
THE NATIONAL ASSEMBLY FOR WALES

AUDIT COMMITTEE

**Report presented to the National Assembly for Wales on 26 March 2004
in accordance with section 102(1) of the Government of Wales Act 1998**

Late Payments to Farmers in Wales

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Introduction

1. In this report we examine the delays by the National Assembly for Wales (the Assembly) in making agricultural support grant and subsidy payments to farmers in the European Commission accounting year from October 2002. On the basis of the report, *Late Payments to Farmers in Wales*, produced by the National Audit Office Wales on behalf of the Auditor General for Wales¹, we took evidence from Sir Jon Shortridge, Permanent Secretary; David Richards, Principal Finance Officer; Gareth Jones, Director of the Department for Environment, Planning and Countryside; and Clive Alexander, Head of the Common Agricultural Policy Management (CAPM) Division.
2. Each year, the Assembly is responsible for administering some £210 million in grants and subsidies to approximately 16,000 farmers in Wales. The great majority of the money (95 per cent by value) is due to farmers under various European Union Common Agricultural Policy (CAP) schemes and Tir Mynydd, a support measure under the Assembly's Rural Development Plan. The remainder is due to farmers claiming under the Assembly's own domestic support measures. These domestic schemes are wide ranging and designed either to protect the land, to encourage farming in less favoured areas, encourage certain types of farming or to provide grants for improving practices, such as waste management.²
3. This report considers the extent of the delays in making grant and subsidy payments to farmers in the year from October 2002, the reasons for the delays, and the Assembly's management of the delays.

The extent of the delays

CAP payments

4. The Assembly aims to meet the European Commission target of making 96.14 per cent of payments by value under CAP schemes within designated timeframes or "payment windows". Member states (the United Kingdom in the case of Wales) that fail to meet this

¹ Report by the Auditor General for Wales, *Late Payments to Farmers in Wales*, presented to the National Assembly on 20 November 2003

² AGW report, paragraphs 1.1, 1.2 and Figure 1

target may suffer disallowance - a reduction in Commission funding.³ Figure 1 below⁴ shows the Assembly's performance in making payments under CAP schemes and the Tir Mynydd programme for the accounting year beginning in October 2002. In total, across these schemes, £49.4 million, or 25 per cent, was not paid within the relevant payment windows. Although the Assembly succeeded in making nearly all payments under the largest scheme, the Sheep Annual Premium Scheme, within its window, only around half of Arable Area Payments and Suckler Cow Premium Scheme payments were made within their payment windows. The Permanent Secretary told us that, in previous years, he understood that the Assembly had been successful in making nearly all payments for each scheme within the payment windows. He recognised that performance in the year in question had therefore been a significant deterioration in service.⁵

Figure 1: Assembly performance against 2002-03 payment windows

<i>Scheme</i>	<i>Payment window</i>	<i>Value of scheme £m</i>	<i>Paid within window £m</i>	<i>Proportion paid within window</i>
Sheep Annual Premium Scheme	16 October 2002 – 31 March 2003	65.8	65.3	99%
Sheep Annual Premium Scheme Less Favoured Area supplement	16 October 2002 – 31 March 2003	18.7	15.3	82%
Arable Area Payments Scheme	16 November 2002 – 31 January 2003	10.9	5.8	53%
Beef Special Premium Scheme	16 October 2002 – 31 July 2003 ¹	23.2	20.9	87%
Suckler Cow Premium Scheme	16 October 2002 – 31 July 2003 ¹	28.2	12.1	42%
Extensification Payment Scheme	1 April - 31 July 2003 ¹	14.5	0	0%
Tir Mynydd (Element 1 and 2)	No designated window but generally paid March to May	37.1	29.6	80%
TOTAL		198.4	149.0	75%

¹ The payment window deadlines for the bovine schemes were originally 30 June, but were extended for all member states due to problems regarding cross bovine penalties

Source: National Assembly for Wales

³ AGW report, paragraphs 1.3 and 2.3-2.4

⁴ AGW report, Figure 3

⁵ Q5

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5. As shown in Figure 1, payment windows last for between three and ten months. Not only was there a significant number of payments outstanding at the close of the payment windows, but many payments made within the payment windows were received by farmers later than in previous years.⁶ Representatives from the farming unions had told the Auditor General how important timely receipt of CAP subsidies were to farmers in Wales, and that, notwithstanding the efforts of the Assembly to make the significance of the payment window clear to them, farmers expected to be paid at around the same time of year as previously.⁷

Assembly domestic support measures

6. Under its own domestic support measures, the Assembly enters into an agreement with the farmer to make annual payments. Payments are then made on the anniversary date of the arrangement, provided the farmer has met the specific requirements outlined under the scheme, and can therefore fall due at any time during the year.⁸ Unlike the CAP schemes, the agreement with the farmer is contractual.⁹ The Assembly allows itself two months after the anniversary date in which to make such payments in recognition that claims may require detailed checks before any payment can be made.¹⁰
7. Payments to farmers under the Assembly's own domestic support measures were also severely delayed. All such payments were suspended for almost four months from 16 October 2002 to 6 February 2003, with payments under some schemes not resuming until much later.¹¹ This was a consequence of the Assembly's decision to focus its efforts on the CAP schemes where the financial stakes were much higher.¹² Within this period, 23 per cent of the total number of annual claims received were due but not paid.¹³ In one of the Assembly's three divisional offices responsible for making payments, nearly half of the support measure payments due in the year from October 2002 were paid outside the two month deadline.¹⁴

⁶ AGW report, paragraph 2.5 and Figure 4

⁷ AGW report, paragraphs 2.10-2.11 and Figure 7

⁸ AGW report, paragraph 2.7

⁹ Qs 2 and 14

¹⁰ Q7

¹¹ AGW report, paragraph 2.8 and Figure 5

¹² Q19

¹³ AGW report, paragraph 2.8

¹⁴ AGW report, paragraph 2.9 and Figure 6

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8. The Permanent Secretary took pains to express his great regret that payments had been delayed to the extent reported by the Auditor General, adding that the Assembly's failure to meet its targets for making payments within the European Commission's designated deadlines had been unacceptable.¹⁵ We welcome this unambiguous acknowledgement of poor performance and are reassured that last year's failure to meet the target for paying within the relevant windows will not affect future funding for CAP payments in Wales.¹⁶
9. The Permanent Secretary also stated that, in order to provide the best possible service to farmers, the Assembly should be aiming to make payments as early as it could within the payment window.¹⁷ We agree: in our view, the Assembly has a duty to ensure that it pays monies properly due to farmers as early as possible - at the opening of the payment window in the case of the CAP schemes. We therefore welcome the excellent start made to the CAP year beginning in October 2003: witnesses reported that some £40 million had been paid into farmers' bank accounts on the day the first payment window opened, with over £90 million paid out at the time of our meeting in November 2003, well over 50 per cent of all annual CAP payments due. In addition, the backlogs on domestic support measures had been cleared.¹⁸ **We recommend that the Assembly sets itself a target for making CAP payments to farmers as early as possible within the payment windows, and that this target is communicated to farmers and performance against it is closely monitored.**

The reasons for the delays

10. The Auditor General reported that a number of issues had contributed to the delays in making payments during this period. The underlying cause was the delay in implementing a new computer system (CAPIT) for administering CAP claims and calculating the payments.¹⁹ CAPIT is an integral part of a wider programme, known as JIGSAW (the Joint Initiative for Government Services across Wales), designed to transform the way that the Assembly's agricultural offices work to provide a much better service to farmers.²⁰ Witnesses set out for us the compelling business need for the Assembly to replace its

¹⁵ Qs 2 and 82

¹⁶ Q6

¹⁷ Q31

¹⁸ Q157

¹⁹ AGW report, paragraphs 3.2-3.4

²⁰ Q3 and AGW report, paragraph 1.5

previous system (known as the Legacy system), not least to ensure continued compliance with European Union regulations.²¹

11. The implementation of CAPIT was thrown off course from the outset by the unexpected outbreak of foot and mouth disease in February 2001, which effectively led to a delay of six months. This had an impact on the remainder of the life of the project, limiting the time the Assembly had to deal with the inevitable difficulties which a major project such as this entails.²² Examples include the problem experienced in scanning data from farmers' applications onto CAPIT, testing the new system and training staff in its use.²³ Another major issue was the advent of complex European regulations affecting the bovine schemes which have caused considerable problems for all paying agencies.²⁴ The Permanent Secretary subsequently provided us with further details of the impact of the new regulations and the continuing need for Cattle Tracing System cross checks.²⁵ It is tribute to the capability of CAPIT, once operational, that, despite the slow start to processing payments on the bovine schemes, the Assembly was soon able to overtake the performance of England.²⁶
12. We asked why the Assembly had taken the decision also to introduce a new computer system (known as CODA) in its Finance division just at the same time that it was wrestling with CAPIT (the two systems needed to communicate with each other). The Permanent Secretary explained that he had no option as the Assembly needed a system that was capable of dealing with the requirements of resource accounting.²⁷ However, one of the key decisions affecting the development of CAPIT was that it, rather than the finance system as had previously been the case, should hold the "matrix data" - information required to accompany each payment. We note that this important decision was described by witnesses as "evolving", with the result that the contractors developing CAPIT were not aware of the requirement until well into the life of the project.²⁸ We recognise that the matrix functionality was in place in CAPIT by the opening of the payment windows in

²¹ Qs 39-40

²² AGW report, paragraph 3.6; Qs 46, 52 and 81

²³ AGW report, paragraphs 3.13-3.16 and 3.18

²⁴ AGW report, paragraphs 3.8-3.11 and Q48

²⁵ Annex B

²⁶ Q48

²⁷ Q62

²⁸ Qs 65-66 and AGW report, paragraph 3.20

October 2002²⁹ but, in the context of such a time-critical project as CAPIT, this represents an undesirable risk to the project.

13. Many of the factors set out in the Auditor General's report as contributing to delays in implementing CAPIT were outside the Assembly's direct control. However, two which remained within its control were allowing staff within the relevant division (CAPM) to be assigned, often on promotion, to work elsewhere within the Assembly, and deciding to relocate CAPM division within Cardiff.³⁰ Witnesses explained the rationale behind each but recognised that these presented additional challenges in delivering a major new IT project.³¹ We are concerned that the Assembly's decisions about the staffing and location of its CAPM team did not pay sufficient regard to the risks facing its continued business operations - although we do recognise that this has to be balanced against the need to be fair and even-handed in the way that Assembly staff are treated. Nonetheless, given the Permanent Secretary's clear desire to deliver a first rate service to farmers, we believe that the Assembly could have done more to put the operational needs of the business first and thereby reducing the risks attached - whether or not these risks subsequently materialised. **We recommend that the Assembly takes decisions about its resources, particularly staff and their location, against criteria which include consideration of where the risks to its business lie.**

14. We were interested more generally in the way that the risks involved in the CAPIT project were managed. Good risk management is essential to minimise the impact of major new projects on continuing business operations - in this case timely and accurate payments to farmers. Witnesses set out the risk management arrangements for the CAPIT project, which they described as "comprehensive". They explained that the advent of the foot and mouth outbreak changed everything. At that point, however, there was no going back: deferring the implementation of CAPIT would have cost at least £1 million as well as running the considerable risks of continuing to use the Legacy system. As the Permanent Secretary concluded, these were two very unattractive options facing the Assembly.³²

²⁹ AGW report, paragraph 3.20

³⁰ AGW report, paragraphs 3.22 and 3.24

³¹ Qs 67-68, 75-78 and 88

³² Qs 81, 83 and 85

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15. The Assembly's contingency plan in the event of problems with CAPIT was to develop further the Legacy system to make payments. But the Auditor General reported that the significant work needed to modify the Legacy system was not started until August 2002, too late to guarantee timely payments on most schemes.³³ The impact of the delays experienced on the CAPIT project therefore fell on farmers in the form of late payments.
 16. We are not in a position to second-guess the decisions taken at the time when the Assembly found itself in a very complex, difficult situation. Witnesses assured us that they were aware of all the relevant risks but that circumstances - especially foot and mouth - meant that they had little option but to adopt the course of action that they did. The way that events unfolded serves to cast some doubt on the adequacy of the Assembly's risk management arrangements on this project. Certainly the outcome - in terms of the delays in payments due to farmers from October 2002 - was highly unsatisfactory.

The Assembly's management of the delays

17. The Auditor General reported that, once it recognised the difficulty it was going to have in making payments, the Assembly took a number of steps to mitigate the impact of the delays on farmers.³⁴ In this part of our report we consider two of these steps - making manual ("hardship") payments and paying interest on late payments. We also examine the effectiveness of the Assembly's communications with the farming community and its contract for CAPIT.

Manual payments

18. In November 2002, the Assembly began to make manual payments to those farmers who could prove, often in the form of a banker's letter, that they were suffering financial hardship. The uptake of this service was low (293 out of over 16,000 farmers) because it was not widely advertised to farmers; both the Assembly and the farming unions agreed that the bulk of resources should be concentrated on making automated payments. Other possible factors reported by the Auditor General were that farmers may have been reluctant to admit to financial difficulty and were discouraged by the cost of obtaining a banker's

³³ AGW report, paragraph 3.29

³⁴ AGW report, paragraph 4.6

letter.³⁵ There appears to have been some confusion on the part of farmers as to whether other evidence would have been acceptable³⁶, which is regrettable.

19. We explored whether there had been scope to negotiate a blanket form of concession with the banks for all farmers expecting payments - similar to actions taken during the foot and mouth crisis when farmers were awaiting compensation payments - rather than advising banks on a case by case basis. Witnesses made the point to us that it might have been misleading to the banks to do this as the timing and level of CAP payments were less certain than compensation payments.³⁷ Nevertheless, **we recommend that, should the Assembly find itself in a similar situation in the future, it gives more thought to how it can help farmers cope with the short term financial consequences.**

Interest payments

20. The Assembly also began making interest payments to farmers who received their subsidies outside of the payment window or, in the case of domestic support measures, two months after the expected date of payments, provided that the delays were due to administrative errors by the Assembly. The interest rate set by the Assembly was one per cent above the London Inter-Bank Offered Rate (LIBOR), which reflects the rate used to charge farmers should they fail to pay the Assembly money owed and the rate that was set in England for late payments the previous year.³⁸ The Assembly set a £50 de minimis threshold before interest became payable on most claims in order to reduce administrative costs.³⁹ For bovine schemes there was an aggregate calculation for farmers claiming under more than one bovine scheme.⁴⁰ In total, by the time of our hearing, the Assembly had paid out some £39,000 in interest payments with more to come.⁴¹
21. Although the Assembly is not required to compensate farmers for failing to make payments within the designated timeframe, we agree with the Permanent Secretary that, in the

³⁵ AGW report, paragraphs 4.8-4.9

³⁶ Qs 99-100

³⁷ Qs 101-107

³⁸ AGW report, paragraph 4.14

³⁹ Q116

⁴⁰ AGW report, paragraph 4.14

⁴¹ Q124

circumstances, compensation in the form of interest payments was entirely justified.⁴² However, the Auditor General's report drew attention to comments made by representatives from the farming unions that the level of interest paid by the Assembly fell short of the costs incurred by farmers as a consequence of not receiving their payments on time.⁴³ We recognise the logic in paying farmers the same rate of interest as is charged to them and accept the Government Accounting point that, even if the Assembly does not borrow and pay interest, there is an opportunity cost to public expenditure.⁴⁴ But these arguments do not take account of the very different financial capacity of each party: the recovery of an overpayment by the Assembly is hardly as crucial to its continuing operations as a late CAP subsidy payment is to a farmer. **We therefore recommend that, in the future, when it considers that compensation to a client such as a farmer is appropriate, the Assembly fixes the level of that compensation having regard to the losses actually incurred by the client.**

Assembly's communications with the farming community

22. In addition to the various measures taken by the Assembly to mitigate the effects of its failure to make timely payments, the Assembly strove to maintain effective communications with the farming community. However, the messages given out by the Assembly about when payments were likely to be made proved to be over-optimistic, expecting a far quicker resolution of problems than subsequently was possible. The Auditor General reported that there was no suggestion that the Assembly had deliberately sought to mislead farmers, but made the point that this had had the effect of further damaging relations between the Assembly and its farming clients.⁴⁵
23. The Permanent Secretary stressed to us the importance of effective communications when things go wrong. Witnesses explained that they had attempted to be as open and honest in their responses as possible in order to try and win farmers' trust.⁴⁶ These are both sentiments with which we agree. We also agree that, in this particular instance, more caution in the Assembly's messages would have been helpful – we do not see any tension

⁴² Qs 113-114

⁴³ AGW report, paragraph 4.16

⁴⁴ Q120

⁴⁵ AGW report, paragraphs 4.17-4.19 and Figure 9

⁴⁶ Qs 125-127

between openness and honesty on the one hand and caution on the other.⁴⁷ To use the example provided by witnesses, telling farmers when payments are going to start is clearly likely to raise expectations in their minds as to when they are likely to be paid;⁴⁸ an open, honest and cautious message might have been to admit that the Assembly was in difficulties, that it was working hard on the problems, that it hoped to start making payments on validated claims by a certain date although this was by no means certain and that individual farmers should therefore not interpret this as any indication of when they were likely to be paid. **We recommend that, when in difficult circumstances such as explaining subsidy payment delays to farmers, the Assembly pays more attention to the messages it gives out in order that it manages more effectively the expectations of others.**

Assembly's contract with Cap Gemini Ernst & Young

24. In view of the difficulties experienced with CAPIT, we asked witnesses whether there had been any sanctions in the contract with the developer, Cap Gemini Ernst & Young. Witnesses explained that the relationship with Cap Gemini had been more in the nature of a partnership, and that the strength of this partnership had enabled both parties to deal more effectively with the problems that arose than might otherwise have been the case.⁴⁹ The Permanent Secretary mentioned that a number of other organisations had visited the Assembly to see what they could learn about the way that this contract has worked.⁵⁰
25. Witnesses also explained that the nature of the solution being sought by the Assembly - innovative and risky - had precluded a fixed price contract; instead, the contract included a risk-reward mechanism whereby both parties shared the benefit or loss from any cost under- or over-runs. This was effectively the only sanction that the Assembly had against the contractor.⁵¹ We note that, while there was no fixed budget for CAPIT, the Assembly estimated that the total outturn cost of the project was within two per cent of the estimate that had been set for it within the overall JIGSAW programme.⁵² This is clearly a welcome outcome, but we retain some uneasiness at the notion of a major IT project not having a

⁴⁷ Qs 125, 127 and 138

⁴⁸ Q126

⁴⁹ AGW report, paragraphs 4.20-4.21; Qs 149-150

⁵⁰ Q150

⁵¹ AGW report, paragraph 4.20; Qs 145, 147-148 and 153-154

⁵² AGW report, paragraph 4.21 and Qs 145-147

fixed budget: in most circumstances this might expose the Assembly to the risk of uncontrollable cost rises. The importance of ensuring that the Assembly's position is as protected as possible in contracts with suppliers is an issue that we have propounded before.⁵³ We recognise that exceptional circumstances can arise which demand incentivised contracting under which target prices are agreed and the risks and benefits are shared between the Assembly and its contractor. However, **we recommend that the Assembly normally seeks to set fixed budgets for all projects as a mechanism for keeping a tight control over expenditure.**

Recommendations

26. In the light of these findings, we recommend that the Assembly:
- i. **sets itself a target for making CAP payments to farmers as early as possible within the payment windows, and that this target is communicated to farmers and performance against it is closely monitored;**
 - ii. **takes decisions about its resources, particularly staff and their location, against criteria which include consideration of where the risks to its business lie;**
 - iii. **should it find itself in a similar situation in the future, give more thought to how it can help farmers cope with the short term financial consequences;**
 - iv. **in the future, when it considers that compensation to a client such as a farmer is appropriate, it fixes the level of that compensation having regard to the losses actually incurred by the client;**
 - v. **when in difficult circumstances such as explaining subsidy payment delays to farmers, pays more attention to the messages it gives out in order that it manages more effectively the expectations of others; and**
 - vi. **normally seeks to set fixed budgets for all projects as a mechanism for keeping a tight control over expenditure.**

⁵³ *Themes in Procurement*, AC 02-02(p4)

Concluding Comments

27. The environment within which the Assembly is in the business of making accurate, timely grant and subsidy payments to farmers is highly complex and wide-ranging. In these circumstances it is easy to understand how a series of mainly external factors - especially foot and mouth - could knock off course a project, no matter how well-planned. The Assembly deserves some credit for its efforts to manage a difficult situation to the best of its abilities. But we remain concerned that delays in making payments to farmers had reached crisis proportions. Timely receipt of these payments is absolutely crucial to many farmers' businesses; and the inherent riskiness of major IT projects within the public sector is well-known. Given that foot and mouth struck in February 2001, over a year and half before the opening of the relevant payment windows, we consider that the Assembly had plenty of time to ensure that it had robust contingency arrangements in place to ensure more timely payments.
28. Against this background we note with interest the Permanent Secretary's comment at the end of our meeting that the JIGSAW programme was expected to lead to annual savings of around £1.5 million.⁵⁴ This is very welcome, although in itself this does not justify the considerable pain felt by farmers in the period after October 2002 when they were waiting to be paid the monies owed to them. We trust that the events of last year were genuinely a one-off and that the Assembly maintains in future years the good start that it has made as regards making prompt payments to farmers under the new computer system.

⁵⁴ Q152



**Cynulliad Cenedlaethol Cymru
Pwyllgor Archwilio**

**The National Assembly for Wales
Audit Committee**

**Taliadau Hwyr i Ffermwyr yng Nghymru
Late Payments to Farmers in Wales**

**Cwestiynau 1-158
Questions 1-158**

**Dydd Iau 27 Tachwedd 2003
Thursday 27 November 2003**

Aelodau o'r Cynulliad yn bresennol: Janet Davies (Cadeirydd), Leighton Andrews, Alun Cairns, Jocelyn Davies, Mark Isherwood, Denise Idris Jones, Val Lloyd.

Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; Lew Hughes, Swyddfa Archwilio Genedlaethol Cymru; Gillian Body, Swyddfa Archwilio Genedlaethol Cymru; Ceri Thomas, Swyddog Cydymffurfio Dros Dro Cynulliad Cenedlaethol Cymru.

Tystion: Syr Jon Shortridge, Ysgrifennydd Parhaol Cynulliad Cenedlaethol Cymru; David Richards, Prif Swyddog Cyllid Cynulliad Cenedlaethol Cymru; Gareth Jones, Cyfarwyddwr Adran yr Amgylchedd, Cynllunio a Chefn Gwlad Cynulliad Cenedlaethol Cymru; Clive Alexander, Pennaeth Is-Adran Rheoli'r Polisi Amaethyddol Cyffredin Cynulliad Cenedlaethol Cymru.

Assembly Members present: Janet Davies (Chair), Leighton Andrews, Alun Cairns, Jocelyn Davies, Mark Isherwood, Denise Idris Jones, Val Lloyd.

Officials present: Sir John Bourn, Auditor General for Wales; Lew Hughes, National Audit Office Wales; Gillian Body, National Audit Office Wales; Ceri Thomas, National Assembly for Wales Acting Compliance Officer.

Witnesses: Sir Jon Shortridge, Permanent Secretary, National Assembly for Wales; David Richards, Principal Finance Officer, National Assembly for Wales; Gareth Jones, Director of the Department for Environment, Planning and Countryside, National Assembly for Wales; Clive Alexander, Head of the Common Agricultural Policy Management Division, National Assembly for Wales.

*Dechreuodd y cyfarfod am 9.30 a.m.
The meeting began at 9.30 a.m.*

[1] **Janet Davies:** Good morning. I welcome everybody, including Committee members, witnesses, and members of the public to this Audit Committee session. We have had apologies from Carl Sargeant and Mick Bates. Christine Gwyther will be absent for the evidence-taking session. She was a Cabinet member at a relevant time and, under Standing Order No. 12.7, she feels that it is better for her not to come to the evidence-taking session. Will the witnesses introduce themselves for the record, please?

Sir Jon Shortridge: I am Jon Shortridge, the Permanent Secretary.

Mr Richards: I am David Richards, the Principal Finance Officer.

Mr Jones: I am Gareth Jones, the director of the Department for Environment, Planning and Countryside.

Mr Alexander: I am Clive Alexander, Head

[1] **Janet Davies:** Bore da. Hoffwn groesawu pawb, gan gynnwys aelodau'r Pwyllgor, tystion ac aelodau'r cyhoedd i'r sesiwn hwn o'r Pwyllgor Archwilio. Yr ydym wedi cael ymddiheuriadau gan Carl Sargeant a Mick Bates. Ni fydd Christine Gwyther yn bresennol yn ystod y sesiwn cymryd tystiolaeth. Yr oedd yn aelod o'r Cabinet ar adeg berthnasol ac, o dan Reol Sefydlog Rhif 12.7, mae'n teimlo ei bod yn well iddi beidio â dod i'r sesiwn cymryd tystiolaeth. A wnaiff y tystion gyflwyno'u hunain ar gyfer y cofnod, os gwelwch yn dda?

Syr Jon Shortridge: Fi yw Jon Shortridge, yr Ysgrifennydd Parhaol.

Mr Richards: Fi yw David Richards, y Prif Swyddog Cyllid.

Mr Jones: Fi yw Gareth Jones, cyfarwyddwr Adran yr Amgylchedd, Cynllunio a Chefn Gwlad.

Mr Alexander: Fi yw Clive Alexander,

of the Common Agricultural Policy Management Division.

Pennaeth Is-adran Rheoli'r Polisi Amaethyddol Cyffredin.

[2] **Janet Davies:** Thank you. Do any members need to make a declaration of interest? No? Right. I remind everybody, particularly members of the public, that the Committee operates bilingually. Headsets are available for translation. If you have difficulty in hearing, which sometimes happens, you will be able to hear more clearly using the headsets. Could everyone also turn mobile phones, pagers, and other electronic devices off, please?

[2] **Janet Davies:** Diolch. A oes unrhyw aelod am ddatgan buddiant? Na? O'r gorau. Hoffwn atgoffa pawb, yn enwedig aelodau'r cyhoedd, bod y Pwyllgor yn gweithredu'n ddwyieithog. Mae clustffonau ar gael ar gyfer cyfieithiad. Os ydych yn cael trafferth clywed, sy'n digwydd o bryd i'w gilydd, byddwch yn gallu clywed yn well drwy ddefnyddio'r clustffonau. A all pawb ddiffodd eu ffonau symudol, blipwyr, a dyfeisiau electronig eraill, os gwelwch yn dda?

Turning to the evidence-taking session on late payments to farmers, this is something that members have been aware of for some time, so we asked the Auditor General to examine the issue and report his findings to us. His report goes to the heart of the matter in assessing whether the service provided by the Assembly to a sizeable group of its clients was good enough in this instance. The report states that timely and accurate payments are very important. There is no problem whatsoever about the accuracy of payments, but there has been some difficulty over timeliness, which is mainly the topic that we are pursuing this morning. I will start by asking a question that sets this in context. Sir Jon, could you clarify what the legal position is concerning the common agricultural policy scheme payments? Is there a contract of any sort between the Assembly and farmers and, if there is, what are its terms?

Gan droi at y sesiwn cymryd tystiolaeth ynglŷn â thaliadau hwyr i ffermwyr, mae hyn yn rhywbeth y mae aelodau wedi bod yn ymwybodol ohono ers cryn amser, felly bu inni ofyn i'r Archwilydd Cyffredinol archwilio'r mater ac adrodd ei ganfyddiadau inni. Mae ei adroddiad yn mynd i wraidd y mater wrth asesu a oedd y gwasanaeth a ddarparwyd gan y Cynulliad i grŵp sylweddol o'i gleientiaid yn ddigon da ar yr achlysur hwn. Noda'r adroddiad fod taliadau prydlon a chywir yn bwysig iawn. Nid oes problem o gwbl o ran cywirdeb y taliadau, ond cafwyd rhywfaint o anhawster ynglŷn â phrydlondeb, sef y pwnc yr ydym yn ei drafod y bore yma yn bennaf. Dechreuaf drwy ofyn cwestiwn sy'n rhoi hyn mewn cyd-destun. Syr Jon, a allech egluro beth yw'r sefyllfa gyfreithiol ynglŷn â thaliadau'r cynlluniau polisi amaethyddol cyffredin? A oes unrhyw fath o gontract rhwng y Cynulliad a ffermwyr ac, os oes contract, beth yw ei delerau?

Sir Jon Shortridge: Chair, I will just start by saying, if I may, because I think that I need to get it on to the record at the outset, just how much I regret the fact that some 25 per cent of payments to farmers were made late in 2002-03. I think that it is important that I should have the opportunity to say that, so that there is no doubt about it later. In terms of the contractual arrangements, I think that we are under a European Union obligation to make these payments, but I do not think, in terms of formal contract law, that in the case of the CAP payments we are in a contractual position. It is different in the case of our own domestic arrangements, but for the CAP

Syr Jon Shortridge: Gadeirydd, yr wyf am ddechrau drwy ddweud, os y caf, oherwydd credaf fod angen i mi ei roi ar gofnod o'r cychwyn cyntaf, gymaint yr wyf yn gresynu'r ffaith i ryw 25 y cant o daliadau i ffermwyr gael eu gwneud yn hwyr yn 2002-03. Credaf ei bod yn bwysig i mi gael cyfle i ddweud hynny, fel nad oes amheuaeth am hynny maes o law. O ran trefniadau'r contract, credaf ein bod o dan rwymedigaeth yr Undeb Ewropeaidd i wneud y taliadau hyn, ond ni chredaf, o ran cyfraith contract ffurfiol, ein bod mewn sefyllfa gytundebol yn achos y taliadau PAC. Mae'n wahanol yn achos ein trefniadau domestig ni ein hunain, ond nid

ones, it is not contractual. However, Gareth will correct me if I have got that wrong.

Mr Jones: No. That is correct. As far as some of the domestic payments are concerned, we enter into agreements with farmers to make, usually, anniversary payments, but as far as CAP payments are concerned, there is not a contract with farmers. There is, clearly, an understanding between ourselves and farmers that we will provide as good a service as we possibly can.

[3] **Janet Davies:** Right, thank you. So there is a difference, then, between the CAP payments and the Assembly's own payments. If we look at paragraph 1.5 of the report, the Assembly is reported as believing that the Joint Initiative for Services Across Wales programme has had many achievements. Now, this is a programme that was intended to improve services for farmers, but CAPIT was the farmers' part of the JIGSAW programme. The report does say that this programme has had many achievements. How does that view square with the problems of the past year in relation to the payment delays set out in the report?

Sir Jon Shortridge: I think, Chair, that it is important to understand that CAPIT is an integral part of the JIGSAW programme, but that the JIGSAW programme goes much wider. Essentially, the JIGSAW programme was about transforming the way in which the agricultural offices work, and providing a much better service to farmers. The payments are an important part of that service, obviously, but what we have done over the period since about 1999 is turned these agricultural offices around so that, instead of their facing the centre and Europe and seeing their role simply as complying with European requirements—which is important—we have made them much more farmer focused, looking to provide a much better service to farmers. So one of the big ironies and disappointments of the 2002-03 payment year was that, when we introduced the new payment system, we let the farmers down, or a significant proportion of the farmers down, in the way in which this report describes. However, if you put JIGSAW into this wider context and then look at the performance that

yw'n gytundebol ar gyfer y rhai PAC. Fodd bynnag, gall Gareth fy nghywiro os wyf yn anghywir ar hynny.

Mr Jones: Na. Mae hynny'n gywir. O ran rhai o'r taliadau domestig, yr ydym yn gwneud cytundebau gyda ffermwyr i wneud, fel rheol, taliadau ar yr un pryd bob blwyddyn, ond o ran taliadau PAC, nid oes contract gyda ffermwyr. Mae'n amlwg bod dealltwriaeth rhyngom ni a'r ffermwyr y byddwn yn darparu gwasanaeth cystal ag y gallwn.

[3] **Janet Davies:** Iawn, diolch. Felly mae gwahaniaeth rhwng y taliadau PAC a thaliadau'r Cynulliad. Os edrychwn ar baragraff 1.5 yr adroddiad, dywedir fod y Cynulliad o'r farn bod rhaglen Cyd-fenter Gwasanaethau'r Llywodraeth yng Nghymru wedi cyflawni llawer. Nawr, dyma raglen a oedd wedi ei bwriadu i wella gwasanaethau i ffermwyr, ond CAPIT oedd rhan y ffermwyr o'r rhaglen JIGSAW. Dywed yr adroddiad fod y rhaglen hon wedi cyflawni llawer. Sut y mae'r farn honno'n cyd-fynd â phroblemau'r flwyddyn ddiwethaf o ran y taliadau hwyr a nodir yn yr adroddiad?

Syr Jon Shortridge: Credaf, Gadeirydd, ei bod yn bwysig deall bod CAPIT yn rhan annatod o'r rhaglen JIGSAW, ond bod y rhaglen JIGSAW yn llawer ehangach na hynny. Yn y bôn, nod y rhaglen JIGSAW oedd trawsnewid y modd y mae ein swyddfeydd amaethyddol yn gweithredu, a darparu gwasanaeth llawer gwell i ffermwyr. Mae'r taliadau yn rhan bwysig o'r gwasanaeth hwnnw, yn amlwg, ond yr hyn yr ydym wedi ei wneud yn y cyfnod ers tua 1999 yw gweddnewid y swyddfeydd amaethyddol hyn fel, yn hytrach na'u bod yn wynebu'r canol ac Ewrop ac yn ystyried mai eu swyddogaeth yw cydymffurfio â gofynion Ewrop yn unig—sydd yn bwysig—yr ydym wedi gwneud iddynt ganolbwyntio mwy ar y ffermwr, gan geisio darparu gwasanaeth llawer gwell i ffermwyr. Felly un o eironïau a siomedigaethau mawr blwyddyn daliadau 2002-03 oedd, pan y bu inni gyflwyno'r system dalu newydd, y bu inni fethu'r ffermwyr, neu gyfran sylweddol o'r ffermwyr, yn y modd a ddisgrifir yn yr adroddiad hwn. Fodd bynnag, os ydych yn

we have achieved so far in the 2003-04 payments year, I think that you can see that this has been a very successful programme and is proving to be a very successful programme and, indeed, we are beginning to win quite important accolades for the way in which we provide this service to farmers for the future. Just to repeat, it was very disappointing to all of us that last year we were not able to provide the farmers with the service that, as the report says, they had a right to expect.

[4] **Janet Davies:** Right. Thank you, Sir Jon. Val, you have some questions?

[5] **Val Lloyd:** Thank you, Chair. Good morning. I am taking my figures from figure 3 in the report. In the last CAP payment year, the Assembly only succeeded in paying 75 per cent of scheme moneys within the relevant payment windows. Do you know how that performance compares with that of previous years?

Sir Jon Shortridge: I do not think that I have the detailed figures on that in front of me. However, in previous years, to the best of my knowledge, we would have been fully compliant with the 96.14 per cent payment requirement of the EU. So this was a significant deterioration in our service.

[6] **Val Lloyd:** Thank you. Could you confirm what is said at paragraph 2.4, that there is no threat to future funding for Wales as a result of last year's problems?

Sir Jon Shortridge: I can confirm that, in that in the slightly arcane arrangements that we have in relation to accounting for European funding, the EU operates at the member state level. So if it considers that the member state has not been sufficiently compliant then infraction proceedings are taken against that member state, and the principal accounting officer for that purpose is the Department for Environment, Food and Rural Affairs accounting officer. This is therefore a hit that is taken by the UK Treasury, not by the Assembly.

rhoi JIGSAW yn ei gyd-destun ehangach ac yna'n edrych ar y perfformiad yr ydym wedi ei gyflawni hyd yn hyn ym mlwyddyn daliadau 2003-04, credaf y gallwch weld bod hon wedi bod yn rhaglen lwyddiannus iawn a'i bod yn rhaglen lwyddiannus iawn ac, yn wir, yr ydym yn dechrau ennill clod eithaf pwysig am y modd yr ydym yn darparu'r gwasanaeth hwn i ffermwyr ar gyfer y dyfodol. I ailadrodd felly, cawsom i gyd siom y llynedd nad oeddem yn gallu darparu ffermwyr â'r gwasanaeth, fel y dywed yr adroddiad, yr oedd ganddynt yr hawl i'w ddisgwyl.

[4] **Janet Davies:** Iawn. Diolch, Syr Jon. Val, mae gennyh gwestiynau?

[5] **Val Lloyd:** Diolch, Gadeirydd. Bore da. Yr wyf yn cael fy ffigurau o ffigur 3 yn yr adroddiad. Yn y flwyddyn daliadau PAC ddiwethaf, dim ond 75 y cant o arian y cynlluniau y llwyddodd y Cynulliad i'w dalu o fewn y cyfnodau talu perthnasol. A wyddoch sut y mae'r perfformiad hwnnw yn cymharu â pherfformiad y blynyddoedd blaenorol?

Syr Jon Shortridge: Ni chredaf fod gennyf ffigurau manwl am hynny o'm blaen. Fodd bynnag, yn y blynyddoedd blaenorol, hyd eithaf fy ngwybodaeth, buasem wedi cydymffurfio'n llawn â gofyniad talu 96.14 y cant yr UE. Felly, yr oedd hyn yn ddirywiad sylweddol yn ein gwasanaeth.

[6] **Val Lloyd:** Diolch. A allech gadarnhau yr hyn a ddywedir ym mharagraff 2.4, sef nad yw cyllid ar gyfer Cymru yn y dyfodol dan fygythiad oherwydd problemau y llynedd?

Syr Jon Shortridge: Gallaf gadarnhau, yn ôl y trefniadau dirgel braidd sydd gennym mewn perthynas â rhoi cyfrif am gyllid Ewrop, fod yr UE yn gweithredu ar lefel aelod-wladwriaeth. Felly os yw'n ystyried nad yw'r aelod-wladwriaeth wedi cydymffurfio'n ddigonol, caiff achos torri rheolau ei ddwyn yn erbyn yr aelod-wladwriaeth honno, a'r prif swyddog cyfrifo ar gyfer y diben hwnnw yw swyddog cyfrifo Adran yr Amgylchedd, Bwyd a Materion Gwledig. Felly cyfrifoldeb Trysorlys y DU, nid y Cynulliad, yw hwn.

[7] **Val Lloyd:** Thank you. You made reference when you first spoke to the different schemes. For the Assembly's own support measures, why does the Assembly give itself two months to make payments, even when a valid claim has been submitted by a farmer? Is there a reason why you do not pay on the anniversary of the agreement?

Sir Jon Shortridge: I will leave that one to Gareth, I think.

Mr Jones: Inevitably, when we get claims in, they are very often domestic support measures, which have to be backed up by supporting information, usually information about what the farmer has undertaken as part of the agreement between ourselves and the farmer. It may be capital works, or it may be other works on the farm to improve the environmental aspects of the farm. There are, inevitably, a series of checks that we have to undertake to ensure that the necessary work has been done and that the necessary money has been defrayed, or whatever. In normal circumstances, 60 days simply would not be required to undertake those checks, and we would seek to make payments as quickly as possible. For example, this year, under the farm woodland schemes, we managed to make 97 per cent of the payments that were due to farmers within two weeks of those payments being due. So, the 60 days is not a reflection of the amount of time that we would normally take; it is simply a recognition that there are often circumstances where detailed checks have to be undertaken. There is quite often discussion between ourselves and the farmers about the claims before we can satisfy ourselves that they can properly be paid.

[8] **Val Lloyd:** So, it would possibly be nearer to the fairly universal 30 days in which people meet invoices generally?

Mr Jones: It would often be considerably less than 30 days.

[9] **Val Lloyd:** Thank you. Paragraph 2.7 tells me that interest is payable if the Assembly is later than that in making the payment, but only for the year 2002-03. Why is it only payable during that year?

[7] **Val Lloyd:** Diolch. Wrth i chi ddechrau siarad, bu ichi sôn am y gwahanol gynlluniau. Yn achos mesurau cymorth y Cynulliad, pam mae'r Cynulliad yn rhoi dau fis iddo'i hun i wneud taliadau, hyd yn oed pan fo'r ffermwr wedi cyflwyno cais dilys? A oes rheswm pam nad ydych yn talu ar ben-blwydd y cytundeb?

Syr Jon Shortridge: Credaf fy mod am adael hwnnw i Gareth.

Mr Jones: Yn anochel, pan yr ydym yn cael hawliadau, mesurau cymorth domestig ydynt yn aml iawn, sy'n rhaid eu hategu gan wybodaeth gefnogol, gwybodaeth am yr hyn y mae'r ffermwr wedi ei wneud yn rhan o'r cytundeb rhyngom ni a'r ffermwr fel arfer. Gall fod yn waith cyfalaf, neu gall fod yn waith arall ar y fferm i wella agweddau amgylcheddol ar y fferm. Yn anochel, mae cyfres o wiriadau y mae'n rhaid inni eu cynnal i sicrhau bod y gwaith angenrheidiol wedi ei gyflawni, a bod yr arian angenrheidiol wedi ei dalu, neu beth hynny. Dan amgylchiadau cyffredin, ni fyddai angen 60 niwrnod i gyflawni'r gwiriadau hynny, a byddem yn ceisio gwneud taliadau cyn gynted â phosibl. Er enghraifft, eleni, dan y cynlluniau coetir ffermydd, llwyddasom i wneud 97 y cant o'r taliadau a oedd yn ddyledus i ffermwyr o fewn pythefnos i'r dyddiad yr oedd y taliadau hynny yn ddyledus. Felly, nid yw'r 60 diwrnod yn adlewyrchiad o faint o amser y byddem yn ei gymryd fel arfer; yn hytrach, mae'n cydnabod bod yn aml amgylchiadau lle mae'n rhaid cynnal gwiriadau manwl. Yn eithaf aml, ceir trafodaethau rhyngom ni a'r ffermwyr am yr hawliadau cyn y gallwn fodloni'n hunain y gellir eu talu'n briodol.

[8] **Val Lloyd:** Felly, a fyddai o bosibl yn nes at y sefyllfa eithaf cyffredinol lle mae pobl yn ymateb i anfonebau o fewn 30 diwrnod fel arfer?

Mr Jones: Byddai'n aml gryn dipyn yn llai na 30 diwrnod.

[9] **Val Lloyd:** Diolch. Mae paragraff 2.7 yn dweud wrthyf bod llog yn daladwy os yw'r Cynulliad yn hwyrach na hynny yn gwneud y taliad, ond ar gyfer y flwyddyn 2002-03 yn unig. Pam mai dim ond yn y flwyddyn honno

y mae'n daladwy?

Sir Jon Shortridge: It is only in the sense that that was the position as for 2002-03. If circumstances in 2003-04 were such as to make it appropriate to pay interest, then we would do so again.

Syr Jon Shortridge: Oherwydd mai dyna oedd y sefyllfa ar gyfer 2002-03. Pe bai amgylchiadau yn 2003-04 yn gwneud talu llog yn briodol, yna byddem yn gwneud hynny unwaith eto.

[10] **Val Lloyd:** I would like to consider the agreements that you have with individual farmers. What would the legal position be if interest is not normally payable?

[10] **Val Lloyd:** Hoffwn ystyried y trefniadau yr ydych wedi eu gwneud â ffermwyr unigol. Beth fyddai'r sefyllfa gyfreithiol os nad yw llog fel arfer yn daladwy?

Sir Jon Shortridge: If interest is not normally payable?

Syr Jon Shortridge: Os nad yw llog fel arfer yn daladwy?

[11] **Val Lloyd:** Yes, what is the reflection on the agreement?

[11] **Val Lloyd:** Ie, beth yw'r adlewyrchiad ar y cytundeb?

Sir Jon Shortridge: I will have to hand this to Gareth, but I imagine that if there is an agreement and the farmer feels that we have not complied sufficiently with that agreement, he would have recourse to the law. We would obviously want to avoid recourse to the law, if we could, so we would be seeking to find some way of mitigating the farmer's loss, hence the interest payments.

Syr Jon Shortridge: Bydd yn rhaid i mi drosglwyddo hwn i Gareth, ond dychmygaf os oes cytundeb a bod y ffermwr yn teimlo nad ydym wedi cydymffurfio'n ddigonol â'r cytundeb hwnnw, y byddai'n gallu troi at y gyfraith. Byddem yn amlwg am osgoi troi at y gyfraith, pe bai'n bosibl, felly byddem yn ceisio dod o hyd i ryw fodd o leddfdu colled y ffermwr, ac felly y taliadau llog.

Mr Jones: That is absolutely right. This has not been tested because, in a sense, we have not found ourselves in this position before 2002-03 and we do not expect to find ourselves in this position again. Ministers made the decision to pay interest where it could be argued, deemed or agreed that payments were late—either CAP payments or domestic measures payments—and that was accordingly done. However, we have not actually tested as a matter of law, whether or not we would be required to make interest payments.

Mr Jones: Mae hynny'n hollol gywir. Nid yw hyn wedi ei roi ar brawf oherwydd, ar un ystyr, nid ydym wedi cael ein hunain yn y sefyllfa hon cyn 2002-03 ac nid ydym yn disgwyl cael ei hunain yn y sefyllfa hon eto. Gwnaeth Gweinidogion y penderfyniad i dalu llog lle gellid dadlau, barnu neu gytuno bod taliadau yn hwyr—naill ai taliadau PAC neu daliadau mesurau domestig—ac felly y bu. Fodd bynnag, nid ydym mewn gwirionedd wedi rhoi ar brawf fel mater o gyfraith, a fyddai'n rhaid inni wneud taliadau llog ai peidio.

[12] **Val Lloyd:** Thank you, Chair.

[12] **Val Lloyd:** Diolch, Gadeirydd.

[13] **Jocelyn Davies:** May I ask why these payments were made, if that was not required by the contract or if you had not tested to see if it was required by law? Why make interest payments?

[13] **Jocelyn Davies:** A gaf ofyn pam y gwnaethpwyd y taliadau hyn, os nad oedd hynny'n ofynnol yn y contract neu os nad oeddech wedi gwirio a oedd yn ofynnol dan y gyfraith? Pam gwneud taliadau llog?

Mr Jones: Ministers decided that in light of the fact that it could be reasonably argued by any farmer that, if he had not received his payment within the CAP payment window,

Mr Jones: Penderfynodd Gweinidogion yn sgîl y ffaith y gallai unrhyw ffermwr ddadlau'n rhesymol, os nad oedd wedi derbyn ei daliad o fewn cyfnod talu'r PAC,

we had in some way not administered his claim satisfactorily. It was a decision made across the UK in previous instances that all paying agencies would—if there were circumstances where payments were made after the payment window, through no fault of the farmer—make some sort of recompense. It reflects the fact that we charge interest to farmers if they are repaying money to us and do not do so in a timely way. If that happens then we charge interest in the way that *Government Accounting* requires us to. This is, in effect, the other side of that coin.

[14] **Jocelyn Davies:** But that is part of the contract, is it not, that you can claim interest from farmers, if you are having to reclaim money that they have wrongly claimed?

Mr Jones: As the Permanent Secretary said earlier, as far as CAP payments are concerned, there is not really a contract as such. There is merely an understanding within the scheme that is operated that payments will be made in a timely way.

[15] **Jocelyn Davies:** Did farmers reasonably argue that they should receive interest payments, or did Ministers just say that they thought they should do that because a farmer could reasonably argue that?

Mr Jones: There was a very strong lobby coming from the farming unions for Ministers to agree to make interest payments. Ministers considered it, it was discussed in great detail, you will remember, in the Agriculture and Rural Development Committee, and Ministers decided to agree to make those payments.

[16] **Jocelyn Davies:** Okay, thank you for clarifying that.

[17] **Janet Davies:** Could I just pursue the point about there being no real contract and quoting for CAP payments? Is there any particular reason for that? Are there some rules with the European Commission that there should not be real contracts?

Sir Jon Shortridge: Chair, I am in some difficulty here. I have not addressed that

nad oeddem wedi gweinyddu ei hawliad yn foddhaol mewn rhyw fodd. Yr oedd yn benderfyniad a wnaethpwyd ledled y DU mewn achosion blaenorol, sef y byddai pob asiantaeth dalu—os oedd amgylchiadau lle gwnaethpwyd taliadau ar ôl y cyfnod talu, heb unrhyw fai ar y ffermwr—yn gwneud ad-daliad o ryw fath. Mae'n adlewyrchu'r ffaith ein bod yn codi llog ar ffermwyr os ydynt yn ad-dalu arian inni a heb wneud hynny yn brydlon. Os digwydd hynny, yr ydym yn codi llog fel y mae *Government Accounting* yn gofyn inni ei wneud. Dyma, i bob pwrpas, yw ochr arall y geiniog honno.

[14] **Jocelyn Davies:** Ond onid yw hynny'n rhan o'r contract, eich bod yn gallu hawlio llog gan ffermwyr, os ydych yn gorfod ad-hawlio arian y maent wedi ei hawlio ar gam?

Mr Jones: Fel y dywedodd yr Ysgrifennydd Parhaol yn gynharach, o ran taliadau PAC, nid oes contract fel y cyfryw. Yn hytrach, mae dealltwriaeth o fewn y cynllun a weithredir y bydd taliadau yn cael eu gwneud mewn modd prydlon.

[15] **Jocelyn Davies:** A ddadleuodd ffermwyr yn rhesymol y dylent dderbyn taliadau llog, neu a ddywedodd Gweinidogion eu bod o'r farn y dylent wneud hynny oherwydd y gallai ffermwr ddadlau hynny yn rhesymol?

Mr Jones: Cafwyd pwysau cryf iawn gan undebau'r amaethwyr ar i Weinidogion gytuno i wneud taliadau llog. Bu Gweinidogion yn ei ystyried, cafodd ei drafod yn fanwl iawn, fe gofiwch, yn y Pwyllgor Amaeth a Datblygu Gwledig, a phenderfynodd Gweinidogion gytuno i wneud y taliadau hynny.

[16] **Jocelyn Davies:** O'r gorau, diolch am egluro hynny.

[17] **Janet Davies:** A allwn sôn ymhellach am y ffaith nad oes contract na chynnig go iawn ar gyfer taliadau PAC? A oes rheswm penodol dros hynny? A oes rheolau gyda'r Comisiwn Ewropeaidd na ddylid cael contractau go iawn?

Syr Jon Shortridge: Gadeirydd, yr wyf mewn peth trafferth yn y fan hon. Nid wyf

particular issue, though Gareth may be able to help in a minute. I have always seen it as a European requirement that we, as the paying agency on behalf of the commission, should make grants to farmers in compliance with European legislation. So, it seems to me to be a statutory arrangement more than a contractual one. Arguably, the reality is very different. There is a lawful requirement on the Assembly, as the paying agency, to make such payments.

Mr Jones: I think that the important point to make here, Chair, is that we are talking about something in the region of 160,000 payments to probably getting on for 20,000 farmers in every year. Clearly, to have individual contracts for all of those payments would be impossible. What we do have is individual scheme guidelines and guidance and literature, which farmers are sent every year. They fill in application forms, as you might expect, for each of the schemes for which they want to apply. They fill in control forms to give us information about their businesses and their holdings and, although there is not a formal contract between us and farmers with regard to the CAP schemes, there is clearly a framework within which we and they operate, which is all set out in European regulations and the scheme rules that we provide.

[18] **Janet Davies:** Okay, thank you. Alun?

[19] **Alun Cairns:** Thank you, Cadeirydd. Sir Jon and Mr Jones, I will probably come back to your last statements in a moment or so, but before doing that, I want to focus for the moment on the domestic support measures. While I recognise the severe pressure that you were under a year ago to make progress with CAP payments, do you believe that it is acceptable to suspend domestic support measure payments, which are still worth over £10 million annually to farmers? You suspended them for four months.

Sir Jon Shortridge: Well, this was a judgment that we had to make, given the situation in which we found ourselves, and the view was taken that the main CAP

wedi mynd i'r afael â'r mater penodol hwnnw, er efallai y gall Gareth gynorthwyo mewn munud. Yr wyf bob amser wedi ei ystyried yn ofyniad Ewropeaidd y dylem, fel yr asiantaeth dalu ar ran y comisiwn, wneud grantiau i ffermwyr yn unol â deddfwriaeth Ewropeaidd. Felly, mae'n ymddangos i mi mai trefniad statudol ydyw yn hytrach nag un cytundebol. Gellir dadlau bod y realiti yn dra gwahanol. Mae gofyniad cyfreithlon ar y Cynulliad, fel yr asiantaeth dalu, i wneud y cyfryw daliadau.

Mr Jones: Credaf mai'r pwynt pwysig i'w wneud yn y fan hon, Gadeirydd, yw ein bod yn sôn am oddeutu 160,000 o daliadau i tua 20,000 o ffermwyr bob blwyddyn. Yn amlwg, byddai'n amhosibl cael contractau unigol ar gyfer y taliadau hynny i gyd. Yr hyn sydd gennym yw canllawiau a chyfarwyddyd a llenyddiaeth ar gyfer cynlluniau unigol, sy'n cael eu hanfon at ffermwyr bob blwyddyn. Maent yn llanw ffurflenni cais, fel y byddech yn disgwyl, ar gyfer pob un o'r cynlluniau y maent am wneud cais amdanynt. Maent yn llanw ffurflenni rheoli i roi gwybodaeth inni am eu busnesau a'u ffermydd ac, er nad oes contract ffurfiol rhyngom ni a ffermwyr yn achos cynlluniau'r PAC, mae'n amlwg bod fframwaith yr ydym ni a nhw yn gweithredu o'i fewn, ac mae'r cyfan wedi ei nodi mewn rheoliadau Ewropeaidd ac yn y rheolau cynllun a ddarparwn.

[18] **Janet Davies:** O'r gorau, diolch. Alun?

[19] **Alun Cairns:** Diolch, Gadeirydd. Syr Jon a Mr Jones, mae'n debygol y deuf yn ôl at eich datganiadau diwethaf mewn munud neu ddau, ond cyn gwneud hynny, yr wyf am ganolbwyntio am funud ar y mesurau cymorth domestig. Er fy mod yn cydnabod y pwysau dychrynlyd a oedd arnoch flwyddyn yn ôl i wneud cynnydd â'r taliadau PAC, a ydych o'r farn ei bod hi'n dderbyniol gohirio taliadau mesurau cymorth domestig, sy'n dal i fod yn werth dros £10 miliwn y flwyddyn i ffermwyr? Bu ichi eu gohirio am bedwar mis.

Syr Jon Shortridge: Wel, dyma'r penderfyniad y bu'n rhaid inni ei wneud, o ystyried y sefyllfa y cawsom ein hunain ynddi, a phenderfynwyd mai'r prif gynlluniau

schemes were the ones that would provide most money to most farmers, and they were the ones where there was a greater risk of infraction proceedings being taken against the United Kingdom Government. Therefore, the view was taken that, regrettably, priority should be given to those schemes.

[20] **Alun Cairns:** A large part of the reason for the delay in the CAP payments would obviously be because of the CAPIT system. We will no doubt come on to that in some detail a bit later on. Are the domestic support measures part of the same CAPIT system?

Sir Jon Shortridge: No, they are not.

[21] **Alun Cairns:** Right. If they are not part of the CAPIT system, which was causing the delay with the CAP payments, why could you not ensure that additional resources were applied to enable the domestic support measures to be paid, because there was nothing wrong with that system, was there?

Sir Jon Shortridge: I will pass you over to Gareth, but, essentially, this is a staffing issue, as opposed to an IT issue.

Mr Jones: It is both a staffing and an IT issue. Clearly, we always have a limited amount of experienced and skilled resource available to deal with all of the payments that we make to farmers, and we had to make best use of those people. However, both CAP schemes and domestic support measures are actually paid out of our finance system, the Assembly's finance system, known as the CODA system. Although calculation and validation to ensure eligibility and accuracy are done differently with regard to domestic support measures, compared with the CAP schemes—indeed a lot of the domestic support measures are done in a very manual and resource intensive way—the actual payments for both the CAP schemes and our domestic support measures are done via the CODA system. There was, therefore, a clash of priorities with regard to what testing could be done to ensure that the new CODA system could be ready to make payments, either on CAP schemes or domestic support measures. So we had to take a judgment during the period in question as to whether or not to use our resources to test the links between the

PAC oedd y rhai a fyddai'n darparu'r swm mwyaf o arian i'r nifer fwyaf o ffermwyr, a hwy oedd y rhai lle yr oedd y risg mwyaf o achosion torri rheolau yn cael eu dwyn yn erbyn Llywodraeth y Deyrnas Unedig. Felly, penderfynwyd, gwaetha'r modd, y dylid rhoi blaenoriaeth i'r cynlluniau hynny.

[20] **Alun Cairns:** Rhan fawr o'r rheswm dros yr oedi yn y taliadau PAC fyddai oherwydd y system CAPIT yn amlwg. Mae'n siŵr y deawn at hynny mewn cryn fanylder yn nes ymlaen. A yw'r mesurau cymorth domestig yn rhan o'r un system CAPIT?

Syr Jon Shortridge: Nac ydynt.

[21] **Alun Cairns:** Iawn. Os nad ydynt yn rhan o'r system CAPIT, a oedd yn achosi'r oedi gyda'r taliadau PAC, pam na allech sicrhau bod adnoddau ychwanegol yn cael eu defnyddio fel y gellid talu'r mesurau cymorth domestig, oherwydd nid oedd dim o'i le gyda'r system hynny, onid oedd?

Syr Jon Shortridge: Trosglwyddaf chwi i Gareth, ond, yn y bôn, mater staffio, yn hytrach na mater TG, yw hwn.

Mr Jones: Mae'n fater staffio a TG. Yn amlwg, mae bob amser gennym brofiad ac adnoddau medrus cyfyngedig wrth law i ddelio â'r holl daliadau a wnawn i ffermwyr, a bu'n rhaid inni wneud y defnydd gorau o'r bobl hynny. Fodd bynnag, telir cynlluniau PAC a mesurau cymorth domestig o'n system gyllid, system gyllid y Cynulliad, sy'n cael ei hadnabod fel y system CODA. Er bod cyfrifo a dilysu i sicrhau cymhwysedd a chywirdeb yn cael eu gwneud yn wahanol yn achos mesurau cymorth domestig, o gymharu â'r cynlluniau PAC—yn wir, caiff llawer o'r mesurau cefnogi domestig eu gwneud â llaw gan ddefnyddio llawer o adnoddau—caiff y taliadau ar gyfer y cynlluniau PAC a'n mesurau cefnogi domestig eu gwneud drwy'r system CODA. Cafwyd, felly, gwrthdaro o ran blaenoriaethau mewn perthynas â pha brofion y gellid eu gwneud i sicrhau y gallai'r system CODA newydd fod yn barod i wneud taliadau, naill ai ar y cynlluniau PAC neu fesurau cefnogi domestig. Felly bu'n rhaid inni wneud penderfyniad yn ystod y cyfnod dan sylw ynglŷn ag a ddylid defnyddio'n hadnoddau i roi ar brawf y cysylltiadau

CAPIT system, which you have outlined, and CODA, to ensure that payments could be made to the vast majority of farmers and that we could get the vast majority of the £200 million out as quickly as possible, or to use those resources to test the links between our legacy systems and CODA to get the domestic support measures out. It was a judgment that we had to take with regard to the interfaces between my department's computer systems and the finance systems as to which ones it was most important to get out first.

[22] **Alun Cairns:** Thank you, Mr Jones. That is obviously a very long answer and lots of titles and technical reasons are being used, but is not the simple reality of the case that, while there were problems with the CAPIT system, which we will come on to, domestic support measures were not part of that CAPIT system, so they could have been processed manually—as you have stated—and you had to make a judgment? What consideration did you give to taking on additional resources for the domestic support payments so that they could at least have been done on time to maintain some sort of confidence in the industry?

Mr Jones: As I said, the real difficulty is the availability of experienced and skilled resources. Merely taking on people who were not trained to deal with these measures would not have fixed the problem. I cannot accept that this was an issue of simply not having enough resources—there was a technical constraint upon us as well.

[23] **Alun Cairns:** Could I cut across you very briefly there? How long does it take to train a member of staff to be able to process a domestic support payment?

Mr Jones: I could not give you—

[24] **Alun Cairns:** A week? A month?

Mr Jones: It would take several months before somebody was skilled and experienced enough to be able to deal with some of these very complex schemes. We are talking about having to determine eligibility against a very large number of criteria.

rhwng y system CAPIT, yr ydych wedi ei hamlinellu, a CODA, i sicrhau y gellid gwneud taliadau i fwyafrif helaeth y ffermwyr a'n bod yn gallu dosbarthu mwyafrif helaeth y £200 miliwn mor gyflym â phosibl, neu ddefnyddio'r adnoddau hynny i roi ar brawf y cysylltiadau rhwng y systemau a etifeddwyd gennym a CODA i ddosbarthu'r mesurau cefnogi domestig. Yr oedd yn benderfyniad yr oedd yn rhaid inni ei wneud mewn perthynas â'r rhyngwynebau rhwng systemau cyfrifiadurol fy adran a'r systemau cyllid ynglŷn â pha rai oedd y pwysicaf i'w dosbarthu yn gyntaf.

[22] **Alun Cairns:** Diolch, Mr Jones. Mae hwnnw'n amlwg yn ateb hir iawn ac mae llawer o deitlau a rhesymau technegol yn cael eu defnyddio, ond onid gwirionedd syml yr achos yw, er y bu problemau gyda'r system CAPIT, y byddwn yn sôn amdanynt mewn munud, nad oedd mesurau cymorth domestig yn rhan o'r system CAPIT honno, felly gallent fod wedi cael eu prosesu â llaw—fel y dywedaso—a bu'n rhaid i chi wneud penderfyniad? Pa ystyriaeth a roddwyd gennych i ddefnyddio adnoddau ychwanegol ar gyfer y taliadau cefnogi domestig fel y gallent fod o leiaf wedi eu gwneud ar amser i gadw rhyw fath o hyder yn y diwydiant?

Mr Jones: Fel y dywedais, yr anhawster go iawn yw argaeledd adnoddau profiadol a medrus. Ni fyddai defnyddio pobl nad oeddynt wedi eu hyfforddi i ddelio â'r mesurau hyn wedi datrys y broblem. Ni allaf dderbyn mai mater o brinder adnoddau yn unig oedd hwn—yr oedd cyfyngiad technegol arnom hefyd.

[23] **Alun Cairns:** A gaf dorri ar eich traws am eiliad yn y fan honno? Pa mor hir y mae'n ei gymryd i hyfforddi aelod staff i allu prosesu taliad cefnogi domestig?

Mr Jones: Ni allwn roi—

[24] **Alun Cairns:** Wythnos? Mis?

Mr Jones: Byddai'n cymryd sawl mis cyn y byddai rhywun yn ddigon medrus a phrofiadol i allu delio â rhai o'r cynlluniau cymhleth iawn hyn. Yr ydym yn sôn am orfod penderfynu ar gymhwysedd yn erbyn nifer fawr iawn o feini prawf.

[25] **Alun Cairns:** So would it take a week or a month? You still have not given me a specific answer. Bearing in mind that there would be different levels and that there would be some sort of experience there in terms of managing resources between the CAPIT system and the domestic support system, how long would it take to train someone to perform some of the simpler administrative tasks?

Mr Jones: As I said, I think that it would take several months to train somebody to be fully functional. That does miss the point, though, that there was a technical constraint upon us as well. The benefit of merely training up people to validate and clear claims would have been nugatory in the context of our not being able to make the payments anyway because the finance system had not been tested to make those individual payments, because we had given priority to testing it against CAP schemes.

[26] **Alun Cairns:** Could the payments not have been processed manually?

Mr Jones: We did in fact process quite a lot of claims manually.

[27] **Alun Cairns:** So the technical reason, then, does not really stack up.

Mr Jones: Yes, it does. The reason that we processed quite a lot of claims manually was because Ministers took the view that, where claimants could show financial difficulty and financial hardship, they wanted us to undertake a very resource intensive process of processing claims manually. That could not have been done for every single claimant because it was diverting significant resources away from the main task of trying to get the bulk payments out. However, we did actually take the view that, where people could show hardship, we would process claims manually. However, that simply would not have been practical for every single claim that we had.

[28] **Alun Cairns:** Okay, thank you. I want to refer you to figure 6. Was the situation at the Carmarthen office, which is shown in

[25] **Alun Cairns:** Felly a fyddai'n cymryd wythnos neu fis? Nid ydych wedi rhoi ateb penodol i mi o hyd. Gan gofio y byddai gwahanol lefelau ac y byddai rhyw fath o brofiad yno o ran rheoli adnoddau rhwng y system CAPIT a'r system cefnogi domestig, pa mor hir y byddai'n cymryd i hyfforddi rhywun i gyflawni rhai o'r tasgau gweinyddol symlaf?

Mr Jones: Fel y dywedais, credaf y byddai'n cymryd sawl mis i hyfforddi rhywun i fod yn gwbl weithredol. Mae hynny'n colli'r ergyd, fodd bynnag, sef bod cyfyngiad technegol wedi bod arnom hefyd. Byddai budd hyfforddi pobl i ddilysu a chaniatáu hawliadau yn unig wedi bod yn dila yn y cyddestun nad oeddem yn gallu gwneud y taliadau beth bynnag oherwydd nad oedd y system gyllid wedi ei gwirio i wneud y taliadau unigol hynny, oherwydd yr oeddem wedi rhoi blaenoriaeth i'w gwirio yn erbyn cynlluniau'r PAC.

[26] **Alun Cairns:** Onid allai'r taliadau fod wedi eu prosesu â llaw?

Mr Jones: Bu inni brosesu cryn dipyn o hawliadau â llaw a dweud y gwir.

[27] **Alun Cairns:** Felly nid yw'r rheswm technegol yn dal dŵr, mewn gwirionedd.

Mr Jones: Ydy y mae. Y rheswm y bu inni brosesu cryn dipyn o hawliadau â llaw oedd oherwydd i Weinidogion benderfynu, lle yr oedd hawlwyd yn gallu dangos anhawster ariannol a chaledi ariannol, eu bod am inni ddefnyddio proses ddwys o ran adnoddau o brosesu hawliadau â llaw. Nid oedd modd gwneud hynny ar gyfer pob hawliwr unigol oherwydd yr oedd yn cymryd adnoddau sylweddol i ffwrdd o'r brif dasg o geisio dosbarthu swmp-daliadau. Fodd bynnag, bu inni benderfynu y byddem yn prosesu hawliadau â llaw lle yr oedd pobl yn gallu dangos caledi. Fodd bynnag, ni fyddai hynny wedi bod yn ymarferol ar gyfer pob hawliad unigol a ddaeth i law.

[28] **Alun Cairns:** O'r gorau, diolch. Yr wyf am dynnu'ch sylw at ffigur 6. A oedd y sefyllfa yn swyddfa Caerfyrddin, a ddangosir

figure 6, where 47 per cent of payments were made later than two months after the due date, representative of all your offices across Wales?

Mr Jones: Yes.

[29] **Alun Cairns:** Why was the data on domestic support measures insufficient to allow Sir John and the National Audit Office to provide a detailed analysis? Without good data, how can you manage your performance properly?

Sir Jon Shortridge: I think that the basic explanation here is that we had taken the decision not to make these payments, which was something that we had not done before. So, we did not therefore have in place a management information system designed to deal with backlogs on these schemes. To have put in place a management information system in these circumstances, when our whole priority was to make as many payments as we could to farmers, would not have been an appropriate thing to do.

[30] **Alun Cairns:** Okay, thank you for that. I want to just end on domestic support measures for now. Is it not the case that you took your eye off the ball completely, off the domestic support measures, in order to try to resolve CAP? When you said that you needed to make a judgment, was that a ministerial decision that made that judgment?

Sir Jon Shortridge: I will have to ask Gareth about the involvement of Ministers but, in the first instance, certainly, this was a judgment made by officials on the ground dealing with the situation that they were in.

Mr Jones: It was not the case that we took our eye off the ball. Indeed, if we had taken our eye off the ball, we would not have made the significant number of manual payments that we did in recognition of the fact that a number of people were experiencing financial hardship as a result of the fact that we were not able to make the bulk of payments. Ministers were fully involved in all of the major decisions on how we managed the situation that we were in.

yn ffigur 6, lle gwnaethpwyd 47 y cant o daliadau yn hwyrach na dau fis ar ôl y dyddiad priodol, yn nodweddiadol o'ch holl swyddfeydd ledled Cymru?

Mr Jones: Oedd.

[29] **Alun Cairns:** Pam oedd y data ar fesurau cymorth domestig yn annigonol i ganiatáu i Syr Jon a'r Swyddfa Archwilio Genedlaethol ddarparu dadansoddiad manwl? Sut y gallwch reoli eich perfformiad yn briodol heb ddata da?

Syr Jon Shortridge: Credaf mai'r esboniad sylfaenol yma yw ein bod wedi penderfynu peidio â gwneud y taliadau hyn, a oedd yn rhywbeth nad oeddem wedi ei wneud o'r blaen. Felly, nid oedd gennym system gwybodaeth reoli ar waith a oedd wedi ei chynllunio i ddelio ag ôl-groniadau ar y cynlluniau hyn. Ni fyddai rhoi system gwybodaeth reoli ar waith dan yr amgylchiadau hyn, pan mai gwneud cynifer o daliadau â phosibl i ffermwyr oedd ein blaenoriaeth yn gyfan gwbl, wedi bod yn beth priodol i'w wneud.

[30] **Alun Cairns:** O'r gorau, diolch am hynny. Yr wyf am orffen gyda mesurau cymorth domestig am y tro. Onid yw'n wir i chi dynnu eich llygad oddi ar y bêl yn gyfan gwbl, oddi ar y mesurau cymorth domestig, er mwyn ceisio datrys PAC? Pan ddywedsoch fod angen i chi wneud penderfyniad, ai Gweinidogion a wnaeth y penderfyniad hwnnw?

Syr Jon Shortridge: Bydd yn rhaid i mi ofyn i Gareth am ran Gweinidogion ond, yn y lle cyntaf, yn sicr, penderfyniad gan swyddogion ar lawr gwlad yn delio â'r sefyllfa yr oeddynt ynddi oedd hwn.

Mr Jones: Nid yw'n wir inni dynnu ein llygad oddi ar y bêl. Yn wir, pe baem wedi tynnu ein llygad oddi ar y bêl, ni fyddem wedi gwneud y nifer sylweddol o daliadau â llaw a wnaethom i gydnabod bod nifer o bobl yn profi caledi ariannol oherwydd nad oeddem yn gallu gwneud y rhan fwyaf o daliadau. Yr oedd Gweinidogion yn ymwneud yn llawn â'r holl benderfyniadau pwysig ar sut yr oeddem yn rheoli'r sefyllfa yr oeddem ynddi.

[31] **Alun Cairns:** Okay. Sir Jon, I now want to move to figure 7, about the CAP payments. I am troubled somewhat that you said in your opening statement that you regret that 25 per cent of payments were made late. Now, this obviously gives some further details in terms of that, but figure 7 is a striking indication of just how essential CAP subsidies are to the farming businesses. While there may be no legal obligation for you to pay farmers their CAP money before the end of the payment window, would you not accept that you have a moral obligation to pay the money as soon as possible? Your statement at the outset about your regret that 25 per cent of payments were not made within that period, within the payment window, seems to suggest that we do not accept that moral obligation.

Sir Jon Shortridge: Well, I am sorry that you have placed that interpretation on what I said. I think that it is quite clear from our performance this year, where we have made, I think, about £100 million-worth of payments already in this payments year, that what we are seeking to do is to provide the best possible service to farmers that we can. We now have systems in place that are demonstrably able to do that. So, I think that that is the proof that we are determined to provide the best service to farmers that we can, and that means making the payments as early as we can in the payment window.

[32] **Alun Cairns:** I accept that progress has been made this year and, no doubt, I am sure that the farmers are grateful for that efficiency, but is it not the case that some farmers are still waiting for last year's payments?

Sir Jon Shortridge: I will ask Gareth to give you the detail on that. I think that very few farmers are waiting for last year's payments.

[33] **Alun Cairns:** But some are, are they not?

Mr Jones: We have paid over 99 per cent of last year's payments. It is true to say that

[31] **Alun Cairns:** O'r gorau. Syr Jon, yr wyf am droi at ffigur 7, ynglŷn â'r taliadau PAC, yn awr. Yr wyf yn poeni braidd i chi ddweud yn eich datganiad agoriadol eich bod yn gresynu bod 25 y cant o daliadau wedi eu gwneud yn hwyr. Yn awr, mae hyn yn amlwg yn rhoi rhai manylion pellach o ran hynny, ond mae ffigur 7 yn dangos yn drawiadol pa mor hanfodol yw cymorthdaliadau PAC i'r busnesau ffermio. Er efallai nad oes rhwymedigaeth gyfreithiol i chi dalu i ffermwyr eu harian PAC cyn diwedd y cyfnod talu, oni fydddech yn derbyn bod gennych rwymedigaeth foisol i dalu'r arian cyn gynted â phosibl? Mae'n ymddangos bod eich datganiad ar y cychwyn ei bod yn edifar gennych na chafodd 25 y cant o'r taliadau eu gwneud o fewn y cyfnod hwnnw, o fewn y cyfnod talu, yn awgrymu nad ydym yn derbyn y rhwymedigaeth foisol honno.

Syr Jon Shortridge: Wel, mae'n ddrwg gennyf eich bod wedi dehongli'r hyn a ddywedais yn y modd hwnnw. Credaf ei bod yn gwbl amlwg o'n perfformiad eleni, lle yr ydym eisoes wedi gwneud, yn fy nhyb i, gwerth tua £100 miliwn o daliadau yn y flwyddyn daliadau hon, mai'r hyn yr ydym yn ceisio ei wneud yw darparu'r gwasanaeth gorau posibl y gallwn i ffermwyr. Bellach, mae gennym systemau ar waith sy'n amlwg yn gallu gwneud hynny. Felly, credaf fod hynny'n brawf ein bod yn benderfynol o roi'r gwasanaeth gorau y gallwn i ffermwyr, ac mae hynny'n golygu gwneud y taliadau cyn gynted ag y gallwn yn y cyfnod talu.

[32] **Alun Cairns:** Yr wyf yn derbyn bod cynnydd wedi ei wneud eleni ac, yn ddi-os, yr wyf yn siŵr bod ffermwyr yn ddiolchgar am yr effeithlonrwydd hynny, ond onid yw'n wir bod rhai ffermwyr yn dal i aros am daliadau y llynedd?

Syr Jon Shortridge: Gofynnaf i Gareth roi manylion am hynny. Credaf mai prin iawn yw'r ffermwyr sy'n disgwyl am daliadau y llynedd.

[33] **Alun Cairns:** Ond mae rhai, onid ydynt?

Mr Jones: Yr ydym wedi talu dros 99 y cant o daliadau y llynedd. Mae'n wir dweud nad

some farmers have not been paid for last year; it is true to say that some farmers have not been paid for previous years. There are always claims on which we cannot make payments in a proper way, because there is ongoing discussion between us and the farmer about the eligibility of the claim. There are always issues regarding things such as probate and changes of business. Therefore, there are always outstanding claims on which we continue to deal with farmers. We never close the books on these claims because new information may well come to light, and people may be going through appeals processes against decisions that we have taken. You are right that there will be some farmers who have not been paid; they may never be paid.

[34] **Alun Cairns:** Are some farmers still waiting for payment because of the administrative difficulties with CAPIT and all the other reasons last year?

Mr Jones: No.

[35] **Alun Cairns:** Okay, thank you. Sir Jon, do you agree that focussing on whether payments were made within the window would give a misleading picture of the Assembly's performance?

Sir Jon Shortridge: I am not sure that I quite follow that question. What this report has done is used the window as the measure of our performance, and it is a relevant measure because there is a requirement on us by Europe to make the payments in that window. However, going back to what I said earlier, I would much prefer to be judged on how early within a window we had made the payment.

[36] **Alun Cairns:** Okay. In paragraph 17 of the executive summary, the Auditor General says that, in this instance, the Assembly had not provided the overall standard of service that farmers had a right to expect. Do you agree with that sentiment?

Sir Jon Shortridge: Yes, indeed, and I hope

yw rhai ffermwyr wedi cael eu talu am y llynedd; mae'n wir dweud nad yw rhai ffermwyr wedi cael eu talu am flynyddoedd blaenorol. Mae hawliadau bob amser na allwn wneud taliadau ar eu cyfer mewn modd priodol, oherwydd bod trafodaeth barhaus rhyngom ni a'r ffermwr ynghylch cymhwysedd yr hawliad. Mae materion bob amser ynglŷn â phethau megis profiant a newidiadau i fusnes. Felly, mae hawliadau bob amser sydd heb eu penderfynu lle yr ydym yn parhau i ddelio â ffermwyr yn eu cylch. Nid ydym byth yn cau'r drws ar yr hawliadau hyn oherwydd mae'n dra phosibl y daw gwybodaeth newydd i'r amlwg, ac efallai fod pobl yn apelio yn erbyn penderfyniadau a wnaethom. Yr ydych yn gywir y bydd rhai ffermwyr sydd heb gael eu talu; efallai na chânt eu talu byth.

[34] **Alun Cairns:** A yw rhai ffermwyr yn dal i aros am daliad oherwydd yr anawsterau gweinyddol gyda CAPIT a'r holl resymau eraill y llynedd?

Mr Jones: Nac ydynt.

[35] **Alun Cairns:** O'r gorau, diolch. Syr Jon, a ydych yn cytuno y byddai canolbwyntio ar a gafodd taliadau eu gwneud o fewn y cyfnod yn rhoi darlun camarweiniol o berfformiad y Cynulliad?

Syr Jon Shortridge: Nid wyf yn siŵr fy mod yn deall y cwestiwn hwnnw'n hollol. Yr hyn y mae'r adroddiad hwn wedi ei wneud yw defnyddio'r cyfnod fel mesur o'n perfformiad, ac mae'n fesur perthnasol oherwydd mae Ewrop yn ei gwneud yn ofynnol inni wneud taliadau yn y cyfnod hwnnw. Fodd bynnag, gan ddychwelyd at yr hyn a ddywedais yn gynharach, byddai'n llawer gwell gennyf inni gael ein barnu yn ôl pa mor gynnar mewn cyfnod yr oeddem wedi gwneud y taliad.

[36] **Alun Cairns:** O'r gorau. Ym mharagraff 17 y crynodeb gweithredol, dywed yr Archwilydd Cyffredinol nad oedd y Cynulliad, yn yr achos hwn, wedi darparu'r safon gyffredinol o wasanaeth yr oedd gan ffermwyr yr hawl i'w ddisgwyl. A ydych yn cytuno â'r farn honno?

Syr Jon Shortridge: Ydw, yn wir, ac yr wyf

that I gave that impression to the Committee in my opening statement.

[37] **Alun Cairns:** Thank you.

[38] **Janet Davies:** Jocelyn, you have some questions?

[39] **Jocelyn Davies:** Thank you, Janet. Turning to the reasons for the delays, in part 3 of the report, we are told about the need for a new geographical information system by 2005, yet you aimed for CAPIT to be functional by 2002, three years earlier than required. Why the rush to get CAPIT in place when, had you taken more time, maybe the system would have worked better?

Sir Jon Shortridge: Well I think that the geographic information system is only a part of CAPIT, and it is something that, as you say, is required under the new EU regulations to be in place for 2005. On the relationship between the geographic information system and the way we operate at the moment, I will ask Gareth to explain that. However, as important background to this, I was personally involved in the decision to embark on what is the JIGSAW project. In 1998, we appointed consultants to look at the way in which agricultural grant payments were being made, and we had to take a fundamentally important decision as to whether we were going to continue making these within the Welsh Office and then the Assembly, or whether we were going to take the view that it should all be centralised and done elsewhere. The consultants' report said that:

'The current levels of service to farmers and risk of disallowance are unacceptable, the agricultural department's IT systems have evolved to the extent that further piecemeal enhancement is unsustainable and are unlikely to cope with future demands stemming from agenda 2000. The IT systems will need to be replaced and it is essential that the new systems should support the most effective way of working'.

That was in 1998. In 2001, we were still operating these systems for which I had advice telling me that they could fall over at

yn gobeithio i mi roi'r argraff honno i'r Pwyllgor yn fy natganiad agoriadol.

[37] **Alun Cairns:** Diolch.

[38] **Janet Davies:** Jocelyn, mae gennych gwestiynau?

[39] **Jocelyn Davies:** Diolch, Janet. Gan droi at y rhesymau dros yr oedi, yn rhan 3 yr adroddiad, dywedir wrthym am yr angen am system gwybodaeth ddaearyddol newydd erbyn 2005, ond eto eich nod oedd y byddai CAPIT ar waith erbyn 2002, dair blynedd yn gynharach na'r gofyn. Pam y brys i roi CAPIT ar waith pan, pe baech wedi cymryd mwy o amser, efallai y byddai'r system wedi gweithio yn well?

Syr Jon Shortridge: Wel, credaf mai dim ond rhan o CAPIT yw'r system gwybodaeth ddaearyddol, ac y mae'n rhywbeth sydd, fel y dywedwch, yn rhaid ei rhoi ar waith ar gyfer 2005 dan reoliadau newydd yr UE. Gofynnaf i Gareth esbonio'r berthynas rhwng y system gwybodaeth ddaearyddol a'r modd y gweithredwn ar hyn o bryd. Fodd bynnag, fel cefndir pwysig i hyn, bûm yn ymwneud yn bersonol â'r penderfyniad i fwrw ymlaen â'r hyn sy'n cael ei adnabod fel y prosiect JIGSAW. Yn 1998, bu inni benodi ymgynghorwyr i edrych ar y modd yr oedd taliadau grant amaethyddol yn cael eu gwneud, a bu'n rhaid inni wneud penderfyniad hanfodol bwysig ynglŷn ag a oeddem am barhau i wneud y rhain o fewn y Swyddfa Gymreig ac yna'r Cynulliad, neu a oeddem am benderfynu y dylid canoli'r cyfan a'i wneud yn rhywle arall. Dywedodd adroddiad yr ymgynghorwyr:

Mae lefelau presennol y gwasanaeth i ffermwyr a risg o wrthodiad yn annerbyniol, mae systemau TG yr adran amaeth wedi esblygu i'r graddau nad yw rhagor o welliannau bob yn dipyn yn gynaliadwy ac maent yn annhebygol o ymdopi â'r galw yn y dyfodol fydd yn deillio o agenda 2000. Bydd angen newid y systemau TG ac mae'n hanfodol y dylai'r systemau newydd gefnogi'r dull gwaith mwyaf effeithiol.

Yr oedd hynny yn 1998. Yn 2001, yr ydym yn dal i weithredu'r systemau hyn yr wyf wedi cael cyngor yn eu cylch yn dweud

any time. There was a huge business need on us to get these systems in place and up and running to ensure that we were not just providing a good service to farmers, but that we were providing a compliant service to the European Union.

[40] **Jocelyn Davies:** Does Mr Jones want to comment on that?

Mr Jones: The Permanent Secretary is absolutely right. The risks were increasing every year that the legacy systems, the old systems that we were using, would fall over and would be unable to validate the claims that we were getting in. That would have meant that we would not have been able to make payments—certainly not accurate payments—and the risks were just becoming untenable. We could no longer continue to bolt on additional bits of functionality to the old systems, so we had to make the jump to CAPIT. In addition, can I just make a comment about the GI system? The EU requirement is for us to have a GI system in place in 2003, but that that should be linked to our administrative control system by 2005. The old systems, our legacy systems, were not able, and would never have been able, to link in the way that CAPIT does with the GI system. So, it was an increasing risk that if we had not implemented CAPIT we would not have been able to make payments in a timely and accurate way and we would not have been able to adhere to the EU regulations that we are now able to adhere to.

[41] **Jocelyn Davies:** If I could just ask a question to Sir Jon, this consultancy report in 1998 was obviously pre-devolution, so were England and Scotland in the same position?

Sir Jon Shortridge: England and Scotland are in the same position. I am not as familiar with the Scottish situation as I am with the English situation. England is still in the process of putting in place transformed IT systems of the kind that we put in place, and I am watching closely to see the extent to which they may have similar problems in the future. It is the case that the systems that they had in 1998 were better than ours. So, there was much less of an imperative on them at that time to move forward as quickly as we

wrthryf y gallent fethu ar unrhyw adeg. Yr oedd angen busnes enfawr arnom i roi'r systemau hyn yn eu lle ac ar waith i sicrhau ein bod nid yn unig yn darparu gwasanaeth da i ffermwyr, ond ein bod yn darparu gwasanaeth cydymffurfio i'r Undeb Ewropeaidd.

[40] **Jocelyn Davies:** A yw Mr Jones am wneud sylw am hynny?

Mr Jones: Mae'r Ysgrifennydd Parhaol yn hollol gywir. Yr oedd risgiau cynyddol bob blwyddyn y byddai'r systemau a etifeddwyd, yr hen systemau yr oeddem yn eu defnyddio, yn methu ac ni fyddem yn gallu dilysu'r hawliadau a oedd yn dod i law. Byddai hynny wedi golygu na fyddem yn gallu gwneud taliadau—yn sicr nid taliadau cywir—ac yr oedd y risgiau yn rhai nad oedd modd eu hamddiffyn. Ni allem barhau i ategu darnau ychwanegol o ymarferoldeb i'r hen systemau, felly bu'n rhaid inni wneud y naid i CAPIT. Yn ogystal, a gaf wneud sylw am y system GI? Gofyniad yr UE yw bod gennym system GI ar waith yn 2003, ond dylai bod honno wedi ei chysylltu â'n system rheoli gweinyddol erbyn 2005. Nid oedd yr hen systemau, y systemau a etifeddwyd, yn gallu, ac ni fyddent byth wedi gallu, cysylltu â'r system GI fel y mae CAPIT yn ei wneud. Felly, yr oedd risg cynyddol pe na baem wedi gweithredu CAPIT na fyddem wedi gallu gwneud taliadau mewn modd prydlon a chywir ac ni fyddem wedi gallu ufuddhau i'r rheoliadau UE y gallwn ufuddhau iddynt bellach.

[41] **Jocelyn Davies:** Os caf ofyn cwestiwn i Syr Jon, yr oedd yr adroddiad ymgynghori hwn yn 1998 yn amlwg cyn datganoli, felly a oedd Lloegr a'r Alban yn yr un sefyllfa?

Syr Jon Shortridge: Mae Lloegr a'r Alban yn yr un sefyllfa. Nid wyf mor gyfarwydd â'r sefyllfa yn yr Alban ag yr wyf â'r sefyllfa yn Lloegr. Mae Lloegr yn parhau i fod yn y broses o roi ar waith systemau TG newydd o'r math y rhoddasom ni ar waith, ac yr wyf yn cadw llygad barcud ar i ba raddau y cânt broblemau tebyg yn y dyfodol efallai. Mae'n wir fod y systemau a oedd ganddynt yn 1998 yn well na'n rhai ni. Felly, nid oedd hanner cymaint o frys arnynt bryd hynny i symud ymlaen mor gyflym ag y gwnaethom ni.

did.

[42] **Jocelyn Davies:** So, they have not seen the need then to bring this in before?

Sir Jon Shortridge: No, but Gareth can give you further information on that. They have to get their new systems up and running, and we are now in a significantly better position than them because we do have our systems in place and we have proved, through October and November, that they are very effective in making the payments.

Mr Jones: Chair, if I might just add, the same requirement is upon England and Scotland, as it is upon us, to have a GI system in place, which they did not have, as well as systems in place now, of course, to cope with the new CAP reforms by 2005—they do not have them. As the Permanent Secretary says, we are much better placed, although in 1998 we were in a much worse position than England because it had developed its IT systems at that point. We are now much better placed to cope with the immediate issues and the future than anybody else in the UK.

[43] **Jocelyn Davies:** They will learn from our mistakes, no doubt.

Mr Jones: We are, indeed, helping their project as much as we can.

[44] **Janet Davies:** Jocelyn, may I just come in on the GIS? Is this an improved version of a previous system, because I am aware that around 1990-91 there was a geographic information system available, for example, to local authorities? Are you talking about an improved system that has changed since then?

Mr Jones: Geographic information technology has been available for some time, as you say, Chair. The important issue from our perspective was getting the agricultural data captured onto a geographic information system. So, the base systems have been available for some time. The process of getting all the information about 20,000 holdings, 11 million sheep and in excess of 200,000 suckler cows, and so on, onto a

[42] **Jocelyn Davies:** Felly, nid ydynt wedi gweld yr angen i gyflwyno hyn cyn hyn?

Syr Jon Shortridge: Nac ydynt, ond gall Gareth roi gwybodaeth bellach i chi am hynny. Mae'n rhaid iddynt roi eu systemau newydd ar waith, ac yr ydym mewn sefyllfa lawer gwell na hwy oherwydd mae ein systemau ar waith ac yr ydym wedi profi, gydol Hydref a Thachwedd, eu bod yn effeithiol iawn wrth wneud y taliadau.

Mr Jones: Gadeirydd, os caf ychwanegu ei bod yn ofynnol i Loegr a'r Alban, fel y mae'n ofynnol inni, gael system GI ar waith, system nad oedd ganddynt o'r blaen, yn ogystal â systemau ar waith yn awr, wrth gwrs, i ymdopi â'r diwygiadau PAC newydd erbyn 2005—nid oes ganddynt y rheini. Fel y dywed yr Ysgrifennydd Parhaol, yr ydym mewn sefyllfa lawer gwell, er inni fod mewn sefyllfa lawer gwaeth na Lloegr yn 1998 oherwydd ei bod wedi datblygu ei systemau TG bryd hynny. Yr ydym bellach mewn sefyllfa lawer gwell nag unrhyw yn arall yn y DU i ymdopi â'r materion presennol a'r dyfodol.

[43] **Jocelyn Davies:** Byddant yn dysgu o'n camgymeriadau, mae'n siŵr.

Mr Jones: Yr ydym, yn wir, yn cynorthwyo eu prosiect cymaint ag y gallwn.

[44] **Janet Davies:** Jocelyn, a gaf ofyn am y GIS? Ai fersiwn gwell na'r system flaenorol yw hwn, oherwydd yr wyf yn ymwybodol fod system gwybodaeth ddaearyddol ar gael, er enghraifft, i awdurdodau lleol oddeutu 1990-91? A ydych yn sôn am system well sydd wedi newid ers hynny?

Mr Jones: Mae technoleg gwybodaeth ddaearyddol wedi bod ar gael ers cryn amser, fel y dywedwch, Gadeirydd. Y mater pwysig o'n safbwynt ni oedd defnyddio system gwybodaeth ddaearyddol i gadw'r data amaethyddol. Felly, mae'r systemau sylfaenol wedi bod ar gael ers cryn amser. Mae'r broses o roi'r holl wybodaeth am 20,000 o ffermydd, 11 miliwn o ddefaid a thros 200,000 o wartheg sugno, ac ati, ar

geographic information system has been a very major exercise.

[45] **Janet Davies:** Right, thank you for that clarification. I was getting a bit confused. Jocelyn, do you want to continue with your questions?

[46] **Jocelyn Davies:** Thank you, Janet. The foot and mouth disease crisis and the complex new legislation are cited as major causes of problems for the CAPIT project. You obviously knew about foot and mouth disease in February 2001 and about the new legislation, presumably, well in advance of January 2002, when it took effect. So, these dates were a long time before CAPIT was due to start authorising payments in late 2002. Therefore, in 2001, did you realise that CAPIT was already in trouble, and what corrective action did you take at that point?

Sir Jon Shortridge: We obviously knew that we were going to be under a lot of pressure having lost all this time, in particular, to foot and mouth disease. Again, judgments had to be made as to whether we were to proceed with CAPIT or whether we should look at the alternatives. In practice—and Gareth can give you more detailed information on this—the alternatives were very unattractive indeed, because we were quite clear that we were going to have to put in place new arrangements for the bovine schemes. There were significant, very material changes to the SAP schemes coming in for 2002-03 and, as I indicated earlier, we had legacy systems in which we could not really have any continuing confidence. So, we had to face this dilemma, and the view that was taken was that the way to minimise the risk was actually to go with CAPIT rather than to try to make do with the existing arrangements. We always knew that the outcome was going to be in some doubt.

[47] **Jocelyn Davies:** So, given that foot and mouth disease and the new legislation obviously affected England, were there late payments made there?

Sir Jon Shortridge: Well, as I have

system gwybodaeth ddaearyddol wedi bod yn dasg fawr iawn.

[45] **Janet Davies:** Iawn, diolch am yr esboniad hwnnw. Yr oeddwn yn dechrau drysu braidd. Jocelyn, a ydych am barhau â'ch cwestiynau?

[46] **Jocelyn Davies:** Diolch, Janet. Mae'r argyfwng clwy'r traed a'r genau a'r ddeddfwriaeth newydd gymhleth yn cael eu crybwyll fel prif achosion problemau'r prosiect CAPIT. Yr oeddech yn amlwg yn gwybod am glwy'r traed a'r genau yn Chwefror 2001 ac am y ddeddfwriaeth newydd, yn ôl pob tebyg, ymhell cyn Ionawr 2002, pan ddaeth i rym. Felly, yr oedd y dyddiadau hyn amser maith cyn yr oedd CAPIT i fod i ddechrau awdurdodi taliadau ar ddiwedd 2002. Felly, yn 2001, a wnaethoch sylweddoli bod CAPIT eisoes mewn trafferth, a pha gamau unioni a wnaethoch eu cymryd bryd hynny?

Syr Jon Shortridge: Yr oeddem yn amlwg yn gwybod y byddem dan lawer o bwysau ar ôl colli cymaint o amser, yn enwedig, i glwy'r traed a'r genau. Eto, bu'n rhaid penderfynu a oeddem am fwrw ymlaen â CAPIT neu a ddylem edrych ar systemau amgen. Yn ymarferol—a gall Gareth roi gwybodaeth fanylach i chi am hyn—nid oedd y systemau amgen yn ddeniadol o gwbl, oherwydd yr oeddem yn hollol sicr y byddai'n rhaid inni roi trefniadau newydd ar waith ar gyfer y cynlluniau gwartheg. Yr oedd newidiadau materol iawn, sylweddol i'r cynlluniau SAP yn dod i rym yn 2002-03 ac, fel y dynodais yn gynharach, yr oedd gennym systemau a etifeddwyd na allem barhau i gael hyder ynddynt mewn gwirionedd. Felly, bu'n rhaid inni wynebu'r cyfyng-gyngor hwn, a phenderfynwyd mai'r ffordd o leihau'r risg oedd bwrw ymlaen gyda CAPIT yn hytrach na cheisio dod i ben â'r trefniadau a oedd yn bodoli. Yr oeddem yn gwybod ar hyd yr amser y byddai ansicrwydd ynglŷn â'r canlyniad.

[47] **Jocelyn Davies:** Felly, o gofio bod clwy'r traed a'r genau a'r ddeddfwriaeth newydd yn amlwg wedi effeithio ar Loegr, a wnaethpwyd taliadau hwyr yno?

Syr Jon Shortridge: Wel, fel yr wyf wedi

indicated, in the case of England, it is at least a year behind us in introducing its new IT systems. Its existing IT systems were in a better state than ours at the time.

[48] **Jocelyn Davies:** Were late payments made in England?

Sir Jon Shortridge: I am sorry, in the case of England in the year concerned, it did make late payments on the bovine schemes, and I think that we may get to it, but there were lots of other different and complex issues in relation to the bovine schemes. Our performance on the bovine schemes was worse than England's, but that was largely because of the delay in starting to process those schemes because we had to do the earlier schemes first. We actually caught up and overtook, during the course of this financial year, the English performance on bovine schemes.

Mr Jones: If I might just add, as far as the new regulations on bovine schemes were concerned, actually the implementing regulations for those schemes did not hit us until December 2001, and had to be implemented from January 2002. So, we did not have the luxury of a long lead-in to be able to redevelop our systems to cope with those. If we had been in the position of still having the legacy systems in place, developing those systems to cope with the new regulations, as I indicated earlier, would have been a very big risk to us. However, as the Permanent Secretary says, all paying agencies, particularly England and us, had difficulties in making bovine payments before the end of the payment window because of new regulations and the difficulties associated with the cattle tracing system, which no doubt we will come on to.

[49] **Jocelyn Davies:** I have one last question, Janet. The new legislation seems to affect only the bovine schemes, so that cannot be your reason for your failure to pay non-bovine subsidies. So, what was your reason there?

sôn, yn achos Lloegr, mae hi o leiaf flwyddyn ar ein hôl ni yn y gwaith o gyflwyno'r systemau TG newydd. Yr oedd ei systemau TG bryd hynny mewn cyflwr gwell na'n rhai ni ar y pryd.

[48] **Jocelyn Davies:** A wnaethpwyd taliadau hwyr yn Lloegr?

Syr Jon Shortridge: Mae'n ddrwg gennyf, yn achos Lloegr yn y flwyddyn dan sylw, gwnaeth daliadau hwyr o ran y cynlluniau gwartheg, a chredaf efallai y deawn ato, ond yr oedd llawer o faterion gwahanol a chymhleth eraill mewn perthynas â'r cynlluniau gwartheg. Yr oedd ein perfformiad o ran y cynlluniau gwartheg yn waeth nag un Lloegr, ond yr oedi wrth ddechrau prosesu'r cynlluniau hynny oherwydd bod yn rhaid inni wneud y cynlluniau cynharach yn gyntaf oedd ar fai am hynny i raddau helaeth. Mewn gwirionedd, bu inni adennill tir a rhagori ar berfformiad Lloegr yn y cynlluniau gwartheg yn ystod y flwyddyn ariannol hon.

Mr Jones: Os caf ychwanegu, o ran y rheoliadau newydd ar gyfer cynlluniau gwartheg, ni effeithiodd rheoliadau gweithredu y cynlluniau hynny arnom tan fis Rhagfyr 2001 mewn gwirionedd, ac yr oedd yn rhaid eu gweithredu o Ionawr 2002. Felly, nid oedd gennym y fantais o gyfnod cyflwyno hir i allu ailddatblygu ein systemau i ymdopi â'r rheini. Pe baem wedi bod mewn sefyllfa lle yr oedd y systemau a etifeddwyd ar waith o hyd, byddai datblygu'r systemau hynny i ymdopi â'r rheoliadau newydd, fel y nodais yn gynharach, wedi bod yn risg mawr inni. Fodd bynnag, fel y dywed yr Ysgrifennydd Parhaol, cafodd yr holl asiantaethau talu, yn enwedig Lloegr a ni, anawsterau i wneud taliadau gwartheg cyn diwedd y cyfnod talu oherwydd y rheoliadau newydd a'r anawsterau sy'n gysylltiedig â'r system olrhain gwartheg, y byddwn yn ei thrafod nes ymlaen mae'n siŵr.

[49] **Jocelyn Davies:** Mae gennyf un cwestiwn olaf, Janet. Mae'n ymddangos mai dim ond ar y cynlluniau gwartheg y mae'r ddeddfwriaeth newydd yn effeithio, felly ni allwch ei defnyddio fel rheswm dros eich methiant i dalu cymorthdaliadau nad ydynt yn ymwneud â gwartheg. Felly, beth oedd

eich rheswm yn y fan honno?

Sir Jon Shortridge: Sorry, I thought that I had explained that. In the case of the SAP schemes, the payments were due earlier than the bovine schemes. We focused on those and on the arable support payments first because they were the payments that needed to be paid first, and, because we were squeezed on time, that meant that resources could not be diverted to the bovine schemes until much later than we would have liked. This then knocked into our payment performance on the bovine schemes. However, then there was the further complication with the bovine schemes that there is a fiendishly complicated set of related penalties that affected payments, as well as the requirements on cattle tracing, which proved to be very laborious and not fully in our control, because the agency that deals with cattle tracing on behalf of all the GB payment agencies is located in Workington and we were having to deal with it.

Syr Jon Shortridge: Mae'n ddrwg gennyf, yr oeddwn yn meddwl fy mod wedi esbonio hynny. Yn achos y cynlluniau SAP, yr oedd y taliadau yn daladwy cyn y cynlluniau gwartheg. Bu inni ganolbwyntio ar y rheini a'r taliadau cefnogi tir â'r yn gyntaf oherwydd mai dyna'r taliadau a oedd angen eu talu yn gyntaf, ac, oherwydd bod amser yn brin, yr oedd hynny'n golygu nad oedd modd clustnodi adnoddau i'r cynlluniau gwartheg tan lawer yn hwyrach nag y byddem wedi ei ddymuno. Cafodd hyn yn ei dro effaith ar ein perfformiad o ran taliadau'r cynlluniau'r gwartheg. Fodd bynnag, yna yr oedd cymhlethdod pellach gyda'r cynlluniau gwartheg sef bod cyfres hynod gymhleth o gosbau cysylltiedig a oedd yn effeithio ar daliadau, yn ogystal â'r gofynion olrhain gwartheg, a fu'n llafurus iawn ac nid oeddent o fewn ein rheolaeth yn gyfan gwbl, oherwydd bod yr asiantaeth sy'n delio ag olrhain gwartheg ar ran holl asiantaethau talu Prydain wedi ei lleoli yn Workington ac yr oedd yn rhaid inni ddelio â hynny.

[50] **Jocelyn Davies:** Thank you, Chair.

[50] **Jocelyn Davies:** Diolch, Gadeirydd.

[51] **Janet Davies:** Denise, you have some questions.

[51] **Janet Davies:** Denise, mae gennych gwestiynau.

[52] **Denise Idris Jones:** Thank you, Chair. If you turn to data capture, which is in paragraphs 3.13 to 3.14 on page 17 of the report, it explains clearly the Assembly's problems with scanning the data from farmers' applications into CAPIT, even though it says that the Assembly ran workshops and various other schemes where farmers were taken through the process of filling in the forms. Was it, therefore, not inevitable that, because the forms were new, farmers would make more errors, and did you not allow for this in your planning?

[52] **Denise Idris Jones:** Diolch, Gadeirydd. Os trowch at gasglu data, sydd ym mharagraffau 3.13 i 3.14 ar dudalen 17 yr adroddiad, mae'n esbonio'n glir broblemau'r Cynulliad gyda sganio'r data o geisiadau ffermwyr i CAPIT, er ei fod yn dweud bod y Cynulliad wedi cynnal gweithdai a chynlluniau eraill amrywiol lle aethpwyd â ffermwyr drwy'r broses o lanw'r ffurflenni. Onid oedd, felly, yn anochel, oherwydd bod y ffurflenni yn newydd, y byddai ffermwyr yn gwneud mwy o wallau, ac oni wnaethoch ganiatáu am hyn yn eich cynllunio?

Sir Jon Shortridge: Well, this was always going to be a transitional year, and we anticipated that there would be teething problems. If it had gone according to plan, and if we had not had the delay, which was largely due to foot and mouth disease, there would have been time in this process to pick up on these teething problems and to have dealt with them in, I would have hoped, a

Syr Jon Shortridge: Wel, yr oedd hon bob amser am fod yn flwyddyn drawsnewidiol, ac yr oeddem yn rhagweld y byddai problemau cychwynnol. Pe bai popeth wedi mynd yn ôl y disgwyl, a phe na baem wedi cael yr oedi, a oedd o ganlyniad i glwy'r traed a'r genau yn bennaf, byddai amser wedi bod yn y broses hon i sylwi ar y problemau cychwynnol hyn a mynd i'r afael â hwy, buaswn yn gobeithio,

sufficiently timely way. I think that there would always have been a risk, going back to what Mr Cairns said, that we would not have been able to make substantial payments at the beginning of the payment window in this transition year. We would have wanted to use most, if not all, of the payment window. We anticipated that there would be problems; in the event we did not have sufficient time to deal with them.

[53] **Denise Idris Jones:** It appears, then, that scanning forms is inherently risky. Did you not consider the fact that, in this day and age, most farmers would have had access to, or would themselves have had, computers and, therefore, completing the forms electronically would have been far more accurate?

Sir Jon Shortridge: Gareth will answer that.

Mr Jones: Actually, very few farmers have access to information technology. It is one of the issues that the Assembly Government is trying to address through its Farming Connect programme, to try to encourage farmers to become more business oriented and to become more IT literate. However, we have, effectively, a farming community that has an average age in excess of 60 years, and while that in no way suggests that they are not IT literate, the fact is that not many of our farmers wish to submit their information electronically. We undertook a customer survey in 2001 to find out how many farmers would like to submit their information electronically, and we got a fairly low response. Having said that, part of the vision for JIGSAW and CAPIT is to have the functionality in place so that farmers can submit their information electronically if they wish. Our information is available electronically to them, if they wish to receive it in that way but, at the moment, after doing workshops and customer surveys, we decided that what our customers wanted was to submit their information on a form. We thought that the best way of doing that was to send out simplified forms, pre-printed as much as possible, so that they could be scanned in.

mewn modd digon prydlon. Credaf y byddai bob amser risg, gan fynd yn ôl at yr hyn a ddywedodd Mr Cairns, na fyddem wedi gallu gwneud taliadau sylweddol ar ddechrau'r cyfnod talu yn y flwyddyn bontio hon. Byddem wedi bod eisiau defnyddio'r rhan fwyaf o'r cyfnod talu, os nad y cyfnod talu cyfan. Yr oeddem yn rhagweld y byddai problemau; fel y bu hi, nid oedd gennym ddigon o amser i ddelio â hwy.

[53] **Denise Idris Jones:** Mae'n ymddangos, felly, bod risgiau yn gysylltiedig â sganio ffurflenni. Oni wnaethoch ystyried, yn yr oes sydd ohoni, y byddai gan y rhan fwyaf o ffermwyr fynediad i gyfrifiaduron, neu eu cyfrifiaduron eu hunain ac, felly, byddai llanw'r ffurflenni yn electronig wedi bod yn llawer mwy cywir?

Syr Jon Shortridge: Gwnaiff Gareth ateb y cwestiwn hwnnw.

Mr Jones: I ddweud y gwir, nifer bach iawn o ffermwyr sydd â mynediad i dechnoleg gwybodaeth. Mae'n un o'r materion y mae Llywodraeth y Cynulliad yn ceisio mynd i'r afael ag ef gyda'i rhaglen Cyswllt Ffermio, i geisio annog ffermwyr i fabwysiadu agwedd fusnes well a gwella'u dealltwriaeth o TG. Fodd bynnag, mae gennym, i bob pwrpas, gymuned ffermio sydd ag oed cyfartalog o dros 60 oed, ac er nad yw hynny'n awgrymu am eiliad nad ydynt yn gallu defnyddio TG, y gwir yw nad yw llawer o'n ffermwyr am gyflwyno'u gwybodaeth yn electronig. Bu inni gynnal arolwg o gwsmeriaid yn 2001 i ganfod faint o ffermwyr a fyddai'n dymuno cyflwyno'u gwybodaeth yn electronig, a chawsom ymateb eithaf isel. Wedi dweud hynny, rhan o weledigaeth JIGSAW a CAPIT yw sicrhau bod systemau ar waith fel y gall ffermwyr gyflwyno'u gwybodaeth yn electronig os mai dyna yw eu dymuniad. Mae ein gwybodaeth ar gael iddynt yn electronig, os ydynt yn dymuno ei derbyn yn y modd hwnnw ond, ar hyn o bryd, ar ôl cynnal gweithdai ac arolygon cwsmeriaid, penderfynasom mai'r hyn yr oedd ein cwsmeriaid ei angen oedd cyflwyno'u gwybodaeth ar ffurflen. Yr oeddem o'r farn mai'r ffordd orau o wneud hynny oedd anfon ffurflenni symlach, a oedd wedi eu rhagargraffu cymaint â phosibl, fel y gellid eu sganio.

[54] **Denise Idris Jones:** Yes, I think that that is very clear now. I have spoken to farmers and they said that the forms were very long and complicated and that there were problems with them. So experience has taught you now not to overestimate this process rather than underestimate it, has it?

Mr Jones: I think that, in the past, our data take-on has been a very long and laborious process, because we have had to take forms from farmers and have very many staff inputting the data. That process is now infinitely quicker given that we have scanning, even though, in the first year, there were teething problems with the scanning technology and a learning process for our customers. They seem this year, if the suckler cow forms are anything to go by, to have learned this very well.

[55] **Denise Idris Jones:** Thank you, Mr Jones.

[56] **Janet Davies:** Val, you have some questions?

[57] **Val Lloyd:** I note that the new customer details form was a European requirement. However, it would seem to be another factor that added to the inherent risk in the CAPIT project. When you did your project planning for CAPIT, was this risk recognised?

Sir Jon Shortridge: I am sure that it was, but I will ask Gareth.

Mr Jones: Yes, it most certainly was. We always knew that creating a customer database and unique customer reference numbers would be a challenge. All of our data in the past has been based on county parish holding numbers, so all of our information has been on the basis of individual farms and holdings. We have never held information on the basis of individual farmers, whom we consider to be our customers. So we always knew that that was going to be a risk. It was a long and painful process to go through to validate the information about individual farmers, partly

[54] **Denise Idris Jones:** Ie, credaf fod hynny'n glir iawn bellach. Yr wyf wedi siarad â ffermwyr a dywedasant fod y ffurflenni yn hir a chymhleth iawn a bod problemau gyda hwy. Felly mae profiad wedi eich dysgu bellach i beidio â goramcanu'r broses hon yn hytrach na'i thanamcanu, onid ydyw?

Mr Jones: Credaf, yn y gorffennol, fod ein proses casglu data wedi bod yn un hir a llafurus iawn, oherwydd yr ydym wedi gorfod cymryd ffurflenni gan ffermwyr a chael llawer o staff yn mewnbynnu'r data. Mae'r broses honno bellach yn gyflymach o lawer diolch i sganio, er y cafwyd problemau cychwynnol gyda'r dechnoleg sganio a phroses ddysgu i'n cwsmeriaid yn y flwyddyn gyntaf. Mae'n ymddangos eleni, yn ôl arwyddion y ffurflenni gwartheg sugno, eu bod wedi dysgu hyn yn dda iawn.

[55] **Denise Idris Jones:** Diolch, Mr Jones.

[56] **Janet Davies:** Val, mae gennych gwestiynau?

[57] **Val Lloyd:** Gwelaf mai gofyniad Ewropeaidd oedd y ffurflen manylion cwsmer newydd. Fodd bynnag, byddai'n ymddangos ei bod yn ffactor arall a ychwanegodd at y risg cynhenid yn y prosiect CAPIT. Pan y gwnaethoch eich cynllunio prosiect ar gyfer CAPIT, a gydnabyddwyd y risg hwn?

Syr Jon Shortridge: Yr wyf yn sicr i hynny ddigwydd, ond gofynnaf i Gareth.

Mr Jones: Do, heb os nac oni bai. Gwyddem ar hyd yr amser y byddai creu cronfa ddata cwsmeriaid a chyfeirnodau cwsmer unigryw yn her. Yn y gorffennol, seiliwyd ein holl ddata ar rifau daliadau plwyfi sirol, felly mae ein holl wybodaeth wedi bod ar sail ffermydd a daliadau unigol. Nid ydym erioed wedi cadw gwybodaeth yn ôl ffermwyr unigol, yr ydym yn eu hystyried yn gwsmeriaid i ni. Felly yr oeddem yn gwybod ar hyd yr amser y byddai hynny'n risg. Bu dilysu'r wybodaeth am ffermwyr unigol yn broses hir a phoenus, yn rhannol oherwydd ei bod yn anodd yn dechnolegol ac yn rhannol

because it was technologically difficult and partly because we had to encourage farmers quite a lot to send us back the information on their business details. However, it is a process that we have now gone through and, as you can appreciate, it is a one-off process because, once we have captured that information, it is captured once and for all and we only now have to look at changes in-year.

[58] **Val Lloyd:** Thank you. It seems to have been quite a step change then and, of course, hindsight is very helpful, so would you see any need for those forms to be redesigned, or have they been redesigned, or are they still in their original form?

Mr Jones: We are constantly redesigning our forms. We have farmer focus groups and, every year, we put those new forms to those focus groups and ask them if they want changes made to them and whether we could make them more user-friendly and so on. So, we are constantly refining and improving our forms, but I think that the basic concept of the customer details form is the right one.

[59] **Val Lloyd:** Thank you. I accept that any new system brings difficulties. Were you surprised that your staff seemed to struggle to come to terms with the new system and use it effectively, and do you feel that staff training was given sufficient attention? We have touched on this earlier, but could you expand on that?

Mr Jones: I think that the thing to say from my perspective is that I am very pleased and proud of the way that staff have responded to the very major changes—systemic and cultural—that they have gone through over the last three or four years. We did implement a very rigorous training programme for staff, which was based around training on the new system and training to cope with individual schemes on the new system. It was very different from anything that they had used in the past. In the first year, a number of staff found it difficult to come to terms with having to administer a

oherwydd y bu'n rhaid inni roi cryn dipyn o anogaeth i ffermwyr i anfon y wybodaeth am fanylion eu busnes yn ôl atom. Fodd bynnag, mae'n broses yr ydym wedi dod drwyddi erbyn hyn ac, fel y gallwch werthfawrogi, mae'n broses unigryw oherwydd, unwaith yr ydym wedi casglu'r wybodaeth honno, mae wedi ei chasglu unwaith ac am byth a dim ond edrych ar newidiadau o fewn blwyddyn sydd raid inni bellach.

[58] **Val Lloyd:** Diolch. Ymddengys iddo fod yn newid go sylweddol ac, wrth gwrs, mae'r gallu i edrych yn ôl yn ddefnyddiol iawn, felly a fydddech yn gweld unrhyw angen i'r ffurflenni hynny gael eu hailgynllunio, neu a ydynt wedi eu hailgynllunio, neu a ydynt yn eu ffurf wreiddiol o hyd?

Mr Jones: Yr ydym yn ailgynllunio ein ffurflenni yn gyson. Mae gennym grwpiau ffocws ffermwyr a, phob blwyddyn, yr ydym yn rhoi'r ffurflenni newydd hynny gerbron y grwpiau ffocws hynny ac yn gofyn iddynt a ydynt am weld newidiadau iddynt ac a allem eu gwneud yn haws i'w defnyddio ac ati. Felly, yr ydym yn perffeithio a gwella ein ffurflenni yn gyson, ond credaf fod cysyniad sylfaenol y ffurflen manylion cwsmer yn gywir.

[59] **Val Lloyd:** Diolch. Derbyniaf fod anawsterau gydag unrhyw system newydd. A gawsoch eich synnu ei bod yn ymddangos bod eich staff yn ei chael yn anodd dygymod â'r system newydd a'i defnyddio'n effeithiol, ac a ydych yn teimlo bod digon o sylw wedi ei roi i hyfforddiant staff? Yr ydym wedi sôn am hyn yn fyr yn gynharach, ond a allech ymhelaethu ar hynny?

Mr Jones: Credaf mai'r hyn i'w ddweud o'm safbwynt i yw fy mod yn fodlon ac yn falch iawn o'r ffordd y mae staff wedi ymateb i'r newidiadau mawr iawn—systemig a diwylliannol—y maent wedi eu profi yn y tair neu bedair blynedd diwethaf. Bu inni weithredu rhaglen hyfforddi drwyadl iawn i staff, a oedd yn seiliedig ar hyfforddiant ar y system newydd a hyfforddiant i ymdopi â chynlluniau unigol ar y system newydd. Yr oedd yn wahanol iawn i unrhyw beth yr oeddynt wedi ei ddefnyddio yn y gorffennol. Yn y flwyddyn gyntaf, yr oedd nifer o staff yn ei chael hi'n anodd dygymod â gorfod

completely new way of working. I think that the proof of the worth of our training has been shown this year, where anyone looking at staff using the system would believe that they had been using it for years because they have clearly come to grips with it very well.

Sir Jon Shortridge: I would just like to add, if I may, that one of the things that we have done as part of the JIGSAW project is create multi-skilled teams. In the past, staff would work on particular schemes, which was, perhaps, convenient for us, but much less convenient for the farmer who had to talk to lots of different people. Part of what we have done is that we have created multi-skilled teams, which, understandably, during the first transitional year, had lots of learning to do. I personally feel that my staff performed outstandingly well in the agricultural offices in very difficult circumstances. I would want to echo everything that Gareth has said in complementing them.

[60] **Val Lloyd:** It is very pleasing to hear that and to note that you feel that the staff are now fully trained up and competent in using the system and that the same problems will not occur again.

[61] **Janet Davies:** We now turn to the new finance system, CODA. Jocelyn, you have some questions?

[62] **Jocelyn Davies:** You mentioned CODA earlier, so you were also introducing a new computer system in your finance division around this time. Surely, given all the inevitable issues surrounding the implementation of one new computer system, were you not asking for trouble to bring in a second one, particularly when both of those systems would have to communicate with each other?

Sir Jon Shortridge: It was an added complication. I think that you can overstate it as a complication, and I think that it also reflects the fact that in the complex world in which we operate, difficulties arise and things are not as easy as you would like. The new finance system was required because we were introducing resource accounting and we

gweithio mewn ffordd hollol newydd. Credaf fod eleni wedi profi gwerth ein hyfforddiant, lle byddai unrhyw un yn gwylio staff yn defnyddio'r system yn credu eu bod wedi bod yn ei defnyddio ers blynyddoedd oherwydd mae'n amlwg eu bod wedi dod i arfer â hi'n dda iawn.

Syr Jon Shortridge: Hoffem ychwanegu, os y caf, mai un o'r pethau yr ydym wedi eu gwneud yn rhan o'r prosiect JIGSAW yw creu timau aml-sgil. Yn y gorffennol, byddai staff yn gweithio ar gynlluniau penodol, a oedd, efallai, yn gyfleus inni, ond yn llawer llai cyfleus i'r ffermwr a oedd yn gorfod siarad â llawer o bobl wahanol. Rhan o'r hyn yr ydym wedi ei wneud yw ein bod wedi creu timau aml-sgil, a oedd, yn ddealladwy, yn ystod y flwyddyn bontio gyntaf, â llawer i'w ddyysgu. Credaf yn bersonol i'm staff berfformio'n hynod dda yn y swyddfeydd amaethyddol dan amgylchiadau anodd iawn. Byddem am eilio popeth y mae Gareth wedi ei ddweud yn eu canmol.

[60] **Val Lloyd:** Mae'n galonogol iawn clywed hynny a nodi eich bod o'r farn bod staff bellach wedi eu hyfforddi'n llawn ac yn hollol gymwys i ddefnyddio'r system newydd ac na fydd yr un problemau yn digwydd eto.

[61] **Janet Davies:** Trown yn awr at y system gyllid newydd, CODA. Jocelyn, mae gennych gwestiynau?

[62] **Jocelyn Davies:** Soniasoch am CODA yn gynharach, felly yr oeddech hefyd yn cyflwyno system gyfrifiadurol newydd yn eich is-adran gyllid tua'r adeg hon. Nid oes bosibl, o ystyried yr holl faterion anochel sy'n gysylltiedig â rhoi un system gyfrifiadurol newydd ar waith, onid oeddech yn gofyn am drwbl wrth gyflwyno ail system, yn enwedig pan fyddai'n rhaid i'r ddwy system hynny gyfathrebu â'i gilydd?

Syr Jon Shortridge: Yr oedd yn gymhlethdod ychwanegol. Credaf mai gorddweud fyddai ei galw'n gymhlethdod, a chredaf ei bod hefyd yn adlewyrchu'r ffaith bod anawsterau yn codi ac nad yw pethau mor syml ag y byddech yn dymuno yn y byd cymhleth y gweithredwn ynddo. Yr oedd angen system gyllid newydd oherwydd yr

needed a finance system that was capable of dealing with the new resource accounting requirements. So, we had to have the finance system and, for the reasons that I have outlined, we had to have a new agricultural grants system. In the event, to a significant extent, the finance system was just the payments end of the CAPIT system, and I think that you can overstate the extent to which that was causing the delays. There were issues, which Gareth can explain if you wish, around what is called the matrix data, which is where certain financial information that is required for audit purposes is held in our IT systems, and that did cause us some problems.

[63] **Jocelyn Davies:** But it was a conscious decision to bring in two new systems at the same time?

Sir Jon Shortridge: Well, it was an unavoidable decision. We had to have our resource accounts.

[64] **Jocelyn Davies:** Did you want to say anything about the matrix, Mr Jones?

Mr Jones: Yes. We are required every year to undertake a whole series of validations and calculations on each individual claim. As I said earlier, there are around 160,000 claims, and not only does each one have to be validated in terms of an administrator looking at the claim, but there have to be IT checks and on-the-spot physical checks as well. Once all that is done, and a calculation is made as to what the payment should be, all of that information has to be put on to, as the Permanent Secretary says, what we call the matrix, which is then the audit trail for every single payment that we have made, which is required by the European Commission. In the past, that matrix had been held on our finance system, our old AS400 system. When CODA was redeveloped and CAPIT was developed, we took a conscious decision between ourselves and finance that that matrix should be developed on the CAPIT system rather than on the payments system. So, as the Permanent Secretary says, the CODA system really just takes information from CAPIT, writes the cheque out, and sends the cheque

oeddem yn cyflwyno cyfrifyddiaeth adnoddau ac yr oeddem angen y system gyllid a oedd yn gallu delio â'r gofynion cyfrifyddu adnoddau newydd. Felly, yr oedd yn rhaid inni gael y system gyllid ac, am y rhesymau yr wyf wedi eu hamlinellu, yr oedd yn rhaid inni gael system grantiau amaethyddol newydd. Fel y bu hi, elfen daliadau'r system CAPIT yn unig oedd y system gyllid, i raddau helaeth, a chredaf y gallwch orddweud i ba raddau yr oedd honno'n achosi'r oedi. Bu materion, y gall Gareth eu hegluro os y dymunwch, ynghylch yr hyn a elwir yn ddata matrices, sef ble y mae gwybodaeth ariannol benodol sydd ei hangen at ddibenion archwilio yn cael ei chadw yn ein systemau TG, ac achosodd hwnnw rai problemau inni.

[63] **Jocelyn Davies:** Ond a oedd yn benderfyniad bwriadol i gyflwyno dwy system newydd ar yr un pryd?

Syr Jon Shortridge: Wel, yr oedd yn benderfyniad nad oedd modd ei osgoi. Yr oedd yn rhaid inni gael ein cyfrifon adnoddau.

[64] **Jocelyn Davies:** A oeddech am ddweud rhywbeth am y matrices, Mr Jones?

Mr Jones: Oeddwn. Bob blwyddyn, mae'n rhaid inni gynnal cyfres gyfan o ddilysiadau a chyfrifiadau ar gyfer pob hawliad unigol. Fel y dywedais yn gynharach, mae tua 160,000 o hawliadau, ac nid yn unig y mae'n rhaid dilysu pob un gyda gweinyddydd yn edrych ar yr hawliad, ond mae'n rhaid cynnal gwiriadau TG a gwiriadau corfforol ar y safle hefyd. Ar ôl gwneud hynny oll, a chyfrifo'r hyn y dylai'r taliad fod, rhaid rhoi'r holl wybodaeth, fel y dywed yr Ysgrifennydd Parhaol, ar yr hyn yr ydym yn ei alw'n fatrics, sydd wedyn yn llwybr archwilio ar gyfer pob taliad unigol yr ydym wedi ei wneud, sy'n ofynnol gan y Comisiwn Ewropeaidd. Yn y gorffennol, yr oedd y matrices yn cael ei gadw ar ein system gyllid, ein hen system AS400. Pan ailddatblygwyd CODA ac y datblygwyd CAPIT, gwnaethom ni a chyllid benderfyniad bwriadol y dylid datblygu'r matrices ar y system CAPIT yn hytrach nag ar y system daliadau. Felly, fel y dywed yr Ysgrifennydd Parhaol, y cyfan y gwna'r system CODA yw cymryd y wybodaeth o CAPIT, ysgrifennu'r sic, ac

off or makes a BACS payment to a farmer, and then informs CAPIT that that is what it has done. That is really all it does in the process now.

[65] **Jocelyn Davies:** But the report says that the contractors employed to develop CAPIT did not know that the system that they were developing had to hold the matrix data until well into the life of the project. Was that not vital information for them to have?

Mr Jones: Yes. The fact that we were going to have to redevelop the matrix on CAPIT was an evolving decision. When the contract was first let, I think that it is fair to say that neither we nor Cap Gemini Ernst and Young knew that the matrix data was going to have to be developed on CAPIT. We took that decision as part of the two ongoing projects, both of which both sets of staff were involved in.

[66] **Jocelyn Davies:** So they say that they were not told until late 2001. Is that when you took the decision?

Mr Jones: Yes.

[67] **Jocelyn Davies:** Okay, thank you. On the other factors affecting the project, we have heard earlier on about staff. Now staff can, of course, leave the Assembly's employment whenever they like. However, since CAPIT was such an important project, why did you allow key personnel to leave the project to move elsewhere within the Assembly? As Mr Jones told us earlier, it takes several months to train staff up to be fully competent, and you were at full stretch, yet personnel were allowed to leave and take up other positions with the Assembly.

Sir Jon Shortridge: Well, the system that we have within the Assembly is that staff are free to apply for jobs. The staff in CAP Management Division had been through a very substantial and creative change programme, and a number of them had therefore developed into very able and also ambitious people in the Assembly. So when opportunities arose for promotion and

anfon y siec at ffermwr neu wneud taliad BACS, ac yna hysbysu CAPIT mai dyna y mae wedi ei wneud. Dyna'r cyfan y gwna yn rhan o'r broses bellach mewn gwirionedd.

[65] **Jocelyn Davies:** Ond dywed yr adroddiad nad oedd y contractwyr a gyflogwyd i ddatblygu CAPIT yn gwybod bod y system yr oeddynt yn ei datblygu yn gorfod dal y data matrices tan yn eithaf hwyr yn oes y prosiect. Onid oedd honno'n wybodaeth hollbwysig iddynt ei chael?

Mr Jones: Oedd. Penderfyniad esblygol oedd y ffaith ein bod am ailddatblygu'r matrices ar CAPIT. Pan roddwyd y contract yn y lle cyntaf, credaf ei bod yn deg dweud nad oeddem ni na Cap Gemini Ernst and Young yn gwybod bod yn rhaid datblygu'r data matrices ar CAPIT. Gwnaethom y penderfyniad hwnnw yn rhan o'r ddau brosiect parhaus, yr oedd y ddau grŵp o staff yn ymwneud â'r ddau ohonynt.

[66] **Jocelyn Davies:** Felly maent yn dweud na ddywedwyd wrthynt tan ddiwedd 2001. Ai bryd hynny y gwnaethoch y penderfyniad?

Mr Jones: Ie.

[67] **Jocelyn Davies:** O'r gorau, diolch. Ynglŷn â'r ffactorau eraill sy'n effeithio ar y prosiect, clywsom yn gynharach am staff. Yn awr, gall staff, wrth gwrs, roi'r gorau i weithio i'r Cynulliad pryd bynnag y dymunant. Fodd bynnag, gan fod CAPIT yn brosiect mor bwysig, pam y bu ichi ganiatáu i staff allweddol adael y prosiect i symud i swyddi eraill yn y Cynulliad? Fel y dywedodd Mr Jones wrthym yn gynharach, mae'n cymryd misoedd lawer i hyfforddi staff i fod yn gwbl gymwys i wneud y gwaith, ond, er mai prin ddigon o staff oedd gennych, caniatwyd i rai adael a chymryd swyddi eraill gyda'r Cynulliad.

Syr Jon Shortridge: Wel, y system sydd gennym yn y Cynulliad yw bod staff yn rhydd i ymgeisio am swyddi. Yr oedd staff Is-adran Rheoli'r PAC wedi bod drwy raglen newid greadigol a sylweddol iawn, ac felly yr oedd nifer ohonynt wedi datblygu'n bobl alluog ac uchelgeisiol yn y Cynulliad. Felly pan ddaeth cyfleoedd i gael dyrchafiad neu wneud cynnydd, bu iddynt fanteisio arnynt

advancement they took them and, because of the quality of the people concerned, they were appointed. That is, in part, what managing within the Assembly is all about, dealing with a large number of staff who, certainly in the first few years of the Assembly, have had opportunities for advancement and have taken them, and we have then had to deal with the consequences.

Mr Jones: Perhaps I might just add, Chair, that CAP Management Division had gone from being the division that was least successful in getting individuals promoted, pre-1998, to being, by this time, the most successful division, as the Permanent Secretary says, because of the transformations that it had gone through and, of course, all the work that the staff had put in to cope with the foot and mouth disease crisis during 2001. They were very marketable people, and they were being promoted and moving on to better jobs.

[68] **Jocelyn Davies:** Has that leakage of key people continued into 2003?

Mr Jones: We continue to be successful in terms of promotion boards. Wherever we possibly can, if we have key personnel, we try to keep them in the division and find opportunities for them. However, there will always be people who want to move on and develop their careers more broadly within the Assembly.

[69] **Jocelyn Davies:** Of course, asbestos was discovered in one of the divisional offices, and it could not have been much fun to work there while the work was being done. I think that staff continued to occupy the building while the work was done there, did they not?

Mr Jones: Yes.

[70] **Jocelyn Davies:** Was there no real alternative to that?

Mr Jones: No. We were advised that the asbestos in the building should be removed, and our primary duty to the staff there is to their health and safety, and we took the view that that had to be done immediately.

ac, oherwydd ansawdd y bobl dan sylw, cawsant eu penodi. Hynny, yn rhannol, yw hanfod rheoli yn y Cynulliad, sef delio â nifer fawr o staff sydd, yn sicr ym mlynnyddoedd cyntaf y Cynulliad, wedi cael cyfleoedd i gael dyrchafiad ac wedi manteisio arnynt, ac felly yr ydym ni wedyn wedi gorfod delio â'r canlyniadau.

Mr Jones: Efallai y caf ychwanegu, Gadeirydd, fod Is-adran Rheoli'r PAC wedi datblygu o fod yr is-adran leiaf llwyddiannus o ran sicrhau dyrchafiad i unigolion, cyn 1998, i fod, erbyn hyn, yr is-adran fwyaf llwyddiannus, fel y dywed yr Ysgrifennydd Parhaol, oherwydd y newid mawr a fu yn ei hanes ac, wrth gwrs, yr holl waith y bu'n rhaid i staff ei wneud i ymdopi ag argyfwng clwy'r traed a'r genau yn 2001. Yr oeddynt yn bobl farchnadwy iawn, ac yr oeddynt yn cael eu dyrchafu ac yn symud ymlaen at swyddi gwell.

[68] **Jocelyn Davies:** A yw'r golled honno o bobl allweddol wedi parhau yn 2003?

Mr Jones: Parhawn i fod yn llwyddiannus o ran byrddau dyrchafu. Ble bynnag y bo'n bosibl, os oes gennym staff allweddol, ceisiwn eu cadw yn yr is-adran a chanfod cyfleoedd iddynt. Fodd bynnag, bydd wastad gennym bobl sydd am symud ymlaen a datblygu eu gyrfaedd yn ehangach yn y Cynulliad.

[69] **Jocelyn Davies:** Wrth gwrs, darganfuwyd asbestos yn un o'r swyddfydd rhanbarthol, ac mae'n siŵr nad oedd yn llawer o hwyl gweithio yno tra bod y gwaith yn mynd rhagddo. Credaf fod staff wedi aros yn yr adeilad tra bod y gwaith yn cael ei wneud yno, oni wnaethant?

Mr Jones: Do.

[70] **Jocelyn Davies:** Onid oedd dewis dichonadwy arall?

Mr Jones: Na. Cawsom ein cyngori y dylid gwaredu'r asbestos yn yr adeilad, ac iechyd a diogelwch y staff yn y fan honno yw ein prif ddyletswydd, a phenderfynasom fod yn rhaid gwneud hynny ar unwaith.

[71] **Jocelyn Davies:** I am not questioning removing the asbestos, I am asking whether keeping people working in the building while you did it was the right thing to do?

Mr Jones: I see. Well, we took very clear advice from the Health and Safety Executive and from the organisation that was going to remove the asbestos. All possible safeguards were put in place to make sure that staff were protected during that period. The staff were kept fully in the picture about what was going to happen and how they were going to be looked after. At no time did the staff make any adverse noises about the way that that process was managed.

[72] **Jocelyn Davies:** Was there no alternative other than to continue working from the building?

Mr Jones: I do not think that there was. The IT links that were in place between the building and the mainframe computers that run all of this would have had to have been replicated. That would have been costly and it would have taken a considerable amount of time to make sure that those networks were in place.

[73] **Jocelyn Davies:** What impact did that have on the CAPIT project?

Mr Jones: I do not think that it had a major impact on the project. There was the inevitable upheaval and unavailability of space, which you have alluded to. In order to manage this CAPIT project development as best as possible, we had to create things like training rooms in each of our offices so that staff could be trained and so that we could set up prototype and model offices and the like. Inevitably, when you have as much upheaval as you get at that sort of time, it was difficult for us to implement.

[74] **Jocelyn Davies:** Thank you. I will leave it there, Janet.

[75] **Janet Davies:** Thank you, Jocelyn. We will go on to look at the relocation of the CAP Management Division. I think that it is paragraph 3.24 that sets out the consequences

[71] **Jocelyn Davies:** Nid wyf yn cwestiynu gwaredu'r asbestos, yr wyf yn gofyn ai cadw pobl i weithio yn yr adeilad tra eich bod yn gwneud hynny oedd y peth priodol i'w wneud?

Mr Jones: Yr wyf yn gweld. Wel, cawsom gyngor clir iawn gan Awdurdod Gweithredol Iechyd a Diogelwch a chan y cwmni a oedd yn mynd i waredu'r asbestos. Defnyddiwyd pob mesur diogelu posibl i sicrhau bod staff yn ddiogel yn ystod y cyfnod hwnnw. Yr oedd staff yn cael eu hysbysu'n llawn am yr hyn a oedd am ddigwydd a sut y byddent yn derbyn gofal. Ni chwynodd y staff am y modd y rheolwyd y broses ar unrhyw adeg.

[72] **Jocelyn Davies:** Onid oedd dewis arall heblaw parhau i weithio yn yr adeilad?

Mr Jones: Ni chredaf fod dewis arall. Byddai wedi bod yn rhaid atgynhyrchu'r cysylltiadau TG a oedd ar waith rhwng yr adeilad a'r prif gyfrifiaduron sy'n cynnal hyn oll. Byddai hynny wedi bod yn gostus a byddai wedi cymryd amser maith i sicrhau bod y rhwydweithiau hynny ar waith.

[73] **Jocelyn Davies:** Pa effaith a gafodd hynny ar brosiect CAPIT?

Mr Jones: Ni chredaf iddo gael effaith fawr ar y prosiect. Yr oedd newidiadau anorfod a diffyg lle, fel yr ydych wedi cyfeirio atynt. Er mwyn rheoli'r gwaith o ddatblygu'r prosiect CAPIT hwn yn y ffordd orau bosibl, yr oedd rhaid inni greu pethau fel ystafelloedd hyfforddiant ym mhob un o'n swyddfeydd fel y gellid hyfforddi staff ac fel bod modd inni sefydlu swyddfeydd prototeip a model ac ati. Pan fo gennych gymaint o newidiadau i'w gwneud yn y fath amser, mae'n anorfod y byddai wedi bod yn anodd inni roi popeth ar waith.

[74] **Jocelyn Davies:** Diolch. Dyna'r cyfan am nawr, Janet.

[75] **Janet Davies:** Diolch, Jocelyn. Awn ymlaen i drafod mater ail-leoli Is-adran Rheoli'r PAC. Credaf mai paragraff 3.24 sy'n sôn am oblygiadau penderfyniad y Cynulliad

of the Assembly's decision to move the division out of the Assembly's main building in Cardiff. The report says that the CAP Management Division offered the best match with the criteria for moving out of Cathays park. Did those criteria include whether or not the division was currently involved in a major new IT project, which directly affected 16,000 taxpayers in Wales?

Sir Jon Shortridge: I have not checked the criteria for the purposes of this hearing, but I think that it is unlikely that one of the criteria would have been what you have set out there. Since the establishment of the Assembly, Cathays park has become very overcrowded and for health and safety reasons we have had to seek to move staff out of there. The main criterion, I am sure, would have been an operational consideration relating to the extent to which the staff concerned needed to have access to Ministers and Members. In the case of the staff who deal with the agricultural grants, and, in particular, the IT associated with agricultural grants, they did not fulfil that criterion.

Mr Jones: Added to which, Chair, if I may, CAP Management Division was an extremely good candidate to move to Ffynnon Las, in Llanishen. It had been many years since we had been able to provide front office facilities for our customers to actually park their cars outside, come into the office, get advice from experienced staff, bring their forms in, and discuss the detail of their forms with staff. They simply could not do that conveniently in Cathays park, because we did not have a shop window on the world that was agricultural. After moving the staff to Ffynnon Las, for the first time in many years, we were able to provide that service to farmers in south-east Wales. So, as a management team, we were keen to move the operation to Llanishen to realise those benefits for our customers.

[76] **Janet Davies:** So, presumably, you did look at other possible divisions to move out and ruled them out for various reasons, which perhaps you would like to expand on. Also, would you say that, looking back, you would now make the same decision?

Sir Jon Shortridge: I think, given where we

i symud yr is-adran o brif adeilad y Cynulliad yng Nghaerdydd. Mae'r adroddiad yn dweud mai Is-adran Rheoli'r PAC oedd yn cyfateb orau i'r meini prawf i symud o barc Cathays. A oedd y meini prawf yn cynnwys y ffaith bod yr is-adran yn gysylltiedig â phrosiect TG newydd o bwys ar y pryd, a oedd yn effeithio'n uniongyrchol ar 16,000 o drethdalwyr yng Nghymru?

Syr Jon Shortridge: Nid wyf wedi gwirio'r meini prawf ar gyfer y gwrandawriad hwn, ond credaf nad yw yn debygol y byddent yn cynnwys yr hyn y cyfeiriasoch ato. Mae parc Cathays wedi gorlenwi ers sefydlu'r Cynulliad, ac yr ydym wedi gorfod ceisio symud staff oddi yno am resymau iechyd a diogelwch. Y prif faen prawf, mae'n siŵr gennyf, byddai ystyriaeth weithredol o i ba raddau y byddai'r staff dan sylw angen cysylltu â Gweinidogion ac Aelodau. Yn achos staff sy'n ymwneud â grantiau amaethyddol, ac yn arbennig y systemau TG sy'n gysylltiedig â grantiau amaethyddol, ni wnaethant fodloni'r maen prawf hwnnw.

Mr Jones: Yn ogystal â hynny, Gadeirydd, os y caf, yr oedd Is-adran Rheoli'r PAC yn ymgeisydd hynod dda ar gyfer symud i Ffynnon Las, yn Llanisien. Mae sawl blwyddyn wedi mynd heibio ers inni allu cynnig cyfleusterau sy'n rhoi cyfle i'n cwsmeriaid barcio eu ceir y tu allan, dod i'r swyddfa, cael cyngor gan staff profiadol, dod â'u ffurflenni gyda hwy, a thrafod manylion eu ffurflenni gyda'r staff. Nid oedd modd iddynt wneud hynny'n gyfleus ym mharc Cathays, oherwydd nid oedd gennym ffenestr siop ar y byd amaethyddol yno. Ar ôl symud y staff i Ffynnon Las, yr oeddem yn gallu darparu'r gwasanaeth hwnnw i ffermwyr yn y De-ddwyrain am y tro cyntaf mewn blynyddoedd lawer. Felly, fel tîm rheoli, yr oeddem yn awyddus i symud y gwaith i Lanisien er budd ein cwsmeriaid.

[76] **Janet Davies:** Felly, yr wyf yn cymryd i chi ystyried symud is-adrannau eraill, a'u diystyru am wahanol resymau, ac efallai yr hoffech ymhelaethu arnynt. O edrych yn ôl hefyd, a fyddech yn dweud y byddech yn gwneud yr un penderfyniad nawr?

Syr Jon Shortridge: Credaf, o gofio ble yr

are now, that we are in a position to realise all the benefits to which Gareth has referred you. I think that Llanishen is a good location for CAP Management Division—or the Cardiff end of CAP Management Division. Throughout this experience, there have been judgments that have had to be made, which may or may not have had a bearing on our performance in relation to the grant payments. At the time, September 2001, the view was taken that this was a risk that was an acceptable risk and which could be satisfactorily managed.

[77] **Janet Davies:** Nevertheless, there were problems. In paragraph 3.26, we read about the comprehensive risk management system for the project. Was the potential impact of the move on the implementation of CAPIT considered as a risk? Did you allow for the disruption and the delays caused by the network upgrades?

Sir Jon Shortridge: I am sure that it was considered as a risk. Gareth was on the programme board and he can give you the detailed answer.

Mr Jones: It certainly was. It was an issue that arose during the management of the project. It was considered, it was placed on the risk register, and mitigating measures were put in place, which were managed extremely well, and I have to say that I do not think that the move to Llanishen caused serious disruption to the programme or the project. Any upheaval of that nature is going to have an effect but, overall and on balance, I think that the effect of CAP Management Division's move to Llanishen has been a positive one.

[78] **Janet Davies:** But it did mean at the time that the divisional office staff could not use CAPIT until July 2002. What effect did that have on the problems that then ensued?

Mr Jones: It was more a question of our having to change emphasis in terms of the testing. What we had always wanted to do was to get the users—divisional office staff—testing the system from their home offices: Caernarfon, Carmarthen and Llandrindod Wells. It meant that, for a period of a couple

ydym yn awr, ein bod mewn sefyllfa i weld yr holl fanteision y cyfeiriodd Gareth atynt. Credaf fod Llanisien yn lle da ar gyfer Is-adran Rheoli'r PAC—neu swyddfa Is-adran Rheoli'r PAC yng Nghaerdydd. Drwy gydol yr holl brofiad hwn, yr oedd rhaid gwneud penderfyniadau a allai fod wedi effeithio ar ein perfformiad wrth dalu'r grant neu heb effeithio o gwbl. Ar y pryd, ym mis Medi 2001, y farn oedd bod hon yn risg a oedd yn risg dderbyniol ac yn un yr oedd modd ei rheoli'n foddhaol.

[77] **Janet Davies:** Yr oedd problemau, fodd bynnag. Mae paragraff 3.26 yn sôn am system rheoli risg gynhwysfawr ar gyfer y prosiect. A ystyriwyd fod effaith y symud ar y broses o weithredu CAPIT yn risg? A wnaethoch ystyried y byddai'r holl waith o uwchraddio'r rhwydwaith yn tarfu ac yn creu oedi?

Syr Jon Shortridge: Yr wyf yn siŵr yr ystyriwyd hynny'n risg. Yr oedd Gareth ar fwrdd y rhaglen a gall ef roi'r ateb manwl i chi.

Mr Jones: Yr oedd yn bendant felly. Yr oedd yn fater a gododd wrth reoli'r prosiect. Cafodd ei ystyried, ei roi ar y gofrestr risgiau, a chafodd mesurau lliniaru eu rhoi ar waith, a gafodd eu rheoli'n dda iawn, ac mae'n rhaid i mi ddweud nad wyf yn credu y bu i'r gwaith o symud i Lanisien achosi tarfu difrifol i'r rhaglen nac i'r prosiect. Mae unrhyw ymyrraeth o'r natur hwnnw'n mynd i gael effaith ond, ar y cyfan ac wrth bwysu a mesur popeth, credaf mai effaith cadarnhaol a fu symud Is-adran Rheoli'r PAC i Lanisien.

[78] **Janet Davies:** Ond golygodd hynny ar y pryd nad oedd staff y swyddfa ranbarthol yn gallu defnyddio CAPIT tan fis Gorffennaf 2002. Pa effaith a gafodd hynny ar y problemau dilynol?

Mr Jones: Yr oedd yn fwy o gwestiwn o ninnau'n gorfod newid y pwyslais o safbwynt profi. Yr hyn yr oeddem ni wastad eisiau ei wneud oedd cael y defnyddwyr—staff y swyddfeydd rhanbarthol—i brofi'r system o'u swyddfeydd hwy: Caernarfon, Caerfyrddin a Llandrindod. Yr oedd hyn yn

of months until the network upgrades had been completed, rather than allow staff to do the testing in their home offices, we brought staff to Llanishen and made space for them there so that they could continue with the testing. So I do not think that it had a material effect on the delays, certainly not a substantial effect on the delays. It did affect the way that we managed the project because we had to manage the whole sort of testing programme slightly differently, and bring staff to Cardiff for a period of time, which, again, they readily did to make the project a success.

[79] **Janet Davies:** Okay, thank you. Mark, did you want to look at the contingency arrangements?

[80] **Mark Isherwood:** Yes, thank you. Paragraphs 3.25 to 3.29 detail the Assembly Government's contingency arrangements in this circumstance. You are reported as stating, quite validly, that managing risk is not the same as eliminating risk. Can you briefly define your understanding of risk management and detail what risk or risks, which you did not eliminate, led to the delays?

Sir Jon Shortridge: I think that I will have to ask Gareth to give the substantive answer to that because I was not managing the project, and he was and he is the one, therefore, who lived through that process. Essentially, in terms of managing risk, I am very clear that what you do need to do is to identify all your risks. That is easier said than done. You have to go through a process and have a lot of challenge around so that you can comprehensively identify all of your risks. Then, you have to systematically go down and identify what you are going to do to mitigate those risks, and that creates a whole series of action points that you then have to, through your overall control mechanisms, ensure are being followed through at the same time as you are reviewing the likelihood and seriousness of the risks concerned.

Mr Jones: This is a very comprehensive risk register that was managed by the project managers and those working for them. The

golygu ein bod ni'n symud staff i Lanisien a neilltuo lle iddynt yno i barhau i brofi'r system am ychydig fisoedd tan fod y gwaith o uwchraddio'r rhwydwaith wedi'i gwblhau, yn hytrach na gadael y staff i brofi yn eu swyddfeydd lleol. Felly, nid wyf yn credu i hynny gael effaith wirioneddol ar yr oedi, ac yn bendant ni chafodd effaith sylweddol ar yr oedi. Effeithiodd ar y modd yr oeddem yn rheoli'r prosiect oherwydd yr oedd yn rhaid inni reoli'r holl raglen brofi ychydig yn wahanol, a dod â staff i Gaerdydd am gyfnod ac, unwaith eto, yr oeddynt yn barod i wneud hynny er mwyn sicrhau bod y prosiect yn llwyddiant.

[79] **Janet Davies:** Iawn, diolch. Mark, a oeddech eisiau trafod y trefniadau wrth gefn?

[80] **Mark Isherwood:** Oeddwn, diolch. Mae paragraffau 3.25 i 3.29 yn manylu ar drefniadau wrth gefn Llywodraeth y Cynulliad dan yr amgylchiadau hyn. Nodir eich bod yn dweud, yn ddigon dilys, nad yw rheoli risg yr un fath â dileu risg. A allwch ddiffinio'ch dealltwriaeth o reoli risg yn gryno, a manylu ar ba risg neu risgiau, na wnaethoch eu dileu, a arweiniodd at yr oedi?

Syr Jon Shortridge: Credaf y bydd yn rhaid i mi ofyn i Gareth roi ateb manwl i hynny gan nad oeddwn yn rheoli'r prosiect, ac ef a oedd ac sydd, felly, yn byw drwy'r broses honno. Yn y bôn, o ran rheoli risg, yr wyf yn bendant iawn mai'r hyn sydd angen i chi ei wneud yw nodi'ch holl risgiau; ond haws dweud na gwneud. Mae'n rhaid i chi fynd drwy broses a chael sawl her o'ch cwmpas fel y gallwch nodi'r holl risgiau yn gynhwysfawr. Yna, mae'n rhaid i chi fynd ati'n systematig a nodi'r hyn yr ydych am ei wneud i liniaru'r risgiau hyn, ac mae hynny'n creu cyfres o bwyntiau gweithredu y mae'n rhaid i chi wedyn sicrhau sy'n cael eu dilyn, drwy ddefnyddio eich mecanweithiau rheoli cyffredinol, wrth i chi adolygu pa mor debygol a difrifol oedd y risgiau hynny.

Mr Jones: Mae hon yn gofrestr risgiau gynhwysfawr a oedd yn cael ei rheoli gan reolwyr y prosiect a rhai oedd yn gweithio

risks ranged from people risks, risks that we would lose key individuals, risks that we would not be able to train people sufficiently to operate the new systems, through to technical risks. There is always the risk in implementing a new communications infrastructure or new hardware that you cannot get the links right or that the technology will not work properly. There were links with other organisations that had to be put in place, and there are always risks, when you are dealing with other organisations, that they will not give your project the priority that you give to it and that you expect them to give to it. The CAPIT system has to link to a number of other systems in England that are operated by the Rural Payments Agency. There were risks surrounding things such as changes in regulations, which actually happened; so there are risks associated with a changing environment, within which, clearly, we are living. Those are the sorts of categories.

There are programme risks and there are business risks associated with any project. The programme risks are those that might hit you and might mean that your management of the project becomes more difficult. Then there are business risks associated with keeping your business going while you are implementing the project, and I guess that what this report is largely about is that second category. We sought to manage the business risks associated with running this project by, as the report recognises, taking all sorts of decisions on continuing to use the legacy systems as a sort of hybrid approach to making payments. We sought to manage risks by making the hardship payments to which we have already alluded. We sought to manage risks by putting in place better communications with our customers and setting up call centres—much of this, as you will know, is outlined in the report. So there are a whole host of risks. Managing those risks, in my view, is not the same as eliminating them, as you say. Managing them is about making sure that they are properly identified, that mitigating arrangements can be put in place, and that you have sufficient resources in place to put those mitigation arrangements in place if you have to.

iddynt. Yr oedd y risgiau yn amrywio o risgiau pobl, risgiau y byddem yn colli unigolion allweddol, risgiau na fyddem yn gallu hyfforddi pobl yn ddigonol i weithredu'r systemau newydd, hyd at risgiau technegol. Mae risg bob amser wrth roi seilwaith cyfathrebu newydd ar waith neu feddalwedd newydd na fyddwch yn gallu cael y cysylltiadau cywir neu na fydd y dechnoleg yn gweithio'n iawn. Yr oedd angen sefydlu cysylltiadau â sefydliadau eraill, ac mae yna wastad risgiau, wrth i chi ddelio â sefydliadau eraill, na fyddant yn rhoi'r un flaenoriaeth i'r prosiect ag y gwnewch chi ac yr ydych yn ei ddisgwyl ganddynt. Mae gan system CAPIT gysylltiad â nifer o systemau eraill yn Lloegr sy'n cael eu rheoli gan y Rural Payments Agency. Yr oedd risgiau ynghlwm wrth bethau megis newidiadau yn y rheoliadau, a ddigwyddodd mewn gwirionedd; felly mae risgiau yn gysylltiedig ag amgylchedd cyfnewidiol, yr ydym oll yn byw ynddo mae'n amlwg. Dyna'r math o gategorïau sydd yma.

Mae risgiau rhaglenni a risgiau busnes yn gysylltiedig ag unrhyw brosiect. Risgiau rhaglenni yw'r rhai y gallai eich taro chi ac a allai olygu ei bod yn dod yn anos ichi reoli'r prosiect. Yna, mae risgiau busnes sy'n gysylltiedig â chynnal eich busnes wrth i chi roi'r prosiect ar waith, a thybiaf mai'r ail gategori hwnnw sydd dan sylw yn yr adroddiad hwn yn bennaf. Bu inni geisio rheoli'r risgiau busnes oedd ynghlwm wrth redeg y prosiect hwn drwy, fel mae'r adroddiad yn cydnabod, wneud pob math o benderfyniadau ynghylch parhau i ddefnyddio'r systemau a etifeddwyd fel dull cymysg o dalu. Aethom ati i geisio rheoli'r risgiau drwy gyflwyno'r taliadau caledi yr ydym eisoes wedi cyfeirio atynt. Bu inni geisio rheoli'r risgiau drwy roi systemau cyfathrebu gwell ar waith gyda'n cwsmeriaid a sefydlu canolfannau galwadau—mae llawer o hyn, fel y gwyrddoch, wedi'i amlinellu yn yr adroddiad. Mae amryw byd o risgiau, felly. Yn fy marn i, nid yw rheoli'r risgiau hyn yr un peth â'u gwaredu, fel y dywedasoeh. Mae rheoli risgiau yn ymwneud â gofalu eu bod yn cael eu nodi'n gywir, bod modd rhoi mesurau lliniaru ar waith, a bod gennyh ddigon o adnoddau yn eu lle i roi'r trefniadau lliniaru hynny ar waith os oes angen.

[81] **Mark Isherwood:** Clearly, as we agree, we cannot eliminate risk, which is why there have to be robust contingency plans in place. That is possibly the focus of the discussion that we have been having. We have heard that there was a convergence of foreseen contributory risk factors: we have heard about the movement of the CAP Management Division, the disruption that it caused to the IT team, delays because of the need to upgrade networks, and the fact that when CAPIT went live in July 2002, staff had had little or no training. All these were, obviously, foreseeable. We have heard that the problems and the risks were compounded by the implementation of the new finance system, CODA. So, clearly, there was a convergence of foreseen risks, and, presumably, there should have been contingency plans ready to cope with them. What was it about these risks that meant that the Assembly Government's management was not sufficient in the circumstances that arose?

Sir Jon Shortridge: I think that what you have not mentioned is the biggest risk that we had to cope with, which, in a sense was not that foreseeable and which, certainly, once it happened, we just had to deal with, namely foot and mouth disease. That changed everything. As I said in answer to an earlier question, if we had not had so much resource diverted into dealing with foot and mouth disease at the critical time, we would have had much more time to deal with all those matters that you have identified. So the risks were there and all of them were realised. We sought to manage them, but the critical factor was that we did not have sufficient time in which to deal with all of them in order to make the payments in the way that we would all have like them to have been made.

[82] **Mark Isherwood:** Paragraph 3.26 states that you believe that you did all you could to manage the risks involved in CAPIT, as, obviously, you are confirming this morning. Does this mean, therefore, that you consider that the delays experienced by farmers were an acceptable by-product of implementing what was a major new system?

Sir Jon Shortridge: No, as I said right at the outset of this meeting, I very much regret that

[81] **Mark Isherwood:** Mae'n amlwg, fel y cytunwn, na allwn gael gwared ar y risgiau, sy'n egluro pam mae'n rhaid cael cynlluniau cadarn wrth gefn. Efallai mai dyna yw canolbwynt y drafodaeth a gawsom ni. Yr ydym wedi clywed bod cyfuniad o ffactorau risg cyfrannol yr oedd modd eu rhagweld: yr ydym wedi clywed am symud Is-adran Rheoli'r PAC, y tarfu yr achosodd hynny i'r tîm TG, yr oedi oherwydd yr angen i uwchraddio'r rhwydweithiau, a'r ffaith nad oedd y staff wedi cael llawer o hyfforddiant, neu ddim o gwbl, pan ddechreuodd system CAPIT yng Ngorffennaf 2002. Yr oedd, yn amlwg, modd rhagweld y rhain oll. Yr ydym wedi clywed bod gweithredu'r system ariannu newydd, CODA, wedi gwaethygu'r problemau a'r risgiau. Felly, mae'n amlwg bod cyfuniad o risgiau rhagweladwy wedi codi, ac, yn ôl pob tebyg, dylai cynlluniau wrth gefn fod wedi bod yn barod i ddygymod â hwy. Sut oedd y risgiau hyn yn golygu nad oedd trefn reoli Llywodraeth y Cynulliad yn ddigonol dan yr amgylchiadau?

Syr Jon Shortridge: Credaf mai'r hyn nad ydych wedi sôn amdano yw'r risg fwyaf yr oedd rhaid inni ddygymod ag ef, nad oedd modd ei ragweld mewn ffordd, ac yn bendant yr oedd rhaid inni ymateb iddo'n syth ar ôl iddo ddigwydd, sef clwy'r traed a'r genau. Newidiodd hynny bopeth. Fel y dywedais wrth ateb cwestiwn cynharach, pe na byddem wedi gorfod neilltuo cymaint o adnoddau i ddelio â chlwy'r traed a'r genau ar adeg mor dyngedfennol, byddai gennym lawer mwy o amser i ddelio â'r holl faterion a nodwyd gennych. Felly, yr oedd y risgiau yno a chawsant oll eu canfod. Bu inni geisio eu rheoli, ond y ffactor allweddol yw nad oedd gennym ddigon o amser i ddelio â hwy er mwyn cyflwyno'r taliadau yn y modd yr hoffem ni.

[82] **Mark Isherwood:** Mae paragraff 3.26 yn nodi eich bod yn credu i chi wneud eich gorau glas i reoli risgiau CAPIT, fel yr ydych yn amlwg yn ei gadarnhau y bore yma. A yw hyn yn golygu, felly, eich bod yn ystyried bod yr oedi a brofodd ffermwyr yn un o sgîl-ffeithiau derbyniol yr hyn oedd yn broses o weithredu system newydd o bwys?

Syr Jon Shortridge: Na, fel y dywedais ar ddechrau'r cyfarfod hwn, mae'n wirioneddol

we did not make payments on time. So I think that the outcome was unacceptable.

[83] **Mark Isherwood:** Would you now, with the benefit of hindsight, change anything about the way in which you did manage the project and, particularly, what assurance can you give to farmers now, who obviously have to manage businesses, keep the bank managers happy, feed animals and pay bills—and some farmers, of course, have gone bankrupt—that, in the event of a major disruption in the future, possibly unforeseen or possibly foreseen, robust contingency plans will prevent a similar occurrence?

Sir Jon Shortridge: Well, as I have had to tell this Committee on occasions in the past, I can never give an absolute assurance on matters such as this. I think that we were faced—and I think that the report acknowledges this—with some very exceptional circumstances through 2002-03, which we sought to handle and manage in a very professional way. This report does not criticise us for not having proper risk management arrangements in place. The programme management of this project, I think, was generally good. Things could always be done better, and, as the report acknowledges, there are lessons that we have learned and will learn for the future. However, the essential situation here is that we felt that it was unavoidable that we had to go ahead with introducing the CAPIT system in circumstances where we had lost, in a totally unanticipated way, six months of the time that was needed in order to prepare for it. That was our dilemma, and we did as much as we possibly could to mitigate the consequences of that. It is to my great regret that we were not able to deal fully and sufficiently with these issues in time to avoid the late payments.

[84] **Janet Davies:** Thank you, Mark. Leighton, you have been very patient. I know that you want to pursue this issue, and perhaps some of your questions have already been answered. However, I am sure that there are some issues that you still want to take up.

[85] **Leighton Andrews:** You ruled out

ddrwg gennyf na wnaethom gyflwyno'r taliadau yn brydlon. Felly, credaf fod y canlyniad yn annerbyniol.

[83] **Mark Isherwood:** O edrych yn ôl, a fyddech yn awr yn newid unrhyw beth am y modd y bu i chi reoli'r prosiect ac, yn arbennig, pa sicrwydd y gallwch ei roi i ffermwyr yn awr, sy'n amlwg yn gorfod rheoli busnesau, cadw'r rheolwyr banc yn hapus, bwydo'r anifeiliaid a thalu'r biliau—ac mae rhai ffermwyr wedi mynd i'r wal wrth gwrs—y bydd, yn achos unrhyw darfu mawr yn y dyfodol, waeth a ellir eu rhagweld ai peidio, gynlluniau cadarn wrth gefn i atal unrhyw ddigwyddiad tebyg?

Syr Jon Shortridge: Wel, fel yr wyf wedi gorfod dweud wrth y Pwyllgor hwn o dro i dro yn y gorffennol, ni allaf roi sicrwydd pendant ar faterion fel y rhain. Credaf y bu inni wynebu—a chredaf fod yr adroddiad yn cydnabod hyn—amgylchiadau eithriadol drwy gydol 2002-03, y bu inni geisio ymdrin â hwy a'u rheoli mewn modd proffesiynol dros ben. Nid yw'r adroddiad hwn yn ein beirniadu am beidio â chael trefniadau iawn ar waith i reoli risgiau. Credaf fod y gwaith o reoli rhaglen y prosiect yn dda ar y cyfan. Gellir gwneud pethau'n well bob amser, ac, fel mae'r adroddiad yn cydnabod, yr ydym wedi dysgu gwersi a byddwn yn dysgu gwersi ar gyfer y dyfodol. Er hynny, y sefyllfa sylfaenol yw ein bod yn teimlo nad oedd modd osgoi'r ffaith inni orfod bwrw ymlaen â chyflwyno system CAPIT dan amgylchiadau lle y bu inni golli chwe mis o'r amser yr oedd ei angen arnom i baratoi at hynny, a hynny'n gwbl anrhagweladedig. Dyna oedd ein cyfyng gyngor, a gwnaethom bopeth o fewn ein gallu i leddfu goblygiadau hynny. Mae'n ofid mawr i mi nad oeddem yn gallu delio yn llawn ac yn ddigonol â'r materion hyn mewn da bryd er mwyn osgoi taliadau hwyr.

[84] **Janet Davies:** Diolch, Mark. Leighton, yr ydych wedi bod yn hynod amyneddgar. Gwn eich bod eisiau mynd ar drywydd y mater hwn, ac efallai fod rhai o'ch cwestiynau wedi'u hateb eisoes. Er hynny, yr wyf yn siŵr bod gennych rai materion yr hoffech eu trafod.

[85] **Leighton Andrews:** Bu i chi ddiystyru'r

deferring CAPIT by a year, as I understand it, on cost grounds. In retrospect, do you think that deferring CAPIT might have been a better thing to have done?

Sir Jon Shortridge: It was not exclusively ruled out on cost grounds. Our assessment is that, if we had deferred it, it would have added, say, between £1 million and £1.5 million to the cost. However, I think that the overriding consideration was the fact that, as I said earlier, the existing systems were not fit for purpose. There was great risk in continuing to run with those systems. In any case, lots of changes were required to those systems to take account of the changes in the relevant regulations for the year concerned. So, a judgment was taken. There were two very unattractive options before us—either we tried to make do with what we had, with all the risks around that, or we sought to put in place the significantly improved arrangements, with the risks around that. We took the latter option. It may, in the light of experience, have been the wrong option, but I cannot say absolutely, in the light of experience, that it was the wrong option, because we would have had very considerable problems if we had stayed where we were.

[86] **Leighton Andrews:** When did you realise that you were going to face difficulties as soon as the payment windows opened in October?

Sir Jon Shortridge: I will pass you over to Gareth, because he was, obviously, the person who was intimately involved in this decision making. However, I think that, essentially, once we had the basic platform available in May, we remained reasonably optimistic that we could deliver, not at the beginning of the payment windows, but for the payment windows. By late July/August, we realised that that was not going to happen. So, there was a tipping point somewhere between May and late July.

Mr Jones: Yes. The Permanent Secretary has encapsulated it all I think, really. The core system was in place by 15 May, which was on target. It was precisely the date on which we, and the project team, had envisaged it

syniad o ohirio CAPIT am flwyddyn, yn ôl yr hyn a ddeallaf, ar sail costau. O edrych yn ôl, a ydych yn credu y byddai'n well pe baech wedi gohirio CAPIT?

Syr Jon Shortridge: Ni chafodd hynny ei ddiystyru ar sail costau'n unig. Yn ôl ein hasesiad ni, pe baem ni wedi gohirio hynny, byddai hynny wedi ychwanegu rhwng £1 filiwn ac £1.5 miliwn at y gost. Er hynny, credaf mai'r ffactor pwysicaf oedd y ffaith nad oedd y systemau a oedd yn bodoli eisoes yn gweddu i'w pwrpas, fel y soniais yn gynharach. Yr oedd parhau â'r systemau hynny yn risg fawr. Fodd bynnag, yr oedd angen newid llawer o'r systemau hynny i adlewyrchu'r newidiadau yn y rheoliadau perthnasol am y flwyddyn dan sylw. Felly, gwnaethpwyd penderfyniad ar y mater. Yr oedd gennym ddau ddewis anfoddhaol o'n blaenau—naill ai ceisio gwneud y gorau o'r hyn a oedd gennym, gyda'r holl risgiau cysylltiedig, neu geisio rhoi trefniadau gwell o lawer ar waith, gyda'r risgiau oedd ynghlwm wrth hynny. Aethom ar ôl yr ail ddewis. Yn wyneb ein profiadau, efallai nad dyna'r dewis cywir, ond ni allaf ddweud yn bendant, yn wyneb profiad, ei fod yn ddewis anghywir, oherwydd byddem wedi cael cryn dipyn o broblemau pa baem wedi aros yn yr unfan.

[86] **Leighton Andrews:** Pryd y bu i chi sylweddoli eich bod am wynebu trafferthion cyn gynted ag y dechreuodd y cyfnod talu ym mis Hydref?

Syr Jon Shortridge: Fe'ch trosglwyddaf at Gareth, gan mai ef, yn amlwg, oedd y sawl a oedd ynghlwm wrth y broses benderfynu. Er hynny, credaf, yn y bôn, unwaith yr oedd y llwyfan sylfaenol gennym ym mis Mai, y bu inni barhau'n eithaf ffyddiog y gallem gyflawni, nid ar ddechrau'r cyfnod talu, ond ar gyfer y cyfnod talu. Erbyn diwedd Gorffennaf/Awst, bu inni sylweddoli nad oedd hynny'n mynd i ddigwydd. Felly, rhywbryd rhwng Mai a diwedd Gorffennaf oedd y trobwynt.

Mr Jones: Ie. Credaf fod yr Ysgrifennydd Parhaol wedi cwmpasu'r cyfan mewn gwirionedd. Yr oedd y system graidd ar waith erbyn 15 Mai, sef y dyddiad targed. Dyna'r union ddyddiad yr oeddem ni, a thîm y

coming on stream. We then had to develop individual scheme functionality for every scheme that had to have payments and controls administered. Within two months of that, towards the end of July and the beginning of August, we realised that the creation of the business rules and the testing of those business rules for individual schemes were unlikely to put us in a position whereby we could start releasing payments at the beginning of payment windows, and that was the point at which we began to divert some resources. This was a difficult decision for us because we were clearly diverting resources away from developing the CAPIT system. We had to divert some resources back towards developing functionality on the legacy systems to give us that fallback position, so that we could at least start making sheep annual premium payments early in the payment window, which we did, because that is by far the most significant amount of money that goes out to farmers every year.

[87] **Leighton Andrews:** So, would you say then that if the legacy was your contingency, if you like, you started work on that as soon as you identified that there was going to be a problem?

Mr Jones: Yes. We had always expected to continue to use the legacy systems for a period of time anyway going into 2002-03. We were never going to go for a big-bang approach in terms of developing CAPIT; it was always going to be a phased approach as individual schemes came on stream. However, developing the legacy systems to enable us to make 2002 payments was a significant resource, and we took that judgment as soon as we thought that our ability to make payments in the payment window was at risk.

[88] **Leighton Andrews:** Overall, would you say that some of the risks that had an impact on implementing CAPIT were really self-inflicted ones in terms of the relocation of the department and the introduction of a new finance system at the same time?

Mr Jones: My view is that the biggest effect on the programme was from the risks that

prosiect, wedi rhagweld y cyfan yn dechrau symud. Yna, yr oedd rhaid inni ddatblygu ymarferoldeb cynlluniau unigol ar gyfer pob cynllun yr oedd angen gweinyddu taliadau a mesurau rheoli ar ei gyfer. Cyn pen deufis, tua diwedd Gorffennaf a dechrau Awst, bu inni sylweddoli nad oedd y gwaith o greu'r rheolau busnes a phrofi'r rheolau busnes ar gyfer cynlluniau unigol yn debygol o'n rhoi ni mewn sefyllfa lle y gallem ddechrau cyflwyno taliadau ar ddechrau'r cyfnod talu, a dyna'r adeg y dechreuasom ailgyfeirio rhai adnoddau. Yr oedd hynny'n benderfyniad anodd inni oherwydd ein bod yn amlwg yn ailgyfeirio adnoddau o'r gwaith o ddatblygu system CAPIT. Gorfu inni ailgyfeirio rhai adnoddau yn ôl ar gyfer datblygu ymarferoldeb y systemau a etifeddwyd gennym er mwyn inni allu eu defnyddio pe bai angen, fel y gallem o leiaf ddechrau talu'r premiwm blynyddol defaid yn gynnar yn y cyfnod talu, fel y gwnaethom, oherwydd hwnnw yw'r swm mwyaf o arian sydd ar gael i ffermwyr bob blwyddyn o bell ffordd.

[87] **Leighton Andrews:** A fydddech yn dweud, felly, os mai'r system a etifeddwyd oedd eich mesur wrth gefn, os hoffech chi, y bu ichi ddechrau gweithio ar hynny cyn gynted ag y bu i chi sylwi bod problem yn debygol o godi?

Mr Jones: Byddwn. Yr oeddem wastad wedi disgwyl parhau i ddefnyddio'r systemau a etifeddwyd am gyfnod beth bynnag wrth arwain i 2002-03. Nid oeddem erioed wedi meddwl am ddatblygu CAPIT ar unwaith; yr oeddem yn mynd i'w ddatblygu fesul cam wrth i'r cynlluniau unigol ddechrau. Er hynny, yr oedd datblygu'r systemau a etifeddwyd i'n galluogi i gyflwyno taliadau 2002 yn adnodd sylweddol, a gwnaethom y penderfyniad hwnnw cyn gynted ag yr oeddem yn meddwl bod ein gallu i wneud taliadau yn y cyfnod talu mewn perygl.

[88] **Leighton Andrews:** Ar y cyfan, a fydddech yn dweud mai eich bai chi'ch hun mewn gwirionedd oedd rhai o'r risgiau a effeithiodd ar y broses o roi CAPIT ar waith, sef ail-leoli'r adran a chyflwyno system ariannu newydd ar yr un pryd?

Mr Jones: Yn fy marn i, risgiau a oedd yn gyfan gwbl y tu hwnt i reolaeth y Cynulliad a

were realised which were completely outside the control of the Assembly. All of the other factors that you have mentioned, while giving us additional challenge within the project, did not have a significant effect.

[89] **Denise Idris Jones:** In section 4 of the report, which is headed 'The Assembly's management of the delays', paragraph 4.5 states that

'Throughout the period after the opening of the payment window in October 2002, Assembly officials focused their limited resources on the most pressing tasks.'

That paragraph ends by stating:

'However, this inevitably had a knock on effect on other schemes.'

Was it, therefore, not rather short-sighted to focus on paying arable area payments at the expense of the bovine schemes, even though the latter accounts for five times as much money?

Mr Jones: I think that I have already mentioned that, actually, our first priority was to ensure that sheep annual premium payments were got out. We made over 90 per cent of those payments by the end of November 2002 for a payment window that had opened on 16 October 2002. Ninety per cent of sheep annual premium is about £60 million. The next pressing task was arable area payments, because the window closes at the end of January. As far as bovine schemes were concerned, we knew in any case that there was a good deal more development work that had to be done because of the additional regulations and requirements to which the Permanent Secretary has alluded. So we took the view that this was the correct priority with regard to what our customers would want, and to enable us to get the most money out as quickly as possible.

[90] **Denise Idris Jones:** And did you find that that is what they wanted? Were they quite happy with the result?

effeithiodd fwyaf ar y rhaglen. Ni chafodd yr holl ffactorau eraill yr ydych wedi sôn amdanynt unrhyw effaith sylweddol, er eu bod wedi rhoi her arall inni yn rhan o'r prosiect.

[89] **Denise Idris Jones:** Yn adran 4 yr adroddiad, sydd â'r pennawd, Sut y rheolodd y Cynulliad yr holl oedi, mae paragraff 4.5 yn nodi

'Drwy gydol y cyfnod ar ôl cyflwyno'r ffenestr dalu ym mis Hydref 2002, canolbwyntiodd swyddogion y Cynulliad eu hadnoddau cyfyngedig ar y tasgau yr oedd y mwyaf o frys arnynt.'

Mae'r paragraff hwnnw'n gorffen drwy ddweud:

'Fodd bynnag, yn anochel, effeithiodd hyn ar gynlluniau eraill.'

Onid cam gwag, felly, oedd canolbwyntio ar dalu taliadau tir â'r draul cynlluniau gwartheg, er bod yr olaf yn cynnwys pum gwaith yn fwy o bres?

Mr Jones: Credaf fy mod eisoes wedi dweud, mewn gwirionedd, mai ein blaenoriaeth gyntaf oedd gofalu bod y premiwm blynyddol defaid yn cael ei dalu. Bu inni wneud 90 y cant o'r taliadau erbyn diwedd Tachwedd 2002, gyda chyfnod talu a ddechreuodd ar 16 Hydref 2002. Mae 90 y cant o'r premiwm blynyddol defaid yn werth rhyw £60 miliwn. Y dasg fawr nesaf oedd y cynllun taliadau arwynebedd tir â'r, gan fod y cyfnod hwnnw'n dod i ben ar ddiwedd Ionawr. Yn achos y cynlluniau gwartheg, yr oeddem yn gwybod beth bynnag bod llawer mwy o waith datblygu i'w wneud oherwydd y rheoliadau a'r gofynion ychwanegol y mae'r Ysgrifennydd Parhaol wedi cyfeirio atynt. Felly, yr oeddem o'r farn mai dyma'r flaenoriaeth gywir o ran yr hyn y byddai ein cwsmeriaid am ei gael, ac i'n galluogi i rannu'r swm mwyaf o arian mor gyflym ag y bo modd.

[90] **Denise Idris Jones:** A welsoch mai dyna'r hyn yr oeddynt am ei gael? A oeddynt yn eithaf hapus gyda'r canlyniad?

Mr Jones: Well, I would not call them happy. We had extensive discussions with the farming unions throughout this period, as you can imagine. They were continually lobbying us to get payments out quicker, and we kept them in the picture as to the sort of priorities that we thought we should put on the schemes and, by and large, they accepted those priorities, though they wanted everything all at once.

[91] **Denise Idris Jones:** Yes, of course. So given that decoupling the payments of the two elements of the sheep annual premium scheme worked well, do you plan to continue to do it in that way?

Mr Jones: Well, this year there has been little need to do that, although, in fact, we have made early payments on the sheep annual premium main payment and the less favoured area supplement where we can. We have made over 96 per cent of those payments already and 70 per cent of the less favoured area payments. The way that CAPIT works—and the old system could not do this—is such that we will pay either the main premium on its own, or the main premium with the supplement if all the validation checks have been done.

[92] **Denise Idris Jones:** Thank you.

[93] **Janet Davies:** Alun, you have some questions?

[94] **Alun Cairns:** Thank you, Cadeirydd. I want to refer to the hardship payments, which are highlighted in paragraph 4.8. Sir Jon, can you tell me what the point is of having a facility to make hardship payments to farmers who are obviously in quite real financial difficulties if it is not advertised?

Sir Jon Shortridge: Basically, the position was that we, as we have been alluding to earlier, were having to harness our resources to try to get the best overall result that we could. We never made any secret, as far as I am aware, of the fact that a fast-track payments system was available if farmers needed it, but what we did not do was formally draw it to every farmer's attention.

Mr Jones: Wel, ni fuaswn yn dweud eu bod yn hapus. Cawsom drafodaethau maith gydag undebau'r ffermwyr gydol y cyfnod hwn, fel y gallwch ddychmygu. Yr oeddynt yn ein lobbio'n barhaus i wneud taliadau'n gynt, ac yr oeddem yn rhoi'r wybodaeth ddiweddaraf iddynt ynglŷn â pha flaenoriaethau yr oeddem yn credu y dylem eu rhoi ar y cynlluniau ac, ar y cyfan, bu iddynt dderbyn y blaenoriaethau hynny, er eu bod eisiau popeth ar unwaith.

[91] **Denise Idris Jones:** Ie, wrth gwrs. Felly, o gofio bod datgysylltu taliadau dwy elfen y cynllun premiwm blynyddol defaid wedi gweithio'n dda, a ydych yn bwriadu parhau i'w wneud felly?

Mr Jones: Wel, ychydig o angen gwneud hynny fu eleni, er ein bod, mewn gwirionedd, wedi talu prif daliadau'r premiwm blynyddol defaid a'r tâl atodol ardaloedd llai ffafriol yn gynnar lle y gallwn ni. Yr ydym wedi talu dros 96 y cant o'r taliadau hynny eisoes, a 70 y cant o'r taliadau ardaloedd llai ffafriol. Oherwydd sut y mae CAPIT yn gweithio, byddwn yn talu naill ai'r prif bremiwm ar ei ben ei hun, neu'r prif bremiwm gyda'r tâl atodol os yw'r holl archwiliadau dilysu wedi'u gwneud—ni allai'r hen system wneud hyn.

[92] **Denise Idris Jones:** Diolch yn fawr.

[93] **Janet Davies:** Alun, a oes gennych gwestiynau?

[94] **Alun Cairns:** Diolch, Gadeirydd. Hoffwn gyfeirio at y taliadau caledi, sydd wedi'u nodi ym mharagraff 4.8. A allwch ddweud wrthyf, Syr Jon, beth yw pwynt cael cyfleuster i wneud taliadau caledi i ffermwyr sy'n amlwg mewn anawsterau ariannol dybryd os nad yw'n cael ei hysbysebu?

Syr Jon Shortridge: Yn y bôn, y sefyllfa oedd ein bod, fel yr ydym wedi cyfeirio ato yn gynharach, yn gorfod defnyddio ein hadnoddau i geisio sicrhau'r canlyniadau gorau posibl. Hyd y gwn i, nid ydym erioed wedi celu'r ffaith bod system taliadau cyflym ar gael os oedd ffermwyr ei hangen, ond yr hyn na wnaethom oedd tynnu sylw pob ffermwr ati'n ffurfiol.

Mr Jones: Chair, I will just add, if I may, that we used this facility quite extensively. We made over 350 hardship payments to the tune of about £2.25 million. The reason that we, and, indeed, the farming unions, agreed that we should not advertise this widely, as you put it, is that it would have significantly affected our ability to get the main bulk payments out as quickly as we did, because we would have had to have diverted resources to validate those individual claims. However, we used the facility reasonably widely—£2.25 million is quite a lot of money to validate and pay manually, given that we then had to go back and create the audit trail that the Permanent Secretary alluded to earlier, manually rather than via the IT system.

[95] **Alun Cairns:** Thank you, Mr Jones. You mentioned 350, although paragraph 4.8 highlights that 293 farmers had been paid manually, 196 of those under CAP. Can we reconcile the figures a bit?

Mr Jones: These are payments rather than individual claims, so we would have made more than one payment, perhaps, to some farmers. So, individual payments would have been 350. The figures may well be correct in terms of the number of farmers who received money.

[96] **Alun Cairns:** Okay. How did you measure the scale of resources that you needed to put into the hardship payment team, if you like?

Mr Jones: We did not have a hardship payment team. Each of the divisional offices carved out some resources from staff that were already working extremely hard to try to help to develop the new system and to provide the usual service that they provide to farmers. Each office carved out a team to deal with this. It rather depended on what the payment was: if it was a domestic measure payment, then the relevant team within that office would have calculated the amount that was due and authorised the manual payment.

[97] **Alun Cairns:** So, is my understanding right that this would be a separate individual

Mr Jones: Cadeirydd, ychwanegaf, os y caf, ein bod wedi defnyddio'r cyfleuster hwn yn eithaf helaeth. Bu inni wneud dros 350 o daliadau caledi gwerth tua £2.25 miliwn. Y rheswm pam ein bod ni, ac yn wir, undebau'r ffermwyr, wedi cytuno i beidio â hysbysebu hyn yn eang, fel y dywedasoeh, oedd y byddai hynny wedi cael cryn effaith ar ein gallu i wneud y prif daliadau mor gyflym ag y gwnaethom, gan y byddem wedi gorfod cael adnoddau wedi'u hailgyfeirio i ddilysu'r ceisiadau unigol hynny. Er hynny, bu inni ddefnyddio'r cyfleuster yn eithaf helaeth—mae £2.25 miliwn yn gryn dipyn o arian i'w ddilysu a'i dalu â llaw, o gofio bod rhaid inni wedyn fynd yn ôl a chreu llwybr archwilio y cyfeiriodd yr Ysgrifennydd Parhaol ato'n gynharach, ar bapur yn hytrach na drwy'r system TG.

[95] **Alun Cairns:** Diolch, Mr Jones. Soniasoch am 350, er bod paragraff 4.8 yn tynnu sylw at y ffaith bod 293 o ffermwyr wedi'u talu â llaw, a 196 o'r rheini wedi'u talu dan y PAC. A allwn ni gysoni rhywfaint o'r ffigurau hynny?

Mr Jones: Taliadau yn hytrach na cheisiadau unigol yw'r rhain, felly byddem wedi gwneud mwy nag un taliad, efallai, i rai ffermwyr. Felly, 350 fyddai cyfanswm y taliadau unigol. Efallai bod y ffigurau'n gywir o ran nifer y ffermwyr a gafodd arian.

[96] **Alun Cairns:** Iawn. Sut y gwnaethoch fesur hyd a lled yr adnoddau yr oedd eu hangen arnoch ar gyfer y tîm taliadau caledi, felly?

Mr Jones: Nid oedd gennym dîm taliadau caledi. Defnyddiodd pob swyddfa ranbarthol rywfaint o adnoddau staffio a oedd eisoes yn gweithio'n galed iawn i geisio cynorthwyo i ddatblygu'r system newydd yn ogystal â darparu'r gwasanaeth arferol i ffermwyr. Yr oedd gan bob swyddfa dîm i ddelio â hyn. Yr oedd yn dibynnu ar ba fath o daliad ydoedd i bob pwrpas: os mai taliad mesur domestig ydoedd, yna byddai tîm perthnasol y swyddfa honno'n cyfri'r swm dyledus ac yn awdurdodi'r taliad â llaw.

[97] **Alun Cairns:** Felly, a ydwyf wedi deall yn gywir mai unigolyn neu grŵp ar wahân

or group within a team, maybe within the divisional offices or from the Assembly headquarters here or in Cathays park? If my understanding is right that it would be separate, could we not expect that additional resources could have gone into this team so that more hardship payments could have been processed?

Mr Jones: No, it was not separate staff; it was individuals within those teams who would simply have had to divert some time to calculating a payment manually.

[98] **Alun Cairns:** This is the point that I am getting at: could we not, really, have employed additional people in order to make more hardship payments?

Mr Jones: Well, as I said earlier, the people who were doing this would have been the most skilled and experienced people, because they would have not have had the benefit of the automaticity of the IT system to help them calculate accurately whether the claimant was eligible and what he or she was eligible for. So, it would not have helped to have brought in additional resources to do this work. We had to use skilled and experienced staff.

[99] **Alun Cairns:** Okay. What can you tell me about the confusion between what farmers perceived that they needed to give as evidence for hardship and what was needed in reality, because farmers believed that they needed to give bank letters, which obviously would have cost them additional funds?

Mr Jones: Well, I am not sure that there was confusion in many farmers' minds. We had made it clear throughout to farming unions, and we made it clear to any farmer that contacted us, that they needed to provide some sort of evidence of financial hardship, but that that did not necessarily need to be a bank letter. Having said that, the vast majority of farmers did provide a bank letter if they wanted to provide some sort of evidence to us. However, it did not necessarily have to be a bank letter.

[100] **Alun Cairns:** But does not paragraph 4.9 seem to suggest that there was confusion

mewn tîm, hwyrach yn y swyddfeydd rhanbarthol neu ym mhencadlys y Cynulliad yma neu ym mharc Cathays, fyddai'r rhain? Os ydwyf yn gywir yn dweud mai rhywbeth ar wahân fyddai hyn, oni allem ddisgwyl y gallai adnoddau ychwanegol fod wedi mynd i'r tîm hwn er mwyn prosesu rhagor o daliadau caledi?

Mr Jones: Na, nid staff ar wahân oeddynt; unigolion yn y timau hynny oeddynt a fyddai'n gorfod defnyddio ychydig o'u hamser i gyfri'r taliadau â llaw.

[98] **Alun Cairns:** Dyma'r pwynt yr wyf yn ceisio'i wneud: oni allem fod wedi cyflogi pobl ychwanegol, mewn gwirionedd, i wneud rhagor o daliadau caledi?

Mr Jones: Wel, fel y dywedais yn gynharach, byddai'r gwaith hwn wedi cael ei wneud gan y bobl fwyaf profiadol a medrus, gan na fyddai ganddynt y fantais o gael system TG awtomatig i'w helpu i gyfrifo'n gywir a oedd y ceisydd yn gymwys, a beth yr oedd yn gymwys i'w gael. Felly, ni fyddai wedi bod o gymorth i gael adnoddau ychwanegol i wneud y gwaith hwn. Yr oedd yn rhaid inni ddefnyddio staff medrus a phrofiadol.

[99] **Alun Cairns:** Iawn. Beth allwch chi ei ddweud wrthyf ynglŷn â'r dryswch rhwng yr hyn a dybiai'r ffermwyr a oedd ei angen arnynt i gyflwyno tystiolaeth o galedi a'r hyn a oedd ei angen mewn gwirionedd, oherwydd bod ffermwyr yn credu bod angen iddynt roi llythyron banc, a fyddai wedi costio mwy o arian iddynt?

Mr Jones: Wel, nid wyf yn siŵr bod dryswch ym meddyliau llawer o ffermwyr. Gwnaethom yn glir i undebau'r ffermwyr, ac i unrhyw ffermwr a gysylltodd â ni, bod angen iddynt gyflwyno rhyw fath o dystiolaeth o galedi ariannol, ond nad oedd angen i hynny o reidrwydd fod yn llythyr banc. Wedi dweud hynny, cyflwynodd y rhan fwyaf o ffermwyr lythyr banc os oeddynt eisiau cyflwyno rhyw fath o dystiolaeth inni. Er hynny, nid oedd yn rhaid cael llythyr banc.

[100] **Alun Cairns:** Ond, onid yw paragraff 4.9 fel pe bai'n awgrymu bod dryswch rhwng

between whether it was a bank letter or whether it was going to be a rent demand? Would you not agree that going to the bank and asking for a letter could be quite embarrassing and humiliating?

Mr Jones: Well, the whole purpose of this was to provide what help we could for farmers who were experiencing financial hardship. I do accept that farmers may have been reluctant to do that. I also know of instances where banks were, perhaps, not as forthcoming with letters as they might have been. I offered, on a number of occasions, to speak to individual bank managers about the situation that we were in. I would not, however, accept that there was confusion in many people's minds about what sort of evidence or information they needed to provide.

[101] **Alun Cairns:** Bearing in mind the difficulties that farmers were experiencing, did you, or any of your officials, maybe contact senior personnel within the banking industry, advising them of the difficulties that you were experiencing and that payments would, obviously, be made in time, but that they were slightly late, asking them to be sympathetic? That would be similar to the requests made during foot and mouth disease, for example.

Mr Jones: Yes, we did, and we did so at the request of a number of Assembly Members.

[102] **Alun Cairns:** Did you do that for individual cases or did you do that generally to try to enable banks to have a wider approach to the problem?

Mr Jones: It was more on a case by case basis.

[103] **Alun Cairns:** Right. Bearing in mind, then, the success of negotiating with banks to deal with the difficulties during the foot and mouth disease outbreak, when some banks actually operated interest-free periods, if I remember correctly, that would be repaid later on, do you not think that it would have been wise, bearing in mind the difficulties, to have spoken to the banks at the highest level to try to get a similar sort of concession from them?

ai llythyr banc neu orchymyn rhent oedd hynny i fod? Oni chytunwch y byddai wedi peri cryn embaras a chywilydd iddynt orfod mynd i'r banc a gofyn am lythyr?

Mr Jones: Wel, holl ddiben hyn oedd rhoi hynny o gymorth y gallem i ffermwyr a oedd yn dioddef caledi ariannol. Derbyniaf y gallai ffermwyr fod wedi bod yn amharod i wneud hynny. Gwn hefyd am achosion lle nad oedd y banciau, o bosibl, mor barod ag y gallent fod gyda'u llythyrau. Cynigiais, ar sawl achlysur, siarad â rheolwyr banc unigol ynglŷn â'r sefyllfa a'n hwynebai. Er hynny, ni fyddwn yn derbyn bod pobl mewn penbleth ynghylch pa fath o dystiolaeth neu wybodaeth yr oedd angen iddynt ei chyflwyno.

[101] **Alun Cairns:** O gofio anawsterau'r ffermwyr, a wnaethoch chi, neu unrhyw un o'ch swyddogion, efallai, gysylltu ag uwchersonél yn y diwydiant bancio, i ddweud wrthynt am yr anawsterau yr oeddech yn eu cael, ac y byddai'r taliadau'n cael eu cyflwyno mewn amser ond eu bod ychydig yn hwyr, gan ofyn iddynt fod yn ystyriol? Byddai hynny'n debyg i'r ceisiadau a wnaethpwyd yn ystod clwy'r traed a'r genau, er enghraifft.

Mr Jones: Do, gwnaethom hynny, a hynny ar gais nifer o Aelodau'r Cynulliad.

[102] **Alun Cairns:** A wnaethoch hynny ar gyfer achosion unigol neu'n fwy cyffredinol er mwyn ceisio galluogi banciau i edrych yn ehangach ar y broblem?

Mr Jones: Yr oedd yn fwy ar sail achosion unigol.

[103] **Alun Cairns:** Iawn. O gofio, felly, y llwyddiant a gafwyd wrth negodi â'r banciau i ddelio ag anawsterau yn ystod clwy'r traed a'r genau, pan fu rhai banciau'n cynnig cyfnodau di-log, os y cofiaf yn iawn, a fyddai'n cael eu had-dalu'n nes ymlaen, onid ydych yn credu y byddai wedi bod yn ddoeth, o gofio'r anawsterau, i siarad â'r banciau ar y lefel uchaf er mwyn ceisio cael consesiwn tebyg ganddynt?

Mr Jones: Well, the banks, and the agricultural managers in the main banks around Wales, were well aware of the situation with regard to what was happening and well aware of the fact that payments were late. We did not seek to speak to banks on a sort of blanket basis because we did not necessarily see a need for that. What we did do was, wherever an individual wanted us to speak to their bank manager, we tried to do so.

[104] **Alun Cairns:** What was the difference between this problem and the problem caused by foot and mouth disease, since you spoke to them during the foot and mouth disease outbreak and did not speak to them this time?

Mr Jones: I am not sure that the two are related at all, are they?

[105] **Alun Cairns:** Well, the farmers are in financial difficulties, are they not, and, surely, it is largely as a result of errors here? Clearly, foot and mouth disease was not the result of an error here, but it caused difficulties to the industry. Would it not have been wise to have spoken to them, bearing in mind that there were probably only a handful of banks that the vast majority of farmers dealt with?

Mr Jones: I am not quite sure what the discussions with banks were during the foot and mouth disease crisis, but I guess it was something to do with compensation, was it?

[106] **Alun Cairns:** Yes.

Mr Jones: And the possibility of compensation?

[107] **Alun Cairns:** Well, no, the movement restrictions, and the difficulties that that was causing the banks.

Mr Jones: The difficulty with giving a blanket message to banks is that you do not always know for individual cases whether a payment is going to be payable. You cannot simply say to a bank, well, be patient with your client because he is going to get his money soon, when it may not actually be the

Mr Jones: Wel, yr oedd y banciau, a'r rheolwyr amaethyddol ym mhrif fanciau Cymru, yn ymwybodol iawn o'r sefyllfa parthed yr hyn a oedd yn digwydd ac yn ymwybodol iawn o'r ffaith bod y taliadau'n hwyr. Ni wnaethom geisio siarad â'r banciau yn gyffredinol oherwydd na welsom o anghenraid fod angen gwneud hynny. Yr hyn a wnaethom oedd ceisio siarad â rheolwyr banc unigol pan oedd unigolyn yn awyddus inni wneud hynny.

[104] **Alun Cairns:** Beth oedd y gwahaniaeth rhwng y broblem hon a'r broblem a achoswyd gan glwy'r traed a'r genau, gan i chi siarad â hwy yn ystod clwy'r traed a'r genau a pheidio â siarad gyda hwy y tro hwn?

Mr Jones: A yw'r ddau yn gysylltiedig; nid wyf yn siŵr?

[105] **Alun Cairns:** Wel, onid yw'r ffermwyr mewn trafferthion ariannol, a siawns nad yw hynny oherwydd camgymeriadau yma'n bennaf? Mae'n amlwg nad camgymeriad oedd yn gyfrifol am glwy'r traed a'r genau, ond achosodd hynny anawsterau i'r diwydiant. Oni fyddai wedi bod yn ddoeth siarad â hwy, o gofio mai dim ond llond drwm o fanciau o bosibl yr oedd y rhan fwyaf o ffermwyr yn delio â hwy?

Mr Jones: Nid wyf yn hollol siŵr pa drafodaethau a gafwyd gyda banciau yn ystod argyfwng clwy'r traed a'r genau, ond tybiaf mai rhywbeth i wneud ag iawndal oedd hynny; a yw hynny'n gywir?

[106] **Alun Cairns:** Ydyw.

Mr Jones: A'r posibilirwydd o gael iawndal?

[107] **Alun Cairns:** Wel, nage, y gwaharddiadau ar symud anifeiliaid, a'r anawsterau a achosai hynny i'r banciau.

Mr Jones: Y drafferth o roi un neges gyffredinol i fanciau yw nad ydych bob amser yn gwybod a yw taliad yn ddyledus mewn achosion unigol. Ni allwch ddweud yn syml wrth fanc, wel, byddwch yn amyneddgar gyda'ch cleient oherwydd bydd yn cael ei arian cyn hir, pan nad dyna fel y

case. The only time that we spoke to individual banks about individual cases was when we were able to look at that case, determine that it was a valid claim, determine that the claimant was eligible for the money, determine that he or she would get the money in due course and then make that point to the bank. To make a sort of blanket statement to all banks would, I think, in some senses, have been misleading them that their clients were going to get money, when, clearly, in some cases, they were not, because they either would not be eligible or would not get the amount of money that they might expect.

[108] **Alun Cairns:** Cadeirydd, I do not really want to pursue it too far, but I would like to say that there seemed to be an awful lot of confusion in the minds of farmers and that there were different messages coming out from the Assembly, which is referred to in figure 9. It might well have been useful to have given some sort of certainty to those people who may have been considering the level of risk in terms of lending and what was going on. However, I do not want to pursue it any further, otherwise we will go down a cul-de-sac.

Was it wise to divert farmers away from those staff in the divisional offices, who were their usual point of contact in the Assembly, to staff based in Cardiff who did not have the detailed knowledge? I am talking about freeing up the divisional offices with the call centres.

Mr Jones: My belief is that that was the correct thing to do. We created the call centre in Cardiff to take away the burden from divisional offices of dealing with the very high number of telephone calls that were coming in to enable them to get on with processing the payments. I would not accept that staff in Cardiff did not know what they were talking about or were not able to answer the questions. In fact, from the analysis that we have done, staff in Cardiff answered 84 per cent of farmers' queries. The remaining queries had—because they were detailed—to be referred back to divisional offices, but that was a relatively low number. Staff, over the period of time that the call centre was set up in Cardiff, developed a good deal of expertise

mae hi mewn gwirionedd. Yr unig amser y bu inni siarad â banciau unigol am achosion unigol oedd pan oeddem yn gallu edrych ar yr achos hwnnw, pennu ei fod yn gais dilys, pennu bod y ceisydd yn gymwys i gael yr arian, pennu y byddai'n cael yr arian maes o law ac yna esbonio hynny i'r banc. Tybiaf y byddai gwneud rhyw fath o ddatganiad cyffredinol i'r holl fanciau, mewn rhai ffyrdd, wedi eu camarwain y byddai eu cleientiaid yn derbyn arian, pan oedd yn amlwg, mewn rhai achosion, na fyddai hynny'n digwydd, oherwydd na fyddent yn gymwys neu na fyddent yn derbyn y swm o arian y gallent fod yn ei ddisgwyl.

[108] **Alun Cairns:** Gadeirydd, nid wyf am ddilyn y trywydd hwn yn rhy bell, ond hoffwn ddweud bod cryn ddryswch i'w weld ym meddyliau'r ffermwyr a bod y Cynulliad yn cyflwyno negeseuon gwahanol, fel y cyfeirir ato yn ffigur 9. Efallai y byddai wedi bod o fudd i roi rhywfaint o sicrwydd i'r rhai hynny a allai fod wedi ystyried y lefelau risgiau o ran benthyca a'r hyn a oedd yn mynd ymlaen. Er hynny, nid wyf am ddilyn y trywydd hwnnw ymhellach, neu byddwn yn mynd ar lwybr pengaead.

A oedd yn ddoeth ailgyfeirio ffermwyr o sylw'r staff hynny yn y swyddfeydd rhanbarthol, sef eu dolenni cyswllt arferol yn y Cynulliad, ac at staff yng Nghaerdydd oedd heb y wybodaeth fanwl? Yr wyf yn cyfeirio at ryddhau'r swyddfeydd rhanbarthol mewn perthynas â'r canolfannau galwadau.

Mr Jones: Credaf mai dyna'r peth iawn i'w wneud. Aethom ati i greu canolfan alwadau yng Nghaerdydd i dynnu'r baich oddi ar swyddfeydd rhanbarthol o orfod delio â'r nifer fawr iawn o alwadau ffôn a wnaed er mwyn eu galluogi i fwrw ymlaen â'r gwaith o brosesu'r taliadau. Ni fyddwn yn derbyn nad oedd staff yng Nghaerdydd yn gwybod am beth yr oeddynt yn siarad na'u bod yn methu ag ateb y cwestiynau. Yn wir, mae ein dadansoddiad o'r sefyllfa'n dangos bod staff yng Nghaerdydd wedi ateb 84 y cant o gwestiynau'r ffermwyr. Yr oedd yn rhaid ailgyfeirio'r galwadau eraill yn ôl i'r swyddfeydd rhanbarthol—am eu bod yn hynod fanwl—ond nifer cymharol fach o alwadau oedd hynny. Yn ystod cyfnod y

in schemes and, as I say, were able to answer the vast majority of farmers' queries.

[109] **Alun Cairns:** Was not the ultimate query from farmers about when they were going to get their money? Frankly, that was what they wanted to know, but staff at the Llanishen call centre did not have access to the financial data.

Mr Jones: That was the usual question and staff did have access to that.

[110] **Alun Cairns:** So, is paragraph 4.13 inaccurate in relation to Sir John's statement?

Sir Jon Shortridge: Can you point me to the precise words?

Mr Jones: Which bit? Right, I have found it. However, what that is not saying is that call-centre staff had any less access than anybody else would have had. The fact is that the question that farmers always wanted to ask was, 'When am I going to get my money?' and neither the call centre nor anybody at divisional office, or anybody running the project, could actually answer that question in a lot of cases. So, the fact that they did not have access to information that said, 'This farmer will be paid on this date' was simply a reflection of the fact that that information was not available.

[111] **Alun Cairns:** Okay, thank you.

[112] **Janet Davies:** Mark, did you want to look at the interest payments?

[113] **Mark Isherwood:** Yes. Paragraphs 4.14 to 4.16 report the Assembly Government's decision to pay interest on late payments. This decision followed the implementation in England of interest on payments the previous year. Was the Welsh Assembly Government's decision, therefore, proactive or reactive, and, without the precedent that was set in England, would this decision have been taken at all?

ganolfan alwadau yng Nghaerdydd, datblygodd y staff gryn dipyn o arbenigedd mewn cynlluniau, gan lwyddo, fel y dywedais, i ateb y mwyafrif helaeth o ymholiadau'r ffermwyr.

[109] **Alun Cairns:** Onid oedd ymholiadau'r ffermwyr yn y pen draw yn ymwneud â phryd y byddent yn cael eu harian? Dyna'r cyfan yr oeddynt eisiau ei wybod yn y bôn, ond nid oedd modd i staff canolfan alwadau Llanisien gael gafael ar y data ariannol.

Mr Jones: Dyna'r cwestiwn arferol, ac yr oedd y staff yn gallu cael gafael ar hwnnw.

[110] **Alun Cairns:** Felly, a yw paragraff 4.13 yn anghywir o ran datganiad Syr Jon?

Syr Jon Shortridge: A allech nodi'r union eiriau i mi?

Mr Jones: Pa ran? Iawn, yr wyf wedi dod o hyd iddo. Yr hyn nad yw'n ei ddweud, fodd bynnag, yw bod gan staff y ganolfan alwadau lai o gyfle na neb arall i gael gafael ar y data. Y ffaith yw mai'r cwestiwn yr oedd y ffermwyr eisiau ei ofyn bob amser oedd, 'Pryd gaf fi fy arian?' ac nid oedd y ganolfan alwadau na neb yn y swyddfa ranbarthol, nac unrhyw un a oedd yn rhedeg y prosiect, yn gallu ateb y cwestiwn hwnnw mewn gwirionedd mewn llawer o achosion. Felly, y cwbl a wna'r ffaith nad oeddynt yn gallu cael gafael ar wybodaeth a ddywedai, 'Bydd y ffermwr hwn yn cael ei dalu ar y dyddiad hwn' yw adlewyrchu'r ffaith nad oedd y wybodaeth honno ar gael.

[111] **Alun Cairns:** Iawn, diolch.

[112] **Janet Davies:** Mark, a oeddech am edrych ar y taliadau llog?

[113] **Mark Isherwood:** Oeddwn. Mae paragraffau 4.14 i 4.16 yn trafod penderfyniad Llywodraeth y Cynulliad i dalu llog ar daliadau hwyr. Mae'r penderfyniad hwn yn dilyn gweithredu'r broses o roi llog ar daliadau'r flwyddyn flaenorol yn Lloegr. Ai penderfyniad rhagweithiol neu ymatebol oedd un Llywodraeth Cynulliad Cymru, felly, ac a fyddai'r penderfyniad hwn wedi'i wneud o gwbl oni bai bod Lloegr wedi gwneud hynny'n gyntaf?

Sir Jon Shortridge: I am pausing because I am trying to track back to the precise circumstances. As far as I, as accounting officer, am concerned, where farmers or any client of the Assembly has experienced or is experiencing significant financial loss as a result of a failing by Assembly officials, I would want, in principle, to make an appropriate ex gratia payment. That is the approach that I would take on an ombudsman case or anything like that. I cannot recall whether this came to me personally—I imagine that it probably did. The fact that there was a precedent in England would have given us the basis upon which to make the payment, and given me some assurance that it was an appropriate response. The principle that a payment should be made in these circumstances is one that I would not have any difficulty with.

[114] **Mark Isherwood:** Can Wales therefore not set precedents itself?

Sir Jon Shortridge: I think that I am saying that it can. As far as I am concerned, I think that, in these sorts of circumstances, as accounting officer, I should be prepared to sanction such payments. The England comparator was really in terms of consistency in the nature of the payment that was made.

[115] **Mark Isherwood:** How can we justify the fact that the rate of interest paid by the Assembly Government is often less than the rate of interest that farmers pay on their loans?

Sir Jon Shortridge: I will ask Gareth, but I think that the issue is about identifying the rate of interest that we charge them, which they are therefore entitled to receive from us.

Mr Jones: Yes, 1 per cent above the London inter-bank offered rate is a rate that, as you identify, has been paid in the past as a result of late payments because of administrative failings. It reflects the amount that we charge farmers if they fail to pay us back money that is owed to us for whatever reason. It was a decision that was taken in the context of our particular circumstances, but it was also a decision that was taken in England last year

Syr Jon Shortridge: Yr wyf yn oedi gan fy mod yn ceisio cofio'n ôl i'r union amgylchiadau. O'n rhan i, fel swyddog cyfrifo, lle bo ffermwyr neu unrhyw gleient y Cynulliad wedi profi, neu yn profi colled ariannol sylweddol yn sgîl diffygion swyddogion y Cynulliad, byddwn, mewn egwyddor, eisiau cydnabod hynny drwy wneud taliad priodol. Dyna'r ffordd y byddwn yn ymdrin ag achos ombwdsman neu rywbeth tebyg i hynny. Ni allaf gofio a gyflwynwyd hyn i mi'n bersonol—tybiaf i hynny ddigwydd. Byddai'r ffaith bod cynsail yn Lloegr wedi bod yn sail inni wneud y taliad, ac yn rhoi rhywfaint o sicrwydd i mi mai dyna'r ymateb priodol. Ni fyddai gennyf unrhyw anhawster gyda'r egwyddor y dylid gwneud taliad dan yr amgylchiadau hyn.

[114] **Mark Isherwood:** Onid oes modd i Gymru osod ei chynseiliau ei hyn felly?

Syr Jon Shortridge: Credaf fy mod yn dweud y gallai wneud hynny. O'm rhan i, credaf y dylwn, fel y swyddog cyfrifo, fod yn barod i ganiatáu taliadau o'r fath dan yr amgylchiadau hyn. Mewn gwirionedd, yr oeddwn yn cymharu sefyllfa Lloegr o ran cysoni natur y taliad.

[115] **Mark Isherwood:** Sut y gallwn gyfiawnhau'r ffaith bod y gyfradd llog y mae Llywodraeth y Cynulliad yn ei thalu, yn aml, yn is na'r gyfradd llog y mae ffermwyr yn ei thalu ar eu benthyciadau?

Syr Jon Shortridge: Gofynnaf i Gareth, ond credaf fod y mater yn ymwneud â nodi'r gyfradd llog yr ydym yn ei chodi arnynt, y mae ganddynt yr hawl, felly, i'w chael gennym.

Mr Jones: Ie, mae cyfradd o 1 y cant yn uwch na'r gyfradd a gynigir gan rhyng-fanciau Llundain wedi'i thalu yn y gorffennol, fel i chi nodi, yn sgîl taliadau hwyr oherwydd diffygion gweinyddol. Mae'n adlewyrchu'r swm yr ydym yn ei godi ar ffermwyr os ydynt yn methu ag ad-dalu arian sy'n ddyledus inni am ba bynnag reswm. Cafodd y penderfyniad ei wneud yng nghydestun ein hamgylchiadau arbennig ni, ond yr

when bovine scheme payments were late.

oedd hefyd yn benderfyniad a wnaethpwyd yn Lloegr y llynedd pan oedd taliadau'r cynllun gwartheg yn hwyr.

[116] **Mark Isherwood:** Moving on with the theme of interest, why is there a threshold of £50 before interest becomes payable? Surely, interest should either be payable because of the Assembly Government's administrative failures or it should not. Why that threshold of £50?

[116] **Mark Isherwood:** Gan symud ymlaen gyda thema llog, pam mae trothwy o £50 cyn bod llog yn daladwy? Dylai llog fod yn daladwy oherwydd diffygion gweinyddol Llywodraeth y Cynulliad neu ni ddylai fod yn daladwy. Pam mae trothwy o £50?

Mr Jones: Well, we decided to set, and informed the farming unions that we were going to set, a £50 de minimis level, partly because that precedent had been set previously, as you have alluded to, and partly because there are quite significant costs associated with our calculating interest payments and making those payments to farmers. Levels smaller than £50 were deemed to be too small for that calculation to be made. What we have done, in terms of the bovine schemes for this year, is that, rather than set a £50 de minimis level for each individual scheme, we have said that, for bovine schemes across the board—that is, all the bovine schemes on which a claimant might have made an individual claim—we will set that £50 de minimis across all those schemes. So, effectively, if somebody is due interest payments on a beef claim, on a suckler cow claim and on an extensification premium claim, the £50 de minimis will relate to the three rather than to each one individually.

Mr Jones: Wel, penderfynasom bennu, a rhoi gwybod i undebau'r ffermwyr ein bod am bennu, lefel de minimis o £50, yn rhannol oherwydd bod cynsail wedi'i osod o'r blaen, fel i chi grybwyll, ac yn rhannol oherwydd bod cryn dipyn o gostau'n gysylltiedig â chyfrifo taliadau llog a gwneud y taliadau hynny i ffermwyr. Ystyriwyd bod lefelau is na £50 yn rhy fach i'w cyfrifo. Yr hyn yr ydym wedi'i wneud, gyda chynlluniau gwartheg eleni, yn hytrach na gosod lefel de minimis o £50 i bob cynllun unigol, yw dweud, ar gyfer yr holl gynlluniau gwartheg—hynny yw, yr holl gynlluniau gwartheg y gallai'r ceisydd fod wedi gwneud cais unigol arnynt o bosibl—y byddwn yn gosod lefel de minimis o £50 ar gyfer yr holl gynlluniau hynny. I bob pwrpas, felly, os oes taliadau llog yn ddyledus i rywun ar hawliad eidion, hawliad gwartheg sugno ac ar hawliad premiwm dad-ddwysáu, bydd de minimis o £50 yn berthnasol i'r tri yn hytrach nag i bob un ar wahân.

[117] **Mark Isherwood:** So, you would accept that the Assembly Government itself does not have to borrow money or pay interest, but that farmers obviously do?

[117] **Mark Isherwood:** Felly, byddech yn derbyn nad oes yn rhaid i Lywodraeth y Cynulliad fenthyca arian neu dalu llog, ond mae'n amlwg bod yn rhaid i ffermwyr wneud hynny?

Mr Jones: I am not quite sure what point you are making.

Mr Jones: Nid wyf yn hollol sicr pa bwynt yr ydych yn ei wneud.

[118] **Mark Isherwood:** I am just making the point about how we can reconcile the practical reality faced by people, in this case in farming businesses, with the public funding streams, and whether that can be done in closer consultation with the farming industry.

[118] **Mark Isherwood:** Y cwbl yr wyf yn ei wneud yw nodi sut y gallwn gysoni'r gwirionedd ymarferol sy'n wynebu pobl, sef busnesau ffermio yn yr achos hwn, gyda'r ffrydiau ariannu cyhoeddus, a gofyn a oes modd gwneud hynny drwy ymgynghori'n agosach gyda'r diwydiant amaeth.

Mr Jones: Well, the decision on interest

Mr Jones: Wel, ni chafodd y penderfyniad ar

payments was not made to help individuals with financial hardship. We had in place a regime that sought to make payments to farmers manually where they could demonstrate financial hardship. So, for example, if somebody was facing a lot of charges from the bank or the possibility of action against them by the bank, then we would make that payment under the hardship regime. The interest payment regime, as set up, was, as the Permanent Secretary said, in some senses an attempt to recompense farmers in an *ex gratia* way for the fact that they had received their money late. If somebody had come to us during the payment window and said that he or she was in financial difficulty, then we would have done our best to make a hardship payment.

[119] **Janet Davies:** Alun, do you want to come in for a moment?

[120] **Alun Cairns:** Yes. Clearly, we have already highlighted that the hardship arrangement was not advertised, so maybe not every farmer knew about it, or certainly they had to suffer the indignity of presenting their poverty case to the Assembly before they would receive a payment. Is it not simply the case that farmers would have had to borrow money in order to maintain their business whereas the Assembly does not have to borrow money? Therefore, the rate of interest that the Assembly would accrue and that farmers would pay is dramatically different, because, obviously, there are much higher rates on borrowing money.

Sir Jon Shortridge: If I have this wrong, I will put in a note and correct it, but I think that the position is that, obviously, there is a cost to all public expenditure in terms of opportunities forgone, and I am pretty sure that *Government Accounting* requires us in these circumstances to charge LIBOR. So, we have probably gone just slightly beyond what *Government Accounting* recommends.

[121] **Alun Cairns:** Okay.

[122] **Janet Davies:** Mark, do you want to continue with your questions?

[123] **Mark Isherwood:** Right. Interest

daliadau llog ei wneud i helpu unigolion â chaledi ariannol. Yr oedd gennym drefn ar waith a oedd yn ceisio gwneud taliadau i ffermwyr â llaw os oes modd iddynt brofi eu bod mewn caledi ariannol. Felly, er enghraifft, os oedd rhywun yn wynebu llawer o gostau gan y banc neu'r posibilrwydd y gallai'r banc gymryd camau yn eu herbyn, yna byddem yn rhoi taliad iddynt dan y drefn caledi. Cafodd y drefn o dalu llog ei phennu i ryw raddau, fel y dywedodd yr Ysgrifennydd Parhaol, mewn ymgais i ddiogolledu ffermwyr fel cydnabyddiaeth am y ffaith iddynt dderbyn eu harian yn hwyr. Pe bai rhywun wedi dod atom yn ystod y cyfnod talu a dweud ei fod mewn trafferthion ariannol, yna byddem wedi gwneud ein gorau glas i wneud taliad caledi.

[119] **Janet Davies:** Alun, a hoffech ddweud rhywbeth yn y fan hon?

[120] **Alun Cairns:** Hoffwn. Yn amlwg, yr ydym eisoes wedi nodi na chafodd y trefniant caledi ei hysbysebu, felly efallai nad oedd pob ffermwr yn gwybod amdano, neu'n sicr yr oedd rhaid iddynt ddiodeff y cywilydd o gyflwyno eu hachos o dlodi gerbron y Cynulliad cyn y byddent yn derbyn taliad. Onid yr achos yn syml yw y byddai ffermwyr wedi gorfod benthyca arian i gynnal eu busnes tra nad oes yn rhaid i'r Cynulliad fenthyca arian? Felly, byddai'r gyfradd llog y byddai'r Cynulliad yn ei chronni a'r hyn y byddai ffermwyr yn ei thalu yn ddramatig o wahanol, oherwydd, gan fod cyfraddau llawer uwch, yn amlwg, ar fenthyca arian.

Syr Jon Shortridge: Os ydwyf yn anghywir, byddaf yn darparu nodyn ac yn ei gywiro, ond credaf mai'r sefyllfa yw bod cost, yn amlwg, i'r holl wariant cyhoeddus o ran cyfleoedd a hepgorir, ac yr wyf yn eithaf sicr bod *Government Accounting* yn gofyn inni dan yr amgylchiadau hyn i godi LIBOR. Felly, mae'n debyg ein bod wedi mynd ychydig ymhellach na'r hyn y mae *Government Accounting* yn ei argymhell.

[121] **Alun Cairns:** Iawn.

[122] **Janet Davies:** Mark, a ydych eisiau parhau gyda'ch cwestiynau?

[123] **Mark Isherwood:** Iawn. Mae llog ar

payments on the bovine schemes are payable for payments made after 30 June, yet interest payments on these schemes did not start until November. Why was there this delay?

Mr Jones: The delay between making interest payments and the closing of the payment window is mainly as a result of the fact that it is not possible to calculate what interest might be payable until you have made the payments. Some of these payments were made in August, some were made in September, and the final ones were made at the beginning of October. So, until we have got to the point where we have made the payment, it is not possible for us to start calculating the interest on individual claims. Added to that there is a resource cost to our calculating these interest payments. Between July and September/October this year our priority was—and I am sure that you would agree—to get those payments out, so that the 2002 slate was wiped clean, and to make a start on 2003.

[124] **Mark Isherwood:** How much interest in total do you envisage that you will have to pay for the delays of last year?

Mr Jones: I cannot tell you that because, until we have done the calculations on the bovine schemes, I am afraid that we cannot give that information. We have so far paid out £39,000 in interest on sheep annual premium and arable schemes and domestic support measures.

[125] **Mark Isherwood:** Right. Moving on to address communications between the Assembly Government and farmers, paragraphs 4.17 to 4.19 detail the Assembly Government's over-optimism when it communicated with farmers about when it would be able to make payments, which only antagonised them further. Farmers generally feel that promises were made and broken. They also feel that, if there had been delays in payments by a public body in other areas, such as social security, the repercussions could have been much more serious. So why were you so optimistic about when payments could start? Surely by October 2002, you could see that you were having serious difficulties and that it would be dangerous to

gynlluniau gwartheg yn daladwy ar gyfer taliadau a wnaethpwyd ar ôl 30 Mehefin, ac eto ni ddechreuodd y taliadau llog ar y cynlluniau hyn tan fis Tachwedd. Pam yr oedi hwn?

Mr Jones: Y rheswm pennaf am yr oedi rhwng gwneud taliadau llog a diwedd y cyfnod talu yw'r ffaith nad oes modd cyfrifo pa log a allai fod yn daladwy tan ar ôl i chi wneud y taliadau. Gwnaed rhai o'r taliadau hyn ym mis Awst, rhai ym mis Medi, a'r rhai terfynol ddechrau Hydref. Felly, hyd nes inni gyrraedd y pwynt lle yr ydym wedi gwneud taliad, nid oes modd inni ddechrau cyfrifo'r llog ar geisiadau unigol. Yn ogystal â hynny, mae cost adnoddau ynghlwm â'r gwaith o gyfrifo'r taliadau llog hyn. Ein blaenoriaeth rhwng mis Gorffennaf a mis Medi/Hydref eleni—ac yr wyf yn siŵr y byddwch yn cytuno—oedd gwneud y taliadau hyn, er mwyn sychu llechen 2002 yn lân, ac er mwyn dechrau ar un 2003.

[124] **Mark Isherwood:** Beth yw cyfanswm y llog yr ydych yn ei ragweld y bydd yn rhaid ei dalu oherwydd yr oedi y llynedd?

Mr Jones: Ni allaf ddweud hynny wrthyhych oherwydd, tan ein bod wedi cyfrifo'r cynlluniau gwartheg, yr wyf yn ofni na allwn roi'r wybodaeth honno. Yr ydym wedi talu llog o £39,000 hyd yma ar y premiwm blynyddol defaid a'r cynlluniau tir â'r mesurau cymorth domestig.

[125] **Mark Isherwood:** Iawn. Gan symud ymlaen i fynd i'r afael â'r cysylltiadau rhwng Llywodraeth y Cynulliad a ffermwyr, mae paragraffau 4.17 i 4.19 yn sôn bod Llywodraeth y Cynulliad yn or-obeithiol wrth ddweud wrth ffermwyr pryd y byddai'n gallu gwneud taliadau; yr oedd hynny yn eu cythruddo ymhellach. Yn gyffredinol, yr oedd ffermwyr yn teimlo bod addewidion yn cael eu gwneud a'u torri. Yr oeddynt hefyd yn teimlo, pe bai corff cyhoeddus wedi oedi gyda thaliadau mewn meysydd eraill, megis nawdd cymdeithasol, gallai'r goblygiadau fod wedi bod yn llawer mwy difrifol. Felly, pam oeddech mor obeithiol ynghylch pryd y gellid dechrau talu? Siawns erbyn mis Hydref 2002, y gallech weld eich bod yn cael

assume that problems could be overcome quickly?

Sir Jon Shortridge: Communicating to the public when things go wrong is a very important issue and quite a difficult issue. I think that what we have learned as a result of BSE, the foot and mouth disease outbreak and other things, is that the best approach is always to be as open as one can with the public and with people who are directly affected. So I am sure that it was the right approach to take the farming unions into our confidence as much as we could, and to make use of *Gwlad*, the journal for farmers that we put in place, in order to keep everyone as fully informed as we could. So the issue is really whether we should have been more cautious in what we said, and with hindsight one can see that there is a case for having been more cautious. However, the important thing, I think, in order to win trust in the long term, is to be honest, and if at the time this was our best estimate of what the outcome was likely to be, then that was the honest thing to say. None of the quotations are unqualified and, as the Auditor General says, there is no suggestion that the Assembly sought to deliberately mislead farmers about when they could expect their payments. So the safe thing would have been to be much more cautious. However, if we had been much more cautious, we would have been significantly less open. There is a balance to be struck there and that is one of the lessons that I will take away from this experience, although I would emphasise that my approach would always be to be as open with members of the public as I possibly can be.

[126] **Mark Isherwood:** So might it not have helped farmers in running their businesses if you had told them at the outset that you could not say with any confidence when they would receive their subsidies? What therefore have you learned from this and how will it be applied in the future?

Sir Jon Shortridge: Well, I think that, in terms of the lessons, I told you that I agree that there are lessons here and that I am reflecting on them. In terms of the specific

anawsterau difrifol ac y byddai'n beryglus i dybio y gellid goresgyn problemau yn gyflym?

Syr Jon Shortridge: Mae cyfathrebu â'r cyhoedd pan fo pethau'n mynd o chwith yn fater hynod bwysig ac yn fater eithaf dyrys. Credaf mai'r hyn yr ydym wedi'i ddysgu yn sgîl BSE, argyfwng clwy'r traed a'r genau a phethau eraill, yw mai'r ffordd orau bob amser yw bod mor agored â phosibl gyda'r cyhoedd a phobl yr effeithiwyd arnynt yn uniongyrchol. Felly, yr wyf yn siŵr ein bod yn iawn wrth geisio ennyn cymaint o hyder undebau'r ffermwyr ag y gallem, a defnyddio *Gwlad*, y cylchgrawn i ffermwyr a sefydlwyd gennym, er mwyn rhoi'r manylion diweddaraf i bawb gorau ag y gallem. Felly, mae'r mater mewn gwirionedd yn ymwneud ag a ddylem fod wedi bod yn fwy gofalus o'r hyn a ddywedasom, ac o edrych yn ôl, gall rhywun weld bod achos i fod yn fwy gofalus. Er hynny, tybiaf mai'r peth pwysig, er mwyn ennill ymddiriedaeth yn yr hirdymor, yw bod yn onest, ac os mai dyma oedd ein hamcangyfrif gorau o'r canlyniad tebygol ar y pryd, yna dyna oedd y peth gonest i'w ddweud. Nid yw'r un o'r dyfyniadau'n ddiamod, ac ys dywed yr Archwilydd Cyffredinol, nid oes unrhyw awgrym bod y Cynulliad wedi ceisio camarwain ffermwyr yn fwriadol ynglŷn â phryd y byddent yn debygol o gael eu taliadau. Felly, y peth doeth fyddai bod wedi gweithredu'n llawer mwy gofalus. Er hynny, pe baem wedi bod yn llawer mwy gofalus, byddem wedi bod yn llawer llai agored. Mae angen cydbwysedd, a dyna un o'r gwersi y byddaf yn ei dysgu o'r profiad hwn, er y pwysleisiaf mai fy ffordd i yw ceisio bod mor agored ag y gallaf gyda'r cyhoedd.

[126] **Mark Isherwood:** Felly, oni fyddai wedi cynorthwyo ffermwyr wrth gynnal eu busnesau pe baech wedi dweud wrthynt o'r cychwyn cyntaf nad oeddech yn gallu dweud yn gwbl ffyddiog pryd y byddent yn cael eu cymorthdaliadau? Beth, felly, yr ydych wedi'i ddysgu yn sgîl hyn, a sut y bydd yn cael ei gymhwyso yn y dyfodol?

Syr Jon Shortridge: Wel, credaf, o ran gwersi, i mi ddweud wrthyf fy mod yn cytuno bod gwersi yma ac fy mod yn cnoi cil arnynt. Ynglŷn â'r cwestiwn penodol o ran a

question about whether we could have just said, 'Well, we cannot tell you with any certainty,' I will invite Gareth to comment.

Mr Jones: That would simply not have been what they wanted. I spent a lot of time during the period in question talking to farming unions and making presentations at farming unions' council meetings and the like, and what they wanted to know was, 'When are we going to get paid?'. For me to say, 'Well, we are doing our best and we will pay you as soon as possible,' was always followed up by, 'Can you give us an estimate of when you will start making payments?'. As the Permanent Secretary says, what I sought to do in those circumstances was to give, in a qualified way, the best estimate that I could give as to when we would start making payments. Inevitably, giving farmers the assurance that you are going to start making payments, makes them believe that that is when they are going to get their money. Making payments on schemes of this nature, given the sorts of numbers of payments that we are making, inevitably takes quite some time. So, our starting to make payments did not mean that that was when all farmers were going to get their payments. Our seeking to be honest and open about those issues did lead some farming unions and some farmers to believe that we had given them overly optimistic information. That is not what we sought to do at any stage. We sought to be absolutely open and honest.

[127] **Mark Isherwood:** Well quite, I am sure that you did. Of course, the question remains as to whether, in retrospect, those statements were over-optimistic and how we can learn from that for the future. However, given the lateness of your decision to use contingency arrangements, as discussed earlier, does this over-optimism not give the impression almost that the Assembly Government just could not accept that it would not be able to make payments on time? Is that a fair statement?

Sir Jon Shortridge: I think that one needs to reflect on the dynamic. We were doing all that we could to make payments on time.

allem fod wedi dweud, 'Wel, ni allwn ddweud unrhyw beth pendant wrthych', gwahoddaf Gareth i ymateb.

Mr Jones: Yn syml, ni fyddai hynny wedi eu bodloni. Treuliais lawer o amser yn y cyfnod dan sylw'n siarad ag undebau'r ffermwyr ac yn cyflwyno sylwadau yng nghyfarfodydd cyngor yr undebau amaethyddol ac ati, a'r hyn yr oeddynt am ei wybod oedd, 'Pryd gawn ni ein talu?'. Pe bawn yn dweud, 'Wel, yr ydym yn gwneud ein gorau a byddwn yn eich talu cyn gynted ag y bo modd' byddent wastad yn gofyn wedyn, 'A allwch roi syniad inni pryd y byddwch yn dechrau gwneud taliadau?'. Fel y dywed yr Ysgrifennydd Parhaol, yr hyn a geisiais ei wneud dan amgylchiadau o'r fath oedd rhoi'r amcangyfrif gorau ag y gallwn, mewn modd amodol, ynghylch pryd y byddem yn dechrau talu. O roi sicrwydd i ffermwyr eich bod am ddechrau gwneud taliadau, mae hynny'n anochel yn gwneud iddynt gredu mai dyna pryd y byddant yn cael eu harian. Mae'n anorfod bod gwneud taliadau am y cyfryw gynlluniau, o gofio nifer y taliadau yr ydym yn eu gwneud, am gymryd cryn dipyn o amser. Felly, nid oedd y ffaith ein bod wedi cychwyn gwneud taliadau'n golygu mai dyna pryd yr oedd pob ffermwr am ddechrau cael eu taliadau. Yr oedd ein hymgais i fod yn onest ac agored ynglŷn â'r materion hyn wedi peri i rai undebau amaethyddol a rhai ffermwyr gredu ein bod wedi rhoi gwybodaeth a oedd yn or-obeithiol iddynt. Nid dyna oedd ein bwriad ar unrhyw adeg. Ein bwriad oedd bod yn gwbl agored ac onest.

[127] **Mark Isherwood:** Yn wir, yr wyf yn siŵr mai dyna a wnaethoch. O edrych yn ôl wrth gwrs, mae'r cwestiwn yn parhau ynghylch a oedd y datganiadau hynny'n rhai or-obeithiol a sut y gallwn ddysgu o hynny ar gyfer y dyfodol. Er hynny, o gofio pa mor hwyr y penderfynasoch ddefnyddio'r trefniadau wrth gefn, fel y trafodwyd eisoes, onid yw'r gor-obaith hwn bron â rhoi'r argraff na allai Llywodraeth y Cynulliad dderbyn na fyddai'n gallu gwneud y taliadau yn brydlon? A yw hwnnw'n ddatganiad teg?

Syr Jon Shortridge: Credaf fod yn rhaid i rywun edrych ar y sefyllfa. Yr oeddem yn gwneud popeth o fewn ein gallu i wneud y

Everyone was trying their hardest to give the best possible service that we could give in these circumstances. That was the reality. If, at the same time as that reality was being driven through this organisation privately, we were publicly saying things that were not consistent with what we were trying to achieve, that would have sent some quite difficult messages, it seems to me, which is why I am saying that this is a complex issue. You are quite right to ask the questions, but they are ones to which there are not necessarily very straightforward answers. I will always want to be as open and honest with people as I can be in these circumstances, but, equally, I will not want to be left open to the charge, subsequently, that I have misled them. Getting that balance right is an important issue. Arguably, we did not get the balance right this time, but it is not self evident to me how we could have done it better.

[128] **Mark Isherwood:** Okay. Thank you.

[129] **Janet Davies:** Leighton, do you have some questions?

[130] **Alun Cairns:** May I come in here, Cadeirydd?

[131] **Janet Davies:** Okay, as long as you do not move on to the next set of questions.

[132] **Alun Cairns:** I will not. I just want to build on what Sir Jon has just mentioned, where they tried to be as accurate as possible in their statements. Clearly, when a statement is made and then a scheme is a couple of weeks or even a couple of months late, such as the statement made on 10 October 2002 about the arable area payment scheme, which was two months late, arguably, that might be the limit of tolerance, I would suspect, for a large number of farmers. However, what about the suckler cow premium scheme? The statement on 10 October stated that the best estimate at that stage was that payments should start by the end of December. However, in reality, the first payment, let alone the last, was not made until six months after the statement had been made.

taliadau'n brydlon. Yr oedd pawb yn rhoi o'u gorau glas i roi'r gwasanaeth gorau posibl o dan yr amgylchiadau. Dyna oedd y gwir amdani. Os, ar yr un adeg ag yr oedd y sefydliad hwn yn bwrw'r gwirionedd hwnnw ymlaen yn breifat, ein bod yn datgan pethau'n gyhoeddus nad oedd yn gyson â'r hyn yr oeddem yn ceisio'i gyflawni, yna byddai hynny'n rhoi negeseuon eithaf anodd, mae'n ymddangos i mi, sy'n esbonio pam wyf yn dweud bod hwn yn fater cymhleth. Mae'n hollol iawn eich bod yn gofyn y cwestiynau, ond maent yn rhai nad oes atebion hollol blaen iddynt bob amser o reidrwydd. Yr wyf bob amser eisiau bod mor onest ac agored ag y gallaf gyda phobl o dan yr amgylchiadau hyn, ond, yn yr un modd, nid wyf eisiau cael fy nghyhuddo, wedyn, o fod wedi'u camarwain. Mae cael y cydbwysedd hwnnw'n gywir yn fater pwysig. Mae'n amlwg na chawsom y cydbwysedd yn gywir y tro hwn, ond nid yw'n amlwg i mi sut y gallem fod wedi gwneud pethau'n well.

[128] **Mark Isherwood:** Iawn. Diolch i chi.

[129] **Janet Davies:** Leighton, a oes gennych gwestiynau?

[130] **Alun Cairns:** A gaf ddod i mewn yn y fan hyn, Gadeirydd?

[131] **Janet Davies:** Iawn, cyn belled nad ydych yn symud ymlaen i'r gyfres nesaf o gwestiynau.

[132] **Alun Cairns:** Na wna. Yr wyf am ymhelaethu ar yr hyn y mae Syr Jon newydd ei grybwyll, lle yr oeddynt yn ceisio bod mor gywir â phosibl yn eu datganiadau. Yn amlwg, pan wneir datganiad ac yna mae cynllun rai wythnosau yn hwyr neu hyd yn oed rai misoedd yn hwyr, megis y datganiad ar 10 Hydref 2002 am y cynllun taliadau ardaloedd â, a oedd ddeufis yn hwyr, gellir dadlau, mai hynny fyddai pen tennyn, y byddwn yn tybio, nifer fawr o ffermwyr. Fodd bynnag, beth am y cynllun premiwm gwartheg sugno? Nododd y datganiad ar 10 Hydref mai'r amcangyfrif gorau bryd hynny oedd y dylai taliadau ddechrau erbyn diwedd Rhagfyr. Fodd bynnag, mewn gwirionedd, ni wnaethpwyd y taliad cyntaf, heb sôn am yr un olaf, tan chwe mis ar ôl i'r datganiad hwnnw gael ei wneud.

Mr Jones: No, that is not correct.

Mr Jones: Na, nid yw hynny'n gywir.

[133] **Alun Cairns:** I am looking at figure 9.

[133] **Alun Cairns:** Yr wyf yn edrych ar ffigur 9.

Mr Jones: It was three months after the date that we had estimated.

Mr Jones: Yr oedd dri mis ar ôl y dyddiad yr oeddem wedi ei amcangyfrif.

[134] **Jocelyn Davies:** That was six months after the statement was made.

[134] **Jocelyn Davies:** Yr oedd hynny chwe mis ar ôl i'r datganiad gael ei wneud.

[135] **Alun Cairns:** It was six months after the statement was made; that is the point that I am making.

[135] **Alun Cairns:** Yr oedd chwe mis ar ôl i'r datganiad gael ei wneud; dyna'r pwynt yr wyf yn ei wneud.

[136] **Jocelyn Davies:** From October to March.

[136] **Jocelyn Davies:** O fis Hydref i fis Mawrth.

Mr Jones: Well, our estimate was that we would make the payment by the end of December. In reality, it was three months after that when we did start making payments.

Mr Jones: Wel, ein hamcangyfrif oedd y byddem yn gwneud y taliad erbyn diwedd Rhagfyr. Mewn gwirionedd, dri mis ar ôl hynny y dechreuasom wneud taliadau.

[137] **Alun Cairns:** Well, that is the point.

[137] **Alun Cairns:** Wel, dyna'r pwynt.

[138] **Jocelyn Davies:** There is a six-month gap.

[138] **Jocelyn Davies:** Mae bwlch o chwe mis.

Sir Jon Shortridge: May I just say, Mr Cairns, that you are making my point for me. I am not disagreeing with you. This is an example of the dilemma that we were in, and I repeat that the Auditor General says that there is no suggestion that we deliberately sought to mislead farmers about when they could expect their payments. We gave an honest estimate on 10 October, which proved to be, in the event, something that we were not able to achieve. That is the issue, which I agree is an important issue and which I am taking away and reflecting upon: how you strike a balance between being as open and honest with members of the public as you can be without, at the same time, raising false expectations.

Syr Jon Shortridge: A gaf ddweud, Mr Cairns, eich bod yn gwneud fy mhwynt ar fy rhan. Nid wyf yn anghytuno â chi. Mae hyn yn enghraifft o'r cyfyng-gyngor yr oeddem ynddo, ac ailadroddaf fod yr Archwilydd Cyffredinol yn dweud nad oes awgrym ein bod wedi ceisio camarwain ffermwyr yn fwriadol ynglŷn â phryd y gallent ddisgwyl eu taliadau. Rhoddasom amcangyfrif gonest ar 10 Hydref, a brofodd i fod, fel y bu hi, yn rhywbeth na allem ei gyflawni. Dyna'r mater, sydd, y cytunaf, yn fater pwysig ac un yr wyf am gadw mewn cof a chnoi cil arno: sut yr ydych yn sicrhau cydbwysedd rhwng bod mor agored ac onest ag y gallwch gydag aelodau'r cyhoedd heb, ar yr un pryd, godi gobeithion ffals.

[139] **Alun Cairns:** Did we ever highlight that we hoped to start making the payments by a particular date and then say that they might be as late as another date, to balance the statement and bring some realism into farmers' minds?

[139] **Alun Cairns:** A wnaethom bwysleisio o gwbl ein bod yn gobeithio dechrau gwneud y taliadau erbyn dyddiad penodol ac yna dweud efallai y byddant mor hwyr â dyddiad arall, i gydbwyso'r datganiad a rhoi rhywfaint o realiti ym meddyliau ffermwyr?

Mr Jones: We always sought to temper and give health warnings on the statements that we gave. I do not recall ever giving a range, although we had always said that the payment window was the payment window and we were seeking to make payments within that payment window, as we do in any year. So, I suppose that the implied range was between the date that I might have been quoting and the end of the payment window.

[140] **Jocelyn Davies:** May I ask a question, Chair?

[141] **Janet Davies:** Okay.

[142] **Jocelyn Davies:** These are not ministerial announcements, but announcements from officials, are they? Are they just statements made by the Assembly?

Mr Jones: I think that most, if not all, of these are official statements, yes.

[143] **Jocelyn Davies:** Were ministerial announcements made over the same time, in line with these?

Mr Jones: Well, Ministers were being asked via AQs, ARD Committee meetings at the time, and, indeed, through letters, exactly the same questions as we were being asked. So I would have expected Ministers to have said the same thing at those times, yes.

[144] **Janet Davies:** I will just clarify for the record that AQs are Assembly questions, and that the ARD Committee would have been the Agriculture and Rural Development Committee.

Leighton, would you like to ask your questions?

[145] **Leighton Andrews:** On the CAPIT contract, public sector IT procurement is notoriously difficult, so why was there no fixed budget for CAPIT?

Sir Jon Shortridge: Well, I think that we had a budget, but this was a particular type of

Mr Jones: Yr oeddem bob amser yn ceisio cymedroli a rhoi rhybuddion iechyd ar y datganiadau a roddasom. Ni chofiaf roi graddfa amser o gwbl, er ein bod wedi dweud ar hyd yr amser mai'r cyfnod talu oedd y cyfnod talu a'n bod yn ceisio gwneud taliadau o fewn y cyfnod talu hwnnw, fel y gwnawn mewn unrhyw flwyddyn. Felly, tybiaf mai'r raddfa oblygedig oedd rhwng y dyddiad yr oeddwn o bosibl yn ei ddyfynnu a diwedd y cyfnod talu.

[140] **Jocelyn Davies:** A gaf ofyn cwestiwn, Gadeirydd?

[141] **Janet Davies:** Cewch.

[142] **Jocelyn Davies:** Nid cyhoeddiadau gweinidogol ond cyhoeddiadau gan swyddogion yw'r rhain, ynte? Ai datganiadau a wneir gan y Cynulliad yn unig ydynt?

Mr Jones: Credaf mai datganiadau swyddogol yw'r rhan fwyaf ohonynt, os nad pob un ohonynt, ie.

[143] **Jocelyn Davies:** A wnaethpwyd cyhoeddiadau gweinidogol yn ystod yr un cyfnod, yn unol â'r rhain?

Mr Jones: Wel, gofynnwyd i Weinidogion drwy CC, cyfarfodydd y Pwyllgor ARD ar y pryd, ac, yn wir, drwy lythyrau, yr union gwestiynau a oedd yn cael eu gofyn inni. Felly, byddwn wedi disgwyl Gweinidogion i ddweud yr un peth ar yr adegau hynny, byddwn.

[144] **Janet Davies:** Esboniaf ar gyfer y cofnod mai cwestiynau'r Cynulliad yw CC, a'r Pwyllgor ARD fyddai'r Pwyllgor Amaeth a Datblygu Gwledig.

Leighton, a hoffech ofyn eich cwestiynau?

[145] **Leighton Andrews:** Mewn perthynas â'r contract CAPIT, mae caffael TG y sector cyhoeddus yn ddiharebol o anodd, felly pam nad oedd cyllideb benodedig ar gyfer CAPIT?

Syr Jon Shortridge: Wel, credaf fod gennym gyllideb, ond yr oedd hwn yn fath

contract so there was not a fixed contract price. The reason for that is that this was a partnership contract where we were not able to specify upfront precisely what we wanted Cap Gemini Ernst and Young to do. So, we introduced this quite innovative—I would not say totally innovative—form of contract that was based on risk and reward, which was shared between us and our supplier. I think that that has proved to be very successful. If we had sought to have some sort of fixed-price contract, I imagine—Gareth was closer to it than I was—that that would have loaded an enormous amount of risk onto the supplier, and the costs would have been substantially more than we ended up paying.

Mr Jones: I would agree with that entirely. This was an innovative contract on which we took a good deal of advice from central Government, IT suppliers and procurement people. At the time of letting the contract, we had not done the detailed work which, indeed, Cap Gemini Ernst and Young did with us as part of the contract to determine precisely how this new system would be created. So, if we had sought to have a fixed-price contract at that stage, it would have loaded the risk onto the price of the contract. What we have ended up with is a time and materials contract with a very innovative risk and reward mechanism within it, which has worked extremely well and enabled us to complete the project to time and within the overall budget that was set as part of the JIGSAW programme.

[146] **Leighton Andrews:** I am sorry, but paragraph 4.21 says that there was no fixed budget for CAPIT.

Mr Jones: There was no fixed budget for CAPIT, but there was a fixed budget for JIGSAW.

[147] **Leighton Andrews:** Okay. CAPIT has taken longer to put in place than was originally forecast, and yet you have come in within 2 per cent of the original estimate, which seems a bit strange.

Sir Jon Shortridge: I think that this is the

penodol o gontract felly nid oedd pris contract penodedig. Y rheswm dros hyn oedd mai contract partneriaeth ydoedd lle nad oeddem yn gallu rhagnodi o flaen llaw beth yn union yr oeddem am i Cap Gemini Ernst and Young ei wneud. Felly, bu inni gyflwyno y math hwn o gontract a oedd yn eithaf arloesol—ni fyddwn yn dweud yn hollol arloesol—a oedd yn seiliedig ar risg a gwobr, a oedd yn cael ei rhannu rhyngom ni a'n cyflenwr. Credaf fod hwnnw wedi profi'n llwyddiannus iawn. Pe baem wedi ceisio cael rhyw fath o gontract â phris penodedig, dychmygaf—yr oedd Gareth yn ymwneud yn agosach ag ef na mi—y byddai hynny wedi gosod llawer o risg ar y cyflenwr, a byddai'r costau wedi bod yn llawer uwch na'r hyn a dalasom yn y diwedd.

Mr Jones: Byddwn yn cytuno â hynny gant y cant. Yr oedd hwn yn gontract arloesol a chawsom lawer o gyngor gan y Llywodraeth ganolog, cyflenwyr TG a phobl caffael yn ei gylch. Ar adeg rhoi'r contract, nid oeddem wedi gwneud y gwaith manwl y gwnaeth Cap Gemini Ernst and Young, yn wir, gyda ni yn rhan o'r contract i bennu'n union sut y byddai'r system newydd hon yn cael ei chreu. Felly, pe baem wedi ceisio cael contract â phris penodedig bryd hynny, byddai wedi gosod y risg ar bris y contract. Yr hyn yr ydym wedi ei gael yn y pen draw yw contract amser a deunyddiau gyda mecanwaith risg a gwobr arloesol iawn ynddo, sydd wedi gweithio'n hynod dda a'n galluogi i gwblhau'r prosiect ar amser ac o fewn y gyllideb gyffredinol a bennwyd yn rhan o'r rhaglen JIGSAW.

[146] **Leighton Andrews:** Mae'n ddrwg gennyf, ond dywed paragraff 4.21 nad oedd cyllideb benodedig ar gyfer CAPIT.

Mr Jones: Nid oedd cyllideb benodedig ar gyfer CAPIT, ond yr oedd cyllideb benodedig ar gyfer JIGSAW.

[147] **Leighton Andrews:** O'r gorau. Cymerwyd mwy o amser na'r hyn a ragwelwyd yn wreiddiol i roi CAPIT ar waith, ac eto yr ydych wedi llwyddo i fod o fewn 2 y cant i'r amcangyfrif gwreiddiol, sy'n ymddangos braidd yn rhyfedd.

Syr Jon Shortridge: Credaf mai dyma'r

way that risk and reward works. For each package, on the basis of agreed rates, the supplier gives us an estimate of what it will cost and, if it costs less, we share the benefits between us and, if it costs more, the supplier has to meet half the additional cost or whatever it may be. So, the whole system is therefore incentivised to minimise the cost overruns and maximise the over-realisation.

[148] **Leighton Andrews:** But the contract was based on time and materials, and the time taken to implement the contract appears to have been extended, clearly. So how then can it sort of come in close to the estimate? Was the estimate over-generous to start with?

Mr Jones: Not in the least. The risk and reward mechanism is based on increasing and decreasing day rates. So where there are overruns on work packages, the day rates decrease appropriately. So you can see that, provided it is managed properly, which I believe it has been, that would bring the cost back to near to the expectations.

[149] **Leighton Andrews:** We understand that Cap Gemini provided some resources free. Was that partly to mitigate the extent of the delay?

Mr Jones: Yes. This has been, and continues to be, an extremely successful partnership. We have never had to dig out the contract and pour over its terms with Cap Gemini Ernst and Young, because it has worked with us to the same objectives and to the same goals and, frankly, with as much commitment and enthusiasm as my own staff. So it has provided a good deal of resource at decreasing rates. We have done various deals with it during the project on providing two members of staff—two consultants—for the price of one, and so on, to try to solve the problems that the project inevitably brought up.

[150] **Leighton Andrews:** Did you want to come in on that, Sir Jon?

ffordd y mae risg a gwobr yn gweithio. Ar gyfer pob pecyn, ar sail cyfraddau y cytunwyd arnynt, mae'r cyflenwr yn rhoi amcangyfrif inni o'r hyn y bydd yn ei gostio ac, os yw'n costio llai, yr ydym yn rhannu'r buddiannau rhyngom ac, os yw'n costio mwy, mae'n rhaid i'r cyflenwr dalu hanner y gost ychwanegol neu beth bynnag y bo. Felly, mae'r system gyfan wedi'i chynllunio'n fwriadol i gymell cyn lleied o orwario â phosibl ac annog gor-gyflawni cymaint â phosibl.

[148] **Leighton Andrews:** Ond yr oedd y contract yn seiliedig ar amser a deunyddiau, ac mae'n ymddangos bod yr amser a gymerwyd i weithredu'r contract wedi cael ei ymestyn, yn amlwg. Sut felly y gall fod mor agos i'r amcangyfrif? A oedd yr amcangyfrif yn rhy hael yn y lle cyntaf?

Mr Jones: Ddim o gwbl. Mae'r mecanwaith risg a gwobr yn seiliedig ar gynyddu a lleihau cyfraddau diwrnod. Felly, lle fo gor-redeg yn achos pecynnau gwaith, mae cyfraddau diwrnod yn lleihau'n briodol. Felly gallwch weld, ar yr amod ei fod yn cael ei reoli'n briodol, a dyna a ddigwyddodd yn fy marn i, y byddai hynny'n dod â'r gost yn ôl yn agosach at y disgwyladau.

[149] **Leighton Andrews:** Deallwn i Cap Gemini ddarparu rhai o'r adnoddau am ddim. A oedd hynny yn rhannol i leihau hyd yr oedi?

Mr Jones: Oedd. Mae hon wedi bod, ac yn parhau i fod, yn bartneriaeth hynod lwyddiannus. Nid ydym erioed wedi gorfod dychwelyd at y contract a thrafod ei delerau gyda Cap Gemini Ernst and Young, oherwydd y mae wedi gweithio gyda ni at yr un amcanion ac at yr un nodau ac, i fod yn onest, gyda chymaint o ymroddiad a brwdfrydedd â'm staff fy hun. Felly mae wedi darparu llawer iawn o adnoddau ar gyfraddau gostyngol. Yr ydym wedi gwneud cytundebau amrywiol gydag ef yn ystod y prosiect i ddarparu dau aelod o staff—dau ymgynghorydd—am bris un, ac yn y blaen, i geisio datrys y problemau a gododd yn anochel mewn perthynas â'r prosiect.

[150] **Leighton Andrews:** A oeddech am sôn am hynny, Syr Jon?

Sir Jon Shortridge: I just wanted to take the opportunity to confirm that and say that, although I have not been directly involved since the very early days, because I think that I was on the board that appointed Cap Gemini, everything that I have heard indicates that it has really performed very well indeed in this partnership. I am not aware of any criticisms of the way in which it has approached this work or the quality of its work. I think that it is noteworthy that there is no criticism of the nature of this contract in the Auditor General's report, and I would say that a number of external organisations have come to us to see what they can learn about the way in which this contract has worked. That includes the Inland Revenue, Croydon Borough Council, the State of New Jersey, the Forestry Commission and Lloyds Pharmacy.

[151] **Leighton Andrews:** Okay. Just on the question of resources, did the Assembly itself put in additional resources over and above what was planned originally and, if so, what was the cost of that?

Mr Jones: Not over and above what was planned originally. The total cost of the JIGSAW programme is some £16 million. We have completed that programme to budget. So the additional resources that I had to bring in, in terms of additional staff, to manage both the CAPIT project and all the other projects that were running, were known about and planned at the start of the programme and were budgeted for as part of that overall programme budget.

[152] **Leighton Andrews:** Okay.

Sir Jon Shortridge: Sorry to interrupt, but may I just say that 75 per cent of that overall cost was funded directly by the Treasury, not through the block. I am confident that, as this programme completes, as a result of the investment that we have made, we will be making savings of around £1.5 million a year on the overall costs of making these payments, and we will have a substantially better system in place.

Syr Jon Shortridge: Yr oeddwn am fanteisio ar y cyfle i gadarnhau hynny a dweud, er nad wyf wedi bod yn uniongyrchol gysylltiedig ers y cychwyn cyntaf, oherwydd credaf fy mod ar y bwrdd a benododd Cap Gemini, mae popeth yr wyf wedi ei glywed yn dynodi ei fod wedi perfformio'n dda iawn mewn gwirionedd yn y bartneriaeth hon. Nid wyf yn ymwybodol o unrhyw feirniadu o'r modd y mae wedi mynd ati gyda'r gwaith neu am ansawdd ei waith. Credaf ei bod yn werth nodi na fu beirniadu ar natur y contract hwn yn adroddiad yr Archwilydd Cyffredinol, a byddwn yn dweud bod nifer o sefydliadau allanol wedi dod i'n gweld i weld beth y gallant ei ddysgu am y modd y mae'r contract hwn wedi gweithio. Mae hynny'n cynnwys Cyllid y Wlad, Cyngor Bwrdeistref Croydon, Talaith New Jersey, y Comisiwn Coedwigaeth a Lloyds Pharmacy.

[151] **Leighton Andrews:** O'r gorau. Mewn perthynas ag adnoddau, a wnaeth y Cynulliad ei hun ddarparu mwy o adnoddau ychwanegol na'r hyn a gynlluniwyd yn wreiddiol ac, os felly, beth oedd cost hynny?

Mr Jones: Ddim mwy na'r hyn a gynlluniwyd yn wreiddiol. Mae'r rhaglen JIGSAW wedi costio cyfanswm o ryw £16 miliwn. Yr ydym wedi cwblhau'r rhaglen honno yn unol â'r gyllideb. Felly yr oedd yr adnoddau ychwanegol y bu'n rhaid i mi eu darparu, o ran staff ychwanegol, i reoli'r prosiect CAPIT a'r holl brosiectau eraill a oedd ar waith, yn hysbys ac wedi eu cynllunio ar ddechrau'r rhaglen ac wedi eu cynnwys yn y gyllideb yn rhan o gyllideb gyffredinol y rhaglen.

[152] **Leighton Andrews:** O'r gorau.

Syr Jon Shortridge: Mae'n ddrwg gennyf dorri ar draws, ond a gaf ddweud bod 75 y cant o'r gost gyffredinol honno wedi ei hariannu'n uniongyrchol gan y Trysorlys, nid drwy'r bloc. Yr wyf yn ffyddiog, wrth i'r rhaglen hon ddod i ben, diolch i'r buddsoddiad yr ydym wedi ei wneud, y byddwn yn arbed tua £1.5 miliwn y flwyddyn ar y costau cyffredinol o wneud y taliadau hyn, ac y bydd gennym system lawer gwell ar waith.

[153] **Leighton Andrews:** Okay. Can I just ask, given the problems that transpired with CAPIT and the effect that that had on farmers subsequently, are there any penalty clauses in the contract with regard to poor performance?

Mr Jones: Only in terms of the risk and reward mechanism. In other words, any overruns in terms of the project itself would have resulted in the day rates being decreased, effectively, so that Cap Gemini would have earned less for its work.

[154] **Leighton Andrews:** But that was the only kind of sanction that you actually had against the contractor?

Mr Jones: Yes.

[155] **Leighton Andrews:** Okay. Thank you.

[156] **Janet Davies:** Thank you, Leighton. Right, we are approaching the end of the evidence-taking session. Clearly, it is always very easy to look back with hindsight but, listening carefully, I have heard that there were problems once you got well into this situation. As Sir Jon has said, getting the balance right is the important thing, and maybe the balance was not right this time. But, over and above that, listening today, and reading the report, I have been troubled by the Assembly's apparent refusal to accept that anything could go wrong with CAPIT, despite the inherent riskiness—the well-known problems that major public sector IT projects always seem to encounter, and the circumstances surrounding this project of the major crisis of foot and mouth disease. Would I be wrong in saying that there was a determination to push the project through, and that you were less worried about the short-term financial impact on farmers than the longer-term goals of CAPIT?

Sir Jon Shortridge: No, I do not think that I could agree with that fully, Chair. We lost six months; the project had already started, and we lost six months. We had to decide whether we could recover that six months or not and, in making that judgment, we had to have regard to what the alternative would be

[153] **Leighton Andrews:** O'r gorau. A gaf ofyn, o ystyried y problemau a gododd gyda CAPIT a'r effaith a gafodd hynny ar ffermwyr o ganlyniad, a oes unrhyw gymalau cosbi yn y contract mewn perthynas â pherfformiad gwael?

Mr Jones: Dim ond o ran y mecanwaith risg a gwobr. Mewn geiriau eraill, byddai unrhyw or-redeg o ran y prosiect ei hun wedi arwain at ostwng cyfraddau diwrnod, i bob pwrpas, fel y byddai Cap Gemini wedi ennill llai am ei waith.

[154] **Leighton Andrews:** Ond ai dyna oedd yr unig fath o sancsiwn a oedd gennych yn erbyn y contractwr mewn gwirionedd?

Mr Jones: Ie.

[155] **Leighton Andrews:** O'r gorau. Diolch.

[156] **Janet Davies:** Diolch, Leighton. Iawn, yr ydym yn nesáu at ddiwedd y sesiwn cymryd tystiolaeth. Yn amlwg, mae bob amser yn hawdd edrych yn ôl gydag ôl-ddoethineb ond, o wrando'n astud, yr wyf wedi clywed bod problemau unwaith yr oeddech yng nghanol y sefyllfa hon. Fel y dywedodd Syr Jon, y peth pwysig yw sicrhau'r cydbwysedd cywir, ac efallai nad oedd y cydbwysedd yn gywir y tro hwn. Ond, y tu hwnt i hynny, o wrando heddiw, a darllen yr adroddiad, yr hyn sy'n fy mhoeni yw ei fod yn ymddangos bod y Cynulliad yn gwrthod derbyn y gallai unrhyw beth fynd o'i le gyda CAPIT, er gwaethaf y risg cynhenid—y problemau adnabyddus y mae prosiectau TG mawr yn y sector cyhoeddus fel pe baent yn dod ar eu traws dro ar ôl tro, ac amgylchiadau'r argyfwng clwy'r traed a'r genau mawr a oedd yn gysylltiedig â'r prosiect hwn. A fyddwn yn anghywir i ddweud bod penderfyniad i wthio'r prosiect yn ei flaen, a'ch bod yn gofidio llai am yr effaith ariannol tymor byr ar y ffermwyr nag am amcanion mwy hirdymor CAPIT?

Syr Jon Shortridge: Na, ni chredaf y gallwn gytuno â hynny'n llwyr, Gadeirydd. Collasom chwe mis; yr oedd y prosiect eisoes wedi cychwyn, a chollasom chwe mis. Bu'n rhaid inni benderfynu a allem adennill y chwe mis hynny ai peidio ac, wrth wneud y penderfyniad hwnnw, yr oedd yn rhaid inni

if we elected not to go with our existing project. As I indicated earlier, the alternative was very unattractive, both in terms of whether we could actually have got it running and operating through the year with all the new requirements on it, and also because we needed to be in a good position to deal with the subsequent CAP reforms which are about to hit us, and for which we need to have a good system. So, that judgment was taken. It was a difficult judgment; we certainly had regard to the risks in terms of what its consequences could be for farmers, but the consequences for farmers of going the other way might have been as serious or more serious. As I said earlier, I cannot say for sure. I think that it would be an oversimplification or unfair to suggest that we just carried on regardless of the consequences. This was a very serious matter; we had great difficulties throughout this process. We sought to manage the problems as effectively as we could, both to ensure, on the one hand, that we minimised the consequences for farmers—although, sadly, not nearly as much as I would have liked—but, on the other hand, that we minimised, in some senses, the even more serious risk that we made payments improperly or not at all, and the Assembly lost its status as a paying agency. That would have meant that we would not be paying farmers in future.

[157] **Janet Davies:** Thank you, Sir Jon. Finally, I would like to say, in a positive way, that I am delighted—as are the rest of the Committee, I am sure—that you have made such a good start with payments for the new CAP year. I was wondering whether you could update the figures that we have in the report. Also, do you think that you will be able to repeat this standard of performance? I mean this year's performance, not last year's.

Sir Jon Shortridge: I will ask Gareth to give you the latest figures. May I say that, personally, I am delighted that we have been able to make such a good start to this year. As I hope that you have realised, I feel, as I am sure do Gareth and his colleagues, very strongly about the poor performance last

ystyried beth fyddai'r dewis arall pe baem yn dewis peidio â pharhau â'n prosiect a oedd yn bodoli eisoes. Fel y dywedais yn gynharach, nid oedd y dewis arall yn ddeniadol iawn, o ran a fyddem wedi llwyddo i'w osod a'i roi ar waith gydol y flwyddyn gyda'r holl ofynion newydd arno, a hefyd oherwydd yr oedd angen inni fod mewn sefyllfa dda i ddelio â'r diwygiadau dilynol i'r PAC sydd ar fin effeithio arnom, ac y mae angen system dda arnom ar eu cyfer. Felly, gwnaethpwyd y penderfyniad hwnnw. Yr oedd yn benderfyniad anodd; yn bendant yr oedd yn rhaid inni ystyried y risgiau o ran beth y gallai ei ganlyniadau fod i ffermwyr, ond mae'n bosibl y byddai'r canlyniadau i ffermwyr o ddewis y llwybr arall wedi bod yr un mor ddifrifol neu'n fwy difrifol. Fel y dywedais yn gynharach, ni allaf ddweud yn bendant. Credaf mai gorsymleiddio neu annheg fyddai awgrymu ein bod wedi parhau heb hidio am y canlyniadau. Yr oedd hwn yn fater difrifol iawn; cawsom anawsterau mawr drwy gydol y broses hon. Bu inni geisio rheoli'r problemau mor effeithiol ag y gallem, i sicrhau, ar yr un llaw, ein bod yn lleihau'r goblygiadau i ffermwyr—er, yn anffodus, ddim hanner cymaint ag y byddem wedi dymuno—ond, ar y llaw arall, ein bod yn lleihau, i ryw raddau, y risg hyd yn oed mwy difrifol inni wneud taliadau yn anghywir neu ddim o gwbl, a bod y Cynulliad yn colli ei statws fel asiantaeth dalu. Byddai hynny wedi golygu na fyddem yn talu ffermwyr yn y dyfodol.

[157] **Janet Davies:** Diolch, Syr Jon. Yn olaf, hoffwn ddweud, mewn modd cadarnhaol, fy mod yn falch—fel y mae gweddill y Pwyllgor, yr wyf yn siŵr—eich bod wedi dechrau mor dda gyda thaliadau ar gyfer y flwyddyn PAC newydd. Tybed a allech ddiweddarau'r ffigurau sydd gennym yn yr adroddiad. Hefyd, a gredwch y byddwch yn gallu ailadrodd y safon hon o berfformiad? Cyfeirïaf at berfformiad eleni, nid y llynedd.

Syr Jon Shortridge: Gofynnaf i Gareth roi'r ffigurau diweddaraf i chi. A gaf ddweud, yn bersonol, fy mod yn falch ein bod wedi gallu dechrau cystal eleni. Fel y gobeithiaf eich bod wedi sylweddoli, teimlaf, fel y gwna Gareth a'i gydweithwyr yr wyf yn siŵr, yn gryf iawn am y perfformiad gwael y llynedd.

year. Therefore, the least that we could do was to have a very good performance this year. We were all geared up to seek to ensure that that was achieved. In terms of the second leg, I certainly hope—I sincerely hope—that we will be able to maintain this very good performance. I am not going to be drawn into giving an absolute undertaking because, as I think the Committee may have begun to appreciate, these grant payments, and the systems and validations that underlie them, are fiendishly complicated. The volumes that we are talking about are enormous. So, this is never going to be an easy task, but it is certainly my hope—and colleagues in the agriculture department know that it is very much my intention—that we should maintain the recent success. However, Gareth can give you the figures.

Mr Jones: For the livestock schemes, Chair—sheep annual premium, beef special premium and suckler cow premium—the payment window opens on 16 October, and we started paying on 16 October; indeed, £40 million was in farmers' bank accounts on that day. That is the first time that we, or any other paying agency, I believe, has achieved that sort of performance. The arable areas scheme payments began on the opening of the payment window, on Monday 17 November and, again, money was in 30 per cent of arable farmers' banks within a day. We have so far paid out just over £90 million on nearly 30,000 claims, that £90 million being well over 50 per cent of the total amount of CAP payments that we will have to pay this year. On domestic measures, all of last year's backlogs have been cleared, save for one or two cases where, as I mentioned to Mr Cairns, we always have continuing problems, and we have made an excellent start to this year's domestic measures with farm woodland premium being paid within the first two weeks of the opening of the payment window.

[158] **Janet Davies:** Thank you very much, Mr Jones. I thank all the witnesses for their very full and helpful evidence. As you know, you will receive a draft transcript of the verbatim record and, if you think that there are inaccuracies in it, please come back on

Felly, y peth lleiaf y gallem ei wneud oedd sicrhau perfformiad da iawn eleni. Yr oeddem i gyd yn awyddus i sicrhau bod hwnnw'n cael ei gyflawni. O ran yr ail gymal, yr wyf yn sicr yn gobeithio—yn gobeithio'n ddiffuant—y byddwn yn gallu cynnal y perfformiad da iawn hwn. Nid wyf am gael fy ngwthio i roi addewid llawn oherwydd, fel y credaf y mae'r Pwyllgor wedi dechrau ei werthfawrogi, mae'r taliadau grant hyn, a'r systemau a'r dilysiadau sy'n sail iddynt, yn gymhleth tu hwnt. Mae'r nifer yr ydym yn sôn amdano yn enfawr. Felly, nid yw hyn byth am fod yn dasg hawdd, ond yn sicr fy ngobaith—a gwyddys cydweithwyr yn yr adran amaeth mai fy mwriad i raddau helaeth—yw y dylem gynnal y llwyddiant diweddar. Fodd bynnag, gall Gareth roi'r ffigurau i chi.

Mr Jones: Ar gyfer y cynlluniau da byw, Gadeirydd—premiwm blynyddol defaid, premiwm arbennig gwartheg biff a phremiwm gwartheg sugno—mae'r cyfnod talu yn dechrau ar 16 Hydref, a dechreuasom dalu ar 16 Hydref; yn wir, yr oedd £40 miliwn yng nghyfrifon banc ffermwyr ar y diwrnod hwnnw. Dyna'r tro cyntaf inni, neu unrhyw asiantaeth dalu arall, yn fy marn i, gyflawni'r math hwnnw o berfformiad. Dechreuodd taliadau'r cynllun ardaloedd â'r ddechrau'r cyfnod talu, ddydd Llun 17 Tachwedd ac, eto, yr oedd arian ym manciau 30 y cant o ffermwyr â'r o fewn diwrnod. Hyd yn hyn, yr ydym wedi talu ychydig dros £90 miliwn ar bron i 30,000 o hawliadau, ac mae'r £90 miliwn hynny ymhell dros 50 y cant o gyfanswm y taliadau PAC y bydd yn rhaid inni ei dalu eleni. Yn achos mesurau domestig, mae'r holl hawliadau a oedd yn weddill y llynedd wedi eu clirio, ac eithrio un neu ddau achos lle, fel y soniais wrth Mr Cairns, y mae gennym broblemau parhaus byth a beunydd, ac yr ydym wedi gwneud dechrau gwych i fesurau domestig eleni gyda'r premiwm coetir ffermydd yn cael ei dalu o fewn pythefnos o ddechrau'r cyfnod talu.

[158] **Janet Davies:** Diolch yn fawr iawn, Mr Jones. Diolchaf i'r tystion i gyd am eu tystiolaeth lawn a defnyddiol iawn. Fel y gwyddoch, byddwch yn derbyn trawsgrifiad drafft o'r cofnod air am air ac, os ydych o'r farn ei fod yn cynnwys camgymeriadau,

that. Thank you very much.

rhowch wybod am hynny. Diolch yn fawr
iawn.

*Daeth y sesiwn cymryd tystiolaeth i ben am 11.47 a.m.
The evidence-taking session ended at 11.47 a.m.*

Adrian Crompton
Clerk
Audit Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Sir Jon Shortridge KCB
Ysgrifennydd Parhaol
Permanent Secretary

17 February 2004

Dear Adrian

AUDIT COMMITTEE ON LATE PAYMENTS TO FARMERS: 27 NOVEMBER 2003

Following my appearance before you on 27th November 2003 I have commented on the factual accuracy of the transcript.

In order to help inform the committee's deliberations prior to drafting their report on this matter I thought it might be of assistance if I provided more detail on the challenges the Assembly Government faced in making bovine payments in 2002. Below I have covered the impact of the new regulations and the continuing need for Cattle Tracing System (CTS) cross checks.

Regulatory Changes

EC regulation 2419/01 came into force in January 2002 and was applicable for the 2002 bovine scheme payments, which started in October 2002. The major impact of the regulations was the need for whole bovine inspections i.e. all the bovines on a farm and cross scheme bovine penalties.

Under the previous legislation penalties for the four bovine schemes (Suckler Cow Processing Scheme (SCPS), Beef Special Premium Scheme (BSPS), Slaughter Premium (SPS) and Extensification Premium (EPS)) were completed, calculated and applied separately. Any errors found as a result of an inspection or administrative check resulted in penalties being applied to that individual scheme claim only.

Under the new legislation, cross bovine penalties apply across all bovine schemes. Where an irregularity is now found on one scheme a proportionate percentage penalty is calculated across all the bovine schemes and applied to all bovine scheme applications submitted by that business. The new legislation necessitates a greater level of integration between the processing systems to enable penalties to be calculated in this way.

Parc Cathays
Caerdydd CF10 3NQ

Cathays Park
Cardiff CF10 3NQ

Ffôn • Tel: 029 2082 5111
GTN: 1208

Llinell Union • Direct Line: 029 2082 3289
Ffacs • Fax: 029 2082 5649



The penalties for each farmer can only be calculated once the retention periods for SCPS and BSPS have come to an end and the number established of eligible and ineligible animals claimed. The Rural Payments Agency confirms any SPS figure so that this can be taken into account in the calculation of a single aggregated claimed animal penalty, which is then used in the payment calculation for all bovine scheme claims submitted by each farmer. In addition, where an inspection has taken place and irregularities found on unclaimed animals a separate calculation is necessary for the application of an unclaimed animal penalty. This represents a complex sequence of events that had to be accommodated into a developing system.

Cattle Traceability (CTS) Cross Checks

CTS Cross checks were not a new requirement for the 2002 scheme year. However, the amount of work needed on the checks in 2002 was extensive. Every bovine animal on a claim had to be validated against the UK cattle movement database administered by British Cattle Movement Service (BCMS) in England.

Farmers had been encouraged and advised in literature, press articles and road shows to ensure that the CTS cattle database, held by BCMS, was up to date before submitting their claims. However, despite this advice, in 2002, 43,000 animals and 75% of SCPS claims failed the CTS cross check and required manual intervention by my staff.

Differences discovered between the animal eartag, breed, location details etc held at BCMS and the bovine animals claimed under the three main bovine schemes had to be investigated and resolved with the farmer, before the claim could be validated for payment. Both the Suckler Cow Premium Scheme (SCPS) and Beef Special Premium Scheme (BSPS) are subject to retention periods. The CTS cross checks under SCPS are completed twice. The first check at the start of the 6 month retention period and a second after the end of the retention period in order to ensure that the scheme requirements have been fully met before we make payments. In the case of BSPS the check is done retrospectively after the 2-month retention period has ended.

As most farmers submit their SCPS applications towards the end of the application period (end November/early December), the 6 month retention period for the majority of farmers does not end until mid May or the beginning of June. There was also the need to perform the CTS cross check after the retention period had ended - which meant that most bovine animal discrepancies were not identified until June 2003. This had an impact upon the Assembly Government's (and DEFRA's) ability to make payments by the regulatory requirement of end June (end July in 2003).

I hope that this letter will help the Committee's understanding of the problems faced by the Assembly Government in 2002-03. Staff continue to work with farming unions and directly with farmers to try to improve the quality of data held at BCMS and

accuracy of individual claims. This should help to speed up payments, but it will continue to be essential to base payments on fully validated and authorised claims if we are not to risk making irregular and incorrect payments for which the Assembly could be heavily penalised.

I am copying this to the Auditor General for Wales.

Yours sincerely
Jon Shortridge

JON SHORTRIDGE

THE AUDIT COMMITTEE

The National Assembly's Audit Committee ensures that proper and thorough scrutiny is given to the Assembly's expenditure. In broad terms, its role is to examine the reports on the accounts of the Assembly and other public bodies prepared by the Auditor General for Wales; and to consider reports by the Auditor General for Wales on examinations into the economy, efficiency and effectiveness with which the Assembly has used its resources in discharging its functions. The responsibilities of the Audit Committee are set out in detail in Standing Order 12.

The membership of the Committee as appointed on 3 June 2003:

Janet Davies (Plaid Cymru) - Chair
Leighton Andrews (Labour)
Mick Bates (Liberal Democrat)
Alan Cairns (Conservative)
Jocelyn Davies (Plaid Cymru)
Christine Gwyther (Labour)
Denise Idris-Jones (Labour)
Mark Isherwood (Conservative)
Val Lloyd (Labour)
Carl Sargeant (Labour)

Further information about the Committee can be obtained from:

Adrian Crompton
Clerk to the Audit Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA
Tel: 02920 898264
Email: Audit.comm@wales.gsi.gov.uk