



National Audit Office

**BRIEFING FOR THE
HOUSE OF COMMONS
ENVIRONMENT, FOOD
AND RURAL AFFAIRS
COMMITTEE**

OCTOBER 2009

Performance of the Department for Environment, Food and Rural Affairs, 2008-09

Our vision is to help the nation spend wisely.

We promote the highest standards in financial management and reporting, the proper conduct of public business and beneficial change in the provision of 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 National Audit Office which employs some 900 staff. He and the National Audit Office 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 leads to savings and other efficiency gains worth many millions of pounds: at least £9 for every £1 spent running the Office.



National Audit Office

Performance of the Department for Environment, Food and Rural Affairs, 2008-09

BRIEFING FOR THE HOUSE OF COMMONS ENVIRONMENT, FOOD AND
RURAL AFFAIRS COMMITTEE

OCTOBER 2009

This briefing has been prepared for the Environment, Food and Rural Affairs Select Committee to provide an overview of the work and performance of the Department in the financial year 2008-09 and subsequent months.

Contents

Summary **4**

Part One

Financial Review **8**

Part Two

Capability Reviews **15**

Part Three

Performance against
PSA/DSO targets **19**

Appendix One

Defra's delivery bodies **33**

Appendix Two

Bodies consolidated within
Defra Resource Account **34**

Appendix Three

Defra Organisational Chart **36**

Appendix Four

Employment/staff resource
statistics for Defra and
its Agencies **38**

This review was conducted by
John Powell and Luke Smith under
the direction of Philip Gibby.

For further information about the
National Audit Office please contact:

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

Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

© National Audit Office 2009

Summary

1 This briefing has been prepared for the Environment, Food and Rural Affairs Select Committee to provide an overview of the work and performance of the Department in the financial year 2008-09 and subsequent months. The briefing takes as its basis the Department's Annual Report and Accounts 2008-2009, and draws upon the work of the National Audit Office together with relevant material from other external and internal reviews of departmental performance. The contents of the briefing have been shared with Defra to ensure that the evidence presented is factually accurate, but the commentary and views expressed are the sole responsibility of the National Audit Office.

2 The Department for Environment, Food and Rural Affairs has three priorities:

- Securing a healthy natural environment for us all, and dealing with environmental risks.
- Promoting a sustainable, low-carbon and resource-efficient economy.
- Ensuring a thriving farming sector and a sustainable, healthy and secure food supply.

3 In October 2008, machinery of government changes saw the creation of the Department of Energy and Climate Change (DECC). As part of this move, Defra's responsibility for policy on mitigating climate change at national and international level was transferred to DECC, although responsibility for climate change adaptation and sustainable consumption and production remains with Defra.

On financial performance

4 After criticism for its management of expenditure in 2006-07 and 2007-08, the Department revised its approach to budgeting and expenditure monitoring. The Accounting Officer reports that the budgeting system is now based on clear delegated authority supported by regular monitoring of progress. The Department had the third largest percentage variance in its 2008-09 outturn, however, due to an underspend of £373 million. The Accounting Officer acknowledges that further improvements are still required.

5 The Department met its deadline for laying its 2008-09 audited accounts before the Parliamentary summer recess, but the Comptroller and Auditor General qualified his opinion on the consolidated financial accounts and on those of the Rural Payments Agency. The qualification was in part due to the disallowance of expenditure by the European Commission on predecessor subsidies to the Single Payment Scheme (SPS), and because of the way exchange rates had been treated for the Single Payment Scheme. The financial accounts for the Rural Payments Agency were also qualified, however, due to uncertainty over debtor balances. The Agency had reviewed a large number of payments made under the 2005 and 2006 Single Payment Scheme, but the Departmental Accounting Officer acknowledged that there remain weaknesses in financial management and accounting. The Department announced in September 2009 that it is undertaking a review of the Agency's financial and operational activities, as well as its management capability.

On the Department's Capability

6 Based on the average scores across the criteria used to assess each department, the Department's original assessment in March 2007 was below average. The Department was already in the process of introducing a change programme, known as Renew Defra, to change the culture and focus of the organisation and decided to incorporate the points raised under the Capability Review accordingly. A second progress update in March 2009 confirmed that the Department had made considerable progress. Action to tackle issues raised in the Reviews is now a prominent feature of Board business, but a National Audit Office review covering a number of departments including Defra concluded that they have yet to demonstrate that there has been clear impact in delivering public services.

On performance against targets

7 The Department has had mixed success in meeting its Public Service Agreements (PSAs) arising from the 2004 Comprehensive Spending Review. It has reported slippage in three areas: reducing the long term decline in farmland birds; assessing Sites of Special Scientific Interest, and eliminating fuel poverty. In addition, the Department considers it has partly met its target to enhance rural England, although the EFRA Select Committee¹ had raised concerns over the setting and scope of this target and the associated progress by the Department's delivery bodies.

8 There is a risk that the Department will be slow to make progress against the targets arising from the 2007 Comprehensive Spending Review. Whilst it only has one Public Service Agreement, there are time lags and difficulties in collating the data required to monitor progress against the specified indicators. Similarly, the Department is not yet able to measure progress against seven of its nine Departmental Strategic Objectives (DSOs). In the majority of cases no assessment has yet been made.

¹ *'The potential of England's rural economy'*, Committee's Eleventh Report 2007-08, on 29 October 2008.

Figure 1

Summary of Departmental performance against key performance measures (CSR2007 PSAs and DSOs)

CSR07 Target	Department's Autumn Performance Report 2008	Department's Annual Report and Accounts 2009
PSA 27: To lead the global effort to avoid dangerous climate change	Not yet assessed All six indicators are yet to be assessed	This PSA is now the responsibility of DECC
PSA 28: Secure a healthy natural environment for everyone's well-being, health and prosperity, now and in the future	Not yet assessed One indicator shows improvement Four indicators are yet to be assessed	Not yet assessed One indicator shows improvement Four indicators are yet to be assessed
DSO 1: A society that is adapting to the effects of climate change, through a national programme of action and a contribution to international action	Not yet assessed All six indicators are yet to be assessed It should be noted that at the time of this report, DSO 1 was undergoing changes and adapting to climate change was reported as part of DSO 4	Not yet assessed Work is ongoing to develop the Intermediate Outcome and Indicator Framework for this DSO
DSO 2: A healthy, resilient, productive and diverse natural environment	Not yet assessed All 14 indicators are yet to be assessed	Not yet assessed Five indicators show improvement Nine indicators are yet to be assessed
DSO 3: Sustainable, low carbon and resource efficient patterns of consumption and production	Not yet assessed All seven indicators are yet to be assessed	Not yet assessed Three indicators show improvement Three indicators are yet to be assessed One indicator is under review
DSO 4: An economy and a society that are resilient to environmental risk	Not yet assessed Three indicators show improvement One indicator shows a decline Six indicators are yet to be assessed	Some progress Three indicators show improvement Three indicators are yet to be assessed
DSO 5: Championing Sustainable Development	Not yet assessed All five indicators are yet to be assessed	Not yet assessed One indicator shows improvement Three indicators are yet to be assessed One indicator is under review

Figure 1

Summary of Departmental performance against key performance measures (CSR2007 DSOs) *continued*

CSR07 Target	Department's Autumn Performance Report 2008	Department's Annual Report and Accounts 2009
DSO 6: A thriving farming and food sector, with an improving net environmental impact	Not yet assessed All eight indicators are yet to be assessed	Not yet assessed Three indicators show improvement Four indicators are yet to be assessed
DSO 7: A sustainable, secure and healthy food supply	This PSA did not exist at this time	Not yet assessed Work is ongoing to develop the Intermediate Outcome and Indicators Framework for this DSO
DSO 8: Socially and economically sustainable rural communities	All 12 indicators are yet to be assessed	Some progress Eight indicators show improvement Four indicators show no improvement
DSO 9: A respected department, delivering efficient and high quality services and outcomes	Not yet assessed	No Intermediate Outcomes have been defined for this DSO

Part One

Financial Review

1.1 The Department and its executive agencies employ 11,110 staff.² 3,050 work in the policy core and 8,060 in its executive agencies, of which 3,440 work in the Rural Payments Agency. The Department's total Comprehensive Spending Review (CSR) 2007 budget is £9.9 billion over three years, and it expects to achieve value for money savings of £381 million³ in this period. A new Non-Departmental Public Body, the Marine Management Organisation, is to be established under the Government's Marine and Coastal Access Bill to replace the Marine and Fisheries Agency from 1 April 2010.

Management of Expenditure in 2008-09

1.2 Since it was established in 2001, the Department has kept within its Final Estimates each year. The Department's net resource outturn in 2008-09 was £4,873 million, against the £5,246 million voted by Parliament. **Figure 2** shows that the net resource outturn decreased by 14.4 per cent in the last four years, whilst the Final Estimates approved by Parliament have decreased by 11.8 per cent. The underspend of £373 million (7.1 per cent) in 2008-09 is the third highest percentage variance in Government behind only HM Treasury and the Department for Transport.

1.3 There are 37 different bodies within the Department's network (see Appendix One), although the majority of net expenditure can be attributed to:

- **The core Department** (including grants to local authorities) had a net operating cost of £1,282 million (46.3 per cent of the overall net outturn)⁴, compared to a final estimate of £1,402 million. Defra spent £308.4 million (£360.8 million in 2007-08) on administration expenditure. Of total programme expenditure £399.8 million was spent on the Warm Front Scheme, with a further £98 million on tackling international climate change, and £78.2 million on performance reward grant payments to local authorities for sustainable environmental activities and waste management. Appendix Two lists those organisations consolidated within the Department's Resource Account.

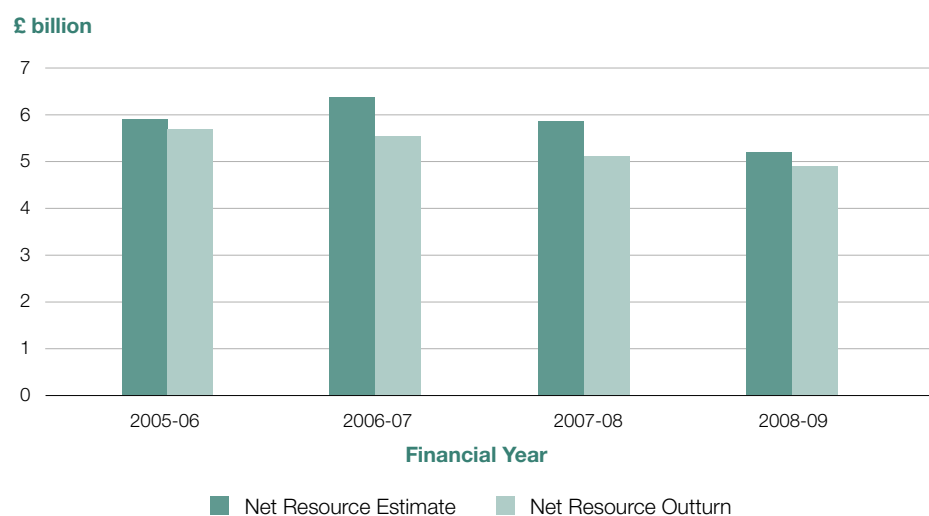
² Civil Service Yearbook 2009.

³ 2009 Defra Departmental Report.

⁴ Defra's overall net operating cost for 2008-09 of £2,772 million includes operating income relating to EU funding reimbursement for the administration of payment schemes. In accordance with HM Treasury requirements, this operating income is not appropriated in aid, and as such is not included within the net resource estimate of £5,246 million that was approved by Parliament.

- **The Rural Payments Agency** had a net operating cost of £307 million compared to a final estimate of £316 million. The total expenditure on EU agricultural and rural development schemes is £2,878 million. Total scheme income is £2,801 million. The Rural Payments Agency is responsible for making payments to farmers and rural businesses in accordance with the requirements of European Union Common Agricultural Policy schemes and programmes.
- **The Environment Agency received** £717 million (25.8 per cent of the Department overall net operating cost) in funding from Defra, compared to a final estimate of £794 million. The Environment Agency's net deficit before Departmental and Welsh Assembly Government funding (£53.1 million) was £862.6 million, with £535 million spent on staff costs and £248 million of capital costs relating primarily to flood management projects charged to the revenue budget.

Figure 2
Net resource outturn compared to estimate



Source: Defra Accounts 2005-06 – 2008-09

1.4 The underspend by the Department takes into account a decrease in the net resource requirement of £280 million in 2008-09. The Department's original main net resource estimate had been £5,526 million, but this was revised to £5,527 million in the Winter Supplementary and £5,246 million in the Spring Supplementary. The reduction was largely due to the transfer of some functions⁵ to the Department for Energy and Climate Change (a £598 million reduction), offset by increases in the expenditure on EC funded payment schemes (£205 million) and additional grant in aid to the Environment Agency (£96 million) and Natural England (£43 million). The main factors contributing to the final variance between estimate and outturn in 2008-09 of £373 million reported by the Department and its delivery bodies included:

⁵ The main changes were the transfer of the Warm Front Scheme, the Carbon Trust and the Energy Savings Trust to DECC, and from 1 February 2009, a change in status for the Sustainable Development Commission (SDC) which became an Executive Non-Departmental Public Body (Executive NDPB).

- **Underspend in EU activities.** In accordance with Treasury requirements, EU income is not appropriated in aid by the Department and as such any reductions in EU funding reduce the net resource outturn of the Department. The underspends arose from a strengthening of Sterling following the budgeting for Common Agricultural Policy (CAP) Euro payments in the Spring Supplementary Estimate (£167 million) and a slower than anticipated uptake of the EU-funded Rural Development Programme for England (£80 million);
- **A CAP disallowance** provision included in the Spring Supplementary Estimate has not been included in the accounts due to the uncertainty regarding the amount of disallowance provision required (£46 million);
- **The introduction of International Financial Reporting Standards** and the subsequent provision for onerous leases (£41 million) resulted in an associated overspend;
- A £95 million underspend in Annually Managed Expenditure due mainly to the utilisation in year of the **provision for the Environment Agency Closed Pension Scheme** (£84 million). The Closed Pension Scheme reflects the liabilities of ex-employees of former water authorities and associated bodies. Defra funds the liabilities on an ongoing basis, with the reduction in the provision reflecting the latest actuarial valuation.

1.5 The Environment, Food and Rural Affairs (EFRA) Select Committee had previously been critical of the Department's management of expenditure. In February 2007 the EFRA Select Committee reported that a projected overspend of £200 million had necessitated the Department to make in-year budget reductions across its core functions and some of its affiliated agencies and non-departmental public bodies.⁶ A subsequent report by the Committee of Public Accounts in June 2008 noted that the total cost of the Department's approved business plans for 2007-08 exceeded its resources by some £66 million.⁷ The risk of overspending was compounded further when certain Policy Groups within the Department declared financial commitments in April and May 2007 that were above their agreed budget allocations, and because of unforeseen events, including floods, and outbreaks of foot and mouth and avian influenza, which required additional expenditure of some £60 million. As with the previous year, the risk of overspending necessitated that the Department make in-year cuts to the budgets of policy groups and delivery bodies in 2007-08, leading to curtailment of planned operations and outcomes.

1.6 The Departmental Accounting Officer reports that the management of expenditure has subsequently improved and that only the resources available are allocated to budget holders.⁸ The management of budgets is based on a system of delegated authority supported by regular monitoring of management information. The Department allocated budgets for 2008-09 against programmes and projects which ensured that they were

⁶ Environment, Food and Rural Affairs Select Committee Second Report of Session 2006-07 on Defra's Departmental Report 2006 and Defra's budget, February 2007.

⁷ Committee of Public Accounts Fortieth Report of Session 2007-08 on Department for Environment, Food and Rural Affairs: Management of Expenditure, June 2008.

⁸ Department for Environment, Food and Rural Affairs Resource Accounts 2008-09.

better aligned to objectives and the Department established Approvals Panels to make resource prioritisation decisions. The Accounting Officer acknowledges, however, that further improvements are needed in expenditure forecasting, the quality of management information and the need to raise financial management capabilities across the Department and its affiliated agencies and other sponsored bodies.

Financial Management and Reporting

1.7 The Department met the Treasury deadline for laying their audited 2008-09 Resource Account before the Parliamentary summer recess. The Comptroller and Auditor General qualified his audit opinion on the consolidated Resource Account due to issues arising from the administration of EU funded schemes by the Rural Payments Agency (RPA):

- **The effect of exchange rates.** Transactions that are denominated in a foreign currency should be translated into Sterling at the exchange rate ruling at the date of each transaction. The Agency had not applied the spot exchange rate on recognition of foreign currency transactions in respect of Agency reimbursement from the European Commission (EC), instead effectively applying an average of the spot rate across the year for the Single Payment Scheme and the rate inherent within the other scheme arrangements. This non-compliance had the effect of omitting the full impact of exchange rate movements from the financial statements.
- **Disallowance of expenditure.** The European Commission (EC) can take several years to determine whether payments under Common Agricultural Policy schemes have been properly administered. In 2008-09 the Department incurred disallowance penalties of £92.2 million on the Arable Area Payments Scheme, Fruit and Vegetable grant schemes relating to 2003 to 2006, Export Funds, Cross Compliance 2006, Exceptional Measures and Livestock Premium, Bovines and Ovines 2003 and 2004. The disallowance penalties were due to identified weaknesses in the Department's and the Rural Payments Agency's control systems. The penalty represents a material loss to the UK Exchequer and falls outside of Parliament's intentions in relation to the proper administration of European funding. It should be noted that although EU funds are administered by the RPA, Defra is responsible for disallowance penalties imposed by the EC.

1.8 The Comptroller and Auditor General qualified his opinion on the financial accounts of the Rural Payments Agency because of the effect of foreign exchange rates. In addition, the Comptroller and Auditor General qualified his opinion due to a limitation of scope on the valuation of debtors by the Agency. The Agency's financial statements for 2008-09 include £26.6 million in debtors. Once the bad debt provision is taken into account, the balance of £22 million is considered by the Agency to reflect the likely overpayments from the difficulties in the administration of the Single Payment Scheme. Testing by the National Audit Office found indicative error rates of 79 per cent in those debts where the farmer had yet to be invoiced, and error rates of 9 per cent in those who had been invoiced. The significant uncertainty over debtor balances meant that the Comptroller and Auditor General was unable to obtain assurance over the debtors balance.

1.9 The EFRA Select Committee previously reported in 2007 on the problems in the original implementation of the Single Payment Scheme by the Agency and the failure to pay farmers their entitlements on time.⁹ The Committee of Public Accounts subsequently reported that there had been errors in the payments made by the Agency for a substantial number of claims in 2005 and 2006.¹⁰ By mid-November 2007, the Agency had reviewed 34,499 cases considered to be at risk from the first two years of the Scheme. A further 27,752 cases have been subsequently reviewed.

1.10 The Department has been carrying provisions in its financial accounts in anticipation of financial penalties for the Agency's administration of the 2005 and 2006 Single Payment Scheme. The Chief Executive of the Agency reported in 2009 that the difficulties in the administration of the Single Payment Scheme had led the European Commission to propose financial penalties. The Departmental Accounting Officer acknowledged in the Statement on Internal Control for 2008-09 that there remain weaknesses in financial management and accounting within the Agency, and that the Department would seek to identify and tackle these issues in order to improve the financial management capability of the Agency. The Department announced in September 2009 that it was to undertake a review of the Agency's financial and operational activities, as well as its management capability. The review will be chaired by the Director General of the Food and Farming Group within Defra and will take account of previous National Audit Office findings and Parliamentary reviews.

Risk Management

1.11 The Department's Board is chaired by the Accounting Officer and comprises the senior staff of the Department and three non-executive members (see Appendix Three). The Board has collective responsibility for managing the overall portfolio of risk and for encouraging a supportive risk management culture throughout the Department. A full time Risk Coordinator provides advice, guidance and support across the range of risk activities within the Department.

1.12 Foot and Mouth Disease in 2001 demonstrated the severe impact that a large-scale outbreak of disease among farm animals can have. The Government's National Risk Register, published in August 2008, classifies animal disease as a 'high consequence risk' to the United Kingdom. The National Audit Office reported in March 2009 that outbreaks of Foot and Mouth Disease and Avian Influenza in 2007 were effectively contained to a relatively small number of farms.¹¹ Endemic diseases and other domestic threats to farm animals and honeybees had been managed with less success, however, and the Department had not established specific farm bio-security standards for animal health.

⁹ Environment, Food and Rural Affairs Select Committee Third Report of Session 2006-07 on: The Rural Payments Agency and the implementation of the Single Payment Scheme, March 2007.

¹⁰ Committee of Public Accounts Twenty-ninth Report of Session 2007-08: A progress update in resolving the difficulties in administering the Single Payment Scheme in England, June 2008.

¹¹ National Audit Office report: The health of livestock and honeybees in England, HC 288, March 2009.

1.13 To comply with European Union regulations for the Common Agricultural Policy, the Rural Payments Agency maintains a digital database of land parcels. Farmers have to be registered on this database, termed the Rural Land Register (RLR), in order to claim funds under the Single Payment Scheme and other environmental schemes. The Departmental Accounting Officer reported¹² in 2009 that concerns remain about the quality of the information within the Rural Land Register, which means that the risk of inaccurate payments and future disallowance penalties remains. To address this risk, a major update of the data is being undertaken in 2009 together with an upgrade of the underlying IT system. The issue of new maps to farmers commenced during the summer of 2009 after a pilot of 1,000 farmers in Leicestershire, Northumberland and Somerset. **Figure 3** overleaf shows the planned roll-out. The update by the Agency will include a number of improvements to the mapping information currently held:

- Positional Accuracy Improvements (PAI) where plotting points are realigned to the National Grid more accurately.
- Real World Change (RWC) that will show new roads, housing developments, water courses, etc.
- Permanent ineligible features will also be included, making it easier to highlight and remove them and will help farmers calculate their SPS eligible area.

As at the end of September 2009, over 50 per cent of map packs had been sent to all areas of England. There are a number of farmers who have not yet received maps due to issues experienced at the beginning of the process with regard to merged land parcels not being visible within permanent boundaries. These farmers are now being sent maps with a target completion of the end of October for all to have received their maps.

Improving efficiency and value for money

1.14 The Department reported in its Annual Departmental Report that it was on course to meet its two main efficiency targets:

- To achieve sustained, value for money cash releasing savings worth £381 million¹³ by the end of the 2007 Comprehensive Spending Review period.
- To reallocate 390 posts out of London and the South East by 2010.

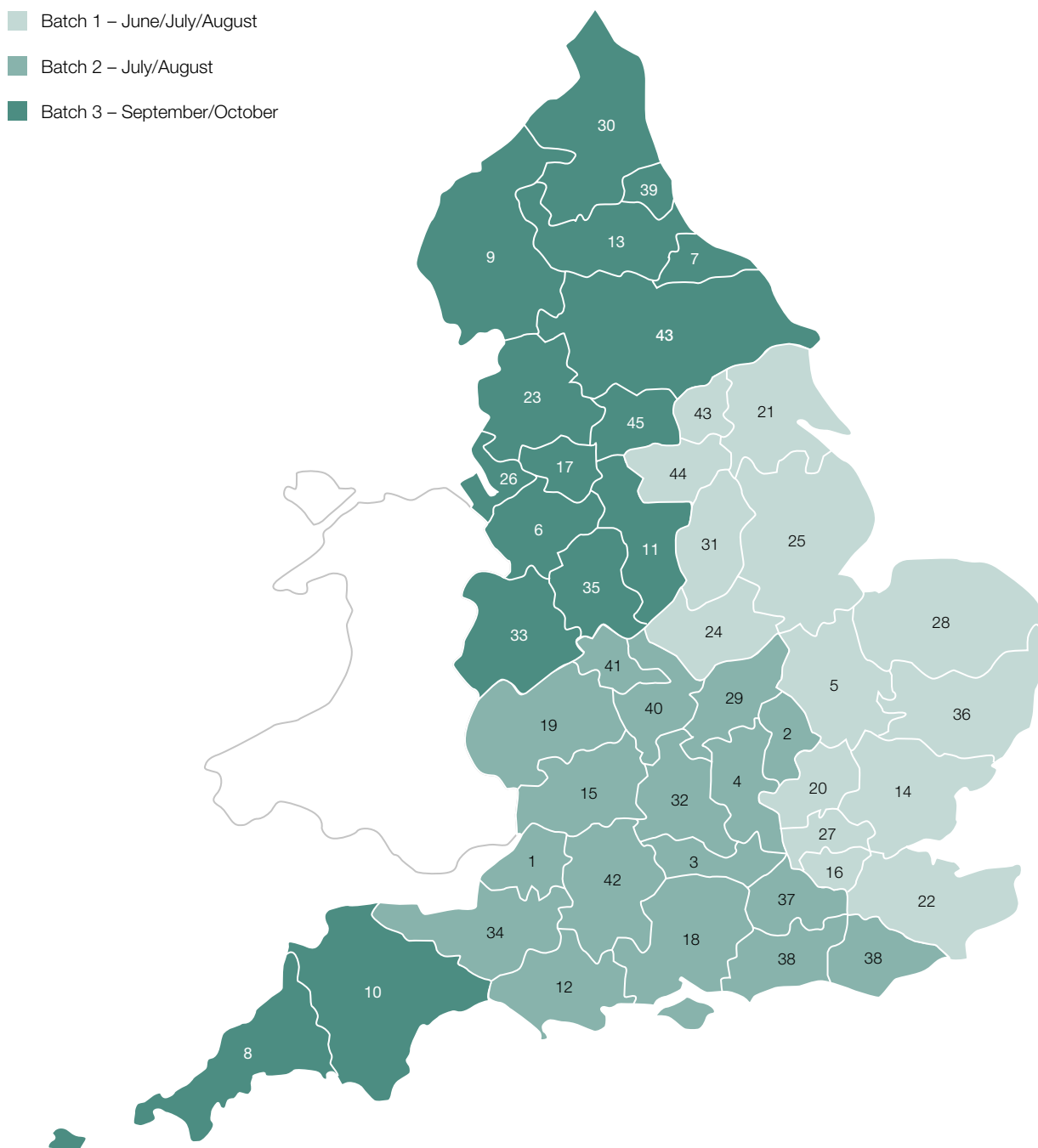
1.15 The savings target of £381 million takes account of a £73 million reduction following the transfer of some responsibilities to the Department for Energy and Climate Change and a £75 million increase following the 2009 Budget reflecting Defra's contribution to additional cross government efficiency savings. The Department reported that it had delivered £175.36 million of cash releasing, and sustainable savings at 31 March 2009 against a target of £177 million. The Department is confident of delivering £324.7 million of the savings against the £381 million target, but has not finalised how the additional £75 million of efficiencies will be achieved.

¹² Department for Environment, Food and Rural Affairs Resource Accounts 2008-09, 20 July 2009.

¹³ 2009 Defra Departmental Report.

1.16 As at 31 March 2009, the Department had exceeded its 2010 target, with 413 posts relocated from the South East. The Department forecasts that it may be able to relocate a total of 776 posts by March 2010, with planned moves in 2009-10 of the Agricultural and Horticultural Development Board and the new Marine Management Organisation.

Figure 3
The Planned Rollout of the Update for the Rural Land Register



Part Two

Capability Reviews

2.1 At the time of its Capability Review in March 2007, the Department had received significant criticism for its management of the Rural Payments Agency, and for the in-year budget reductions required in 2006-07. The Capability Review identified four areas which it considered required urgent development:

- **'Ignite passion, pace and drive'**. The leadership team should be visible outward-looking role models with confidence and self awareness, who display passion about achieving ambitious results and promote energy and enthusiasm in the organisation.
- **'Take responsibility for leading delivery and change'**. The senior leaders should recognise the pressing need for change, and work effectively as a management team to overcome barriers and obstacles to deliver successful outcomes.
- **'Plan, resource and prioritise'**. Delivery plans should be robust, consistent with the Department's strategy, and sufficiently prioritised. The plans should include key cost drivers and be regularly reviewed.
- **'Manage performance'**. Effective management requires high quality and timely performance information to track progress effectively, and financial information to drive greater efficiency.

2.2 Analysis of the Capability Reviews by the National Audit Office established that the Department's average score was below the average for all departments.¹⁴ The Capability Review identified five areas for action by the Department:

- strengthen the leadership team;
- provide services based around the customer;
- create a true partnership with delivery partners
- set high standards and actively manage individual and organisational performance; and
- develop robust business processes.

2.3 The Department had previously launched an 18-month change programme, Renew Defra, in November 2006 to build a high performance culture within the organisation, and to determine future priorities and focus. The Department's Management Board exercised strategic oversight of the Renew Defra programme, and decided to respond to the Capability Review by incorporating the five areas for action into the existing change programme.

2.4 During the 18-month span of the change programme, the Department made the following key changes:

- **Flexible staff resourcing:** The Department's core staff are working in a programme and project structure, allowing them to be allocated to different assignments as they arise.
- **A staff development process:** Over 500 Development Managers have been appointed internally to support staff in their personal development.
- **Revised planning, performance, policy and programme and project management processes:** These include the Department's portfolio management and corporate performance management.
- **Personal and professional development:** The Department introduced a leadership development programme, a new competency framework and a revised individual performance management process.
- **Governance of delivery:** The Department has put in place new arrangements such as: the Defra Network Delivery Group; corporate owners, customers and sponsors; and "the Deal" – an optional agreement between the core Department and its delivery bodies that sets out responsibilities and required behaviours.
- **A new policy cycle:** The cycle introduces consistency in policy development across the Department, including its approach to consultation. The policy cycle requires the sign-off of business cases by approvals panels at fixed points.

2.5 A second Capability Review in March 2009 confirmed that the Department had made considerable progress. **Figure 4** shows that the Department was considered 'strong' or 'well placed' in four out of 10 categories and that it was no longer assessed as requiring 'urgent development action' in any categories.

2.6 The Capability Review noted that the Renew Defra change programme has succeeded in laying the foundations for the Department's new operating model. Significant progress had been made in strengthening the Management Board and improving the management of resources. The Review also commented that the Department needs to keep up the momentum in embedding these improvements and focus more externally, both on customers and the wider delivery network.

2.7 In response, the Department commented that it is seeking to get an improved and more credible stream of feedback from customers and stakeholders, to give a greater understanding of what they want from the Department. A large stakeholder survey was undertaken in early 2009 and the information obtained from this will be used to help plan their future activities. The Department had also established a network of over 40 customer champions, and has rolled out customer insight training to all Senior Civil Service staff. From April 2009 onwards, making use of customer insight is now a requirement of how they make policy.

2.8 The Department has made strides in flexible staff deployment and the use of development managers. During the last two years the Department concentrated on giving staff fundamental strategic skills, including performance management, programme and project management, and finance. They are now planning to move away from this generic emphasis in order to focus on more job-specific skills.

Figure 4
The Departments' Performance in the Cabinet Office Capability Reviews

Area	Description	March 2007	March 2009	Change
Leadership	Set direction	Well placed	Strong	Improvement
	Ignite passion, pace and drive	Urgent development area	Development area	Improvement
	Take responsibility for leading delivery and change	Urgent development area	Development area	Improvement
	Build capability	Development area	Development area	No change
Strategy	Focus on outcomes	Well placed	Well placed	No change
	Base choices on evidence	Well placed	Well placed	No change
	Build common purpose	Development area	Development area	No change
Delivery	Plan, resource and prioritise	Urgent development area	Well placed	Improvement
	Develop clear roles, responsibilities and delivery model(s)	Development area	Development area	No change
	Manage performance	Urgent development area	Development area	Improvement

Source: March 2007 and March 2009 Cabinet Office Capability Reviews

2.9 Staff surveys within the Department suggest that senior leaders are relatively visible, although further progress may be needed in defining the focus and purpose of activities within the organisation. The Department undertook an annual staff survey in 2007 (68 per cent response rate) and 2008 (63 per cent response rate). The results of these surveys were not published externally. For 2009, the Cabinet Office introduced a single cross-Whitehall employee engagement survey to benchmark levels of employee engagement across all government departments. The Department's response rate was 68 per cent, which put them mid-table when compared to the other departments who took part. Areas where the Department scored relatively highly were on perceptions of pay, visibility of senior staff, and that activity managers helped employees understand their contribution and encouragement to come up with creative solutions at work. Areas where the Department's results fell below other departments included: staff intent to stay in the Department; clarity about Group purpose and objectives, data handling and security procedure, training, and fairness of performance evaluation.

2.10 The examination by the National Audit Office of progress made by departments in tackling issues raised in their Capability Reviews concluded that the programme has led to evidence of greater capability.¹⁵ But departments have yet to show that the programme has had an impact on outcomes in delivering public services. Action to tackle weaknesses in capability is now a prominent feature of board business, and every department has a board member leading its review response. However, there is some uncertainty in departments about whether, or how, the programme will continue, risking a loss of momentum.

¹⁵ C&AG's report on 'Assessment of the Capability Review programme', HC 123 Session 2008-09, February 2009.

Part Three

Performance against PSA/DSO targets

3.1 This section reviews Defra's performance against the targets specified in the 2004 and 2007 Comprehensive Spending Reviews. Some PSAs from the 2004 Spending Review have been subsumed into the 2007 targets.

2004 PSA Targets

A summary of Defra's performance against the key performance measures in the 2004 Comprehensive Spending Review is shown at **Figure 5**.

Figure 5

Summary of performance against key performance measures

CSR04 Target	Assessment
PSA 1: Promoting Sustainable Development	Met – target achieved by the target date
PSA 2: Reducing greenhouse gas emissions	On course – progress is in line with plans and expectations
PSA 3a: Reversing the long-term decline in the number of farmland birds	Slippage – progress is slower than expected
PSA 3b: Sites of Special Scientific Interest (SSSI)	Slippage – progress is slower than expected
PSA 4: Enhancing opportunity in rural England	Partly met – where a target has two or more distinct elements, and some (but not all) have been achieved by the target date
PSA 6: Waste and recycling	Met – target achieved by the target date
PSA 7: Eliminate Fuel Poverty	Slippage – progress is slower than expected
PSA 9: To improve the health and welfare of kept animals, and protect society from the impact of animal diseases, through sharing the management of risk with industry	On course – progress is in line with plans and expectations

Source: Autumn Performance Report 2008

PSA 1: Promoting Sustainable Development

To promote Sustainable Development across government and in the UK and internationally, as measured by progress towards internationally agreed commitments to tackle climate change

3.2 The Department reports this target to have been met. This is on the basis that progress in meeting Kyoto protocol commitments had been achieved in time for the Montreal Climate Change Conference. At the December 2007 UNFCCC Conference, agreement was reached on an Action Plan, arising from the December 2005 conference in Bali.

3.3 The G8 Summit in Japan, in July 2008, recognised the necessity of reducing global emissions by at least 50 per cent by 2050. The target of securing a comprehensive global deal in Copenhagen in December 2009 has now been subsumed as part of the new PSA 27, which is now the responsibility of the Department of Energy and Climate Change.

PSA 2: Reducing greenhouse gas emissions

To reduce greenhouse gas emissions to 12.5 per cent below 1990 levels in line with our Kyoto commitment, and move towards a 20 per cent reduction in carbon dioxide emissions below 1990 levels by 2010 through measures including energy efficiency and renewables.

3.4 This was a joint target with Department for Business, Enterprise and Regulatory Reform (BERR) and the Department for Transport (DfT). The Government is 'on course' to meet the Kyoto element of this PSA target. The Government now estimates that in 2010, and including the effect of the EU Emissions Trading Scheme (EU ETS), carbon dioxide (CO₂) emissions will be about 15.4 per cent below 1990 levels, and emissions of all greenhouse gases will be about 23 per cent below Kyoto-base year levels. The UK therefore remains on target to meet its Kyoto target. However, while it is moving towards a 20 per cent reduction in CO₂, it is unlikely to meet this target by the deadline set. This target has now been subsumed within PSA 27, which will be the responsibility of the Department of Energy and Climate Change.

PSA 3a: Reversing the long-term decline in the number of farmland birds

Care for our natural heritage, make the countryside attractive and enjoyable for all and preserve biological diversity by reversing the long-term decline in the number of farmland birds by 2020, as measured annually against underlying trends.

3.5 Defra reports slippage against this target. The farmland birds index for England showed a period of steep decline between the mid-1970s and mid-1980s, followed by a shallower decline until the late 1990s. Following a period of no significant change between 1999 and 2004, the index has fallen in recent years. In particular the 'smoothed' 2007 data published in October 2008 show that the index fell by almost two percentage points between 2006 and 2007 relative to the 1966 level. The long term decline in the farmland birds index for England is primarily due to population declines in species that breed solely or mainly on farmland.

3.6 Natural England is responsible for the Environmental Stewardship schemes which are a key tool in achieving the target. Following a review of progress in February 2008, changes to the options available under the scheme were made that Defra believe will benefit farmland birds. Natural England adopted a three-year target to increase the area of farmland with certain arable options by 40 per cent by March 2011, and developed a targeting system to encourage uptake of those options aimed at species of bird in decline. The ending of set-aside requirements under the Common Agricultural Policy could negatively affect farmland bird numbers.

3.7 This target now contributes to PSA 28 as it is one part of the wider composite indicator (Indicator 28.2) measuring biodiversity.

PSA target 3b: Sites of Special Scientific Interest (SSSI)

Care for our natural heritage, make the countryside attractive and enjoyable for all, and preserve biological diversity by bringing into favourable condition by 2010 95 per cent of all nationally important wildlife sites.

3.8 The Department reports slippage against this target, but remains confident that the target, though challenging, remains achievable. At the end of March 2009, 88.4 per cent (952,000 ha), was in target condition. There are approximately 4,000 SSSIs and each one should be assessed every six years. The Comptroller and Auditor General's report¹⁶ noted that the assessment of the condition of SSSIs had fallen behind, and there was a risk that Natural England was not detecting all sites that are in decline or those where recovery is complete. About 25 per cent of units had not been assessed within the required six-year period. Around a third of sites do not have conservation objectives in place, which describe the conservation needed and allow changes in condition to be judged. The NAO also noted that Natural England had not made full use of its powers in prosecuting farmers who fail to protect SSSI land.

¹⁶ C&AG's Report on Natural England's Role on Improving Sites of Special Scientific Interest HC 1051 Session 2007-2008, November 2008.

PSA 4: Enhancing opportunity in rural England

Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2008, demonstrating progress by 2006 and improve the accessibility of services for people in rural areas.

3.9 The Department reports that this target has been partly met, although only five of the nine proposed indicators were populated with data. The issues covered by this PSA were the subject of an enquiry by the EFRA Select Committee.¹⁷ The Committee's recommendations covered the setting and scope of targets under this PSA, and the delivery of these targets by the Department, its delivery bodies and other government departments. The Committee also recommended that the Department's economists seek to quantify the potential of rural areas, that the title of the new DSO be changed to Socially and Economically Sustainable Rural Committees (which was subsequently adopted), and that the Department report on what is done to ensure rural affairs are factored into policy development.

3.10 Most rural areas perform well when compared to the national average. However, the Department's evidence shows that there are rural (and urban) areas where levels of economic performance are below average, and prospects for growth are more limited. This PSA was extended and incorporated into DSO 8 for the 2007 CSR.

PSA 6: Waste and recycling

To enable at least 25 per cent of household waste to be recycled or composted by 2005-06, with further improvement by 2008.

3.11 The Department reports that, with a national rate of 36.7 per cent, the 2005-06 target has been met. The national rate for 2007 reached 34 per cent. This assessment is based on data returns made by all local authorities in England and the data are subject to validation and auditing procedures. The National Audit Office (NAO) review of data systems for reporting performance against Public Service Agreement targets for the period 2005-08 gave the data collection system a 'Green' rating during its review in July 2006. This measure is now an Intermediate Outcome Indicator under DSO 3 (sustainable consumption and production) with a target set for 2010 of 40 per cent.

¹⁷ The potential of England's rural economy report, published in October 2008.

PSA 7: Eliminate fuel poverty

Eliminate fuel poverty in vulnerable households in England by 2010, in line with the Government's Fuel Poverty Strategy Objective.

3.12 The Department reports slippage with regard to this target. A fuel poor household is defined as one that needs to spend more than 10 per cent of its income on fuel to maintain satisfactory heating. Recent rising energy prices made the challenge of tackling fuel poverty more difficult. A number of schemes exist to help take people out of fuel poverty, of which the principal one is 'Warm Front'. The NAO reported in February 2009¹⁸ that the Warm Front Scheme had helped 635,000 households between June 2005 and March 2008. On projected trends there would still be a significant shortfall by 2010 in eradicating fuel poverty in the 2.4 million households (2006 figures) in England estimated to be in fuel poverty of which around 1.9 million are considered vulnerable¹⁹. Future reporting in relation to fuel poverty will be the responsibility of the Department of Energy and Climate Change.

PSA 9: Improving health and welfare of animals

To improve the health and welfare of kept animals, and protect society from the impact of animal diseases, through sharing the management of risk with industry, including:

- a reduction of 40 per cent in the prevalence of scrapie infection (from 0.33 per cent to 0.20 per cent) by 2010;
 - a reduction in the number of cases of BSE detected by both passive and active surveillance to less than 60 in 2006, with the disease being eradicated by 2010; and
 - a reduction in the spread of Bovine TB to new parishes to below the incremental trend of 17.5 confirmed new incidents per annum by the end of 2008.
-

3.13 The Department reports that it has met this target:

- **Scrapie.** In 2006 the EU decided not to introduce compulsory ram genotyping for all flocks of high genetic merit and the UK's Spongiform Encephalopathy Advisory Committee (SEAC) advised²⁰ that the prevalence of BSE in the UK sheep population was likely to be negligible. Based on modelling patterns, the Department concluded that it was likely to achieve the target by 2011. HM Treasury agreed in November 2007 that after March 2008, the Department would no longer have to report progress on this issue.

¹⁸ Warm Front, HC 126 of Session 2008-09, February 2009.

¹⁹ The Government's Sixth Annual Progress Report on Fuel Poverty was published on 2 October 2008.

²⁰ <http://www.seac.gov.uk/statements/sheepsubgrp-statement131006.pdf> (paragraph 47).

- **BSE.** The Department aims to eliminate Bovine Spongiform Encephalopathy (BSE) from the UK by 2010. Significant progress has been made with an interim (2006) target to reduce the number of cases below 60 met, but the Department reports that there is a high risk that the 2010 target will not be met due to the long incubation period of BSE.
- **Bovine TB.** The National Audit Office reported that endemic diseases such as Bovine TB have been managed less successfully than other diseases, such as Bluetongue disease.²¹ The report highlighted the spread of bovine TB and the lack of an integrated approach to bio-security. The incidence of bovine TB has increased during the year to 4,986 in 2008-09 from 4,172 incidents in 2007-08. The number of new incidents identified as a proportion of herd tests performed also increased to 8.8 per cent in 2008 from 7.4 per cent in 2007. The Department considers that there is a cyclical nature to bovine TB, which makes it difficult to form valid conclusions at this stage as to whether the increase in bovine TB levels is a cause for concern.

2007 PSA targets

3.14 The 2007 Comprehensive Spending Review included revised Public Service Agreements to replace those agreed in 2004. The 30 revised Agreements were outcome rather than target-focused and supported by a 'delivery agreement' which defines the responsibilities of the lead department and the contributions required from other government departments. The Department has lead responsibility for one Public Service Agreement:

"Secure a healthy natural environment for everyone's well-being, health and prosperity, now and in the future."

3.15 Progress will be measured using five indicators:

- **Indicator 1:** Water quality as measured by parameters assessed by Environment Agency river water quality monitoring programmes. The Department reported that chemical and biological water quality has improved since 1990. Of all monitored river lengths 76 per cent are assessed as 'good' in relation to chemical quality, and 72 per cent in relation to biological quality.
- **Indicator 2:** Biodiversity as indicated by changes in wild breeding bird populations in England, as a proxy for the health of wider biodiversity. Most recent data for the 2007 breeding season show that there has been a small decrease in the wild breeding bird index. Data for the 2008 breeding season will be published in October 2009.

21 C&AG's report on the health of livestock and honeybees, HC 288 of session 2008-09, March 2009.

- **Indicator 3:** Air Quality – meeting the Air Quality Strategy objectives for eight air pollutants as illustrated by trends in measurements of two of the more important pollutants which affect public health: particles and nitrogen dioxide. Six of the eight pollutant objectives are being met, and air quality continues to be good across about 99 per cent of the UK. However, objectives for Particulate Matter (PM10) and Nitrogen Dioxide (NO₂) are not being achieved on some major roads in urban areas. Without further action NO₂ will remain too high by 2015 along some 850 km of major roads, mainly in Greater London.
- **Indicator 4:** Marine health – clean, healthy safe productive and biologically diverse oceans and seas as indicated by proxy measurements of fish stocks, sea pollution and plankton status. Most recent data (2007) indicates that both fish stocks and sea pollution have improved since 1990, but that plankton status has declined (largely due to climate change impacts).
- **Indicator 5:** Land management – the contribution of agricultural land management to the natural environment as measured by the positive and negative impacts of farming. The positive and negative impacts of farming are based on a range of measures associated with water, air, soil, landscape and biodiversity. Most recent data (2007) indicates that both positive and negative impacts have improved since 2000. Data for 2008 will be available at the end of 2009.

3.16 The Department has nine Departmental Strategic Objectives (DSOs) which support its Public Service Agreement and the PSAs of other government departments – see **Figure 6**.

Figure 6 The Department's nine DSOs

- DSO 1: Adapting to climate change
 - DSO 2: A healthy natural environment
 - DSO 3: Sustainable consumption and production
 - DSO 4: An economy and a society that are resilient to environmental risk
 - DSO 5: Championing sustainable development
 - DSO 6: A thriving farming and food sector, with an improving net environmental impact
 - DSO 7: A sustainable, secure and healthy food supply
 - DSO 8: Socially and economically sustainable rural communities
 - DSO 9: A respected Department
-

3.17 Progress is not yet clear. Some DSOs (i.e. 4 and 8) have shown improvement, but in the majority of cases no assessment has yet been made. The collection and reporting of data required to support the indicators is often undertaken by third parties, usually its delivery bodies. The Department typically has detailed written procedures notes in place explaining how each indicator is to be calculated and how missing data is to be addressed. However, no data quality assurance is provided by these third parties and no verification of the data is performed by Defra.

DSO 1: Adapting to climate change

A society that is adapting to the effects of climate change, through a national programme of action and a contribution to international action.

3.18 This target was revised to distinguish the Department's role in adapting to the effects of climate change from the role of the Department of Energy and Climate Change in tackling climate change. Defra has the leading role in the Adapting to Climate Change programme; developing tools such as the UK Climate Projections 2009 to enable other government departments to adapt to the impact of climate change. Defra expects the impact of climate change to range from a potential increase in disease threats and changes in wildlife habitat to an increased risk of flooding. Systems are not yet fully in place to capture the information necessary to assess progress on this DSO. The Department has not yet defined the intermediate outcomes or the indicator framework required.

DSO 2: A healthy natural environment

To protect and enhance the natural environment, and to encourage its sustainable use within environmental limits.

3.19 Although five of the indicators supporting this DSO show improvement, nine indicators are yet to be assessed. Progress in improving water quality, air quality and fish stocks is included within the performance measures for the Department's Public Service Agreement (see paragraph 3.14)

3.20 The implementation of the EU Water Framework directive, with its stricter standards is likely to significantly reduce the percentage of river lengths that are assessed as good in future years. Complying with this directive is likely to require significant effort and potential cost. A 2009 assessment by the Environment Agency of the quality of water in the South East of England using the EU directive criteria, identified that eight per cent of surface waters in this region were of a good or better status.²² The default objective of the EU directive is to meet good status for all waters by 2015. This requirement can however be extended to 2021 or 2027 and alternative/less stringent objectives can be set if the achievement of good status is not feasible or disproportionately costly.

3.21 By March 2011, 70 per cent of all agricultural land is expected to be managed through Agri-Environment schemes. Data as at 31 March 2009 indicates that 65.1 per cent of land was managed in this manner, with Defra on track to meet its 2011 target. Defra reports that Agri-Environmental schemes have to date led to approximately 30,000 km of hedgerows and 2,500 km of dry stone walls being planted and restored. The Entry Level Scheme (ELS) which is intended to support existing good practice and promote new environmental management, was the subject of an evaluation in 2007. This found that participants in ELS thought that 60 per cent of features entered into the scheme were already being managed along the lines required by ELS prescriptions. However, evidence indicated that for some options, a considerable proportion of agreement holders would have to make changes to the management of that feature to comply with ELS management requirements. The evaluation also concluded that a number of individuals may have underestimated the amount of change required when stating their reasons for selecting options. As a result of the evaluation, the Department made further changes to ELS to improve its environmental profile.

DSO 3: Sustainable consumption and production

Working towards an economy where products and services are designed, produced, used and disposed of in ways that minimise carbon emissions, waste and the use of non-renewable resources. Supporting innovation and encouraging economic prosperity.

3.22 The Department reports that progress has been made with three of the seven indicators showing improvement, but performance against three other indicators has yet to be assessed. The Department reports that between 2000 and 2006, there were reductions in CO₂ emissions (5 per cent), water use (8 per cent), and landfill waste (25 per cent), whilst output in the manufacturing and service sectors increased by 17 per cent. Household CO₂ emissions and water use also slightly declined over this period by 1 per cent and 3 per cent, respectively, with a 20 per cent reduction in the level of household waste that is not recycled. The Department's Market Transformation Programme has led to design changes in domestic appliances which is estimated to have saved between 1 and 2 million tonnes of carbon dioxide a year between 2000 and 2007.

²² Environment Agency website: South East River Basin District, Annex A: current state of waters and draft impact assessment.

3.23 The National Audit Office report²³ on the waste Public Finance Initiative (PFI) programme found that although the Department initially responded slowly to EU directives on this issue, its approach improved through the establishment of a dedicated unit responsible for the delivery of these schemes. In addition, there were no explicit targets for household energy consumption beyond 2016, and none for energy efficiency beyond 2010.²⁴ Delays in the provision of and deficiencies in the data needed to monitor this target may also adversely affect the actions that the Department and other government departments may take.

3.24 The 2007-08 Sustainable Development Commission report recognises that the emissions of carbon dioxide from offices on the Government estate are on track to meet the 2010-11 targets, due primarily to reductions achieved by the Ministry of Defence. The National Audit Office reported that the mandatory quick-win minimum environmental standards set by the Department for the procurement of a range of goods were not fully effective.²⁵ Six of the fifteen departments who reported that they were complying with the standard did not have systems to measure or ensure compliance. The report found that procurement staff were confused about how to interpret and apply the quick win techniques.

3.25 The Environment Agency is currently pursuing an ongoing enquiry into the alleged illegal shipment of toxic waste to Brazil and its subsequent return to the UK. Three arrests have already been made in regard to this case.

DSO 4: An economy and a society that are resilient to environmental risk

This is delivered through ensuring that flooding and coastal erosion risks are managed sustainably, through the economy, human health and ecosystems being protected from environmental risks and emergencies, and through public health and the economy being safeguarded from the widespread effects of animal diseases.

3.26 Whilst performance has improved on three of the six indicators, three indicators are yet to be assessed. The DSO has three intermediate outcomes that focus on building resilience in the areas of flood management, handling animal disease, implementing chemicals' regulation, and the Department's response to emergencies where it has 'lead department' responsibility. The Department is in the process of revising the suite of indicators which support this DSO to help provide a better picture of progress across the range of policy areas that feed into the three intermediate outcomes.

23 C&AG's report on 'The management of the waste Public Finance Initiative (PFI) programme' HC 66 of Session 2008-2009, January 2009.

24 C&AG's report on Programmes to reduce household energy consumption, HC 1164 of Session 2007-2008, July 2008.

25 C&AG's report on Addressing the environmental impacts of government procurement, HC 420 of Session 2008-09, April 2009.

3.27 The National Audit Office reported in June 2007 on progress on the building and maintaining of river and coastal flood defences in England.²⁶ This report identified that although progress had been made, expenditure on flood defences did not adequately reflect the risk of flooding in each region and that assets across the country were inconsistently managed. The Department has a target to remove 45,000 households from significant risk of flooding by the end of the 2007 Comprehensive Spending Review. In its latest quarterly progress report published in June 2009, the Environment Agency confirmed that operating authorities are on course to meet this target. The number of households currently estimated to be at significant or greater risk of flooding from rivers and the sea is 368,000 compared to 432,000 in 2006. This reduction is due to a number of factors including more robust and complete datasets and better modelling of flood risk, as well as by the actions taken by the Environment Agency and other operating authorities to reduce risk to homes and communities. The Environment Agency believes that investment over the last decade has, for example, directly reduced the risk of flooding to 250,000 households.

3.28 The Department is seeking to modernise the governance and funding of animal health policy. In particular, it is currently consulting on whether to establish a separate body for animal health run by an independent non-executive board including knowledge and experience from across the spectrum of interests in animal health. A new body would continue to receive public funding for the bulk of its activities. A second consultation is being undertaken on whether the new organisation would have additional funding arrangements. A levy will be raised from livestock keepers according to the numbers and type of animals kept in order to contribute to the costs of preparing for exotic disease outbreaks.

DSO 5: Championing sustainable development

Defra is the Government's champion for sustainable development (SD) – domestically and internationally – ensuring that policy and delivery at all levels of government observe the five principles of sustainable development set out in the 2005 SD strategy 'Securing the Future'.

3.29 In May 2009 the Sustainable Development Commission reported that despite significant steps towards reducing waste, water consumption and emissions from road travel, Government departments are still not on course to meet their own target for reducing carbon emissions from offices by 12.5 per cent, and far more remains to be done if they are to make a real contribution towards meeting UK-wide targets for 80 per cent emissions reductions by 2050.²⁷ It called on the Government to set more ambitious targets for improving sustainability on the Government estate.

²⁶ C&AG's report on the building and maintaining of river and coastal flood defences in England, HC 528 of Session 2006-2007, June 2007.

²⁷ Sustainable Development in Government 2008: Challenges for Government, Sustainable Development Commission.

DSO 6: A thriving farming and food sector with an improving net environmental impact

Making the farming industry more innovative, self-reliant, profitable and competitive, and with better environmental management throughout the whole food chain.

3.30 Performance indicators have been developed by the Department to establish clearer evidence about the current relationship between farming practice and environmental impact. Proxy indicators include uptake of the Single Payment Scheme and the Entry Level Scheme and failure rates of cross-compliance inspections, but no assessment has yet been made.

3.31 Agreement by Member States to the Health Check – the scheduled review of the major CAP reform of 2003, was reached in November 2008. Progress on achieving the UK's longer-term aims for a fully reformed CAP was made, including further decoupling of subsidies from production, a reduction in market-distorting intervention measures, simplification to the administration of direct farm payments, and a re-focusing on delivering public, including environmental, benefits.

DSO 7: A sustainable, secure and healthy food supply

Working across Government and with stakeholders for sustainable production, distribution and consumption of food, ensuring that it is available and affordable for all sectors of society, and considering the sustainability impacts of meeting global food needs.

3.32 The machinery of government changes in October 2008 gave the Department a coordinating role in food policy. The Department works with other departments on issues including food inequalities, food poverty, food skills, health and well-being, as well as international activity on global food security and sustainability. This DSO was introduced in December 2008. Work is under way to develop the intermediate outcomes and indicator framework to support this DSO. No assessment has yet been undertaken.

DSO 8: Socially and economically sustainable rural communities

Taking an overview of the effects of Government policies in rural areas and helping departments understand better the rural dimension, including by improving the evidence base.

3.33 The task of establishing and sustaining strong rural communities is a cross Government responsibility. The Department's role is to maintain a rural overview of a basket of national indicators, and to use this to determine whether there are any systemic problems resulting from geography and other aspects of rural areas. The Department maintains links with other organisations representing rural communities, maintains an evidence base available to other government departments to help them better understand the rural context for their policies, and sponsors the Commission for Rural Communities (CRC) to act as a rural champion.

3.34 Data from 2006-07 and 2007-08 indicate that rural areas tend to compare favourably to the England average in educational attainment, social capital/quality of life, crime, poverty (after housing costs), unemployment, employment and enterprise measures. The Department has reported improvements in eight out of twelve DSO indicators. Aspects for which rural areas fare worse or no better than the national average are: waiting lists, affordability of housing, and pensioner poverty, and those for which there is no advantage in rural areas are: earnings, and capital investment per employee.

DSO 9: A respected Department

Respect is gained and maintained in the long term by doing the day-job well, i.e. by developing and delivering good policy through DSOs 1 to 8. But Defra also recognises that it would be easily lost by messing up in any of its core areas: policy, delivery, or corporate.

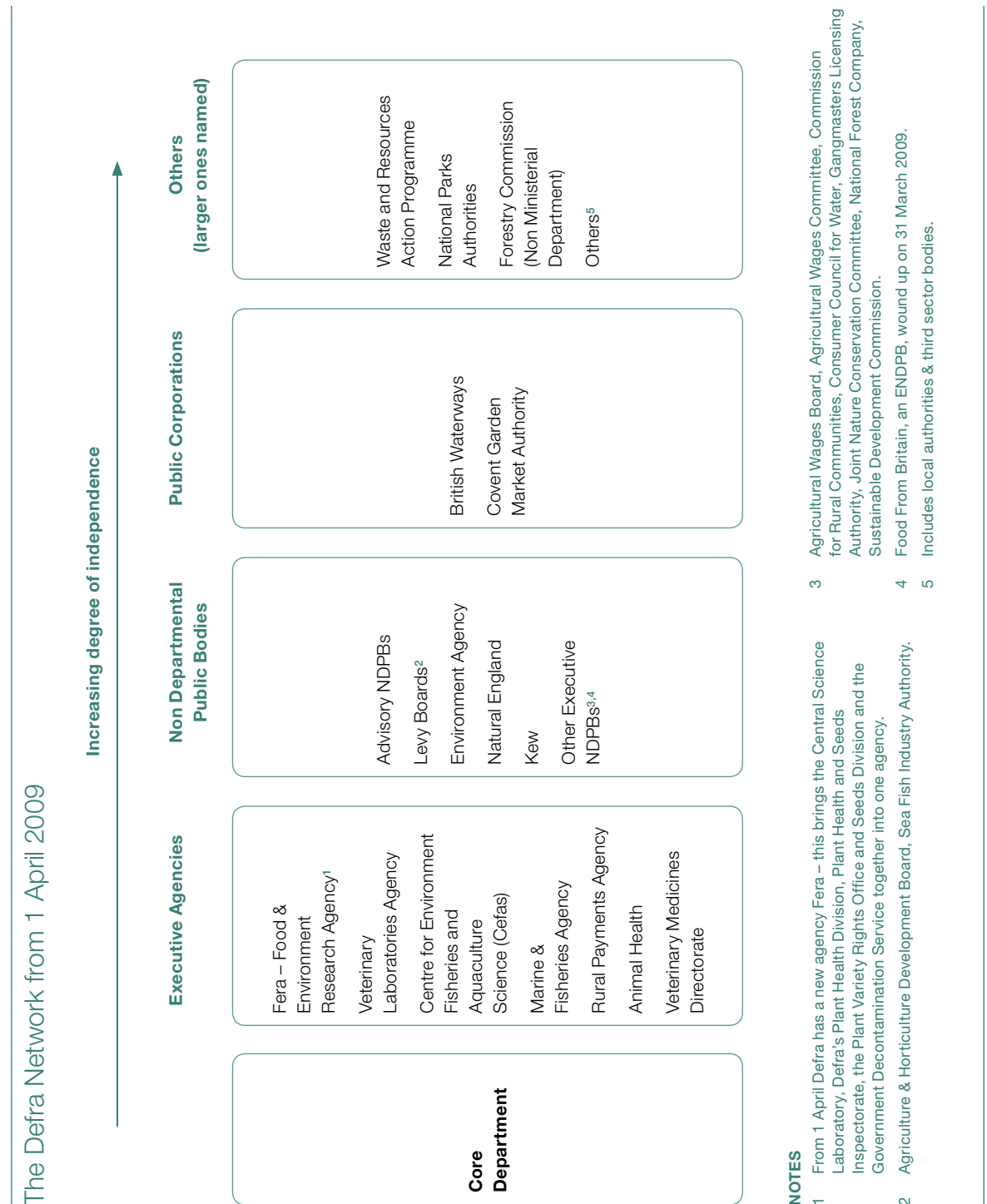
3.35 Ministers and the Department's Management Board regard organisational reputation as a key indicator of competence. The approach to monitoring this DSO differs from those for the other DSOs. No intermediate outcomes have been defined. Instead, progress with delivering the policy outcomes for DSOs 1-8 is tracked in combination with a range of internal management indicators which touch on customer service, stakeholder perspectives, public opinion, staff engagement and efficiency, such as the timeliness and quality of responses to correspondence and complaints.

3.36 The Department has sought to improve the flexibility with which it deals with emerging issues through the introduction of a new portfolio management regime to allocate staff resources and an Approvals Panel to determine funding allocations. The Department reports that representatives from other government departments have observed the new Approvals Panel in action over the last 12 months, and have been encouraged by HM Treasury to adopt a similar framework for their departments. The Department has also adopted a Retention of Critical Knowledge Process to provide a framework for the identification, capture and sharing of critical knowledge from people leaving the organisation. Details of staff numbers across the Defra family are at Appendix Four.

3.37 The creation of DECC in October 2008 required the transfer of budgets to support the changes in responsibility. HM Treasury arbitrated over the final settlement for DECC, and acknowledged the openness and speed with which the Department was able to supply the necessary budget transfers, and enable DECC to begin operating with immediate effect.

Appendix One

Defra's delivery bodies



Appendix Two

Bodies consolidated within Defra Resource Account

Defra's departmental boundary in 2008-09 comprised the core department and its associated Agencies and Non Departmental Public Bodies (NDPB's):

Executive Agencies

Animal Health

Centre for Environment, Fisheries and Aquaculture Science

Central Science Laboratory (until 31 March 2009)

Government Decontamination Service (until 31 March 2009)

Marine and Fisheries Agency

Rural Payments Agency

Veterinary Laboratories Agency

Veterinary Medicines Directorate

Executive NDPB's

Agricultural Wages Board for England and Wales

Agricultural Wages Committee

Advisory NDPB's (Defra funded)

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

Bovine TB Science Advisory Board

Committee on Radioactive Waste Management (transferred to DECC)

Darwin Advisory Committee (the Darwin Initiative)

England Implementation Group of the Animal Health and Welfare Strategy for Great Britain

Expert Panel on Air Quality Standards

Farm Animal Genetics Resources Group

Farm Animal Welfare Council

Independent Agricultural Appeals Panel

Inland Waterways Advisory Council

Pesticides Residues Committee

Royal Commission on Environment Pollution

Science Advisory Council

Sustainable Development Commission (until 31 January 2009)

Veterinary Products Committee

Veterinary Residues Committee

Zoos Forum

Advisory NDPB's (non Defra funded)

Spongiform Encephalopathy Advisory Committee (jointed funded with the Department of Health and Food Standards Agency)

Fuel Poverty Advisory Group (transferred to DECC)

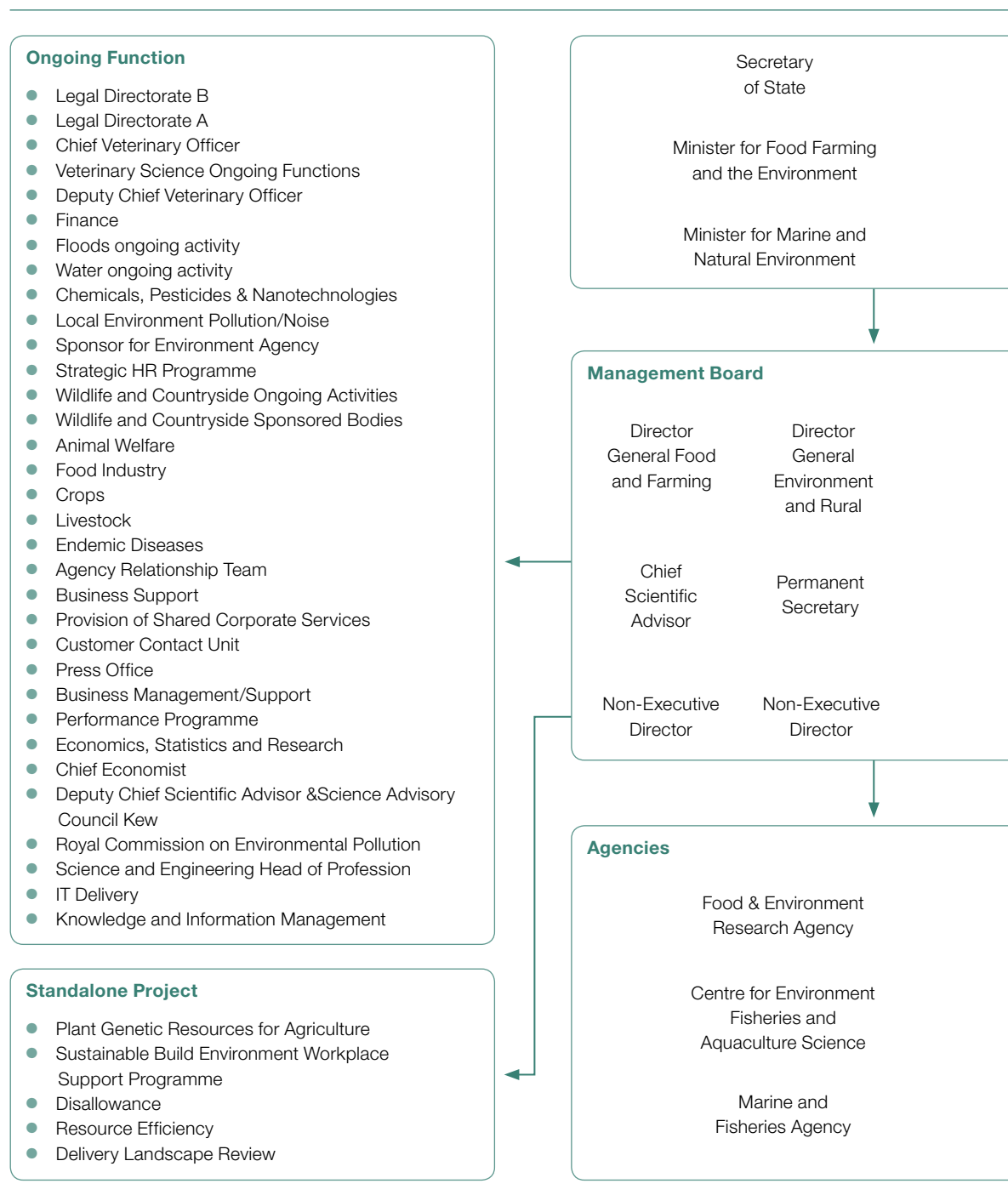
Tribunal NDPB's

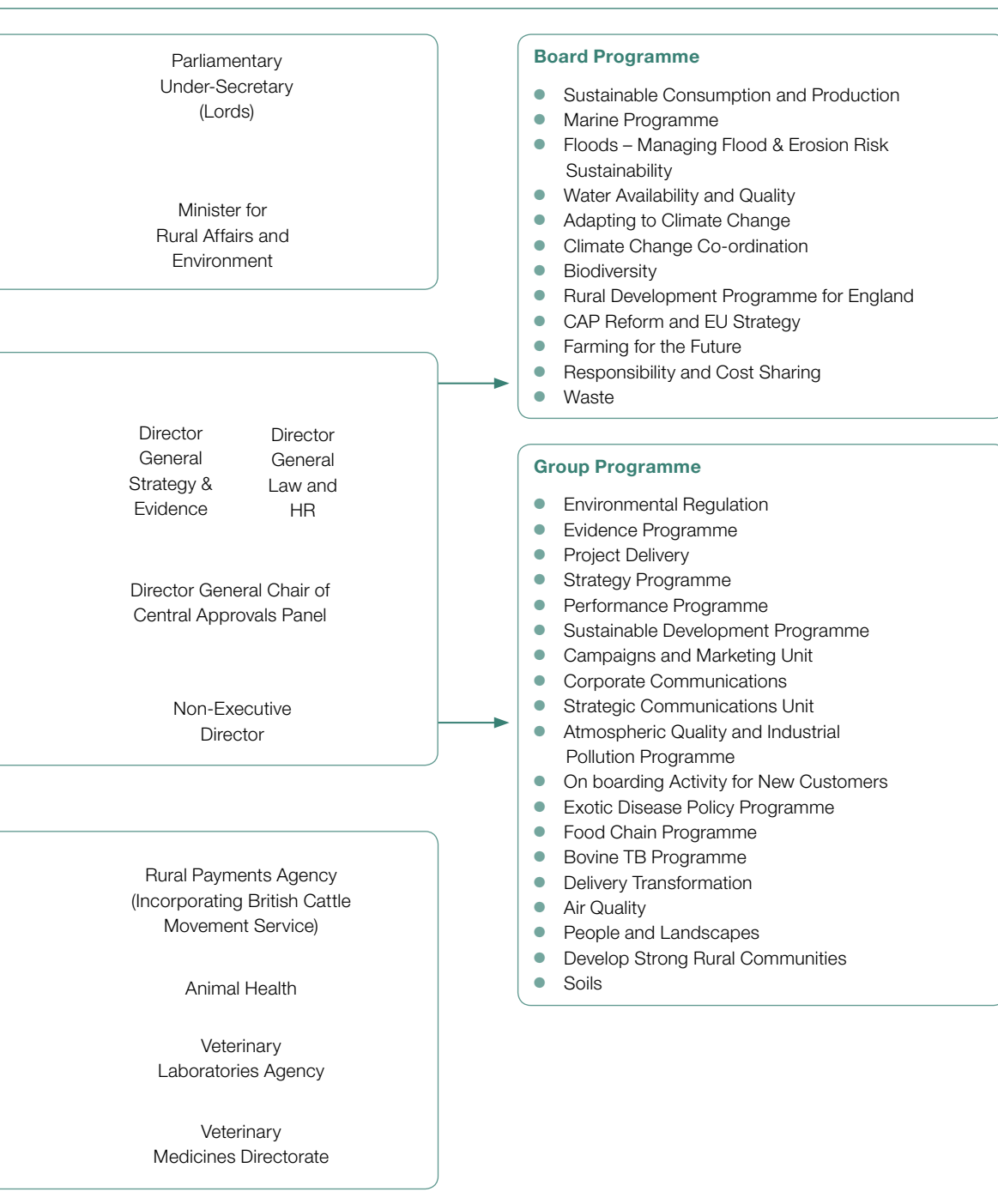
Agricultural Land Tribunal (England)

Plant Varieties and Seeds Tribunal

Appendix Three

Defra Organisational Chart





Appendix Four

Employment/staff resource statistics for Defra and its Agencies

Defra and its Agencies

Department for Environment Food and Rural Affairs (excl. agencies)

Centre for Environment Fisheries and Aquaculture Science

Central Science Laboratory

Government Decontamination Services

Marine and Fisheries Agency

Pesticides Safety Directorate

Rural Payments Agency

Animal Health

Veterinary Laboratories Agency

Veterinary Medicines Directorate

Source: Civil Service yearbook 2009

NOTE

8.5 per cent of civil servants are from an ethnic minority, while 6.6 per cent have some kind of disability (Civil Service Statistics April 2008)

Number of employees	Ethnic minority employees as percentage of known ethnicity	Number of Disabled employees (as percentage of overall employees)	Number of employees in senior civil service (as percentage of overall employees)	Number of female employees full-time equivalent (as percentage of overall employees)
3,050	15.4	150 (4.91)	160 (5.24)	1,420 (46.72)
530	2.7	30 (5.66)	0 (0)	200 (37.73)
640	2.6	10 (1.56)	10 (1.56)	280 (43.85)
30	0.0	0 (0)	0 (0)	10 (33.33)
180	11.3	10 (5.55)	0 (0)	50 (27.77)
180	0.0	20 (11.11)	0 (0)	80 (44.44)
3,440	3.8	320 (9.30)	10 (0.29)	1,740 (50.76)
1,640	3.3	110 (6.71)	10 (0.78)	870 (53.19)
1,280	6.4	100 (7.81)	0 (0)	690 (52.35)
140	4.4	10 (7.14)	0 (0)	80 (57.14)

This report has been printed on Consort 155

Design & Production by
NAO Marketing & Communications Team
DP Ref: 009107-001 | Printed by Precision Printing

