Report
by the Comptroller
and Auditor General

Department for Environment, Food & Rural Affairs

Progress on the Common Agricultural Policy Delivery Programme

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National Audit Office

Department for Environment, Food & Rural Affairs

Progress on the Common Agricultural Policy Delivery Programme

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

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The National Audit Office reported in December 2015 on progress by Department for the Environment, Food & Rural Affairs and the Rural Payments Agency in implementing a new Common Agricultural Policy (CAP) Delivery programme to process new CAP scheme payments to farmers in England.

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Contents

The National Audit Office study team consisted of:
Richard Davis, Sebastian Groth, Asif Malik and Emma Parkinson, under the direction of Simon Helps.

This report can be found on the National Audit Office website at www.nao.org.uk

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Enquiries: www.nao.org.uk/contact-us

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

16%
proportion of farmers who had not received any money as at 31 March 2016

87,500
total number of Basic Payment Scheme claims received from farmers and agents for the 2015 scheme

80%
proportion of farmers applying online for 2016 Basic Payment Scheme

£1.39 billion	total paid to farmers under the Basic Payment Scheme up to October 2016
£27.4 million	amount the RPA states it has paid, by early October 2016, to farmers after their initial Basic Payment Scheme payment
6,900	number of farmers who received at least €1,000 less than they were entitled to in their initial Basic Payment Scheme payment
8 percentage points	margin by which the RPA missed its March 2016 target for proportion of claims paid

Introduction

1 The National Audit Office (NAO) reported in December 2015 on the progress that the Department for the Environment, Food & Rural Affairs (the Department) and the Rural Payments Agency (RPA) had made in implementing a new Common Agricultural Policy (CAP) Delivery programme to process new CAP scheme payments to farmers in England.[1]

2 The Committee of Public Accounts held a hearing on the NAO's report in December 2015 and reported its findings and recommendations in March 2016.[2] The government provided its response to the Committee's report in April 2016.[3]

3 The NAO report highlighted that significant challenges remained to make sure the payments due to be made from December 2015 were timely and accurate, to prepare for future years, maximise Programme benefits and minimise disallowance penalties. This memorandum sets out how well the Department and the RPA have met those challenges.

4 The RPA issued the first payments made under the new schemes and IT systems in December 2015, and committed to three payment targets between December 2015 and March 2016 alongside a regulatory target for 30 June 2016.

Background

5 The Department has overall responsibility for the CAP, paying English farmers and landowners under two funding 'pillars':

- Pillar 1 primarily provides direct support to farmers through the Basic Payment Scheme (BPS), including additional payments to assist young farmers and a 'greening' element which aims to provide ecological benefits such as crop diversification under the 'three crop' rule. This is usually fully reimbursed by the European Union from its funding for farmers; and
- Pillar 2 provides funding for rural development programmes, such as the Environmental Stewardship Scheme and the Countryside Stewardship Scheme that replaces it. This is jointly funded by the European Union and the UK Exchequer.

1 Comptroller and Auditor General, *Early review of the Common Agricultural Policy Delivery Programme*, Session 2015-16, HC 606, National Audit Office, December 2015.
2 HC Committee of Public Accounts, *The Common Agricultural Policy Delivery Programme*, Twenty-sixth Report of Session 2015-16, HC 642, March 2016.
3 HM Government, *Government responses on the twenty-first to the twenty-sixth reports from the Committee of Public Accounts: Session 2015-16*, Cm 9260, April 2016.

6 The RPA, which runs BPS for the Department, encountered problems with the implementation of the previous CAP changes in 2005 leading to inaccurate and late payments to farmers, but it had addressed most of these problems by 2014.[4] The targets to make 90% of payments in December each year and for 99% accuracy in first payments were met by the RPA for many years.

7 We highlighted in our previous report the difficulties that the Department had encountered in implementing the CAP Delivery Programme. These included the failure of the online application system leading to a return to paper-based applications, and evolving system functionality and data control weaknesses, which made it difficult for the RPA to maintain its payment record.

Scope and structure of the memorandum

8 This memorandum provides an update on the reports by the NAO and Committee of Public Accounts on the early progress of the CAP Delivery Programme. It focuses primarily on BPS payments. These make up around 80% of the total payments made under CAP and it was the RPA's priority to develop the functionality to make these payments. The functionality to enable online applications for the Countryside Stewardship Scheme under pillar 2 is expected to be ready for use by December 2016. The memorandum is based primarily on analysis of RPA's payment data and our interviews with Department and RPA officials.

- Part One sets out the Department's performance on the timing of payments under the 2015 BPS;
- Part Two assesses the accuracy of payments under the 2015 BPS; and
- Part Three examines developments in the Department and the RPA to improve delivery of the Programme in 2016 and beyond, including reporting on the government's progress against the recommendations included in the Committee's March 2016 report.

4 Comptroller and Auditor General, *Department for Environment, Food & Rural Affairs, and Rural Payments Agency, The delays in administering the 2005 Single Payment Scheme in England*, Session 2005-06, HC 1631, National Audit Office, October 2006.

Part One

Timeliness of payments

1.1 Expectations regarding the timeliness of payments have been created through statements by the Rural Payments Agency (RPA) and the Department for Environment, Food & Rural Affairs (the Department), and performance in previous years.

1.2 In this part we explain:

- the RPA's performance and the difficulties encountered in meeting the payment targets;
- how the Department and RPA have sought to mitigate the impact of payment delays; and
- performance against the commitment to prioritise farmers most impacted by the winter 2015 floods.

Payment targets and performance

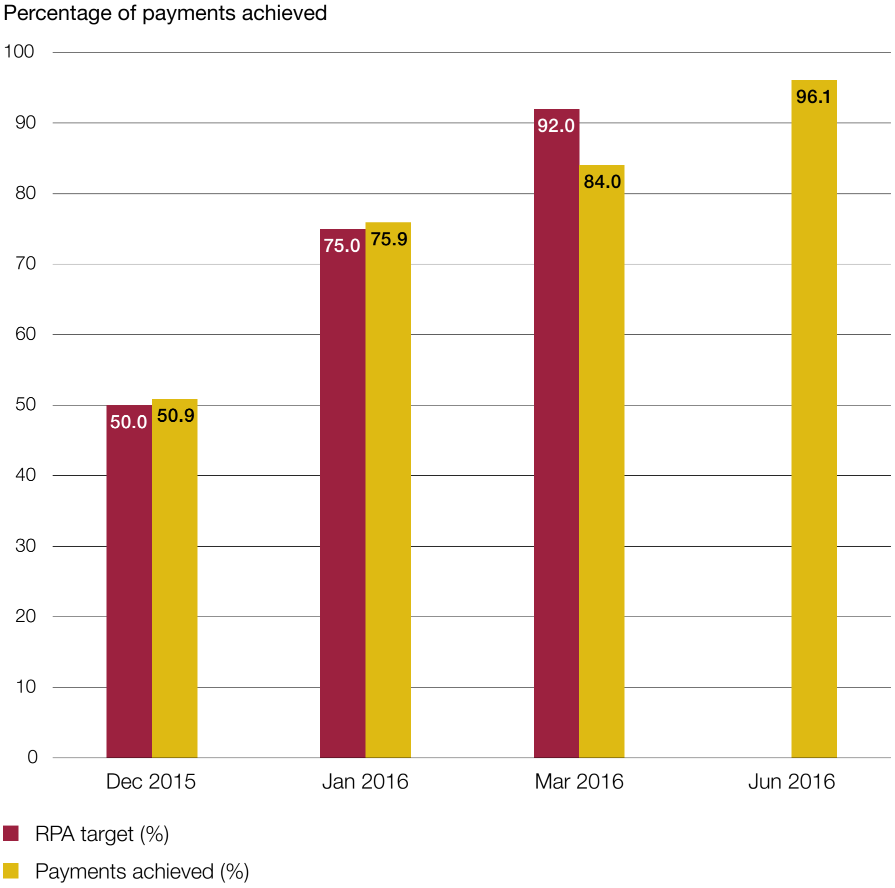
1.3 While not adopting formal payment targets, the RPA set a number of commitments on the timeliness of payments to farmers. It committed to pay the "majority" of farmers by 31 December 2015, the "vast majority" of farmers by 31 January 2016 and "almost all" farmers by 31 March 2016. The RPA later clarified these targets, indicating in September 2015 that the majority meant greater than 50%, and in March 2016 that vast majority should be taken to mean greater than 75%, and almost all to mean 92%–95%.

1.4 The European Commission sets a statutory payment window for the Basic Payment Scheme (BPS) that runs from 1 December to 30 June. If a member state does not pay 95.24% of payments, by value, by the end of the payment window the Commission is able to apply late payment penalties to European Union (EU) member states. In recognition of the difficulties that many EU member states have encountered in implementing the new BPS, the European Commission has suspended late payment penalties between 1 July 2016 and 15 October 2016, although the payment window itself has not been extended.

1.5 The RPA met its targets for December and January, but missed its March 2016 target by a margin of 8 percentage points (**Figure 1** overleaf). The RPA also made, in England, the level of payments expected by the European Commission within the payment window. However, this will be formally judged at the member state (that is, United Kingdom) level, which means that payment performance in Scotland, Wales and Northern Ireland will also be taken into account.

Figure 1
Payment performance against targets, England 2015-16

The RPA met its targets for December and January but missed its March target by some margin



Notes
1 The figures shown are for the end of each month.
2 RPA did not set a target for June 2016. The European Commission's target was set on the basis of value rather than the proportion of payments made, and is therefore not comparable to the RPA's performance data.

Source: National Audit Office analysis of Rural Payments Agency payment data

Challenges meeting payment targets

1.6 System failures, and the consequent move to paper-based applications, underpinned the difficulty making timely payments and were reflected in the targets set. The system that was created for the BPS payment cycle relies on electronic data to perform calculations and generate payments. For applications received on paper, every line of each application form had to be manually transcribed into the system in order to validate applications and calculate payments. This created a significant administrative burden of both staff and time necessary to make payments. Despite these difficulties, the RPA met the December 2015 and January 2016 targets.

1.7 The target to pay almost all farmers by the end of March 2016 was not met largely as a result of issues in three areas:

- Common land (that is, land where more than one applicant has rights to use the eligible land, for example for grazing animals): following a legal ruling in 2014, the calculation of payments on common land now depends on how many other eligible applicants apply for payments on each common. The RPA cannot calculate payments on a piece of common land until they have received and validated all applications that include that common. Any changes submitted by, or made to, one common land claimant may have a knock-on effect for all the other associated claimants. Where claims include more than one common, this creates a dependency between multiple commons. This new calculation basis was applied for the first time for the 2015 scheme, and proved more complicated than the RPA anticipated.
- Cross-border applications (that is, applications where farmers have eligible land in two nations of the UK): before the RPA can calculate these payments, data relevant to each application need to be validated and shared between the different nations' paying agencies. In England, the RPA has encountered delays in obtaining information from other paying agencies, particularly Scotland, due to their own difficulties applying the new scheme rules.
- Inspections: the RPA is required to inspect 5% of applicants each year to prove the validity of the applications. System functionality to process inspection findings was delayed beyond 31 March 2016, preventing applications subject to an inspection being paid before this date, even where the inspection showed that their application was correct.

1.8 By March 2016, one in six farmers (16%) had yet to receive any BPS payment. Complex cases have always taken a long time to process, but these functionality gaps meant that affected payments were delayed further than in previous years. Of the 14,300 farmers who had not received any BPS payment as at 31 March 2016, 5,700 were affected by inspections, 3,600 were affected by common land claims, and 600 were affected by cross-border applications. In total, approximately 9,900 of the 14,300 could therefore not be processed because of these issues.

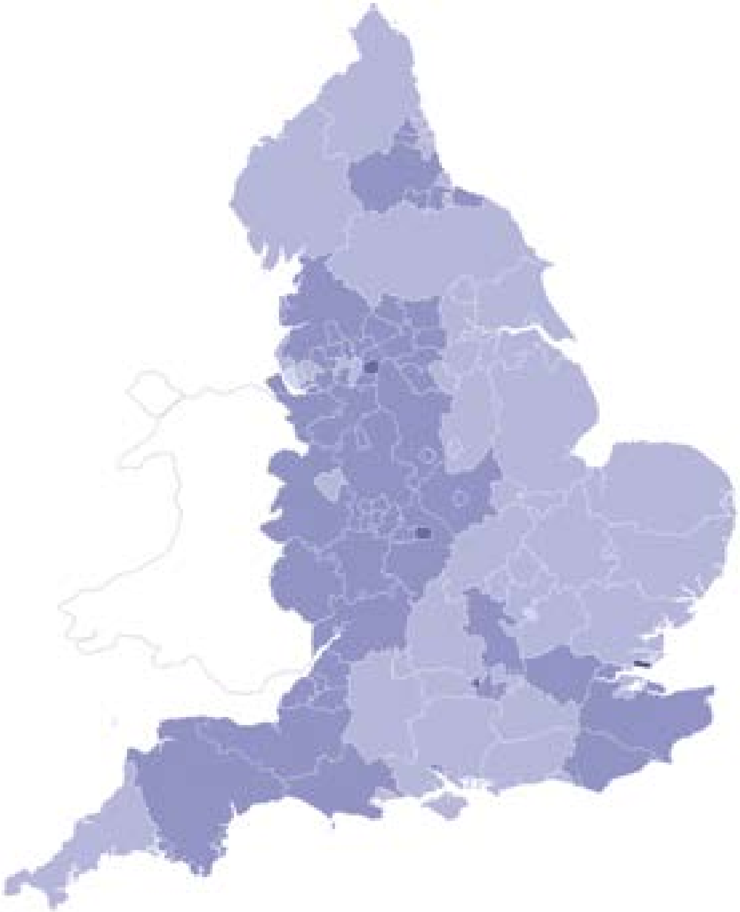
1.9 The challenges faced did not affect all areas of the country equally, causing regional variation in the timing of payments which is affected by a number of local factors. There were therefore a significant number of areas where the national performance level was not replicated locally. Progress at a local level can be seen in **Figure 2** on pages 10 and 11. It should be noted that the data shown relate to the address of the person receiving the payment which may not always be the same as the farm location.

Figure 2

Proportion of applicants receiving BPS payments by area, England 2015-16

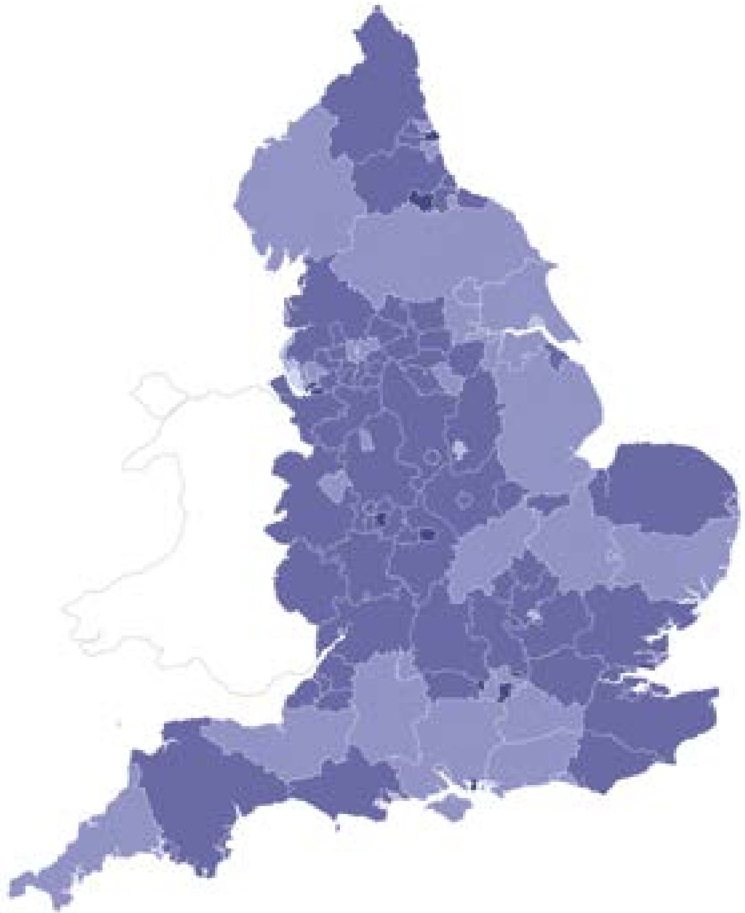
31 December 2015

Percentage of payments achieved



31 January 2016

Percentage of payments achieved



0 to 25% | 25% to 50% | 50% to 75% | 75% to 90% | 90% to 100%

Note

1 This analysis is based on the address of the person receiving the payment which may not always be the same as the farm location

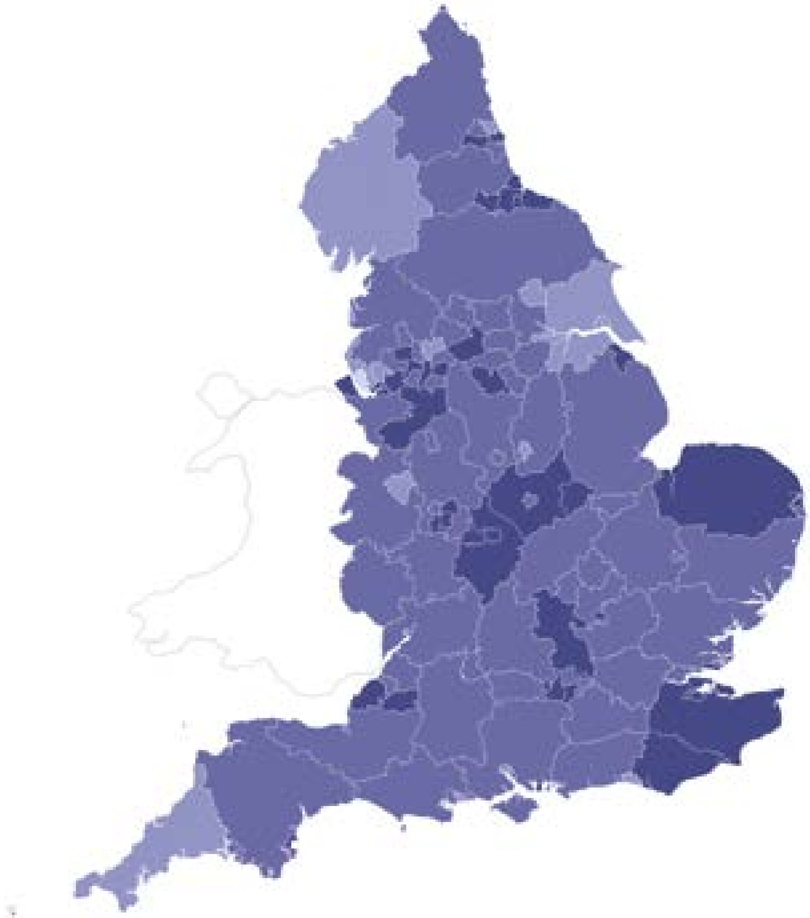
Source: National Audit Office analysis of Rural Payments Agency payment data

Figure 2 *continued*

Proportion of applicants receiving BPS payments by area, England 2015-16

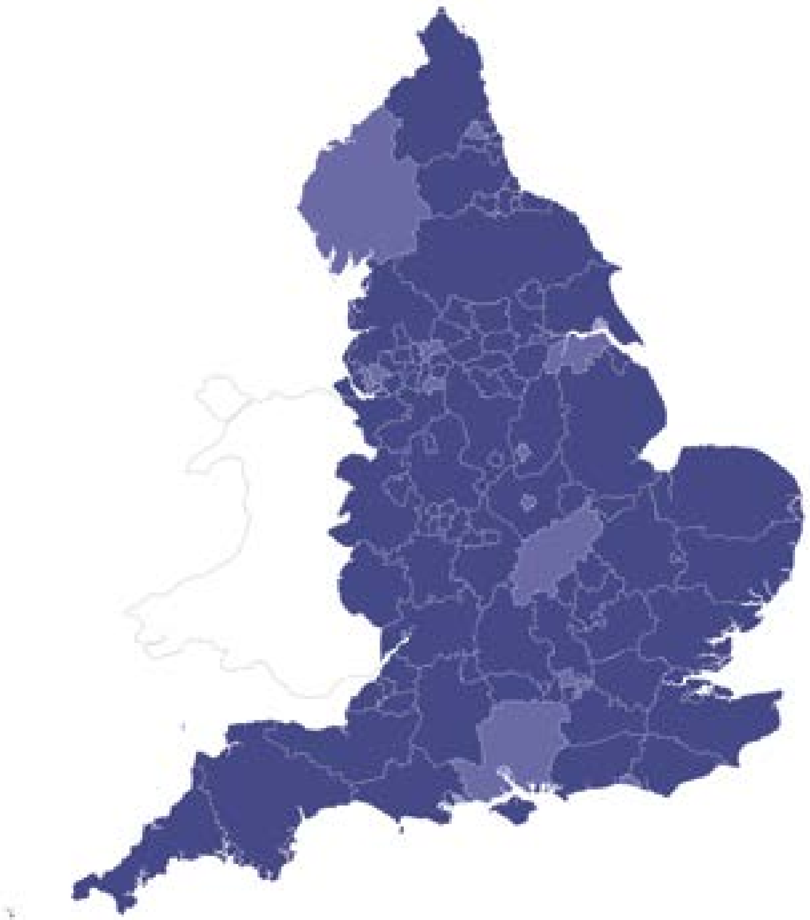
31 March 2015

Percentage of payments achieved



15 June 2016

Percentage of payments achieved



0 to 25% | 25% to 50% | 50% to 75% | 75% to 90% | 90% to 100%

Note

1 This analysis is based on the address of the person receiving the payment which may not always be the same as the farm location

Source: National Audit Office analysis of Rural Payments Agency payment data

Use of Exchequer funds to mitigate payment delays

1.10 The RPA is only reimbursed by the EU for BPS payments once they have been fully validated. In some cases, in order to make payments to farmers where there had been delays, the RPA made hardship and bridging payments to farmers from UK Exchequer funds bearing the risk that the full amount of such payments would not be reimbursed or would take longer to be reimbursed.

1.11 Hardship payments were available where farmers could demonstrate financial hardship, and were not due to receive their full payment imminently. Farmers could apply through charities such as the Farming Community Network for funds to be released. The value of hardship payments was up to 60% of the value of their prior year claim under the Single Payment Scheme, paid in advance of the processing of their current year BPS claim. Hardship payments were made to 580 farmers with a total value of £9 million.

1.12 The RPA also introduced bridging payments in April 2016 following its failure to meet its March 2016 target. These were in recognition of the financial pressures farmers faced as a result of delayed payments. In most cases, farmers received 50% of the estimated value of their BPS claim, prior to its validation.

1.13 As the hardship and bridging payments did not follow EU rules, the RPA was not able to seek reimbursement for these payments at the time they were made. Once the applications are fully processed and validated, and full payments are made, the RPA will seek reimbursement from the EU for these full payments. If the fully validated claims are for a lower amount than the hardship or bridging payments made, the UK Exchequer bears the risk of recovering these excess amounts.

Prioritising farmers in flood-affected areas

1.14 The Department's Permanent Secretary made a commitment in her evidence to the Committee of Public Accounts in December 2015 that the RPA would seek to prioritise BPS payments to flood-affected farmers.[5] In response, the RPA waived several requirements in the process, including the need to inspect flooded land, provided additional application advice and clarified which rules and exemptions will apply for farmers to avoid any cross-compliance penalties.[6] The goal of these measures was to simplify the claims process for flood-affected farmers. In response to the floods, the government also established the Farming Recovery Fund and has allocated £9 million to over 1,000 farmers across northern England.

1.15 Using satellite images and Ordnance Survey maps, the RPA identified around 900 individual farms in Cumbria and North Yorkshire that were worst affected by floods with a view to prioritising BPS payments to these farms. The number of these farms that were paid was monitored on a daily basis by the RPA Chief Executive Officer. The farms identified by the RPA did not include any in Lancashire where there was also severe flooding.

5 HC Committee of Public Accounts, *The Common Agricultural Policy Delivery Programme*, Twenty-Sixth Report of Session 2015-16, HC 642, March 2016.
6 December 2015 Flooding and the Basic Payment Scheme: Useful reminders. Available at: www.gov.uk/guidance/december-2015-flooding-and-the-basic-payment-scheme-useful-reminders

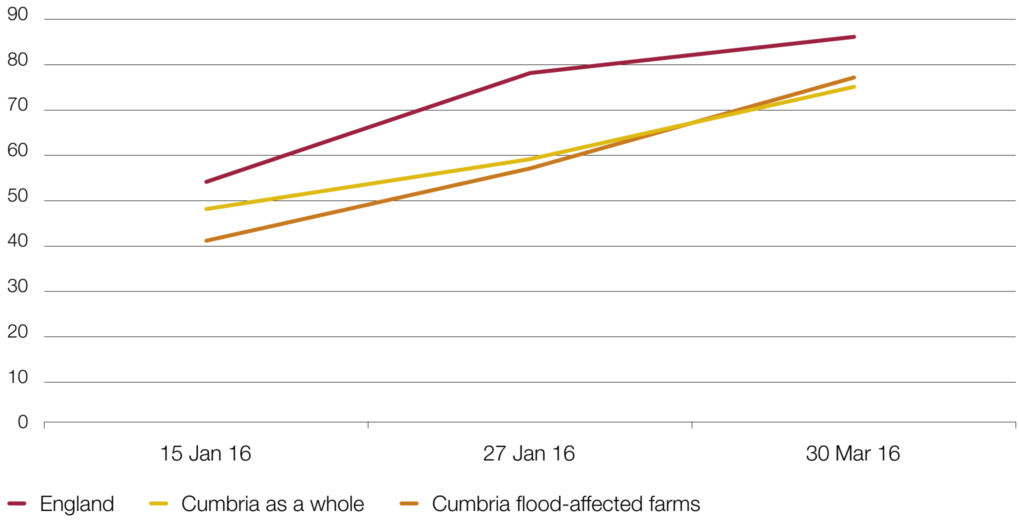
1.16 These measures appear to have had some impact on the timing of payments made to flood-affected farms. By the end of March 2016, the proportion of the farms identified by the RPA that had received their payments exceeded the rate of payment for their neighbours in the rest of the county (**Figure 3**).

Figure 3
Progress on payments to farmers most affected by floods

By March 2016, the rate of payments to flood-affected farmers exceeded the rate for the county as a whole but remained behind the rest of England

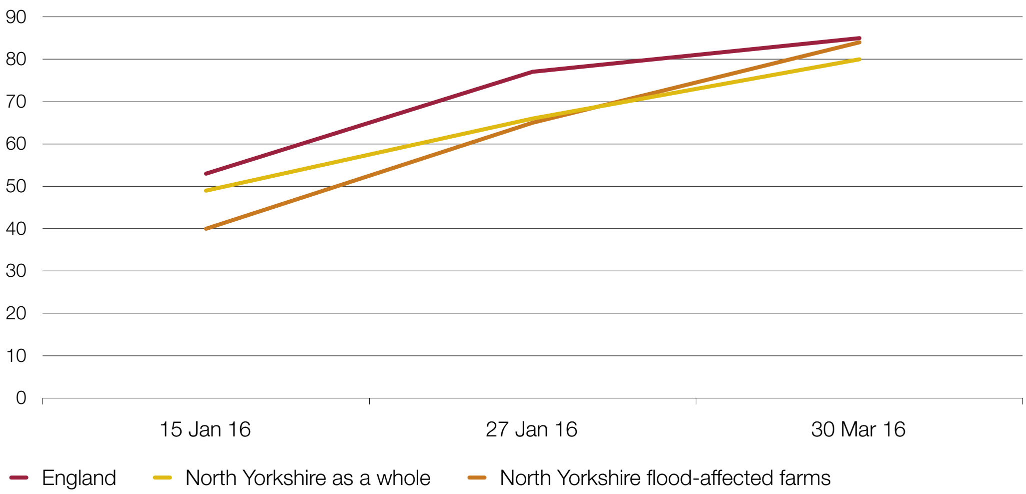
Payment performance in Cumbria

Percentage of payments achieved



Payment performance in North Yorkshire

Percentage of payments achieved



Note

1 The farms identified by the RPA did not include any in Lancashire where there was also severe flooding.

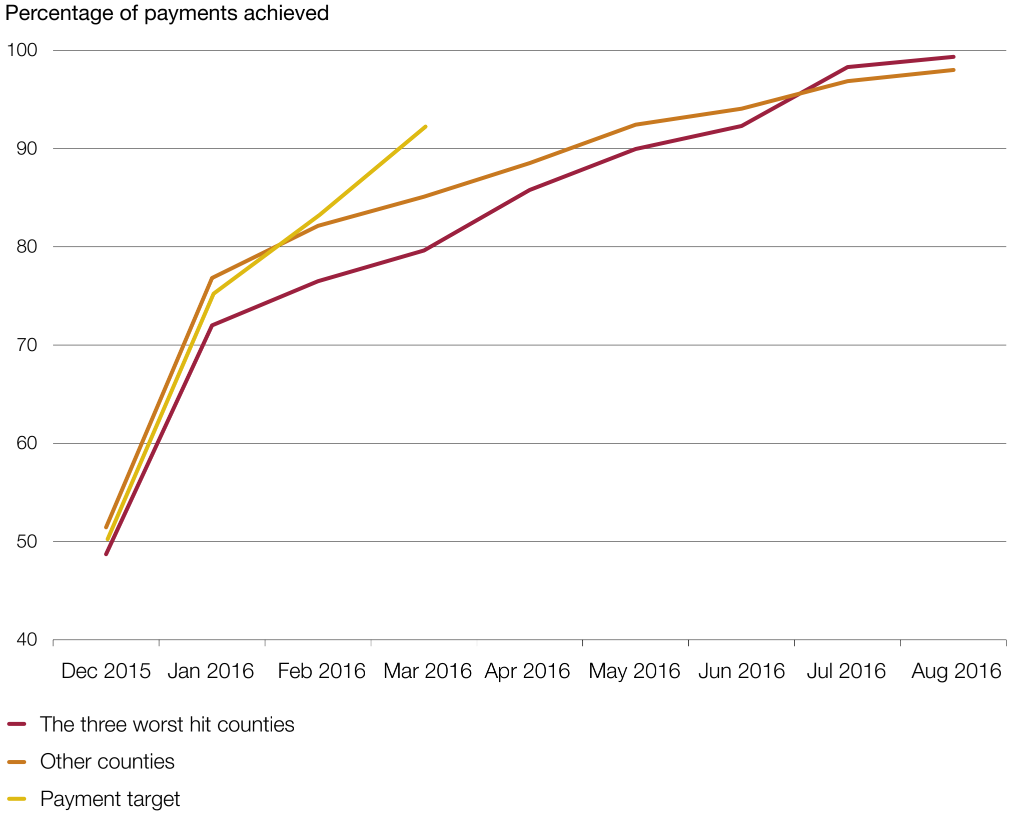
Source: National Audit Office analysis of Rural Payments Agency payment data

1.17 The farms identified by the RPA did not include any in Lancashire nor did they include farms that were indirectly affected in areas of widespread flooding. We therefore looked at payment performance across the whole of the three counties. Our analysis shows that payments in these three counties have lagged behind the rest of England (**Figure 4**). Payment performance is impacted by a number of factors, including farm size and claim complexity. The RPA told us that it was difficult to speed up payments in those areas because they are more complex due to a higher proportion of common land and cross-border claims.

Figure 4

Progress on payments to farmers most affected by floods

Despite a commitment to prioritise payments to flood-affected farmers, payments to farmers in the three most flood-affected counties lagged behind the rest of England until June 2016



Note

1 This figure shows the percentage of farmers paid in the three flooded counties (Lancashire, Yorkshire and Cumbria) compared with the rest of England, excluding the flooded counties.

Source: National Audit Office analysis of Rural Payments Agency payment data

Part Two

Accuracy of payments

2.1 The Department for Environment, Food & Rural Affairs (the Department) and the Rural Payments Agency (RPA) aim to provide full, accurate payments under the Basic Payments Scheme (BPS) as early as possible, although European regulations allow for payments to be made in two instalments. The problems faced by the Common Agricultural Policy (CAP) Delivery programme in 2015, and the consequent move to paper applications, inevitably increased the difficulty of making payments accurately. The RPA has subsequently commenced a planned reconciliation process to review payments to farmers who may not have received full payment initially. Its analysis in June 2016 revealed 13,600 claimants that may require an additional payment, around one in six of the 87,500 total claimants.

2.2 In this part we outline:

- why the problems of 2015 increased the risk of inaccurate payments;
- the outcome of the planned reconciliation process; and
- how the RPA used 2016 claims to review 2015 payments.

Why the problems of 2015 increased the risk of inaccurate payments

2.3 The issues identified in our earlier report on the CAP Delivery Programme presented significant risks to the accuracy of payments. The paper-based application process for all but the simplest applications prevented the RPA from being able to process payments in a timely and accurate manner. All paper applications were manually transcribed into the new system, introducing the risk of human error. In addition, the commitments made by the RPA to make payments to farmers in a timely manner put significant pressure on the RPA's staff and resulted in less experienced staff being used to provide additional processing capacity.

2.4 Identifying the land cover for some 200,000 land parcels also proved problematic, and the RPA was not able to migrate these from the previous land registry system. The RPA did not hold these data as it was not relevant to applications under the Single Payment Scheme that the BPS replaced. The RPA inferred land cover where it could from existing information and aerial photography but was unable to do so for 9% of the land parcels held within the system. This information was required to calculate the BPS payments due to farmers.

2.5 Until 2014-15, accuracy of payments was measured against a target of 99% by value for the RPA's three main areas of grant expenditure. This was replaced in 2015-16 by a target for 99% of customers to receive accurate payments for two of these areas, but no target was set for BPS payment accuracy.

The planned reconciliation process

2.6 As a result of the problems encountered, the RPA had to investigate many validation queries. In order to hasten payments, the RPA decided to pay validated parts of payments where it had confirmed at least 85% of the expected payment value, and was confident that it would not make overpayments that could lead to the application of penalties by the European Commission. Unvalidated elements of BPS claims were not paid. The Comptroller and Auditor General's audit of the Department's Annual Report and Accounts indicated that the most common cause for partial payments was the RPA not updating its systems to include all of the information provided by the farmer.

2.7 The RPA instigated a planned reconciliation process to resolve remaining processing tasks and make top-up payments to farmers affected by these and other issues. For example, the land cover data that were missing from 200,000 land parcels were reintroduced into the system by the middle of July 2016. The RPA could therefore quantify the effect of the missing parcels on each claim, creating a recalculation of the final amount payable. This process initially covered applicants with potential underpayments exceeding €100.

2.8 On 29 June 2016, the RPA announced that some 13,000 applicants that had received an initial payment by 31 March 2016, but who may be owed €100 or more, were to be reviewed through the planned reconciliation process.[7] Of these applications to be reviewed, the RPA told us some 5,500 related to applicants that had officially queried their initial payment with the RPA.

2.9 The RPA reported to us that, as at 17 October 2016, it has identified 13,600 claims that need to be reviewed. So far, it has determined that 2,100 of these are not due any further payment and 10,500 top-up payments amounting to a total of £27.4 million have been made. About two-thirds (65%) of the payments made so far have exceeded €1,000. Just over 1,000 are still being processed (**Figure 5**).

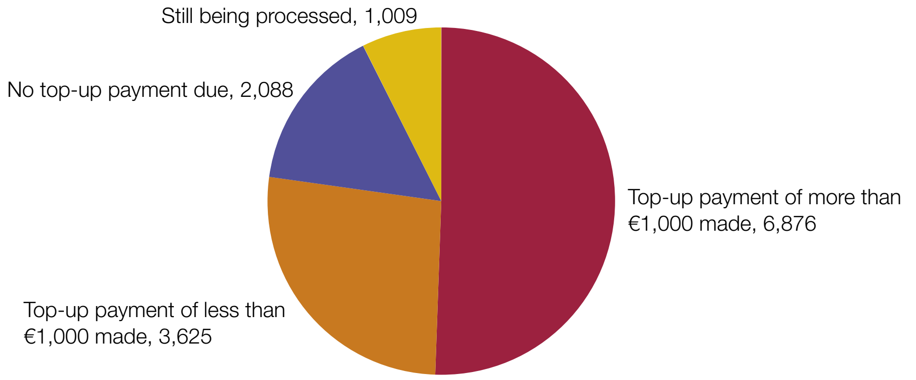
2.10 The RPA reanalysed improved data in October 2016, and as a result identified further farmers who have been potentially underpaid by €100 or more. The RPA also expects further cases to arise as farmers will continue to write to the RPA to query the amount of their payment. These farmers' payments will now also be reviewed in the reconciliation process. The RPA has not yet determined whether they will review the claims of farmers that have been identified as potentially having been underpaid by €100 or less.

7 Available at: www.gov.uk/government/news/rpa-sets-out-plans-for-resolving-farmers-bps-2015-queries

Figure 5

Outcome of the planned reconciliation process at 17 October 2016

A total of at least 10,500 farmers were initially underpaid to the tune of £27.4 million



Source: National Audit Office analysis of data provided by the Rural Payments Agency

Use of 2016 claims to review 2015 payments

2.11 Data collected through 2016 BPS applications is being used by the RPA to identify potential errors that may have arisen through manual data entry in 2015. For a significant proportion of farmers there is a high degree of consistency between BPS claims made in consecutive years. The RPA has therefore identified a number of criteria to trigger a review of 2015 claims, for example if claimants have only identified themselves as a young farmer in one year, or submitted a form to record additional land parcels in only one year. These reviews will help improve data quality, and identify and correct potential incorrect 2015 payments.

Part Three

Further developments during 2016

3.1 The Rural Payments Agency (RPA) is addressing issues encountered in 2015 to improve the timeliness and accuracy of payments, and has made significant improvements to the process for 2016 and future years. In addition to improved progress with the applications this year, there have been technical improvements that have either been made or are in the process of being made.

3.2 The Committee of Public Accounts made a number of recommendations following its session on the Common Agricultural Policy (CAP) Delivery programme (the Programme) in December 2015 and we report here on the government's response and recent progress against these recommendations.

Improvements in the 2016 application process

3.3 Improvements made by the RPA allowed the online application system to be used for 2016 applications, albeit with lower functionality than initially planned for 2015. A significant number of farmers have used the online application functionality for the 2016 scheme. Some 80% of farmers (amounting to around 70,000 claimants) applied through the online system, with some 17,000 applying on paper. These digital applications will significantly reduce the amount of data processing required by the RPA.

3.4 The data processing and input procedures for the 17,000 2016 paper applications have been improved. The RPA has outsourced data entry to a company that specialises in data entry from manual forms, with stronger controls over input accuracy. Subsequent processes for these applications will remain broadly in line with the previous year, when manual forms were scanned and transcribed into the system to then be validated, calculated and paid.

3.5 The RPA has also introduced changes to address the issues faced this year with regard to common land. Farmers can now notify changes online to their rights to common land, functionality that was not available from the start of last year's application window. The RPA also intends to set a cut-off date to prevent late changes and consequent delays, and to work more closely with commons associations to facilitate agreement between all those with access rights at an early stage. It also intends to help them to understand the impact of late changes on other commoners.

3.6 Although the RPA undertook in its response to the Committee of Public Accounts' recommendations to publish performance targets by May 2016, it first made its payment targets public in October 2016, when it published its key performance indicators.[8] These included targets to pay 90% of Basic Payment Scheme (BPS) claimants by the end of December 2016 and 93% by the end of March 2017. No target for the end of June 2017 was included, nor was any target on the accuracy of payments set. RPA told us that the delay in publishing its payment targets was due to the European Union (EU) referendum and changes to ministerial teams.

Further system development

3.7 The RPA continues to make functionality improvements to the new systems. Many of these improvements aim to rectify the functionality gaps that prevented certain farmers from being paid before 31 March 2016. Other improvements have been made to enable payments under the planned reconciliation process.

3.8 The key developments from 2015 are that:

- farmers can now input their data online;
- land and entitlement transfers can now be submitted online;
- applicants are able to view key details of their prior-year application; and
- applicants are able to view their maps online.

3.9 The RPA is further developing the system, including improvements such as the ability to map hedges in England and to apply online for the Countryside Stewardship Scheme. It will also seek to allow farmers to change data and mapping for their claim to further reduce the need for manual forms and processes.

3.10 The Government Digital Service (GDS) had a significant involvement in the development of the IT systems and we reported previously that it did not provide the support the Department needed. The RPA has continued developing the IT environment without further significant involvement of GDS. The RPA told us that GDS's withdrawal from the Programme has enabled a change in the implementation approach, including reverting to a more traditional deployment and release cycle rather than the continuous deployment approach that GDS had previously advocated.

Disallowance

3.11 Disallowance penalties are levied by the European Commission when it considers actions taken by member states to control and administer CAP payments have not complied with regulations. Disallowance can arise as a result of delayed or inaccurate payments to claimants, member states misinterpreting the regulations or the European Commission identifying control weaknesses that it considers to be a risk to EU funds. The Department for Environment, Food & Rural Affairs (the Department) anticipates increased risk under the new CAP because of its greater complexity and the imposition of more stringent flat-rate penalties by the European Commission.

8 Available at: www.gov.uk/government/publications/rural-payments-agency-performance-indicators-and-targets-2016-to-2017

3.12 The Department and the RPA have developed a disallowance strategy that seeks to understand the underlying causes of disallowance and to address systemic weaknesses in its previous approach to disallowance. The strategy was not approved before the EU referendum, and has been further delayed as a result, but ministerial approval for the strategy is now expected by the end of 2016. The strategy includes disallowance targets, and formalises the Department's approach to reduce disallowance penalties in the short and medium term.

3.13 In the 2015 Spending Review, HM Treasury agreed a ring-fenced budget for disallowance over the period 2016-17 to 2019-20. Should disallowance exceed the ring-fenced amount and the Department is unable to fund it from underspend elsewhere, HM Treasury will seek to provide reserve funding, provided it is satisfied that the Department has done all it can to drive down disallowance and subject to wider affordability considerations. The terms of the agreement are that the Department should continue to drive down disallowance with the support of HM Treasury and agree shared governance arrangements with HM Treasury. In response to this, HM Treasury was made a member of the Disallowance Steering Group in early 2016.

3.14 The Department has indicated its expectation that disallowance relating to 2019 scheme payments will amount to approximately 2%. However, it has not set out publicly the levels of disallowance it expects in the intervening years, and has not yet explained and justified its expectation of 2% for 2019. In the longer term, disallowance penalties are expected to cease as a result of the decision to leave the EU, although the details and timings are not yet known.

3.15 Disallowance penalties usually arise from European Commission audits of the RPA. The first audit of BPS was conducted in September 2016 and, while initial results have been communicated to the RPA, these are subject to a potentially lengthy process of challenge in order to determine the final level of any penalty.

Progress against Committee of Public Accounts recommendations

3.16 The Committee of Public Accounts made six recommendations, and the government has provided a response for each of these in the associated Treasury Minute.[9] **Figure 6** on pages 21 to 23 summarises the committee recommendations, the responses to each, and the NAO's assessment of progress to date against each recommendation.

9 HM Government, *Government responses on the twenty-first to the twenty-sixth reports from the Committee of Public Accounts: Session 2015-16*, Cm 9260, April 2016.

Figure 6

Committee of Public Accounts recommendations, government response and National Audit Office (NAO) assessment of progress

Committee recommendation (March 2016)	Summary of government response (April 2016)	NAO assessment of progress (October 2016)
The Department should set out clear milestones, by the end of June 2016, for when it expects to pay farmers and when it will return to previous performance levels.	The RPA undertook, by May 2016, to publish on gov.uk payment performance targets for the 2016 BPS. The RPA promised that targets for December, March and June would be published as key performance indicators for the BPS.	The chief executive of the RPA has stated his aspiration to pay 90% of farmers in December 2016. This target was included in the RPA's Action Plan, which was launched within the RPA in May 2016. The RPA first made its payment targets public in October 2016, when it published its key performance indicators. These included a target to pay 90% of BPS claimants by the end of December 2016 and 93% by the end of March 2017. No target for the end of June 2017 was included, nor was any target on the accuracy of payments made. RPA told us that the delay in publishing its payment targets was due to the EU referendum and changes to ministerial teams. The Department has not stated when it expects to return to previous performance levels.
For this and future programmes, the Department should establish a clear and enduring vision based on expected Programme benefits, together with clear milestones and priorities that can remain in place regardless of changes in leadership.	The Department maintains that its vision for the Programme has remained constant. Programme priorities were used as a basis to assess the options for the Programme in 2012 and the system enhancements in 2015. The Department recognises the importance of tracking and reporting longer-term Programme benefits and, as part of the transition to business as usual, the Department is comprehensively assessing costs against benefits delivered. A mechanism for monitoring and reporting the ongoing benefits of the system is also being developed, to be completed in autumn 2016 for submission to a planned stocktake with the Infrastructure and Projects Authority. The Single Departmental Plan and the Defra Group Target Operating Model will provide a consistent departmental objective and vision separate from individual leaders.	The Department's Target Operating Model was agreed in September 2016, and is in the process of being implemented. It sets out a much clearer vision for digital transformation across the Defra Group. For example, it commits the Department to use technology to drive change in the way the Department works and delivers services, and to design services around users and their needs. We previously found, and the Department agreed, that the four different senior responsible owners each brought their own vision to the programme; and that the RPA, the Department, the Cabinet Office and the Government Digital Service (GDS) held differing visions for the Programme. However, the new Target Operating Model for the Department and the RPA is more closely aligned with the vision for digital services held by the Cabinet Office and GDS. The RPA is developing its benefits realisation plan and has agreed broad benefit categories with the Programme Executive. The plan is being prepared to support a planned stocktake with the Infrastructure and Projects Authority in November 2016.

Figure 6 *continued*

Committee of Public Accounts recommendations, government response and National Audit Office (NAO) assessment of progress

Committee recommendation (March 2016)	Summary of government response (April 2016)	NAO assessment of progress (October 2016)
The Cabinet Office, through its GDS, should comprehensively assess departments' capabilities to deliver any changes it imposes and ensure that it provides an appropriate level of support for those changes.	The Cabinet Office accepts issues with resourcing for this Programme and it seconded additional resources to support the Department. There is now an established base of knowledge and expertise, with more than 150 senior civil servants with digital and technology skills. There is now an established governance structure, which includes an inter-ministerial group providing oversight on cross-government transformation projects, alongside the GDS advisory board.	The GDS no longer has significant involvement in the Programme and the RPA told us it has not sought any further support. Its distance from the Programme has allowed the Department to shift from a focus on agile and digital delivery to an approach that combines agile software development with programme management and governance arrangements with which the RPA is more familiar. At this stage, we have not examined how GDS now engages with other government departments to ensure it offers the support needed. However, the NAO will shortly be undertaking a review of GDS's achievements and the challenges it faces, looking in particular at whether the centre of government is supporting better use of technology and business transformation in government.
The Department should review its approach to tackling serious failures of management and put in place measures to stop this ever happening again.	The Department's organisation change programme is incorporating lessons learnt from the Programme. The Department has moved to a Group organisational model with a single business plan for the whole Group, providing a clear unifying framework. The Permanent Secretary leads the weekly Executive Committee, which has been extended to include the Chief Executive Officers from the Department's largest delivery bodies. The Department will use a full range of informal and formal means to provide a safe space for surfacing issues so that they can be addressed quickly and early.	This recommendation was made in the context of senior management failures arising from the RPA, the Department and GDS not working together effectively, and not being able to resolve differences in strategic priorities and visions. No changes have been made to formal processes in response to the recommendation; however, cultural changes are being made that aim to reduce tensions that may arise in the future. GDS is no longer significantly involved in the Programme. The Defra Group target operating model is being updated to more closely align priorities and ways of working, with a stronger focus on digital delivery and users. Over the past year, GDS has been assisting with other aspects of the Department's work including its transformation programme, and the Department has told us that its working relationship with GDS has recently been more constructive.

Figure 6 *continued*

Committee of Public Accounts recommendations, government response and National Audit Office (NAO) assessment of progress

Committee recommendation (March 2016)	Summary of government response (April 2016)	NAO assessment of progress (October 2016)
The Department needs, as a matter of urgency, to explain and justify what it considers to be an appropriate target level of financial penalties from the European Commission, how it will achieve it and how it will monitor progress towards it.	The Department's Disallowance Strategy sets out a root-cause analysis of the past drivers of disallowance and mitigating actions. A central element of the strategy is a £45 million investment to improve mapping data, the greatest source of disallowance in recent years. The Department's aim is to reduce disallowance to as low as possible, and it expects to return to disallowance of around 2% of scheme value by 2019.	Although the Department has indicated its expectation for the 2019 scheme, it has not set out publicly the levels of disallowance it expects in the intervening years. It has also not yet explained and justified its expectation that disallowance relating to 2019 scheme payments will amount to approximately 2%. The Department cites its Disallowance Strategy as a central plank of its response, but this is still awaiting ministerial approval having been delayed in part as a result of the EU referendum. The Department is aiming to finalise the strategy and receive ministerial approval by the end of 2016.
HM Treasury should set out the mechanisms in place for 2016-17 to demonstrate that it is providing the budgetary incentives needed for the Department to do as much as possible to reduce disallowance penalties.	If disallowance penalties exceed the amount of the Department's ring-fenced budget, the Department would have to find savings from elsewhere to meet the costs or, in exceptional circumstances, from HM Treasury reserves. This was agreed as part of the Spending Review process. HM Treasury is continuing to consider with the Department whether there are additional budgeting mechanisms that could be put in place for the remainder of the Spending Review period.	The Department states that the incentives in place have increased resolve to minimise disallowance, but the outcome in terms of disallowance levels remains highly unpredictable and volatile. There remains a risk of disallowance for 2016 considerably exceeding the ring-fenced budget. HM Treasury and the Department are continuing to explore further budgetary incentives through the Disallowance Steering Group, of which HM Treasury has been a member since early 2016. The Department and HM Treasury are jointly considering the gap between the ring-fenced provision and projected disallowance levels and how the associated risks are going to be managed.

Source: Committee of Public Accounts report, HM Treasury Minute and National Audit Office interviews with Department and Rural Payments Agency officials

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