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PRODUCER: Liz Carney

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ACTUALITY IN COUNTRYSIDE

O'REILLY: The English countryside is perhaps at its most beautiful this time of year. Animals are grazing its pastures, wheat and corn will soon be ripening in the fields. But underlying this idyllic image of rural harmony, tonight File on 4 reveals a story of government mismanagement on such a scale it's pushed some farmers to the brink of financial ruin - and could soon cost the taxpayer millions of pounds.

SIGNATURE TUNE

ACTUALITY OF SHEARING

HILL: This is the drafting pen here, where we sort out the ewes from their lambs. The ewes go forward for shearing.

O'REILLY: How many sheep are you going to shear here today?

HILL: We're shearing about nine hundred here today, and then we'll move onto another farm. We've got sixteen hundred in all to do. We're now in the critical season of paying spray bills for the spring work, we've had already the March

HILL cont: rents to pay and the September last year rents to pay. We're now over twelve months since we received our last subsidy, so it's almost a double whammy really.

O'REILLY: Arthur Hill runs a big arable and livestock farm at Much Wenlock in Shropshire, which means he has big bills to pay but his subsidy cheque is long overdue.

How much are you waiting for now from the RPA?

HILL: I'm waiting for in excess of £100,000.

O'REILLY: That's a lot of money.

HILL: It's too much money cashflow-wise to have outstanding. At one stage we were told it was going to be February, and as of June 1st we've not been paid yet.

O'REILLY: So with that over £100,000 owing to the business, what have you had to do to keep going?

HILL: What I've done is, I've kept in regular contact with my bank manager. The overdraft is about equivalent to the Single Farm payment.

O'REILLY: So it's over £100,000?

HILL: Correct.

O'REILLY: It's not just the well-off farmers who are in debt and anxiously watching the post for their cheques. Paul and Fiona rear pigs, sheep and cows on their small farm in Norfolk. It's tough, they're living a 'no frills' lifestyle. With six young children to support their situation is becoming increasingly desperate.

PAUL: The older ones pick up on when we have a lot of hassle on the phone and people ringing you up and different things. Going to bedtime, they're worrying, well, are we going to lose our house, and these sort of things like, you

PAUL cont: know. You just have to tell them, don't worry about it, nothing's going to happen, and you do wonder yourself sometimes, like, you know.

O'REILLY: Paul and Fiona have exhausted their £5,000 bank overdraft. They can't pay their farm bills and the creditors are knocking at the door.

PAUL: We have bills we need to pay for animal medicines and grazing and different things. The cows aren't getting wormed because I can't afford the wormer.

O'REILLY: How much does wormer cost?

PAUL: About £2,000 it would be. We tagged a lot of calves last week and we ran out of ear tags, but we had to wait another week before we could buy some more, because we couldn't afford to buy another fifty ear tags.

O'REILLY: How much do ear tags cost?

PAUL: They're a pound each, plus the VAT, which isn't a lot of money, but it might as well be a thousand pounds as sixty pounds, you know. If you haven't got the money, you haven't got it.

O'REILLY: Do you have any money at all to look after the family?

FIONA: Well luckily we do get some tax credits, which is what we're living on, and that's what we used to buy the ear tags with. The children aren't literally going without food, but if we don't get the calves ear tagged and registered on time, then the calves are worthless, so I suppose effectively you are putting that in front of the children, which is not really very good.

O'REILLY: Fiona, Paul and Arthur are just three out of 120,000 people in England who've fallen foul of the new way agricultural subsidy is being paid. The body set up to issue the cheques, the Rural Payments Agency, failed to get the money

O'REILLY cont: out at the beginning of the year. Since then its broken promise after promise, deadline after deadline, and the effect has seeped into the rural economy.

ACTUALITY AT GRAIN FARMERS

O'REILLY: This is the agricultural cooperative, Grain Farmers, at Honeypot Lane at Grantham in Lincolnshire. A telescopic loader is scooping two ton buckets of wheat from a grain pile that looks like a Sahara sand dune. Grain Farmers' chairman, Andrew Christie Miller, says many of their farmers were due to settle their bills at the end of December, but weren't able to.

CHRISTIE MILLER: We needed this like a hole in the head, to be honest. The bigger farms will have bills of anything up to £100,000, smaller farmers will be obviously much less, but there are some pretty significant sums.

O'REILLY: Were those farmers then owing you £100,000?

CHRISTIE MILLER: They were, yes, absolutely, and you know even today we still have money owing in excess of £2 million that would have been due at the end of December. Obviously our cash flow has been knocked out of synch by all this just as the farmers' has as well, and so we've had to have discussions with our bank in the way that the farmers will be doing, so it's a sort of continual cycle really, which is making life very difficult.

O'REILLY: What have you had to do then to try and recoup some of the interest you're having to pay on the money you've had to borrow from your bank?

CHRISTIE MILLER: Well, we have charged interest on overdue accounts. Some farmers are very angry and feel that we have let them down and that we're exploiting them. We are a commercial organisation, in the same way we are borrowing money from our bank and we can't afford to not charge an interest charge, because we are not a charity.

O'REILLY: In recent years the British countryside has reeled from one disaster to another. Christopher Jones of the support group Farm Crisis Network says this one compares to the foot and mouth epidemic.

JONES: In the first three months of 2006, calls to us were up over 60% compared with the same period in 2005, and we keep records of the reasons why people are in contact with us, and you can see that when all the trouble was taking place last year over the application process, that the incidence of DEFRA problems about doubled, and then you can see that starting in February the same thing happened again this year.

O'REILLY: Have you seen this level of anxiety, of stress before?

JONES: On this scale, not since foot and mouth disease and, of course, it comes on top of a undertow of inadequate income, which has been going on now for several years. I remember one person who was in danger of losing their tenancy and their land, because they hadn't paid the landlord - that went within five days of them losing their whole livelihood and their past and their future. This is a deeply upsetting thing that has affected most of the farming community.

O'REILLY: So why has this happened, why didn't farmers get their money at the beginning of the year as they always have? The Common Agriculture Policy is being reformed, and instead of receiving subsidy for producing food, English farmers will get a single cheque every year for looking after their land. The new Single Payment Scheme has welcomed people who weren't eligible to claim before, like vegetable growers and pony paddock owners, to have a share of the £1.5 billion subsidy pot. Since land equals cash, people looked again at their boundaries and began to draw up their maps. The Rural Payments Agency had contracted the IT company, Accenture, to build a multi-million pound computer to make the payments. But apparently no-one at the RPA expected the large number of claims which arrived - forty thousand more than predicted - and the agency was overwhelmed. Jeremy Moody of the Central Association of Agricultural Valuers says no-one in the industry was surprised.

MOODY: Fundamentally, if you set up a system that offers to pay people for area, people will find area. They also should have understood that subsidy doesn't require there to be production, therefore land that has been kept in good agricultural condition is also eligible, and that may be land that has never been strictly farmed under the old definitions, but now counts as farmland under the new European definition, and so in England that had an effect of bringing in substantial areas of land, which should have been foreseeable.

O'REILLY: So why wasn't a 50% increase in claimants foreseen? The architect of the change programme at the Rural Payments Agency, the man who made the decisions, is the former farming minister Lord Whitty. In his first interview since leaving government last year, I asked him why the RPA was caught out. There were 50% more claimants than the RPA anticipated. How could it be that they didn't anticipate that ...?

WHITTY: Well, I find that difficult to understand, because we were told fairly clearly that there would be a limited number of additional claimants coming in.

O'REILLY: Who told you that?

WHITTY: Well, I'm not going to answer that question directly, but the information coming to us, because I asked very early on how many new people would come in, and the original indication was that it wouldn't be as much as 10% new land that would come in, or new claimants that would come in. In fact it's proved to be much greater.

O'REILLY: This is central to what went wrong?

WHITTY: It's a complication as to what went wrong and why the data wasn't processed as fast.

O'REILLY: So you took advice as to how many more claimants there would be?

WHITTY: Yes, I mean, it was one crucial view, now I recall it.

O'REILLY: One crucial view from one person?

WHITTY: Well, from the general advice coming to us, because clearly one of the decisions was how much more complicated would it get because other people were coming in, and the information coming to us at the time was that it would be a relatively limited number – which proved to be a wrong assumption, but it was based on the best evidence which the department then had.

ACTUALITY IN COUNTRYSIDE

O'REILLY: How long has your family farmed these hills?

ALLEN: We've lived in this area since, we've got it recorded on paper since 1605. I've 200 acres I farm here in the valley bottom, and then I have an 1,800 acre hill farm right up to the summit.

O'REILLY: The change to land-based subsidy in England meant that farmers like Peter Allen from Penrith in Cumbria could now claim for his piece of woodland. He thought the process would be simple.

ALLEN: Where you had fenced off woodland and livestock couldn't get in and graze, it had to be excluded from the old system. Now it is back in the system, so if you can imagine the maps I created for the old system, I then suddenly put in a new application for the new system, and they're saying ah, but the land acreage doesn't tie up to what was original.

O'REILLY: So what was the response from the Rural Payments Agency when you submitted this extra claim for your woodland?

ALLEN: The Rural Payments Agency had to wait until the Land Registry confirmed that was the amount of land you had to apply for.

O'REILLY: How long did that take?

ALLEN: Some people still haven't got their completed maps back, including myself, because I'm one of the unvalidated claims.

O'REILLY: Your claim has not been validated yet?

ALLEN: No, because they haven't had the validation from the Rural Land Registry to say that my mapping is correct.

O'REILLY: Mapping is key to what went wrong at the Rural Payments Agency. To get a share of the subsidy on offer, people had to have accurate maps. But Jeremy Moody, of the Central Association of Agricultural Valuers, says what farmers and land owners thought they owned, didn't necessarily correspond with what was on the RPA's computer systems.

MOODY: They are almost numberless, the kind of errors that come up. The case some months ago where one farmer in South Yorkshire had to go to enormous lengths to disown three fields in South Devon – a place that he's never farmed near. I can take you to another field, which started two and a half years ago at 9.38 hectares, has since been variously measured by the RPA successively at 8.58, 5.09, 9.58 and finally 12.09 hectares – a remarkable range, which does not help you be confident in the system. The issue that's harder to explain is why it's getting it wrong. That may be operator error, it may be that the computer is itself, as I've wondered, over-sensitive, but you have got people who are trying to fill in what they believe about their farms on forms that have been provided to them, sometimes very late in the day, and it is then for the RPA, its staff and its computer systems to make sense of what comes in. From the outside it's very hard to tell what the cause is. What you see are the symptoms I've described, and it is deeply frustrating and very bizarre for those who have to advise and act for farmers on the matter, and profoundly bemusing and saddening for the farmers at the end of the chain.

O'REILLY: While the farming industry knew something was going seriously awry, Lord Whitty admits he was getting a different view from senior figures within the Rural Payments Agency.

WHITTY: The farming industry knew there were problems with agreeing the maps very early on, and that was a crucial part of the total picture. It was early 2005 when people were trying to agree the mapping, and it is true that what I was being told at the time about how the maps were coming on was not the experience of farmers and what farmers were telling me and what the NFU were telling me, so by that time there was obviously some degree to which people were putting a bit of a gloss on how well the system was going

O'REILLY: Who were these people?

WHITTY: Well I assume we're talking about the senior management ...

O'REILLY: Senior management at the RPA?

WHITTY: At the RPA and the contractors. The last advice to me before I left office was that we were still 70% likely to deliver in February 2006.

O'REILLY: Did you choose to listen to the RPA instead of what the farmers were telling you, despite evidence call centres were facing burnout, claims weren't being processed?

WHITTY: No, because I was constantly being told by farmers that there were problems and I was constantly raising it, as indeed was my successor Willy Bach, constantly raising it with RPA, but the reporting system to ministers was still saying we can do it, despite the difficulties.

O'REILLY: The man who was Chief Executive at the Rural Payments Agency at the time was Johnston McNeill. Julie Robinson, who's Chief Legal Advisor to the National Farmers' Union, said as early as 2005 they had concerns about the RPA's ability to make the payments on time, but Mr McNeill continually soothed their fears.

ROBINSON: Johnston McNeill came to speak to the NFU council. He came to speak to them in April 2005 and then at the back end of 2005 as well. At the April meeting many council delegates stood up and recounted really a litany of errors with their digital maps, with not having received application packs on time, with appalling advice being given by the RPA call centre. And Johnston McNeill and his team of senior RPA officers gave explanations and reassurances about that, and of course gave assurances that the timetable for implementation - while being challenging - was meetable.

O'REILLY: But farmers weren't convinced. Letters from the RPA telling them how much money they were entitled to weren't arriving, which drew Julie Robinson to the conclusion that claims just weren't being processed. Her doubts were soon confirmed.

ROBINSON: One of the things that I truly find astonishing is on the 10th November, the NFU and other stakeholders were told that 27% of claims had been fully validated and, you know, were in effect ready to pay once the button was pressed. 27% is about 32,000 claims. When we get the figures finally, after that button has been pushed, we see that 39,000 claims had actually been validated. So between the 10th November and the 14th February some 7,000 had been completed in a matter of three months.

O'REILLY: How many farmers in England?

ROBINSON: Well there were 120,000 claimants.

O'REILLY: So only 7,000 of those claims?

ROBINSON: Yes, just over 2,000 a month, so at that rate, looking back you think, well 2,000 a month, yes, that's over three years to validate the rest of those claims. So I would dearly like to know what was going on here and why they thought, on the basis of those figures, that suddenly pressing a button would magically validate those other 80,000 – 80,000! - claims.

O'REILLY: The government gave the farming industry a commitment that 96% of the subsidy payments would be made by the end of February. The date arrived at the RPA and the button was pushed - but only a few claims popped out before the system gummed up. It turns out all of the computer processes hadn't been tested together. Accenture wouldn't be interviewed, but told us theirs is one of five IT systems and business processes that form the farm payments scheme. They delivered it on time and on budget, despite a challenging environment including unanticipated business volumes. 'We are proud of the system we have built,' they say, 'and it works well.' But we have spoken to someone within the RPA, who doesn't want to be identified, who says sometimes the computer would fail on a regular basis, because of problems which could last for days.

MAN: If the databases go down, if the servers don't work - which means that everything just slows down completely and crashes - we have no power over that, we can't do anything and Accenture seem to take a long time to actually get things sorted out. We had an Accenture rep helping with errors and funny things that happened to the system that we couldn't really fix and he was really helpful, he was really really good, but actually the people behind the system and the people sorting out the really major problems, it did take a long time. It's been down for a day and then the next day it's been slightly slow, but after two or three days it does seem to pick up slightly. It happened about once every week and a half, about once every two weeks, and then we couldn't do anything at all. We were just sitting around twiddling our thumbs.

O'REILLY: Again, we asked Accenture for an interview to discuss this, but they declined. Accenture had already had to make sixty alterations to their computer because of late political changes to the Common Agriculture policy. Their IT had to sit alongside business processes run by the RPA. In a statement they told us their IT system is functioning as designed and has been fully stable since October 2005, as required for delivering payments by February 2006. But it's not just the computer systems at issue, despite the fact that reform was looming, the government took the decision to slim down the Rural Payments Agency. Staff was being reduced by 50%, regional offices were closing. Recent reports of casual staff at the RPA office in Newcastle Upon Tyne leaping naked from filing cabinets and having sex in toilets isn't typical, according to Glen Ford of the Public and Commercial Services Union. He says his members work long hours and suffered a great deal of stress trying to get the money out to farmers.

FORD: There was a large input of data that was needed and that's when we started to have to look to employ additional staffing to do that job, actually putting it into the computer system, typing it in as data processing. Instead of working normal office hours it was decided that we would have to work with an early morning shift, with staff coming in at 6.30 in the morning, a late shift with staff going home at 9 o'clock at night. This created further problems for the staff, because whilst you might well have brought in agency staff to do the actual inputting, they needed to have established civil servants there as managers, so you had then people coming in to manage an early morning shift at 6.30, but then having to manage their own team during the day and were working up until 7 o'clock at night to get the work done. The volume was so high that we ended up having to bring in casual staff or fixed term appointees or agency staff in round figures. At the moment there are now more transient staff, casuals, FTAs and agency staff than there are permanent staff working in the Rural Payments Agency, and the number is actually greater than when we were set up 2001, so the idea of the efficiency savings have just gone out the window.

O'REILLY: Lord Whitty now admits it probably wasn't sensible to have reduced the original permanent staff at the RPA by so much.

WHITTY: The rationalisation of the RPA was following the much earlier decision to establish the RPA. Now that was an ongoing programme. In retrospect I think it was probably true that it was not sensible to have reduced the staff by that much.

O'REILLY: Who made that decision?

WHITTY: The decision had been made by the senior management of the RPA and DEFRA at a much earlier stage, there was a programme which was pursued and which probably should not have allowed so many of the RPA staff to leave at that point.

O'REILLY: Did you have an uneasy feeling during this time?

WHITTY: Very uneasy. I think we all recognised that this was, in a sense, on a knife edge but, whilst the information was still that there were problems, the individual bits that were being reported were proving more and more successful, and week by week there were other parts of the system which they said were tested and which worked.

O'REILLY: Were you misled?

WHITTY: I feel at times we were misled. I would say we were given a story at the optimistic end of the scale, when there was a range of outcomes.

O'REILLY: Misled by who?

WHITTY: Well, the feedback coming to ministers comes through various channels, and there is a natural human tendency for people to report to the optimistic end, and I think that's what happened to a large extent in this system.

O'REILLY: But File on 4 has discovered that the government's own department for scrutinising high risk projects was seriously concerned at what was happening at the Rural Payments Agency. The Office of Government Commerce Gateway Reviews are highly confidential, they are internal documents for the departments concerned, but we have been given details which show warning lights were flashing two years ago over the ability of the RPA to deliver. The Gateway Reviews 1 to 5 are flagged by a traffic light system, green, amber or red. Early reviews of the RPA change programme flashed some red lights, but the issues were dealt with and the project moved to Gate 4 – the readiness for service stage - and that is where it stayed. Are you aware of the Gateway Reviews into the RPA?

WHITTY: Yes, there were some reports from Gateway which came to ministers, but it was clear that the project wasn't sufficiently meeting every criteria, but the reports back on the details of the system were positive, but there were occasional Gateway reports, that's certainly true.

O'REILLY: Were red lights issued?

WHITTY: There were red lights, but red lights apply to anything which isn't fully delivering, and it was behind, so the red light related to it being behind rather than to it being in jeopardy.

O'REILLY: Do you know how many red lights there were?

WHITTY: I don't think the system works like that, that you have a total, the total project had a red light on it. I don't know how many red lights made that up, but every time you looked at it, we were looking at what had been done in the last week or two, what systems had worked, how many had been tested and they, all the subsystems were working.

O'REILLY: But there were red lights?

WHITTY: Well the red light was because the total project wasn't there yet and because the data wasn't coming in and the maps weren't being validated as rapidly as they should have been, and there were serious problems about the validation of the maps, which did put a big query over the project, so the red light was for danger, because we were running behind, because not everything had actually gone to plan, because the data input was behind, seriously behind at various points, but it wasn't that the system wasn't going to work in total.

O'REILLY: It does seem you were given warnings, you had your own misgivings, the Office of Government Commerce was flashing red lights, and still the project proceeded.

WHITTY: Well, the project proceeded, but it was subject to some significant double-checking and additional resources were put in, partly as a result of the intervention by the OGC, and that accounts for part of the increased costs, so it's not as if those warnings were being ignored. We recognised that you needed more resources, a higher level of resource at various points, and some recognition that the data was not coming in or not being validated as rapidly as we previously had hoped. I don't think I or any of the seniors or Margaret Beckett or anybody underestimated the fact that this was a serious problem. What I'm saying is that the intelligence was that the system was going to work, that as you moved on it was more likely rather than less likely to work.

O'REILLY: Do you feel that you were naïve in some way to believe what you were being told by the RPA when all of the other warning signs were flashing?

WHITTY: I think naïve is the wrong word. It's not that we were being naïve, we were querying it all the time, but it still came back that so far as the system is concerned, whilst there are some problems, we still think it is deliverable.

O'REILLY: The former Chief Executive of the Rural Payments Agency, Johnston McNeill, quoted the Office of Government Commerce Gateway Reviews when he was asked to give evidence to an inquiry by the Environment Food and Rural Affairs Committee in January. He said:

READER IN STUDIO: We have a number of OGC reports where we have independent reviews by teams of core experts separate from Accenture and ourselves, who have come and reviewed us on a number of occasions. Whilst they accept this programme as high risk, they have repeatedly identified it as under excellent programme and project management and have identified it as a good piece of work. It is a high risk strategy but they do still believe it is deliverable.

O'REILLY: What Mr McNeill didn't mention, but we have learned, is that there were a number of reviews of the Rural Payments Agency change programme at Gate 4 by the Office of Government Commerce, which had issued the project with an unprecedented number of red lights. The RPA said action was taken, but we have been told not all of the issues were being addressed. We would have liked to have asked Mr McNeill about this, but he wasn't available – nor was anyone else from RPA. Neither was Lord Bach, who took over from Lord Whitty. The man left the pick up the pieces, the current Farming Minister Lord Rooker, didn't seem aware of the Gateway Reviews.

Do you know why the review has been stuck at Gateway 4 for so long?

ROOKER: No, I don't.

O'REILLY: Why it has needed three additional reports at gateway 4?

ROOKER: I've no idea, I've no idea.

O'REILLY: Because I understand there's been a 4, there has been a 4a, a 4b and a 4c, which indicates real problems still existing within the RPA.

ROOKER: No-one is saying there aren't any problems in RPA, I mean, no-one is saying all the problems have been solved. I'm not saying that - far from it.

O'REILLY: But doesn't it indicate that if the review is still stuck at Gateway 4, that there are serious problems still existing within the RPA, and what is needed now, after the mess and the broken promises, is absolute transparency?

ROOKER: Well there'll be absolute transparency, but the fact of the matter is the transparency really comes from the farmers getting their money.

O'REILLY: The latest figures show 83% of claims from farmers have been paid, but there will be a significant number who won't get their money before a 30th June deadline set by the European Commission. Are you going to make the deadline?

ROOKER: Well I can't say that, I can't say whether we're going to make the deadline or not, because I'm not going to make any promises in that respect. We've paid over 90%, there's still three quarters of June to go and we're virtually paying money out on a daily basis.

O'REILLY: Do you understand though that that confidence has been broken?

ROOKER: Oh confidence is shattered, we are as distraught here and the people in the RPA are as distraught because we have not performed well. We do understand the pressure that's been put on farmers and the rural community. They were

ROOKER cont: made promises, repeatedly made promises - it wasn't just on one occasion. People had verification statements back in February, some of whom have not had a penny piece yet, so we do understand that, their suppliers, we've not performed well, we've got to do a lot better.

O'REILLY: There are a number of inquiries going on into why the RPA became so dramatically unstuck and why the computer costs have risen from £18 million to £36 million. The chairman of the Environment, Food and Rural Affairs Committee, Michael Jack, is leading one of them. You've heard the evidence so far. What do you make of it?

JACK: I make of it that there's a great deal of evidence, but I'm still left with that sort of nasty taste in my mouth that I can't easily identify where the body is buried that tells me fundamentally why the Rural Payments Agency weren't able to make their payments on time, as particularly advertised by Lord Bach in January this year.

O'REILLY: Don't you even have a whiff of where that body is?

JACK: I could give you a long list of all the things which I think have accumulated to effectively say that the agency wasn't able to deliver on time, and it may be a bit like a river silting up, that what we've got is a lot of little bits which, when put together, have dammed the river and stopped the flow of money. But what I don't know - and what leaves the nasty taste in the mouth - is whether it's the sum total of the parts that's caused the problem, or whether there's some showstopper issue out there, some failure of management, some failure of system which above all else has caused the RPA not to deliver on time.

O'REILLY: Is it difficult to find out exactly what happened? Is it going to be impossible to get to the truth now that the people that were in charge at the time have gone?

JACK: Nothing is impossible, but it is difficult when so many birds have flown the nest. The Secretary of State, Margaret Beckett, who would have had an overview of this system, she's gone. The minister who was directly responsible for it at the time of failure becoming public, Lord Bach, has gone and he's been left very much carrying the can for the author of the policy, which led to where we are, Lord Whitty, whose signature effectively the minister has designed it. And then underneath that the key officials, they're all disappearing. Johnston McNeill on gardening leave.

O'REILLY: Do you think DEFRA hope that you'll get bored and go away?

JACK: Well they might, but we're not. We made it clear that we wanted to have a forensic inquiry, that we wanted it to be very thorough, and I would anticipate the committee wanting to push on till it had looked under all the stones.

O'REILLY: The 30th June deadline set by Europe for subsidies to be paid won't be extended as the British government has requested - that would need legislation. The European Commission has told us they want to keep the legal deadline in place, as it will give farmers in England the right to take court action for interest and compensation. Arthur Hill, who's owed £100,000 is one of those preparing to take his case to court.

HILL: If I'm not paid by the end of June and the payment window ends on June 30th, I consider that the behaviour of the RPA has been totally intolerable in this whole situation, in the fact that they've not communicated with us, they've not told us what stage they've got to, and they've denied us money that this business needs.

O'REILLY: Will you be asking for compensation?

HILL: If I'm not paid by 30th June, I will be looking for interest and compensation, yes.

O'REILLY: File on 4 understands the government is about to announce they will start paying interest to farmers who haven't received their money by the 30th June deadline. There are some thirteen thousand people who haven't had any money, two thousand of those are priority cases. Since we spoke to Paul and Fiona, who farm in Norfolk, they have received a partial payment of their subsidy, but were told the rest of their money would have to be worked out by hand, because for some reason, the computer couldn't do it. Lord Rooker has admitted that to pay some farmers they will have to by-pass their new multi-million pound computer.

ROOKER: We're determined to get the money out, particularly to the two thousand larger claims that still haven't had a penny. Now if we have to, we will bypass the arrangements that we've got.

O'REILLY: What do you mean by that?

ROOKER: Because some of the cases are incredibly difficult, we may have to see farmers face to face, which we've not been able to do at the present time. There's no infrastructure for that, and that may need us to bypass, if you like, the arrangements set up with the computer, the arrangements set up for telephoning, we may have to even do face to face. We've got named people looking after these last three thousand special cases, the hard cases.

O'REILLY: But from what you are saying, it seems clear that the system can't cope with difficult cases and that they're going to have to be dealt with manually.

ROOKER: Well the last few hundred might have to be, and out of 120,000 what's the problem with that, as long as the people get their money?

O'REILLY: But after everything the farmers have been through, after the amount of money – taxpayers' money - spent on this complicated system of payment, costs have doubled, you're saying that the last claims are going to have to be paid face to face. You're going to have to send people out to see farmers to deal with it.

ROOKER: No, the farmers might bring their maps, if there is a problem with mapping that can't be solved by email or other matters, but I'm talking about the last few hundred - now what's the problem with that in 120,000 claims?

O'REILLY: Instead of this country being champions of reform, farmers are saying it's become the laughing stock of Europe.

ROOKER: Well, I've had farmers come up to me and say thank you, we've had the money. I don't accept that, it's a preposterous claim. We've paid out over 90% of the money within the time limit we're legally obliged to do so. We have caused considerable problems to people in terms of cash flow and I've repeatedly said - and I genuinely mean - we are extremely sorry for that and we've got to do better next year. But for you to claim that we're a laughing stock in Europe, when we've led the reform of the CAP to make it so that we don't have food mountains anymore, so that we get a better system of payments, which actually farmers will be better off, because there will be more money flowing into farming as a result of getting rid of eleven different payment schemes and all the complications of that. I just say that's a preposterous claim.

O'REILLY: It's not just farmers who will pay the price of failure. If the government doesn't meet the 30th June deadline, the British taxpayer could be penalised by Europe. For every month the RPA are late with the cheques, the fines are increased - and could run into millions of pounds. With a backlog still to clear, the Rural Payments Agency faces the challenge all over again. Farmers are already submitting their claims for payment next year - but they're not counting their chickens.

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