this week on further policy change...

'As of 10 October around 90,000 claims (c75% of the total population) have cleared the first stage of validation, with validation complete on approaching 36,000 claims (30%). Progress has slowed as parked tasks are proving difficult to clear. Effort is focussed on expediting clearance of first stage cases.'

'Work has started on digitising land parcels. Additional staff are being recruited and trained to increase productivity. RPA staff are being trained to quality check digitised parcels. RPA are actively seeking to expedite the completion of receipt routines for uploading digitised parcels, with a target date of 25 October for a first upload.'

The briefing continued:

'The Customer Registration teams are focussing on the creation of County Parish Holding numbers, to facilitate clearance of first stage validation; registration of new customers; and modification of the records of existing customers. Additional staff are being deployed to meet these competing priorities.'

'Work is being undertaken to increase productivity on validations whilst reflecting resource constraints and increased activity on supporting processes, such as National Reserve processing.'

'The last IT component required for the 2005 scheme, Release 3A2, was deployed on 3 October.'

'I led an RPA team to the NFU Council on 10 October.'

The briefing concluded by saying that, in the coming week, there would be:

'A continuing focus on validation, land, customer registration and National Reserve processing. RPA's Industry Forum, which includes key stakeholders, will meet on 19 October.'

18 October 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – red;
- scope of the project – red;
- schedule – red;
- resources – red;
- stakeholders – amber; and
- risks/issues – red.

20 October 2005

A debate was held in the House of Lords to take note of the report of that House's European Union Committee on *The Future Financing of the Common Agricultural Policy*. As part of his response to that debate, the then Minister of Food and Farming, Lord Bach, said:

'I want to say a word about the single payment scheme. Of course, there have been considerable difficulties, as the House knows, with putting that scheme into effect. I am not surprised that there have been. Significant effort is being focused on ensuring that payments begin in February. Notwithstanding the important implementation steps that still lie ahead, that remains our best estimate. We have also secured EU legal provisions to make interim payments to farmers, and we are developing contingency systems that could deliver such payments in February, if necessary.'

In reply to an Oral Question in the House of Commons, asking for an update to be provided on progress in implementing the scheme, the then Secretary of State, Margaret Beckett, said that RPA:

'... continues to validate claims, to digitise new and amend existing land parcels, and to register new customers applying to the single payment scheme. As we announced earlier this month, the RPA remains on course to start payments next February.'

25 October 2005

A Defra Minister, Jim Knight, tabled a written answer to a Parliamentary question which had asked what discussions had been held with tenant farmers and their representatives concerning the implications of any delays in making scheme payments.

He reminded the House that:

'RPA announced in January of this year that SPS payments were most likely to commence in February 2006; well within the regulatory payment window which runs to June 2006. During the course of regular discussion with industry representatives, RPA officials have re-affirmed that they remain on course to start payments in February.'

26 October 2005

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'Only 12,794 first stage validation cases remain to be processed. Around 8,000 IACS 22s processed since the RLR outsource started on 3 October. Proposals being developed to truncate remote sensing follow up inspections in order to maintain payment schedule. Around 10,000 National Reserve applications are in process, although most require additional supporting information from customers.'

'All but 24 claims have been data captured; scanning will complete in the next few days. As of 24 October around 102,000 claims (c85% of the total population) have cleared the first stage of validation or been rejected. Plans are in place to re-assign remaining first stage validation cases to specialist teams, releasing the bulk of staff to switch to detailed processing. Validation is complete on approaching 52,000 claims (43%).'

'There has been a good response to the mail shot to all National Reserve applicants requesting further supporting information. A News Release reminding customers of the closing date issued on 25 October.'

The briefing concluded by saying that, in the coming week:

'The remaining primary validation will be re-assigned to specialist teams. Work will continue on land and customer registration and National Reserve processing. A workshop land registration issue will take place. I will attend the CLA Council meeting on 2 November.'

End October 2005

RPA produced an update to its information leaflet, *Single Payment Scheme: information for farmers and growers in England*. This explained that RPA had received approximately 120,000 scheme applications *'and remain committed and on target to begin making SPS payments in February 2006'*.

The leaflet also explained, under a heading *Latest update at 1 November 2005*, that *'entitlements will be definitively established, and entitlement statements sent out to all SPS claimants, as early as possible in the new year'*.

November 2005 – December 2005

During this period, further written replies on the subject of the scheme were given by Mr Knight to Parliamentary questions. These included the following:

- On 9 November 2005, in response to a question by Adam Holloway MP, in which it was said that:

'Ministers regularly assess the likely timing of Single Payment Scheme awards with officials at the RPA, which is responsible for the administration of the scheme in England. RPA remains on course to commence payments in February 2006 and complete 96 per cent of payments by the end of March, in line with announcements made at the start of the year.'

- On 17 November 2005, in response to a question by Richard Benyon MP, in which it was again said that:

'RPA remains on course to commence payments in February 2006 and complete 96 per cent of payments by the end of March, in line with announcements made at the start of the year.'

It was also said that:

'RPA's objective remains to complete payment on all valid claims by the end of the payment window on 30 June 2006. Any claims that cannot be resolved by 30 June 2006 will be paid as soon as possible after that date, once eligibility has been confirmed.'

- Again on 17 November 2005, in response to three questions by Alistair Burt MP, in which the House was reminded twice that *'RPA announced in January 2005 that payments under the SPS in England would begin in February 2006'*. It was also said that increased resources devoted by RPA to resolving outstanding claim queries enabled it *'to remain on course to commence payment under the Single Payment Scheme in February 2006, in line with announcements made at the start of the year'*.

- On 22 November 2005, in response to questions by Laurence Robertson MP and by Lindsay Hoyle MP, in which it was said again that:

'Ministers regularly assess the likely timing of Single Payment Scheme awards with officials at the RPA, which is responsible for the administration of the scheme in England. RPA remains on course to commence payments in February 2006 and complete 96 per cent of payments by the end of March, in line with announcements made at the start of the year.'

- On 2 December 2005, in response to a question by Rosie Cooper MP, in which the same message was provided.

9 November 2005

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'We remain on track to commence full payments in February 2006, although processing delays are eroding the 4 weeks schedule contingency in the plan. It is now estimated that no more than 3 weeks contingency remains.'

Proposals for expediting remaining processing continue to be built into the overall plan.

'Staff at Carlisle and Northallerton are working to clear remaining first stage validation cases during week commencing 14 November. The majority of processing staff are now working through detailed validation, with the current focus on resolving apparent dual claims. Around 13,500 IACS 22s have been processed by Infoterra since the RLR outsource started on 3 October. The majority of the c18,000 National Reserve applicants have now responded to the request for additional supporting information.'

'Only claims requiring re-keying and scanning remain outstanding. As of 7 November only 10,238 claims (c9% of the total population) have still to clear the first stage of validation.'

The briefing continued:

'The majority of processing staff are now working on the detailed validation of claims. The work of the validation team has identified around 80,000 land parcels which are not on the RLR. As a consequence around 9,100 claimants have been asked to provide supporting information via mailshot.'

'As we make progress with IACS 22s and start work on Level 2 validations, we have identified a system error for calculating of the number of claims forms passed through detailed validation. The actual proportion of claims that have cleared validation is around 27%, rather than the 44% detailed in the last report.'

'This does not impact on the forecast for delivering payments to schedule, which is based on the correct number of tasks within the system, (which remains correct and unchanged) rather than the number of claims forms completed.'

'Processing of the near 18,000 National Reserve applications will now be accelerated, following the provision of additional supporting information by most applicants.'

The briefing concluded by saying that, in the coming week:

'The remaining primary validation will continue to be processed by dedicated teams at Carlisle and Northallerton. The bulk of processing staff will focus on dual claims. Work will continue on land and customer registration and National Reserve processing.'

16 November 2005

The then Chief Executive of RPA provided further briefing on the scheme to Lord Bach. This stated that:

'Further detailed planning assessments suggest that we are still on track to commence full payment by end-February.'

'The majority of processing staff are now working through detailed validation, with the current focus on resolving apparent dual claims. Around 16,000 IACS 22s have been processed by Infoterra since the RLR outsource started on 3 October. Staff are now working through the additional information provided by the majority of the c18,000 National Reserve applicants.'

'As of 14 November, only 5,906 claims (c5% of the total population) have still to clear the first stage of validation.'

The briefing continued:

'The majority of processing staff are now working on the detailed validation of claims. The overall number of claims that have cleared validation is approaching 30% however many other tasks have been progressed, with specific tasks, such as dual claim elements and RLR region tasks being closed down.'

'There are now 16,000 known IACS 22s left to process. Sketch maps from some of the c15,000 customers contacted to provide further information have started to arrive from customers.'

'Processing of the near 18,000 National Reserve applications is now accelerating, following the provision of additional supporting information by most applicants. Some 1,900 applications have been cleared for calculation and a further 9,000 are actively being progressed.'

17 November 2005

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – red;
- scope of the project – red;
- schedule – red;
- resources – red;
- stakeholders – amber; and
- risks/issues – red.

23 November 2005

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'We continue to work towards full payments starting by the end of February.'

'First stage validation is proving difficult to fully complete, with around 3,600 claims left to close down as of 21 November. Most of the remaining cases require further customer registration/scanning information before they can be progressed through the validation system.'

The briefing then explained that:

'Around 800 staff are now working full time on detailed validation and National Reserve processing. Detailed validation work is being monitored by task type, as many claims have multiple tasks requiring clearance before validation is complete.'

'Approximately 31% of claims have now completed detailed validation (although some will require residual action). Just short of 500,000 tasks have been raised for main validation, of which 9% have been cleared, with a further 3% currently in progress.'

'National Reserve processing is expected to be completed by 17 January. Some 4,500 applications have been cleared for calculation and a further 7,600 are actively being progressed. Processing staff are in the process of reviewing the supplementary evidence supplied by around 13,000 claimants.'

The briefing continued:

'Around 30,000 IACS 22s have been processed since 3 October. A further 25,000 remain to be processed including a proportion of the maps requested from customers.'

'A further planning session earlier this week confirmed a mid-December target date can be accommodated within the RLR schedule without compromising the February payment target.'

'Whilst our plans assume no productivity over the Christmas/New Year period, arrangements have been made to maintain a presence at processing sites outside of bank holidays.'

'The site presence will be available to cover the drop in centres at these locations. The three drop in centres not located at processing sites, at Bristol, Newmarket and Worcester, will be closed during the Christmas period, reflecting the handful of staff operating each centre, and the very limited customer contact at such locations since the closure of the SPS application window.'

30 November 2005

The then Chief Executive of RPA provided further briefing on the scheme to Lord Bach. This stated that:

'We continue to work towards full payments starting by the end of February. Detailed validation and National Reserve processing has progressed over the past week.'

'A second upload of land data digitised by Infoterra will be validated tonight and uploaded tomorrow into RITA. Land registration and detailed validation remain on the critical path for February payments, and we continue to examine opportunities to reduce the amount of processing activity.'

'Only 2,400 first stage validation cases were outstanding as of 28 November. Most of the remaining cases require further customer registration information before they can be processed through the validation system by dedicated teams at Carlisle and Northallerton.'

'Over 2,200 full time equivalent staff are working on one or more SPS processing activities; namely claim validation; customer and land registration; National Reserve and SPS/cross compliance inspections.'

The briefing continued:

'Detailed validation work is being monitored by task type, as many claims have multiple tasks requiring clearance before validation is complete. In the past week an additional 22,000 tasks have been identified for clearance.'

'Some of these additional tasks have affected claims that had previously cleared validation. This increases the total population of genuine tasks to 522,000. Of that number some 79,000 have either been completed or are in progress, representing 15% of the total.'

'National Reserve processing is expected to be completed by 17 January. Some 7,000 applications have been assessed which includes around 900 instances where the application has been withdrawn. Those accepted have been cleared for calculation and a further 6,500 are actively being progressed.'

'A total of 35,730 mapping tasks have been processed since 3 October.'

7 December 2005

The then Chief Executive of RPA provided further briefing on the scheme to Lord Bach. This stated that:

'We continue to work towards full payments starting by the end of February. More detailed validation tasks have been identified over the past week, offsetting clearance of previously recognised tasks. National Reserve processing has progressed well over the past week, with some 77% now complete or in progress.'

'A second upload of land data digitised by Infoterra was uploaded into RITA on 2 December. Around 20% of the parcels failed to upload, and a detailed review of the causes is being undertaken.'

'Land registration and detailed validation remain on the critical path for February payments, and we continue to examine opportunities to reduce the amount of processing activity.'

'Only 1,948 first stage validation cases were outstanding as of 5 December. Most of the remaining cases require manual identification of claims from within the 120,000 population, as the documents will not scan properly.'

'A dedicated team drawn from validation staff at Carlisle and Northallerton are manually identifying claims for subsequent processing.'

'Over 2,200 full time equivalent staff are working on one or more SPS processing activities; namely claim validation; customer and land registration; National Reserve and SPS/cross compliance inspections.'

The briefing continued:

‘Detailed validation work is being monitored by task type, as many claims have multiple tasks requiring clearance before validation is complete. In the past week an additional 5,000 tasks have been identified for clearance.

‘Some of these additional tasks have affected claims that had previously cleared validation. This increases the total population of genuine tasks to 527,000. Of that number some 91,000 have either been completed or are in progress, representing 17% of the total.

‘National Reserve processing is expected to be completed by 17 January. Some 9,000 applications have been assessed which includes around 1,000 instances where the application has been withdrawn. Those accepted have been cleared for calculation and a further 5,500 are actively being progressed.

A total of 42,600 mapping tasks have been processed since 3 October.’

15 December 2005

The then Chief Executive of RPA provided further briefing on the scheme to Lord Bach.

This stated that:

‘We continue to work towards full payments starting by the end of February. Land registration and detailed validation remain on the critical path for February payments, and some validation tasks are taking much longer to close down than envisaged.

‘Additional validation tasks have been identified over the past week as further claims have moved into detailed validation, offsetting clearance of previously recognised tasks.

‘National Reserve processing has progressed well over the past week, with some 88% now complete or in progress. A third batch of land data digitised by Infoterra was uploaded into RITA on 11 December.

‘Around 800 first stage validation cases remain outstanding as of 13 December. Detailed validation work is being monitored by task type, as many claims have multiple tasks requiring clearance before validation is complete.

‘In the past week an additional 20,000 tasks have been identified for clearance. Some of these additional tasks have affected claims that had previously cleared validation. This increases the total population of genuine tasks to 562,000. Of that number some 129,000 have either been completed or are in progress, representing 23% of the total.’

The briefing continued:

‘A system enhancement planned for 12 December took place as scheduled, with the main component running for the first time overnight on 13 December. The deployment closed some 320,000 cross check tasks, the majority of which were raised in error. Staff will be working through to ensure the system enhancement worked correctly and will ensure that genuine tasks are progressed.

‘National Reserve processing is still expected to be complete by 17 January. Progress on processing applications has improved with 88% of assessment decisions complete or in progress.

'A further 7,000 sketch maps have been commissioned from farmers in the past few weeks following a review of parcels identified on claims but not on the RLR. The deadline for return of maps from customers is 19 December. We are despatching maps to around 30,000 customers whose land has been digitised since 3 October by our third party supplier.'

A status report on the scheme implementation programme was also provided on the same day to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – red;
- scope of the project – red;
- schedule – red;
- resources – red;
- stakeholders – amber; and
- risks/issues – red.

22 December 2005

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'We continue to work towards full payments starting by the end of February. Land registration and detailed validation remain on the critical path for February payments, and additional validation tasks continue to be raised. Some 631,000 validation tasks have been identified thus far, an increase of 70,000 over the past week. National Reserve processing has progressed well over the past week, with some 93% now assessed or in progress. A key entitlement programme ran on 20 December with two others due on 21 December. These will enable calculation of regional averages and full processing of National Reserve allocations.'

'Around 550 first stage validation cases remain outstanding as of 21 December.'

The briefing explained:

'Detailed validation work is being monitored by task type, as many claims have multiple tasks requiring clearance before validation is complete. In the past week an additional 70,000 tasks have been identified for clearance, as the majority of remaining claims cascaded into the detailed validation process. This increases the total population of genuine tasks to 631,000. Of that number some 147,000 have either been completed or are in progress, representing 23% of the total.'

'The system enhancements planned for 12 and 15 December were deployed on schedule, with the main component running for the first time overnight on 13 December. The deployment progressed some 320,000 cross check tasks, made to the software to close down a proportion of remaining cross checks.'

'National Reserve processing is still expected to be complete by 17 January. Progress on processing applications has improved with 93% of assessment decisions complete or in progress.'

The briefing continued:

'Work has commenced on analysing around 13,000 historic reference amounts to either allocate the money to a 2005 SPS claim or confirm that this money should be surrendered to the National Reserve. Just over 1,000 cases have been adjudicated and processed to date.'

'All but 1,400 of the 7,000 sketch maps commissioned from farmers in the past few weeks have been returned. The deadline for return of maps from customers is 19 December. A number of farmers have been critical of the process of requesting maps so late in the validation process and the tight administrative deadline imposed for return of maps.'

'A proportion of the 68,000 additional validation tasks identified over the past week relate to new mapping requests. A further commissioning request will be made to the relevant farmers, with returned maps digitised after the planned uploads on 23 December and 21 January. We have thus far despatched maps to around 9,000 of the 30,000 customers whose land has been digitised since 3 October by Infoterra.'

31 December 2005

According to paragraph 3 of Article 38 of the European Commission Regulation 795/2004, this was the regulatory deadline for establishing definitive scheme entitlements. That paragraph provides:

'The value and number of the payment entitlements allocated on the basis of the farmers' declarations for the establishment of the payment entitlements in the first year of application of the single payment scheme shall be provisional. The definitive value and number shall be established, by 31 December of the first year of application of the single payment scheme at the latest, after the checks made pursuant to Commission Regulation (EC) No 796/2004 are carried out.'

4 January 2006

Lord Bach, the then Minister for Food and Farming, addressed the Oxford Farming Conference. In a speech entitled *A partnership for a sparkling future*, the Minister – during the part of his speech which dealt with the scheme – said:

'I well understand that a successful and timely start to payments under the Single Payment Scheme is a major pre-occupation in the industry. It is for me as well. I know in its first year of operation it has involved challenges and frustrations for all concerned.'

The Minister continued that farmers:

'... can be assured that I am taking a close personal interest in ensuring that the commitment is kept, to start making payments in February with 96% made by the end of March...'

6 January 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'We continue to work towards full payments starting by the end of February, although progress towards completing validation is slow. Several of the main batch programmes ran successfully in the final week of 2005, which facilitated an initial calculation of regional averages required for some of the successful National Reserve cases. Further work is required before averages are fed into National Reserve calculations.'

'Level 1 validation – Following the ongoing reconciliation work to identify all outstanding cases yet to pass level 1 validation, the current total of cases yet to be submitted at level 1 is 447.'

The briefing continued:

'A concerted effort has been made to progress all remaining claims into the detailed validation section of the IT system (around 10% of claims had been stuck at an earlier stage). Virtually all claims are now available for detailed validation.'

'As a consequence an additional 30,000 tasks have been identified in the past week, increasing the total to 662,000. Of that number some 165,000 have either been completed or are in progress, representing 25% of the total.'

The briefing then explained that:

'The system enhancement planned for 22 December was deployed on schedule, with 40,000 digitised land parcels uploaded into the RLR on 23 December.'

'Batch programmes were run in the final week of 2005, although several attempts to run some of the programmes and associated ECRs were necessary as pre flight checks and subsequent exceptions reports identified specific cases where detailed investigation was necessary. Remedial work is underway and work is also underway to try and prevent similar problems for future programmes.'

'The assessment of National Reserve applications is nearing completion, although results cannot be fully entered into the IT system until the results form is amended (a revised form is due to be deployed on 6 January); and the regional averages derived from the enhancement programmes are refined.'

The briefing continued:

'Around 5,000 of 13,000 historic reference amounts have been adjudicated and processed. In processing cases money is allocated to a 2005 SPS claim or surrendered to the National Reserve.'

'Since 3 October around 195,000 land parcels from 33,000 holdings have been digitised. 4,356, of the near 100,000 additional validation tasks identified over the past three weeks relate to new mapping requests.'

'A further commissioning request will be made to the affected farmers, with returned maps digitised after the planned upload of digitised parcels on 21 January. We have thus far despatched maps to around half of the 33,000 customers whose land has been digitised.'

The briefing concluded by saying that, in the coming week:

'A further IT deployment will take place overnight on 6/7 January. We will meet you on 10 January, preceding our appearance before the EFRA Committee the following day.'

9 January 2006

A Defra Minister, Jim Knight, gave a written reply to a Parliamentary question from James Paice MP, which had asked Defra what estimate it had made of the cost to the agricultural industry of a month's delay in payments by RPA under the scheme.

The Minister replied:

'The EU regulatory window for payments under the 2005 Single Payment Scheme is 1 December 2005 to 30 June 2006. The Rural Payments Agency remains committed and on target to commence payments well within that window in February 2006. The cost to the agricultural industry of payments being made in one month rather than another would depend on individual farmers' circumstances.'

11 January 2006

The then Minister for Food and Farming, Lord Bach, and the then Chief Executive of RPA appeared with their officials before the House of Commons Select Committee on Environment, Food and Rural Affairs.

The written memorandum submitted by RPA for that evidence session addressed the four aspects of the Committee's terms of reference for its follow-up work on RPA. Those were:

- *'why the RPA is unable to make payments under the Single Payment Scheme at the start of the payment window';*
- *'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.'*

The memorandum explained that there had been a number of factors which had prevented RPA from making payments in December 2005 and which had led instead to the February 2006 target. Those were *'the scale and nature of the Single Payment Scheme and the eligible population compared with the customer base for predecessor schemes';* *'the impact of the evolving legal and policy framework on IT developments and business processes';* and *'customer-related factors'.*

Under questioning about the timetable for the making of scheme payments and whether interim partial payments might have to be made in February 2006 instead of full payments, the Minister said that he had:

'... wanted to give the RPA every chance to make the full payments at the start at the end of February. I did not want to pull back from doing that because of some difficulty that might arise. I was prepared, and still am, to give the Rural Payments Agency as long as they require in order to be able to say they can make the full payments.'

'If at any time they say they cannot make the full payments I will announce publicly that we cannot do it and we will make partial payments in February...'

'I only wish I could answer your question because I would very much like to and, indeed, I have been quite strong in asking my officials whether there is an answer I can give you yes or no today because this was an obvious question the Committee would press on. Being as fair and proper as I can be, I cannot give you that answer today.'

'I tell you again, I expect us to start making full payments by the end of February 2006.'

At the close of the evidence session, the Committee Chairman concluded by saying to the Minister that:

'You are not able to tell this Committee definitively whether the deadlines you aspire to are going to be met. You hope by the end of the month the Minister will have some advice so he can make a decision. Minister, are you able to give us any hint as to when you will be able to say something on the record and in public as to what the fate of this project is going to be?'

The Minister replied: *'I can say this definitively, there will be a payment by the end of February, whether or not it is a full payment or the first part of a partial payment... I hope very much to be able to say [what kind of payment it will be] by the end of this month'.*

12 January 2006

Daniel Kawczynski MP tabled Early Day Motion 1357 on Single Farm Payments for Farmers in England. This motion, which attracted 54 signatures, said:

'That this House deplores the fact that many farmers in England will not receive their single farm payments on time; admonishes the Government for the delays; and is concerned that, compared to farmers in Wales, farmers in England get a poor deal from the Government.'

13 January 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'We continue to work towards full payments starting by the end of February, although progress towards completing validation to support full payments remains slow. One IT fix was deployed clearing more than 80,000 tasks.

In addition there has been manual resolution of a further 60,000 tasks. Regional averages required for the National Reserve calculation have been refined.

'Level 1 validation – Last week's exercise of moving any remaining claims into the validation system is nearing completion, with around 330 cases progressed. A final 50 claims are currently being re-worked before they can be passed into the validation system. The total number of claims currently remaining at the primary validation stage is 430.'

The briefing continued:

'The main focus remains the clearance of detailed validation tasks. The total number of tasks has increased by 25,000 over the past week to 687,000. As of 11 January some 308,000 tasks had either been completed or are in progress, representing 45% of the tasks identified thus far.

'This represents a near 20% improvement on the previous week, which was achieved in part by an automated resolution to 80,000 tasks, and a review of the task closure procedure by sites.

'The system enhancements planned for 6 and 12 January were successfully deployed. Batch programmes continue to run as necessary, with regular meetings between RPA and Accenture to ensure that the batch schedule remains appropriate to meet business need. Refinement of the regional averages is complete and 2,800 have been keyed into the National Reserve toolkit.'

The briefing then explained that:

'The assessment of National Reserve applications is all but complete, and results are now being entered into the IT system following an amendment to the system. Letters are being despatched to successful Reserve applicants, whilst the unsuccessful will be contacted next week.'

'Around 9,250 of 13,000 historic reference amounts have been adjudicated and processed. In processing cases money is allocated to a 2005 SPS claim or surrendered to the National Reserve.'

'Since 3 October Infoterra have digitised around 214,000 land parcels from 36,000 holdings. We have thus far despatched maps to nearly 25,000 customers.'

'It is now clear that not all tasks can be cleared by the projected date for determining entitlement, 14 February.'

The briefing concluded by saying that, in the coming week:

'The focus will continue on clearing detailed validation tasks supporting the full payment solution. A further IT fix will be deployed on 19 January.'

The same day's *Farmers Weekly* carried an article about the scheme and the likely timing of payments under it, entitled 'At least a month before England sees its Single Payment cheques'. A spokesperson for RPA was said to have told the magazine that it was still on target to begin full payments in February, but that those payments

were likely to be made towards the end of the month – and was also quoted as having said:

'The position on payments remains as it has been for the last year – we are targeting the commencement of payments in February. Our plan is to definitively establish entitlements in the middle of the month (14 February) and begin payments towards the end of it.'

'There is still a significant amount of processing work to be completed; therefore we remain committed to keeping the industry informed over the next month on progress. We have also developed a contingency plan to make partial [60%] payments, and this option is being kept under constant review.'

17 January 2006

The Council of the NFU passed a motion of no confidence in RPA as regards its capacity to deliver CAP reform. It did so in response to growing doubts since the Select Committee evidence session on 11 January 2006 that RPA would deliver on its commitments as to when scheme payments would be made.

The President of the NFU was reported as having said:

'Every Council member was angry and dismayed to hear that farmers' payments are likely to be delayed. Many of our members are already up to the limit on what they can borrow from their banks so their backs are up against the wall. It's not just an issue for farmers, their suppliers are also struggling because bills that should have been settled by now are still outstanding. The whole of the rural economy is under threat.'

18 January 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'We continue to work towards full payments starting by the end of February, although it is clear that not all claims will be fully validated by that point. Around 44,000 tasks have been cleared in the past week.'

'Level 1 validation – The last of the remaining claims have now progressed into the validation system, however where we discover claims that are causing problems (e.g. the customer has used the incorrect SBI, or where we discover that the customer has sent in multiple claims) we are where necessary re-keying the claim. The total number of claims currently remaining at the primary validation stage is 354.'

The briefing continued:

'The main focus remains the clearance of detailed level 2 validation tasks. The total number of tasks has increased by 13,000 over the past week to 708,000. As of 17 January some 346,000 tasks had either been completed or are in progress, representing 49% of the tasks identified thus far.'

'The system enhancement planned for 12 January was successfully deployed. Batch programmes continue to run as necessary. Refinement of the regional averages is complete.'

'The assessment of National Reserve applications is on schedule to complete processing accepted applications by 24 January 2006. Six thousand accepted cases have been entered into the IT system following an amendment to the system.'

'Letters are being despatched to successful Reserve applicants and all should be sent by the end of January. Letters to unsuccessful applicants will begin to be issued in the week commencing 23 January 2006.'

'All 13,000 historic reference amounts have been adjudicated and processed. A second pass of the 2,500 most valuable amounts is being undertaken to confirm the initial assessment. In processing cases money is allocated to a 2005 SPS claim or surrendered to the National Reserve.'

'Since 3 October Infoterra have digitised around 214,000 land parcels from 36,000 holdings. We have thus far despatched maps to nearly 25,000 customers.'

19 January 2006

On the BBC Radio 4 programme *Farming Today*, the then Minister for Food and Farming, Lord Bach, was interviewed in relation to the administration of the scheme. He told the programme:

'There will be a payment made in February. We are working very hard to make sure it is a full payment, a full payment to farmers... If we can't make the full payment starting in February then we will make a part payment to farmers starting in February.'

'We believe we will meet the full payment in February but I don't want to make a false promise. If the work that needs to be done between now and then isn't completed we will make a part payment.'

When asked what the cause was of any possible delay, the Minister explained that the number of applicants to the scheme had been greater than expected and that more mapping changes had needed to be made than had been predicted. He continued:

'That has taken a huge amount of time. Yes, we have had some difficulties and I know that it is very frustrating for farmers, but we are doing everything we can to keep to our word which we made last January, January 2005, that we would make payments in February 2006.'

24 January 2006

Following its evidence session on the work of RPA, held on 11 January 2006, the Select Committee on Environment, Food and Rural Affairs published a report entitled *Rural Payments Agency: interim report*.

The Committee concluded that Defra Ministers were showing *'an unacceptable degree of complacency about the financial impact on the industry of a delay in making the [Single Farm Payment]'*.

The Committee also reported the following 'general conclusions':

'We are deeply unimpressed by the failure of Defra and the RPA to plan properly for the process of administering payments under the Single Payment Scheme. This has led to English farmers being disadvantaged in comparison with those in other parts of the UK, who have already received a partial interim payment. We were also dismayed at the complacency of the Minister, who refused to admit that any mistakes had been made or that anything could have been done differently to avoid the problems. Most significantly, we were staggered that, so close to the proposed date for making payments, and

nearly a year after that date was announced by the RPA, the Minister could still not give us a definitive statement about when payments would be made, or whether they would be full or partial payments. We recommend that Ministers now make a definitive announcement on the timing and nature of Single Farm Payments in England. We further recommend that, if this announcement includes the making of interim partial payments, or further delays, then it should be made in the form of an oral statement by a Minister to the House.'

On the BBC Radio 4 programme *Farming Today*, Lord Bach was interviewed concerning the Select Committee's interim report. He told listeners of the programme, in an item broadcast at 5.45am, that:

'A number of the report's assertions are utter nonsense... We are going to consider of course the report in detail but I'm personally very disappointed with the timing of the report which could create completely unfounded alarm and uncertainty in the farming community...

'We have said definitively, and I said so to the... Committee although the report denies that I did so, that we would make payments starting at the end of February, starting in the month of February. We... still hold that firm...

'... I am not guaranteeing that we will make full payments. We will make payments starting in February. I very much hope and expect that those payments will be full but in any event they will at least be partial... to be called complacent is very offensive indeed particularly when I and my officials in this Department and the RPA have been working night and day to make sure that there are payments by the end of February.'

The Minister was also interviewed on the *Today* programme, also on BBC Radio 4, in an item broadcast at 7.32am. The presenter, James Naughtie, asked the Minister *'Is the figure of ninety five per cent of the payments by the end of February, beginning of March still a target that you can commit yourself to?'*

The Minister replied:

'We will make payments starting at the end of February and we will have paid 96% of the money by the end of March. That's something that we said we would do a year ago. There's nothing new about this. We said in January 2005 that the first payments would be made in February 2006 and they will be. We hope that they will be full payments. That's what we want to do... But if there can't be full payments then there will be substantial partial payments begun in February 2006. So when the Committee says, as it does in its conclusion, that I wouldn't give a definitive date for the start of payment they are factually wrong and against the evidence that I gave them.'

After dealing with IT issues related to the administration of the scheme, the interviewer concluded by asking the Minister: *'So briefly to return to where we began – the commitment is what? Ninety per, ninety six per cent of all the due payments by the end of March?'*

The Minister replied by saying:

'Ninety six per cent by the end of March. What I can't guarantee to you and your listeners today, I wish I could, is that the payments will be full payments. But there will be partial payments if not full payments. I expect there to be full payments starting at the end of February.'

In an article placed on the website of *Farmers Weekly* on the same day, the Minister was also quoted responding to the interim report of the Select Committee. He was quoted as having said that:

'Far from being complacent, I am acutely aware of the importance of these payments for farmers' livelihoods and have been working closely with the RPA, the NFU, farmers, banks and others to ensure payments are made on the date we have promised and wider concerns addressed. This remains my first priority.'

Lord Bach also wrote a letter to the *Financial Times*, disputing the conclusions drawn in the Select Committee's interim report. That letter was published the following day.

A Defra Minister, Jim Knight, in a written reply later that day to a question by Adam Holloway MP, said that *'the single payment scheme has been implemented in the UK from 1 January 2005, with the Rural Payments Agency working towards a target date of commencing payments in February 2006'*.

In the House of Lords, Lord Bach also replied to a question about the administration of the scheme, saying:

'My Lords, the Rural Payments Agency announced in January 2005 that it expected to make payments in February 2006. The agency remains on track to commence payments in February and to complete the bulk of payments in March, in line with its target of completing 96 per cent of payments by value by the end of March. Payments will start in February, even if that involves making a substantial partial payment, although my clear preference is to make payments in full, and I expect to do that.'

In response to further questioning in the light of the Select Committee's interim report, the Minister said:

'My Lords, the report claimed that I had given no definitive date for when payments would start. Today I have given the House a definitive date, and I gave the EFRA Select Committee a definitive date. I do not know what more I could have done.'

A status report on the scheme implementation programme was also provided on the same day to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – red;
- scope of the project – amber;
- schedule – amber;
- resources – red;
- stakeholders – green; and
- risks/issues – red.

27 January 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'Around 27,000 tasks have been cleared in the past week.'

'Level 1 validation – The last of the remaining claims have now progressed into the validation system. The total number of claims currently remaining at the primary validation stage is 102.'

'The main focus remains the clearance of detailed level 2 validation tasks. The total number of tasks has increased by 4,000 over the past week to 712,000. As of 25 January some 384,000 tasks had either been completed or are in progress, representing 54% of the tasks identified thus far.'

The briefing continued:

'All bar 338 applications to the National Reserve have completed assessment. The remaining cases are awaiting further advice either from other bodies or the applicant. A further IT fix is required before all results can be loaded into RITA. Around 7,800 accepted cases have thus far been entered into the IT system. Letters have been despatched to most successful Reserve applicants, with the remainder to be sent by the end of January. Letters to unsuccessful applicants began this week.'

'All 13,000 historic reference amounts have been adjudicated and processed.'

'Since 3 October Infoterra have digitised around 224,000 land parcels from 38,900 holdings. We have thus far despatched maps to nearly 27,000 customers.'

RPA also submitted briefing, entitled *Financial and Risk Appraisal of Options*, which provided an update and assessment of the options for making payments to farmers, in advance of a meeting to be held with Lord Bach on 30 January 2006 to discuss those options.

The briefing set out three options:

- Option 1 – this was described as 'a continuation of the current planning and delivery approach and assumes that definitive entitlements are established at the end of February at the earliest (March more likely) and claims processing continues until virtually all outstanding tasks are cleared and all key controls are completed satisfactorily. Full payments on validated claims would then begin in April and conclude by 30 June 2006';

- Option 2 – this was described as anticipating *‘the establishment of definitive entitlements on 13 February and the commencement of full payments to validated applications on 27 February. Implicit within this option is the acceptance of a known level of outstanding tasks. Under the best case... resource scenario 70% of payments will be processed by 31 March and 96% by 30 April 2006. The current Agency target requires 96% to be paid by 31 March’*; and
- Option 3 – this was described as requiring *‘the partial payment contingency option to be deployed in early February to allow partial payments (expected to be around 60% of the full payment amount before deductions) to commence on 8 February. 80% would be made by end February and all would be concluded by 31 March 2006. Definitive entitlements would be targeted to be established by mid April with full payments (net of any partial payment) commencing late April and concluding by June 2006’*.

The briefing explained that Option 2 was RPA’s preferred option and set out the reasons why this recommendation had been reached.

The paper noted RPA’s view that:

‘... irrespective of which option is chosen there will inevitably be some aspect of processing that is incomplete. Some claims will take time to go through appeals and some will involve probate. These may not be paid by June. For claims that have been paid it may be necessary to correct claims found to be in error following the completion of on-the-spot checks. It is not expected that claims in general will need to be re-visited.’

The paper also explained some of the background to the decision which needed to be taken, saying:

‘The preceding two months became very frustrating with more tasks being generated than expected, particularly as claims were pushed through Level 2 validation. Around 500,000 tasks were outstanding at Level 2, although some would be cleared by IT fixes due to be dropped in, and that, even if “perfect world” productivity was reached it was unlikely that all tasks could be closed with around 130,000 outstanding by mid February.’

30 January 2006

Lord Bach met Defra and RPA officials to discuss the paper submitted by RPA on 27 January 2006. An email from the Minister’s Senior Private Secretary, sent later that day, recorded the outcome of the meeting.

After discussing recent developments in resourcing the administration of the scheme and the work of a task force charged with developing a strategy to mitigate the possible effect of disallowance by the European Commission, the meeting had discussed the options paper submitted by RPA.

The record of the meeting stated that:

‘Lord Bach (LB) noted that he was minded to accept officials advice and go with option 2. [Official One] confirmed that the options had been discussed thoroughly last week and confirmed that option 2 was the best way forward. [Official Two] considered the key issue to be whether RPA could actually deliver on time and whether they had sufficient resources to do so. [Official Three] indicated that RPA were 80-85% confident of achieving the objective, provided nothing serious went wrong – e.g a major IT failure, or threat of industrial action. He did note that Accenture were primed and ready to assist as necessary.’

'LB was clear that the Department must say, within the next 48 hours, that we intend to start making full payments at the end of February. [Official Four] noted that confidence in such an announcement was dependent upon establishing definitive entitlements on 14 February and that any slippage could lead to the start of payments slipping to early March. This would be the danger in making any promise that payments would "reach bank accounts" by end February. 'LB was clear that payments must begin to reach bank accounts by 27 February when the Secretary of State is due to address the NFU AGM.'

The record continued:

'[Official Five] confirmed that RPA were confident that partial payments could still be made even if problems emerged in establishing definitive entitlements by 14 February. He said that the mechanism could remain in place until June if necessary.

'...

'[Official Six] indicated that the Prime Minister had been consulted over the weekend. He was not keen on the idea of partial payments and would leave decisions on the rest of the process to the Secretary of State.

'[Official Seven] asked RPA what the likely affect on resources there would be if they were inundated with enquiries following the posting out of entitlements. [Official Eight] indicated that entitlement statements would be unlikely to hit doorsteps until 19 February onwards and would include a clear instruction that claimants should not contact the RPA before 6 March. Should they do so anyway, as was

likely, RPA would look to ensure that their Customer Service Centre could cope, even if this meant augmenting with additional staff.'

After further discussion, the meeting agreed to accept option 2, as recommended by RPA. The meeting then went on to discuss related communications issues, noting that:

'It was clear that an announcement needed to be made soon to raise confidence levels in the farming community which had been eroded recently. It was noted that the Department would be publishing information on farm incomes tomorrow which would [show] a significant decrease, much [of] which is being put down to the fact that farmers had not received the single payment. It was agreed therefore that a press release should be issued on the SPS tomorrow as it might deflect criticism on farm incomes. In addition to the press release a written statement should be tabled in the Commons and the Lords. [Official Two] was clear that we should have an armoury of material available to defend the Government's position and argued that we should be bullish about what we say. The meeting agreed.

'The meeting discussed whether Ministers should hold a press conference to make the announcement. Press Office were against the idea of putting Ministers up to announce what is essentially business as usual. It was considered to be very risky and the press might go into significant detail which we might not wish to expose at this time. LB was minded to agree not to do a press conference but would take the Secretary of State's views. LB agreed to consider all interview bids on their merits. [Official Two] agreed that a press conference was less important tomorrow if LB could do

some positive media on or about 27 February – perhaps visit a farm where the farmer has received a payment. It was agreed that further thought would be given to this.'

Following the meeting, Lord Bach met the then Secretary of State at 5.00pm, who confirmed the recommendations which had been agreed earlier that day. This confirmation – and her agreement of the terms of a written Parliamentary statement to be made the following day – was recorded in an email later that evening from one of the Secretary of State's Private Secretaries.

The Chairman of the Select Committee on Environment, Food and Rural Affairs, Michael Jack MP, also wrote to Lord Bach that day. His letter said:

'1. At its meeting on 25 January, the Committee discussed your comments on "Farming Today" and the "Today" programme on 24 January, and your letter to the Financial Times of 25 January, about the Committee's interim report on the Rural Payments Agency. Committee colleagues asked me to write to you, on their behalf, about your comments.

'2. You stated in the media that several of our conclusions were "utter nonsense", citing in particular the report's comments on timing of payments, financial impact on farmers and the apparent "complacency" of Ministers. On the first point, our report noted that the RPA had indicated in January 2004 that payments would commence in February 2006, and expressed our shock that, so close to this date, no definitive date on which payments would be made had been announced, and that it was still not clear to farmers whether they would receive a full or partial payment (paragraphs 1, 3 and 13). The Committee does not believe this is an unreasonable conclusion.

'3. On your second point, about the financial impact on farmers, in your "Farming Today" interview you denied that you had referred to an "average farm". The Committee noted in its report that you referred to the fact that £25 million of extra interest was only about 2% set against "an annual average change in [farmers'] income" (Q 30). The Committee's point was that, while this sum is a small percentage of the total income, as you noted, for individual businesses on the margins of viability the impact of late payment of SFP could be too much to bear (Paragraph 8).

'4. Thirdly, you have argued that to accuse you of complacency is "utter nonsense" ("Financial Times") and "offensive" ("Farming Today"). Our comment was mainly based on your statement to the Committee, in response to a question about whether, with hindsight, there was anything you could have done differently: "I cannot think of anything I could have done although others may well think of things I could have done" (Q 24). Hence our conclusion – which, once again, we do not think unreasonable – that we were "dismayed at the complacency of the Minister, who refused to admit that any mistakes had been made or that anything could have been done differently to avoid the problems" (Paragraph 12).

'5. You have also said, on "Farming Today", that the timing of the report "could create unfounded alarm and uncertainty in the farming community". Given that the impetus for our inquiry, and this interim report, was the huge degree of uncertainty, frustration and indeed anger among farmers, we hardly feel that our report – which has been welcomed by farmer's representatives – can be said to have "created" alarm and uncertainty.

'6. Finally, in the course of your interview on the "Today" programme, it was put to you that this was a report from a cross-party committee. You replied that "very strongly chaired, in my view, by the Conservative chairman", apparently implying that party political considerations had played a part in the report's findings. While the Committee accepts that Ministers will not always like the conclusions it reaches, we were very disappointed to hear this comment about the way the Committee works. Like other select committees, we seek to work by consensus, reaching conclusions on the basis of evidence presented, as on this occasion. As you know, the inquiry into the RPA was led by two of my colleagues, David Taylor and Roger Williams, and members of all parties took part in the oral evidence session on 13 January. Colleagues have asked me to emphasize that the report, for which they take full responsibility, was agreed for publication without the need for a formal division.

'7. We would welcome any further comments you might have on the points I have set out above. We look forward to the additional written information which we requested at the oral evidence session and subsequently by letter, and will take this into account in preparing our final report on the RPA. As we consider this further information, the Committee will also wish to determine the need for a further oral evidence session with Defra and the RPA prior to the completion of our final report.'

31 January 2006

Defra Ministers tabled before both Houses of Parliament a written statement about the Single Payment Scheme. The text of the statement tabled by Lord Bach said:

'On 19 January 2005 the Rural Payments Agency (RPA) announced that payments under the new CAP single payment scheme (SPS) were expected to commence in February 2006, well within the EU regulatory window of 1 December 2005 to 30 June 2006. Over the past year, staff at the RPA have worked exceedingly hard to ensure that this expectation was turned into a reality.

'At the EFRA Select Committee hearing on 11 January, I made clear that payments would begin, in line with the RPA's forecast, before the end of February and that an announcement would be made by the end of this month on whether they would be full or partial payments. Having considered the latest progress reports on the processing of farmers' claims I am pleased to confirm today that the RPA will now proceed to make full payments. The contingency system to make partial payments will not, therefore, be invoked.

'The RPA will now proceed to definitively establish entitlements on 14 February, details of which will be communicated to individual farmers within two weeks of that date. This will allow for the trading of entitlements to commence in preparation for the 2006 scheme.'

The statement continued:

'Where 2005 SPS applications have been fully validated, payments will start before the end of February, with the bulk being made in March. In the minority of cases where queries remain unresolved, the validation process will continue beyond March, but farmers may be assured that the RPA will make every effort to complete the task in the shortest possible time frame.'

'I hope that this Statement will provide some reassurance to the farming industry about the progress of the scheme. I want to acknowledge the co-operation and patience of everyone who has made a claim.'

Those statements were accompanied by a Defra press release, entitled *Full CAP payments to farmers will begin in February*, which was also placed on RPA's website. This said:

'English farmers will start receiving full payments in February under the Single Payment Scheme, Farming Minister Lord Bach confirmed today.'

'A total of £1.6 billion will be paid directly into farmers' and growers' bank accounts or by payable order, starting at the end of February and with the bulk complete in March. All payments will be well within the window set by EU legislation which runs until 30th June 2006.'

'Lord Bach said:

"I am very pleased to confirm what we said more than a year ago – that full payments will begin in February. I hope this announcement will provide some reassurance to the farming industry."

"Staff at the Rural Payments Agency have worked extremely hard to make this possible and I am most grateful to them. I also want to acknowledge the co-operation and patience of everyone who has made a claim."

"The start of these payments signals a milestone in the development of a modern farming industry in this country, one which is no longer driven by subsidies. This new single payment scheme, a key part of the 2003 reforms of the Common Agricultural Policy, rolls 11 old schemes into one."

"It encourages farmers to be more innovative in responding to consumer demand while setting new standards of sustainable agriculture and environmental protection."

'The Rural Payments Agency will now press ahead to definitively establish entitlements on February 14th. Farmers will be informed of their individual details within two weeks of that date.'

'Johnston McNeill, Chief Executive of the Rural Payments Agency, said:

"Our staff have shown dedication and a lot of hard work in recent months to deliver these payments and it is a great credit to them."

"Making full payments from February will also deliver major benefits for the future. Claimants will be able to trade their definitively-established entitlements and their SPS forms for 2006 will be pre-printed with their key data so that the next application will be simpler to complete."

Note 3 to the press statement dealt with enquiries about the scheme. It said:

'A service to deal with SPS payment and entitlement enquiries at the RPA's Customer Service Centre (CSC) will be available from 6 March.

'Prior to that date, CSC will prioritise queries to help complete outstanding validations, therefore customers are asked to only contact CSC before 6 March if they have been asked to do so by the RPA in order to resolve a query or if they wish to obtain a form to transfer entitlements.'

Reacting to the Ministerial announcement, the Country Land and Business Association, in an item on its website entitled *At last! Full Farm Payments Promise by RPA*, said:

'At last, after much pressure from CLA and others, the Government, acting on advice from the RPA, have promised to get full payments out to the bulk of farmers and land managers by the end of March 2006.

'We welcome this statement as we did not want messy "partial" payments in March. However, statements are merely words, our members will not be happy until they receive the money upon which their businesses and livelihoods depend.

'Also, we want to see what constitutes "the bulk". We are very concerned about those who fall foul of the system in some way, particularly as it is not their fault. There will need to be some safety net for them particularly if they are to be able to trade entitlements and submit their claims for 2006 in time.

'The RPA must pay attention to the needs of the minority as well as the majority.'

On its website, the Tenant Farmers' Association expressed its 'relief' at the announcement. It also said *'With the information that definitive establishment will take place on 14 February our members will also be able to plan for any transfers of entitlement that may be necessary before 2006 claims are submitted'*.

The NFU also described the announcement as a 'relief'. In a press statement, its President was quoted as saying:

'The NFU made it quite clear to DEFRA over a year ago that the RPA should have a plan in place to ensure advance payments in December if there was further slippage in its target date for full payment. We have repeatedly sought assurances that the deadline would be respected, but here we are at the start of February and still no money has been paid out.

'However, I am pleased that Lord Bach and the RPA have fully investigated the position and confirmed that the RPA is able to make full payments to the great majority of farmers by the end of March. We will hold them to that.'

The press statement continued:

'The NFU still has concerns about Lord Bach's and the RPA's claims. There are still hundreds of thousands of tasks still to be completed before the scheme is fully established. Meanwhile, the National Reserve allocation letters currently being received by farmers give very little detail of how awards have been calculated. Many letters are triggering follow-up queries from anxious farmers and are likely to lead to appeals, which again slows the process down.

'At the same time, it is clear from Lord Bach's announcement that not all farmers will have their payments by the target date. The government's original target was for 96% of payments by the end of March.'

The NFU President said:

'The RPA must make sure that it gets as close to its original 96% target as possible. We will maintain pressure on it to respect that. If a small percentage of farmers cannot be paid because of unresolved queries about some element of their claim, the RPA must make advance payments based on the part of their claim that has been validated.'

1 February 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'Around 23,500 tasks have been cleared in the past week and 220,000 cleared in the past month.'

'Level 1 validation – The last of the remaining claims have now progressed into the validation system. The total number of claims currently remaining at the primary validation stage is just over 100, which are being progressed to a 1 February deadline. A further 1,200 claims are being reviewed.'

'The main focus remains the clearance of detailed level 2 validation tasks. The total number of tasks has increased by just 1,000 over the past week to 713,000. As of 31 January some 412,000 tasks had either been completed or are in progress, representing 58% of the tasks identified thus far. Over the month of January some 220,000 tasks have been cleared, increasing the proportion of tasks in progress or cleared from 26% to 58%.'

'The first software required to support 2006 scheme processing was successfully deployed on time on 28 January.'

The briefing continued:

'All but 144 applications to the National Reserve have completed assessment. The remaining cases are awaiting further advice either from other bodies or the applicant. A further IT fix is required before all results can be loaded into RITA. Around 8,500 accepted cases have thus far been entered into the IT system.'

'Letters have been despatched to most successful Reserve applicants, with a few to follow assessment. Farmers and their agents continue to question the value of awards and further clarification on the method of calculation has been provided.'

'The entitlement programme that will add unallocated reference amount to the National Reserve will run on 1 February to provide figures for the quantification of the scaleback to be applied to entitlements to fund the National Reserve.'

'Since 3 October Infoterra have digitised around 224,000 land parcels from 38,900 holdings.'

'On 25 January we launched a pre-registration system for farmers wishing to receive a land and entitlement transfer notification form, once they are ready. The system, which has the support of the main industry representative groups, has so far logged 813 requests.'

The briefing concluded by saying that, in the coming week:

'We will continue to clear down detailed processing tasks based on the current priority order. Additional RPA resources will be trained and deployed on SPS processing, whilst extra employment agency staff are acquired.'

2 February 2006

In the House of Commons, the then Secretary of State, Margaret Beckett, was asked to make a statement on the effectiveness of RPA. She replied:

'In 2004-05, the RPA met all its key performance targets against a backdrop of considerable organisational change and the introduction of the single payment scheme. [We] announced on 31 January that the RPA would meet its 2005-06 commitment for starting SPS payments.'

When asked to define 'the bulk' of payments, which it was noted was the new description of what would be paid by the end of March 2006, the Secretary of State replied '... it looks as though we shall not be able to make as much as 96 per cent of the payments in March, which was the original goal, but we hope to make the majority of payments then'.

A written answer by a Defra Minister, Jim Knight, to a question by Lindsay Hoyle MP about whether farmers would receive their payments in line with the original timetable, said:

'As I announced on 31 January, the Rural Payments Agency will start making full payments under the single payment scheme in February with the bulk of payments being made in March. This is in line with announcements made in January 2005, and well within the regulatory payment window, which runs from 1 December 2005 to 30 June 2006.'

In the House of Lords, Lord Bach said that 'we cannot be precise at this stage about how many payments will be outstanding at the end of March. It will be a minority and we will have a better idea on numbers once the definitive establishment process is complete'.

9 February 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'We remain on track for determining entitlement overnight on 14 February and completing first payments by the end of the month. Around 61,000 tasks have been cleared in the past week.'

'Level 1 validation – The last of the remaining claims have now progressed into the validation system. The total number of claims currently remaining at the primary validation stage is just over 100, which are being progressed to a 1 February deadline. Further cases are being reviewed as necessary.'

'The main focus remains the clearance of detailed level 2 validation tasks. The total number of tasks has increased by 18,000 over the past week to 731,000. As of 7 February some 449,000 tasks had either been completed or are in progress, representing 61% of the tasks identified thus far.'

'The focus over the past week, and the remaining few days before the determination of entitlement is to clear tasks representing the largest anomalies on the system, with a view to increasing the accuracy of the entitlement calculation. To that end dedicated teams have been established to clear specific types of work, such as major anomalies on under and over claims and quality checks.'

The briefing continued:

'All bar 38 applications to the National Reserve have completed assessment. Around 8,850 accepted cases have been entered into the IT system with a further 63 awaiting entry once outstanding issues have been resolved. Farmers and their agents continue to question the value of awards and further clarification on the method of calculation has been provided, including a first case under the Freedom of Information provisions.'

'The computer programme that calculates the number of horticultural authorisations to be awarded to claimants ran for the first time last night.'

'Since 3 October Infoterra have captured or amended c.240,000 land parcels from c.40,900 holdings. Infoterra data delivery 6, comprising c.44K parcels, was successfully uploaded with only 8 parcels failing because of invalid geometry or history file problems. Maps have been mailed to just over 29,000 customers.'

'Some 300 additional staff have temporarily deployed from other operational areas to assist with SPS processing.'

10 February 2006

A status report on the scheme implementation programme was provided to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – red;
- scope of the project – amber;
- schedule – amber;
- resources – red;
- stakeholders – red; and
- risks/issues – red.

14 February 2006

RPA began to definitively determine entitlements and to send to farmers the first statements setting out those entitlements, accompanied by a document entitled *Guidance to accompany the entitlements statement: understanding your entitlements statement*.

Farmers Weekly, in its 17 February 2006 edition, quoted an RPA spokesperson as having confirmed that those entitlements had been established and that those statements had been issued, saying:

'The data that we began generating on Tuesday will form the basis of letters advising farmers of their entitlements which will be dispatched from early next week. All of them will be issued by the end of this month.'

'RPA remains on track to commence making full Single Payment Scheme payments to farmers and growers in England before the end of February, with the bulk of all payments made by the end of March.'

The Comptroller and Auditor General's subsequent October 2006 report on the administration of the scheme, citing the joint Defra-RPA Executive Review Group's Minutes for 13 February 2006, said that *'some 60 per cent of the letters sent out, however, acknowledged that the recipient's definitive entitlement was provisional until all validation checks had been completed'*.

According to paragraph 107 of the subsequent report of the House of Commons Select Committee on Environment, Food and Rural Affairs, published on 29 March 2007:

'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.'

15 February 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'We started the process of determining entitlement overnight on 14 February in accordance with the plan. The process was interrupted at 21.00 on the 14th to allow further checks to be undertaken on the payment hold process, required for claims that are not yet ready for payment.'

'The batch process will resume later this afternoon, with the intention of determining entitlement tomorrow morning. We remain on track for starting payments later this month and commencing the issue of entitlement statements within the next week.'

'A total of 54,000 claims have completed validation, except for fruit and vegetable and commons validations. However, some of these claims will be held back from payment as additional checks and/or information is required. A total of 146,000 tasks have been closed in the last week, including around 100,000 tasks closed automatically.'

'Additional resources continue to be deployed in an effort to contain the processing and payment timetable for the 2005 scheme.'

'Level 1 validation – All claims were progressed through Level 1 before the regional averages were established overnight on 14 February.'

'The main focus remains the clearance of detailed level 2 validation tasks. The total number of tasks has increased over the past week. There are an additional 90,000 of which an estimated 45,000 tasks will require action (the other 45,000 will be subject to automated closure). These have been generated through workflow 1 and 8 being made active. These are being assessed and placed on lists to action. As of 13 February some 549,000 tasks had either been completed or are in progress, representing 69% of the tasks identified thus far.'

The briefing continued:

'Following discussion with you and the Executive Review Group on 13 February we invoked the phased implementation of the definitive entitlement calculation.'

'All bar 12 applications to the National Reserve have completed assessment. A further 26 accepted cases are due to be entered into RITA once outstanding issues have been resolved.'

'Since 3 October Infoterra have captured or amended 244,000 land parcels from 41,600 holdings. We have thus far despatched maps to nearly 29,200 customers.'

'A further 50 staff, additional to the 300 acquired over the previous week, have temporarily deployed from other operational areas to assist with SPS processing.'

The briefing concluded by saying that, in the coming week *'the main focus will be completion of the definitive entitlement calculation and commencement of (i) the claim authorisation and payment; and (ii) the entitlement notification process'*.

16 February 2006

A Defra Minister, Jim Knight, gave a written reply to a question from Timothy Farron MP, which had asked what recent assessment Defra had made of the impact on farmers of late scheme payments.

The Minister replied:

'In my statement on 31 January 2006, Official Report, column 10WS, I confirmed that payments under the Single Payment Scheme would begin before the end of February 2006. This is in line with the forecast made over a year ago and well within the EU regulatory window of 1 December 2005 to 30 June 2006. All evidence to date suggests no otherwise viable businesses will fail because of the timing of these payments, but I know cash-flow is currently an important issue for a number of farmers and that my statement has, consequently, been widely welcomed.'

In a further written reply, the same Minister replied:

'My right hon. Friend, the Secretary of State, and the rest of the Defra ministerial team meet regularly with farmers and their representatives, when the timing of payments under the single payment scheme (SPS) and the related impact on the agricultural industry are regular topics of discussion.'

'The most recent such meeting was with the President of the National Farmers Union on 14 February, when my right hon. Friend the Secretary of State reconfirmed the Government's commitment to begin SPS payments before the end of February as was made clear in the statement on 31 January 2006, Official Report, column 10WS.'

'I am sure that representatives of the agricultural supply chain, having previously expressed concerns about consequential effects of cash flow problems within the industry, will have welcomed that statement.'

Defra also issued a press statement, entitled *National Reserve scaleback confirmed at 4.2%*. After setting out the rate at which entitlements would be reduced in order to fund the National Reserve, the statement quoted Lord Bach as saying that:

'Setting the figure today allows us to stick to our timetable for beginning SPS payments in full by the end of February. It is a vital step in the process and one which I am sure the industry will see as a welcome reassurance that we remain firmly on track.'

20 February 2006

RPA made the first scheme payments. This was widely reported in the industry press in the following days.

23 February 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'The first running of the entitlement programme was completed on Friday 17 February. The run generated 39,000 definitively established claims with a gross entitlement value of around £325 million. Following completion of the entitlement programme claim validation resumed on 17 February.'

'A first batch of 194 payments worth £1.5 million have been made by CHAPS, BACS and payable order, with first payments received on 20 February. A first batch of around 7,000 entitlement statements was issued on 22 February with a further 23,000 issued today.'

'A total of 54,821 claims have completed validation, except for fruit and vegetable and commons validations. A total of 20,000 tasks have been closed in the last week, reflecting the limited processing window created by the initial entitlement programme run from the evening of 14 February to the morning of the 17 February.'

'Additional resources continue to be deployed in an effort to contain the processing and payment timetable for the 2005 scheme.'

The briefing continued:

'Dealing with the output from the first running of the entitlement programme has been the main activity over the past week. The programme generated around 39,000 definitively established claims, some of which are not immediately ready for payment.'

'The first two batches of 100 authorised claims were processed over the weekend of 18/19 February, with first payments confirmed on Monday 20 February. The claim authorisation process has since been subject to detailed review, prior to the majority of definitively established claims being authorised and paid. The authorisation process is expected to commence in earnest by close today.'

'The other main output from the entitlement programme was the file containing entitlement statements for all eligible claimants. The file has been thoroughly checked, and the first batch of statements issued on 22 February.'

'The main focus for those not involved in authorising claims remains the clearance of detailed level 2 validation tasks. The total number of tasks has increased over the past week by 11,000; with just over 20,000 tasks closed in the 5 calendar days the system was available. As of 21 February some 565,000 tasks had either been completed or are in progress, representing 70% of the tasks identified thus far.'

It was then explained that:

'Arrangements have been put in place for manually processing land and entitlement transfer notifications, which are expected to arrive from next week. To date some 6,500 claimants have requested a notification form. Since 3 October Infoterra have captured or amended 251,800 land parcels from 43,327 holdings.'

'Staffing has been increased by some 434 FTE over the past two weeks, including 389 staff temporarily deployed from other operational areas to assist with SPS processing and 310 (part-time) twilight shift workers.'

'Along with Andy Lebrecht, I attended the Tenant Farmers Association AGM on 21 February, when I confirmed that first payments had been made.'

The briefing concluded by saying that, in the coming week *'the three principal areas of activity will be the continuation of (i) the claim authorisation and payment; (ii) the print and distribution of entitlement notifications; and (iii) the validation of claims that have not been fully established'*.

March 2006

RPA published an updated version of its document *Our commitment to good customer service*. This set out the service standards in similar form to previous editions of the document.

Under the heading *The service you can expect*, it was said that:

'We are committed to providing a consistently high standard of service. We aim to make sure that you are dealt with quickly, politely and professionally at all times.'

'We publish our performance targets in our Business Plan, and details of how we are performing are given in our Annual Report and accounts...'

The service standards set out in the document included the following:

- when dealing with telephone calls, *'we will make sure that we deal with your call quickly, politely and professionally'*;
- *'we will make sure the information we give you is understandable, up to date, and correct'*;

- when dealing with letters, *'we will provide a full reply to letters within 15 working days of the day we receive them or, if this is not possible, we will tell you the reason for the delay'*;
- when dealing with emails, *'we will confirm that we have received your email within one working day. We will then send you a reply within 15 working days or, if this is not possible, we will tell you the reason for the delay'*;
- *'we will use our website... to publicise our services and provide the latest information as quickly as possible'*; and
- *'we are committed to paying claims within set times each year'*.

The document also explained that RPA was *'dedicated to meeting the needs of our customers. We will offer you choice in the way you can contact us and will make sure that the information we provide is easy to understand'*.

Defra also sent out to all farmers on its mailing lists the March copy of its information newsletter, *Farming Link*, which contained an article about RPA's progress on making payments under the scheme. This article appeared under the headline *Full payments on track for farmers*.

1 March 2006

Farmers Weekly reported that it had emerged that fewer than 2,500 farmers in England had received a scheme payment by the end of February. RPA was quoted as having told the magazine that:

'The pace of payments will ramp up now. And we are still on target to pay the bulk of payments by the end of March.'

In the same article, Lord Bach was also said to have admitted that the number of producers who had been paid so far were ‘*small beer*’ – but that he was pleased that the Government had kept to its promise that payments would start in February, saying:

‘We do recognise there is a long way to go and I accept there has been a degree of understandable frustration from the farming community. But we now need to just get on and pay this money – that is my priority. We said over a year ago that we would begin payment in February this year and we have begun payments in February this year. We also believe that the bulk of payments will be paid in March this year.’

When asked what he meant by the bulk of payments, Lord Bach was quoted as having said:

‘I mean more than 50% – but I hope much more than 50%. It won’t be the 96%... but a good deal more than half is what I would like to see.’

3 March 2006

A Defra Minister, Jim Knight, in response to a written Parliamentary question from Christopher Fraser MP, which asked on what date Defra expected all farmers in England to have received full scheme payments, said:

‘RPA made the first Single Payment Scheme payments to farmers and growers in England on 20 February. It remains on track to complete the bulk of payments by the end of March 2006. I expect all payments will be made well within the regulatory payment window which runs until 30 June 2006.’

Similar written answers were provided by the same Minister on 6 March and 7 March 2006.

4 March 2006

Lord Bach wrote to the Chairman of the House of Commons Select Committee on Environment, Food and Rural Affairs, following both his appearance before the Committee on 11 January 2006 and subsequent correspondence from the Committee after it published its interim report on 24 January 2006.

The Minister started by saying:

‘First, in respect of the substance of progress in implementing the Single Payments Scheme (SPS), you may recall that I sent you... a copy of my written statement confirming that full payments would begin in February. I am pleased to say that the first payments reached farmers on 20 February and the RPA remains on course to make the bulk of them by the end of March.’

After dealing with a number of points of detail on which the Committee had asked for further information, the Minister concluded his letter by saying:

‘You evidently feel that the timing and content of the Committee’s interim report was justified. I stand by my view that it was, at least in part, misleading and created unnecessary concern and uncertainty for the farming community. I do, of course, stand ready to provide further written or oral evidence should the Committee request it.’

7 March 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This stated that:

'By close on 6 March 2,882 claims had been authorised for payment, with a combined value of £23.2 million. All such claims have been paid with claims worth £5.5 million released in February. Around 117,000 entitlement statements were issued by 3 March. The remaining statements require the addition of specific information and are due to be issued by the end of this week.'

'The payment authorisation process was temporarily suspended pending investigation of inconsistencies in the use of RLR data in the claim authorisation process. Whilst the investigation is ongoing, we have sufficient controls in place to resume the authorisation process today.'

It was then explained that:

'In view of the problem with the use of RLR data in the validation process we decided to defer a second run of the programs to identify additional claims for authorisation, as it would have simply perpetuated the problem.'

'Claim validation has continued whilst the authorisation process has been on hold. A total of 63,000 claims have completed validation, except for fruit and vegetable and commons validations.'

'A total of 30,000 tasks were closed in six days leading up to 5 March, reflecting the expansion of the authorisation process, reducing the availability of staff for claim validation.'

'The payment position hasn't changed since the last report for the reasons explained in the summary. However, considerable progress has been made in completing authorisation checks, with some 66 batches awaiting authorisation.'

The briefing continued:

'The recent hiatus in the throughput of payments has been caused by some problems in the way that the processing system is interacting with the Rural Land Register data. This could have potentially affected all claims.'

'Immediate action was taken by the Scheme Management Unit and Accenture to analyse the issue and to identify the claims actually affected. During this period, the normal work in going through the final approvals of batches ready for payment continues in parallel. In other words the hiatus has not resulted in any delays in this regard.'

'All bar circa 2,000 of the 120,000 the entitlement statements have now been issued. The remaining statements have address/claim status queries or require additional letters to be issued.'

'These statements are expected to be issued by the end of this week. Those claimants definitively established in the second and subsequent entitlement programmes will receive a second statement confirming definitive status.'

It was then explained that:

'The main focus for those not involved in authorising claims remains the clearance of detailed level 2 validation tasks. The total number of tasks increased by just over 5,000 over the past week; with just over 28,000 tasks closed in the period.'

'As of 6 March some 613,720 tasks had either been completed or are in progress, representing 76.5% of the tasks identified thus far.'

'Manual processing of land and entitlement transfer notifications, (RLE 1 forms) has commenced. To date some 10,000 forms have been requested and 61 completed forms received, although most so far relate only to land changes rather than entitlement transfers.'

'Since 3 October Infoterra have completed 62,953 mapping tasks for 47,681 holdings. As at week ending 3 March we had despatched maps to just over 33,000 customers.'

'Staffing increased by approaching 500 FTE during February, with approximately 60% temporarily deployed from other operational areas to assist with SPS processing.'

The briefing concluded by saying that, in the coming week, *'the two principal areas of activity will be the continuation of claim authorisation and payment; and validation of claims that have not been fully established'*.

8 March 2006

Lord Bach was interviewed on the BBC Radio 4 programme *Farming Today*. When it was put to him that, at the rate at which farmers were then receiving payments from RPA, it did not look possible that *'the majority'* of farmers would receive their scheme payment by the end of March, the Minister replied:

'We have said for some time that the bulk of the payments will be made by the end of March. That is still the position. That's what we expect to happen. I hope that'll be a good deal more than fifty per cent... If farmers haven't received their payments by now, and there'll be many who haven't by today, I ask them to be patient. The bulk will be paid by the end of March.'

The Presidents of the Country Land and Business Association and of the NFU also that day sent the then Chief Executive of RPA a joint and open letter about the administration of the scheme. It opened by saying:

'We are writing to express in the clearest possible terms the frustration and anger of our respective members concerning the performance of the RPA at this critical time for the SPS. The great volume of errors outstanding, the obscurity of the processes at the RPA and the poor quality of information supplied to your customers and stakeholders are causing unnecessary hardship and worry.'

'In a Defra statement of 31/1 it was announced that the RPA would establish entitlements on 14/2 and all farmers would be notified within two weeks. It was also promised that the bulk of payments would be made by the end of March.'

'The first promise was not fulfilled, and the statistics given by the RPA to the press and to stakeholders last week conflicted...'

The letter continued:

'We have appreciated the opportunity to meet with RPA officials at the regular stakeholder meetings. This has been helpful both for us to explain the issues as we see them, and for the officials to discuss with us the state of play. What has not been welcome is the belief expressed by one of your senior officials at the last two stakeholder meetings that the only real deadline is the 30th of June...

'We are prepared to accept that we may not fully understand how the process is working, but certainly the information currently being provided to us is wholly insufficient to assuage our fears that a great number of farmers will be disadvantaged by the slowness of the process, and will suffer real and substantial cash flow problems as a result. Both of our organisations are being placed in an untenable position by the lack of clarity and timeliness on your part.'

According to the subsequent report of the House of Commons Select Committee on Environment, Food and Rural Affairs, published on 29 March 2007, this letter had been sent to demand *'answers to [the] crisis as it emerge[d] that about two-thirds of entitlements are still unvalidated'*.

9 March 2006

A Defra Minister, Jim Knight, gave an oral response to a Parliamentary question from Anne McIntosh MP, which asked:

'Is the Minister aware that not a penny piece has been paid to any North Yorkshire farmer although the Minister promised that the bulk – 96 per cent – would be paid before the end of March? Indeed, the figure has now been reduced to a mere 50 per cent...'

The Minister replied:

'I have to remind the hon. Lady that today is 9 March. We will pay the bulk of payments by the end of March.'

(Note: the Minister subsequently apologised to Ms McIntosh for this answer.) When other Members raised the *'real concern'* felt by farmers about the performance of RPA in administering the scheme, the Minister replied:

'I have noted the comments made by my hon. Friend and other Members from Yorkshire. We gave farmers a year's notice and promised that we would begin payments in February.'

'We have delivered on that promise despite all the noise we heard in the House and elsewhere suggesting that we would not. We are pretty pleased with that great effort, by which we have managed to deliver on our promise.'

A status report on the scheme implementation programme was also provided on the same day to the joint Defra-RPA Executive Review Group. The programme risks were graded as follows:

- business case – red;
- scope of the project – amber;
- schedule – green;
- resources – red;
- stakeholders – red; and
- risks/issues – red.

Daniel Rogerson MP tabled Early Day Motion 1786 on Single Farm Payments (No. 2). This motion, which attracted 29 signatures, said:

‘That this House notes that figures from a recent Farming Online members’ poll show that out of 1084 respondents just 31 farmers have received their Single Farm Payments; further notes that these payments are already much later than those under the previous regime which were traditionally delivered in the autumn; further notes with concern that a Rural Payments Agency source recently cast doubt upon the likelihood of the RPA meeting the Government target that 96% of SFP payments be made by the end of March; further notes that of those farmers who have received their SFP entitlement statement 66 per cent have not yet had them validated; and calls upon the Government to provide a guarantee to those farmers who have not yet received their payments that they will have them by the end of March.’

10 March 2006

The then Chief Executive of RPA provided briefing on the scheme to Lord Bach. This said:

‘Current Position

1. By 10 March we would have expected (i) more claims to have been fully validated, definitively established and ready for authorisation; and (ii) more of the definitively established claims would have been authorised and paid.

2. 39,000 of 120,000 claims have been definitively established and are ready for authorisation. Approximately 7,000 of these claims are not ready for payment principally due to inconsistencies in claim data and that held on the RLR.

3. A substantial proportion of the 39,000 fully validated claims are failing authorisation. Based on current procedures we might expect 10-15,000 of the 39,000 claims to be authorised and paid.

4. By 10 March a total 4,484 claims (3.74% of the total) had been paid with a cumulative value of £31.9 million. It is not possible to give an accurate assessment of the percentage value of payments to date, as the payments made are net of deductions and modulation. Leaving aside the high proportion of batches failing the authorisation check, the authorisation and payment process has been suspended on two occasions to resolve concerns over the accuracy of payments and claims affected by the RLR issue identified in paragraph 2 above.

5. *We intended to run the definitive establishment process regularly, once every 1-2 weeks, but have thus far only run the process once (on 14-17 February). A second run is due to take place on the evenings of 10 and 11 March. The frequency of subsequent runs will be determined after the second run.*

6. *Further batches of definitively established claims will become available for authorisation once we have run the entitlements programmes on a second and subsequent occasions. We expect somewhere in the region of a further 5-10,000 claims to be definitively established in the second entitlement run.'*

Farmers Weekly, under a headline 'farmers' anger over SFP letters', reported that 'of the 117,000 entitlement statements that have been sent out by RPA in the past two weeks, it has emerged that two-thirds (78,000) are unvalidated'.

14 March 2006

Senior Defra and RPA officials informed the then Secretary of State that RPA would not meet the scheme payment targets.

15 March 2006

In Prime Minister's Questions in the House, James Paice MP raised the RPA and its administration of the scheme with the then Prime Minister, saying:

'The Rural Payments Agency had a target to pay 96 per cent of farmers by the end of March, which was already 18 months since their last payment. Last week, Lord Bach said that the figure should be more than 50 per cent. Has the Prime Minister any understanding of the anger and financial distress of tens of thousands of farmers who are fending off their creditors because of the Government's incompetence?'

The then Prime Minister replied:

'Yes, I understand the concern. That is why the Rural Payments Agency is working extremely hard to make up the time and to make sure that farmers receive their payments. But I entirely understand their concern; we are working on the matter as hard as we can.'

RPA's strategic communications manager told the *Yorkshire Post*, in advance of a story published the following day under the headline 'farmers are kept waiting for cash "lifeline"', that 'our staff have been working overtime voluntarily for several months and while it has been a major challenge, we are confident all targets will be met'.

16 March 2006

The then Secretary of State, Margaret Beckett, tabled a written statement before Parliament on the administration of the Single Payment Scheme. This read as follows:

'This House, and the farming industry in England, has I know been concerned about problems with the Rural Payments Agency's delivery of the Single Payment Scheme. The Government fully share this concern and I would like to make a statement about action which I am taking today.'

'The Minister with responsibility for sustainable farming and food, Lord Bach, told the other House on 31 January that the RPA would establish entitlements in mid February and that all farmers would then receive an entitlement statement. This has now happened in all but around 1 per cent of cases and payments did indeed start to be made before the end of February.'

'Ministers have throughout been advised that, following the validation of claims, the RPA expected to make the bulk of payments by the end of the month. Late on Tuesday afternoon the chief executive informed me that their latest reassessment of the position was that this would no longer be possible. This is an unacceptable situation.'

'I have concluded that urgent action is needed to strengthen the leadership of the agency. With my approval, the Permanent Secretary of my Department, Helen Ghosh, has today appointed Mark Addison as acting chief executive in place of Johnston McNeill.'

'Mark Addison has outstanding experience and abilities which I believe fit him for this task, and I have asked him to report to me by Tuesday on the immediate steps needed to get us back on track. A new chief executive will be recruited as soon as possible to take on the task of leading the agency forward at this crucial time.'

The statement continued:

'Ministers had already concluded, on advice from the permanent secretary, that there were structural issues in the RPA which needed to be addressed over a longer period of time. I am therefore announcing today our decision to set up a fundamental review of the agency, to look at its current and possible future functions, and the effectiveness of its relationship with my Department and its other key stakeholders, and to make recommendations for the future. Details of the review are being published today on my Department's website.'

'I know that this House and everyone in the farming community will be as disappointed as I am about the announcement I have had to make today, but a successful conclusion to the 2005 round of SPS and a smooth start to the 2006 scheme will remain one of the Department's highest priorities.'

The statement concluded by saying that:

'RPA staff have worked with absolute dedication throughout, often in the face of considerable difficulties. I am sure they will continue to do so.'

27 March 2006

There were debates in both Houses of Parliament on the administration of the scheme. In the Commons, answering an Urgent Question which had asked for a statement to be made concerning the RPA's administration of the scheme, the then Secretary of State, Margaret Beckett, began by saying:

'In my written statement to the House on 16 March, I told the House that the Rural Payments Agency had advised me for the first time on 14 March that it would no longer be possible to make the bulk of single payment scheme payments by 31 March, and that in the light of this unacceptable situation a new chief executive would be appointed.'

'I fully understand and share the anxieties that these events will cause to the farming community, and deeply regret that this unacceptable situation has arisen.'

She continued:

'I received an initial report from the acting chief executive, Mark Addison, on the situation at the RPA on 21 March. There are substantial problems facing the RPA in getting SPS payments out to farmers – much greater than had previously been reported to Ministers.

'As I know the House and the farming community would expect, speeding up those payments remains the overwhelming priority of Department for Environment, Food and Rural Affairs Ministers and of RPA staff. However, it remains essential that actions taken now in response to these problems are carefully considered but also sure-footed, to avoid making the problems still worse in the future. Mr. Addison's report identified some initial steps to take, which should enable us to speed up payments without losing sight of the need to manage properly the disbursement of a large sum of public money.

'These are the initial steps that I have sanctioned: focusing resources in the RPA on making the 2005 payments as fast as is legally possible; removing disproportionate checks from the payment authorisations system to speed up the flow of payments once claims have been validated; prioritising work on the validation of claims to release the maximum value of payments as quickly as possible as opposed to the maximum number of claims, which is an action that will mainly benefit historical customers; centralising key mapping work at the most productive office, Reading; reviewing what further steps can be taken to simplify the process to allow decisions to be made later this week; strengthening the RPA's capacity in key areas; and changing the RPA's structure to streamline command and control.'

The Secretary of State concluded by saying:

'The Minister with responsibility for sustainable farming and food – my noble Friend Lord Bach – and the RPA's acting chief executive have invited senior representatives of the industry to weekly meetings, the first of which took place on 22 March, so that close contact can be maintained. They will also urgently engage with the banks and other key stakeholders.

'The team at the RPA is central to the success of those steps. I am confident that with Mark Addison at the helm we have the right people in place for the job, and their work and commitment remain key to delivery. The staff of the RPA have worked with absolute dedication throughout, often in the face of considerable difficulties, and I know that the whole House hopes and expects that they will continue to do so.'

In the debate which followed, the Secretary of State:

- said that she was *'embarrassed and dismayed'* by the issue of the March edition of the Defra newsletter *Farming Link*, which farmers continued to receive after her statement on 16 March 2006;
- explained her view that *'although there is no doubt that the organisation is customer-focused in that the staff care about their customers and are working hard and trying to do their best, [RPA's] systems are not remotely customer-focused'*; and

- said that, as regards previous delivery targets, *'once the decisions had been made about the form and nature of the scheme, Ministers and stakeholder representatives of the industry spent time with the RPA seeking information and assurances on whether it could indeed handle the scheme within the time frame. Those assurances were given, and given categorically – to the extent that stakeholder representatives and Ministers came back immensely reassured and full of confidence that the RPA could handle the issues'*.

The Secretary of State, when asked about the position of tenant farmers and the difficulties they would face due to delays in the making of scheme payments, said that *'I am mindful that they are likely to be the most vulnerable people'*.

In the debate in the Lords, Lord Bach repeated the statement made by the then Secretary of State and answered questions. He said:

'Of course the delays are causing real hardship. We appreciate that very much, which is why we were so disappointed not to receive until 14 March of this year the advice which first told us that these payments would not be met in bulk by the end of March. The advice we have received from the banks so far is that they are not seeing any change in the number of farm business failures and that no otherwise viable business is likely to fail as a result of the timing of payments.'

The Minister described himself as *'surprised and shaken'* not to have been informed prior to 14 March 2006 that the bulk of payments would not be paid by RPA by the end of that month and set out his view that *'it is clear that Ministers should have been told earlier that the RPA was not likely to meet its target of making the bulk of payments by the end of March'*.

29 March 2006

RPA put on its website an update on the scheme, the first in a series of weekly such updates.

This said:

'Margaret Beckett, Secretary of State for Environment, Food and Rural Affairs told Parliament on 27th March she had already sanctioned several actions recommended by acting Chief Executive of Rural Payments Agency, Mark Addison to speed up payments to farmers:

- *focusing RPA resources on making the 2005 payments as fast as is legally possible;*
- *removing four (from six to two) disproportionate checks from the payment authorisation system to speed up the flow of payments once claims have been validated;*
- *prioritising work on validation of claims to release the maximum value of payments as quickly as possible, historic entitlements;*
- *centralising key mapping work at a single office in Reading;*

- *strengthening the RPA's capacity in key areas, and changing the RPA's structure to streamline command and control!*
- *address obstacles in current HR procedures that would prevent the retention of experienced staff.*

The update continued:

'The Secretary of State last night (28th March) sanctioned a number of additional steps recommended by Mark Addison, as follows:

- *reform RPA processes to deliver greater customer focus by dedicating teams of staff to work on individual claims rather than the current task-based approach, subject to successful pilot work;*
- *as part of that change also allow processing staff to communicate with applicants directly by phone to work through any outstanding issues;*
- *implement a discrepancy tolerance of 2 hectares or 3% of total area claimed, whichever is the lower, for validation of claims;*
- *stop redundant quality checking processes so that staff can concentrate on claim processing;*
- *locate the people doing the mapping work alongside those processing claims on the same site;*
- *where mapping correspondence is outstanding, be able to make payments on the basis of the information which RPA already have from farmers;*
- *appoint a senior manager to take charge of the delivery of 2006 claims; and,*

'Any further options which can be identified for accelerating validation of claims and authorisation of payments will be put to Ministers for endorsement as soon as their usefulness can be clearly established.

'So far, £206m has been paid, as of close on 28th March, to 27,862 customers. This represents real progress, but there is still a huge amount to do.'

The update concluded by saying:

'RPA is not making any forecasts about how much will be paid out by when. RPA's Acting Chief Executive is: i) keeping all aspects of process under review, and reporting back to Defra Ministers regularly; ii) leaving no stone unturned on simplification of validation and payment systems; iii) continuing to keep other contingency options open, in accordance with proper stewardship for dispensing public monies.

'Minister for Sustainable Farming Lord Bach is keeping key stakeholders in close touch with developments; having met farming leaders again today, and will meet with banks and agricultural supply industry representatives tomorrow.'

The weekly updates until the beginning of May 2006 provided updates on the amounts paid under the scheme and on the steps being taken by RPA and Defra to resolve the outstanding problems in the administration of the scheme.

30 March 2006

A debate on RPA was held in the House of Lords. Responding to it, Lord Bach reiterated his view that Ministers should have been informed earlier that RPA could not meet its payment targets, saying:

'The situation we found ourselves in when the RPA reported its revised assessment of the situation on 14 March was simply unacceptable. That is why we supported the decision of the Permanent Secretary to replace the then chief executive of the RPA with Mark Addison, a senior civil servant with outstanding experience and abilities, and charged him to come forward urgently with a report on the steps needed to get us back on track. The RPA still faces a significant challenge in getting SPS payments out to farmers, and I know RPA staff are doing their best and working all hours that God sends. But speeding up these payments – consistent with our responsibilities in handling public funds – remains the overwhelming priority of Defra Ministers.'

On the timing of the outstanding payments, the Ministers, when invited to provide a revised timetable, said:

'My Lords, we very much hope that all payments will be made by the end of June, but I am not prepared – because there have been too many easy forecasts in the past – to give a guarantee of any kind. We did not appoint the new acting chief executive to give us the sort of forecasting that Ministers and others might want to hear if that was not based on solid fact.'

On the same day, a Defra Minister, Jim Knight, provided a written response to a Parliamentary question, which had asked, among other matters, how many farmers had received letters confirming the amounts that they would be paid under the scheme. He said that *'all those farmers receiving payment have received a payment statement setting out details of its value, including any deductions'*.

Lord Bach also met the British Bankers' Association and other representatives of the major lending banks to discuss the situation of farmers awaiting payment under the scheme. After the meeting, a joint statement was issued, which read:

'We have agreed that we will continue to work closely together in ensuring that farmers awaiting payment are offered support and help wherever possible. We recognise that these are difficult times for many farmers and that a flexible approach on all sides is required.'

'Lord Bach confirmed the new steps being taken by the RPA to speed up the validation and authorisation of payments, which the banks welcomed.'

'The banks re-emphasised that no viable business is being refused additional financial support and, as a result, no viable businesses are failing because of uncertainty about the payments timetable.'

19 April 2006

Defra and RPA invoked partial payment contingency arrangements. The then Secretary of State, Margaret Beckett, tabled a written statement before the House of Commons, which was also tabled in the House of Lords. This said:

'I announced in my written statement of 16 March 2006, Official Report, col. 104WS, that in light of the unacceptable progress in implementing the Single Payment Scheme, steps were being taken to strengthen the leadership of the Rural Payments Agency.

'The House has subsequently been kept informed, – 27 March 2006, Official Report, col. 543, and 29 March 2006, Official Report, col. 305WH, – of the measures introduced by the new acting chief executive to speed up payments without losing sight of the need to manage properly the disbursement of a large sum of public money.

'The measures already in place have begun to bear fruit with 47,033 claims representing 39 per cent of the customer population having being [sic] paid a total of £362.23 million as at 18 April.

'Given, in particular, the unavailability of the SPS system over the Easter period for a planned essential upgrade for the 2006 scheme, this represents useful progress. The upgraded system is now fully operational and further payment runs are planned over the rest of the week.'

The statement continued:

'The acting chief executive has, however, now told me he does not feel confident that he can say with complete assurance that the RPA will be able to make all of the full payments by the end of June.

'Given that advice, I have authorised that work on a system to make substantial partial payments to the remaining claimants should now be given priority and I further decided that the system should be deployed as soon as it is operationally possible to do so.

'The RPA will in the meantime continue to make full payments when claims have been fully validated, with historic claimants having priority.'

9 May 2006

The new Secretary of State following a Cabinet reshuffle, David Miliband, tabled a further written statement before the House of Commons. This said:

'On 19 April, ... my right hon. Friend the Member for Derby, South (Margaret Beckett) reported on progress in making full payments under the 2005 Single Payment Scheme (SPS) in England and announced that partial payments under the scheme would start as soon as operationally possible.

'By close on 4 May, over 58,000 claimants, representing 48.5 per cent of the customer population, had been paid a total of £552 million in full payments. A test run of partial payments to 1,000 claimants was undertaken, successfully, at the end of last week. The Rural Payments Agency (RPA) then moved immediately to process the remaining partial payments. As a result, RPA has now made transfers to the BACS system, and drawn up payable orders, for £730 million in partial payments. This means the money should reach farmers over the coming week. In total, 85 per cent of the £1,500 million worth of expected payments for the 2005 SPS scheme year will have been distributed.

'The task now is to ensure that the residual element of payments are made as soon as possible to those who have received a partial payment, and that a plan is in place to deal with those who to date have not yet received either a full or a partial payment under the 2005 scheme. 31,000 claimants were not included in the partial payments system, 26,000 because their claim amounted to less than €1,000 and 5,000 because of a diverse range of other factors which made their cases particularly complex.

'Making full payments to this group of 5,000 will now be given the highest priority by the Rural Payments Agency. Increased priority will also be given to making outstanding payments under the Hill Farm Allowance (HFA) scheme in recognition of the importance of HFA payments to those concerned.

'I will make a further statement in due course on the 26,000 small claimants and those with HFA claims.'

The Secretary of State continued:

'I am acutely conscious of the difficulties endured so far, and the magnitude of the challenge that still lies ahead to complete delivery of the 2005 SPS scheme year.

'The fact that previous estimates of payment timetables were missed, and the problems this has caused for farmers up and down the country, are a matter of deep regret.

'I am determined that the right lessons are learned from our experience this year, first to prepare for the undoubted challenges that will exist in the delivery of the 2006 scheme, and second to move to a more stable position for the 2007 scheme year. This will require a concentrated and sustained effort from both RPA and DEFRA, and I hope that industry stakeholders will also continue to work closely with us to that end.

'At a practical level, it is important for farmers to aim to submit their applications by the 15 May deadline wherever possible for the 2006 year. However, in recognition of the real problems this year with the distribution of application forms, my noble friend Lord Bach announced last week that late claim penalties will not be applied to claims received between 16 and 31 May.

'In order to progress matters in this crucial next phase of SPS delivery I am pleased to announce that Tony Cooper will join the RPA on 15 May as interim chief executive in succession to Mark Addison. Mr Addison accepted the post at short notice in March in order to address the immediate challenges facing the RPA and has, I know, made a real impression over the last couple of months. However, his was always intended to be a short term appointment and he will leave the RPA at the end of the month.'

10 May 2006

RPA began to make partial payments to farmers of 80% of their estimated entitlement and placed on its website a document which gave answers to possible questions which might arise about those payments.

15 May 2006

The House of Commons Select Committee on Environment, Food and Rural Affairs took evidence from the Permanent Secretary of Defra, her predecessor Sir Brian Bender, and another senior Defra official.

The Permanent Secretary began by reiterating the apology *'for the distress that the delay in payments has caused to the farming community'* that had been made by Ministers.

Noting that the Permanent Secretary had taken up post in November 2005, the Committee Chairman asked her: *'When you came into post in November, did you ask for or were you given an indication as to when payments could actually be made?'* She replied:

'When I came into post in November, we were still working on the basis that full payments would begin in February and the kinds of discussions that were going on then, and obviously accelerated over the next couple of months, were the extent to which we needed to continue to develop, and indeed ultimately implement, a partial payments option.'

'To cut straight to the chase, if I have a regret, but you will see when you see the analysis we did, that it was extremely thorough, if I have a regret now, it is to say we should have made the decision in January to go for a partial payments option, to trigger that contingency.'

'Having said that, many stakeholders very early on in my time in the Department were saying that actually they would rather receive a full payment under a valid entitlement which they could trade a little bit later, rather than a partial payment earlier. Those were some of the message we were being sent, but in November it still looked as though we should be going for a full payment starting in February.'

In response to another Committee member, the Permanent Secretary explained what had happened when the RPA's Chief Executive had been replaced. She said:

'As you know, when the Secretary of State made her announcement on 16 March about both the timetable and new management arrangements at the RPA, she also announced the move from post of Johnston McNeill, who was the chief executive of the RPA, and his replacement on an acting basis by Mark.'

'That signalled two things: one was an irreparable loss of confidence between ministers and the chief executive. In the light of the fact that only five days before she had been assured and indeed her colleagues had stood up in Parliament and said that it would be possible to make the bulk of payments by the end of March 2006 and, secondly, and this comes to the heart of the question you are asking, which is the analysis of what it was that went wrong, the other thing that had become clear at that point, if I may just take you back a moment to February, was that in February, and we must not forget this, the RPA had hit its target and it had started to make payments.'

The Permanent Secretary continued:

'We were all aware of the effort that had gone into that, the management effort and the ministerial supervision effort, but they had started to make payments. For some reason, having started to make the payments, the whole system gummed up...

'The challenge for us was trying to work out what had happened and again, 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.

'What was happening in that period between 20 February and 16 March was that it became clear that an IT system had been built based on a business system which was essentially highly risk averse, contained an enormous number of checks, there was the complicated relationship, which I am sure we shall come back to, with the rural land register and the whole mapping issue and the system simply ground to a halt.

'Now the fact that that was not predicted by the most senior levels of the RPA was very significant and was the second key part.'

The Committee Chairman then intervened, saying:

'... when you came into post on 7 November it looked as though the thing was going to work, yet we go through November and December into January, probably about two and a half working months, bearing in mind Christmas and the New Year, and now you have just described a system which suddenly gums up, to use your own phrase.

'What I find absolutely amazing is that, given all the professional advice, information, checking, all the lead time you had to introduce all of this, and we shall go into it in more detail, suddenly, something in which you had confidence fails to deliver two and a half months after you took responsibility for it.'

The Permanent Secretary replied:

'That comes back to this crucial point about the nature of the relationships. It was neither the role of ministers, and in one sense the various governance bodies, nor did they have the capacity to look down at the very, very detailed coding of the system which had been built successively over six months, a year, 18 months or whatever it was previously. It was that kind of predictive ability of how it will all inter-relate when we press the button and it starts to happen.

'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.'

The Committee also asked the officials about the volume of work handled by RPA. Ms Ghosh said that there had been no surprise about the number of Single Payment Scheme applications that RPA had received. The issue that did cause Defra concern was, she said, the scale of the mapping changes and the issues involved in sorting out the Rural Land Register. She said:

'We had a mixture of people catching up with notifications and amendments to their land holding that they should probably have made under the old scheme and the incentive element of the new scheme, for example to the people with land that had not previously been covered, but also to existing claimants to maximise the areas of land and then there was customer behaviour... The surprise was the scale of the work, as it were catching up with the historic backlog and the incentivisation effect, which was involved in sorting out the land.'

The Chairman of the Committee expressed surprise that the volumes of work had been unexpected. He said:

'Anybody who knows anything about a mixed farm, for example, would understand that you are going to have more land which could be claimed for and that is bound to bring complexities because you have introduced a brand-new digitally-based mapping system at a time when you expanded the number of people applying and some of them clearly have no previous experience of applying for anything.'

Ms Ghosh replied: *'That indeed unarguably was the volume issue which was the greatest challenge to the RPA'*. She then spoke about Defra's decision to outsource the mapping process to a specialist company called Infoterra in September 2005. In the same evidence session, Sir Brian Bender, the Defra Permanent Secretary before Ms Ghosh, told the Committee: *'The outsourcing to Infoterra was the last action we took to deal with the problems. There were several previous actions to try to deal with the increasing backlog of maps'*.

Towards the end of the evidence session, the Chairman asked both the current and former Permanent Secretaries the following:

'Can I be very clear then? At no stage during Mr McNeill's tenure of responsibility for this project did he communicate to you two as permanent secretaries or to ministers that he would be unable, that is his Agency, to deliver in line with ministerial assurances on the timing of payments.'

The former Permanent Secretary replied that, as regards the period during which he was in post, *'the answer to your question is that it is correct that there were probabilities and there were risks in delivery which he shared with us'*.

When asked what the confidence limits of those probabilities and risks had been, he replied that *'at the worst it was around 50 to 60% probability it would be delivered and at those points we then had discussions about what we could do to de-risk it so that probability could be pushed up'*. He also said:

'... the RPA did not at any point say this was not deliverable. They were confidence levels which at no point fell below 50% and when they got uncomfortably close to 50% – indeed one of the questions was how to get it up to 90% – we took the various decisions to try to help and the last one was the one which has been referred to several times which was to outsource all the mapping processing...'

17 May 2006

A further weekly update on the scheme was placed on RPA's website. This said:

'This week saw the beginning of top up payments being made to some of the 31,000 customers who the previous week had received partial payments – 80% of the SPS element of their claims.'

'Latest figures available for close of play on 16 May showed that 91,376 customers have received a full or partial payment. This represents 76% of the customer base now having received a total of £1.3 billion. This equates to 87% of the £1.5 billion fund.'

'Priority work for RPA remains focused on completing validations and paying the customers who have not yet received a full or partial payment. Of these, the vast majority are small claims, due to receive less than €1,000 (or £682).'

21 May 2006

The new Minister responsible for RPA and the scheme, Lord Rooker, appeared on the BBC television programme *Countryfile*, along with industry representatives, to discuss the scheme. When asked about the problems RPA had encountered in making payments in line with its targets, the Minister said that the Government and Defra Ministers:

'... deeply regret and apologise to farmers and the farming community for the distress that's been caused... it's only if you're on the inside really would you have any idea of the distress where you keep hearing Ministers and... others promising "the cheque's in the post" as it were, and it doesn't happen and you're up against it whether it's the bank... [or] your suppliers... So we deeply regret and apologise sincerely for that.'

The Minister also said:

'We will move heaven and earth to make sure it doesn't happen next year, it's in our interest to do that. It's a way of making up for what's happened this year because we understand the distress that has been caused to the farming community and their suppliers.'

12 June 2006

RPA announced on its website that:

'Following a successful test of the system for partial payments this weekend, we are today making a second run of 80% partial payments. These partial payments are being made to 841 customers in the top priority category (some of whom will have received a definitive statement of entitlement from RPA earlier in the year) and totals over £12.8 million.'

'A payment statement giving further information on how individual payments were calculated will be sent with the balance payment in due course.'

'RPA is devoting full resources to making the residual payments as soon as possible to recipients of partial payments, and to paying remaining customers who have yet to receive a payment.'

During this period, weekly updates continued to be provided on RPA's website and the partial payment information leaflet was updated.

22 June 2006

The then Secretary of State, David Miliband, made an oral statement in the House of Commons about RPA and the scheme. In it, he said:

'I know that this year's problems have caused real distress and I repeat the apology to farmers that I have made before, both in the House and elsewhere.'

'I can assure the House that the new RPA chief executive, with the support of the Department, will be looking to take interim steps to aid the recovery process and to improve the experience of farmers dealing with the agency to the maximum possible extent. I will keep the House informed as matters progress.'

Responding to questions after his statement, the Secretary of State said that *'it is part of the deal for farmers that they should expect efficient service from a public service organisation that is working for them'*. He also told the House that *'it is the duty of the RPA to make payments accurately, efficiently, and on time'*.

23 June 2006

Speaking on the BBC Radio 4 programme *Farming Today*, the Defra Minister Lord Rooker told listeners that, as regards RPA's handling of the scheme:

'The fact is the first year has not been, well, let's put it this way, it's been less than satisfactory. We fell down on our duty, we certainly didn't keep our promises; we've got to improve in 06.'

27 June 2006

RPA announced on its website that more partial payments had been made, saying:

'RPA made a third batch of 80% partial payments to 2,587 customers yesterday (Monday 26 June), worth a total of £22.4 million.'

'A total of 822 of these recipients are priority one customers who had previously received no SPS money and had claims worth in excess of €1,000 (£682). The priority one claimants figure has now been reduced to around 1,500 customers with this latest round of partial payments.'

'RPA is focusing its full resources on ensuring these remaining priority one customers receive a full or 80% partial payment as soon as possible, as well as making top up payments to those who have already received a partial payment.'

'For those in receipt of partial payments, a payment statement giving information on how individual payments were calculated will be sent with the balance payment in due course.'

28 June 2006

The Select Committee on Environment, Food and Rural Affairs took evidence from the former acting Chief Executive of RPA (who had replaced the then Chief Executive in March 2006 and had been a member of Defra's management board prior to this appointment).

One Committee member asked the former acting Chief Executive:

‘What I still find very hard to understand is how it was possible for all of those involved, the Rural Payments Agency and the Department and the ministers, to be so apparently confident right up to mid March and to be telling us how confident they were, that this could be delivered and then so suddenly for matters to emerge and for the position to change so dramatically; suddenly it was not going to happen. Was it that the chief executive and the others in the Rural Payments Agency did not realise that this was not going to deliver or was it that they realised but were not telling you and us?’

The former acting Chief Executive replied that:

‘There were these two factors. The issue which took everybody by surprise, including everybody in the Rural Payments Agency, was the failure of the 44,000 claims to go through into payment smoothly. The authorisation checks’ element of the process had not been tested as part of the whole system test, a point raised earlier. That simply did take the RPA by surprise.’

When asked whether it would be fair to say that ‘what really went wrong was the failure, at an appropriate stage, to test the system, to make sure it really would deliver and really would work’, he also replied:

‘As I said earlier, the amount of testing that was done, the amount of whole system testing that was done and the amount of whole system knowledge there was, was, as it turned out, not great enough. One of the reasons for that was the overall timetable. A lot of this can be traced back to my earlier two points about the number of things being done and the timetable.’

29 and 30 June 2006

RPA made two announcements on its website that further partial payments had been made to, respectively, 249 and 74 farmers.

30 June 2006

The regulatory scheme payment window closed.

5 July 2006

The then Secretary of State, David Miliband, tabled a written statement before Parliament. This said:

‘In my oral statement of 22 June, I promised to keep the House informed of the Rural Payment Agency’s (RPA) progress in making payments under the 2005 Single Payment Scheme (SPS). I can report now on the position at the end of the EU regulatory payment window on 30 June.

‘As was the case in previous years with the old CAP schemes, the total amount to be paid by the RPA under the 2005 SPS will not be known for certain until the last claim is completely validated. However, the latest estimate puts the figure at £1.515 billion of which over £1.438 billion (94.9 per cent) was paid by 30 June. 91,720 claimants had received a full payment and a further 16,168 had received a partial payment and are awaiting their “top up”.

‘The combined total of 107,888 represents over 92 per cent of the revised estimated total claimant population entitled to a payment of 116,474, which now takes account of merged multiple claims from the same business and discounts duplicate claims, voluntary withdrawals and those where the claim was only to establish entitlements and not claim payment against them.

'Of the estimated 8,500 claimants who have yet to receive a payment, approximately 460 currently have a claim value of more than €1,000. Some of these are in a category that it is not possible to pay at present, for example because RPA is awaiting information from claimants. However, the majority require further action from the RPA and those cases will remain the agency's number one priority to resolve as quickly as possible.'

The statement continued:

'Discussions are now underway with the devolved Administrations to determine whether, for the UK as a whole, sufficient payments have been made to avoid triggering the normal EU rules on withholding EU funding of payments after the end of the 30 June payment window.'

'Those rules allow for 4 per cent of value payments made before the end of the window to be made after it with full EU funding. After that, a sliding scale of reductions applies, depending on timing, to payments after the 4 per cent threshold has been exhausted.'

'The indications are that the UK is likely to have paid between 95 per cent and 96 per cent of payments by 30 June. If this is confirmed, we will, as previously indicated, have further discussions with the European Commission about the application of the payment reduction rules.'

'In the meantime, the RPA will continue to pay the remaining claims and progress work under the 2006 scheme in line with my 22 June statement.'

This information was placed on the RPA's website in a further weekly update on the scheme.

2 August 2006

According to a subsequent written Parliamentary answer, given on 15 December 2008, on this date RPA met the EU target of paying 96.14% of payments by value under the scheme.

18 October 2006

The Comptroller and Auditor General published a report, entitled *Department for Environment, Food and Rural Affairs and Rural Payments Agency: the delays in administering the 2005 Single Payment Scheme in England*.

The report began by explaining that *'The Agency encountered difficulties in processing payments due under the scheme, totalling around £1,515 million, and failed to meet its own target to pay 96 per cent of that sum by the end of March 2006'*. It said:

'From its inception in 2001 the Agency [RPA] had embarked on a business change programme to improve efficiency but had to revise its approach in November 2003 to include the development of the single payment scheme which then became the key element of business change. The way the scheme was implemented was designed to achieve efficiency savings by enabling staff in different offices to work on any tasks relating to any claim, rather than for the same individual or small team to process a whole claim from end to end. The Agency [RPA] anticipated that this "task based" approach would enable faster processing and improve staffing flexibility.'

The report continued:

'The factors contributing to the difficulties experienced included:

a. the Department and the Agency had not fully appreciated the risks and complexities involved in implementing the English model of the single payment scheme. This was, in part, due to a lack of common understanding of the scheme requirements and likely customer behaviours across all key teams within the Department and the Agency;

b. an absence of clear metrics against which to assess progress on implementation led to over optimistic upward reporting, and hence a failure to show the true state of progress. As a consequence, the related risks of failure became apparent at too late a stage to enable effective alternative payment regimes to be put in place; and

c. in implementing the scheme at the same time as a wider business change programme aimed at delivering efficiencies, the Agency lost too many of its experienced staff and, as a consequence, the knowledge which went with them.'

The report then explained that:

'Implementation has not provided value for money because the project has cost more than anticipated and is not fully implemented as scoped, planned efficiency savings will not be achieved, relationships with the Agency's customer base have been damaged and there is a risk of substantial disallowance of expenditure by the European Union.

'The previous Chief Executive was therefore removed from post on 16 March 2006 and at the end of September 2006 remained on leave of absence on full pay of almost £114,000 a year.

'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.

'The Agency is unlikely to be able to remedy all the problems in time for the 2006 single payment, but the management team is developing a recovery plan which they expect to be fully implemented by April 2008.'

The report then set out what RPA had achieved, saying:

'As at 31 March 2006 the Agency had paid £225 million (representing 15 per cent of the £1,515 million single payment scheme funds) to 31,040 farmers (27 per cent of the 116,474 claimants).

'The Agency made payments of £515 million by the end of April 2006 by streamlining processes for authorising payment once claims had been validated.

'Taking into account the risk that the remaining payments could otherwise have been deferred beyond the end of June 2006, the Agency made partial payments of £730 million in May 2006 with the agreement of the Department and Ministers.

'The Agency paid out £1,438 million (95 per cent) against an EU deadline of 96.14 per cent by the end of June 2006, and 96 per cent of sums due by the end of July. By the end of June most farmers had been paid, except for 8,586 farmers (7 per cent) who had not received any money, and 16,168 (14 per cent) who had received partial payments amounting to 80 per cent of their claim.'

Other than that there had been these delays in paying farmers, the report's key conclusions were:

- that the difficulties in the implementation of the scheme could result in the European Commission imposing sizeable penalties;
- that the difficulties in making payments had caused distress to a significant minority of farmers and had undermined the farming industry's confidence in RPA;
- that the scheme had cost more to implement than had been expected and that many of the savings that had been forecast were unlikely now to materialise; and
- that better management of the risks involved could have reduced the disruption that had been experienced.

In discussing 'lessons to be learned', the report noted that:

'The Department allowed the Agency too much discretion and independence in implementing the single payment scheme given the potential liability it faced and the consequent risks to its reputation. Senior departmental officials confirmed that they had concerns in late 2005 about whether the Agency's management team could deliver the single payment scheme on

time, but felt that making changes at that time would have been more disruptive and raised the risk profile of the project even higher.'

It also noted that:

'As the pressure built, day to day communications with farmers proved difficult and a lack of information on the progress of their claims led to stress and frustration amongst the Agency's primary customers. The Agency relies on farmers' cooperation to administer the payments scheme effectively. The absence of key information on the progress of each claim hampered the ability of staff in the customer contact centre to resolve farmers' queries.'

As part of the work that had been undertaken by the National Audit Office as preparation for the publication of the report, a survey of affected farmers had been carried out. The report, in setting out the results of that survey, said:

'Twenty per cent of the farmers surveyed... said that delayed payments had been a cause of increased stress and anxiety for them and their family. Five per cent of farmers confirmed that they had considered leaving farming. The problem has been particularly acute amongst those farmers, such as hill farmers, for whom the money from the single payment scheme represents a large proportion of their family income.'

'Of the 14 per cent of farmers in our survey who stated that the single payment scheme money amounted to at least 40 per cent of the total net annual income for their family for the year, 38 per cent felt the delay had led to stress and anxiety.'

'The farming help charities, Farm Crisis Network and the Rural Stress Information Network, confirmed to us that they had experienced a substantial increase in calls to their telephone helplines between March and May 2006.'

'In recognition of the impact of delayed payments the Department has granted an additional £115,000 to rural support organisations to help farmers deal with stress. The Secretary of State for Environment, Food and Rural Affairs announced on 22 June that, calculated from 1 July 2006, the Agency would pay interest to farmers in respect of delayed payments at one per cent above the London Interbank Offered Rate.'

The report continued:

'The majority of farmers responding to our survey said that delay in receiving payment had not caused them to take action to save or raise money. Nonetheless, a significant proportion said they had done so "entirely" or "mostly" as a consequence of delays in receiving payment. Farmers who had expected to receive payment in February or March and who would otherwise have experienced a cash flow difficulty... took out, or extended, financial loans, sold crops or livestock earlier than anticipated or, in some cases delayed payments to their suppliers.'

'For many farmers the direct effect of late payment was to force them to postpone purchases or investments. Whilst the range of actions taken make it difficult to calculate the cost accurately, drawing on the advice we received from the British Bankers' Association, we estimate that the delays could have cost farmers between £18 million and £22.5 million in interest and arrangement fees on additional bank loans and increased short term borrowing

on overdrafts. This figure does not include any estimate for interest foregone by farmers whose bank accounts are, or would have been, in credit, or any knock-on effect on the wider agricultural industry.'

'A number of suppliers' representatives and other associations in the farming industry considered that their businesses had been affected by delays in settling their accounts and a decline in other business activities, such as the trade in farm machinery.'

The report then said:

'The delays in making payments have undermined confidence amongst farmers that the Agency will deal with their 2006 claim effectively. A common theme of the focus groups and other interviews we held with farmers was that the relationship between farmers and the government had deteriorated. A number of farming industry associations and representative bodies noted that this breakdown in trust had deterred farmers from participating in other government initiatives, such as the Entry Level Stewardship Scheme and the Higher Level Stewardship Scheme.'

The report continued by setting out the conclusion that *'more effective liaison with farmers and landowners would have reduced the adverse impact on the industry'*. In doing so, the report noted that:

'Our survey of farmers and landowners confirmed that 64 per cent of respondents had sought to contact the Agency in order to seek an update on the progress of their claim. According to the Agency's records, in 236 out of the 363 claims we examined, the farmer or their agents had written to the

Agency to amend their claim, query something or to make a complaint. One hundred and twenty of the claimants had written on three or more occasions.

'The management information also shows that the Agency received over 271,000 telephone calls between January and June 2006, and all the calls were answered quickly with an automated response and menu of options. Some of the automated responses were not particularly helpful, however, and discouraged farmers and landowners from pursuing their query.

'When we tested the telephone call centre response in June 2006, automated messages told callers that "...there is nothing that the call centre staff can tell you about your payment". Farmers were discouraged from pursuing queries with the message "If you contact us, this will divert resources away from the urgent tasks of completing validations and making full payments":

Dealing with liaison by Defra and RPA with the industry, the report said:

'As the implementation of the single payment scheme progressed, senior staff at the Agency and the Department continued to liaise regularly with the relevant unions and trade associations. Given the lack of management information, more general communications tended to centre around reassuring farmers that payments would be made, rather than giving specific information on when issues would be resolved and individuals' payments would be processed. The Rural Stress Information Network found that a lack of information was by far the greatest cause of frustration and complaint within the farming community.'

23 October 2006

Lord Whitty and Lord Bach, both former Defra Ministers, appeared before the House of Commons Select Committee on Environment, Food and Rural Affairs.

In his evidence, Lord Whitty said:

'I think the essential failure of this scheme has been the mapping. One or two decisions were a bit late and one or two systems took a bit longer to get into place but basically, until we got into the mapping, there were not serious problems of either resource or expertise from RPA or from Accenture.

'When we got into the mapping it was clear that the existing Rural Land Register system was not as advanced as we had thought it to be. The staff at RPA were not able to cope with the number of queries that the farmers had with the maps they were originally sent.

'Sometimes that got to quite antagonistic relationships because of a lack of adequately trained and experienced staff. I think that was the point where more staff and more experienced staff would have been helpful. I do not think that was the case beforehand and I do not think it should be the case when the system is fully running, but at that point the RPA were short of staff.

'Perhaps I ought also to say that this was the point at which I felt the advice I was getting was most misleading, and I have used the term "misleading" publicly but I would perhaps prefer to rephrase that [as] "over-optimistic upward reporting"...

Dealing with the advice he had received, Lord Bach said:

'... the collective view put to the Minister all the way through that we would meet this date, and I would have expected to be advised if we were not going to meet this date... I have to say that the advice that I got was both from the RPA and from the Department, and I did not feel the need to go elsewhere.

'... 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, Tuesday, 14 March, and that is a date which I think will stick in my memory for a while, 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...'

The Chairman asked Lord Bach about the risk ratings that had been provided to the joint Defra-RPA Executive Review Group, saying:

'I think the frightening thing when you look at Appendix 6 of the NAO report, which has got a detailed analysis of the date when we knew, is that the number of red marks increases with frequency as time goes on, and under the column headed "Risk/Issues" it is just a solid series of red traffic lights. Under "Resources" we have got red traffic lights from October 2005 through to the end; "Business Case", red traffic lights all the way through to the end. There seemed to be a lot of lights shining that perhaps might have caused somebody to question whether this was deliverable and for the advice that you were getting to flag that up.'

Lord Bach replied:

'Yes, and I think that is fair comment if I may say so. I notice though, and you will forgive me mentioning it, that in February 2006... there was a status amber. It goes on to say that since the last Gateway review, when the probability of making February payments was assessed at around 50%, a huge effort had gone into achieving this target... That was encouraging in the very month that we were going to and did start making payments.'

The Defra Minister, Lord Rooker, responded in the House to an oral question, which had asked how many farmers were still due their full or partial single farm payment for 2005. The Minister further apologised to the House for the delay in payments to farmers. He also said that he accepted that farmers had:

'... suffered illness or distress as a result of this situation. People who were specifically promised that they would receive money on certain dates but have not received that money have suffered terrible turmoil. There is no question that people took on debt. Their suppliers had to be paid, or not as the case may be. There has been massive turmoil.

'We have allocated more money to tackle rural stress as farmers asked for help. I am not knocking that in any way. It has been a terrible year. As I say, we apologise for that, and we hope that it will not happen again. Rural Payments Agency staff are working their socks off to ensure that it does not. However, in my present position, I cannot make any promises.'

Dealing with the 2006 scheme year, the Minister said:

'Obviously, we want to get money to farmers faster and to give them certainty, but we cannot afford to have anything remotely like what happened this year, when dates were given and not delivered. Given the lack of trust, what farmers want is certainty. They may have to wait to get certainty, so that we do not take the risk of again having the catastrophic lack of trust that we had this year, which would be compounded if there was a problem two years running.'

30 October 2006

The Permanent Secretary of Defra, the then interim Chief Executive of RPA, and officials gave evidence about the administration of the scheme to the House of Commons Committee of Public Accounts.

When asked by the Committee Chairman why the administration of the scheme had been 'a complete failure', Defra's Permanent Secretary replied:

'I think that there were a number of reasons for the scheme's problems... There is no single issue or explanation, but I would like to highlight three or four that were particularly problematic...'

'I believe that the agency's adoption of a business process that allocated tasks across the organisation, rather than dealing end to end with individual customers who were able to assemble the data associated with the claim, was a key feature of the problems, particularly those that I observed in the latter period.'

'As the National Audit Office Report highlights, problems with the mapping were probably one of the key challenges. There was a vast increase in the number of mapping changes, which had either not been previously reported or were produced – incentivised – by the new scheme.'

She continued:

'There were problems about testing the IT against a real business process... Clearly, there was not a proper – what I would call model office approach – to testing. Management information was one of the very early victims of time and resource pressure. That meant, as I think the Report says, that there was a conspiracy of optimism in the Agency in terms of the achievability, in the end, of full payments starting in February 2006.'

Other Committee members took up the baton. One member said:

'Mrs Ghosh, the crisis did not burst upon you unexpectedly. Every single warning light was flashing red years before we actually reached the present debacle. Yet it was as if the team... was on a rope bridge across a ravine. They could see that in front of them the rope was giving way and the bits were not holding together, yet the decision at each stage when there was a decision to take was to press ahead.'

He then asked 'who took the decision to press on regardless each time attention was drawn to a red light?' The Permanent Secretary replied:

'Clearly, the most obvious red lights were flashed through the Office of Government Commerce gateway process. As you well know, that process is intended to highlight risks and suggest that a team take action to mitigate them.'

'The two or three gateways in 2005, shortly before my arrival, are striking. In both January and September that year, there were reasonably positive things being said about the programme, although there were still lots of risks. The June 2005 gateway was very gloomy, and a great deal of thought and action followed on from it.'

'The point about red lights and gateways is not to stop, but to see a risk and do something to mitigate it. One can see the responses that the RPA project team, DEFRA officials and Ministers took at each stage.'

Another Committee member asked:

'Why did no one know until very late that things were going wrong? Was the former chief executive... being unduly optimistic? Were his reports misleading the Department and Ministers?'

The Permanent Secretary replied:

'I would not say that there was any intent wilfully to mislead the Department; I think that they were over-optimistic. There is a more important underlying point, which we have discussed with the DEFRA Committee. I suspect that there was no one in the agency who really understood the end-to-end impact of the business process...'

'What happened right at the end was that we pressed the button in February and payments started to go out. As you know, they went out very slowly.'

'When that became clear, Johnston McNeill departed and Mark Addison went in. He looked at what was happening, and it was clear that in the business process was built a very, very high level of checking and validation that meant it was extremely difficult, essentially, to get payments out – what Lord Bach referred to as “gumming up”. That bit of the process was not understood and had not been tested.'

When asked 'when did the alarm bells begin to ring at ministerial level?', the Permanent Secretary replied:

'As I said earlier, clearly a lot of warning bells were rung by the gateway reviews in 2005 – in particular, the June 2005 review...'

'... it was a significant warning, and the agency and the Department took action to respond to the criticisms made. Again... it seemed, right up to March, as the payments were going out... that we would still succeed in getting payments out by the end of March, as Ministers had committed to, although that was on the basis, one now realises, of over-optimistic interpretations of perhaps inadequate management information.'

'The button having been pressed in February, and the wheels having begun to grind more and more slowly, it became clear only in the middle of March that we were very unlikely to hit the end-of-March target, let alone the end-of-June target. Johnston McNeill came and explained that to Margaret Beckett, and she made a statement on 16 March. It was only at that stage that it became absolutely clear that we would not be able to make the payments by the end of March.'

Another member returned to the question of when Defra and RPA knew that the delivery targets would not be met. He said *'I am interested in the statement in January 2006, which I assume the Minister gave absolutely in good faith'*. When asked *'When [the Minister] stated that payments would be made in February, was he advised to say that by officials?'*, the Permanent Secretary replied:

'He made that statement following the discussions that I described about whether, on the basis of the management information that we had, we should press the button for an interim payment or whether we had sufficient confidence that we could go for full payments starting in February. The advice that was given to Lord Bach, which he challenged and we debated, was that, on balance, the business case went in favour of holding on, pressing the button in February and going for full payments.'

Another member asked the Permanent Secretary what she had meant by the term *'a conspiracy of optimism'*. She replied:

'What it means is that because the agency had the can-do attitude that your Report describes and management information was not as full as it should have been, it was possible for all members of the project and indeed officials to look on the bright side of the information they were getting. That is what I mean by a conspiracy of optimism.'

(Note: the Committee Chairman had earlier referred to RPA as *'a can-do organisation that could not do'*.)

Another member asked whether RPA was *'unfit for purpose between May 2004 and March 2006'*. The Permanent Secretary replied that subsequent events suggested that it had indeed been unfit for purpose.

1 November 2006

Environmental stewardship agreements were 'provisional' until the EU formally approved the details of the 2007-13 Programme. Defra announced that it would not obtain approval by the planned start date of 1 January 2007.

23 November 2006

Defra published its *Resource Accounts* for 2005-06. These covered the year to 31 March 2006. On page 35 of the Accounts, Defra's Permanent Secretary dealt with the administration of the scheme during the year covered by the Accounts. She explained that:

'The Single Payment Scheme (SPS) has been introduced to replace a range of payments previously made to farmers and is a major element of the Common Agricultural Policy (CAP) Reform Programme. The Scheme is key to Defra's Sustainable Farming and Food Strategy, and to one of our PSA targets.'

'Implementation of SPS is being managed by Defra and RPA. RPA administer the payments made under the SPS. The challenge of implementing the new scheme within the planned timescales, while major changes were also being made to the structure and staffing of the RPA, has confronted Defra with considerable reputational, financial and other risks.'

The Permanent Secretary continued:

'Early in 2006, I and the managers involved in the governance of the SPS considered that the relevant risks were being managed effectively and that our target to start full payments by the end of February 2006 and make the bulk of payments by the end of March 2006 was still achievable.'

'Full payments were started by the end of February as planned but in spite of the extensive controls and governance processes in place it became clear by 14 March that the rate at which the RPA was progressing claims for payments was insufficient to meet the target and I formally informed Ministers.

'In response to this situation and with the approval of the Secretary of State, I immediately took steps to strengthen the RPA's leadership and appointed Mark Addison as Acting Chief Executive of RPA in place of Johnston McNeill. Subsequently, Tony Cooper took over as interim Chief Executive from 15 May.

'In the weeks following 14 March a number of changes were introduced to the SPS claim process to make the outstanding payments as fast as legally possible. They involved removing a number of checks which were already covered elsewhere in the process, introducing a tolerance to help expedite the claims, changes to the work process, direct contact with customers for processing work and centralising mapping.

'These changes were discussed and agreed with legal and Internal Audit colleagues and approved by Ministers. Ministers also decided that RPA should make partial payments of claims in May and June 2006. By 30 June, £1.4 billion had been paid under the 2005 scheme which was about 95% of the total estimated to be due for payment, against the European Commission requirement of 96.14%.'

The Permanent Secretary then said:

'I very much regret the impact the delay in SPS payments has had on the farming community, and the additional costs that have arisen due to the problems associated with the introduction of the scheme. Completing the 2005 payments, the 2006 scheme and beyond remains very challenging, with further major reputational and financial risks.

'Due to the large number of changes required, including those stemming from the NAO review... the RPA considers that it will take between 18 and 24 months for it to deliver a satisfactory level of service and it is working on contingency plans to provide part payments for 2006.

'The errors and other procedural mistakes in administering the SPS in England are likely to result in the EC imposing a financial penalty, for which the Department has had to recognise provisions and contingent liabilities of some £131m in the 2005-06 accounts. This amount is included within figures reported in these accounts for provisions of £150.2m and contingent liabilities of £63.5m.'

Section 35 of the Accounts dealt with post-balance sheet events. In relation to the administration of the scheme, this section said:

'The delays faced by RPA in processing payments due under the SPS experienced during the financial year continued thereafter. One of the steps taken as part of the subsequent processing of payments, sanctioned by Ministers, was the making of partial payments, £770m in total.

'The European Commission was consulted before these payments were made and Commission officials advised that making these payments could give rise to disallowance up to 10% of the payments made. In addition RPA took steps to streamline the controls over processing claims for payment. These steps resulted in 94.9% of payments being made by the regulatory deadline of 30 June 2006. However, this level of payment may still give rise to late payment penalties.'

'The risks arising from the partial payments, streamlining in controls and late payments have given rise to a material exposure to disallowance which will result in a failure to recover sufficient monies from the EU to fully fund the payments made under the SPS. These are provided for in note 21.1 under EAGGF financial corrections and a contingent liability in note 31.1.'

'Johnston McNeill left RPA on 15 March 2006. The terms of his departure are still under discussion.'

November 2006

RPA published its *Operating Business Plan 2006-2007*. This covered the period from 1 April 2006 to 31 March 2007. Its introduction said that *'in view of the difficulties experienced in delivering the Single Payment Scheme for 2005 and the challenges again facing RPA in delivering the 2006 Scheme, this plan focuses particularly on the strategy for operating the Scheme and laying the foundation for earlier and more secure delivery of the 2007 Scheme claims'*.

The aims of RPA for the year covered by the Plan included those to *'aim to give customers a better service than in 2005-06'* and to *'endeavour to make all payments accurately and in a timely manner'*.

In section 3.1, the Plan dealt with the administration of the 2005 scheme, saying:

'RPA regrets the delays to making 2005 Scheme payments and apologises for the resultant difficulties experienced by farmers. RPA will endeavour to restore a more acceptable level of service as soon as practicable.'

The Plan also set out the new performance targets for RPA, which had been *'set taking account of the difficulties experienced with the Scheme'*.

As regards payments under the scheme, the relevant target was now *'to have paid 96.14% by value of valid 2006 Scheme claims by 30 June 2007'* (that is, by the end of the statutory payment window).

The Plan also recognised 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. The move to whole case working for the 2006 Scheme is intended to improve this.'

27 November 2006

The interim Chief Executive and other RPA officials appeared before the Select Committee on Environment, Food and Rural Affairs. RPA's interim Chief Operating Officer, when asked what had gone wrong with the delivery of payments against target, said:

'... when we encountered the changes that we needed to make to the system, as a result of policy changes, in December 2004, we went through a fundamental review of the risks of delivering that programme. We took a view that it was still deliverable at that point in time, but it had increased the risks of delivery.'

'In discussion with Defra, we announced that the earliest we could start making payments would be February 2006, and we worked throughout 2005 and early 2006 to ensure that we did hit that milestone, and indeed we did commence making payments in February, as we had promised some 12 months before.'

'The issue was that where we had not understood the complexity was that it would take far longer to get the payments out; once we started making payments they did not flow through with the speed or at the level that we had anticipated, and that is where then the major problems arose.'

Referring to briefing provided by RPA to Defra Ministers concerning the likelihood that RPA would complete all the tasks outstanding within the timetable necessary to deliver against the payment targets, RPA's Operations Director explained:

'The information that I think went forward explained that we would not complete all of those tasks by the middle of February but that we were satisfied with the degree of accuracy on the overall level of entitlements and payments, meaning that we could start in February, as we had announced some 13 months earlier, and we did make a start to payments. Unfortunately, the payments did not flood out as we were hoping, they trickled, and it was at that point we became alarmed.'

The Committee Chairman then asked:

'What I am trying to get at is that you never wavered from your belief that you could actually deliver 100% of what was required by the end of February, in spite of the fact that every observer from outside was seeing mounting problems.'

'Huge problems with the mapping, lots of unanswered letters, poor communications, all the things that you know about, but which never made you sway one moment from saying, "Excuse me, do you think we ought to think about interim payments?" before you came to the conclusion in 2006 that you needed to do interim payments?'

RPA's Operations Director, after explaining that the making of interim payments had been considered earlier but discounted due to the additional work (and risk to the delivery timetable) that would have entailed, also said in reply:

'It became apparent only during the months of March and April, when we did not achieve the level of full payments that we were anticipating, that we needed to move into a partial payment scenario.'

'It was at that point that Mr Addison, on advice from colleagues within RPA and discussion with policy colleagues, sought agreement to make a partial payment, and that is what we did.'

6 December 2006

Defra's former Permanent Secretary appeared before the Select Committee on Environment, Food and Rural Affairs.

Part of the evidence session dealt with the confidence levels about meeting the payment delivery targets which had existed within RPA and Defra during 2005. The Committee Chairman said:

'I looked at some of the material which supposedly was the report back from Johnston McNeill to ministers. I speak now without having the benefit of the papers in front of me, but I remember that midway through 2005 there was a report which said there were 441,000 tasks to do and two or three minutes later it had gone to 720,000 tasks to do, yet onward sailed this project seemingly unaffected by the mounting tide of undone work.'

'Nobody seems to say, "Excuse me, are we ever going to get there?" The whole flavour of the reports he was producing supposedly to brief ministers contained unbelievable optimism that somehow it would all be all right on the night and yet it was getting closer and closer to the then public timescale when payments would be reached. How on earth did this kind of overoptimistic reporting seemingly go unchallenged and unnoticed?'

The former Permanent Secretary replied:

'... In the summer of 2005 the probability of payment by 1 February was reduced to 40%. At that point the programme board or Executive Review Group discussed some propositions for reducing risk and they were put to ministers.'

'There is a question about why there was a belief that it would work and why it was 60% and certain de-risking to keep it on the right side of 50%. But there was a lot of challenge and questioning and by that stage ministers were having regular meetings and were able to do that challenge and questioning themselves.'

'It comes back to the question: did the RPA know sufficiently what was going on in their own organisation about their own productivity in using of the system?'

'... I think that it was in the summer of 2005 that the probability assessment of the probability of commencing payments on 1 February was 40%, which increased to 75% if the date was slipped to 1 March. There was discussion at official level in the various groups. There were recommendations to ministers for actions that would increase that confidence level.'

12 December 2006

On 12 December 2006 Defra announced contingency arrangements to cover the delay in receiving approval for the Rural Development Programme for England. By now Natural England were responsible for the Stewardship schemes. A Question and Answer document published on Defra's website said the department did not expect major changes to the schemes. It also included the following information:

'I have already submitted, or plan to submit, an application for an Entry Level Stewardship (ELS) agreement with a start date in 2007. Will my application be delayed?'

The answer given was:

'... Natural England endeavours to issue ELS agreements within 3 months of the submission of an application. Provided a valid application was received during October, Natural England would aim to issue an agreement by 31 December. Whilst we will endeavour to process as many applications as possible received in November/December so that they can fall under the current programme no guarantees can be given. Any agreement issued after 31 December will be provisional and subject to full programme approval from the European Union (EU).'

The same document said:

'What if I am having problems getting my land registered/amended by the Rural Land Register (RLR) at the moment and cannot submit an application covering the whole of my holding? Will I be able to amend it in the future?'

The answer given was:

'You are able to submit an application for the land that is registered on the RLR. Whilst Natural England will endeavour to process as many applications as possible by the end of the year so that they fall under the current programme no guarantees can be given. If your application is processed and your agreement falls under the current programme you will be able to amend it in the future and all elements of your agreement will fall under the current programme. However, depending on the nature of the amendment, it is possible that your amended agreement may fall into the new programme period. For land additions into ELS, your agreement will be restarted and will fall into the new programme period.'

Information on the websites of Defra and Natural England said that provisional agreements could be amended if they contained elements that the European Union required to be altered or removed altogether. (European Union approval was formally issued in December 2007. Shortly afterwards, changes to Environmental Stewardship were announced. One of the main changes was the withdrawal of the Entry Level Stewardship management plan options, for farmers and land managers with provisional agreements made after 1 January 2007.)

15 January 2007

RPA's former Chief Executive gave evidence before the Select Committee on Environment, Food and Rural Affairs.

He explained that the problems – described in previous evidence to the Committee as 'gumming up' – which had made RPA realise that the payment timetable could not be achieved '*... came to light about the end of February because we had started making payments, I think, by 20 February, and we started to realise that batches were not going through*'.

The former Chief Executive also said:

'My recollection is that we made it clear to ministers that this was high risk all the way through this programme. I agree it must sound surprising that within a matter of days we may have moved from a higher level of optimism to having to say, "This is proving to be extremely difficult", at the eleventh hour. I can only say it came as something of a shock to us.

'We thought, having defined entitlements at the start of February, having started payments on 20 February and shown that the system worked on an end-to-end basis, with the

progress we had made on clearing level two validations, our optimism was somewhat raised that we had finally crossed the last fence and were on the home straight, and, as I say, it came as something of a very serious shock to us when we suddenly discovered that there were serious issues arising.'

Members of the Committee turned to the regular progress reports which had been provided by RPA to Defra Ministers, and in particular the information that had been provided therein that showed that the number of tasks to be undertaken by RPA had been steadily rising over time. The Chairman said:

'I have to say that the thing I found amazing was that there did not seem to be any sense of concern that this mounting tide of tasks was increasing. There was a sense of somehow it would all be all right on the night.

'What I find difficult to understand is why the growing awareness that you were not going to make it took such a long time to dawn whereas for lay people... with the benefit of hindsight and with the benefit of looking at the evidence, the tide of undone work and the inability to monitor the progress of that work seemed to be pointing in the direction of catastrophic failure and yet it was a bit like the king is in his altogether and nobody said anything.'

After describing the process of clearing tasks and the initial progress that RPA had made, the former Chief Executive said in reply that *'... on further reflection and as time went on we started to grow increasingly apprehensive'* that RPA would not be *'able to get them processed and through this final stage of this batch authorisation in a matter of days'*.

In further exchanges, the former Chief Executive, as regards the background to the setting by Defra Ministers of RPA's Business Plan targets, said:

- that RPA *'were keen to go for the EU requirement which was that payment be made by the end of June 2006, but obviously that was unacceptable because we had been setting new track records on payments for the previous CAP scheme for some time'*;
- that *'it was made quite clear that [a target for payment by the end of the regulatory payment window] would be totally unacceptable politically, that you could not have a new SPS scheme, when old schemes were paying out pretty much as the window opened... and expect our customers to be able to wait...'*; and
- that *'we were advised [that such a later target] would not even be considered because obviously, and quite rightly – I can understand the point of view – it was the case that farmers had an expectation having had the payments made, particularly for the last few years, almost as soon as the window opened or very shortly after. It would be financially unacceptable, as indeed the difficulties we have experienced with SPS demonstrate, for farmers to wait until June for payment... Legally the window is from December until the end of June but expectation and political understanding of that expectation is that farmers expect to get their money at the earlier stage'*.

29 March 2007

The House of Commons Select Committee on Environment, Food and Rural Affairs published its report, entitled *The Rural Payments Agency and the implementation of the Single Payment Scheme*.

The report, in two volumes, is available at:

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmenvfru/107/10702.htm>

The 'Overview' of the report, set out in Volume 1, said:

'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, 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;*
- 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 Johnstone 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.'*

On the implementation of the scheme, the report said:

'The RPA Customer Service Centre was opened on 14 February 2005 but was almost at once overwhelmed by the number of calls from claimants... although the 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.'

On the mapping problems, the report said:

'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. ...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.'

The report gave this description of the volumes of work:

'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. ... 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 was advantageous for them to do so, hence the large number of land changes... These higher than expected demands led to problems with the availability and stability of the RITA system...'

9 July 2007

The former Chief Executive of RPA gave evidence before the House of Commons Committee of Public Accounts.

One Committee member focused on the briefings provided by RPA to Defra Ministers regarding progress on the administration of the scheme on an approximately weekly basis.

(Note: See the entries for 21 and 29 September 2005; 6, 12 and 26 October 2005; 9, 16, 23 and 30 November 2005; 7, 15 and 22 December 2005; 6, 13, 18 and 27 January 2006; 1, 9, 15 and 23 February 2006; and 7 and 10 March 2006.)

In particular, the member was concerned to establish why the language of those briefings, when describing confidence in the ability of RPA to deliver against the timetable, had changed over time. He asked (citing the words of the briefings):

'We continue to work towards full payments starting by the end of February. What caused the reduction from "we will achieve" to "we work towards" between September and November?'

The former Chief Executive replied:

'Lord Bach was receiving regular briefings face to face from the director of operations, myself or the programme director. He was being briefed on progress certainly on a weekly basis and, as I mentioned earlier, towards the latter end he received almost daily Reports. They influenced his stance when he made comments or observations about progress.'

The member continued:

"We continue to work towards" continued through November, December and January, although by January had been added the words: "it is clear that not all claims will be fully validated by that point". The words disappeared in February. Was it in February that it was made clear to you that there was a serious problem and that you were regarded as the cause of it?'

The former Chief Executive replied:

'No, in February we had actually succeeded in defining entitlements and had started making payments, proving that the system worked and that all the work that had gone before would suffice. Our confidence at that stage was actually quite high.'

'We thought, "This is very good". It was then that we realised that it was not the system's problem but that we could not get the tasks through the system to enable sufficient payments. They were going through, but not fast enough... The system worked, but it was clogging up, as others have said.'

There then followed this exchange:

'[Committee member]: But between 28 February and 10 March it became clear that the whole thing had clogged up.'

'[Former Chief Executive]: Yes, it had clogged up. That is exactly right.'

'[Committee member]: Why were you not yelling out that that was happening before?'

'[Former Chief Executive]: We yelled out on 10 March.'

'[Committee member]: You were effectively called in and told by Ministers that it was clogging up on 10 March, but –'

'[Former Chief Executive]: No, we told Ministers that it had clogged up on 10 March. That was in a note from me to Lord Bach explaining what was happening.'

Another Committee member returned to the issue of when RPA had known that it was unlikely to meet its payment delivery targets, asking:

'You have said that it was somewhere between 20 February and 10 March when you became aware that it was not do-able. Can you pinpoint more precisely when?'

The former Chief Executive replied:

'Well, it became apparent that claims were moving through level 1 validation, which is a basic check on name, address and whatnot, and then level 2 validation was more complex. They were sticking in level 2 validation...

'Staff were working twilight shifts and maximising use of the system. They would clear a certain category of task only to discover that the impact of that would not be realised until the next day, because the system has to run overnight to enable you to understand the impact on the remaining tasks, or how many tasks would result. It started to become apparent that, indeed, additional tasks were being generated.'

The Committee member then asked:

'The doing of the tasks created more tasks: and indeed, paragraph 20 of the [Comptroller and Auditor General's] Report said that you were not able accurately to predict how many new tasks would be created by the performing of tasks. At what date, then, did it become clear to you, between 20 February and 10 March, that it was not do-able?'

The former Chief Executive replied that *'the payments went out on 20 February, and it became clear that it was not do-able when we started to monitor payment performance'*.

When asked *'after how many more days did you become aware that it was not do-able?'*, the former Chief Executive replied: *'I do not recollect that detail, but it was a relatively small number of days, after which the Agency went back and began investigating in detail what was happening'*.

24 July 2007

The Select Committee on Environment, Food and Rural Affairs published the Government's response to its March 2007 report on the administration of the scheme. This set out responses to each of the conclusions and recommendations which had been made by the Committee in its report.

As part of the introduction to the response, it was said that:

'The Government acknowledges with regret the significant difficulties experienced with the delivery of the new SPS and the impact that this has had on individual English farmers and the wider farming community.'

'The RPA paid over 90% of the money available for the 2005 SPS within the required EU Regulatory timeframe (by 30 June 2006) but this was after the Government had made a commitment to pay the bulk of payments by the end of March.'

The response also said that:

'The RPA was responsible for developing and implementing a system to ensure that correct payments to farmers under the SPS were made by the internal target date recommended by RPA and agreed by Defra Ministers.'

'Defra senior officials worked closely with the RPA Chief Executive and his team in pursuit of that objective and to provide an appropriate challenge function.'

‘However, responsibility for delivering the scheme and advising Ministers on RPA’s ability to meet the timetable rested solely with the Chief Executive. Any other arrangement would have compromised the Agency’s accountability and undermined the arrangements under which the Department oversaw its functions.’

The response continued:

‘Once it became clear that the announced timetable would not be met, the Department acted swiftly to replace the Chief Executive and to ensure the flow of payments was expedited. Details of these actions are set out in the evidence Defra has provided to the Committee.’

‘Since then, the Department and RPA have focused on ensuring improvements to the way SPS is delivered with the aim to provide stability for RPA’s customers in the SPS 2007 and an improved service for SPS 2008.’

‘The RPA’s processes for handling SPS claims have already been streamlined, helping the Agency to achieve its formal target for SPS 2006 by making 98% of payments by 30 June 2007, and further improvements are in hand as part of the RPA’s Recovery Campaign funded by the Department.’

6 September 2007

The House of Commons Committee of Public Accounts published a report, entitled *The Delays in Administering the 2005 Single Payment Scheme in England*. This report followed on from the October 2006 report by the Comptroller and Auditor General.

The Committee’s report set out a number of conclusions and recommendations. Those were preceded by the following text:

‘The Department and the Rural Payments Agency failed to implement the single payment scheme effectively. By the end of March 2006 it had paid farmers only 15% of the £1,515 million due, compared with its target of 96%, causing significant hardship. Taxpayers will have to pay additional implementation costs.’

‘In addition to a provision of £131 million included in the Department’s accounts for 2005–06, the Department has had to secure a supplementary estimate of £305 million to meet the potential cost of disallowance of expenditure by the European Commission arising on the 2005 and 2006 single payment schemes and the previous schemes administered by the Agency.’

‘At the end of October 2006, some 3,000 cases for the 2005 scheme remained to be settled. The Agency subsequently managed to progress some of these outstanding payments, but 911 claimants had yet to receive anything and 2,184 claimants were awaiting a final “top-up” payment by the time payments started to be made under the 2006 scheme on 1 December 2006.’

‘By May 2007 there were 24 claims, mostly probate cases, which remained unpaid, but the Agency was still reviewing the accuracy of a substantial number of claims already processed and making adjustments both for over and under payment.’

The detailed conclusions and recommendations were said to constitute *'lessons to be learned by the Agency, the Department, and government bodies more widely'* – and included the following:

'... vi. Without an individual or small team processing a whole claim end to end, claimants found it difficult to obtain advice and information on the status of their claim and Agency staff were hampered in their attempts to resolve claimants' queries. The Agency had instead decided to adopt a task based design for claims processing to enable staff in different offices to work on any tasks relating to any claim, but it did not adequately consider the customer interest in following their claims through the process and the consequent impact of the new way of working on customer service. The development of new business processes should take the customers' requirements into account in the design of the proposed system and any potential contingency arrangements.

'vii. A lack of information was the principal cause of frustration and complaint within the farming community. Automated telephone lines provided unhelpful responses such as "there is nothing that the call centre staff can tell you about your payment". Farmers were discouraged from pursuing queries by being told that "If you contact us, this will divert resources away from the urgent tasks of completing validations and making full payments". A communications strategy should be developed which keeps all concerned but particularly customers in touch...'

Dealing with the impact on farmers of the delays in making scheme payments, the report said:

'In consequence of the Agency's failure to administer the 2005 single payment scheme, a significant minority of farmers and their families experienced stress and increased financial costs, threatening the financial viability of their businesses. 16% of farmers postponed purchases or investments and 14% delayed payments to suppliers... with consequent impacts across the farming sector.

'On advice from the British Bankers' Association the National Audit Office had estimated that the delays could have cost farmers between £18 million and £22.5 million in interest and arrangement fees on additional bank loans and increased short term borrowing on overdrafts, excluding any estimate for interest foregone by farmers whose bank accounts were in credit.'

The report continued:

'Staff contacted by claimants lacked the knowledge to deal with queries, partly because the Agency had adopted a business process which allocated tasks across the organisation rather than enabling staff to deal end to end with individual claims. As pressure mounted, day to day communications with claimants became strained, and a lack of information on the progress of claims increased the stress and frustration amongst farmers.'

The report also recorded that:

'In October 2006, the Agency paid £386,200 in interest to 2,559 claimants who had received payment after 30 June 2006, although a further 13,144 did not qualify for payment as their interest fell below the £50 eligibility

threshold. The interest was calculated from 1 July 2006, at 1% above the London Interbank Offered Rate. The Department defended the rate of interest as that used in other cases of maladministration, such as those determined by Ombudsmen, for example.

'Payments due from the 2005 single payment scheme may have to be included in a farmer's trading accounts for 2005-06 and thus subject to income tax on any profits during the period. For those farmers required to account for their payments due in 2005-06, any income tax would become payable by 31st January 2007.

'The Department confirmed that it would be unlikely for any farmers to find themselves in the position of owing tax on a payment they had not received. Her Majesty's Revenue and Customs would take a pragmatic view in these circumstances and be prepared to help where applicable.'

The reference to the rate of interest paid by RPA on scheme payments made after the end of the payment window was based on written evidence supplied to the Committee by Defra by way of a Supplementary Memorandum dated 26 July 2007. This Memorandum explained that:

'The decision to use the London Interbank Offered Rate (LIBOR) + 1% as the rate to calculate interest levels for eligible 2005 SPS claimants who had not received their final claim value by the regulatory deadline was based on interest levels paid to similar cases under the former Integrated Administration and Control System (IACS) regulations.

'This precedent was set following a case involving the late delivery of Arable Area Payment Scheme payments in 1995. These payments were made under IACS regulations which required all systems to be in place by 1 January 1996.

'Because of delays in making payments, 17% of claims had not been paid by the deadline. A review of a particular claim... by the Parliamentary Commissioner for Administration found that MAFF should pay [the complainant] interest for the period his payment was delayed. The rate was set at LIBOR + 1%.

'LIBOR + 1% is now the standard rate used in cases where it has been decided to pay interest to claimants who have not received their payment within the regulatory timeframe. It is also the rate used in England when EU Regulations require Paying Agencies to recover any overpayments and interest on those overpayments made to claimants.'

25 October 2007

Appearing on the BBC Radio 4 programme *Farming Today*, the Defra Minister, Lord Rooker, said that he could not, for the 2007 scheme year, give any assurance as to the timing of scheme payments other than that they would be made in line with legal obligations within the payment window.

When it was put to him that this reluctance to set definitive targets was because of the problems which had arisen in the 2005 scheme year, when what appeared to farmers to be promises made by Defra and RPA had been broken, said:

'Yes, there were cast-iron promises made... absolutely cast iron, they had dates, they were told the money was going to start to flow on a specific date. It didn't.'

5 November 2007

Lord Rooker, appearing on the BBC Radio 4 programme *The Westminster Hour*, apologised again to farmers *'for the delays in payments and what's more the uncertainty they suffered in the first part of 2006'*.

Informing listeners that RPA had paid *'within one per cent of what we're legally obliged to do by the end of June'*, the Minister said *'it's true farmers were promised the money in February though and March, I accept that, and we still haven't finished the payments, but we got pretty close'*.

8 November 2007

Lord Rooker appeared on the BBC Radio 4 programme *PM*. The Minister again apologised for the problems in the administration of the 2005 scheme, saying:

'This has not been a good year for us making the payments notwithstanding the fact that we'd paid ninety-five per cent of the money out by the end of June. The fact is the farmers were promised it way back early in the year, in January or February, so it hasn't been good.'

29 November 2007

Treasury Ministers laid before Parliament the Government's response to the report of the Committee of Public Accounts on the administration of the scheme. This began by explaining that Defra:

'... acknowledges, with considerable regret, the significant difficulties experienced with the delivery of the new scheme and the impact that this has had on individual English farmers and the wider farming community.'

'The Rural Payments Agency (RPA) paid over 90 per cent of the money available for the 2005 Single Payment Scheme (SPS) within the required EU Regulatory timeframe (30 June 2006), but this was after the Government had made a commitment to pay the bulk of payments by the end of March.'

The response continued:

'Many of the lessons learned have been fed into the Department's wider review of its governance of delivery. Actions from this review are being taken forward as part of the Department's response to its recent Capability Review.'

'The RPA has also adopted a wide range of actions to improve performance, including development of leadership and management skills, changes to the way claims are processed for payment and enhanced IT systems and testing procedures.'

'These enabled the Agency to make 98 per cent of the 2006 SPS payments, against a target of 96.14 per cent, by the close of the payment window on 30 June 2007.'

12 December 2007

The Comptroller and Auditor General published a report, entitled *Department for Environment, Food and Rural Affairs and the Rural Payments Agency: a progress update in resolving the difficulties in administering the Single Payment Scheme in England*.

The purpose of the report was to examine the progress made by Defra and RPA in resolving the outstanding problems from the 2005 scheme, in processing the 2006 scheme payments, and in preventing similar problems in the future. The report was set against the problems which RPA had encountered in administering the 2005 scheme, which were described in the report thus:

'In the first year of the scheme (the 2005 scheme), the Agency had experienced considerable difficulties in capturing and processing the data required to process payments, and as a result failed to meet both its own target to pay 96 per cent of the fund by the end of March 2006 and the European Union legislative requirement to pay 96.14 per cent of the fund by the end of June 2006 to avoid late payment corrections.'

'Many farmers experienced financial hardship as a result and the then Chief Executive of the Agency was removed from post. The Agency made a commitment to pay outstanding payments on the 2005 scheme by the end of December 2006 and to implement its recovery plan by April 2008. The Department agreed to provide an additional £40 million to help the Agency recover and make changes to its IT and processes.'

The report then analysed the work completed or under way to resolve the outstanding queries and other work related to the 2005 scheme, progress to date in administering the 2006 scheme, and the plans to stabilise the scheme by April 2008.

The report's 'overall conclusion' was that:

'Until the Agency is able to routinely meet the 30th June deadline each year and is confident that it can process payments within

an acceptable tolerance of error, there is a risk that, as with other EU funded schemes, it will incur financial corrections (effectively penalties) from the European Commission and farmers may not have complete confidence in the Agency's administration of the scheme.'

'The new management team has instilled a clearer sense of direction and drive amongst the staff to improve performance. The Agency has also undertaken a substantial exercise to review cases where entitlements used for the 2005 scheme year may be incorrect, and this exercise is scheduled to be completed substantially by the end of December 2007.'

'In the interim, however, the errors in the first year of the scheme (the 2005 scheme) would have been largely repeated in the second year (the 2006 scheme) and the Agency has not yet paid all those claimants who were underpaid in the first year, nor recovered the sums from those farmers who were overpaid. As a consequence, the Agency was not able to administer the 2006 single payment scheme in a fully cost-effective manner.'

As regards the administration of the 2005 scheme, the report's 'key findings' were set out in paragraphs 6 to 8 of the report's Summary. Those were that:

'Virtually all of the outstanding 2005 scheme claims were paid by the end of December 2006. The Agency managed to pay the claims for all 24,730 outstanding 2005 claims (out of a total of 116,474), bar 24 claims with legal issues beyond the Agency's ability to resolve, such as probate queries or divorce settlements.'

'The Agency identified 34,499 cases as at risk and needing to be reviewed. Agency identified 34,499 cases where errors in the original calculation of farmers' entitlements to money under the single payment scheme may have led to errors in the 2005 scheme payments and could result in recurring errors in subsequent years unless corrected. By mid-November 2007, the Agency had reviewed 33,592 cases, and there were 907 cases for which entitlements remained to be reviewed. Officials confirmed that, on the basis of the work done to date, the Agency had found errors in a substantial number of the cases reviewed, but it was unable to provide us with any breakdown of the extent or range of errors found. The Agency is currently evaluating the outcome of the review of these cases.

'The Agency has confirmed that it plans to remedy the underpayments, which we estimated at up to £19.3 million for the 2005 scheme, with the remaining outstanding amounts due to farmers being processed alongside the calculation of payments due for the 2007 scheme year, and plans to commence recovery of overpayments, which we had estimated as up to £6.8 million for the 2005 scheme, in early 2008. Until the Agency finalises its review, we are unable to determine the actual amount of each overpayment and underpayment to claimants for the 2005 scheme. A separate review was undertaken of one computer run in August 2006, which is known to have resulted in substantial errors. In this computer run of 672 claims, duplicated payments amounted to £4.4 million, including six farmers who were overpaid by over £100,000 each. To avoid the need to go back to farmers more than once to make corrections, the Agency decided, early in 2007, that it would not pursue these overpayments until it had

finalised its data review. Senior management approved a more detailed strategy to deal with such cases in September 2007 and confirmed that it has now started the process of recovering overpayments.'

15 July 2008

The Committee of Public Accounts published a report, entitled *A progress update in resolving the difficulties in administering the Single Payment Scheme in England*. This followed on from the December 2007 report of the Comptroller and Auditor General. The conclusions and recommendations of the Committee's report were that:

'1. The Rural Payments Agency has not yet managed to bring the administration of the Single Payment Scheme properly under control. The extent of payment errors within the 2005 and 2006 Schemes had not been completely resolved at the time of our hearing, and data submitted subsequently by the Agency showed that nearly 20,000 farmers' entitlements for those years were incorrectly calculated. The Agency has increased its calculation of more than 12,600 entitlements by a total of £28.6 million, and decreased nearly 7,300 entitlements by a total of £29.2 million.

'2. The Agency has been slow to investigate possible overpayments, and only began taking action to recover excess payments made under the 2005 Scheme in November 2007. The Agency estimates that, under the 2005 Scheme, more than 10,000 farmers were overpaid by some £20 million in total. In addition, around 7,000 farmers were overpaid for the 2006 Scheme by over £17 million. The Agency and the Department had yet to determine options for recovering sums overpaid, adding to uncertainty for many farmers. In 19 cases,

mainly large agribusinesses, overpayments were for £50,000 or more. Such recipients were likely to have known that they had been overpaid, and yet the Agency took no action to recover the funds quickly. The Agency should notify each farmer of the extent of any overpayment made, as well as agree a method of recovery and a deadline for when this would be achieved.

‘3. By mid November 2007, the Agency had reviewed 33,592 claims, but had failed to keep an accurate central record of overpayments made under the 2005 and 2006 Schemes.

Without such a record it would be difficult to manage the recovery process effectively. The Agency should compile an accurate record of overpayments so that the Agency’s Management Board and the Audit and Risk Committee can review progress in recovering the sums owed each quarter.

‘4. The Agency’s failings in implementing the Scheme have led to the risk of significant disallowance of expenditure and the imposition of penalties by the European Commission, and added to the Agency’s business change project costs. The Department’s 2005-06 and 2006-07 accounts included total provisions of some £220 million for disallowance, and £70 million accruals and contingent liabilities for possible late payment penalties in respect of the Single Payment Scheme in England. The cost of the business change project, through which the Scheme was implemented, is expected to exceed £300 million, some £50 million above that anticipated at the outset.

‘5. The Agency’s service to farmers is still undermined by weaknesses in its IT systems, such as its inability to provide farmers with a predicted amount and payment date to assist them with their financial planning.

Restoring farmers’ confidence will depend on the Agency’s ability to process claims promptly and to provide accurate information on the progress of each claim, including the likely payment date. The Agency should give higher priority to processing claims from farmers with greater dependency on the Scheme payments, for example hill farmers and those running smaller operations.

‘6. The average cost of processing claims exceeded the value of over a third of the 106,000 claims under the 2006 Scheme, making improvements in the Agency’s efficiency essential. Currently, it costs around

£750 to process a claim. Reducing that cost depends on greater automation in processing small, standard claims, use of e-channels and reductions in staff costs through reduced overtime and shift working. The Agency’s future business plans should set targets for the implementation of its efficiency measures and the savings it expects to achieve.

‘7. In preparing policy papers for Ministers, the Department had not drawn sufficient attention to all the risks to implementing the complex dynamic hybrid scheme and the likely impact on delivery timescales. For the future, the Department should consider whether it has sufficiently robust processes to scrutinise and challenge the underlying assumptions in its policy proposals. Utilising an external or peer challenge process would assist in providing appropriate emphasis to all risks so decision makers have the best information available to inform their choice of options.’

26 November 2008

According to a written Parliamentary answer, the cost of administering the 2005 scheme, excluding investment in new systems and improvement projects, had been £88.3 million.

Annex B: summary of the other complaints made about delays in making Single Payment Scheme payments, receiving entitlement statements and receiving an accurate set of maps

Summary of the other complaints made about delays in making Single Payment Scheme payments, receiving entitlement statements and receiving an accurate set of maps

Complainant A complained that they had not received their full Single Payment Scheme payments by 30 June 2006, and that delay in receiving a full set of maps in relation to the Rural Land Register had delayed their entry into the Organic Entry Level Stewardship Scheme. The cash flow of the business had been adversely affected.

Complainant B complained about the delay in receiving an accurate set of maps of her holding in relation to the Single Payment Scheme and the Entry Level Stewardship Scheme. Fields were missing from maps and requested amendments were not made. She said that she had made numerous telephone calls to the Rural Payments Agency (RPA) to try to resolve the situation and had suffered distress. The monies she had expected to receive from the Entry Level Stewardship Scheme were to have been spent on hay-making equipment to generate more income. She said the lack of an agreed set of maps had affected her rental arrangements with a farmer who used some of her land for grazing, and she had reduced the rent she was charging.

Complainant C complained that RPA had taken a year to produce an accurate set of maps, despite repeated requests for corrections. That had delayed Single Payment Scheme payments and acceptance onto the Entry Level Stewardship Scheme. They had been put to unnecessary time, effort and expense trying to get matters resolved, and had incurred increased agents' fees and overdraft charges.

Complainant D complained about the problems he had encountered with RPA in getting a full set of accurate maps of his holding. He said he had been put to unnecessary time and trouble, his Single Payment Scheme payments had been delayed and he had not been able to join the Entry Level Stewardship Scheme as early as he had planned.

Complainant E complained that the maps RPA had sent him had several fields missing and that it had taken nearly a year to finalise mapping amendments he had requested. He also complained that RPA had not made Single Payment Scheme payments by the deadline.

Complainant F complained that RPA had not sent him an accurate set of maps of his holding and that errors had not been corrected. He said that without an agreed set of maps he could not join any of the Environmental Stewardship schemes, which was causing him a financial loss which he estimated at £26,250. He had also incurred increased overdraft charges of around £1,500.

Complainant G complained that each set of maps RPA had sent him was incorrect and that, when RPA sent him revised maps, they were still inaccurate. He said that he had received two completely different sets of maps on consecutive days, from two different RPA offices. He said that the delay held up validation of his Single Payment Scheme application, and that he had been put to unnecessary time, trouble and expense in sending maps back to RPA for correction. He had also incurred travel costs visiting RPA's Carlisle office and the National Farmers Union. His overdraft charges had increased.

Complainant H complained about difficulties obtaining an accurate set of maps from RPA. He said that RPA would make corrections on the maps, only for previously correct details to be altered or omitted. That had delayed his application to the Higher Level Stewardship Scheme.

Complainant I complained about delay in receiving her Single Payment Scheme payments and that RPA had taken several months to add a new piece of land to the Rural Land Register. The delay in receiving an accurate map had delayed entry to Entry Level Stewardship, causing a loss of income.

Complainant J complained that RPA failed to notify them of their definitive allocation of entitlements under the Single Payment Scheme by the deadline of 31 December 2005, and had not made Single Payment Scheme payments within the promised timescale. That had adversely affected their business; they said they had been unable to implement improvements to the farm, had suffered a financial loss and had taken out an overdraft. They said they had been put to the time and expense of making numerous telephone calls to RPA.

Complainant K complained that RPA had not notified them of their Single Payment Scheme entitlement by the deadline. Payments were not made within the published timescales, which caused their business financial difficulties. They said they had suffered a financial loss, their inability to plan had been compromised, a bank had called in an overdraft, and they had sold animals at a less advantageous time. They put their loss at around £10,000.

Complainant L complained that by the deadline of 31 December 2005 RPA had still not informed her of her definitive entitlement allocation under the Single Payment Scheme. Single Payment Scheme payments were then made late, causing problems for her business and financial uncertainty.

Complainant M complained that she had not been informed of her Single Payment Scheme entitlements before the deadline of 31 December 2005. Late Single Payment Scheme payments had caused her financial difficulties, such as additional bank charges. Planning was made difficult.

Complainant N complained that no entitlement statement or payment notification had been received by the December 2005 deadline. An entitlement statement had still not been sent by the time he planned to transfer entitlements the following March, and a provisional entitlement statement was only received in May 2006. This has caused serious difficulties for his business. He further complained that the response to his complaint had been inadequate.

Complainant O complained that he had never received a validated entitlement statement and was unable to make financial decisions necessary for his business. Because of delayed payments he had been unable to make business decisions without knowing his final entitlement. He had extended an overdraft to pay the rent that was due in April 2006, and his bank estimated that he had paid £1,047.12 in additional interest. He complained of mental strain and worry.

Complainant P complained that he was underpaid £8,000 by RPA in respect of his Single Payment Scheme entitlement. He said that RPA's complaint handling was poor and that the compensation RPA had offered had not covered the costs its mistakes had caused him.

Complainant Q complained that RPA had not sent him an entitlement statement by the deadline of 31 December 2005, and that it had been late in making Single Payment Scheme payments. This was said to have had severe financial implications for his business. He had extended his overdraft facility and borrowed funds at high interest rates. A planned expansion of the business had been halted because of the financial uncertainty, and family members had contributed £50,000 from savings and had lost interest as a result.

Complainant R complained that by the December 2005 deadline he had not received an entitlement statement. This was compounded by late payments which had caused his business financial difficulties, such as increased overdraft costs, interest payments, and the postponement of capital expenditure. Forward planning was more difficult.

Complainant S complained that he had not received all of his 2005 Single Payment Scheme payments, which had caused him stress and financial hardship, and RPA had failed to provide an explanation or a remedy for his problem.

Complainant T complained that he had not received his entitlement statement for 2005, which meant that he had been unable to properly complete his application form for 2006. His 2005 claim had been underpaid and attempts to write and telephone RPA had produced no results.

Complainant U complained about RPA's failure to send him a statement detailing his 2005 Single Payment Scheme entitlement by the deadline of December 2005. Furthermore, late Single Payment Scheme payments had caused his business financial difficulties; he had increased borrowings from his bank and from creditors, he had reached the limit on his credit card and he had incurred high interest charges. He complained that his payments to suppliers had been delayed and that HM Revenue & Customs had started action against him in respect of unpaid VAT. He estimated that he had spent £1,284 in additional overdraft fees and interest.

Complainant V complained that RPA had not sent him an entitlement statement before the published deadline of 31 December 2005, and that Single Payment Scheme payments had been made later than expected. He had incurred bank charges and professional fees as a result.

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