



National Audit Office

## DEPARTMENTAL OVERVIEW

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# A summary of the NAO's work on the Department for Environment, Food and Rural Affairs 2010-11

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SEPTEMBER 2011

**Our vision is to help the nation spend wisely.**

**We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.**

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.



National Audit Office

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# Introduction

## **Aim and scope of this briefing**

The primary purpose of this Departmental Overview is to provide a summary of the work by the National Audit Office on the Department since June 2010. It is one of seventeen we have produced covering our work on each major government department. The briefing draws out the key points from the Department's Annual Report and Accounts for 2010-2011 and material from other published sources where relevant. The contents of the briefing have been shared with the Department to ensure that the evidence presented is factually accurate, but the content of the briefing is the sole responsibility of the NAO.

We will continue to support all select committees in 2011-12, providing briefing on each major department and supporting specific inquiries wherever our expertise and perspective can add value.

# Part One

## About the Department

### The Department's responsibilities

**1** The Department for Environment, Food and Rural Affairs (the Department) develops and implements policy relating to the environment, food and rural issues. The Department has responsibilities for protecting biodiversity, the countryside and the marine environment, and for supporting a sustainable green economy, including rural communities, and British farming and food production.

**2** The Department has other major responsibilities to prepare for and manage the risk from animal and plant disease, floods and other environmental emergencies. It is also responsible for negotiating European Union agricultural and rural funding on behalf of the UK.

### How the Department is organised

**3** The Department devolves delivery of the majority of its aims to its arm's-length bodies. The largest of these are the Environment Agency, Natural England and the Rural Payments Agency. The Department's arm's-length bodies as at 1 April 2011 can be found at Appendix One. In 2010-11, the Department had lead responsibility for 92 arm's-length bodies.<sup>1</sup>

### Where the Department spends its money

**4** In 2010-11, the Department spent £4.7 billion in cash terms, of which about 90 per cent was spent through its arm's-length bodies. This figure includes expenditure funded by the European Commission to deliver the Common Agricultural Policy and other initiatives; approximately £2 billion in 2010-11. The majority of this funding relates to the Single Payment Scheme in England, administered by the Rural Payments Agency. The Forestry Commission, which is a non-ministerial government department in its own right, received £41 million from the Department in 2010-11.

**5** **Figure 1** overleaf shows the Department's funding to its delivery bodies over £1 million. Some of these bodies receive funding from the industries they support, by way of levies or charges for their services, accounting for the difference between funding and total spend shown.

### Recent developments

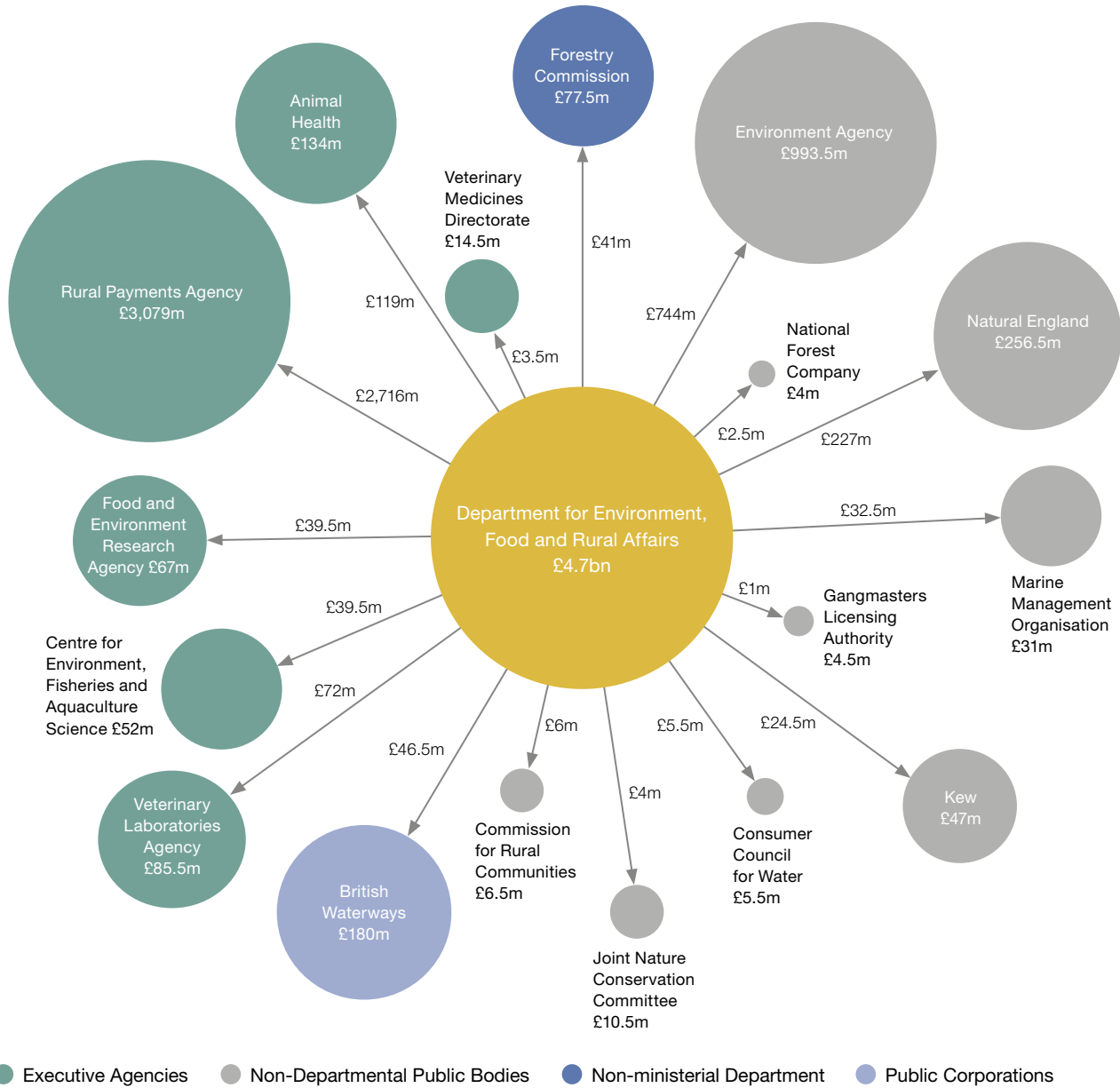
**6** The Department has been through a number of major recent changes, including:

- the appointment of a new Permanent Secretary on 28 March 2011;
- a reduction in the number of arm's-length bodies which the Department funds as an outcome of the Public Bodies Review;
- the proposed abolition of the Commission for Rural Communities (CRC) subject to legislation;<sup>2</sup>
- the merger of the Animal Health and Veterinary Laboratories Agency on 1 April 2011; and
- the Sustainable Development Commission was wound up with effect from 31 March 2011.

<sup>1</sup> In this report, we use the term 'arm's-length bodies' to refer to members of the Department's delivery network.

<sup>2</sup> In order to support the Commissioners in the discharge of their statutory functions, abolition will take place following the enactment of the necessary legislation. The Department has set up the Rural Communities Policy Unit to take over some of the work of the Commission and expand the Government's existing rural policy expertise.

**Figure 1**  
Where the money goes



**NOTES**

- 1 The figure shows the Department's funding to its delivery bodies over £1 million. The figures in the circles are expenditure by delivery bodies. The figures on the arrows are grant-in-aid provided by the Department. Some of these bodies receive funding from the industries they support, by way of levies or charges for their services, accounting for the difference between funding and total spend shown.
- 2 Figures shown are rounded to the nearest £0.5 million.
- 3 The Department also sponsors the Covent Garden Market Authority and the Sea Fish Industry Authority, which are not shown in the diagram as they do not receive grant-in-aid from the Department.
- 4 Animal Health and the Veterinary Laboratories Agency merged on 1 April 2011. The Commission for Rural Communities is to be abolished.
- 5 The expenditure shown for the Environment Agency is net of a one-off pension credit arising from the change from RPI to CPI for calculating pension liabilities. Further details can be seen in the individual accounts. The pension credit amount was £160.5 million.

## Risks and challenges

**7** The Department's structural reform priorities are to:

- **Support and develop British farming and encourage sustainable food production.**  
Help to enhance the competitiveness and resilience of the whole food chain, including farms and the fish industry, to help ensure a secure, environmentally sustainable and healthy supply of food with improved standards of animal welfare.
- **Help to enhance the environment and biodiversity to improve quality of life.**  
Enhance and protect the natural environment, including biodiversity and the marine environment, by reducing pollution, mitigating greenhouse gas emissions, and preventing habitat loss and degradation.
- **Support a strong and sustainable green economy, resilient to climate change.**  
Help to create the conditions in which businesses can innovate, invest and grow; encourage businesses, people and communities to manage and use natural resources sustainably and to reduce waste; work to ensure that the UK economy is resilient to climate change; and enhance rural communities.

**8** The Department sees its key challenge as the cost reduction agenda, working with its settlement for the Spending Review period 2011-15 to deliver the priorities set out in its Business Plan. Over the course of the Spending Review period, it has reported that it will focus on activities that contribute to the Government's commitment to be the greenest ever, and balance this aim with promoting sustainable economic growth.

**9** The Department is responsible for dealing with two broad categories of risk. These are risks to the public and the wider national interest, and risks to delivering its own business objectives. The former involves it understanding and assessing the risks within complex environmental systems, so as to target its risk management activity effectively. Two of these risks (flooding and animal disease) have a strong emergency response component and appear on the National Risk Register. The latter involves

the Department's own internal risks, which are managed and monitored at Committee level, through its 'risk timeline', which segments its key risks by short, medium and long term, preparedness and likelihood, those that affect the Department directly, those that affect the policy environment, and cross cutting issues.

## Capability and leadership

**10** In 2006, the Cabinet Office launched Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. Since publication of the last round of external assessments, between April 2008 and December 2009, departments are now required to conduct and publish self-assessments and resultant action plans against standard criteria set out in the Cabinet Office model of capability, which was updated in July 2009.<sup>3</sup> Departments must rate their capability against ten criteria under three themes:

- **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.
- **Strategy criteria** – 'set strategy and focus on outcome'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.
- **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; 'develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.

**11** All self-assessments are due for completion by March 2012, with the first self assessment nearing completion. In addition to self assessment, Departments also have the option of asking the Cabinet Office to undertake a full external Capability Review assessment.

<sup>3</sup> More information about Capability Reviews is available at: [www.civilservice.gov.uk/about/improving/capability/index.aspx](http://www.civilservice.gov.uk/about/improving/capability/index.aspx)

**12** The Civil Service People Survey aims to provide consistent and robust metrics to help government understand how it can improve levels of engagement across the Civil Service. As part of this survey, civil servants across all participating organisations are asked a range of questions across nine themes which seek to measure their experiences at work. In the absence of capability reviews, we present here the

results of the second annual people survey for the Department for Environment, Food and Rural Affairs – undertaken between mid-September 2010 and the end of October 2010 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 2**). Results of 17 major departments are in Appendix Two.

## Figure 2

### 2010 Civil Service People Survey: Department for Environment, Food and Rural Affairs (excluding agencies)

Theme	Theme score (% positive) <sup>1</sup>	Difference from 2009 survey	Difference from Civil Service 2010 <sup>2</sup>
<b>Leadership and managing change</b>			
I feel that the Department as a whole is managed well	38	+2	-3
Senior Civil Servants in the Department are sufficiently visible	49	+4	+4
I believe the actions of Senior Civil Servants are consistent with the Department's values	37	+4	-2
I believe the Departmental Board has a clear vision for the future of the Department	31	-1	-4
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	32	+1	-4
I feel that change is managed well in the Department	29	+4	+2
When changes are made in the Department they are usually for the better	20	-1	-3
The Department keeps me informed about matters that affect me	62	+1	8
I have the opportunity to contribute my views before decisions are made that affect me	34	+3	+2
I think it is safe to challenge the way things are done in the Department	40	+3	+1
<b>Organisational objectives and purpose</b>			
I have a clear understanding of the Department's purpose	77	-1	-7
I have a clear understanding of the Department's objectives	71	-4	-7
I understand how my work contributes to the Department's objectives	77	-2	-3

#### NOTES

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2010 benchmark is the median per cent positive across all organisations that participated in the 2010 Civil Service People Survey. The difference between the Department and the Civil Service (Appendix Two) may differ due to rounding.

Source: Department for Environment, Food and Rural Affairs Survey Results, Autumn 2010



# Part Two

## Financial management

**13** The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services and benchmarking performance to determine whether costs are justified and value for money can be improved. To provide assurance that resources are being appropriately managed and controlled, organisations have to publish Statements on Internal Control with their Annual Financial Statements.

### Financial outturn for 2010-11 and comparison with budget

**14** The Department must make significant reductions to its Treasury funded spending following the 2010 Spending Review. The Department has committed to reduce non-capital spend from £2.3 billion in 2010-11, to £1.8 billion in 2014-15. Taking account of inflation this is a reduction of 30 per cent.

**15** In 2010-11, the Department underspent by £34 million against its Departmental Expenditure Limit, which represents 1 per cent of total budget and reflects improvements made in forecasting processes. However, the Department's 2010-11 accounts show an under-spend against Estimate of £540 million, compared with an underspend against Estimate of £938 million in 2009-10. The Department reported that the main reasons for the underspend in 2010-11 were:

- reduced volume of Single Payment Scheme Payments being processed at the Rural Payments Agency (£245 million), due to a ministerial commitment in January 2011 to increase the accuracy of claim payments and thereby delay over 2000 payments until 2011-12;
- an underspend (£149 million) mainly due to lower Environment Agency Grant-in-Aid drawdown where work had been re-phased into March 2011 and the cash was not required for payments until April 2011, provision for exit costs not required and spend in other programmes;

- accounting differences in the reporting through Estimates and Resource Accounts of the Environment Agency Closed Pension Scheme provision (£85 million); and
- the change in the inflation index used in calculating Pension Fund future commitments across government from the Retail Price Index to the Consumer Price Index (£51 million).

### Progress on efficiency and cost reductions

**16** Along with the reduction in the amount of funding it receives, the Department is also in the process of reducing the number of arm's-length bodies it funds from 92 to 36, with a further two still under consideration (the Agricultural and Horticultural Development Board and the Consumer Council for Water). Many of these changes can only be implemented legislatively. However the majority of these cuts were to advisory bodies and will not result in significant savings, although abolition of the Sustainable Development Commission and the Commission for Rural Communities will result in some savings. A summary of these bodies is included at Appendix One.

**17** In our report on **Progress with VFM savings and lessons for cost reduction programmes**<sup>4</sup> we noted that 'only one of the twelve major departments required to deliver 98 per cent of the central government savings target, the Department for Environment, Food and Rural Affairs, had reported savings of more than 50 per cent of its 2010-11 target at the halfway point'.

### NAO reports on financial management and efficiency

**18** In a number of our reports we have commented on the Department's financial management, in particular in relation to cost data, and the use of data to inform decision-making.

<sup>4</sup> Comptroller and Auditor General, *Progress with VFM savings and lessons for cost reduction programmes*, Session 2010-11, HC 291, July 2010.

### Quality of cost data

**19** The Department needs to improve the systems it has in place to capture and analyse cost data. In our report on **Managing Front Line Delivery Costs**<sup>5</sup> we found that 'the Department does not obtain routine systematic analyses combining expenditure, cost and performance data for the delivery of front line work'. We also noted that 'more sophisticated integration of financial and performance data would help the Department to more effectively monitor cost and performance'. We did find, however, that the 'arm's-length bodies we examined understand their costs reasonably well and are taking steps where necessary to improve the data available to them'.

**20** In our report on the **Department's geographic information strategy** we found that 'the Department had a consistent geographic information strategy in place since 2002, but that it had not tried to systematically measure the benefits of geographic information over the nine years....and did not know the full extent of the costs and benefits of systems across its arm's-length bodies'.<sup>6</sup> We did acknowledge, however, that the 'Department has recognised that it needs to improve its focus on demonstrating value for money and a review of its strategy has been initiated'. We consider that the Department is in a good position to do this, drawing on nine years of experience in the area.

**21** In our report **Assessing the cost to public funds of animal diseases**<sup>7</sup> we identified key areas for attention which included the consistency, completeness, reliability and relevance of cost data. In our report on **Tacking diffuse water pollution** we noted that 'the (Environment) Agency does not fully cost its local level activities. Due to the diverse nature of its work and its integrated approach to environmental management, it is very difficult for the Agency to identify how much staff time is devoted exclusively to diffuse pollution.'

**22** In our report on **Defra's organic agri-environment scheme**, we found that 'Natural England does not separately account for the costs of administering Organic Entry Level Stewardship, distinct from the rest of the Environmental Stewardship scheme, and did not have a robust estimate at the outset of the likely administrative costs of the organic Scheme'. We noted that 'processing cost per claim has been substantially reduced, but IT costs do still remain high'.<sup>8</sup>

### Financial data to inform decision-making

**23** Good quality financial data is essential in order for departments to make informed decisions as to where to target resources, particularly in light of the cost reduction agenda. In a number of our reports we have commented on the Department's ability to make informed decisions, given the lack of cost data. In our report on **Assessing the cost to public funds of animal diseases** we concluded that 'to make informed decisions about resourcing and prioritisation of animal health activities, the Advisory Group and the Department need a clear overview of the portfolio of activities and the likely costs of each activity, matched to the scale and nature of risks activities aim to address. The Department has begun to make use of a prioritisation tool to help make well-informed animal health policy decisions, and this information could usefully be used more consistently to inform resourcing decisions'.

**24** In our report on the **Department's geographic information strategy**, we concluded that 'the lack of business benefits highlighted in its strategy...had not encouraged senior decision-makers to engage fully with the potential of geographic information to deliver services differently or more efficiently, or to understand their dependence on it.' In our report on **Managing Front Line Delivery Costs**, we recommended that 'the Department should establish what key cost data, reported in a consistent and transparent way, it requires to better scrutinise arm's-length bodies and make decisions about the allocation of resources.'

5 Comptroller and Auditor General, *Department for Environment, Food and Rural Affairs: Managing front line delivery costs*, Session 2010-12, HC 1279, National Audit Office, July 2011.

6 Comptroller and Auditor General, *Department's geographic information strategy*, Session 2010-12, HC 1274, National Audit Office, July 2011.

7 [http://www.nao.org.uk/publications/1011/animal\\_diseases.aspx](http://www.nao.org.uk/publications/1011/animal_diseases.aspx)

8 Comptroller and Auditor General, *Defra's organic agri-environment scheme*, Session 2009-10, HC 513, National Audit Office, March 2010.

## NAO financial audit findings

**25** We audit the accounts of the Department and many of its arm's-length bodies. In addition, each year we audit the UK's expenditure under the Common Agricultural Policy and report to the European Commission.

**26** In 2009-10 and 2010-11, we qualified our opinion on the accounts of the Department because of two issues around payment of subsidies to farmers: quantification of amounts owing to and from farmers; and payments made for certain agricultural subsidies that did not fully comply with EU regulations. The details of the qualifications for 2010-11 are:

- the Rural Payments Agency could not provide evidence to support the amount included in the accounts for overpayments (stated as £24.5 million in the accounts) or underpayments (stated as £54.5 million in the accounts) on the Single Payment Scheme, and therefore it was not possible to perform audit procedures to confirm the following values disclosed in the financial statements; and
- the European Commission imposed financial penalties of £175 million on the Department and the Rural Payments Agency. These penalties, often referred to as disallowance penalties, were imposed as the Agency had not complied in full with the European Regulations for certain agricultural subsidies. The total of £175 million relates to disallowance penalties covering the administration of European Commission schemes in several previous years. This expenditure is irregular as it is not in accordance with Parliament's intention.

## Issues raised in Statements on Internal Control

**27** We work with the Department and its sponsored bodies to improve their published Statements on Internal Control. We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with Treasury guidance.

**28** The Department's 2010-11 Statement outlined control weaknesses in the Department and its bodies, including major issues at the Rural Payments Agency which led to the qualification of the Department and Agency accounts. In addition to the issues with the Rural Payments Agency, the main issues raised within the Statement on Internal Control in 2010-11 were:

- the imposition of financial penalties, commonly known as disallowance, by the EC as a result of poor administration of Common Agricultural Schemes. Action is being taken to mitigate the risk of future disallowance penalties;
- weaknesses in the governance of the Department's estates contract. The Department recognises these weaknesses, and work is ongoing to renegotiate the contract to reduce costs and reach agreement on improved terms which will deliver the necessary ongoing maintenance and upkeep of the estate; and
- the restructuring of the Internal Audit function, a reduction in consultancy support for internal audit resources and long-term sickness absence will reduce the resources available for internal audit in 2011-12, and increases the risk that the Head of Internal Audit will not be able to conclude on the system of internal control during 2011-12. Action is being taken to mitigate this risk by prioritising and monitoring internal audit work and by utilising available resources as effectively as possible.

# Part Three

## Use of information

**29** Government needs robust, timely information on context, activities, costs, progress against its objectives, and the cost-effectiveness of its activities. It also needs to be able to interpret that information, by reference to trends, expectations, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity, and drive continuous improvement.

**30** The Coalition Government has pledged, under the transparency agenda, to make more government information available to the public to help improve accountability and deliver economic benefits. In June 2010, the system of Public Service Agreements ended and instead, departments are to be held accountable to the public based on the data they use to manage themselves.

### Reporting performance: Annual Reports and Business Plans

**31** Each Department now reports its performance against the priorities and objectives set out in its Business Plan. A transparency section of the plan includes sets of indicators selected by the Department to reflect the key priorities and demonstrate the cost and effectiveness of the public services they are responsible for. These indicators fall broadly under two categories:

- input indicators: a subset of the data gathered by the Department on the resources used in delivering services; and
- impact indicators: designed to help the public judge whether departmental policies are having the desired outcome.

**32** The Plan's structural reform section provides a detailed list of actions and milestones designed to show the steps the Department will take to implement the Government's reform agenda.

**33** Departmental progress against indicators is published regularly in a Quarterly Data Summary, most recently in July 2011. The Quarterly Data Summary is designed as a standardised tool for reporting selected performance metrics for each government department, in a way that facilitates comparison across departments where this is appropriate. Data published in the summary can be compared to the previous quarter (April 2011) which will also be the baseline for this data set. The information in the summary has not been audited and the Cabinet Office has said that the accuracy of the data for all departments needs to improve.<sup>9</sup> However, the Cabinet Office expects that over time, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and understandable manner. An annual version of this information is expected to be formally laid in Parliament in departments' Annual Reports and Accounts from 2012 onwards.

**34** It is too early to comment on Departmental performance reported against the new performance indicators. Through its review of departmental business planning, however, the House of Commons Committee of Public Accounts<sup>10</sup> identified some essential elements to help ensure effective accountability and value for money, including the need for:

- monitoring arrangements which align costs and results for all significant areas of Departmental activity and spending; and
- clear definitions of expected outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met.

<sup>9</sup> <http://www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary>

<sup>10</sup> *Departmental Business Planning* (Thirty-seventh Report of Session 2010–12), House of Commons Committee of Public Accounts, May 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf>

## Performance reported by the Department

**35** Departmental Business Plans set out key indicators of input and impact designed to provide a basis for accountability for the Department as a whole, and outline further data that will be made available to support public scrutiny. The plan sets out the indicators which the Department considers are most useful to the public in understanding the costs and outcomes of its activities. In July 2011, the Department published the first set of these indicators.

**36** In its Annual Report and Accounts 2010-11, the Department reported that 'good progress' had been made against the commitments set out in its Business Plan and in the Coalition Programme for Government. It also reported that 'in the first four months of the business plan, to March 2011, it completed three-quarters of actions on time.' Two actions in the plan are recorded as overdue. These are to:

- publish an England Biodiversity Strategy alongside the Natural Environment White Paper (due to complete June 2011). The Department states that the Biodiversity Strategy is to be published shortly; and
- produce new supplementary Green Book guidance to assess social impacts (due to complete April 2011). The Department notes that a framework was published in April, but that upgrading the guidance itself has required a 'more substantial cross-departmental project'.

## Testing the reliability of performance data across government

**37** Some of the data systems used to report against the new performance indicators will be the same as those already being used by the Department to report against Public Service Agreements. In July 2010, we published our Sixth Validation Compendium Report on our work to test the systems used to report against Public Service Agreements. Our report found that the quality of data systems had improved but a third of the systems examined needed strengthening to improve controls or transparency and 10 per cent of systems were not fit for purpose.<sup>11</sup>

**38** Over the next three years we will complete work to validate the data systems underpinning the Departmental business plans and other key management information.

## Use of information by the Department

**39** The Department needs good quality information to allow it to make informed decisions as to where best to target its resources.

### Sharing of information

**40** In our report **Managing the impact of changes in the value of the euro on EU funds**<sup>12</sup> we noted that the Department had experience and expertise in managing complex foreign exchange issues. We highlighted the improvements made by the Department and the Rural Payments Agency in its foreign currency hedging arrangements to help reduce the risk caused by exchange rate volatility. We recommend in this report that other departments engage to 'learn from their experience and expertise'.

**41** A number of our reports have, however, highlighted issues with the sharing of information across the Department and its arm's-length bodies. Our report on **Tackling diffuse water pollution in England** found that 'access to information is...a wider issue amongst the Department's delivery bodies, with the (Environment) Agency and Natural England not always sharing information...on what farms they visit or the information and advice provided on these visits, in part due to data compatibility issues. This risks duplicating effort, impacting on consistency of messages and reducing the number of groups reached by their work'.

**42** Our report on **Managing front line delivery costs** notes that 'Whilst external benchmarking has proven difficult for government bodies, the Department has not so far exploited opportunities for cost benchmarking across its delivery bodies by centrally facilitating knowledge collection and sharing'.

<sup>11</sup> The report examines how the Government measures performance overall and is not specific to any one Department. Comptroller and Auditor General, *Taking the measure of government performance*, Session 2010-2011, HC 284, National Audit Office, 14 July 2010. [http://www.nao.org.uk/publications/1011/government\\_performance.aspx](http://www.nao.org.uk/publications/1011/government_performance.aspx)

<sup>12</sup> Comptroller and Auditor General, *Managing the impact of changes in the value of the euro on EU funds*, Session 2010-11, HC 759, National Audit Office, February 2011.

**43** Our report on the **Department's geographic information strategy** found that 'since 2002, the Department has missed opportunities to lead its arm's-length bodies in delivering the strategy. Although a strategy and unit were created in 2002, the Department did not take a firm line on collection, storage and sharing of geographic information data or selection of Geographic Information Systems products. As arm's-length bodies have been created, they have largely made independent choices that have created duplication and the opportunities to standardise have reduced as time has passed. The Department recognises that it has missed opportunities to take a more proactive leadership role'. The number and variety of arm's-length bodies, plus Machinery of Government changes over recent years have meant that the Department has faced real challenges in this area.

#### Measuring performance

**44** In some reports we have noted that the Department has not always had indicators in place to measure performance, or that these indicators are often not fit for purpose. In our report on **Managing front line delivery costs**, we found that 'arm's-length bodies do not have to routinely report to the Department indicators which are specifically relevant to costs, such as cost comparisons or unit cost information. More sophisticated integration of financial and performance data would help the Department to more effectively monitor cost and performance through analysis of the relationships between expenditure, outputs and outcomes, and cost, quality, time and volume'. We also note that the Department has now introduced a standard 'template for the reporting of financial information from delivery bodies'.

**45** In our report on the **Department's geographic information strategy** we found that 'The Department cannot effectively measure its progress against its strategies because performance measures are not SMART (Specific, Measurable, Achievable, Realistic and Time bound)'. For example, one measure in the 2009 strategy was 'Management perception and understanding of the contribution geographic information can make to business goals'.

## Part Four

### Service delivery

**46** Public services are different in the ways they are delivered but their quality and cost effectiveness depends on a number of common minimum requirements. For example, service delivery requires a well thought-out delivery model, sound programme and project management, strong commercial skills, mature process management and a real understanding of customer needs. Many of our reports to Parliament cover these issues.

**47** The Department relies on a large number of external bodies to deliver its objectives, each of which has its own specific objectives. However, if the Department does not manage these bodies effectively, there are risks to the performance and value for money of its programmes.

#### Services provided between the Department and arm's-length bodies

**48** A number of our reports have commented on the services the Department provides to its arm's-length bodies, as well as its role as a commissioner of services. In our report on the **Department's geographic information strategy** we found that at an operational level the Department had been successful in providing geographic information services to its teams, arm's-length bodies and the public, and that 'given the diversity of applications and varying levels of maturity in geographic information across the Department and arm's-length bodies, the Department has made sensible choices in its selection of common services.' In our report on **Managing front line delivery costs**, we recommended that 'as an intelligent commissioner of services, the Department needs to assure itself that the data and information delivery bodies supply enables it to measure and track cost-performance'.

#### Services provided to the public

**49** In our report on the **Department's geographic information strategy** we found that 'the Department's environmental mapping website MAGIC (Multi-Agency Geographic Information for the Countryside) gives the public access to approximately 170 environmental data sets on interactive maps. Its main users are from the private sector, looking for conservation and site location information. Feedback from online users is positive, with over 60 per cent stating it meets their needs 'extremely well' or 'very well'. Since its launch in 2002, the number of user sessions per day has risen from around 500 to 5,000 and on average there are 500 data downloads per month. The Department estimates that every data set that is downloaded saves one hour of time dealing with an information request, the equivalent of 22 staff years or £1.1 million between 2002 and 2010'.

**50** In our report on **Defra's organic agri-environment scheme** we concluded that 'Farmers are satisfied with the quality of service Natural England provides. Natural England has considerably reduced the time taken to process Scheme applications and make payments. It has centralised processing in one regional office and has an ongoing programme of efficiency measures. Farmers we surveyed do not see administrative burdens as a barrier to take-up, and although some applicants thought the process could be simplified, only 6 per cent of farmers were dissatisfied with the service they received from Natural England'.

# Appendix One

## The Department's sponsored bodies, as reported in the Department's Annual Report and Accounts, 2010-11<sup>13</sup>

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### Executive Agencies

Animal Health (merged with Veterinary Laboratories Agency to become Animal Health Veterinary Laboratories Agency from 1 April 2011)

Centre for Environment, Fisheries and Aquaculture Science

Food and Environment Research Agency

Rural Payments Agency

Veterinary Laboratories Agency (merged with Animal Health to become Animal Health Veterinary Laboratories Agency from 1 April 2011)

Veterinary Medicines Directorate

### Executive Non-Departmental Public Bodies

Agricultural Wages Board for England and Wales

Agricultural Wages Committee for England

Commission for Rural Communities

Consumer Council for Water

Environment Agency

Gangmasters Licensing Authority

Joint Nature Conservation Committee

National Forest Company

Natural England

Marine Management Organisation

Royal Botanic Gardens, Kew

Sustainable Development Commission

### Non-Ministerial Department

Forestry Commission

### Forestry Commission sponsor bodies

Forest Research (Agency)

Forest Enterprise England (Public Corporation)

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### Advisory Non-Departmental Public Bodies

Advisory Committee on Hazardous Substances

Advisory Committee on Organic Standards

Advisory Committee on Packaging

Advisory Committee on Pesticides

Advisory Committee on Releases to the Environment

Agricultural Dwelling House Advisory Committees

Air Quality Expert Group

Darwin Advisory Committee (the Darwin Initiative)

National Standing Committee for Farm Animal Genetics Resources Group

Farm Animal Welfare Council

Independent Agricultural Appeals Panel

Inland Waterways Advisory Council

Royal Commission on Environmental Pollution

Science Advisory Council

Spongiform Encephalopathy Advisory Committee

Veterinary Products Committee

Veterinary Residues Committee

Zoos Forum

### Tribunal Non-Departmental Public Bodies

Agricultural Land Tribunal (England)

### Public Corporations

British Waterways

Covent Garden Market Authority

<sup>13</sup> Taken from the Defra Annual Report and Accounts 2010-11 available at <http://www.defra.gov.uk/publications/files/defra-annual-report2011.pdf>



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**Levy Bodies**

Agriculture and Horticulture Development Board

Sea Fish Industry Authority

**Other Bodies**

British Wool Marketing Board

Broads Authority

National Parks Authorities

**Public Bodies Review Announcements October 2010 and March 2011 – Proposed Reforms to the Department's delivery network****Some of these proposals have already been implemented administratively, others require legislation****To be abolished or reclassified and functions transferred within Government**

Agricultural Wages Board for England and Wales

Commission for Rural Communities

Spongiform Encephalopathy Advisory Committee

**To be abolished and reconstituted as a committee of experts**

Advisory Committee on Hazardous Substances

Advisory Committee on Packaging

Advisory Committee on Pesticides

Air Quality Expert Group

Darwin Advisory Committee

Farm Animal Welfare Council

National Standing Committee on Farm Animal Genetic Resources

Pesticide Residues Committee

Veterinary Residues Committee

Zoos Forum

**To be abolished and functions to cease**

Advisory Committee on Organic Standards

Agricultural Dwelling House Advisory Committees  
(16 separate bodies)Agricultural Wages Committees in England  
(15 separate bodies)Animal Health and Welfare Strategy England  
Implementation Group

Committee on Agricultural Valuation

Commons Commissioners

Expert Panel on Air Quality Standards

Food from Britain

Inland Waterways Advisory Council

Royal Commission on Environmental Pollution

**To be transferred out of government**

British Waterways

# Appendix Two

## Results of the Civil Service People Survey 2010

### Question scores (% strongly agree or agree)

#### Leadership and managing change

I feel that the department as a whole is managed well	41
Senior Civil Servants in the Department are sufficiently visible	45
I believe the actions of Senior Civil Servants are consistent with the Department's values	39
I believe that the Departmental Board has a clear vision for the future of the Department	35
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	36
I feel that change is managed well in the Department	27
When changes are made in the Department they are usually for the better	23
The Department keeps me informed about matters that affect me	54
I have the opportunity to contribute my views before decisions are made that affect me	32
I think it is safe to challenge the way things are done in the Department	39

#### Organisational objectives and purpose

I have a clear understanding of the Department's purpose	84
I have a clear understanding of the Department's objectives	78
I understand how my work contributes to the Department's objectives	80

Civil Service overall



## Appendix Three

### Publications by the NAO on the Department since November 2008

Publication date	Report title	HC number
22 July 2011	Department for Environment, Food and Rural Affairs: Managing front line delivery costs	HC 1279
12 July 2011	Department for Environment, Food and Rural Affairs: Geographic information strategy	HC 1274
18 February 2011	Managing the impact of changes in the value of the euro on EU funds	HC 759
18 October 2010	Assessing the cost to public funds of animal diseases	
8 July 2010	Tackling diffuse water pollution	HC 188
31 March 2010	Defra's organic agri-environment scheme	HC 513
5 March 2010	Reducing the impact of business waste through the Business Resource Efficiency and Waste Programme	HC 216
15 October 2009	A second progress update on the administration of the Single Payment Scheme by the Rural Payments Agency	HC 880
4 March 2009	The health of livestock and honeybees in England	HC 288
2 February 2009	The Warm Front Scheme	HC 126
14 January 2009	Managing the waste PFI programme	HC 66
21 November 2008	Natural England's Role in Improving Sites of Special Scientific Interest	HC 1051
11 November 2008	Programmes to reduce household energy consumption	HC 1164

## Appendix Four

### Cross-government NAO reports of relevance to the Department since December 2008

Publication date	Report title	HC number
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276
3 March 2011	Progress in improving financial management in government	HC 487
14 October 2010	Central Government's use of consultants and interims	HC 488
18 March 2010	Reorganising Central Government	HC 452
6 November 2009	Commercial Skills for Complex Government Projects	HC 962
21 October 2009	Measuring Up: Fifth Validation Report	HC 465
16 October 2009	Government Cash Management	HC 546
29 April 2009	Addressing the Environmental Impacts of Government Procurement	HC 420
26 March 2009	Innovation across Central Government	HC 12
27 February 2009	Helping Government Learn	HC 129
13 February 2009	Recruiting Civil Servants Efficiently	HC 134
5 February 2009	Assessment of the Capability Review Programme	HC 123
19 December 2008	Central Government's Management of Service Contracts	HC 65

# Appendix Five

## Other sources of information

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### Reports from the Committee of Public Accounts since 2008

Publication date	Report title	HC number
May 2011	Departmental Business Planning	HC 650
December 2009	A second progress update on the administration of the Single Payment Scheme by the Rural Payments Agency	HC 98
July 2009	The Warm Front Scheme	HC 350
July 2009	The health of livestock and honeybees in England	HC 366
July 2009	Department for Environment, Food and Rural Affairs: Natural England's Role in Improving Sites of Special Scientific Interest	HC 244
March 2009	Programmes to reduce household energy consumption	HC 228
September 2008	Department for Environment, Food and Rural Affairs: Management of Expenditure	HC 447
July 2008	A progress update in resolving the difficulties in administering the Single Payment Scheme in England	HC 285
May 2008	The Carbon Trust: Accelerating the move to a low carbon economy	HC 157

### Recent reports from Central Government

#### Publication date

May 2011	Department for Environment, Food and Rural Affairs	Business Plan 2011-2015
December 2009	HM Government	Putting the Frontline First: smarter government

#### Cabinet Office Capability Reviews

([www.civilservice.gov.uk/about/improving/capability/reports.aspx](http://www.civilservice.gov.uk/about/improving/capability/reports.aspx))

March 2009	Capability Review of the Department for Environment, Food and Rural Affairs	Phase 2 report
March 2008	Capability Review of the Department for Environment, Food and Rural Affairs: One year update	Phase 1 report
March 2007	Capability Review of the Department for Environment, Food and Rural Affairs	Phase 1 report

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# Where to find out more

The National Audit Office website is  
[www.nao.org.uk](http://www.nao.org.uk)

If you would like to know more about the NAO's work on the Department for Environment, Food and Rural Affairs, please contact:

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