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DEFRA Departmental Report 2002

DEFRA

Department for
Environment,
Food & Rural Affairs

This is a part of a series of departmental reports which, along with the Main Estimates 2002-03 and the Supplementary Budgetary Information 2002-03 and the document *Public Expenditure: Statistical Analyses 2002-03*, present the Government's expenditure plans for 2002-03 to 2003-04. The plans were published in summary form in the Budget documentation.

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Foreword by Margaret Beckett, Minister for Environment, Food and Rural Affairs

The last year has seen the creation of the new Department, DEFRA, at a time of enormous effort by its staff, those of its predecessors and in our regional and agency arms. This report catalogues a huge diversity of work which affects the lives of everyone in Britain, and many elsewhere in the world. However, in addition to the creation of DEFRA, two other issues stand out to me as having lasting impacts: the 2001 outbreak of foot-and-mouth disease, and successes and challenges in securing agreement on tackling climate change.

It is now nearly a year since the Prime Minister asked me to be the first Secretary of State for Environment, Food and Rural Affairs and to oversee the creation of DEFRA. This has involved creating a whole new Department with a distinctive culture, and I pay tribute to Brian Bender and all other staff concerned for addressing so quickly and effectively a wide range of difficult issues – from pay and conditions and incompatible IT systems to setting up the new Management Board, the values, working methods, vision, and aim and objectives for DEFRA. But the creation of a new Department was just the start.

We need to build on the strengths of the former Departments and develop synergies between the different work areas where the new Department created a more unified structure for delivery of government policies, for example on marine issues, rural affairs and sustainable farming. I am particularly pleased that we are working closely with the Prime Minister's Office for Public Services Reform to strengthen the change programme. As the Prime Minister said after visiting the Department in February, "the challenge is to harness the commitment of staff to find innovative ways of improving further the quality of our services."

By bringing together the areas within DEFRA we have improved the structures that are essential to the Government's programme on environment, food and rural affairs. The future of farming will be strongly influenced by how well farmers protect the environment and how we – in society and Government – reward them for the environmental services they offer. DEFRA's environment and farming responsibilities mean that we can address these issues effectively. Similarly, by focusing the Government's expertise in rural affairs within one Department we can do more to promote the interests of the quarter of the population who live there. Climate change could affect the lives of us all, but it will have a particular impact on farming, other rural land uses and wildlife. And the policies we need to put in place to cope with increased risks of flooding link to climate change at root. DEFRA brings together all of these issues, so that we can consider them in the round. We have a better structure of government that will give us a head start in tackling these challenges.

I attach great importance to sustainable development as a unifying concept, bringing together as it does economic prosperity,

a better environment and social justice. The challenge is to turn the concept into reality, across government and society and, for DEFRA, in our policy areas and our own day-to-day operations. This is why as an early priority we began work on our own Sustainable Development Strategy. Sustainable Development means a better quality of life for people now and for future generations. It is on helping deliver practical measures to achieve this that our contribution to the Government's overall programme will be judged.

The 2001 outbreak of foot-and-mouth disease was unprecedented in scale and in its impacts on the economy, people in rural areas, farming and the public services. It is to the credit of many people in and out of government that the disease was eventually brought to an end. Its impact was such that across the world, governments have had to revise their foot-and-mouth disease contingency plans. But we need to learn lessons about what we did well and what we did not, and have established inquiries to do so on:

- best policies for food and farming;
- practical management of outbreaks of animal disease; and
- the science that underpins policy.

Already, Sir Don Curry has reported on the future of food and farming and I have launched a programme of stakeholder engagement to take forward his recommendations. We have also set up the Rural Affairs Forum and regional equivalents to give a very wide range of rural organisations a voice in policies that affect them. Shortly, we will receive reports by Iain Anderson on the lessons learned and from Sir Brian Follett on the scientific and veterinary implications. Taking forward recommendations from these inquiries will be a priority.

We played a part in securing good outcomes from vital international negotiations on tackling climate change in Marrakech and Bonn. These ensure that the global consensus on science, actions we must take and the legal framework remain largely intact prior to the Kyoto Protocol coming into force this year. The UK has completed the Parliamentary process for ratifying the Kyoto Protocol and intends to ratify in June with the rest of the EU. However, it remains difficult to make progress whilst the US is not fully engaged and my visit to Washington in December showed our determination to maintain an effective link between the Kyoto process and the US.

Global diplomacy is but one challenge, as we must also deliver practical solutions to reducing emissions. We must take business and people along with us, and use science and technology to find solutions that allow economic growth whilst reducing emissions. Government programmes on energy efficiency, low carbon energy sources, hydrogen fuel cell vehicles, fuel poverty and emissions trading are practical steps launched this year to demonstrate globally our commitment to meeting the Kyoto Protocol challenges.

At the World Summit on Sustainable Development in Johannesburg this year the UK's strategic objective is to make globalisation work for sustainable development, especially for the poorest. We feel the Summit should mark a significant move towards greater prosperity and security for all, but offer more help for those who need it most. We will work for an outcome which fosters effective, practical action by all countries and stakeholders, by demonstrating practical solutions to big problems, and a willingness to break down traditional barriers. As a key EU country, with strong and tangible links with the US, the G8 and the Commonwealth, the UK has a unique role to play. I, and my Cabinet Colleagues, remain committed to that role.

Margaret Beckett

Rt Hon Margaret Beckett MP
Secretary of State

Chapter 1

Introduction to DEFRA

DEFRA, the Department for Environment, Food and Rural Affairs, deals with the essentials of life – food, air, land, water and communities. Everyone in the UK is a customer of ours and we work closely with business (including farmers), charities, local authorities and other government departments.

DEFRA was formed in June 2001 by merging a number of government departments. This was because the areas with which DEFRA deals are interrelated – for example, a decision about the food chain may have an impact on jobs in rural communities and on the environment. DEFRA is the government department which co-ordinates and implements policies in these areas.

The creation of the new Department has made it possible to refocus our work and to reorganise ourselves to meet the challenges we face. At DEFRA we are working to:

- produce a better environment for all;
- ensure wise use of resources;
- create the right conditions for a thriving and sustainable food and farming industry;
- make possible strong rural communities; and
- help create an enjoyable countryside for all.

To support this work we have set out a new vision, aim and a set of objectives to reflect our changed role and new priorities. We have established a developmental programme for DEFRA to map out our route to success. We recognise the important contribution science makes to our work and we are in the process of evaluating and strengthening our use of science. On 21 March 2002 we published a prospectus – *Working for the Essentials of Life* – setting out our agenda for the future and explaining in detail the challenges we face in the coming year. Copies of the prospectus can be found at www.defra.gov.uk

This Departmental Report for 2001/02 looks at our key achievements over the past year and explains what the reorganisation of the Department has meant for us in terms of the way we have organised ourselves to do our job. We also report on our financial performance and how we have performed against our Public Service Agreement targets.

This report also includes a chapter on the work of the Forestry Commission and it refers to the work of other members of the DEFRA family, including the Countryside Agency, the Environment Agency, English Nature and others connected with food, farming and fisheries.

Chapter 2

DEFRA's organisation

The Ministerial Team

Secretary of State The Rt Hon Margaret Beckett MP

The Secretary of State has overall responsibility for all Departmental issues and represents the UK at the EU Agriculture Council.

Minister of State (Environment) The Rt Hon Michael Meacher MP

Responsible for sustainable development, climate change, environmental protection, water issues, wildlife and conservation. Also for SSSIs and Areas of Outstanding Natural Beauty. Represents the UK in the EU Environment Council.

Minister of State (Rural Affairs) The Rt Hon Alun Michael MP

Responsible for rural affairs, countryside issues, partnerships with voluntary and community groups in rural areas, and oversight of the delivery of the Rural White Paper. Also for hunting with hounds, regional issues and the overall lead on ERDP. Department's e-business strategy.

Parliamentary Under-Secretary Elliot Morley MP

Responsible for animal health (including TSEs and the follow up to the Phillips Inquiry Report), animal welfare, fisheries (represents the UK at the EU Fisheries Council), whaling, forestry, agri-environment schemes, flood and coastal defence and Departmental administrative issues.

Parliamentary Under-Secretary The Lord Whitty of Camberwell

Responsible for food, farming, horticulture, plant health, Rural Payments Agency and inland waterways. Also has general oversight of Departmental science and research and development.

DEFRA Management Board

Brian Bender

Permanent Secretary

Dinah Nichols

Director General: Environmental Protection

Andy Lebrecht

Director General: Food, Farming & Fisheries

Anna Walker

Director General: Land Use & Rural Affairs

Prof. Howard Dalton

Chief Scientist and Head of Science Directorate

Jim Scudamore

Chief Veterinary Officer and Director: General Animal Health & Welfare

Andrew Burchell

Finance Director: Finance, Planning & Resources

Kathryn Morton

Solicitor and Director General: Legal Services

Mark Addison

Director General: Operations & Service Delivery

Brian Harding

Director: Policy & Corporate Strategy Unit and Secretary to Management Board

Lucian Hudson

Director: Communications

Non-Executive Members of the Management Board

Alison Huxtable

Elizabeth Ransom

Richard Wakeford

A new structure which reflects our priorities

Within the Ministerial Team, there is accountability for our major policy areas under the leadership of the Secretary of State. At official level, a new management board structure is in place which brings in new blood, ensures the structure fits our purpose and strengthens the leadership of our core professions, specifically:

- three major Directorate-General lead our work on environment protection, rural affairs and food chain;
- professional services in science, animal health and welfare and legal are led from board-level appointments;
- a new Director General for operations and service delivery gives a focus on customer services and operations;
- a new Chief Scientific Adviser heading the Science Directorate has been appointed to raise the profile of science within DEFRA and across government, and to help restore public confidence in government science; and
- three non-executive directors bring a sharp external perspective to our work.

The new structure has also resulted in significant changes elsewhere in the organisation. Key changes to our structure include:

- a new focus on the food chain, with two major Directorates (one focusing exclusively on livestock, and the other on all other food issues) linking primary production, food industry and consumer issues;
- a new sustainable agriculture strategy division, merging staff from former DETR, MAFF, environment and agriculture policy divisions and a new livestock strategy division;
- a stronger focus on land management, including a new division focusing on all advisory services, extension and training for farmers and land managers;
- a new focus on rural affairs, with a new Director General and a new Directorate focusing on economic and social issues;
- work on hill farming and flood defence have been brought into the Land Use and Rural Affairs Directorate General;
- a new Europe Environment Division has been created, to allow greater prominence to be given to securing UK objectives on environmental protection and sustainable development in Europe; and
- a focus for all work on animal health and welfare under the Chief Veterinary Officer.

Cross-cutting working

The creation of DEFRA has made it possible for us to focus on what needs to be done in the shorter and medium term to achieve the long-term transformation we seek and on the role we should play to achieve results. We are determined to build on the synergies that the establishment of the new department provides and to reduce any overlap and duplication between its constituent parts. This will enable us to contribute much more effectively to delivering the Government's aims, for example on agriculture and the environment, on diffuse pollution and water quality, and in taking a more holistic view of the rural economy and the interdependence of different strands.

An example of this cross-cutting working was the launch of a consultation paper, *Sustainable Food and Farming: Working Together*. This presented economic analysis and evidence on the contribution of food and farming to sustainable development, drawing on collaborative work across the new Department and its agencies. We also completed a major collaborative study looking at the economic impacts of the Common Agricultural Policy (CAP) reform working with partners in other EU member states.

Staffing

Roughly 14,000 people work directly for DEFRA at our London headquarters and in many other offices across England. Another 4,000 are employed by organisations in which we invest. The diversity of our staff reflects the range of our interests. They include scientists, vets, ecology experts, economists, lawyers, accountants and auditors.

The creation of DEFRA has given added impetus to the diversity and equality programme and 'diversity' is identified as one of the DEFRA values. Work will continue on building new equality policies for DEFRA and on raising diversity awareness.

Staff in post table at 15 March 2002 for core – DEFRA

Grade	Men		Women		Part time		Ethnic minority*		Disabled	
	No	%	No	%	No	%	No	%	No	%
SCS	107	75	35	25	6	4	4	3	2	1
Grades 6	87	78	24	22	8	7	0	0	4	4
Grades 7	329	74	115	26	24	5	10	2	22	5
SEO	520	68	243	32	80	10	18	2	29	4
HEO	621	57	472	43	107	10	33	3	44	4
EO	860	52	797	48	127	8	78	5	78	5
AO	821	39	1,264	61	229	11	154	7	121	6
AA	356	40	533	60	122	14	87	10	106	12
Total	**3,701**	**52**	**3,483**	**48**	**703**	**10**	**384**	**5**	**406**	**6**

* Please note that the resurvey of staff on the basis of new census categories is still under way and the figures above are based on a 70 per cent response rate.

Executive agencies

DEFRA has six executive agencies.

Rural Payments Agency

Rural Payments Agency (RPA) is DEFRA's largest executive agency. It was established on 16 October 2001 as a single accredited EU paying agency. It is the paying agency responsible for the EU CAP schemes in England and for certain schemes throughout the UK. RPA is also the recognised Funding Body responsible for receiving and accounting for all CAP Guarantee Funds.

On 24 July 2000 the then Minister, Nick Brown, announced that MAFF would restructure its decentralised activities. This would involve the merger of its CAP payment functions with those of the Intervention Board (IB), making full use of modern technology to provide a top quality service to farmers and traders while providing significant cost savings administering payments. At the same time, MAFF would strengthen its contribution to the wider rural economy through greater integration of strategic and policy activities in the regions with Government Offices and creation of the Rural Development Service (RDS) primarily to deliver the England Rural Development Programme (ERDP). Part of this process involved the movement of former MAFF staff to the Government Offices to build up their rural capabilities and improve their links with what has become DEFRA.

From 1 April 2001, the CAP payment work of the IB and the former Regional Service Centres (RSCs) was drawn together within one management structure. On 16 October, the RPA was created as an executive agency of DEFRA under its Chief Executive, Johnston McNeill. RDS was created on 1 April 2001 by merging the former Farming and Rural Conservation Agency (FRCA) and the ERDP and non-CAP payment work of the RSCs. The completion of these changes was, however, delayed until much later in the year as regional staff were assigned to foot-and-mouth disease (FMD) duties from February 2001 onwards. In some cases staff did not return to normal duties until 2002.

The FMD outbreak had a serious impact on the work of RPA. The Agency reacted quickly to the crisis and took on responsibility for a number of new schemes as a result. This included, amongst others, the Livestock Welfare (Disposal) Scheme and elements of the Sheep Autumn Movement Scheme.

More information on RPA and its activities can be found at www.rpa.gov.uk

Our other executive agencies

Centre for Environment, Fisheries and Aquaculture Science (CEFAS) has taken a leading role in the development of a strategy for integrated marine environmental monitoring with other organisations in the UK. This will guide the future of the monitoring programmes that provide information for both national and international environment protection.

As part of the UK's international obligations under OSPAR (the Oslo and Paris Convention for the protection of the marine environment of the North-East Atlantic), CEFAS is providing the chairmanship of the new OSPAR group SEABED which deals with the use of and impacts on the seabed. We control the quantity of contaminants deposited at sea in dredged material and the approval of oil dispersants (for use in response to oil spills) by the rigorous application of the Food and Environment Protection Act 1985. Fuller details of CEFAS's work can be found at www.cefas.co.uk

At Central Science Laboratory (CSL) operational activities have been dominated by extensive technical support for eradication of foot-and-mouth disease (FMD). At times, over 20 per cent of CSL staff were seconded to support the regional control centres, biosecurity, fieldwork and database management. Throughout the outbreak, CSL managed to maintain important research on other key issues such as bovine TB in badgers, rabies contingency plans and botulism in food processing. More information on these and other aspects of CSL's work can be found on our website at www.csl.gov.uk

The *Report of the Quinquennial Review* of the Pesticides Safety Directorate (PSD) was published and concluded that PSD should remain an executive agency of DEFRA. A number of recommendations made in the *Report of the Better Quality Services Review*, which ran concurrently, are being taken forward to ensure that PSD continues to deliver an efficient and effective service. More information on PSD can be found at www.pesticides.gov.uk

The Veterinary Laboratories Agency's (VLA) unique emergency response capability was called on again in 2001 to help counter the FMD epidemic. This followed on the heels of the classical swine fever (CSF) outbreak that VLA helped to identify and control in 2000. Despite FMD not being a core disease area, VLA's veterinarians and other scientific specialists (epidemiologists, risk researchers etc) were seconded to all parts of the country to help deal with the outbreak. The Agency's Purchasing and Supply Unit also provided a central source of equipment and consumables to supply DEFRA's Animal Health Offices. A major role was played by scientists and IT specialists in VLA's large-scale testing area in the scale-up of FMD serology testing at the Institute of Animal Health Laboratories and at VLA laboratories in Penrith, Shrewsbury and Luddington. Further information on the work of VLA can be found at www.defra.gov.uk/corporate/vla/

The Quinquennial Review of the Veterinary Medicines Directorate (VMD) was published and it was concluded that the VMD should remain an executive agency for another term. The VMD continues to deliver improvements in its quality of service and cost-effectiveness as specifically identified by the Better Quality Services review. The Reviews established that the retention of agency status was the most appropriate means of delivering these goals over the next five years. More information on the background and purpose of VMD can be found at www.vmd.gov.uk

Strategic relationships

Some of the organisations we work closely with to achieve a strategic focus include the Environment Agency (EA), the Countryside Agency (CA) and English Nature (EN)

EA plays a major role in promoting a better quality of life for everyone. The Agency's key aim is to protect and improve the environment and, in so doing, contribute to sustainable development. More information about the work of EA can be found at www.environment-agency.gov.uk

CA works to conserve and enhance the countryside, to promote social equality and economic opportunity for the people who live there, and to help everyone enjoy the countryside. Further details on how CA does this can be found at www.countryside.gov.uk

EN champions the conservation of wildlife, geology and wild places. That role is explained further at www.englishnature.gov.uk

Chapter 3

What we do

Our aim and objectives were agreed after extensive consultation with people inside and outside DEFRA. In broad terms we aim to:

- protect and improve the environment;
- make the countryside a good place to live, work and visit;
- ensure a safe, reliable and competitive food chain and water supply; and
- promote high standards of animal health and welfare.

This involves striking a balance between addressing the needs of today and safeguarding the interests of future generations. This means ensuring a better quality of life for everyone, now and in the future, through sustainable development.

DEFRA is involved in a huge range of activities. In addition to working through the Departments agencies and Non-Departmental Public Bodies (NDPBs), our key roles and responsibilities often involve working with other government departments, with the devolved administrations and other parts of government including Regional Development Agencies (RDAs), government offices and local authorities.

Our strategic priorities are:

- Taking the lead internationally
- Intervening effectively to improve people's quality of life
- Becoming a strategic partner in revitalising rural communities
- Intelligent sponsorship of food and farming
- Getting evidence, and reducing and managing risks

Our vision

Our vision of the future is of a world in which climate change and environmental degradation are recognised and addressed by all nations and where low carbon emissions and efficient use of environmental resources are at the heart of our whole way of life. Where, here in the UK, rural communities are diverse, economically and environmentally viable, and socially inclusive with high quality public services and real opportunities for all. A country where the food, fishing and farming industries working closely together and with Government are not dependent on output-related subsidies to produce safe, nutritious food which contributes positively to consumer choice and the health of the whole nation. A place where the land is managed in such a way as to recognise its many functions, from production through to recreation; where we seek to promote biodiversity on land and in our seas; and where the promotion of animal welfare and protection against animal disease is at the core of the way in which we farm and live. The pursuit of sustainable development, environmental, economic and social, is vital to achieving this vision.

DEFRA's **aim** is sustainable development, which means a better quality of life for everyone, now and for generations to come, including:

- a better environment at home and internationally, and sustainable use of natural resources;
- economic prosperity through sustainable farming, fishing, food, water and other industries that meet consumers' requirements, and
- thriving economies and communities in rural areas and a countryside for all to enjoy.

Objective 1

To protect and improve the rural, urban, marine and global environment and conserve and enhance biodiversity, and to lead integration of these with other policies across Government and internationally.

Objective 2

To enhance opportunity and tackle social exclusion through promoting sustainable rural areas with a dynamic and inclusive economy, strong rural communities and fair access to services.

Objective 3

To promote a sustainable, competitive and safe food supply chain which meets consumers' requirements.

Objective 4

To improve enjoyment of an attractive and well-managed countryside for all.

Objective 5

To promote sustainable, diverse, modern and adaptable farming through domestic and international actions and further ambitious CAP reform.

Objective 6

To promote sustainable management and prudent use of natural resources domestically and internationally.

Objective 7

To protect the public's interest in relation to environmental impacts and health, including in relation to diseases which can be transmitted through food, water and animals, and to ensure high standards of animal health and welfare.

A new start: developing DEFRA

The Department has undergone a complex merger, involving aligning the people, working practices, accommodation, policies, resources and values of three organisations, the former Ministry of Agriculture, Fisheries and Food (MAFF), the Environment Protection Group and Wildlife and Countryside Directorate of the former Department for Environment, Transport and the Regions (DETR) and a small number of Home Office staff. The creation of DEFRA allowed for little formal planning of the complex logistics of the merger and the new Department came into being whilst many people were still handling the FMD outbreak. The Developing DEFRA Programme has been set up to bring people from across the organisation together to co-ordinate all the work needed to create our new Department in more than just name.

The Programme gives us a framework in which we can work together to make our Department:

- Respected internationally, among stakeholders and within government;
- Outward-looking, professional and expert, so that it makes a real difference;
- Deliver its policies and services effectively, understand the needs of our customers and welcome feedback on performance; and
- Attract, retain and motivate the best people (working for re-accreditation as an Investor in People 2002) and make creative and innovative use of IT and e-business.

Each element of the Programme has been project managed to ensure overall cohesion, clear reporting to the DEFRA Management Board, accountability for the audit trail and clear communications to staff. The Programme has culminated in generating a business case for investment in new systems and working practices to support development of the new Department. The Programme is not simply targeted at a successful merger, but also at putting in place a culture and practices which help the organisation continue to change towards being a modern and customer-focused public service organisation. Clear critical success criteria have been developed and these will be evaluated over time to ensure the success of the Programme.

A new approach: DEFRA's values

Public services generally are adapting to a changing world and heightened expectations of what they can achieve, how they are scrutinised and what employees and customers expect of them. So too is DEFRA. At the heart of this is how we behave to each other, our colleagues in government and to our customers and stakeholders. DEFRA has developed an ambitious but widely-shared set of values. Living up to these will mean changing the way we work and improving the delivery of services to our customers.

DEFRA's values

DIVERSITY We treat everyone fairly and encourage, value and recognise everyone's views and contributions.

EMPOWERMENT We give information, authority and trust to people so that they can make decisions and manage risks. We take personal responsibility for what we do and work creatively, embrace change and learn from successes and mistakes, constantly striving for improvement. We invest in our people and develop their potential.

FOCUS We are focused on providing a high quality and efficient service to our customers. We plan our operations and policies carefully and base our policies on evidence.

RELATIONSHIPS We work with energy, enthusiasm, courtesy and consideration, and value leadership and teamwork at all levels. We work together across the different parts of DEFRA. And we work in partnership with others, both within and outside government, knowing that what we do makes a difference to people's lives.

ACCESSIBILITY We work openly, honestly and with integrity, and we share information with each other and our stakeholders.

A new way of working

We are developing working practices which will enhance our efficiency and focus on delivery, in particular:

- strengthening leadership at all levels of the organisation;
- developing further the culture of basing policy on evidence and making this open to external scrutiny, and assuring the highest quality;
- delivering work through cross-sectoral and cross-disciplinary teams, using best practice in project planning;
- working in partnership with our agencies, other departments, other levels of government (local and international) and client organisations;
- managing our relations with a wider range of stakeholders more actively; and
- investing in efficient, customer-focused and e-business delivery of services to customers (such as the establishment of Rural Payments Agency (RPA).

Like every organisation we want to put our customers first, to be open, to work efficiently, to achieve results and to get the feedback we need to do a good job. We also have three special challenges.

We have to address an exceptionally wide range of issues, many of which are interrelated. That requires creativity and joined up thinking. So one of our hallmarks is the way we put together teams of people with different skills and different areas of interest.

Evidence-based policy making

DEFRA is committed the use of high quality evidence in policy making. Typically the type of evidence we use comprises research and development, surveillance and monitoring programmes, economic and statistical research and analysis, statistical surveys, and policy appraisal and evaluation.

The provision of high-quality scientific advice and expertise drives much of our work and helps us to deliver against our key policy objectives and underpinning Public Services Agreement (PSA) targets. In recognition of the important contribution that science makes to evidence-based policy making we have set in hand a fundamental review of the organisation of science in the Department led by a new Chief Scientific Adviser and a strengthened Science Directorate.

Key achievements in the areas of science and economic and statistics over the past year have included:

- implementing the Guidelines 2000 principles for scientific advice and policy making;
- delivery of a forward looking programme of research and evaluation studies which seeks to strategically link evaluation studies to the evidence base required for forthcoming policy issues;
- launching a web-based horizon scanning programme which will enable us to plan our future research requirements so that we are better prepared for potential challenges;
- expansion of the Bovine TB research programme to include pathogenesis of disease in cattle and economic assessment of the possible control policies;
- launching a joint DEFRA/Environment Agency programme of flood and coastal defence research;
- working to develop the rural evidence base through scoping studies to map out currently available rural statistics and socio-economic research, to identify gaps and to develop plans for enhancing the evidence base, and we have carried out an evidence assessment of the costs and benefits of rural development measures;
- analysis of the economic costs of foot-and-mouth disease (FMD) to the taxpayer, the agriculture sector, the leisure and tourism sector and the broader rural economy;
- securing substantial improvements to the draft proposals for the sixth EV Research and Technological Development framework programme;
- near completion of a Quinquennial Review of the Royal Botanical Gardens Kew;
- review and extension of the Sustainable Arable (SAPPIO), Sustainable Livestock Production and Horticulture LINK programmes; and
- relaunch of the Advanced Food Manufacturing LINK programme with new co-sponsors and new technological priorities.

Service delivery and customer focus

To strengthen DEFRA's focus on delivery, responsibility for internal and key external services have been brought together under the new post of Director General for Operations and Service Delivery. The external services include the Rural Development Service (1,688 staff) and the Veterinary Field

Service (1,291 staff). The Director General also has overall control of the internal services in the Department namely Communications (148 staff), e-Business (615 staff) and Corporate Services (675 staff).

A key element of this new focus is the promotion of an approach to service delivery which is based on customer focus and uses sound planning and effective performance measurements to improve delivery standards and customer satisfaction. A review of service delivery was launched this year. The aim of the review is to develop a programme of work which will create a fresh approach to service delivery, placing outcomes and customer needs at the heart of Departmental delivery and policy making. The programme of work will involve Departmental initiatives over a three-year period and will begin in 2002/03.

The Department has worked with the Public Services Productivity Panel (PSPP) and was closely involved in the development of the PSPP report, published in November, on 'Customer-focused Government'. DEFRA is taking those recommendations forward as part of its commitment to increase the impact of its operations and to be more outward facing.

Communications

Since the formation of DEFRA we have been working towards the development of a strategic approach to communications. A corporate communications strategy is being developed.

During the past year a communications planning function has been introduced and a more strategic briefing unit developed. We have reviewed a range of communications tools including our website and we have developed a new corporate identity.

The results of our service delivery review in January 2002 recommended an immediate focus on DEFRA's external communications to improve stakeholder relationships. We will be taking this work forward.

e-Business and Modernising Services

The e-Business Directorate is responsible for delivering IT services to DEFRA Headquarters, and some DEFRA agencies. These services include both corporate IT (for example desktop computers and computer networks), and development of IT systems to support specific areas of business (for example IT to support animal health work).

IT services are currently provided by in-house staff working with commercial suppliers. During 2001/02, the Department decided to outsource IT delivery to commercial suppliers, and a programme to achieve this is now under way. The programme is expected to take around two years to award of contract. It is subject to independent review through the 'Gateway Review' procedures managed by the Office of Government Commerce (OGC).

The e-Business Directorate is responsible for developing and overseeing implementation of DEFRA's e-Business Strategy, which can be found on the DEFRA website at www.defra.gov.uk/ebus/strategy/strategy.htm This sets out our vision for modernising the services we provide and ensuring they are customer-focused. A key target is that all services should be electronically enabled by 2005. We are focusing on how to encourage the take up of those electronic services likely to be used most by our customers.

Development of computer systems providing new, electronic services has continued. We provided a range of facilities to support the handling of the foot-and-mouth crisis including emergency databases, websites, interactive maps and compensation schemes. There is a high volume electronic service *CTS Online* (involving more than 2 million transactions in 2001) for registering cattle births and movements at the British Cattle Movement Service, which is part of DEFRA. We also delivered a system to allow online completion of farm subsidy claims, via the Government Gateway. The latter provides an electronic route into government services, with security and authentication facilities. While the number of people who used the service was limited, DEFRA learned it is an important vehicle for learning valuable lessons about what will encourage or deter use of electronic services.

Sustainable development

In order to achieve our overall aim, we need to look at how our policy areas, our services and our day-to-day operations can deliver sustainable development. With input from staff, stakeholders and the public, we are currently developing a strategy to ensure that DEFRA plays its part in making sustainable development a reality. The main aims of the strategy are: To set out how our policies will be developed in order to meet economic, social and environmental objectives at the same time.

To identify cross-cutting policy areas where we can make the greatest impact on sustainable development.

To consider opportunities to contribute to sustainable development through the day-to-day running of our own operations. The strategy, which will be launched later this spring, will also outline a plan to monitor and report on our progress.

Rural proofing

Along with other government departments, DEFRA rural proofs its policy work. This was a Rural White Paper commitment to ensure that the rural dimension was taken into account in developing all the Government's policies. Although many of DEFRA's policies (eg farming) could be seen as affecting only rural areas, care still needs to be taken to ensure that rural social and economic consequnces are taken into account.

DEFRA, with help from the Countryside Agency, also co-ordinates and monitors rural-proofing across government. DEFRA Ministers represent rural interests on various Cabinet sub-committees dealing with issues such as older people and crime reduction. On 11 April the Coutnryside Agency published its first annual report on rural proofing, drawing attention to significant success in putting the processes in place and in building the rural dimension into new initiatives such as Sure Start, but also pointing to important areas where more work is required.

Chapter 4

Our achievements 2001/02

During 2001/02 much of the work of DEFRA and of MAFF and DETR (prior to June 2001) was overshadowed by the massive impact of foot-and-mouth disease (FMD). The eradication of the disease was a major challenge.

Foot-and-mouth disease

The outbreak of 2001 was unparalleled and was possibly the most serious epidemic to affect an until now FMD-free country anywhere in the world. There had never been an outbreak of this scale in sheep (FMD in sheep is harder to detect, even for professional vets and cross-country sheep movements were widespread in the period when the disease took hold). By the time the case considered to be the first in the series of outbreaks in Northumberland was identified the virus was already present, mainly as a result of these movements, in at least 57 premises, and probably many more. Each acted as a centre for a major outbreak.

The epidemic differed significantly to the last major UK outbreak in 1967/68. It was a national epidemic, predominantly in sheep, whereas the 1967/68 outbreak was mainly a disease of cattle in the dairy farms of the Cheshire Plain. In this outbreak, over four million animals were culled, with half a million in one week at the peak. This compares with 434,000 in the whole of the 1967 outbreak, with a peak of 13,500 culled animals in one week. But despite this, the two epidemics were controlled in almost exactly the same time (32 weeks from first to last case).

As a result of the UK experience, countries across the world are substantially reviewing their own contingency plans, concerned that if they faced an outbreak of this magnitude in their livestock they could be overwhelmed.

Our success in controlling the disease was due to the fact that throughout the crisis, policy and operations decisions were based on the most up-to-date scientific and veterinary evidence. It also owed a huge amount to the 7,000 civil servants, 2,000 vets and 2,000 armed forces personnel who were involved at the peak of the outbreak, in what was a massive logistical exercise.

The recovery from the outbreak is a real testament to the endurance of the farming and rural communities. The fact that so many farmers who lost their animals are choosing to remain in the industry and to restock in some way speaks volumes for their commitment to the industry. Rural businesses and communities also showed great resilience.

A 'Lessons Learned' Inquiry has been set up to make recommendations for the way in which the Government should handle any future major animal disease outbreak, in the light of the lessons identified from the handling of the 2001 FMD outbreak under the Chairmanship of Dr Iain Anderson. Recommendations arising from the Inquiry are expected to be made by mid-2002. More information about the Inquiry can be found at www.fmd-lessonslearned.org.uk/

DEFRA has also produced an interim contingency plan taking on board our experiences in the outbreak. This was published for consultation on 12 March 2002. Details of the consultation can be found at www.defra.gov.uk/news/2002/indx2002

Key achievements in 2001/02

Despite the foot-and-mouth crisis, we drove forward a range of important work in our key policy areas. Our headline achievements for the year are listed below under our objectives.

Objective 1. To protect and improve the rural, urban, marine and global environment and conserve and enhance biodiversity, and to lead integration of these with other policies across Government and internationally.

- We made a major contribution to the successful completion of the climate change negotiations in Bonn (July) and Marrakesh (November) paving the way for the ratification and entry into force of the Kyoto Protocol.
- River water quality is now the highest ever. In England, 94 per cent of rivers and canals were of good or fair chemical quality – up 3 per cent on the year before, and 94 per cent were also of good biological quality in 2000 – up 2 per cent on 1995.
- The Carbon Trust was set up in April 2001 to help the UK move towards a sustainable, low carbon economy whilst maintaining competitiveness.
- The EU Sustainable Development Strategy sets priorities for EU action: was agreed at the European Council held in Gothenburg in June 2001 and an external dimension was proposed for 2002.
- The National Wildlife Crime Intelligence Unit to be established in early 2002/03. We will be working to ensure its effectiveness by encouraging strong links between it and the enforcement community and by supporting work to ensure it is given good intelligence information. We will also assess the impact it has.
- We have been involved in complex preparations for the World Summit on Sustainable Development (WSSD) taking place in Johannesburg on 26 August – 4 September.
- Last year we contributed nearly £1 million to support global wildlife projects to conserve great apes, sharks and many other species.
- We launched the 'Flagship Species Fund' initiative on 20 November 2001. The Government will contribute a total of £280,000 over the next three years to the Fund, which is a joint, action-based initiative between DEFRA and Fauna & Flora International to provide practical support to help those in frontline conservation.
- We agreed to pay £17.3 million for the early surrender of peat cutting consents at three internationally important wildlife sites – Thorne Moor, Wedholme Flow and Hatfield Moor.

- The Environmental Know How Fund has supported environmental projects worth £2 million in central and eastern Europe, through the Department for International Development's country strategies. We contributed to the substantial progress in agreeing when countries seeking to join the EU will meet their environmental obligations.
- The UK signed the Stockholm Convention on Persistent Organic Pollutants in December 2001 and is now developing proposals to implement the Convention.
- The Wildlife Licensing and Registration Service achieved a Charter Mark, the Government award which recognises and encourages excellence in public service.
- The UK is an active party to the Bonn Convention on the Conservation of Migratory Species. On 19 June 2001, the UK was among seven countries that signed the Agreement on the Conservation of Albatrosses and Petrels.
- EU Environment Ministers unanimously adopted a common position on the proposed recommendation on integrated coastal zone management (ICZM) in Europe.
- An extension of arable options within the Countryside Stewardship Scheme was launched following a successful pilot, which will provide assistance for farmers to create new habitats for wildlife. The National Audit Office cited the pilot as an example of good evidence-based policy making.
- Successfully maintained the moratorium on whaling at the International Whaling Commission's (IWC's) annual meeting against a determined effort from traditional whaling nations to restore limited whaling activity.
- We played an active role at the Organization for Economic Cooperation and Development (OECD) Ministerial in May 2001 which endorsed recommendations on policies to achieve sustainable development and launched a new OECD environmental strategy for the first decade of the 21st century.
- We continued to drive forward action on biodiversity issues through the Convention on Biological Diversity, and provided a further £3 million through the Darwin Initiative to biodiversity projects, bringing our total funding to £24 million since 1993.
- We played a key role in the UK delegation to the 4th World Trade Organization (WTO) Ministerial at Doha in November 2001, which launched the first formal negotiations on the trade and environment relationship.

Objective 2. To enhance opportunity and tackle social exclusion through promoting sustainable rural areas with a dynamic and inclusive economy, strong rural communities and fair access to services.

- The Rural Task Force was set up by the Prime Minister in March 2001 to advise the Government on the impact of FMD on the rural economy. The early recognition by the Task Force that the measures taken to control the outbreak – footpath closures and carcass disposal methods – were having a serious impact on non-farming as well as farming businesses, resulted in a wide-ranging package of assistance for affected businesses. This included an initial £15 million of aid (the Business Recovery Fund) being made available in May to small rural businesses in the worst affected regions. This was followed by two further

tranches totalling over £39 million, to which individual Rural Development Agencies (RDAs) added at least £25 million from other funds of their own or European funds, bringing the total Business Recovery Fund up to £80 million.

- In January 2002 the Department established the Rural Affairs Forum for England which represents all aspects of rural opinion, and all the English regions, at the heart of government.
- The Rural Development Programme was considerably extended following the 2000 Rural White Paper so as to finance the Market Towns Initiative – a programme of regeneration of small rural towns and their hinterlands.
- We published *England's Rural Future* – Government's response to the Haskins and Rural Task Force reports, (www.defra.gov.uk/footandmouth/rural/taskforce).
- A programme for 2000/06 to implement the LEADER+ Community Initiative in England was approved by the European Commission on 9 August 2001, aiming to build capacity and support local rural communities in developing and implementing high quality, innovative strategies for sustainable development for their local area.
- We have enabled 'quality' town and parish councils by meeting certain criteria, including being well managed and good at representing local views, a greater role and more responsibility for managing and shaping their area's development. This includes running its services and facilities in 'Best Value' partnerships with local county and district authorities.

Objective 3. To promote a sustainable, competitive and safe food supply chain which meets consumers' requirements.

- The independent Policy Commission for Food and Farming was set up to take a radical look at agriculture policy in England. Its remit was to consider how best to foster a sustainable, competitive and diverse farming sector within a thriving rural economy which advances environmental, health and animal welfare goals. It reported in January 2002 and made over 100 individual recommendations relating to the common theme of reconnection within the food chain. A key recommendation was the early and radical reform of the Common Agricultural Policy (CAP).
- An action plan to deliver the package of long-term measures and short-term financial aid announced by the Prime Minister, in the Agricultural Strategy (March 2000) has been taken forward in 2001/02. This Strategy is about helping farming become more competitive and more sustainable in the medium and long term.
- A wider effort has been made to help the industry modernise and become more competitive through better business advice, diversification, improved marketing and more effective use of resources. A third round of the Agriculture Development Scheme was agreed on 31 August. Awards to the value of £2 million were announced on 18 February 2002. A new food chain centre was launched with DEFRA support in March 2002.

Objective 4. To improve enjoyment of an attractive and well-managed countryside for all.

- Countryside and Rights of Way Act 2000: significant progress was made on implementation of the provisions relating to access to open countryside, rights of way and vehicular access over common land.
- Under the EU Wild Birds Directive we, through the Joint Nature Conservation Committee, published a 10-year review of Special Protection Areas and established a scientific working group to monitor future needs.
- We worked with the Countryside Agency to produce a guide on the preparation and publication of *Areas of Outstanding Natural Beauty Management Plans*.
- Significant steps were taken on recreation and landscape issues, pursuing initiatives described in the Rural White Paper *Our Countryside: Our Future*, also set out in *England's Rural Future*.
- We began a Review of National Park Authorities in England in August. This is particularly concerned with issues of policy, governance, sponsorship and resources.
- The Your Countryside, You're Welcome campaign launched in March 2002 to explain the benefits of spending time in the English countryside this year and to encourage people to visit.
- In December, the Department published the findings of research by consultants into the extent of access to water for sport and recreation. We will develop our future strategy for water-based recreation in the light of the findings.

Objective 5. To promote sustainable, diverse, modern and adaptable farming through domestic and international actions and further ambitious CAP reform.

- An extensive series of events designed to secure the commitment of key stakeholders to a new strategy for sustainable farming, was launched by the Prime Minister on 26 March 2002.
- Changes to the beef regime were agreed in July. They aimed at establishing a better balance between supply and demand on the EU market and to respond to the specific problems in the market as a result of bovine spongiform encephalopathy (BSE). We secured changes to the original proposal to take particular account of the industry structure in the UK.
- The reform of the sheepmeat regime provides a fixed rate for the annual ewe premium in place of the previous variable premium. This will provide producers with more certainty in planning their businesses. We were also able to negotiate new flexibility, in the form of a national envelope of funds that can be used to address specific problems in the sheep sector, including environmental problems.
- EU rules for a simplified scheme for the payment of subsidies to small farmers were agreed; DEFRA and the Devolved Administrations are considering whether and how to implement it in the United Kingdom. Improvements were also achieved in other CAP regimes and preparations made for the mid-term review in 2002.
- A cross cutting review of diffuse pollution from agriculture was initiated at the

beginning of 2002 to consider a range of potential measures to tackle the problem. These include voluntary measures, economic instruments and regulation.

- We issued a consultation paper on proposals to implement the EC Nitrates Directive in England and we continued to work with farmers on the reduction of pollution from nitrates and ammonia.
- The Planning Advice Consultancy scheme was launched in September 2001, providing farmers wishing to diversify with one day's free planning consultancy advice.
- The WTO meeting in November agreed that negotiations on further global cuts in agricultural production subsidies should be concluded by January 2005. The firm objectives which were set, pledging members to substantial cuts while recognising agriculture's contribution to non-trade concerns such as environmental protection, will assist our aims for CAP reform.
- Negotiations for the enlargement of the EU entered their critical phase. The extension of the CAP to as many as 10 new member states is a major challenge and we are working for an outcome which is fair to the candidate countries. DEFRA is providing support and expertise to the candidate countries through the EU Twinning programme.
- Working to minimise the burden of regulation on business, individuals and the wider public sector by consideringnon-regulatory solutions such as guidance and codes of practice, by publishing assessments of the regulatory impact of new legislation, by reviewing existing legislation and by good enforcement practice. During the past year we have continued to implement the recommendations of the 'red-tape' review of farming and the Better Regulation Task Force review of environmental regulation and farmers.

Objective 6. To promote sustainable management and prudent use of natural resources domestically and internationally.

- The Fuel Poverty Strategy was published jointly with DTI on 21 November 2001, setting out the Government's commitment to tackle fuel poverty, with the first priority being to reach those householders most vulnerable to cold-related ill-health by 2010, through the new Warm Front Team (Home Energy Efficiency Scheme, HEES), which had a budget of £200 million in 2001/02
- An increase in the number of stock conservation plans was agreed for stocks below safe biological limits, with regional agreements being reached for North Sea cod, West of Scotland cod and Northern hake stocks.
- We launched the Government's second annual report on sustainable development *Achieving a better quality of life*, in March 2002.
- The Performance and Innovation Unit's Energy Review was published in February 2002. This recognises the importance of bringing climate change objectives to the heart of energy policy given the importance of the energy system in reducing greenhouse gases.
- We introduced the Energy Efficiency Commitment from April 2002 – a new obligation on energy suppliers to achieve

targets for saving energy by promoting measures to improve household energy efficiency.

- Climate Change Agreements were concluded with 44 energy intensive sectors of industry, covering 13,000 individual facilities, and are expected to deliver 2.5 million tonnes of carbon savings a year by 2010.
- We developed a Strategy for doubling the UK's Combined Heat and Power (CHP) capacity by 2010, which will make an important contribution to reducing carbon emissions, and announced a £50-million scheme to promote Community Energy and a pilot scheme for installing micro-CHP units in homes.

Objective 7. To protect the public's interest in relation to environmental impacts and health, including in relation to diseases which can be transmitted through food, water and animals and to ensure high standards of animal health and welfare.

- A Waste Summit was held in November on the Government's *Waste Strategy 2000* in England and to discuss what needed to be done to ensure the strategy is delivered. The Performance and Innovation Unit are now reviewing the strategy.
- The past year has seen further improvements in the quality of drinking and bathing water. And the quality of waste water continues to rise. At the same time, prices of freshwater have been reduced in real terms. Looking forward, work continues to tackle source pollution and diffuse pollution, particularly that arising from agriculture. The publication of two documents: a water environment strategy, which will also set out the longer-term framework within which the water industry is expected to operate and a consultation paper on competition in the water industry will shape future policy. The Government's first Marine Stewardship report will set out the UKs policy towards the future management of the oceans, seas and coastal waters.
- UK's drinking water now the safest ever, and quality continues to improve. Of 2.7 million tests on public water supplies in England and Wales in 2000, 99.83 per cent met the required standards.
- Beaches are the cleanest ever. 98 per cent of coastal bathing waters in England passed the EC Bathing Water Directive's main mandatory standards – up from 88 per cent in 1997.
- In the continuing response to the autumn 2000 floods, we provided additional funding, primarily to the Environment Agency (EA), for emergency repairs, flood warning improvements, the acceleration of important river flood defences and the development of Catchment Flood Management Plans. The EA has extended its flood warnings on its website, updating them every 15 minutes, 24 hours a day, 7 days a week.
- The Department continued to monitor other important diseases, including zoonoses that potentially affect public health. Despite FMD, we maintained monitoring and testing wherever possible to ensure that public health was protected. There was also significant activity in the European Union with respect to developing legislation to

promote animal welfare and protect public health. DEFRA continued to ensure that the UK played an effective part in ongoing negotiations.

- The Government's substantive response to the Report of the BSE Inquiry was published in September, following wide public consultation.
- The Department was fully involved in negotiations on community measures against Transmissible Spongiform Encephalopathies (TSEs), resulting in the adoption of new EU-wide legislation, which recognises that TSEs are now an increasing problem in other member states. The legislation, which reflects the regime already in place in the UK, will be implemented into domestic law early in 2002, following consultation.
- Expansion of the bovine TB research programme to include pathogenesis of disease in cattle and economic assessment of the possible control policies.
- Extended community-wide controls on the feeding of all animal proteins to farmed animals, which are kept for food production were implemented in the UK in August.
- Gradual introduction from July 2001 of major new EU BSE cattle-testing requirements for over 24 month fallen and casualty cattle, 96/97 born cattle in the Over Thirty Months Scheme (OTMS) and 50,000 other OTMS animals. Introduction from January 2002 of EU TSE sheep-testing requirements for 3,000 fallen sheep and 20,000 abattoir samples, all aged over 18 months.
- A ban on the swill-feeding of waste food containing meat was introduced in May, in response to the outbreak of FMD.
- Elliot Morley launched the National Scrapie Plan on the 19 July 2001.
- In September, we published for consultation the Government's draft *Contingency Plan* against the possibility that BSE might be found in sheep.
- EU recognition of the national cattle-tracing database system as fully operational with effect from 31 March 2002, subject to planned improvements.
- The launch of *CTS Outline*, in February 2001, provided increased electronic access, by animal keepers within the livestock industry, to animal data held in the Cattle Tracing System.
- We published *Managing Radioactive Waste Safely*, a consultation paper, which launched a national debate, designed to generate the decisions that must be taken on the long-term management of radioactive waste.

Our challenges for 2002/03

We have set out our key challenges for the coming year and how we propose to deal with them in our prospectus – *Working for the Essentials of Life* which can be found at www.defra.gov.uk

Among the challenges we face will be:

- Radical reform of the CAP so that it can:
  - secure a successful enlargement of the EU;
  - facilitate the successful completion of the next round of WTO negotiations;
  - to underpin the changes to British agriculture recommended by the Policy Commission; and

- reduce the cost of the CAP to taxpayers and consumers.

- Implementation of the recreation and landscape provisions of the Countryside and Rights of Way Act 2000 as quickly as possible.

  - *Access to open country*

    Under current timetables, the regulatory framework will be in place by the end of 2003 and the conclusive map for the final English region will be issued by the end of the financial year 2004/05.

  - *Rights of way*

    We are working towards putting in place the new rights of way regime by the end of 2003/04.

    In 2002/03 we shall issue final guidance to local highway authorities on preparing Rights of Way improvement Plans.

- Confirming the UK's position as a global leader on climate change, as the world begins to look at policies and objectives beyond the end of the Kyoto commitment period in 2012.

- Implementation of the provisions of our Sustainable Development Strategy.

- Ensuring that the World Summit on Sustainable Development (WSSD) taking place in Johannesburg on 26 August–4 September, delivers a step change in the implementation of sustainable development policies in the UK, in the EU and globally.

- Preparing a strategy for sustainable food and farming, taking forward the recommendations of the Policy Commission report on the Future of Food and Farming. An organics action plan aimed at encouraging the development of the organics sector and maximising its contribution to sustainable farming in England will be drawn up. Copies of the report can be found at www.cabinet-office.gov.uk/farming

- Pursuing the UK's objectives on environmental protection and sustainable development in Europe, looking ahead to the follow-up to the World Summit on Sustainable Development, progress on the EU's Sustainable Development Strategy, and the Environment for Europe conference in Kiev in May 2003.

- Promoting the step-change in energy efficiency called for by the Performance and Innovation Unit's (PIU) Energy Review, by developing a Domestic Energy Efficiency Strategy for 2010 and other policy measures; taking forward action on the Government's Strategy for Combined Heat and Power (CHP), including by supporting the micro-CHP pilot and the effective implementation of the £50 million Community Energy Programme; and ensuring that efforts to promote access to sustainable energy internationally are advanced by the World Summit for Sustainable Development.

- Continuing to review the effectiveness of the National Air Quality Strategy, with a view to ensuring that all parts of the UK meet its objectives. There are also binding EU limit values which must be achieved by 2005 and 2010 respectively. We will need to ensure local authorities continue to play their vital part. We will need to ensure air quality is fully integrated into other policy areas such as transport and land-use planning.

- The work of the PIU announced at the Waste Summit will assess what extra instruments, changes to targets or regulations and/or additional funding may be required to ensure Waste Strategy 2000 is effectively delivered in line with Government aims to develop more sustainable waste management. The PIU will be consulting with key stakeholders throughout the study and will report in summer 2002.
- We have begun a major review of our agri-environment schemes which will be the main vehicle for following-up some of the recommendations arising from the Policy Commission. The review will be completed by the end of next year and will involve wide consultation.
- Continuing to develop the National Scrapie Plan by extending it to other sectors of the sheep industry and to examine the feasibility of schemes targeted at specific areas.
- Working closely with the Food Standards Agency to help meet the targets set on the reduction of the incidence of foodborne zoonoses.
- Pushing forward the UK position on the review of the EU's Common Fisheries Policy, in negotiations with the EC and other member states, in order to secure environmentally and economically sustainable fishing throughout the EU, seeking in the longer term:
  - further reductions in fishing capacity and activity to match lower stock levels;
  - an end to counter-productive subsidies applied by some member states;
  - more equitable and effective enforcement in all member states;
  - better involvement of the full range of stakeholders – including fishermen, scientists, environmentalists and anglers – in the development of fisheries policy with a strengthened regional dimension; and
  - promoting sustainable fishing outside the EU through better balanced EU agreements with 3rd countries and more effective regional fisheries agreements.
- Establishing a biodiversity strategy for England in late summer 2002 setting out a programme for integrating biodiversity into the delivery of other land and resource use policies.
- We will continue to work with OFWAT and the water regulators to bring about sustainable improvements in the quality of drinking water, rivers and bathing water, consistent with achieving value for money for water customers.
- Carrying out further work on the implementation of the Water Framework Directive implementation and the development of planned EU Directives on groundwater and individual priority substances, and revision of the Bathing Water Directive.
- Taking forward work on the Flood and Coastal Defence Funding Review in the light of the consultation exercise to make the current funding mechanisms and institutional arrangements more effective, fair and efficient.
- Working with the insurance industry and HM Treasury to help ensure the continued availability of affordable flood insurance cover.

- Developing alternative strategies for dealing with bovine TB. We will manage reduction of the backlog of TB tests, which has built up during the FMD epidemic according to agreed priorities.
- Launch and implementation of the DEFRA Scientific and Innovation Strategy.
- To promote an integrated approach to the exploitation, management and conservation of resources of our seas and oceans through research on the function and structure of ecosystems.
- To develop a validation test to differentiate between BSE and scrapie in live animals.
- Responding to the recommendations of the Independent Inquiries (led by Dr Anderson and by the Royal Society) set up in light of the FMD outbreak.
- Understanding and dealing with the issues arising from the report of the Curry Commission.
- Review of the status and role of the DEFRA science and regulatory Executive Agencies.
- To maximise the benefits to DEFRA stakeholders from the EU RTD programme activities.
- To follow up the recommendations of the Quinquennial Review of RBG Kew.
- To complete the Quinquennial Review of HRI and carry forward recommendations from the Horticulture R&D review.

Chapter 5

How we spend our money

Resource plans

The 2002/03 Supply Estimates for DEFRA, along with the historic outturn for 1998/99, 1999/2000 and 2000/01, the estimated outturn for 2001/02 and the expenditure plans for 2002/03 and 2003/04 are set out in this chapter. These figures are on a resource basis as a result of the introduction of resource accounting from 1 April 2001. Historic data reflects the changes this new financial discipline imposes. Only a six-year spread of figures is available which will be built up to nine years data over time.

Estimated outturn figures

This report includes expected outturn for the financial year 2001/02. The final figures will be published in the 2001/02 Resource Accounts for DEFRA. The net outturn for all expenditure by DEFRA is expected to be about £1,936 million with a net cash requirement of £4,065 million (which includes the cost of the foot-and-mouth outbreak). DEFRA's Departmental Expenditure Limit (DEL), voted in the 2001/02 Spring Supplementary Estimate, is £2,959 million.

Departmental Investment Strategy

Our strategic plans for new investment and existing asset use are set out in our Departmental Investment Strategy (DIS). More information about our DIS can be found at www.defra.gov.uk/corporate/busplan.htm

The tables reflect all expenditure covered by DEFRA's budget, including expenditure subject to the DEL and Annually Managed Expenditure (AME) and voted and non-voted items. The tables are not directly comparable to our estimate which reflects voted expenditure according to DEFRA's objectives.

Table 5.1:

Department for Environment, Food and Rural Affairs public spending

£'000

Consumption of resources by activity:	**1998/99** Outturn	**1999/2000** Outturn	**2000/01** Outturn	**2001/02** Estimated outturn	**2002/03** Plans	**2003/04** Plans
Environmental Protection	319,958	445,603	449,060	461,660	550,042	590,723
Food, Fishing and Farming	2,984,797	2,558,163	2,763,072	2,596,059	2,308,163	2,356,241
Land Use and Rural Affairs	333,552	345,397	383,348	511,674	621,597	652,683
Animal Health and Welfare	145,563	258,755	1,768,656	548,366	172,867	168,406
Operations and Service Delivery	164,498	172,837	204,175	184,678	169,249	180,157
Executive Agencies	69,185	68,079	58,915	108,893	110,265	113,888
Total Department for Environment, Food and Rural Affairs resource budget	**4,017,553**	**3,848,834**	**5,627,226**	**4,411,330**	**3,932,183**	**4,062,098**
of which:						
Department for Environment, Food and Rural Affairs Departmental Expenditure Limit (DEL)	1,213,427	1,326,342	1,429,247	2,312,136	1,596,857	1,685,806
Non-cash items in AME	234,359	353,396	2,203,868	–1,546,223	345,986	359,667
Capital spending:						
Environmental Protection	82,707	97,513	146,224	123,017	148,539	164,411
Food, Fishing and Farming	16,383	17,309	11,268	41,112	39,001	18,993
Land Use and Rural Affairs	122,696	160,222	134,798	224,423	250,555	273,451
Animal Health and Welfare	19,440	16,674	20,798	27,081	20,653	20,653
Operations and Service Delivery	37,208	48,364	10,691	16,512	35,663	39,053
Executive Agencies	14,429	10,247	15,844	35,426	45,842	37,120
Total Department for Environment, Food and Rural Affairs capital budget	**292,863**	**350,329**	**339,623**	**467,571**	**540,253**	**553,681**
of which:						
Department for Environment, Food and Rural Affairs Departmental Expenditure Limit (DEL)	283,892	348,274	338,336	466,133	538,857	552,285
Total public spending on Department for Environment, Food and Rural Affairs	**4,310,416**	**4,199,163**	**5,966,849**	**4,878,901**	**4,472,436**	**4,615,779**

£'000

Consumption of resources by activity:	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Spending by local authorities on refuse disposal, environmental health and other functions that are relevant to Department for Environment, Food and Rural Affairs						
Current spending	**2,700,909**	**2,890,756**	**3,048,628**	**3,215,783**	–	–
of which:						
financed by grants from Department for Environment, Food and Rural Affairs	–157,286	–176,425	–188,013	–182,739	–	–
Capital spending	**69,620**	**136,500**	**132,692**	**148,317**	**–**	**–**
of which:						
financed by grants from Department for Environment, Food and Rural Affairs	59,215	55,495	49,077	74,057	–	–

DEL includes Welfare to Work DEL up to 2000/01 of:

[1] Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation.

[2] Most non-cash items AME will move into DEL when DEL is measured on a full RAB basis, after the 2002 Spending Review.

[3] AME may contain spending other than non-cash items. A full breakdown of budgets into their DEL and AME and voted and non-voted components is contained in the Supplementary Budgetary Information publication which accompanies the Main Estimates.

Table 5.2:

Department for Environment, Food and Rural Affairs resource budget

£'000

Consumption of resources by activity:	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Environmental Protection	**319,958**	**445,603**	**449,060**	**461,660**	**550,042**	**590,723**
of which:						
Environmental Protection	283,241	416,495	409,093	431,461	496,944	542,707
Water services	36,717	29,108	39,967	30,199	53,098	48,016
Food, Fishing and Farming	**2,984,797**	**2,558,163**	**2,763,072**	**2,596,059**	**2,308,163**	**2,356,241**
of which:						
Support for the agriculture, food and fishing industries	2,984,797	2,558,163	2,763,072	2,596,059	2,308,163	2,356,241
Land Use and Rural Affairs	**333,552**	**345,397**	**383,348**	**511,674**	**621,597**	**652,683**
of which:						
Support for hill farming	48,818	36,258	44,262	27,185	74,451	75,161
Regional/rural development	2	12,502	15,502	45,316	19,036	19,036
Support for countryside and wildlife	264,307	274,117	295,334	408,644	495,619	524,345
Nature and forestry	20,425	22,520	28,250	30,529	32,491	34,141
Animal Health and Welfare	**145,563**	**258,755**	**1,768,656**	**548,366**	**172,867**	**168,406**
of which:						
Animal Health and Disease Control (including payments in respect of BSE, FMD, TB and other zoonoses)	145,563	258,755	1,768,656	548,366	172,867	168,406
Operations and Service Delivery	**164,498**	**172,837**	**204,175**	**184,678**	**169,249**	**180,157**
of which:						
Departmental operations	164,498	172,837	204,175	184,678	169,249	180,157

£'000

Consumption of resources by activity:	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Executive Agencies	**69,185**	**68,079**	**58,915**	**108,893**	**110,265**	**113,888**
of which:						
Executive Agencies	69,185	68,079	58,915	108,893	110,265	113,888
Total Department for Environment, Food and Rural Affairs resource budget	**4,017,553**	**3,848,834**	**5,627,226**	**4,411,330**	**3,932,183**	**4,062,098**
of which:						
Department for Environment, Food and Rural Affairs Departmental Expenditure Limit (DEL)	1,213,427	1,326,342	1,429,247	2,312,136	1,596,857	1,685,806
Non-cash items in AME	234,359	353,396	2,203,868	–1,546,223	345,986	359,667
of which:						
Depreciation	33,663	112,477	133,008	138,199	162,334	173,308
Cost of capital charges	169,169	140,341	159,938	155,109	184,822	187,629
Changes in provisions and other charges	31,527	100,578	1,910,922	–1,839,531	–1,170	–1,270

Table 5.3:

Department for Environment, Food and Rural Affairs capital budget

£'000

Capital spending by activity:	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Environmental Protection	**82,707**	**97,513**	**146,224**	**123,017**	**148,539**	**164,411**
of which:						
Environmental Protection	78,836	90,007	105,571	118,488	141,423	157,295
Water services	3,871	7,506	40,653	4,529	7,116	7,116
Food, Fishing and Farming	**16,383**	**17,309**	**11,268**	**41,112**	**39,001**	**18,993**
of which:						
Support for the agriculture, food and fishing industries	16,383	17,309	11,268	41,112	39,001	18,993
Land Use and Rural Affairs	**122,696**	**160,222**	**134,798**	**224,423**	**250,555**	**273,451**
of which:						
Flood defence	59,170	58,645	41,391	67,685	71,385	81,385
Support for hill farming	13,796	33,533	22,602	11,819	39,730	37,590
Regional/rural development		11,000	15,000	19,209	23,061	23,012
Support for countryside and wildlife	48,129	53,163	51,353	125,559	111,653	126,688
Nature and forestry	1,601	3,881	4,452	151	4,726	4,776
Animal Health and Welfare	**19,440**	**16,674**	**20,798**	**27,081**	**20,653**	**20,653**
of which:						
Animal Health and Disease Control (including payments in respect of BSE, FMD, TB and other zoonoses)	19,440	16,674	20,798	27,081	20,653	20,653
Operations and Service Delivery	**37,208**	**48,364**	**10,691**	**16,512**	**35,663**	**39,053**
of which:						
Departmental operations	37,208	48,364	10,691	16,512	35,663	39,053
Executive Agencies	**14,429**	**10,247**	**15,844**	**35,426**	**45,842**	**37,120**
of which:						
Executive Agencies	14,429	10,247	15,844	35,426	45,842	37,120

£'000

Capital spending by activity:	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Total Department for Environment, Food and Rural Affairs resource budget	**292,863**	**350,329**	**339,623**	**467,571**	**540,253**	**553,681**
of which:						
Department for Environment, Food and Rural Affairs Departmental Expenditure Limit (DEL)	283,892	348,274	338,336	466,133	538,857	552,285

Table 5.4:

Capital Employed 1998/99 to 2003/04

£'000

Assets on balance sheet at start of year:	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Fixed Assets						
of which:						
Land and buildings	352,238	360,155	376,408	412,447	426,191	476,437
Fixtures and fittings	16,803	17,059	16,583	16,211	14,874	13,587
Equipment and IT	84,887	87,390	82,385	95,568	93,521	89,540
Other	9,186	9,462	10,317	22,437	31,376	33,629
Current assets	842,171	887,378	858,165	1,127,067	882,612	892,012
Creditors (<1 year)	-651,319	-429,627	-1,041,291	-787,037	-773,185	-771,744
Creditors (>1 year)	-28,477	-35,308	-13,805	-12,152	-11,695	-11,295
Provisions	-15,342	-105,116	-1,993,974	-118,758	-75,278	-56,498
Capital employed within main department	**610,147**	**791,393**	**-1,705,212**	**755,783**	**588,416**	**665,668**
NDPB net assets	1,975,541	1,934,017	2,008,827	2,054,947	2,097,985	2,153,174
Public Corporation net assets	297,378	298,525	321,318	397,753	443,735	505,595
Total capital employed in departmental group	**2,883,066**	**3,023,935**	**624,933**	**3,208,483**	**3,130,136**	**3,324,437**

Table 5.5:

Department for Environment, Food and Rural Affairs administration costs

£'000

	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Gross administration costs:						
Paybill	276,300	267,458	277,400	495,314	–	–
Other	290,249	273,695	283,871	309,698	–	–
Total gross administration costs	**566,549**	**541,153**	**561,271**	**805,012**	**569,842**	**642,829**
Related administration cost receipts	–193,402	–135,760	–150,371	–132,226	–118,402	–118,402
Total net administration costs	**373,147**	**405,393**	**410,900**	**672,786**	**451,440**	**524,427**
of which:						
Departmental Expenditure Limit (DEL)	330,925	354,467	347,870	610,951	373,883	433,995
Non-cash AME	42,222	50,926	63,030	61,835	77,557	90,432
Total net administration costs by activity:						
Environmental Protection	4,647	7,250	1,734	9,828	10,438	10,437
Food, Fishing and Farming	54,445	60,494	68,116	60,225	41,117	103,829
Land Use and Rural Affairs	13,333	18,892	6,695	62,430	41,871	43,894
Animal Health and Welfare	74,893	82,224	84,424	246,055	85,324	85,184
Operations and Service Delivery	149,008	152,915	175,975	168,449	148,889	155,469
Executive Agencies	76,821	83,616	73,956	125,799	123,801	125,614
Total net administration costs	**373,147**	**405,393**	**410,900**	**672,786**	**451,440**	**524,427**
Controls and limits:						
Administration costs limits for gross controlled areas:						
Environmental Protection	4,712	7,063	1,552	9,843	10,453	–
Food, Fishing and Farming	90,606	94,547	102,953	105,735	67,240	–
Land Use and Rural Affairs	133,963	136,080	154,334	153,446	113,335	–
Animal Health and Welfare	13,406	18,455	6,271	62,406	41,847	–
Operations and Service Delivery	39,567	46,031	47,472	198,569	45,955	–
Executive Agencies	126,212	75,102	71,464	113,151	113,769	–
Total administration costs limits for gross controlled areas	**408,466**	**377,278**	**384,046**	**643,150**	**392,599**	**–**

£'000

	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Administration costs limits for net controlled areas:						
CSL	569	471	1,203	752	752	–
VLA		–1,937	–14,474	1,197	1,197	–
VMD		299	481	272	272	–
CEFAS	39	–643	2,607	405	64	–
Total administration costs limits for net controlled areas	**608**	**–1,810**	**–10,183**	**2,626**	**2,285**	**–**

Table 5.6:

Staff numbers

	1995/96 Actual	1996/97 Actual	1997/98 Actual	1998/99 Actual	1999/2000 Actual	2000/01 Actual	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Intervention Board									
CS FTEs	864	902	1,089	1,141	1,268	1,197	1,080[10]	0	0
Overtime	23	48	55	48	33	22	85	0	0
Casuals[1]	82	167	163	238	56	132	30	0	0
Total	**969**	**1,117**	**1,307**	**1,427**	**1,357**	**1,351**	**1,195**	**0**	**0**
Department for Environment, Food and Rural Affairs (Gross Control Area)[2]									
CS FTEs	7,262[3]	6,980[4]	7,199	7,977	8,183	6,855[5]	7,970[8]	11,296	11,207
Overtime	318	292	279	468	420	180	652[9]	180	174
Casuals[1]	735	972	1,154	818	476	284	1,110[9]	219	209
Total	**8,315**	**8,244**	**8,632**	**9,263**	**9,079**	**7,319**	**9,732**	**11,695**	**11,590**
Veterinary Laboratories Agency (Net Control Area)									
CS FTEs	642	951[4]	997	1,023	1,049	1,127	1,160	1,140	1,140
Overtime	20	24	23	31	21	22	46	22	22
Casuals[1]	29	46	46	42	34	28	20	25	25
Total	**691**	**1,021**	**1,066**	**1,096**	**1,104**	**1,177**	**1,226**	**1,187**	**1,187**
ADAS/Farming and Rural Conservation Agency (Net Control Area)									
CS FTEs	1,721	1,467	489[7]	534	540	670	0[7]	0	0
Overtime	49	35	3	6	6	6	0	0	0
Casuals[1]	143	135	64	88	74	76	0	0	0
Total	**1,913**	**1,637**	**556**	**628**	**620**	**752**	**0**	**0**	**0**
Central Science Laboratory (Net Control Area)									
CS FTEs	592	560	547	556	564	585	580	610	610
Overtime	8	8	4	3	6	4	15	4	4
Casuals[1]	58	56	29	30	27	36	40	40	40
Total	**658**	**624**	**580**	**589**	**597**	**625**	**635**	**654**	**654**

	1995/96 Actual	1996/97 Actual	1997/98 Actual	1998/99 Actual	1999/2000 Actual	2000/01 Actual	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Veterinary Medicines Directorate (Net Control Area)									
CS FTEs	89	97	100	104	114	126	110	126	126
Overtime	0	0	0	1	1	1	1	0	0
Casuals[1]	6	5	3	4	2	1	0	0	0
Total	**95**	**102**	**103**	**109**	**117**	**128**	**111**	**126**	**126**
CEFAS (Net Control Area)									
CS FTEs	0	0	0	0	0	480[6]	480	566	590
Overtime	0	0	0	0	0	21	21	21	21
Casuals[1]	0	0	0	0	0	40	20	0	0
Total	**0**	**0**	**0**	**0**	**0**	**541**	**521**	**587**	**611**
Total DEFRA	**11,672**	**11,628**	**10,937**	**11,685**	**11,517**	**10,542**	**12,225**	**14,249**	**14,168**

Notes

1. The outturn and estimate figures include casuals filling vacant permanent posts.
2. Gross Control Area includes core-DEFRA (core-MAFF before 8 June 2001), PSD (from 1 April 1993), MHS (from 1 April 1995 to 31 March 2000), CEFAS (from 1 April 1997 to 31 March 2000), FRCA (from 1 April 2001 when it was renamed RDS) and RPA (from 16 October 2001).
3. Includes recruitment of approximately 900 new staff for the Meat Hygiene Service from April 1995.
4. Reflects the transfer of the Veterinary Investigation Service into VLA.
5. Excludes JFSSG and MHS following the establishment of the Food Standards Agency from 1 April 2000.
6. CEFAS became a Net Control Agency on 1 April 2000.
7. ADAS ceased to exist as a MAFF Executive Agency and FRCA ran as a Net Running Cost Agency from 1 April 1997 to 31 March 2001. On 1 April 2001 FRCA merged with core MAFF and was renamed the Rural Development Service (RDS).
8. DEFRA was created on 8 June 2001 and approximately 650 staff were transferred from the former Department of Environment, Transport and the Regions (DETR).
9. Includes FMD-related work.
10. The IBEA was abolished on 16 November 2001 and its functions were taken over by the Rural Payments Agency (RPA).

Chapter 6

Our performance

Spending Review 2000

This interim Public Service Agreement (PSA) covers the remainder of the 2000 Spending Review, and has adopted targets from MAFF and the DETR PSAs.

PSA target	Progress towards target
1. Improve air quality by meeting our National Air Quality Strategy targets for carbon monoxide, lead, nitrogen dioxide, particles, sulphur dioxide, benzene and 1-3 butadiene.	**Some slippage**. The UK is on track to meet most of the air quality objectives. Proposals to strengthen the air quality targets for particles, benzene and carbon monoxide and to set a new target for polycyclic aromatic hydrocarbons (PAH) were published in September 2001. These will be finalised as new Air Quality objectives in early 2002. By April 2002, over 100 Local Authorities (LA's) completed their reviews and assessments on air quality and identified pollution 'hotspots', designating them as air quality management areas. These LA's are now drawing up air quality Action Plans, setting out what they are going to do to improve air quality in their areas.
2. Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5 per cent from 1990 levels and moving towards a 20 per cent reduction in CO_2 emissions by 2010. (Joint target with DTI.)	**On course**. UK greenhouse gas (GHG) emissions in 2000, were 13 per cent below 1990 baseline levels. The Climate Change programme was published in November 2000, setting out policies that it is estimated could cut GHG emissions by 23 per cent below 1990 levels by 2010 (and a reduction by 19 per cent in CO_2). The programme will be formally reviewed and evaluated in 2004.
3. Enable 17 per cent of household waste to be recycled or composted by 2004.	**On course**. Data indicates that at the end of 2000/01 financial year, household waste recycling performance (in England) was 11.2 per cent. Additional funding was secured for waste in SR2000, which included £140 million over two years, 2002/03 and 2003/04 to help local authorities meet their recycling and composting targets.

PSA target	Progress towards target
4. Reduce fuel poverty among vulnerable households by improving the energy efficiency of 600,000 homes between 2001 and 2004.	**On course**. Between April 2001 and February 2002, over 245,000 homes have been improved.
5. Deliver the environmental and economic benefits envisaged in the England Rural Development Programme by 2004 including an increase in the area farmed organically and development of the rural economy under the new Rural Enterprise Scheme.	**On course**. The main impacts of FMD (foot-and-mouth disease) on applications for Countryside Stewardship Scheme; Organic Farming; Less Favoured Areas; Rural Enterprise (diversification); Processing and Marketing; Training; and Energy Crops have now been addressed. There are now signs of increasing rates of uptake of these schemes; therefore we expect to attain programme targets.
6. Bring into favourable condition by 2010 95 per cent of all nationally important wildlife sites, compared to 60 per cent of sites currently estimated to be in such condition.	**Some slippage**. During 2001, FMD delayed English Nature's (EN's) site condition assessment programme. EN has published its first assessment of the effects of FMD and is working on schemes including the issue of re-establishing hefted flocks on Sites of Special Scientific Interest (SSSI), but at appropriate levels. There has been no measurable improvement to date, but it was anticipated that legislative and policy improvements would take time to make an impact.
7. Care for our living heritage and preserve natural diversity by reversing the long-term decline in the number of farmland birds by 2020, as measured annually against underlying trends	**On course**.The annual updated version of the farmland bird indicator to measure underlying trends, taking account of latest population figures to 2000 has been produced. Farmland species decreased by about 2 per cent in 2000 following the 3 per cent increase recorded for 1999 and are now slightly below the level in 1993. The benefits of agri-environment schemes will take time to work through into annual figures.

PSA target	Progress towards target
8. Secure agreement by March 2004 to reforms, which reduce the cost of the Common Agricultural Policy (CAP) to consumers and taxpayers.	**On course**. World Trade Organisation (WTO) statement at Doha implies CAP reform. Commission expected to initiate mid-term review of CAP in June 2002.
9. Achieve the agriculture strategy, the modernisation of agriculture, and an increase in the competitiveness and consumer focus of the food chain as measured by the real food price index and sustainable competitiveness indicators to be developed by March 2001.	**On course**. We have delivered the measures in the Action Plan to implement the March 2000 Agricultural Strategy, including the development of sustainable competitiveness indicators by March 2001. Real retail food prices, as measured by a five year moving average, declined by 1.4 per cent over the year to March 2002.
10. Achieve a reduction of 10 per cent in the unit cost of administering CAP payments by March 2004, and 95 per cent electronic service delivery capability for such payments by March 2004. (This is also the Value For Money target.)	**Some slippage**. Rural Payments Agency Change Programme passed successfully through two Office of Government Commerce (OGC) Gateway reviews (March and September 2001). A range of Better Quality initiatives, combined with business mapping procedures aimed at unit cost reductions, under the Change Programme (progressing towards implementation of full e-enabling), will produce efficiency savings by December 2004. Auditable baseline costs have been established together with a baseline cost per £ of payment and an average unit claim cost. With regard to electronic service delivery, DEFRA E-Business Sub-Committee endorsed Rural Payments Agency's (RPA's) e-form strategy that will deliver e-forms as an integral part of re-engineered business processes and IT systems by end 2004.
11. Reduce the annual incidence of bovine spongiform encephalopathy (BSE) to less than 650 cases by 2001 and by 2004 be on track for fewer than 30 cases by 2006, a 99 per cent reduction compared with 1997 when there were 4,312 cases.	**Some slippage**. As at 31 December, the total of confirmed cases for 2001 was 700, with 98 more cases pending and a further 26 animals still alive and under restriction.

PSA target	Progress towards target
	This increase appears to be a result of the foot-and-mouth epidemic. Slaughter under the Over Thirty Months Scheme was suspended in January 2001 and only resumed on 30 July. As a consequence, more older animals remained on farm long enough to develop clinical signs of BSE. It is anticipated that a proportion of the pending cases will test negative. The final figure for positive BSE cases detected by passive surveillance in 2001/02 is expected to be between 750 and 800. It is forecast that we will be on course for the 2004 and 2006 Public Service Agreement (PSA) targets.
12. Reduce the time taken to clear up cases of poor welfare in farmed animals by 5 per cent by March 2004.	**On course**. The baseline now established for 2000 indicates time from report to clear up equals 29 days. Currently, as a result of a lack of resources during the foot-and-mouth outbreak, preliminary clear-up times for 2001/02 equates to 43 days. As at 31 December 2001, we investigated 92.5 per cent of adverse animal welfare reports by the end of the next day, despite the interruption of FMD.
13. Reduce UK fishing effort in those sectors of the fleet with most over-capacity to 20 per cent below the 1997 level by end-2001. A further target reduction for 2004 will be set following EU negotiations in 2001.	**Met**. The UK is already within the final EU targets set for the UK fleet and achieved this target.
14. Open up public access to mountain, moor, and heath and down and registered common land by the end of 2005.	**On course**. Draft maps of open country for two lead regions issued in November 2001. Consultation papers issued on proposals for regulations for provisional and conclusive maps, including appeals; regulations for dedication of access land; regulations on restrictions of access for land management and other purposes, including appeals.

Comprehensive Spending Review 1998

In addition DEFRA assumed responsibility for some PSA targets agreed as part of the Comprehensive Spending Review 1998. Some of these targets have already been achieved within the Comprehensive Spending Review (CSR) period, but the remainder were extant until March 2002.

Progress towards achieving these existing targets has been set out below, and in particular, indicates which targets have been carried over to Spending Review 2000.

PSA target	Progress at March 2002
Ensure that secondary treatment is provided for all sewage discharges from towns with a population of at least 15,000 by 31 March 2002.	98 per cent of sewage discharges from towns larger than 15,000 people now receive secondary treatment. Work is under way to provide this standard of treatment for the remaining towns as soon as practicable.
Reduce the incidence of BSE by 85 per cent in 2001 compared with 1997, when there were 4,311 cases.	In 2000 we had 1,311 confirmed cases of BSE, a 68 per cent reduction on 1997. The predicted decline in the epidemic continued and we were on course for meeting the 1998 PSA target by 2001. As at 31 December 2001 we had 798 confirmed cases, a 540 per cent reduction on 1997, meeting the PSA 1998 target. However, this PSA target was carried forward into the Spending Review 2000 and was reformulated as target 11 in PSA 2000.
Secure the progressive lifting of the ban on UK beef exports with a goal of achieving total exports in 2001 equivalent to more than 10 per cent of the pre-ban level (227,000 tonnes on average over the period 1991/95).	Since the suspension of UK beef exports in February 2001 due to the foot-and-mouth epidemic we have made some progress, but the strict conditions of the Date-based Export Scheme (DBES) and the resulting effects of foot-and-mouth have all limited exports. However, we are actively engaged in a major campaign to get the DBES rules changed and resume beef exports.

PSA target	Progress at March 2002
Prevent outbreaks of serious animal, fish and plant diseases and pests.	**Animal Health**: Of the significant notifiable animal diseases, foot-and-mouth, classical swine fever, swine vesicular disease, anthrax, Newcastle disease, avian flu and rabies. There have been outbreaks of two classical swine fever started in September 2000 (we were free from it by the end of 2000). Foot-and-mouth disease was first reported in February 2001 and went on to become the largest FMD epidemic the world has seen (last case 30 September 2001). There were no outbreaks of the other five diseases. **Fish Diseases**: An outbreak of a freshwater fish disease was rapidly contained in 2001. **Plant Diseases and Pests**: 30 outbreaks of five key diseases and pests were detected in 2001.
Contribute to a more attractive and accessible countryside by increasing the area protected and enhanced under the major agri-environment schemes (which at 31 March 1997 stood at 600,000 hectares).	Around 800,000 hectares were protected under the Environmentally Sensitive Areas and Countryside Stewardship schemes, a significant increase against the target of 708,000 hectares, and under the Organic Farming scheme, some 50,000 hectares would have been assessed as eligible. This target was subsequently converted into two individual and challenging goals and carried forward to the Spending Review 2000 PSA.
Reduce the incidence of unnecessary pain or distress among animals on the farm.	93.5 per cent of reports of poor animal welfare were investigated within one working day up to the outbreak of foot-and-mouth. However this PSA target was carried forward into the Spending Review 2000 and was reformulated as target 12 in PSA 2000.

Chapter 7

Forestry Commission

Aim: the sustainable management of England's existing woods and forests, and a steady expansion of tree cover to increase the many, diverse benefits that forests provide to meet the needs of present and future generations.

Functions

The Forestry Commission is the government department responsible for forestry throughout Great Britain. It has a Chairman and Board of Commissioners with statutory duties and powers which they exercise separately in England, Scotland and Wales. The Secretary of State for Environment, Food and Rural Affairs directs the Commissioners' activities in England. After consultation with Ministerial colleagues in Scotland, Wales and Northern Ireland, the Secretary of State represents the United Kingdom's forestry interests within the European Union and in the wider world. Scottish Ministers and the National Assembly for Wales direct the Commissioners' activities in Scotland and Wales respectively. The Commission is responsible for advising Ministers and for implementing each country's separate and distinct forestry policy.

Statutory duties

Under the Forestry Act 1967, as amended, the Forestry Commission is charged with the general duties of:

- Promoting the interests of forestry.
- Developing afforestation including the establishment and maintenance of adequate reserves of growing trees.
- Producing and supplying timber and other forest products.
- Achieving a balance between productive forestry and the environment.

Organisation of the Forestry Commission

The Commission is organised as follows:

Headquarters responsible for:

- International policy co-ordination and development; commissioning research and setting standards for sustainable forestry and monitoring performance.
- Support for the National Offices in England, Scotland and Wales.
- Plant health service.
- Central administrative support and personnel, finance, audit and IT services.

National Offices in England, Scotland and Wales responsible for:

- Support and advice to the Minister responsible for forestry.
- Leading the implementation of each country's forestry strategy.
- Delivering forestry policy through regulation and incentives administered by local Conservancy Offices.

Forest Enterprise, an executive agency, responsible for managing the Commission's forests.

Forest Research, an executive agency, responsible for carrying out research, technical development and surveys.

Delivering better public services: progress

Following the 1998 Comprehensive Spending Review (CSR) the Forestry Commission published in its Public Service Agreement measurable targets for the Government's forestry objectives. Progress is given below.

Spending Review 2000: key targets

Building on the target setting in the 1998 CSR, new plans and targets covering 2001/04 were set in the 2000 Spending Review. The Forestry Commission published a Service Delivery Agreement laying out the key targets for both its GB functions and for England for the review period. It can be viewed at www.forestry.gov.uk/forestry/HCOU-4U4J85 The targets are summarised in Table 7.1. Progress against these targets will be published in the autumn.

Table 7.1

Summary of the Service Delivery Agreement targets for SR2000

	Target	Progress
For Great Britain		
Publish in 2001 a National Forest Programme for the United Kingdom based on the forestry strategies for England, Scotland, Wales and Northern Ireland.		Publication has been delayed until the World Summit on Sustainable Development in Johannesburg in September 2002.
Develop and publish by 2002 the UK and country-based indicators for monitoring sustainable forest management.		Final consultation under way. Publication on target.
For England by 31.3.2004		
Area of new woodland (hectares).	17,000	Currently below target but sufficient applications are in the pipeline to meet the target.
Area of woodland with approved plans for sustainable forest management (hectares).	500,000	On target.
Area of woodland in Rural Priority Areas with approved plans for sustainable forest management (hectares).	230,000	On target.
Volume of timber harvested by Forest Enterprise (m3).	4,200,000	On target.
New woodland planted in Rural Priority Areas (hectares).	8,000	Below target due to difficulty in progressing applications during foot-and-mouth outbreak.
Area of new woodland in Economic Regeneration Priority Areas (hectares).	4,500	Numerically below target but this was expected due to preparation of these challenging sites. Target should be met by end of review period.
Area of new woodland on land previously used for industry, landfill and mineral extraction (hectares).	1,000	

	Target	Progress
Increase in area of woodlands with public access (hectares).	12,000	New mechanisms are being piloted this year to deliver these targets. Target should be met by end of review period.
Increase in area of woodland with public access near major urban areas (hectares).	10,000	
Area of new woodlands within the Community Forests and the National Forest (hectares).	4,500	On target.
Day visits to woods and forests (per annum).	340 million	Interim data will not be available until 2003 but the foot-and-mouth outbreak has reduced day visits over the last year.
Increase in area of Ancient Semi-Natural Woodland with approved plans for sustainable forest management in accordance with UK Biodiversity Action Plan (hectares).	35,000	On target.
Area of new native woodlands planted in accordance with the UK Biodiversity Action Plan (hectares).	3,000	On target.
Unit cost of grant administration (p/£ of grant).	16	On target.
Unit cost of timber production from FC estate (£/m3).	13.55	On target.
Compliance with customer service standard for WGS.	85 per cent	On target.

Departmental objectives

The Commission's objectives in carrying out its duties are:

- Protect Britain's forests and woodlands.
- Expand Britain's forest area.
- Enhance the economic value of our forest resources.
- Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands.
- Develop opportunities for woodland recreation.
- Increase public understanding and community participation in forestry.

In England the objectives are those of the programmes within the England Forestry Strategy (EFS) which are:

- Forestry for Rural Development.
- Forestry for Economic Regeneration.
- Forestry for Recreation, Access and Tourism.
- Forestry for the Environment and Conservation.

PSA performance targets

The Forestry Commission relies on timber income for much of its funding. Since the CSR settlement there has been a serious decline of some 45 per cent in timber prices and, as a result, some Public Service Agreement (PSA) targets are unlikely to be met. The objectives to which PSA targets apply are those given below, along with detailed reporting against each objective.

The Commission's targets to be achieved in **Great Britain** by 31 March 2002, together with the level of achievement expected in **England** by 31 March 2001, are given below. The proportion of the target attributable to England follows in bold in brackets where appropriate. Unless otherwise stated the 2002 targets are on course to be met.

- By 31 March 2002, ensure that 1.1 million (**337,000**) hectares of woodlands have sustainable management plans and that 50,000 (**15,400**) hectares of felled woodlands are restocked (objectives 1 and 4).

By 31 March 2001, 335,000 hectares of woodland will have sustainable management plans and 7,953 hectares of felled woodlands will be restocked. The first target will be substantially exceeded. The second is running below target mainly due to private owners not felling while timber prices are low and thus reducing the need for restocking. Only 13,000 hectares are likely to be restocked by 31 March 2002.

- By 31 March 2002, provide incentives to have 57,000 (**16,000**) hectares of new woodlands planted and increase the use of challenge funds and tenders to buy better value public benefits without increasing generally available tariff grants. For new planting, this will be 12 per cent by area and 35 per cent by monetary value (objectives 2 and 4).

By 31 March 2001, 10,914 hectares of new planting will be achieved – 57 per cent by targeted funding representing 49 per cent of the monetary value. We are on course to meet the 2002 target for new woodlands planted in England.

- Guard against possible landslip in its forests in the Welsh Valleys by establishing priorities with £2.5 million of remedial work being completed each year in 1999/2000, 2000/01, 2001/02 respectively (objective 1).

This target became the responsibility of the National Assembly for Wales from 1 April 2001 when funding was devolved.

- Develop methods to benchmark the return from commercial forestry on the FC estate against equivalent private sector forests and set an increased rate of return thereafter (objective 3).

The major components of Forest Enterprise activity are already benchmarked against private sector costs. These benchmarks will be verified against the Better Quality Services Review of Forest Enterprise.

- Conduct a trial sale of future timber-cutting rights (to bring forward income whilst protecting public access) with the public tender process to be completed by 31 March 2000 and any sale completed by 31 March 2001 (objective 3).

Legal difficulties and value for money issues have prevented the Commission proceeding with this at present.

- Submit proposals to Ministers by 31 March 2001 for a more transparent system to improve accountability for public policy decisions on environmental outputs (objective 4).

Proposals were included in the Forest Enterprise Quinquennial Review Stage 2 Report submitted to Ministers in July 2001.

- Improve the facilities provided by Forest Holidays through a public/private partnership to refurbish the four existing cabin sites (**two in England**) by 31 March 2000 and build two new sites (**one in England**) by 31 March 2002 (objective 5).

Sustained, but in the end unsuccessful efforts were made to find a suitable partner. A successful bid was made in 2001 to the Capital Modernisation Fund to refurbish the existing cabin sites in England. This will be completed by 31 March 2003. We are working with Partnerships UK to draw up a Public Private Partnership project for investment in new sites.

As well as these headline targets, the PSA included productivity and sick absence targets:

- Two core productivity indicators were identified. Firstly, the cost of timber production was to be reduced to £16.23 (**£13.16**) per cubic metre in 2001/02. A cost of £12.37 was achieved by the end of 2000/01 and is on course to improve on the target. Secondly, the cost of grant administration for each £ of grant given was to be reduced from 19p to 18p (**20p to 18p in England**) in 2001/02. Due to the grant spend being lower than planned because of the fall in timber income, the unit cost in 2000/01 was 19p per £. A fundamental review of grant scheme administration has been undertaken and the introduction of the first phase of system enhancements commenced in 2001/02.
- The Commission reduced sick absence to 8 days per member of staff per year at December 2000. We plan to reduce this to 6.7 days per member of staff per year by 31 December 2001 through continuing active management.

International issues

The World Summit on Sustainable Development in September 2002 (on the 10th anniversary of the United Nations Conference on Environment and Development in Rio) will assess progress against actions identified at Rio and set out future priorities. The Prime Minister, the first world leader to announce his attendance at the Summit, has urged others to make a similar commitment. He has also invited leaders from business to work with non-governmental organisations and Government to develop innovative strategies to promote sustainability in the key sectors of water, energy, tourism, finance and forestry.

The Forestry Commission is organising multi-stakeholder meetings drawing together business, non-governmental organisations and government departments to develop actions in the lead-up to the World Summit. This includes the development of the UK forestry initiative. The initiative links with the Government's international efforts to combat illegal logging, actions at home to require government departments to seek to buy timber and timber products from sustainable and legal sources, and efforts to promote greater uptake of forest certification in the UK. The Forest Industries Development Council is co-ordinating preparation of a sectoral sustainability strategy covering the whole wood chain, from growing through to timber processing, with a strong emphasis on the UK forest products sector, including renewable energy. The Government will publish a UK Statement on Sustainable Forestry for the World Summit, drawing on the work of the forestry initiative.

Forestry devolution review

On completion of the first stage of the review of the Forest Enterprise executive agency in May 2001, Ministers announced the intention to review the options for further decentralisation of forestry policy and management. In January 2002, Forestry Minister Elliot Morley announced a review of the current administrative arrangements for delivering sustainable forestry policies in England, Scotland and Wales and the UK's international commitments, including options for further devolution of these arrangements. The review is being undertaken by an inter-departmental group of officials, chaired by the Cabinet Office, with representatives from the Forestry Commission, Department for Environment, Food and Rural Affairs, Scottish Executive, National Assembly for Wales, HM Treasury and the Department of Agriculture for Northern Ireland. Views were sought from stakeholders during the review which reports in spring 2002.

The England Forestry Strategy

Implementation of the England Forestry Strategy (EFS), drawn up in 1998 to guide the Forestry Commission and the other public bodies interested in forestry, is monitored by the England Forestry Forum. In 2001, the Government published its response to recommendations from Forum working groups on measures to advance the EFS. In 2002, the Commission will lead the implementation of the Government's response.

In 2000 we aligned all our local teams in England to the Government Regions to more effectively connect the EFS to distinctive regional priorities. In 2002 we will start to facilitate preparation of regional forestry strategies.

Protect Britain's forests and woodlands (objective 1)

Sustainable forest management

A consultation document was published as a part of the review of Forestry Commission measures to support sustainable forest management. The review will be concluded in 2002.

In November 2001, the Commission and its agency, Forest Enterprise, were awarded World Wide Fund for Nature's (WWF's) highest award for global conservation, the Gift of the Earth. The award was made in acknowledgement of the work carried out on forest certification and for good forest management.

The Commission has continued to facilitate the operation of the widely supported UK Woodland Assurance Standard (UKWAS) which certifies the sustainability of woodland management practice. 1.1 million of the UK's 2.7 million hectares of woodland have been certified against the Standard. Work is now under way to develop a modified Standard that will be more accessible to owners of small woodlands.

In 2001 the Commission published independent studies (and our responses) on Upland Landscapes and Forestry Businesses, two important aspects of the UK Forestry Standard which codifies the Government's sustainable forest management policies and practices. The fieldwork on two further studies (Soil Survey of Harvesting Sites and a Survey on Restocked Forests) commissioned for 2001 were delayed by the outbreak of foot-and-mouth disease (FMD) but will be completed in 2002.

We published the National Inventory of Woodlands and Trees for England in November 2001 which demonstrated that woodlands cover 8 per cent of England – a 75 per cent increase since 1900.

The Commission continues to work in partnership with other government departments and their agencies throughout the UK to develop cross-cutting approaches to urban and countryside policy and support for the rural economy. We held an expert level conference to identify gaps in our knowledge in June 2001. The proceedings were published early in 2002.

Long-term forest plans

We pay plan preparation grant to encourage woodland owners to prepare forest plans with detailed proposals for felling, restocking and thinning for 10 years and outline proposals for 20 years. Such long-term plans allow owners to give a more coherent picture of planting and felling on large estates. This benefits all concerned, including those who must be consulted on planting and felling. Since felling licence and grant approval can be given for all approved areas in the first 10 years, less effort is expended in handling applications for individual areas. This initiative, having run for three years, is now under review.

Statutory control: felling

Felling licences are issued either as part of a Woodland Grant Scheme (WGS) plan or individually. Of the 2,416 WGS approved plans in 2000/01, 789 required felling licences and 920 had restocking conditions applied. The licences issued through the WGS allowed 32,591 hectares to be thinned, 1,593 hectares to be clear felled, 668 hectares to

be selectively felled and 1,559 hectares to be coppiced. We also issued 1,147 individual felling licences.

During 2000/01 there were 163 cases of alleged illegal felling reported which led to 28 investigations. There was 10 successfully completed prosecutions with 21 further serious cases outstanding at the end of year. In seven less serious cases, formal warnings were issued.

Statutory control: plant health

In 2000/01, we carried out 6,850 inspections on 2.9 million cubic metres of timber imports as well as numerous inspections on non-wood consignments to check wooden packaging. Formal intervention was required in 24 cases. Of these, five were minor. A number of other incidents, involving wooden packaging, were dealt with informally. The Commission has continued actively to monitor and/or take measures against six main invasive pests during the past year. These are:

- The Eight-toothed Spruce Bark Beetle (presently not established).
- The Asian Longhorn Beetle (presently not established).
- A subterranean termite infestation (now eradicated after an intensive control programme).
- The Great Spruce Bark Beetle (established in areas of England and Wales for several years).
- Gypsy Moth (presently established in only one place and being eradicated).
- Pine Wood Nematode (presently not established).

In August 2001, Austria reported an outbreak of Asian Longhorn Beetle. As part of an EU-wide review of the measures put in place in 1999 (following the detection of this pest in imports landed in Great Britain), we are focusing more on wooden packaging, especially from the Far East.

The annual review of import inspection fees concluded that full cost recovery would be met for the current financial year but that an increase in fees would be required for 2002/03.

We are currently working with HM Customs and Excise and other departments to explore the feasibility of processing import and export declarations of controlled wood and wood products within the 'Single Window' concept. A decision on whether to proceed with this initiative is expected in 2002.

The Commission is responsible for the certification of exports of timber or wooden packaging, where required by importing countries. In 2000/01, it issued 737 phytosanitary certificates. We are currently reviewing the fees for this work.

Forest reproductive materials

The Forestry Commission has consulted other government departments, the forest nursery industry and other interests on proposals for implementing the EU Council Directive, published in January 2000, on the marketing of forest reproductive material. New national regulations must be in place by 1 January 2003.

Expand Britain's forest area (objective 2)

New planting

The area of new woodlands created in England in 2000/01 was 5,377 hectares – slightly exceeding the plan for 5,300 hectares. The effects of England Rural Development Programme implementation, severe flooding in 2000 and the FMD outbreak in 2001 means that the timing and rate of planting during last season appears to have diverged significantly from past years' patterns. Any prediction therefore of actual planting outturn in 2002 is unlikely to be as accurate as in the past. The breakdown by conifer and broadleaved planting, short rotation coppice and natural regeneration is given in Table 7.2.

Table 7.2:

Grant aided planting: private woodlands

Expansion of forest cover	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
New planting plan							
Conifer	700	700	700	700	700	800	700
Broadleaved	4,000	3,600	3,600	3,600	3,825	4,900	5,000
Short rotation coppice	800	800	800	800	–	–	–
Natural regeneration	200	200	200	200	25	25	25
Total hectares	**5,700**	**5,300**	**5,300**	**5,300**	**4,550**	**5,725**	**5,725**
Outturn							
Conifer	560	728	696	621	650[1]	–	
Broadleaved	3,472	4,004	4,312	4,034	4,150[1]	–	–
Short rotation coppice	88	119	395	711	15[1]	–	–
Natural regeneration	3	24	11	11	20[1]	–	–
Total hectares	**4,123**	**4,875**	**5,414**	**5,377**	**4,835**[1]	–	–
New planting grant payments (£'000)	6,829	9,512	10,263	9,823	9,9[1]	11,9[2]	11,9[2]
Average per hectare (£)	1,621	1,951	1,896	1,827	2,066[1]	2,078[2]	2,078[2]
Sustainable management Restocking plan							
Replanting	3,100	2,600	2,400	2,400	1,400	1,400	1,400
Natural regeneration	200	200	200	200	200	200	200
Total hectares	**3,300**	**2,800**	**2,600**	**2,600**	**1,600**	**1,600**	**1,600**
Outturn							
Replanting	1,823	1,492	1,414	1,428	1,160[1]	–	
Natural regeneration	161	234	189	129	140[1]	–	–
Total hectares	**1,984**	**1,726**	**1,603**	**1,557**	**1,300**[1]	–	–
Restocking payments (£'000)	1,766	1,722	1,220	1,376	1,0[1]	1,2	1,2
Average per hectare (£)	890	998	761	884	830[1]	750	750
Management grants (Woodland Grant Scheme)							
Plan (hectares)	165,000	160,000	145,000	145,000	144,000[1]	180,000	180,000
Outturn (hectares)	155,487	142,170	127,763	127,000	127,000[1]	–	–
Grant payments (£'000)	5,596	5,093	4,568	4,577	4,600[1]	6,500[2]	6,500[2]
Average per hectare (£)	36	36	36	36	36[1]	36[2]	36[2]
Other management grant payments (£'000)	1,143	2,138	2,621	2,667	2,700[1]	2,000[2]	2,000[2]
Total grant payments (£'000)	**16,112**	**18,465**	**18,959**	**18,465**	**18,200**[1]	**21,600**[2]	**21,600**[2]

Notes

1 Estimated.
2 Planned.
3 Includes Dedication Scheme, Woodland Improvement Grant and Livestock Exclusion Annual Premium plus Forestry Partnership Programme.

In 2001 the discretionary approach to approving new planting grants to ensure that grants were targeted on the planting which helped implement the England Foresty Strategy was reviewed. Wide consultation showed strong support for the approach from stakeholders. A number of refinements have been made in preparation for 2002 including an element of regional discretion.

Working with DEFRA, we have initiated a review of afforestation measures – for completion in 2002. Policy and funding responsibility for short rotation coppice has been transferred to DEFRA.

Brownfield land

We have published an accord with English Partnerships and the Regional Development Agencies to promote joint working in using woodland to bring brownfield land into public beneficial use. In 2002, we will launch a partnership with the North West Development Agency on a major programme to improve the image of disadvantaged areas and promote inward investment through the planting of woodlands on brownfield land.

The Forestry Commission Land Regeneration Unit continues actively to identify suitable land, agree restoration terms, and enter into long-term management agreements for a number of brownfield sites. It is currently engaged with some 2,500 hectares of brown and greenfield land focused on:

- Projects implementing the Capital Modernisation Fund (in the north-west of England and east London.
- Work in the National Forest (Leicestershire).
- A developing arrangement with English Partnerships and the Yorkshire and Humberside Regional Development Agencies on ex-colliery land in South Yorkshire.

Enhance the economic value of our forest resources (objective 3)

Market development

In addition to the forecasts of increasing wood supply volume, the wood processing industry needs information on the quality of logs to make decisions about the type and location of investment in new and updated processing plant. We have now completed extensive surveys of timber straightness – a key determinant of processing potential – in Sitka spruce in Scotland, North England and Wales. The data is being used both to analyse the existing 20-year forecasts and to model the impact of site conditions and silviculture to improve forest management decision-making for the longer term.

As part of our monitoring of the UK Forestry Standard we commissioned, in collaboration with the United Kingdom Forest Products Association (UKFPA) and Scottish Enterprise (SE), an independent study of the data intelligence requirements of forestry businesses. In general the industry is short of business information and the way in which data is collected, disseminated, shared and used, needs improvement. The industry is keen to develop a limited range of industry and trade information first. We are discussing with UKFPA and SE how this can be achieved, using the priorities and potential collaborators identified from the survey.

Market promotion of wood

The timber market remains very competitive with low world prices and competition from other materials a major problem for the UK industry. The Forestry Commission continues to support the Nordic–UK collaborative **wood for good** timber promotion campaign, which has been recognised by the Economic Commission for Europe Timber Committee as an exemplar to other wood producing countries. This has already demonstrated to the timber industry that together they can make a real difference to the way wood is perceived as a building material. First year analysis by media experts has shown considerable success in improving public understanding of sustainable forest management as well as the potential and technical performance of modern wood products.

The campaign is now moving into a phase where the aim is to improve the knowledge of construction and design professionals, especially architects and structural engineers, about the potential of wood products and how to specify them. This supports government policies for sustainable construction. The Commission has been working with the industry to bring about the establishment of a new UK Centre of Excellence for Timber Engineering. The Centre will generate the course material and impetus for a substantial increase in teaching of engineers at technical and graduate level to design with timber. It will also increase the advisory and research capability needed to develop and support the market.

Rural development

In England we have worked very closely with DEFRA and other partners during 2001 on ways to increase the contribution of new and existing woodlands to the sustainable development of rural areas. In 2002 we will launch a strategy for promoting the use of woodfuel as a source of renewable energy.

Conserve and improve the biodiversity, landscape and cutural heritage of our forests and woodlands (objective 4)

Biodiversity

A survey of ancient woodlands on the public forest estate in England was completed as the foundation for a national programme to contribute to the UK Biodiversity Action Plan through the restoration and enhancement of native woodlands. We also developed the Woodland Bird Index as a key indicator of the ecological health of woodlands.

Partnerships

We published an accord with the Association of Areas of Outstanding Natural Beauty to foster joint working in the implementation of the Countryside and Rights of Way Act 2000. We will also develop enhanced accords with English Nature and the Association of National Parks in 2002.

Develop opportunities for woodland recreation (objective 5)

In the public forests

The Commission remains the largest provider of outdoor recreation in Britain, playing host to 50 million visits every year. In 2002, subject to resources being available, we will start to dedicate the Forestry Commission woodland estate for access in perpetuity under the Countryside and Rights of Way Act.

Support for access to private woodlands

A grant supplement is paid for the creation of community woodlands near towns and cities. In 2000/01, 882 hectares were created bringing the total to 6,758 hectares since the supplement was introduced in 1992.

Increase public understanding and community participation (objective 6)

Working with communities

Forest Enterprise continues to be active across a wide range of projects which involve local people and stakeholders in the management of Forestry Commission forests. Two were especially significant in 2000/01. Firstly a two-year pilot project was developed, to increase Forest Enterprise's involvement in the acquisition of land and the development of new community woodlands in Thames Chase, Red Rose and The Mersey Community Forests. Secondly, the 'Forests for People-Working with Communities' initiative was launched, including the publication of a brochure of guidance. This describes Forest Enterprise's strategy for working with local communities and other stakeholders and sets out a range of commitments to help increase community involvement.

www.forestry.gov.uk

The Commission's website was relaunched just before Easter 2001 with particular emphasis on access and recreation. The website, which also displays a public register of woodland grant applications, featured as UK Online Site of the Week for three weeks running. The site serves up on average more than 400,000 pages per month.

Forest Education Initiative (FEI)

Forestry Commission partnership funding of £50,000 in 2000/01 enabled FEI clusters – local groups made up of people from the forestry and education sectors – to initiate many innovative projects linked to the curriculum. Examples include woodland trails and classroom resources linked to the curriculum and workshops for teachers on forestry and sustainable development. There are currently 20 FEI clusters in England – an increase of two in the year. FEI works in partnership with Forest Schools in a number of areas. It is extending its international links. The FEI website was set up during the year enabling a wider range of people to access information and resources.

Access

During 2001 access to our woodlands was severely restricted to prevent the spread of FMD. However, by working with the Rural Task Force we were able to start opening some of our woods by the end of March 2001 to help reduce pressure on other areas of the

countryside at greater risk and restore recreation opportunities for local people and visitors.

Research

We published a revised Forestry Commission Research Strategy in August. The Strategy is available on the FC website. It includes a catalogue of current research projects being carried out for the Commission by Forest Research and an increasing range of universities and other institutions. The research programme covers a broad range of topics from genetic improvement of trees through seed, tree establishment, stand management and threats to tree health.

The Strategy explains how we achieve stakeholder consultation which includes the opportunity for anyone to comment through the FC website. The Strategy also explains how the research programme is being redirected to support the priorities of sustainable forestry research on social projects. In particular, more research on social forestry is being carried out – especially to improve our understanding of what people want from forests and how their current experience meets expectations. Forest Research has increased its capacity to undertake qualitative research, and will recruit a fourth full-time social scientist in 2002.

Training and safety

The Forestry Commission sponsorship of the Forestry and Arboriculture Safety and Training Council will cease when a new industry group within the Lantra Sector Skill Council is created. With the agreement of the forestry industry, the safety responsibilities of the Council have passed to a new Arboriculture and Forestry Advisory Group of the Agriculture Industry Advisory Committee of the Health and Safety Commission. The FC Safety Officer is a member and technical adviser to the committee.

Sector Skills Councils are replacing National Training Organisations in April 2002 as the employer/government interface on labour market issues. The industry groups in the Councils are to be employer-led and most members of industry groups are expected to be employers although there will also be representatives from trade unions or other employee organisations from the education sector and from public growers. Nominations for the group have been sought from representative organisations.

During the year the industry launched the Forestry Machine Operators Certification scheme. The Commission's Forestry Training Service handles the administration of the scheme which, in parallel with the well-established Certificate of Competence for Chainsaw Operators, improves efficiency, safety and environmental standards of operations in the industry.

Modernising government

Policy making

The Commission has continued to improve its policy-making process through the involvement of key stakeholders, which can range from small local groups to international Non-governmental Organisations. Internally, we have further strengthened our policy formulation and co-ordination by involving our four Forest Enterprise Territorial Directors at Policy Board level. This will enhance the policy-making process by improving the feedback to and from operational issues.

As a result of our first survey of all staff (carried out in September 2000), we have been providing staff with more opportunities to contribute to policy initiatives, and we will be taking a systematic approach to ensuring that the impact of policy decisions are better understood. Where appropriate, local pilots will be run before national implementation.

Support for the private sector is constantly monitored to ensure effective and properly targeted delivery, and the Commission continues to redirect its grants and other support, where it gives greatest value for money. A major review of grants and licences administration has been completed. As a result, we are examining ways of developing a new IT system that will streamline the administration and improve services to applicants for grant. This will involve a 'front office' where grant applications can be submitted over the internet, people affected by proposed afforestation can see the proposals on our website, and payments can be made electronically. This will be supported by 'back office' systems based on GIS data, electronic workflows, case-tracking and management information.

The new system will take two to three years to develop and implement. A successful bid has been made to the Treasury and Cabinet Office's Invest-to-Save Budget to acquire the funds required for further development. In the meantime we are improving the existing system to provide better services to customers both internal and external, including revised electronic application forms, contracts and payments.

Better regulation

The Commission is committed to the principles of good regulation set out by the Government's Better Regulation Unit. The Commission regulates felling to prevent loss of tree cover, planting to ensure that schemes are environmentally sound and plant health to protect trees against pathogens.

The Commission relies not only upon regulation but also on incentives and the promotion of best practice to reduce the need for regulation. Best practice is achieved through the UK Forestry Standard which the Commission, along with the Department of Agriculture for Northern Ireland, introduced in 1998. When felling is proposed, licences are issued which require re-planting. The UK Forestry Standard is not legally enforceable and incentives are offered to achieve re-stocking to this Standard. Targeting of incentives through challenge funds minimises regulation.

In the financial year 2000/01, the Forestry Commission requested six applicants to carry out Environmental Impact Assessments for new planting proposals. These represented 0.09 per cent of the total number of applications received.

Responsive public services

The Commission's Woodland Grant Scheme Applicant's Charter sets a target time of 11 weeks for processing WGS applications from the date an application is considered acceptable. Our target is to achieve this in 85 per cent of applications. A significant number of cases fail to meet the Charter target due to long delays when they are referred back to the applicant or another party to make a decision before it can be progressed. As a result we are changing the

system to include only the time that the application is within our control. This new measurement system is not yet fully in place but nevertheless our achievement was last measured in mid-2001/02 and this showed a five point increase across England to 74 per cent. Since the target was set however, the impact of new Environmental Impact Assessment legislation and EC audit requirements for exhaustive checks before approvals can be given, have increased the time and effort required to process each case. Further requirements relating to EU regulations may also have an impact and the viability of the target needs to be reconsidered.

The Charter Standard for plant health, to inspect imported timber no later than the next working day after notification, was met in 99 per cent of cases in the year ended December 2001. No complaints were recorded under the complaints procedure.

In September 2000, we issued our second Plant Health Customer Survey questionnaire to 500 importers of forestry material. The questionnaire was similar in style to the first one issued in 1998. It was sent to all our credit customers (to determine the effectiveness of our modified invoicing system as well as our import inspection arrangements) and a random sample from our registered traders database. The great majority of respondents (over 85 per cent) agreed that:

- inspections were carried out promptly;
- the new invoicing system works well; and
- our overall performance was good/very good.

The latest version of the Forest Enterprise Customer Charter Standards Statement appears in the agency's Annual Report. Forest Enterprise assesses its public service performance by measuring percentage compliance against the statement. This is done for each charter using a weighted index of service efficiency. Compliance with the Customer Charter Standards Statement is shown in Table 7.4.

The Commission has included the appropriate elements of the six general Citizen's Charter standards in each individual Charter. Each Charter has a complaints procedure which is published and is available on request.

The standard for responding to correspondence is a maximum of 15 working days from receipt. Replies to correspondence from MPs are sent by Ministers or directly by agency chief executives. Agency chief executives have invariably responded within the required time limit. Members of the public are met promptly whether or not they have appointments. A network of widely advertised enquiry points handles telephone enquiries.

Consultation takes place on a wide range of issues through statutory committees, specific consultation exercises and general liaison with industry, environmental and other interested parties. A major exercise was, for example undertaken as part of the quinquennial review of Forest Enterprise. The results of consultation are promulgated in different ways depending on the form of consultation: in the case of the Forest Enterprise review they were published on our website as part of the review report. Surveys are also carried out to determine the views of those who use the Commission's services.

As part of the Commission's public consultation process, details of all applications for new planting and felling (including those from Forest Enterprise) are made available on the Commission's website. Some of the entries are also linked with a map that shows the geographical location of the application: we propose to extend that arrangement to all cases. Details are also e-mailed to local authorities and a wide range of consultees.

Services are widely advertised through publications and the internet. Special provision has been made for access by people with special needs to services in the forests. This has been publicised in our Easy Access Gazetteer which is also issued in Braille.

No compensation was paid in 2000/01 for maladministration.

Quality public services

As a small Department, the Commission complements in-house resources with private partners including the utilisation of electronic auction facilities. The key internal services of Forest Enterprise were reviewed in parallel with the agency's quinquennial review. Amongst awards received by the Commission and its staff was the E-Champion Award 2001.

Information age government

Whilst the Commission's standard business systems have been computerised for many years geographic information system (GIS) based operational systems have now been introduced across the organisation. With our e-business strategy in place and our connection to the Government Secure Intranet, business-to-business systems are being developed in partnership with the forestry industry. Information is displayed on the website (www.forestry.gov.uk) and publications can be purchased from it. Holidays can be booked on our Forest Holidays website (www.forestholidays.co.uk).

Greening operations

The Commission's main contribution to the environment is its policy of sustainable management of woodlands. Among the Commission's main objectives are to protect Britain's forests and woodlands and expand the forest area as well as conserve and improve the biodiversity within those forests.

Forest Enterprise's sustainable management of the forests has been externally assessed. This has resulted in the approval and recognition of Forest Enterprise's forest management practice. A programme is under way to ensure that any weaknesses identified during the process are addressed.

The Commission's Green Housekeeping Strategy has led to more efficient systems for heating and lighting being introduced, use of recycled paper, conversion of all vehicles to diesel and reducing the use of chemicals in public forests. We are also working towards ISO 14001 certification for our administrative and support functions.

A major refurbishment of our Headquarters building is under way. We are taking advantage of the refurbishment to establish a pilot study which will allow us to develop our knowledge of building and fitting-out systems and their impact on the environment. The activities of our staff at HQ, their use of water and other consumables will also be evaluated from a green viewpoint. This study will give us a basis to introduce sensible and well-tried initiatives throughout all our operations.

Mr Michael Meacher is the Commission's 'Green Minister'. The 'Green' contact within the Commission is Alan Mitchell (tel 0131 314 6201).

Public service

We achieved Investors in People (IiP) accreditation in 2000 and have unified the former non-industrial and industrial staff groups into a single staff group with common conditions of service. Attention has now turned to implementing the Civil Service Reform agenda for which the Commission was allocated £740,000 for 2000/01 and £440,000 for 2001/02 from the Civil Service Modernisation Fund. Pay and performance systems are under review and action is being taken to improve diversity in staffing, including an increase in the number of external competitions. Management training needs have been reviewed and new training events launched. A mentoring scheme will be introduced for new staff.

Investment

Departmental investment strategy

The Commission meets its objectives by investing in new and existing woodlands. Expansion is now based mainly on woodlands owned by others with 16,000 hectares planned between 2001/02 and 2003/04. 1,000 hectares of woodlands with recreation and conservation facilities were, however, created in brownfield areas of the FC estate in the Red Rose, Mersey and Thames Chase Community Forests following the award of £9.4 million to the Commission between 1999/2000 and 2000/01.

We were also awarded £10 million between 2002/03 and 2003/04 to refurbish and renew our two holiday cabin sites in England.

Following the review of Forest Enterprise the Government has decided to retain Forestry Commission woodlands (valued at £471 million in England) in public ownership. There is a continuing small disposal programme, however, for assets that no longer contribute to objectives and for land with special development potential.

Wider markets

The Commission derives income by charging for use of its assets where possible. These charges are from diverse sources such as holiday accommodation, visitor centres, renting buildings which cannot be sold, exploiting mineral assets on the estate, charging for fishing, stalking, riding, car rallies, orienteering, etc and collecting wayleaves for siting pylons and radio masts. Intellectual property is also exploited: for example, Forest Enterprise will benefit from marketing royalties from the sale of forestry modules jointly developed with the supplier of its GISs.

Staffing

Staffing plans for the Commission are set out in Table 7.3. The downward trend in total requirements reflects improvements being made in operating costs by increased mechanisation, improved working methods and contracting out. Merchants who purchase trees unfelled, together with private contractors working directly for the Commission, now carry out 80 per cent of Forest Enterprise's increasing programme of harvesting operations.

Table 7.3:

Forestry Commission staffing and paybill

	1996/97 Outturn	1997/98 Outturn	1998/99 Outturn	1999/2000 Outturn[2]	2000/01 Outturn[3]	2001/02 Estimated outturn[4]	2002/03 Plans[4]	2003/04 Plans[4]
Staffing	3,521	3,308	3,221	2,525	2,259	1,918	1,907	1,886
Paybill (£'000)[1]	61,000	60,000	61,000	50,000	48,000	42,000	43,000	44,000

Notes

1 This covers all pay costs, including employers' earnings related National Insurance contributions.

2 With effect from 1 July 1999 net expenditure relating to Forestry Commission functions in Scotland was funded by the Scottish Parliament and therefore the outturn figures for 1999/2000 only include three months' information for Scotland.

3 The outturn excludes information for Scotland.

4 The estimated outturn and plans exclude information for Scotland and Wales as Forestry Commission functions in Scotland and Wales are funded by the Scottish Parliament and National Assembly for Wales respectively.

Forest Enterprise

Introduction

Forest Enterprise was established as an executive agency in April 1996. Its aim is to produce, through effective and efficient management of the forest estate, the financial, environmental, social and other outputs sought by Ministers and the Forestry Commissioners. It must do this in a way which meets the Government's objectives and international commitments and sustains both the productive potential and the environmental quality of the forest estate.

During the year, Forest Enterprise was reviewed in accordance with Cabinet Office guidance which requires five-yearly reviews of executive agencies. The review concluded that Forest Enterprise should remain as an executive agency, managing the Commission's estate throughout Britain. It recommended major changes in the aims, objectives and performance measures in line with sustainable forest management practice. Since these changes had not been implemented before the end of the year, this report is based on the original framework document.

Objectives

The objectives were:

- To maximise financial returns on the assets of the estate through wood production and the exploitation of commercial opportunities, using private capital wherever appropriate.
- To develop the recreational and educational potential of the estate.

- To take the action needed to facilitate access by the public on foot, extending it as widely as is consistent with the safety of users and with the Commissioners' legal obligations.
- To enhance the environmental, conservation and amenity value of the estate including biodiversity and landscape, and to seek and realise opportunities to further the Government's environmental policies.
- To conserve and manage sympathetically areas of special natural and heritage interest.
- To be efficient, cost effective and businesslike in operations undertaken.
- To set and achieve the standards of service set out in the Citizen's Charter Standards Statement.

Key performance targets

The agency was given 13 annual performance measures which cover the full spectrum of its multiple-benefit objectives and outputs. The agency's key performance targets and achievements are shown in Table 7.4.

Table 7.4:

Forest Enterprise key performance targets

	2000/01 Target England	2000/01 Outturn England	2001/02 Target England	2001/02 Forecast England	2002/03 Target England
Financial outputs					
Cash surplus (£'000)[1]	–14,600	–13,200	–16,000	–15,000	–19,700
Operating profit (£'000)	–2,900	–2,400	–3,600	–6,600	–6,400
Volume of wood harvested (million cubic metres +/–5%) **(FC objective 3)**	1.5	1.5	1.5	1.4	1.5
Income from disposals (£'000)	1,100	2,200	1,000	1,000	1,000
Return on capital employed for Forest Enterprise Holidays (%)	8.0[2]	8.0[2]	8.0[2]	8.0[2]	8.0[2]
Environmental outputs					
Annual changes to number of visitors to sample Commission forests in relation to underlying trends of visitor numbers to equivalent countryside attractions (%) **(FC objective 5)**	+1	+1	+1	+1	+1
Percentage of estate covered by forest design plans (%) **(FC objective 1)**	77	85	82	90	90
Percentage compliance with forest design plans (%) **(FC objective 1)**	100	100	100	100	100
Percentage of SSSIs managed in accordance with plans endorsed by statutory conservation agencies (%) **(FC objective 4)**	100	100	100	100	100
Percentage of land comprising endangered habitats managed in accordance with plans endorsed by relevant authorities (%) **(FC objective 4)**	100	100	100	100	100
Percentage of scheduled ancient monuments managed in accordance with plans endorsed by statutory heritage agencies (%) **(FC objective 4)**	100	100	100	100	100
Efficiency					
Percentage compliance with Citizen's Charter standards statement (%)	92	92	92	92	92
Rate of return to public from all services provided by the Forest Estate (%)	6.0	6.0	6.0	6.0	6.0

Note

1 Includes CMF Funding of 4.7 2.7 6.7 5.9 7.0

2 Visitor numbers and both efficiency targets are measured on a GB basis.

Expenditure

The agency's trading plans are set out at Table 7.5. Whilst timber production is the primary source of trading revenue, additional sources of revenue are provided by other forest-related activities such as forest holidays, sales of venison, property rentals and commercial development of the estate. Further details of the individual activities involved can be found in the agency's Annual Reports.

Table 7.5:

Forest Enterprise income and expenditure account £'000

	2000/01 Target England	2000/01 Outturn England	2001/02 Target England	2001/02 Forecast England	2002/03 Target England
Operating income					
Sale of timber	22,800	22,400	23,700	20,700	21,400
Other forest products	500	400	400	200	300
Management and development of the estate	6,600	8,900	6,600	6,300	6,300
Operating expenditure					
Forest planning	2,500	2,500	2,700	2,500	2,500
Harvesting and haulage of timber	9,900	10,300	9,900	9,600	9,800
Forest roads	2,200	2,300	2,300	2,300	2,300
Forest maintenance and protection	10,300	10,500	11,300	11,300	12,000
Management and development of the estate	7,900	8,500	8,100	8,100	7,600
Operating profit	–2,900	–2,400	–3,600	–6,600	–6,400
Recreation, conservation and heritage					
Income	5,500	4,500	6,100	5,600[1]	5,400
Expenditure	12,800	12,300	13,700	14,000	13,000
Net	–7,300	–7,800	–7,600	–8,400	–7,600
Surplus/deficit on property sales	–300	–300	–300	–300	–200
Net surplus for year	–10,500	–11,700	–11,400	–15,300	–14,200

Note

[1] Below target due to FMD outbreak.

Forest research

Purpose

Forest Research was established as an executive agency on 1 April 1997. Its purpose is to provide research, development, surveys and technical services to the forest industry and to provide authoritative advice in support of the development and implementation of the Government's forestry policies.

Objectives

The agency has the following objectives:

- To meet customers' needs for forestry and tree related research, development and surveys and for authoritative advice.
- To satisfy current standards for the quality of scientific research.
- To carry out its functions efficiently and cost effectively.
- To achieve full cost recovery from clients.

The agency's key performance targets are based on measures reflecting these objectives – see Table 7.6.

Table 7.6:

Forest Research key targets and achievements

Performance measure		1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03 Provisional
Customer satisfaction	Target	85%	92%	95%	96%	96%	97%
	Achieved	90%	94%	96%	97%	97%	
Peer-reviewed papers	Target	29	35	38	44	48	48
	Achieved	33	40	43	48		
Unit cost/researcher day	Target	98	96	94	94	94	95
1996/97 = 100	Achieved	98	96	94	94		
Unit cost of support	Target	–	–	98	96	96	94
services 1998/99 =100	Achieved	–	100	98	96	96	
Cost recovery	Target	100%	100%	100%	100%	99%	100%
	Achieved	101%	103%	100%	101%		

Income and expenditure

The agency's actual, forecast and planned income and expenditure for 1998/99 to 2002/03 are shown in Table 7.7. The Forestry Commission is the main source of funds. Other clients include the European Union, DEFRA, DTLR, DTI, commercial organisations and private individuals.

A working group is reviewing the agency in accordance with Cabinet Office guidance on improving the quality and effectiveness of public services. The group reported on the first stage of the review early in 2002.

Table 7.7:

Forest Research income and expenditure account £'000

	1998/99 Actual	1999/2000 Actual	2000/01 Actual	2001/02 Forecast	2002/03 Planned
Income	12,400	12,600	12,400	12,500	12,400
Expenditure	11,500	12,100	11,800	12,000	11,900
Operating surplus	900	500	600	500	500
Return on capital employed	10%	6%	7%	6%	6%

Table 7.8:

Appointments in the Forestry Commission for 12 months to 31 March

Pay band	Total	Women	%	Ethnic	%	Disability %
Commissioners	2	0	0	–	–	–
2	3	1	33	–	–	–
3	4	2	50	–	–	–
4	14	9	64	–	–	–
5	28	10	36	–	–	–
6	139	89	64	1	0.7	–
7	121	50	41	–	–	–
Total	**311**	**161**	**52**	**1**	**0.3**	**Nil**

Public appointments

The Forestry Commission applies the Commissioner for Public Appointments guidance to public appointments.

Recruitment practice

When making appointments the Forestry Commission applies the principles of fair and open competition and selection on merit as laid down in the Civil Service Commissioners' Recruitment Code. During the period of this report there was one permitted exception to fair and open competition:

One pay band 6 re-employed on a nine-month Fixed Term Contract.

Table 7.8 shows the number of appointments made to the Forestry Commission during the year including two non-executive Forestry Commissioners. The table also shows the proportion of women who were appointed, and people who volunteered the information that they were disabled or belonged to an ethnic minority.

Programme expenditure summary

Table 7.9 shows the cash plans and outturn from 1997/98 to 2000/01 together with the estimated outturn for 2001/02 and plans for 2002/03 to 2003/04. It should be noted that funding and expenditure up to 1998/99 was counted for the whole of Great Britain. With devolution, 1999/2000 was a transitional funding year with provision for England and Wales for the whole year but for Scotland only for the first three months. The sums shown for 2000/01 exclude the whole year's provision for Scotland and the 2001/02 sums exclude both Scotland and Wales. From 2001/02, therefore, the sums shown relate only to activity in England and for those international and Great Britain-wide functions which continue to be funded by Westminster. Parliamentary funding figures increased significantly from 1999/2000 following termination of large-scale forest sales and as a result of low timber prices.

Overall review of outturns and cash plans

With a total of £85 million voted in Estimate (including a £16.7 million supplementary and awards from the Capital Modernisation and Civil Service Modernisation Funds totalling £5.4 million), the outturn for 2000/01 resulted in a net underspend of £0.9 million. Payments of grants on private sector planting in England and Wales were lower than planned. The area of new planting was slightly lower than in the previous year and, although replanting showed some recovery from last year's dip, it still fell short of the levels experienced in the years before the present timber market difficulties began.

The decline in timber prices, which began in 1995/96, continued into 2000/01. In England the, much reduced, budget for timber income was achieved with only a slight increase in production volume, whilst in Wales the timber income was over £2 million below budget. This deficit and increased operating costs were offset partly by savings on other expenditure and increases in other receipts, including sales of surplus assets.

Reimbursement of European Union co-financing of grants paid to private woodland owners for planting on former agricultural land in England and Wales in 2000/01 totalled £4.6 million – £0.5 million higher than expected.

Table 7.9:

Cash Plans – Voted in Estimates Forestry Commission

£'000 (ex.VAT)

	Vote No.	1997/98 Outturn	1998/99 Outturn	1999/2000 Outturn[2]	2000/01 Outturn[3]	2001/02 Estimated outturn[4]	2002/03 Plan[4]	2003/04 Plan[4]
Staff costs		65,000	65,000	53,000	51,000	44,000	46,000	47,000
Superannuation[5]		28,000	28,000	29,000	28,000	23,000	–	–
Land and buildings, purchase of vehicles, machinery, etc		8,000	3,000	1,000	7,000	7,000	9,000	6,000
Purchase of consumable stores, work done by contract and general expenses		66,000	71,000	52,000	40,000	20,000	27,000	31,000
Payments of grants for woodlands in the private sector		35,000	40,000	30,000	22,000	17,000	21,000	21,000
Balance of voted funds drawn down into Forestry account (underspend)[1]		3,000	#[7]	–	1,000	–	–	–
Total payments		**205,000**	**207,000**	**165,000**	**149,000**	**111,000**	**103,000**	**105,000**
Receipts		123,000	113,000	74,000	59,000	33,000	36,000	42,000
Disposal receipts		21,000	11,000	5,000	5,000	4,000	2,000	2,000
Surrender of lease		–	21,000	–	–	–	–	–
Total receipts		**144,000**	**145,000**	**79,000**	**64,000**	**37,000**	**38,000**	**44,000**
Voted in Estimate		**61,000**	**62,000**	**86,000**	**85,000**	**74,000**	**65,000**	**61,000**
Other (non voted) Forestry[6]		–5,000	–3,000	#[7]	–	1,000	–	–

Notes

1. This balance is surrendered to the Consolidated Fund in the following year.
2. Net expenditure relating to Forestry Commission functions in Scotland from 1 July 1999 was funded by the Scottish Parliament and is excluded from the 1999/2000 outturn.
3. Net expenditure relating to Forestry Commission functions in Scotland for the whole year was funded by the Scottish Parliament and is excluded from the 2000/01 outturn.
4. Net expenditure relating to Forestry Commission functions in Scotland and Wales for each of the years 2001/02 to 2003/04 will be funded by the Scottish Parliament and National Assembly for Wales and is excluded from the plans for these years.
5. The Forestry Commission Pension Scheme ceased to operate after 30 November 2001 and its future liabilities were taken over by the Principal Civil Service Pension Scheme.
6. Represents amounts surrendered to the Consolidated Fund accruing from underspends during the previous year.
7. Amounts of less than £500,000 but not zero.

Timber prices remained flat during 2001/02 and in real terms reached the lowest levels ever recorded. However, with the lower timber prices already reflected in the Commission's budget for its England/GB activities, and in the revised levels of funding previously agreed, it has been possible to offset the impact of this further decline in timber income by reducing costs and by bringing forward some of the funding which was originally scheduled for future years within the three-year Departmental Expenditure Limit.

The estimated outturn for England in 2001/02 excludes the planned receipt of £4.3 million for EU co-financing of private woodlands grants.

Grant aid to private woodlands

Table 7.2 gives details of the areas and financing of new planting, replanting and management grants in the private sector in England from 1997/98 to 2000/01, the estimated outturn for 2001/02, and the programmes for 2002/03 to 2003/04. Total private sector new planting and replanting after felling in England are expected to amount to 11,450 and 3,200 hectares respectively in the two years to 2003/04.

The table also shows that the average rate for new planting is expected to increase from 2001/02 onwards as more public benefits are purchased through new woodlands in priority areas. The uptake of management grant in their various forms including forestry partnership remains strong.

Further reading

Free booklets and leaflets for applicants to the Woodland Grant Scheme describe the grants available, the forestry and environmental standards required and the procedures involved. Many of these can be accessed from the Commission's website.

Forestry Commission booklets and leaflets are available from Services Branch, Secretariat Division, Forestry Commission, 231 Corstorphine Road, Edinburgh EH12 7AT. Details of priced publications are held on the website (www.forestry.gov.uk) where other useful information is published.

Enquiries

Further information can be obtained from Anne Russell (tel 0131 314 6336).

Chapter 8

Office of Water Services

Achievements and programme of work. You can find details of the Office of Water Services (Ofwat's) achievements in its *Annual Report* published in May 2002. Its forthcoming programme of work is set out in *Forward Programme 2002/03 to 2003/04* published in March 2002.

Objectives

Ofwat ensures that the water and sewerage companies carry out and finance their functions properly. Ofwat also protects customers, promotes economy and efficiency, and facilitates competition.

Ofwat has the following aims:

- To monitor the industry's capital investment each year between 2000 and 2005 and take action that will deliver new environmental and water quality targets set by Ministers.

  Progress: monitoring arrangements are in place.

- To monitor in June each year financial, economic, service quality and engineering performance. To publish this information for the public and industry, and take appropriate regulatory action.

  Progress: ongoing. Comparing company performance in public is one of the Director General of Water Services' most powerful methods for generating incentives to greater efficiency and improved services. Independent reporters examined and tested the company information and we have developed and improved our measures. Our five annual reports on company performance contain more information. Also during the year we managed merger and financial restructuring proposals.

- To monitor the targets of the Ofwat customer charter each year and act to ensure that they are met.

  Progress: ongoing. Performance against the targets is reported in Ofwat's Annual Report.

- To make sure customers are represented through effective communication, involvement and consultation with the 10 regional customer service committees (CSCs).

  Progress: ongoing. Ofwat continues to work closely with the CSCs and the Ofwat National Customer Council. The CSCs have made a major contribution throughout the year as the independent voice of the customer, influencing the outcome of the price review and the approval of charges schemes.

Ofwat headquarters dealt with 677 complaints and disputes in the year. We obtained compensation and rebates for customers amounting to £425,500.

A great deal of our new work this year was driven by the Water Industry Act 1999. For the second year, the companies had to obtain the Director General's approval for their charges schemes. These powers further protect customers' interest.

- To process applications for inset appointments in accordance with the new guidance issued in March 1999.

  Progress: ongoing.

- To set new leakage targets, usually each September, to reduce water loss.

- **Progress:** Ongoing. The leakage reduction of a third – enough to meet the daily needs of 12 million people – since 1994 has been achieved.

Means of delivery

Ofwat is a non-Ministerial government department. It is financed by Parliament through licence fees from the water and sewerage companies, and it is subject to cost controls.

The Director General of Water Services sets price limits that allow the water and sewerage companies to carry out their functions while encouraging them to achieve greater efficiency. He last set these limits in November 1999. He also enforces company licences and has the power in certain cases to settle disputes and complaints between customers and companies.

Customers are represented at a regional level through the 10 statutory CSCs. The Director General has also established the independent Ofwat National Customer Council to speak for customers nationally and to help protect their interests.

For further information access Ofwat's website at www.ofwat.gov.uk

Table 8.1:

Office of Water Services public spending

£'000

	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Consumption of resources:						
Regulation of the water industry	–	453	–1,163	–808	–128	–57
Office of Water Services resource budget	–	**453**	**–1,163**	**–808**	**–128**	**–57**
of which:						
Office of Water Services Resource Departmental Expenditure Limit (DEL)	–205	235	–1,395	–1,028	–598	–527
Non-cash items in AME	205	218	232	234	484	484
of which:						
Depreciation	179	228	233	245	485	470
Cost of capital charges	26	–21	–13	–26	–16	14
Changes in provisions and other charges	–	11	12	15	15	–
Capital spending:						
Regulation of the water industry	191	210	98	600	535	300
Total Office of Water Services capital budget	**191**	**210**	**98**	**600**	**535**	**300**
of which:						
Office of Water Services Capital Departmental Expenditure Limit (DEL)	191	210	98	600	535	300
Total public spending by Office of Water Services	**12**	**435**	**–1,298**	**–453**	**–78**	**–227**

Notes:

1 Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation.

2 Most non-cash items AME will move into DEL when DEL is measured on a full RAB basis, after the 2002 Spending Review.

3 AME may contain spending other than non-cash items. A full breakdown of budgets into their DEL and AME and voted and non-voted components is contained in the Supplementary Budgetary Information publication which accompanies the Main Estimates.

Table 8.2:

Office of Water Services resource budget: voted and non-voted DEL and AME

£'000

	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Resource budget:						
Departmental Expenditure Limit (DEL):						
Voted:						
RfR 1 A Office of Water Services	–159	281	–758	–298	–578	–507
Total voted resource budget DEL	**–159**	**281**	**–758**	**–298**	**–578**	**–507**
Non-voted resource budget DEL	–46	–46	–637	–730	–20	–20
Total resource budget DEL	**–205**	**235**	**–1,395**	**–1,028**	**–598**	**–227**
Annually Managed Expenditure (AME):						
Voted:						
RfR 1 B Office of Water Services	205	218	232	220	470	470
Total voted resource budget AME	**205**	**218**	**232**	**220**	**470**	**470**
Non-voted resource budget AME						
Total resource budget AME	**205**	**218**	**232**	**220**	**470**	**470**
Total resource budget	**–**	**453**	**–1,163**	**–808**	**–128**	**–57**
of which:						
Voted	46	499	–526	–78	–108	–37
NDPBs net spending (non-voted)						
Other (non-voted)	–46	–46	–637	–730	–20	–20
and of which						
Central government own spending	–	453	–1,163	–808	–128	–57
Central government finance to LAs						
Public corporations						
NB Resource consumption in Office of Water Services Estimate:						
Resource DEL	–159	281	–758	–298	–578	–507
Resource AME	205	218	232	220	470	470
Other spending outside DEL						
of which:						
Grants to NDPBs to finance their spending						
Items treated as capital in budgets						
Other spending outside budgets						
Total resource consumption in Estimate	**46**	**499**	**–526**	**–78**	**–108**	**–37**

Notes:

1 Voted DEL and AME excludes EU receipts included in DEL and AME in Estimates.

2 Non-voted DEL and AME includes NDPBs' net spending, which may be financed by voted grants.

3 Public corporations spending includes their net profit or loss, plus any CG subsidies, plus the cost of capital charge on the public corporations.

Table 8.3:

Office of Water Services capital budget: voted and non-voted DEL and AME

£'000

	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Capital budget:						
Departmental Expenditure Limit (DEL):						
Voted:						
RfR 1 A Office of Water Services	191	210	98	600	535	300
Total voted capital DEL	**191**	**210**	**98**	**600**	**535**	**300**
Non-voted capital DEL						
Total resource budget DEL	**191**	**210**	**98**	**600**	**535**	**300**
Total capital budget	**191**	**210**	**98**	**600**	**535**	**300**
of which:						
Voted	191	210	98	600	535	300
NDPBs net spending (non-voted)						
Other (non-voted)						
and of which:						
Central government own spending	191	210	98	600	535	300
Central government finance to LAs						
Public corporations						
NB Total net capital in Office of Water Services Estimate						
Capital DEL	191	210	98	600	535	300
Capital AME						
Other spending outside DEL						
of which:						
Net lending to private sector						
Net lending to public corporations						
Net lending within central government						
Other						
Total net capital in Estimate	**191**	**210**	**98**	**600**	**535**	**300**

Notes:

1 Voted DEL and AME excludes EU receipts included in DEL and AME in Estimates.

2 Non-voted DEL and AME includes NDPBs' net spending, which may be financed by voted grants.

Table 8.4:

Office of Water Services capital employed

£'000

	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Assets on balance sheet at start of year:						
Fixed assets of which:						
Tangible	501	510	422	350	250	130
Intangible	56	39	18	450	700	400
Current assets	1,646	1,308	1,719	650	650	650
Creditors (< 1 year)	–1,972	–2,360	–2,867	–2,500	–500	–500
Provisions	–468	–864	–638	–550	–460	–370
Capital employed	**–237**	**–1,367**	**–1,346**	**–1,600**	**640**	**310**

Note:
The creditors figure included deferred income.

Table 8.5:

Office of Water Services administration costs

£'000

	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Gross administration costs:						
Paybill	5,140	5,981	5,897	6,590	–	–
Other	5,155	4,210	5,066	4,282	–	–
Total gross administration costs	**10,295**	**10,191**	**10,963**	**10,872**	**11,302**	**10,797**
Related administration cost receipts	–10,454	–9,910	–11,721	–11,170	–11,880	–11,304
Total net administration costs	**–159**	**281**	**–758**	**–298**	**–578**	**–507**
of which:						
Departmental expenditure limit (DEL)	–159	281	–758	–298	–578	–507
Non-cash AME						
Total net administration costs by activity:						
Office of Water Services	–159	281	–758	–298	–578	–507
Total net administration costs	**–159**	**281**	**–758**	**–298**	**–578**	**507**
Controls and limits:						
Administration costs limits for gross controlled areas:						
Office of Water Services	10,295	10,191	10,963	10,872	11,302	–
Total administration costs limits for gross controlled areas	**10,295**	**10,191**	**10,963**	**10,872**	**11,302**	**–**
Administration costs limits for net controlled areas:						

Table 8.6:

Office of Water Services DEL and departmental AME outturn, on previous cash basis

£'000

	1996/97 Outturn	1997/98 Outturn	1998/99 Outturn	1999/2000 Outturn	2000/01 Outturn
Departmental expenditure limits					
Current budget					
Office of Water Services	9,277	10,349	–755	–1,040	–280
Non-voted expenditure	–9,673	–10,824	–48	–43	–47
Capital budget					
Office of Water Services	303	400	269	265	213
Non-voted expenditure					
Total spending in DEL	**–93**	**–75**	**–534**	**–818**	**–114**
Office of Water Services	9,580	10,749	–486	–775	–67

Table 8.7:

Staff numbers

	1995/96 Actual	1996/97 Actual	1997/98 Actual	1998/99 Actual	1999/2000 Actual	2000/01 Actual	2001/02 Estimated outturn	2002/03 Plans	2003/04 Plans
Office of Water Services									
CS FTEs	164	183	175	176	195	202	210	222	222
Overtime	2	1	1	1	1	1	1	1	1
Casuals	7	4	5	7	15	6	7	7	4
Total	**173**	**188**	**181**	**184**	**211**	**209**	**218**	**230**	**227**

Non-Departmental Public Bodies

The list below details all agencies and Non-Departmental Public Bodies (NDPBs) sponsored by DEFRA.

Executive agencies

Central Science Laboratory (CSL)
www.csl.gov.uk

Centre for Environment, Fisheries and Aquaculture Science (CEFAS)
www.cefas.co.uk

Pesticides Safety Directorate (PSD)
www.pesticides.gov.uk

Rural Payments Agency (RPA)
www.rpa.gov.uk

Veterinary Laboratories Agency (VLA)
www.defra.gov.uk/corporate/vla

Veterinary Medicines Directorate (VMD)
www.vmd.gov.uk

Executive Non-Departmental Public Bodies

Agricultural Wages Board (AWB) (England and Wales)

Agricultural Wages Committee (AWC) (England)

Apple and Pear Research Council (APRC)
www.theaprc.org

British Potato Council (BPC)
www.potato.org.uk

Countryside Agency (CA)
www.countryside.gov.uk

English Nature (EN)
www.english-nature.org.uk

Environment Agency (EA)
www.environment-agency.gov.uk

Food from Britain (FFB)
www.foodfrombritain.com

Home-Grown Cereals Authority (HGCA)
www.hgca.co.uk

Horticultural Development Council (HDC)
www.hdc.org.uk

Horticulture Research International (HRI)
www.hri.ac.uk

Joint Nature Conservation Committee (JNCC)
www.jncc.gov.uk

Meat and Livestock Commission (MLC)
www.mlc.org.uk

Milk Development Council (MDC)
www.mdc.org.uk

National Forest Company
www.nationalforest.org

Regional Flood Defence Committees

Royal Botanic Gardens, Kew (RBG Kew)
www.rbgkew.org

Sea Fish Industry Authority (SFIA)
www.seafish.co.uk

United Kingdom Register of Organic Food Standards (UKROFS)
www.defra.gov.uk/farm/organic

Wine Standards Board of the Vintners' Company (WSB)

Advisory NDPBs

Advisory Committee on Business and the Environment (ACBE)
www.defra.gov.uk/environment/acbe

Advisory Committee on Consumer Products and the Environment (ACCPE)
www.accpe.com

Advisory Committee on Hazardous Substances (ACHS)
www.defra.gov.uk/environment/chemistrat

Advisory Committee on Packaging

Advisory Committee on Pesticides (ACP)

Advisory Committee on Releases to the Environment [of genetically modified organisations] (ACRE)
www.defra.gov.uk/environment/acre

Agricultural Dwelling House Advisory Committees (ADHACs)

Air Quality Expert Group (replaces the former Airborne Particles Expert Group)
www.defra.gov.uk/environment/airquality

Air Quality Forum
www.defra.gov.uk/environment/airquality/forum

Committee of Investigation for Great Britain

Committee on Agricultural Valuation

Committee on Products and Processes for Use in Public Water Supply and Swimming Pools

Consumers' Committee for Great Britain under the Agricultural Marketing Act 1958

Darwin Advisory Committee (the Darwin Initiative)
www.defra.gov.uk/environment/darwin

Expert Group on Cryptosporidium in Water Supplies

Expert Panel on Air Quality Standards
www.defra.gov.uk/environment/airquality/aqs

Expert Panel on Sustainable Development Education
www.defra.gov.uk/environment/sustainable/educpanel

Farm Animal Welfare Council (FAWC)
www.fawc.org.uk

Hill Farming Advisory Committee for England, Wales and Northern Ireland

Independent Scientific Group on Cattle TB (ISG)
www.defra.gov.uk/animalh/tb

Inland Waterways Amenity Advisory Council

National Expert Group on Transboundary Air Pollution

Pesticide Residues Committee

Radioactive Waste Management Advisory Committee www.defra.gov.uk/rwmac

Regional Environment Protection Advisory Committees

Royal Commission on Environmental Pollution
www.rcep.org.uk

Spongiform Encephalopathy Advisory Committee
www.defra.gov.uk/animalh/bse

Sustainable Development Commission
www.sd-commission.gov.uk

Veterinary Products Committee
www.vpc.gov.uk

Water Regulations Advisory Committee (WRAC)
www.defra.gov.uk/environment/wsregs99/waterfit

Zoos Forum

Public corporations

British Waterways Board
www.britishwaterways.org

Covent Garden Market Authority

Tribunals and other bodies

Agricultural Land Tribunals

British Wool Marketing Board

Commons Commissioners

Dairy Produce Quota Tribunal

Plant Varieties and Seeds Tribunal

Other advisory bodies and stakeholder groups

Chemicals Stakeholder Forum
www.defra.gov.uk/environment/chemistrat/stakehol

National Parks and Broads Authorities

Association of National Park Authorities
www.anpa.gov.uk

National Broads Authority
www.broads-authority.gov.uk

National Rural Development Forum

Partnership for Action Against Wildlife Crime
www.defra.gov.uk/paw

Pesticides Forum
www.defra.gov.uk/environment/pesticidesforum

Rural Affairs Forum for England

Trade Union Sustainable Development Advisory Committee (TUSDAC)
www.defra.gov.uk/environment/tusdac

UK Biodiversity Group
www.ukbap.org.uk

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