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Departmental Report 2006



This document is part of a series of Departmental Reports (Cm 6811 to Cm 6838) which, along with the Main Estimates 2006-07, the document Public Expenditure Statistical Analyses 2006 and the Supplementary Budgetary Information 2006-07, present the government's expenditure plans for 2005 to 2008.

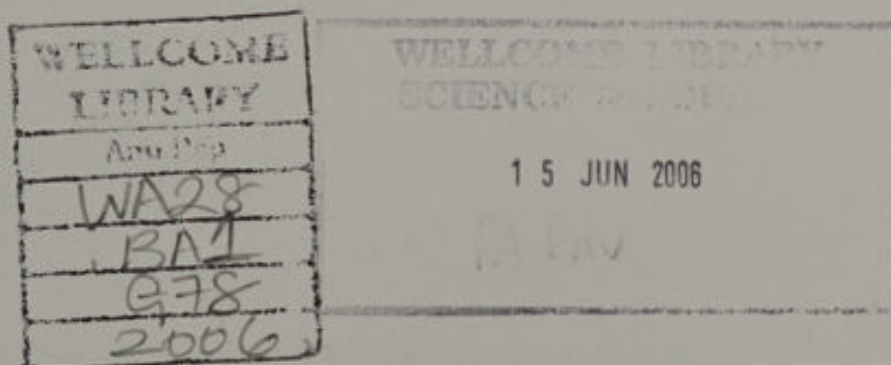


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Department for Environment, Food and Rural Affairs and the Forestry Commission

Departmental Report 2006



Presented to Parliament by the Secretary of State
for Environment, Food and Rural Affairs
and the Chief Secretary to the Treasury
by Command of Her Majesty
May 2006

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Defra opened up public access to mountain, moor, heath, down and registered common land.



Foreword by the Secretary of State



Since the publication of the *Five Year Strategy* in 2004, Defra has made significant progress under the leadership of Margaret Beckett and her Ministerial team. I would like to take this opportunity to highlight some key achievements over the past year:

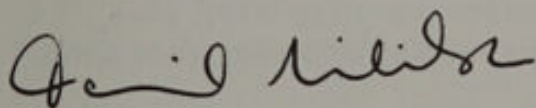
- the Clean Neighbourhoods and Environment Act gave local authorities further powers to address issues such as litter, fly-tipping and abandoned vehicles;
- the Natural Environment and Rural Communities Act established Natural England and the Commission for Rural Communities as independent Non-Departmental Public Bodies;
- the successful launch of the second phase of the Warm Front Scheme – the scheme will tackle fuel poverty by assisting vulnerable, fuel poor households in a targeted and sustainable way;
- agreement on lifting the ban on the export of beef and live cattle to the rest of the EU, reopening markets for UK farmers;
- achievement of our Public Service Agreement target to open up public access to mountain, moor, heath and down, and registered common land;
- the launch of the Marine Fisheries Agency to improve face-to-face delivery for the individual fisherman and the fishing industry; and
- agreement under the UK Presidency of a new EU Chemicals regulation and significant reform of the outdated sugar regime.

It is vital we continue to deliver progress right across Defra's priorities from food and farming to animal welfare and rural affairs. Failure in any part of our work could undermine the impact of the Department. In recent years, the Department has strengthened its risk management and contingency planning. This is something we must continue to focus on over the next year, particularly in the face of the ongoing threat of Avian Influenza.

My top priority will be to continue to make progress on climate change domestically and internationally. Without local and national action, we lose our power and leverage internationally. Without action on a global scale, we cannot convince British citizens and businesses that their actions will be backed up by others. Every part of Defra has a part to play.

The next year will be challenging – from the Single Payment Scheme to the Rural Development Programme, the creation of Natural England to the Waste Strategy.

I will be working with colleagues across Government, and with our international partners, to forge an environmental contract that develops the roles and responsibilities of individual citizens, businesses, and government. We have the opportunity and responsibility to develop a long-term framework for change. I look forward to working with you over the next year.



Rt Hon David Miliband MP
Secretary of State for Environment, Food and Rural Affairs

Introduction

Defra's Departmental Report (Cm 6827) sets out its progress against the Public Service Agreement objectives and targets reached under the 2004 Spending Review. It also reports on other areas of activity, which support the achievement of the Department's aim and strategic priorities.

Chapter 1

In Chapter 1, the Department's key aim of sustainable development and its strategic priorities are set out, highlighting how they will achieve a range of outcomes which together will make a difference in key areas.

The report looks at Defra's vision¹ for the future and how its values², structure and ability to work with others will enable the Department to achieve its aim and strategic priorities. In particular it highlights that the pursuit of environmental, economic and social sustainable development is vital to achieving this vision.

Chapter 2

Chapter 2 focusses on Defra's over-arching aim to promote Sustainable Development across Government and in the UK.

Chapter 3

Chapter 3 sets out Defra's progress³ in delivering its aim and 2004 Spending Review Public Service Agreement targets by reference to the Department's strategic priorities. It also covers other key areas of the Department's work, which support its objectives, and sets out key achievements during 2005-06 and a forward look to 2006-07.

Chapter 4

Chapter 4 sets out Defra's contingencies for emergency preparedness.

Chapter 5

Chapter 5 focusses on Defra's Executive Agencies and how they work in partnership with the core Department to achieve its aim and strategic priorities.

¹ Defra's vision is available at: <http://www.defra.gov.uk/corporate/aims/vision.htm>

² Defra's values can be found in the 2005 Departmental Report: <http://www.defra.gov.uk/corporate/deprep/2005/chapter1.pdf>

³ The Department also provides regular on-line updates against its Spending Review targets. These can be found on HM Treasury's website at: www.hm-treasury.gov.uk/performance/

Chapter 6

Chapter 6 focusses on how Defra works with its other delivery partners. These include the Forestry Commission, the Environment Agency, the Countryside Agency, English Nature, its largest Public Corporation, British Waterways and the Rural Development Service. The Chapter sets out their relationships with Defra and how they work together to achieve their shared aims and objectives.

Chapter 7

Chapter 7 looks at the management of the Department and the progress of Defra's Delivery Strategy.

Chapter 8

Chapter 8 focusses on Better Regulation and the Hampton Review.

Chapter 9

Chapter 9 sets out in detailed tables Defra's staffing and expenditure plans for the remainder of the 2004 Spending Review and reports on the Department's expenditure and resource plans over the next three years.

A close-up photograph of a person's hand holding a thin, brown willow branch. The branch has several fuzzy, yellowish-brown catkins at different stages of development. Some catkins are small and pointed, while others are larger and more elongated. Small green leaves are beginning to emerge from the branch. The background is a blurred field of dry, brown vegetation. In the upper left background, a large, dark-colored tractor with a prominent yellow wheel is visible, suggesting a rural or agricultural setting.

The Government has set a target that 10% of electricity should be obtained from renewable sources by the year 2010. The UK's first wood fuelled electricity generating plant is at Eggborough, North Yorkshire.

Aim, strategic priorities and Departmental structure

Defra works for the essentials of life – food, air, land, water, people, animals and plants. Our remit is the pursuit of sustainable development – weaving together economic, social and environmental concerns. Defra therefore brings all aspects of the environment, rural matters, farming and food production together, is a focal point for all rural policy, relating to people, the economy and the environment; and has roles in both European Union and global policy making, so that its work has a strong international dimension.

Aim

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 economics and communities in rural areas and a countryside for all to enjoy.

Strategic priorities

Defra has five strategic priorities which underpin its overarching aim of promoting sustainable development:

- **Climate change and energy** – making a full contribution, domestically and internationally, to addressing the long-term threats presented by climate change and unsustainable energy use, and to ensure adequate mitigation of the consequences which are already unavoidable;
- **Sustainable consumption and production** – breaking the link between economic growth and environmental degradation and resource use through promoting and enabling more sustainable patterns of consumption and production;
- **Protecting the countryside and natural resource protection** – creating a robust policy framework and evidence base in order to promote the sustainable use and enhancement of the country's natural heritage and ecosystems;
- **Sustainable rural communities** – encouraging sustainable regeneration in disadvantaged rural areas, promoting social inclusion and reducing deprivation, ensuring higher quality, more accessible public services to rural communities; and

- **a sustainable farming and food sector including animal health and welfare** – helping create a sustainable farming and food supply chain serving the market and the environment; putting in place systems to reduce risks of animal diseases, and being ready to control them when they occur.

Ministers have agreed that, to make progress against these strategic priorities, it will be necessary to secure a number of key outcomes⁴, the majority of which are expressed as Public Service Agreements targets. In addition, the Department recognises that a significant part of its work is concerned with preparedness for emergencies and contingencies.

Five Year Strategy

Defra's *Five Year Strategy, Delivering the Essentials of Life*⁵ builds on the work the Department has been doing for some time to progressively clarify the Department's purpose, and defining its priorities. Its themes and outcomes are in line with the Public Service Agreement⁶ targets agreed in the 2004 Spending Review. The document sets out areas where additional emphasis is needed and where, if Defra is to make real progress, it needs to go further than Public Service Agreements targets (an example is the sustainable balance between supply and demand for water, where the Department has clear objectives but no Public Service Agreement target).

Departmental Reform Programme

Defra is developing a new fit for purpose Department which will be able to deliver its *Five Year Strategy*. This is also being informed by thinking across Government on reform and professionalisation, including the Professional Skills for Government work. The three programmes driving internal change are Defra's Delivery Strategy, the Policy Centre Review Programme, and the Corporate Centre Programme. Further information on Defra's Departmental Reform Programme is available in Chapter 7.

Accountability

There are three main pillars of the Department's accountability arrangements:

- the Secretary of State has overall statutory and political accountability to Parliament for all matters associated with the Department. She determines the policy framework within which the Department operates, agrees the Department's role in meeting the Government's objectives and is accountable for delivery of the Department's Public Service Agreement;

⁴ Outcomes sought under each strategic priority can be found at: <http://www.defra.gov.uk/corporate/5year-strategy/index.htm>.

⁵ The *Five Year Strategy* can be found on the Defra website at: <http://www.defra.gov.uk/corporate/5year-strategy/5year-strategy.pdf>

⁶ Details of which can be found online at: www.defra.gov.uk/corporate/busplan/busplan.htm

- the Permanent Secretary as Head of the Department and Principal Accounting Officer has personal responsibility for the overall organisation, management and staffing of the Department and for Department-wide procedures in financial and other matters. The Accounting Officer has personal responsibility for the propriety and regularity of the public finances for which she is accountable; and
- the Management Board (chaired by the Permanent Secretary) is responsible for corporate strategic leadership of the Department. Managers and staff at all levels have the responsibility for delivering the Department's objectives.

The Department's Ministers to May 2006



Rt Hon Margaret Beckett MP

Secretary of State for
Environment, Food
and Rural Affairs



Elliot Morley MP

Minister of State for
Climate Change and
the Environment⁷



Jim Knight MP

Minister for Rural
Affairs, Landscape
and Biodiversity⁷



Lord Bach

Minister for Sustainable
Farming and Food⁷



Ben Bradshaw MP

Minister for Local
Environment, Marine
and Animal Welfare⁷

⁷ Further detail on the Ministers' portfolios can be found on-line at: <http://www.defra.gov.uk/corporate/ministers/index.asp>

The Department's Ministers from May 2006



**Rt Hon
David Miliband MP**
Secretary of State for
Environment, Food
and Rural Affairs



Ian Pearson MP
Minister of State⁷



Lord Rooker
Minister of State
(Lords)⁷



Ben Bradshaw MP
Parliamentary
Under-Secretary
(Commons)⁷



Barry Gardiner MP
Parliamentary
Under-Secretary
(Commons)⁷

⁷ Further detail on the Ministers' portfolios can be found on-line at: <http://www.defra.gov.uk/corporate/ministers/index.asp>

The Department's Management Board⁸



Helen Ghosh
Permanent Secretary



Bill Stow
Director General,
Environment



Andrew Burchell
Chief Operating Officer



Andy Lebrecht
Director General,
Sustainable Farming,
Food and Fisheries



Ursula Brennan
Director General,
Natural Resources and
Rural Affairs



Donald Macrae
Solicitor and Director General,
Legal Services



Ian Grattidge
Director Finance,
Planning and
Resources



Debby Reynolds
Chief Veterinary Officer and
Director General,
Animal Health and Welfare



Prof. Howard Dalton
Chief Scientific Adviser
Director General
Science, Economics
and Statistics



Bill Griffiths
Non-executive
Director



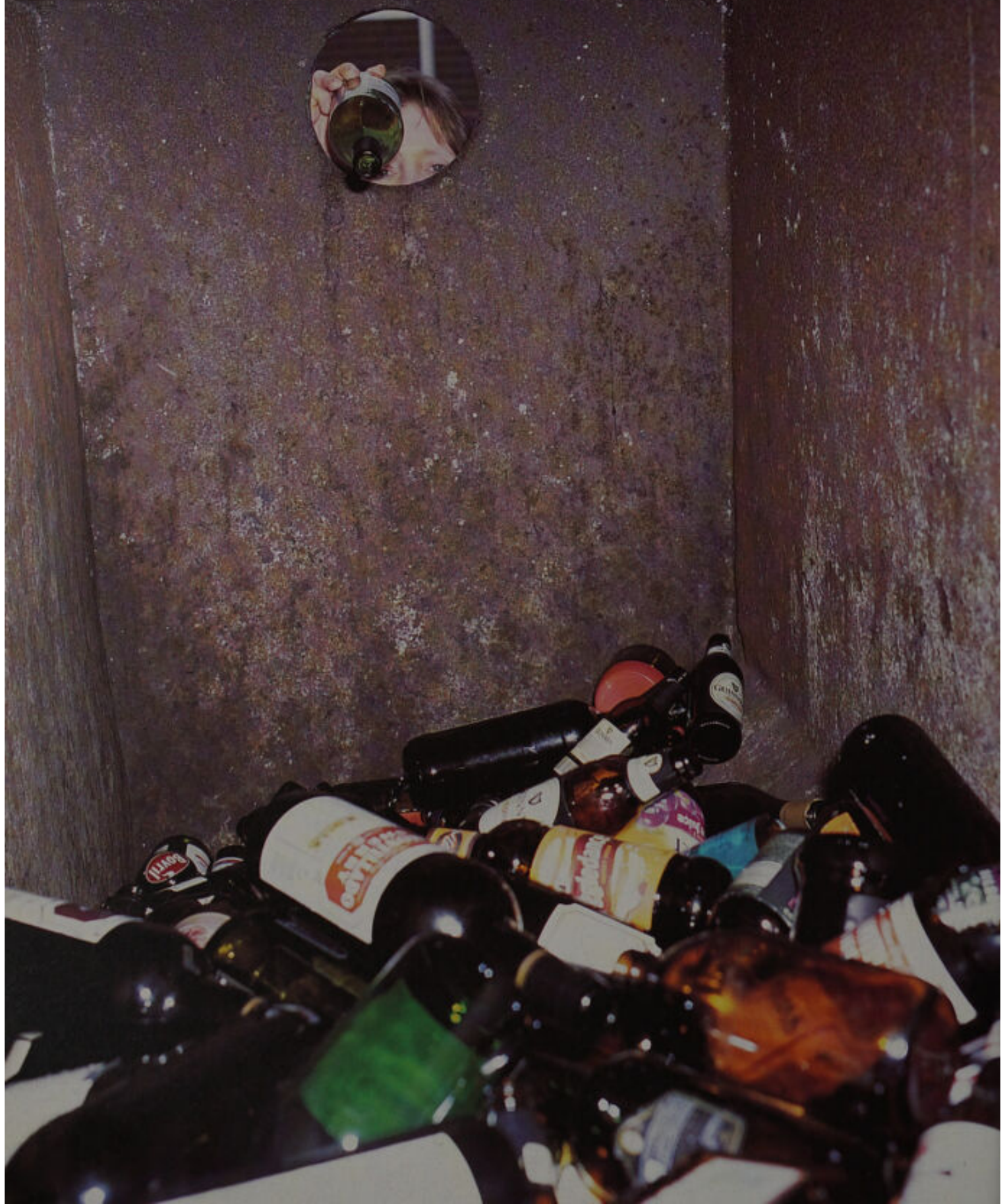
Elizabeth Ransom
Non-executive
Director

⁸ Further details of the Management Board and meetings can be found on the Defra website:
<http://www.defra.gov.uk/corporate/manboard/index.htm>

The Marine Fisheries Agency was established
in October 2005.



Defra is committed to managing waste in a sustainable way, optimising recycling and re-use, as well as limiting production to help protect the environment.



Promoting sustainable development

Sustainable development (SD) in the UK and beyond is a Government-wide priority, led and championed by Defra⁹. It is the Department's overarching objective and it owns Public Service Agreement target 1 for the period 2005-08.

Public Service Agreement target 1: To promote sustainable development across Government and in the UK and internationally, as measured by:

- the achievement of positive trends in the Government's headline indicators of sustainable development;
- the UK's progress towards delivering the World Summit on Sustainable Development commitments, notably in the areas of sustainable consumption and production, chemicals, biodiversity, oceans, fisheries and agriculture; and
- progress towards internationally agreed commitments to tackle climate change¹⁰.

This section reports on Defra's *Sustainable Development Strategy*. Detailed information on Defra's strategic priorities and achievement of the Department's Public Service Agreement targets can be found in Chapter 3¹¹.

Based on the Department's current assessment Defra is on course for this target. A short overview is provided at Appendix 2¹². A full update of progress will be available following evaluation of the sustainable development indicators in June 2006.

The challenge to successful delivery of this target is meaningful integration of sustainable development into all Government activities and influencing beyond Government. In March 2005 Defra launched the new *UK Sustainable Development Framework* and *UK Sustainable Development Strategy* (UKSDS). This set out the shared priorities for action:

- sustainable consumption and production;
- climate change and energy;

⁹ The sustainable development website can be found at: www.sustainable-development.gov.uk

¹⁰ Detailed information on this element of the Public Service Agreement target is covered in Chapter 3 within the Climate Change and Energy section.

¹¹ A short overview of progress against the Department's outstanding Public Service Agreement targets can be found in Appendices 1 and 2.

¹² Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

- natural resource protection and environmental enhancement; and
- sustainable communities and a fairer world.

These align closely with Defra's own strategic priorities and details of developments under these priority themes are reported in subsequent chapters. However the *Sustainable Development Strategy* recognised the importance of three key themes and this has been the particular focus of central work and funding on SD since the strategy launch. Those themes are:

- involving people;
- Government leadership by example; and
- getting the delivery framework right.

Funding

Defra's Sustainable Development Unit (SDU) works closely with the Sustainable Development Commission (SDC) to create a climate within Government and across the nation to achieve SD. Defra provided a core grant of some £1.4 million to support the SDC's work in 2005-06 which was supplemented by support for specific projects by other Government departments. Information on SDC's activities is available in its 2005-06 review *On the move*¹³.

Work within SDU's own budgeted resources of almost £3.6 million to take forward the key themes included:

- development and research to take forward Community Action 2020;
- promoting sustainable development in the English regions, via the Government Offices (GOs);
- reviewing the Framework for SD on the Government Estate;
- the creation of and secretariat for the business led Sustainable Procurement Task Force;
- working with the SDC to develop their new role and remit;
- funding the Sustainable Development Research Network (SDRN);
- providing support to Ministers with responsibility for SD issues; and
- production of Defra's SD Action Plan.

¹³ <http://www.sd-commission.org.uk/publications.php?id=292>

Involving people

Community Action 2020 – part of the Home Office's *Together We Can* initiative – responds to needs identified in the SD strategy consultation by the community sector and takes forward the Prime Minister's commitment to re-energise community action on sustainable development following Local Agenda 21. The programme aims to enable and encourage community groups to take action on sustainable development by providing better tools, information and face to face support. Acting as a catalyst on sustainable development, many of the programme's results will be mainstreamed into community practice over the long-term.

Progress made in the initial stages of the initiative

Progress included:

- work with 15 national voluntary and community sector bodies to help them develop a sustainable development action plan;
- sponsoring two major community sector conferences with sustainable development as the major theme, the Urban Forum conference in December 2005 and the Bassac conference in February 2006;
- new web pages for community groups launched in June 2005 on the Government's sustainable development website. These have received over 5,300 different visitors and were consistently in the top 15 most viewed pages on this site;
- promoting volunteering opportunities in sustainable development through a new post-code search facility which has resulted in over 5,900 searches to date;
- new research with community groups about ways they can take action on sustainable development;
- a stocktake of existing materials on sustainable development which are provided to community groups by other organisations at all levels; and
- development work on the different schemes which will form part of the programme. These schemes include community champions, a resource bank and training opportunities on sustainable development for community workers.

Leadership by example

The Sustainable Procurement Task Force, under Sir Neville Simms, reported back to Margaret Beckett and John Healey (HM Treasury) in April 2006 with proposals for a national action plan to deliver sustainable development commitments to make the UK a leader on sustainable procurement in the EU by 2009¹⁴. More information on Defra's work on sustainable consumption and production is in Chapter 3.

¹⁴ The report is expected to be published in summer 2006.

As the championing Department for sustainable development, Defra is committed to practicing what it preaches. The following examples illustrate just some of the ways in which Defra has turned words into actions throughout 2005:

- in December 2005 Defra and its agencies published Sustainable Development Action Plans¹⁵ showing how sustainable development is being put into practice;
- in the SDC report, *Sustainable Development in Government*, also published in December 2005, Defra came second in the departmental 'league', meeting 71 per cent of the Framework targets. Whilst there is more to do, the SDC praised the Department's performance on a number of fronts including progress made in achieving waste, biodiversity, water consumption and energy sourcing targets;
- Defra has played a leading role in the development of carbon offsetting¹⁶ policy and implementation. A Defra-chaired interdepartmental working group has been implementing the commitment announced at the UKSDS launch in March 2005 that all Government departments would start offsetting their air travel emissions from April 2006. Defra launched the Government Carbon Offsetting Fund in April, a central facility for departments to use to offset their emissions;
- Defra signed up to the Carbon Trust's Carbon Management Programme on 26 October 2005. The programme will enable Defra to identify opportunities for improving its energy performance and to test the model of a self-financing revolving fund for energy efficiency improvements. Defra is the first Government department to sign up to the Carbon Management Programme; and
- following refurbishment work, two of Defra's London offices were tested against the Building Research Establishment's Environmental Assessment Method¹⁷ (BREEAM). Both were awarded an 'excellent' rating.

Getting the delivery framework right

The focus of Defra's work in 2005 moved from strategy development to delivery. A range of delivery mechanisms have been adopted across Government.

The Sustainable Development Commission

From 2006, an enhanced Sustainable Development Commission (SDC) will act as advocate, adviser and 'watchdog' for sustainable development. In its 'watchdog' role, SDC will report on progress and provide independent assurance and comment on implementation of the strategy.

¹⁵ Defra's draft action plan and links to agency plans are available online at: www.defra.gov.uk/environment/sustainable/action-plan.htm

¹⁶ Further information can be found on the newly created offsetting web pages at: <http://www.defra.gov.uk/environment/climatechange/carboncost/carbon-offsetting/index.htm>

¹⁷ <http://www.breeam.org/>

An early example of this new 'watchdog' function was the production of the SDC's *Sustainable Development in Government* report¹⁸ which produced the first independent critique of cross-Government departmental performance.

Sustainable Development Action Plans

Defra is responsible for promoting sustainable development across Government, the UK and internationally, but it cannot achieve this alone. The UKSDS committed all departments and their executive agencies to producing their own SD Action Plans by the end of 2005, and to report progress on them. This will highlight each organisation's contribution to sustainable development and strengthen departmental accountability for delivering it. The SDC is reviewing all departments' Action Plans and will report later in 2006.

Improved governance

Given the importance, the wide-ranging and cross-cutting nature of sustainable development, sound governance arrangements are crucial for successful delivery. Following the Strategy launch, Defra has established new governance structures for sustainable development.

Sustainable Development Programme Board

The SD Programme Board of senior officials from key policy departments, chaired by Defra's Permanent Secretary, oversees delivery of the UKSDS and its commitments, whilst also acting as the programme board for Defra's Public Service Agreement target 1.

Other key measures to facilitate delivery include:

- working with the SDC to develop their new role and remit. As part of this, the SDC issued their first report in their new 'watchdog' role;
- reviewing delivery of SD in the regions;
- working with the Office of the Deputy Prime Minister and others on embedding SD into Local Area Agreements and Local Strategic Partnerships;
- establishing governance and monitoring arrangements for Public Service Agreement target 1 and strategy delivery;
- funding research into the impact of SD duties; and
- running SD courses with the National School of Government to be used by civil servants.

Over the next two years, these themes will be taken forward. Key areas of work will include:

- meeting the strategy commitment to increase the SDC's capacity to advise Government and to fulfil its new role as 'watchdog' of progress;

¹⁸ <http://www.sd-commission.org.uk/watchdog/>

- rolling out Community Action 2020;
- working with the National School of Government to embed SD in learning and development for civil servants; and
- implementing those recommendations from the Sustainable Procurement Task Force (which the Government accepts).

Defra also funds the Sustainable Development Research Network and has a wider research programme to underpin key strategy themes: wellbeing; behaviour change; and environmental inequalities. A three year project will identify priority environmental areas across the country to support the commitment¹⁹ in the *UKSDS* to develop effective ways of tackling environmental inequalities.

Defra has been working with the Office of the Deputy Prime Minister (ODPM), Local Government Association and the Improvement and Development Agency (IDeA) to strengthen delivery in a number of areas. This has included funding the extension of the Environmental Campaigns (Encams) survey which maps local environmental quality so it covers every local authority district across England. This will allow local service providers and communities to see how their local area compares with others.

International delivery

In 2002, Margaret Beckett led for the UK Government at the World Summit on Sustainable Development (WSSD). World leaders underlined their commitment to global sustainable development and called for a step change from words to action. Since 2002 Defra, along with other Government departments, has worked to help deliver commitments arising from the summit.

This and other work taking place across Government on international sustainable development was brought together in the *UKSDS*. It is summarised in a table of the UK's international priorities for sustainable development primarily arising from WSSD, Doha, Monterrey and the Millennium Development Goals. The table, which will be used for monitoring purposes, includes aims, lead departments, and sources of information²⁰.

In June 2005 Defra published updated plans for delivering on the commitments arising from the WSSD on which it has responsibility for leading UK policy. These are: agriculture; chemicals; fisheries; international biodiversity; oceans; and sustainable consumption and production. The plans set out the intermediate steps needed to meet the longer term aims and also outline progress so far²¹.

¹⁹ The Government will fund further research on the causes of environmental inequality and the effectiveness of measures to tackle it in order to establish the best ways to tackle these issues in communities. *Securing the Future – delivering UK sustainable development strategy* (page 133).

²⁰ <http://www.sustainable-development.gov.uk/delivery/international/index.htm>

²¹ <http://www.sustainable-development.gov.uk/international/wssd/deliveryplans2005.htm>

The UKSDS also announced the launch of a new Defra fund to accelerate delivery of the WSSD commitments. The WSSD Implementation Fund will fund three strands of work up to 2008²².

Progress during 2005-06 has included:

- Ministerial signing of joint statements to launch the UK-China, UK-India and UK-Brazil Sustainable Development Dialogues;
- establishment of the cross-Government Learning Network on Partnerships to forge more effective partnerships through more effective practitioners;
- funding of specific projects to accelerate delivery of WSSD commitments such as a biodiversity needs assessment in Ghana; and
- involvement in the UN's 'Marrakech Process' – a ten-year framework of programmes to promote sustainable consumption and production (SCP). Under this process, the UK now leads an international Task Force for Sustainable Products and participates in a range of complimentary Task Forces (looking at such issues as procurement, lifestyles and co-operation with Africa).

Defra Ministers led in a number of United Nations (UN) meetings during the year, including:

- the UN Environment Programme (UNEP) Governing Council, which addressed poverty and environment links;
- the 13th meeting of the UN Commission on Sustainable Development (CSD13), which agreed measures to make further progress on international commitments on water, sanitation and human settlements; and
- the UN Economic Commission for Europe (UNECE) which met in December 2005, chaired by Elliot Morley (Minister of State for Climate Change and the Environment) and reviewed regional progress in implementing WSSD commitments on energy for sustainable development, industrial development, air quality/atmosphere and climate change, in preparation for UN Commission on Sustainable Development (UN CSD14) in 2006.

In September 2005, the World Summit broadly endorsed the G8 Gleneagles Summit climate change outcome, as well as setting in train reform of UN environmental governance, providing an opportunity for discussion of EU proposals to transform UNEP into a specialised agency or United Nations Environment Organisation (UNEO). In addition, UN members committed to supporting developing country implementation of national strategies to achieve the Millennium Development Goals.

²² <http://www.sustainable-development.gov.uk/international/implementation-fund/index.htm>

In order to meet international sustainable development goals. Defra is working alongside other Government departments in the UK, the EU, other countries and with individual stakeholders delivering on the ground. Through the sustainable development dialogues Defra is seeking to improve Government co-ordination in target countries and both intra and cross-departmental policy coherence.

Cross-sectoral working is encouraged by co-ordinated follow-up of all the UK's WSSD commitments through their Inter-departmental working group on International Sustainable Development and through the new WSSD Implementation Fund which aims to address cross-cutting policy objectives.

Sustainable development in Europe

In the UKSDS Defra committed to take forward efforts to deliver sustainable development in Europe in the following ways:

- the European Commission's proposals on the review of the *EU's Sustainable Development Strategy* did not appear until mid-December 2005, preventing the UK from being able to make any significant progress during its Presidency. However, the December European Council repeated its desire to adopt an ambitious and comprehensive strategy in June 2006. The Austrian Presidency have made this one of their priorities and Defra will support their efforts to agree a clear and coherent strategy;
- successfully lobbied for SCP to be a priority area for the revised *EU Sustainable Development Strategy*. The Commission published in December 2005, including a commitment to deliver an EU SCP Action Plan by 2007;
- the UK hosted the 4th meeting of the EU's Sustainable Development Network in July 2005, providing an opportunity for Member States and the environmental and sustainable development advisory committees to provide further input into the strategy review. The meeting also agreed to formalise the network and establish a permanent office. Defra promoted the 'Cardiff process'²³ of environmental integration by publicly demonstrating how the UK Presidency was tackling environmental issues within individual Council dossiers;
- the Environment for Europe Fund has continued to promote sustainable development in the EU candidate countries, Eastern Europe, Caucasus and Central Asia region. Worth £1.5 million in 2005-06 the Fund is currently supporting over 90 initiatives in 14 countries, from small environmental projects to large-scale capacity building programmes;

²³ <http://www.defra.gov.uk/corporate/international/eu-presidency/pdf/cardiff-envintegration.pdf>

- further support is given to the EU enlargement process through environmental 'Twinning'²⁴ projects. The first, led by English Nature in partnership with the Netherlands, aims to support habitat restoration and management planning in Poland under the Habitats and Birds Directives. The second project is being implemented by the Environment Agency in partnership with the Czech Republic and aims to support the Bulgarian Health Authorities in implementation of EU water directives; and
- together with a number of other organisations, Defra launched a multi-stakeholder partnership, Partners for Environmental Co-operation in Europe²⁵ (PECE), in March 2005. PECE has the aims of contributing to the protection and improvement of the environment, an improvement in people's quality of life and the promotion of sustainable development in Eastern Europe, Caucasus and Central Asia through partnership projects involving the public sector, private sector and civil society. Defra is currently providing the secretariat for this partnership as well as providing match funding for a number of PECE projects from its Environment for Europe Fund. As of March 2006 the partnership had attracted 76 organisations from across the business, public and civil society sectors and had 18 projects in the region.

Looking forward to 2006-07

In relation to international sustainable development, Defra will:

- continue to increase synergies among international conventions on chemicals and waste and seek to form strategic partnerships on global chemicals management;
- work with other Government departments, non-government organisations and private sector organisations to develop and implement a UK Action Plan to combat illegal unreported and unregulated (IUU) fishing that will support international implementation of the recommendations of the High Seas Task Force report;
- facilitate a series of SCP workshops in China, Brazil and India, to discuss and share expertise of how SCP approaches can help to deliver policy goals in our respective countries, and to identify areas for collaborative future working;
- finalise 'modalities' and schedules for the Doha Development Agenda;
- work towards achieving a successful outcome to the Convention on Biological Diversity, 8th Conference of the Parties (CBD COP8), including securing agreement to streamline and effectively enhance the processes of the convention, secure increased synergies between other global environmental conventions and agreement on a way forward to ensure the Convention is provided with the best possible scientific advice for policy making;
- seek an outcome from UN CSD 14 that advances the sustainable energy agenda, complementing the Gleneagles Dialogue on Climate Change, Clean Energy and Sustainable Development; and

²⁴ Information on the Twinning programme can be found in Chapter 4.

²⁵ Full details are available at www.pece.co.uk

- with Department for International Development, seek to ensure a successful replenishment of the Global Environment Facility (GEF), as called for at Gleneagles and the 2005 World Summit, so that developing countries are adequately supported in implementing their international environmental commitments.

High-level progress on Defra WSSD policy areas.

Fisheries

Working with other government departments, other countries and external bodies to support the development and implementation of the High Seas Task Force Report on combating illegal, unreported and unregulated (IUU) fishing, published in March 2006.

Chemicals

Progress on international chemicals management was a priority under the UK Presidency and in 2005 Defra led the EU input on three important conventions and significantly progressed work to finalise a Strategic Approach to International Chemicals Management (SAICM) so that it was completed in February 2006.

Forestry – under biodiversity delivery plan

Adoption in December 2005 under the UK Presidency of the EU Forest Law Enforcement Governance and Trade dossier. This will prohibit the entry into the EU of illegal timber products from countries that enter into Partnership Agreements with the European Union.

Oceans

Work at the UN to help achieve an integrated and coherent EU approach on ocean issues, including protection from destructive practices and sensitive ecosystems in areas beyond national jurisdiction.

Agriculture

The EU offered to end all agricultural export subsidies by 2013 at the WTO ministerial in December and as part of the Doha Development Agenda.

Sustainable Consumption and Production

Progress on SCP is mainly covered in Chapter 3, although some international work is covered in this chapter.

Improving the quality of the local environment

Improving the quality of the local environment for everyone is one of Defra's key priorities and this is reflected as one of the strategic outcomes sought under the sustainable development strategic priority: Improved local environmental conditions and cleaner streets, city centres and countryside, with reduced levels of litter, fly tipping and abandoned vehicles.

The Clean Neighbourhoods and Environment Act received Royal Assent on 7 April 2005, and during the year its provisions were progressively brought into force²⁶. A new definition of litter, new powers in relation to nuisance vehicles and higher penalties for fly tipping came into force in June 2005, while additional powers to deal with abandoned vehicles and further measures on fly tipping came into force in October 2005. In October Defra published a consultation document containing draft guidance on the majority of other measures in the Act, together with draft regulations implementing provisions on fixed penalty notices and dog control orders. A programme of seminars and conferences was also held to ensure that local authorities were aware of the new powers being made available to them in the Act and to seek their views on the draft guidance.

The guidance was published in final form in March 2006, and the related measures came into force on 6 April 2006. They include further powers to deal with litter, fly posting, fly tipping and neighbourhood noise, new provisions extending the statutory nuisance regime to artificial lighting and insects, a new system of dog control orders and wider powers to issue fixed penalty notices for a more extensive range of offences.

In the course of the year the Defra-led Chewing Gum Action Group, which includes representatives from local government and industry, undertook three successful pilot campaigns in Manchester, Preston and Maidstone. These tested the use of advertising and enhanced enforcement to reduce amounts of inappropriately discarded gum. The lessons from the pilots have been disseminated to all local authorities, which were invited to apply to participate in a large-scale campaign. Applications were received from 50 councils, and during 2006, campaigns funded by the Action Group, will be undertaken by 15 Local Authorities.

In 2005 Defra published *Achieving Improvement in Street Cleansing and Related Services*, a guide designed to help local authorities improve standards of street cleansing and at the same time contribute to efficiency savings. This was an element in Defra's wider work on efficiencies in the waste sector.

²⁶ Information on the Act can be found at: <http://www.defra.gov.uk/environment/localenv/legislation/cnea/index.htm>

Improving the quality of the local environment (*continued*)

Defra continues to play an active part in the Government's Cleaner, Safer, Greener initiative, working closely with the Office of the Deputy Prime Minister (ODPM) to help deliver the targets on clean streets and numbers of abandoned vehicles in ODPM's Public Service Agreement target on public spaces. Both targets are currently being met. The audited returns for Best Value Indicator 199 show that in 2004-05 8 per cent of local authority districts had unacceptable levels of litter, against a target for 2008 of 10 per cent. The number of vehicles abandoned in 2004-05 showed a reduction of 47 per cent on the 2002-03 figures, against a target for 2008 of 25 per cent.

Defra also continues to fund the work of Encams, the environmental charity responsible for the Keep Britain Tidy campaign. Encams plays a key role in disseminating best practice and campaigning to change the anti-social behaviour that degrades the local environment. It also undertakes research and monitoring on Defra's behalf, in particular carrying out the annual Local Environment Quality Survey of England. In February it was announced that the survey would be expanded over the next two years to cover every local authority in England. The expanded survey will provide detailed information, accessible to all, on the state of the local environment in all parts of the country.

To support the establishment of the new *UK Government Sustainable Development Strategy*, a revised set of indicators of sustainable development has been established. This was published in June in *Sustainable development indicators in your pocket 2005*²⁷.

In order to help provide a regional perspective of sustainable development, versions of the UK Government's indicators of sustainable development have been published for each of the nine Government Office regions, together with associated fact sheets²⁸.

The UK works closely with international organisations such as the Organisation for Economic Co-operation and Development on meeting the long-term challenge of producing indicators of the UK's global impact – to ensure that progress at home does not come at the expense of the wider world. Work is underway to establish measures for international sustainable development. Some preliminary international indicators are presented on the sustainable development website²⁹.

²⁷ <http://www.sustainable-development.gov.uk/performance/sdiyp.htm>

²⁸ <http://www.sustainable-development.gov.uk/regional/index.htm>

²⁹ <http://www.sustainable-development.gov.uk/performance/international.htm>

Factors affecting performance

Defra's Public Service Agreement target 1 cannot be achieved by Defra acting alone. Success depends on all Government departments working to identify and manage their own sustainable development impacts both in formulation of policy and operationally. In addition, the delivery chain between the actions of Defra and the rest of Government, and positive movements in the indicators of sustainable development remains long and complex.

However, Defra believes that successful delivery of the UKSDS commitments for action across the whole of Government, will help to demonstrate significant progress.



The *Animal Health and Welfare Strategy* aims to develop a new partnership in which we can make a lasting and continuous improvement in the health and welfare of kept animals while protecting society, the economy and the environment from the effect of animal disease.

Delivering Defra's strategic priorities

This year's Departmental Report reports against each of Defra's Public Service Agreement targets and areas of activity as they relate to Defra's strategic priorities. In addition to this, the report sets out progress against other areas of the Department's work, which help it to achieve these priorities. Defra has also included key financial data setting out the resources allocated during 2005-06 and over the next two years in support of some of its key areas of activity³⁰.

This chapter sets out Defra's progress³¹ in delivering its aim and objectives, by reference to these strategic priorities³²:

- climate change and energy;
- sustainable consumption and production;
- protecting the countryside and natural resource protection;
- sustainable rural communities; and
- sustainable food and farming including animal health and welfare.

Climate change and energy

This section of the report looks at Defra's work to:

- improve the environment, particularly with regard to climate change;
- improve energy efficiency;
- eliminate fuel poverty;
- improve air quality; and
- manage the risk of flooding.

³⁰ This is in addition to the financial information in the core tables which can be found in Chapter 9.

³¹ The Department also provides regular on-line updates against its Spending Review targets. These can be found on HM Treasury's website at: www.hm-treasury.gov.uk/performance/

³² Defra's strategic priorities can be found in Chapter 1 or on-line at: <http://www.defra.gov.uk/corporate/aims/priorities.htm>

Improving the environment

Public Service Agreement target 2: To reduce greenhouse gas emissions to 12.5 per cent below 1990 levels in line with our Kyoto commitment and move towards a 20 per cent reduction in carbon dioxide emissions below 1990 levels by 2010 through measures including energy efficiency and renewables. Joint target with Department of Trade and Industry and Department for Transport.

Defra is on course to reach its goal of reducing greenhouse gas emissions by 12.5 per cent but more needs to be done to meet the 20 per cent reduction in carbon dioxide emissions by 2010³³.

Defra has the lead responsibility for the UK's policy on climate change and for co-ordinating UK action. Some of the policies and measures within the UK's Climate Change Programme are also the responsibility of Defra – such as emissions trading and energy efficiency. Defra works closely with other departments, notably the Department of Trade and Industry (DTI) and the Department for Transport (DfT), through the shared climate change target, to put in place policies in specific sectors that contribute to emission reductions.

Working with other Government departments

A group of representatives from Defra, DfT and DTI have been working on a joint delivery plan for use by all three departments. A general framework and introductory text have been agreed, and details will be finalised later in 2006.

Areas that will require further development include: identifying more of the specific actions that policy leads will need to take during the 2004 Spending Review period to implement the measures in the new programme and those identified through the review process; interactions with ongoing work on Energy White Paper implementation; identifying in more detail the risks to the achievement of the target; and setting out how Defra will engage with stakeholders. Additionally, all internal and external reporting on the Public Service Agreement target is agreed by each department before being submitted.

³³ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

In addition, other Government departments, including the Office of the Deputy Prime Minister (ODPM), HM Treasury and the devolved administrations also have responsibility for delivery of aspects of the Climate Change Programme. Policies and measures, such as the European Union Emissions Trading Scheme (EU ETS), are also being developed at EU level under the European Climate Change Programme³⁴ (ECCP), to complement measures being taken at a national level and reduce emissions across all Member States.

The revised *UK Climate Change Programme*³⁵, which was published on 28 March 2006, announced additional policies needed to put the Government back on track to meet its challenging domestic goal. The high-level cross-Government project board which is managing the process will continue to function after the review to help drive forward policies to reduce emissions in all policy areas.

There are three main aspects to Defra's work on climate change:

- international negotiations covering both mitigation and adaptation (dealt with in Public Service Agreement target 1);
- domestic policy on mitigation and adaptation (dealt within in Public Service Agreement target 1); and
- scientific and technical advice on climate change and its consequences.

Countries around the world are responding to the challenge of climate change by taking action under the United Nations Framework Convention on Climate Change (UNFCCC).

The Government, believing that the UK can and should go further than its Kyoto target, has also set a national goal to reduce the UK's carbon dioxide emissions by 20 per cent below 1990 levels by 2010. Building on this, the Energy White Paper, published in 2003, set out a longer-term goal for reducing carbon dioxide emissions by some 60 per cent by about 2050, with real progress by 2020 provided other countries took similar action.

However, no matter how effective policies are in reducing emissions of greenhouse gases, a significant degree of climate change is already unavoidable. This is likely to have far-reaching effects on all aspects of the world's environment, economy and society, and so alongside mitigation policies, Defra is also responsible for UK policy on adaptation to climate change.

³⁴ Known within the EU as 'common and co-ordinated measures' to distinguish them from national policies and measures.

³⁵ The revised UK Climate Change Programme can be found at: www.defra.gov.uk/environment/climatechange

Funding

Figure 1: Examples of funding to support climate change mitigation

Area	2005-06	2006-07	2007-08
UK Emissions Trading Scheme (UK ETS) incentive payments ³⁶	Up to £40.5 million – though savings may be made due to closures and divestments of companies taking part in the scheme	£30.6 million	Scheme ends
Carbon Trust Grant Payment ^{37,38}	£61 million	£81.6 million	£105.6 million
Energy Saving Trust Grant Payment ^{39,40}	£27 million	£26.2 million	£29.1 million
Community Energy ⁴¹	£5 million	£9.4 million	Scheme ends

Performance

In 1990, the UK's emissions of the six greenhouse gases covered by the Kyoto Protocol were 209 million tonnes of carbon (MtC)⁴². Action in the UK is already driving a significant reduction in emissions, with annual emissions falling by about 14.6 per cent between 1990 and 2004. Carbon dioxide emissions were 161.5 MtC in 1990 and fell by about 5.6 per cent between 1990 and 2004. Figure 2 shows emissions of carbon dioxide and the basket of all six greenhouse gases included in the Kyoto Protocol target, over the period 1990 to 2004.

³⁶ The UK ETS is a voluntary trading scheme, with incentive payments made to participating companies depending on the emissions reductions made.

³⁷ Funded from the Climate Change Levy (including End-Year Flexibility carried forward from previous years), the remainder from the Energy Efficiency Best Practice Programme, and from 2005-06 onwards, the Business Resource Efficiency and Waste Programme.

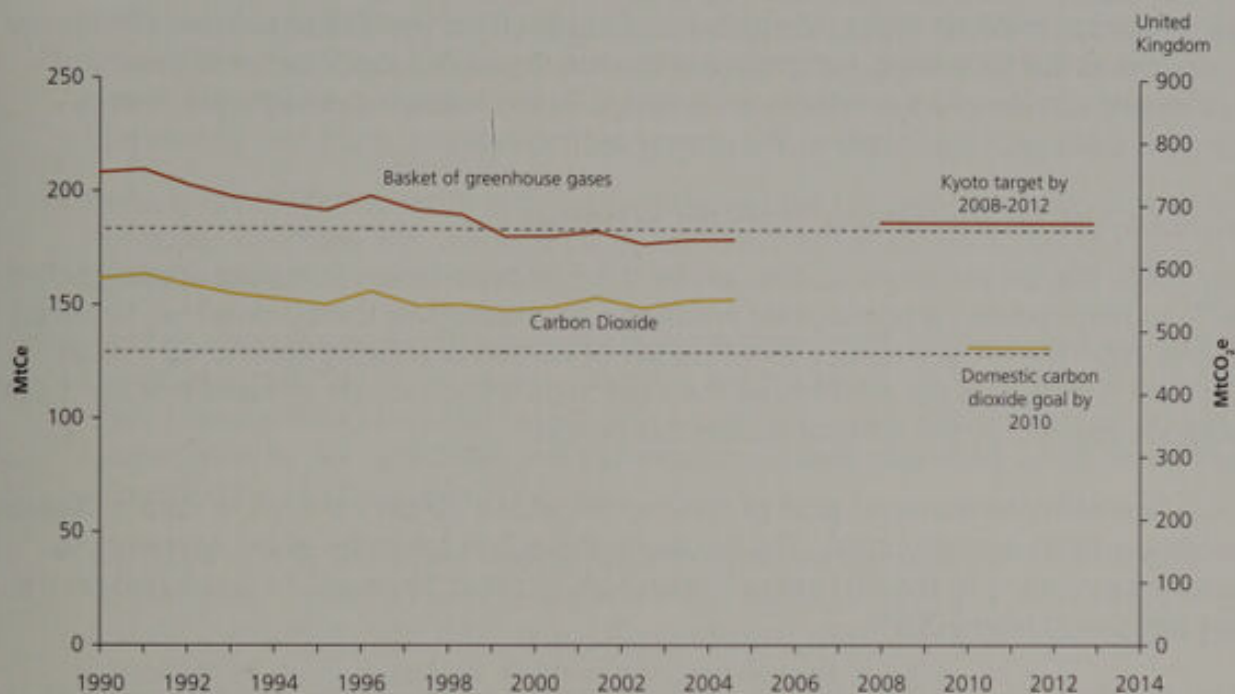
³⁸ Carbon Trust figures for 2006-07 and 2007-08 are indicative only. Additional funding was announced in the Pre-Budget Report 2005.

³⁹ Funding to promote the sustainable and efficient use of energy through advertising programmes, advice centres, the endorsement of energy efficient products and encouraging local authorities to develop energy efficient strategies.

⁴⁰ Energy Saving Trust figures for 2006-07 and 2007-08 are indicative only.

⁴¹ Funding for this programme comes from the Capital Modernisation Fund.

⁴² Greenhouse gas emissions are expressed throughout this document as million tonnes of carbon equivalent (MtC). One tonne of carbon is contained in 3.67 tonnes of carbon dioxide which is the ratio of the molecular weight of carbon dioxide to the atomic weight of carbon (i.e. 44/12). Other gases are expressed in terms of carbon equivalent by multiplying their emissions by their global warming potential (GWP) and dividing by 3.67.

Figure 2: UK emissions of greenhouse gases and carbon dioxide 1990-2004

Source: UK greenhouse gas inventory 1990-2004

The recently published *UK Climate Change Programme* is expected to reduce the UK's emissions of the basket of greenhouse gases on which the Kyoto target is based to 23-25 per cent below base year levels by 2010; and reduce the UK's carbon dioxide emissions to 15-18 per cent below 1990 levels by 2010.

Factors affecting performance

Emissions of carbon dioxide in 2005 were about 0.25 per cent higher than in 2004. This can be attributed to an overall increase in energy consumption combined with increased use of coal in electricity generation at the expense of gas. However, the change between 2004 and 2005 is smaller than the range of uncertainty associated with the provisional estimate.

Review of the Climate Change Programme

The review was launched on 15 September 2004⁴³, and looked at how existing policies were performing and the range of policies that could be put in place in future. Defra worked closely with other Government departments and the devolved administrations during this process.

⁴³ www.defra.gov.uk/news/2004/040915b.htm

The review has not only assessed the original programme, but also developments since it was published, including the Energy White Paper, the Energy Efficiency Action Plan and the *Future of Transport* White Paper. Alongside its assessment of mitigation policies, the review also considered the UK's response to climate change through adaptation. A summary of Defra's shared climate change policies is explained in the following paragraphs. Energy efficiency is dealt with separately in the energy section.

European Union Emissions Trading Scheme

In May 2005, the UK published its plan under the European Union Emissions Trading Scheme (EU ETS) to help reduce carbon dioxide emissions, as required by the EU directive. Between 2005 and 2007 the UK will reduce its emissions of carbon dioxide by around 65 million tonnes. This is around 8 per cent below the expected carbon dioxide emissions of the 1,000 installations covered by the scheme during this period.

This is in line with our domestic goal of moving towards a 20 per cent cut in carbon dioxide emissions on 1990 levels by 2010. The results of the action taken by all EU operators to reduce their emissions in the first year of operation of the scheme will be published on the Europa website in May 2006⁴⁴.

The UK launched a public consultation in March 2006 on its draft plan for the second phase of the scheme. The second phase will run from 2008 to 2012, coinciding with the first Kyoto commitment period. A priority for the UK for Phase II is to address any gaps, anomalies, or competitive distortions that may have arisen in the first phase of the EU ETS, and to look at whether there is scope to include further carbon dioxide emissions from new and existing sectors.

Developments contributing to Public Service Agreement target 2

Defra has worked with the Department for Transport to include aviation emissions in the EU ETS and will continue to explore and discuss the options for the use of other economic instruments for tackling aviation's climate change impact.

Under the UK's Presidency, the EU Environment Council agreed that emissions trading seems to be the best way forward and called upon the European Commission to produce a legislative proposal by the end of 2006. The Commission has set up an Aviation Working Group to consider the ways of including aviation in the EU ETS as part of the European Climate Change Programme (a multi-stakeholder consultative process, bringing together the Commission, national experts, industry and non-governmental organisations). This provides a forum for further consideration of the impacts on industry and the interaction with the existing scheme. The results will feed into the ongoing review of the existing framework for the EU ETS which is due to report by June 2006. Defra is pressing for inclusion from 2008 or as soon as possible thereafter.

⁴⁴ The Europa website's address is: www.europa.eu.int. Further information on the EU ETS is available on the Defra website: www.defra.gov.uk/environment/climatechange/trading/eu

Developments include:

- Defra has worked closely with other Government departments transposing the EU's Linking Directive⁴⁵ into UK law, which allows operators greater flexibility and potentially reduce compliance costs by allowing credits to be used from projects that reduce emissions overseas;
- Defra is continuing to work with stakeholders in the UK and EU whilst developing the policy for Phase II of the scheme to improve harmonisation across the EU where feasible;
- a public consultation on Phase II issued in the summer of 2005 has helped inform the development of an improved allocation methodology. This will feed into the draft National Allocation Plan which the directive requires to be submitted to the Commission by 30 June 2006 and the installation level allocation which should be submitted by 31 December 2006; and
- the Defra EU/UN Emissions Trading Registry software has now been licensed to 16 countries, as well as being used in the UK. Bulgaria, Romania and Malta are the newest licensees to sign the Licence Agreement. Interest has also been shown from a number of other countries, both within and outside the EU.

Linking Directive and use of the Kyoto mechanisms

The Kyoto mechanisms – emissions trading and the two project mechanisms, the Clean Development Mechanism (CDM) and Joint Implementation (JI) – provide flexibility in how countries meet their commitments under the Kyoto Protocol⁴⁶. Following implementation of the linking directive, operators within the EU ETS can obtain and use credits generated by emission reductions achieved under the project mechanisms to help meet their allocations.

In April 2004, Defra was established as the UK's Designated National Authority (DNA) for the CDM with responsibility for approving participation in CDM project activities. To date, the UK DNA has issued 34 letters of approval for participation of 15 different UK companies in 28 different project activities; 11 of these projects have been registered by the CDM Executive Board. In total, these projects will mitigate between 20.95 – 27.55 million tonnes of carbon dioxide equivalent (MtCO₂e) per year. The UK led the EU in UN negotiations in December 2005 securing strengthened support for the CDM, to encourage further private investment. It has been estimated that there are currently €1 billion in private funds in London for the CDM. In July 2004, Defra was also established as the UK's Designated Focal Point for JI with responsibility for issuing letters of approval for participation in these projects.

⁴⁵ Directive 2004/101/EC of the European Parliament and of the Council of 27 October 2004 amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms.

⁴⁶ <http://www.defra.gov.uk/environment/climatechange/internat/kyotomech/index.htm>

UK Emissions Trading Scheme

The United Kingdom Emissions Trading Scheme (UK ETS) was launched in April 2002 as part of the UK Climate Change Programme and runs for 5 years from 2002 to 2006. It has 33 direct participants who have committed themselves to reducing their baseline greenhouse gas emissions by at least 3.96 MtCO₂e by the end of the scheme. This equates to 11.88 MtCO₂e of emissions releases avoided over the lifetime of the scheme.

Over the first three years (2002, 2003 and 2004), the scheme has delivered significant emissions reductions totalling 5.9 MtCO₂e. To date, the cumulative emissions releases avoided due to the scheme stand at 15.7 MtCO₂e. In addition to this, last year six participants restated their commitment to the scheme by offering additional voluntary emissions reductions totalling 8.9 MtCO₂e⁴⁷.

The experience gained from operating the UK ETS has placed the UK at the forefront of emissions trading. Participants now have a better understanding of the benefits that emissions trading can bring to them and are gaining experience in monitoring, reporting and verification processes as well as trading. Defra too has gained valuable knowledge of administering the scheme. Moreover, companies providing emissions trading services, such as brokerage and verification, have established themselves in the UK market and gained experience that places them in a strong position to gain further business as European and international emissions trading develops. The scheme has also provided experience in developing and running an emissions trading registry, which led directly to the development of Defra's EU/UN Registry software.

Other policies led by Defra as part of the Climate Change Programme

These include:

- building on substantial progress to date, Defra will be seeking to achieve higher carbon savings from the Energy Efficiency Commitment in 2008-11;
- launch a major new initiative to strengthen consumer demand for energy efficiency with funding of £20 million over the next two years;
- provide more reliable consumer product information and set effective standards for energy using products via voluntary agreements; and
- promote resource efficient farm management in order to reduce agriculture's contribution to greenhouse gas emissions.

⁴⁷ Updated figures are expected to be available by the end of May 2006.

Climate change communications

Defra launched the first element of its £12 million Climate Change Communication Initiative (CCCI) in December 2005. This is one of the Department's key commitments made in the *UK's Sustainable Development Strategy*. The CCCI aims to change public attitudes towards climate change, with a central focus on local and regional engagement, and includes:

- an initial communication, 'Tomorrow's climate, today's challenge' to give a visual identity to the whole initiative;
- creating a medium-long term aspirational goal, 'Together this generation will tackle climate change,' to provide a clear, publicly accessible focus for all our climate-related communications;
- a £6 million fund for local communication initiatives in England and Wales, which opened in January 2006;
- an interactive website: www.climatechallenge.gov.uk; and
- an England-wide 'climate change champions' competition to find young ambassadors for action to tackle climate change in the 10-18 year age range.

Adaptation to climate change in the UK⁴⁸

Defra's *Five Year Strategy* highlighted the strategic importance that the Department will place on adapting to climate change over the next five years. In particular, it announced the Department's launch of the *UK Adaptation Policy Framework (APF)* in November 2005 which draws together efforts on adaptation to climate change across Government. The first phase of the APF has been under development and a consultation to identify existing activity to adapt to climate change across Government, at regional and local levels, and among stakeholder organisations was launched in November 2005.

A research study into objective-setting for adaptation policy is also underway. The *Linking adaptation research and practice* study was completed for Defra in July 2005. It found that within every sector investigated adaptation was already happening, albeit at an early capacity-building stage. However, it also indicated that weather impacts or climate change itself often have only a minor influence on adaptation compared to other drivers for change, such as cost-savings or regulation. So, to date there appear to have been very few adaptations undertaken solely in response to expected climate change. These findings reinforce the Government's approach to adaptation, which is that adaptation to climate change must be built into many different policies and programmes, so that Defra can bring adaptation to climate change alongside all of the other drivers that influence behaviour.

⁴⁸ Under the United Nations Framework Convention on Climate Change (Article 4.1 (b)), all parties have a requirement to formulate, implement, publish and regularly update national and where appropriate, regional programme containing measures to facilitate adequate adaptation to climate change.

Assessing the impacts of climate change in the UK

The UK Climate Impacts Programme (UKCIP) was set up by the Government in 1997 to co-ordinate a stakeholder-led assessment of the impacts of climate change at regional and national level and to help organisations prepare for the impacts. From an initial focus on the assessment of impacts, UKCIP has had an increasing role in helping organisations move towards adaptation action.

Measuring Progress was published by UKCIP in June 2005 – this report integrated findings from all UKCIP studies to date, identifying key impacts in sectors and regions, and discussing emerging evidence of progress in adaptation. The *Changing Climate for Business* report was also launched, reviewing the experiences of UKCIP's pilot project with a select group of trade associations and professional bodies, and introducing a new programme of work with the business sector, including the Business Areas Climate Impact Assessment Tool.

International climate change⁴⁹

Public Service Agreement target 1: To promote sustainable development across Government and in the UK and internationally, as measured by..... progress towards internationally agreed commitments to tackle climate change.

The Kyoto Protocol came into effect on 16 February 2005, after significant high-level lobbying of the Russian Federation by the UK. It provides the first ever framework for international action with binding emissions limitation or reduction targets to tackle this global problem. Under the first commitment period of the Kyoto Protocol, the UK must reduce its greenhouse gas emissions by 12.5 per cent below base year⁵⁰ levels by 2008-12.

The first commitment period under the Kyoto Protocol may only reduce global emissions by 1 to 2 per cent without engaging the United States. However, the first commitment period is only a first step in the right direction. Ultimately, a wider, more comprehensive approach is needed.

⁴⁹ This element of Public Service Agreement target 1 is being reported against in this section to ensure a consistent flow which relates to all elements of climate change.

⁵⁰ The base year used to determine progress towards the UK's Kyoto Protocol target is made up of 1990 data for carbon dioxide, methane and nitrous oxide, and in accordance with Article 3.8 of the protocol, parties can use either 1990 or 1995 data for the fluorinated gases (hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride).

Global participation is the most effective way to reduce the cost of action, such as through the development of new technologies that increase the likelihood of avoiding dangerous interference with the climate. The United States and the major developing country emitters must be involved, consistent with the United Nations Framework Convention on Climate Change (UNFCCC) principles of equity and the common but differentiated responsibilities of countries, and any future framework for action is likely to need greater flexibility to recognise the diverse circumstances of the nations involved.

The UK has used its Presidency of the European Union (EU) in the second half of 2005 to continue to engage with key international partners. To this end, climate change was on the agenda of the EU summits with China and India which resulted in the successful agreement of the EU-China Partnership on climate change and the EU-India Initiative on clean development and climate change. Of particular note, within the EU-China Partnership is the UK-led near Zero Emissions Coal (nZEC) project, which aims to develop and demonstrate in China and the EU advanced, near-zero emissions coal technology based on carbon capture and storage by 2020 (the UK will contribute £3.5 million – Defra £3 million, Department of Trade and Industry £0.5 million – to the first phase of the project). The EU-Russia summit was an excellent chance to consider what experiences can be shared with regard to the implementation of the Kyoto Protocol, to ensure that its mechanisms are in place as soon as possible. The UK Presidency also continued discussions on the development of an EU medium-term and long-term strategy for tackling climate change.

Outcome of Convention on Climate Change/Meeting of the Parties to the Kyoto Protocol

The Secretary of State led the European Union delegation at the successful eleventh Conference of the Parties to the UN Framework Convention on Climate Change (COP11) and the Meeting of the Parties to the Kyoto Protocol (MOP1), which took place in Montreal from 28 November to 9 December 2005.

Delegates at the conference agreed:

- to adopt a draft rulebook detailing the operation of the Kyoto Protocol (the Marrakech Accords);
- the compliance mechanism for the Protocol;
- to establish the Five Year Adaptation Work Programme, following last year's agreement in Buenos Aires; and
- to launch processes for fixing new targets for greenhouse gas emissions reductions beyond 2012 (when the first commitment period under the Kyoto Protocol ends), and for enhancing the implementation of the UN climate change convention.

The agreements represent a major step in the global effort to tackle climate change. Despite the deep divisions of recent years, the whole global community including the United States, India and China have agreed to work together through the United Nations' process to examine the way forward.

The successful outcome of the Montreal meeting has set in place a clear process for moving forward multilaterally during 2006, with the first follow-up discussions taking place in May.

There will be two tracks to the discussions on future action:

- existing developed country Kyoto signatories (Annex I Parties) will consider further targets beyond 2012, when the first commitment period under the Kyoto Protocol ends; and
- all countries under the UNFCCC (including Kyoto Parties plus non-signatories including the US and Australia) have agreed to begin talks on the longer term future, analysing strategic approaches for long-term co-operative action. This includes advancing development goals in a sustainable way, addressing action on adaptation, realising the full potential of technology, and making full use of the market.

Defra is already working closely with the Austrian presidency and other European partners in preparing for these two crucial discussions.

Engaging developing countries

Defra has been heavily involved in engaging with key developing countries, notably in 2005 through the inclusion of Brazil, China, India, Mexico and South Africa at Gleneagles, and through the EU-China and EU-India Summits.

In parallel to these multinational processes, Defra has also been working to strengthen the UK's bilateral relations with a number of developing countries including the five mentioned above. As part of this Defra is supporting a number of projects that follow up the Department's commitments and political statements with concrete actions.

Developing countries are particularly vulnerable to the impacts of climate change. It is important that the international community assists these countries in coping with climate risks and adapting to longer-term climate change. Furthermore, a number of developing countries are increasingly linking this agenda with international efforts to reduce greenhouse gas emissions. Defra initiated the March 2005 G8 Environment and Development Ministerial meeting, which focussed on Africa and climate change issues, and was further underpinned by a joint Defra/Department for International Development study on climate change in Africa. Defra demonstrated further commitment to this agenda by announcing £400,000 funding over the next 3 years for an initiative to develop Africa's scientific capacity to identify and manage climate risks.

Defra has been working with the Chinese Ministry of Science and Technology (MoST) to develop a national assessment of the impacts of climate change on Chinese agriculture. The first phase of this collaborative project was completed in May 2004. A second phase of the project was launched in September 2005. The new phase of the study will explore the effect of climate change on water availability and the impact of this on projected crop yields, as well as further refining estimates from Phase 1 and carrying out regional scale work.

Defra also funded a collaborative research programme with the Indian Ministry of Environment and Forests (MoEF) to develop a national assessment of the impacts of climate change in India. The programme involved eight Indian institutes that worked to assess the impacts of climate change on sea level variability, water resources, forests, agriculture, health, energy, industry and transport infrastructure. Key sheets on the project's main findings were published in September 2005 and can be found on the Defra website⁵¹. Full technical reports from the project will be made available later in 2006. On 1 November 2005 Defra launched a joint UK-India study on the barriers and incentives for technology development and transfer. This is a positive first step, and the results will help guide further work. The study will look to address concerns over barriers to technology transfer, and in particular the issue of Intellectual Property Rights. The study aims to identify specific barriers to technology transfer and recommend potential solutions and activities that could be taken forward in subsequent phases.

This was emphasised by the Prime Minister during his speech at the 1 November 2005 meeting of the Gleneagles Dialogue when he spoke specifically about the EU-China and India Summits and the need to address the need for continued growth and poverty reduction in these countries with technology transfer.

⁵¹ <http://www.defra.gov.uk/environment/climatechange/impacts-india/index.htm>

March 2006 saw the launch of the UK-Brazil working group on climate change, which focuses on the promotion of low carbon technology globally, improved scientific collaboration on assessing the impacts of climate change and the further development of Brazil's leading role in the emerging Latin American carbon market. The working group will also examine the links between climate change, poverty eradication and social development.

G8 Presidency

The UK held the Presidency of the G8 throughout 2005, with climate change a major theme. The prime objective was to raise the profile of climate change as a matter deserving the urgent attention of Heads of Government in the G8 and outside it, and promote an international consensus on the need for further action to control emissions.

The Prime Minister, in his speech to the World Economic Forum in Davos, Switzerland on 26 January 2005, stated three broad aims for the UK's presidency to tackle climate change:

- to set a direction of travel. Whether because of the risks associated with climate change or related issues of security of energy supply, there is a need to send a clear signal that whilst the Department continues to analyse the science, Defra is committed to reducing greenhouse gases;
- to develop a package of practical measures, largely focused on technology, to cut emissions of greenhouse gases; and
- to engage countries outside the G8, like China and India, on how their growing energy needs can be met sustainably and how they can adapt to the impacts of climate change.

The G8 summit in Gleneagles, Scotland concluded on 8 July 2005 with an agreement that included:

- a statement on the importance of climate change, including an agreement that human activity does contribute to climate change. It also agreed that greenhouse gas emissions need to slow, peak and reverse and that Defra needs to act to make 'substantial cuts' in emissions. In addition the G8 agreed to act with resolve and urgency now;
- a package of actions (the Gleneagles Plan of Action) to combat climate change and build on existing work in order to increase the speed with which greenhouse gas emissions are reduced. The package includes improvements to energy efficiency in both appliances and buildings, cleaner vehicles, aviation, work on developing cleaner fuels, renewable energy and promoting research and development and the financing of future projects. In order to assist with this the G8 has engaged with the International Energy Agency (IEA) and asked them to undertake further work on actions to reduce emissions and improve funding for clean technologies in developing countries; and

- agreement to a new Dialogue on Climate Change, Clean Energy and Sustainable Development between G8 countries and other interested countries with significant energy needs. The Dialogue will allow continued, more informal, discussion of the issues around climate change and measures to tackle it, such as those agreed at Gleneagles. This Dialogue will also help create the condition for more constructive negotiations within the United Nations (UN) framework.

The discussions at Gleneagles included a session with the Heads of Government from Brazil, China, India, Mexico and South Africa. This was the first time leaders from other countries outside of the G8 were invited to a G8 Summit. Following this meeting, the outreach countries issued a joint declaration which called for 'a new paradigm for international co-operation' on climate change. The statement also emphasised the importance of making cleaner technologies accessible and affordable to developing countries and encouraged collaborative research for new technologies. This is particularly significant on climate change, as these countries are set to have very substantial rises in their emissions as they develop and their economies grow.

Defra also undertook work to offset emissions arising from the G8 Presidency as part of efforts to make the UK's G8 Presidency as sustainable as possible. As a result, Defra is investing in the Gold Standard Clean Development Mechanism (CDM) Kyuasa project based in South Africa. Defra is also carrying out a similar process to offset emissions arising from the UK's Presidency of the EU. Further information on Defra's carbon offsetting work can be found in Chapter 2 of this report.

Energy Research and Innovation Workshop

As part of the UK's Presidency of the G8 in 2005, Defra and the Department of Trade and Industry (DTI) organised a two-day workshop to discuss ways to improve collaboration on clean energy and combating climate change. This was held in Oxford on 11-12 May 2005, with the UK Energy Research Council (UKERC) as hosts. In addition to G8 countries, delegations of energy policy and research experts were invited from Brazil, China, India, Mexico and South Africa.

The two-day workshop in Oxford was a follow-up to the Evian Action Plan that committed G8 nations and their research organisations to compare and link programmes and priorities on sustainable energy.

Delegates considered a number of areas including enhancing research links in solar energy, carbon capture and storage, bio energy, the built environment and transport. A number of important themes were also identified including:

- improving current arrangements for collaboration between developed and developing countries;
- the difference in perspective facing developed and developing nations and the need for enhanced participation in existing networks;

- improving the visibility and profile of existing energy research networks and their activities;
- the challenge of advancing technology beyond the research and development phase through to deployment; and
- sharing knowledge on decision tools for planning, prioritising and evaluating research programmes.

Defra is currently working with Brazil on a follow-up workshop as part of the Gleneagles Dialogue on Climate Change, Clean Energy and Sustainable Development.

The Dialogue on Climate Change, Clean Energy and Sustainable Development

At Gleneagles the G8 countries committed to an ongoing Dialogue on Climate Change, Clean Energy and Sustainable Development. This dialogue is an umbrella term to cover a number of work streams: a high profile Ministerial Dialogue meeting once a year to agree the overall scope of the dialogue, technical work streams on finance and technology carried out by the World Bank and International Energy Agency (IEA) respectively; and a broader dialogue that involves more countries, institutions, partnerships, and ad hoc networks, encompassing technical discussion on implementation of all sections of the Gleneagles Plan of Action.

The first Ministerial meeting was held on the 1 November 2005 in London. Energy and environment Ministers from 20 countries with growing and significant energy needs met to discuss options for moving towards a more sustainable and secure energy future. The meeting also highlighted the progress made in implementing the Gleneagles Plan of Action since the G8 Summit in July.

The meeting shaped the further work to be carried out under the dialogue by the partner countries and international and regional institutions, such as the World Bank and the IEA.

The dialogue partners agreed to work together on:

- deployment of clean technologies, such as renewable energy technology and carbon capture and storage, to put global emissions on a path to slow, peak and decline;
- incentives for large scale private sector investment in low carbon technologies, working with the World Bank;
- a new model for co-operation between developed and developing countries, as put forward by China, India, Brazil, South Africa and Mexico at Gleneagles; and
- reinforcing action on adapting to the impacts of climate change.

The agreements reached helped to set the scene for constructive discussions on strengthening international action on climate change at the Montreal UN Climate Conference.

Mexico has agreed to host the second ministerial meeting in the autumn of 2006 and Defra is working closely on the preparations for this meeting.

The dialogue will retain its links to the G8. Japan have asked for a report back during their presidency in 2008. Defra aims to ensure that the intervening presidencies will keep a close interest in the dialogue's progress, keep climate change on the agenda and make appropriate links to their priorities.

Climate Change: The Business Forecast

On 5–6 October 2005 Defra, Department of Trade and Industry (DTI) and The Climate Group co-hosted a major international conference for business on climate change entitled 'Climate Change: The Business Forecast'. The event, which took place in central London, was attended by over 300 delegates from businesses in the UK, other EU and G8 countries, and the major emerging economies of China, Mexico and South Africa.

The conference produced a set of business insights, formally launched at the 11th Conference of the Parties (COP11), Meeting of the Parties (MOP1) in Montreal in December 2005. The key findings included:

- increasing numbers of businesses are seeing opportunities rather than costs in addressing climate change;
- in a poll, 60 per cent of those present said they believed that climate change can be tackled without sacrificing economic growth;
- energy efficiency is a 'win-win' which businesses and governments are still not fully exploiting;
- the EU Emissions Trading Scheme is currently not a large enough incentive to drive the long-term capital investment needed to move towards a low carbon economy. It was identified that longer term certainty on the value of carbon was needed to match with capital investment timescales;
- investors are beginning to demand that companies have carbon management systems; and
- Government needs to use the power of procurement to drive demand-led markets in climate-friendly products.

G8 civil society engagement

Engagement with civil society is vital if the Government is to meet its climate change objectives. Progressive businesses have shown that tackling climate change is an opportunity and can increase profits. Their experiences and insights provide a valuable input into Government policy ensuring that the UK promotes measures to reduce greenhouse gas emissions that are consistent with economic growth. Other areas of civil society can help to raise awareness of climate change both domestically and internationally and promote global action.

2005 has produced an unprecedented level of scientific, political and public debate about climate change. As part of the UK's G8 Presidency a comprehensive programme of outreach was developed to engage civil society. This included contacts with business, non-governmental organisations, faith groups, trade unions, think tanks and youth groups. Initiatives included meetings between civil society groups and senior policy makers in the UK and other G8 countries. For example, G8 Sherpas (the G8 Heads of Government representatives) and civil society representatives met on 23 March 2005 in London, providing an opportunity for civil society to directly input their views to the G8 process well in advance of the G8 Summit. In November, as part of the UK's structured engagement with civil society during its G8 presidency year, the UK Government sponsored an 'implementation conference' for civil society, examining the role of all areas of civil society in implementing the G8 outcomes and taking a forward look to the Russian G8 presidency in 2006.

The UK Government collaboration with the World Economic Forum (WEF) led to the establishment of the G8 Davos Climate Change Roundtable that includes 25 participating companies from twelve countries and covers a diverse range of business sectors. The roundtable put together a series of high-level messages from business on climate change for the Prime Minister to take to the G8 Summit at Gleneagles.

The increased profile of climate change created by the UK Government has led other organisations to focus on this global problem. For example, the National Science Academies from all the G8 countries along with China, India and Brazil issued an unprecedented joint statement in June 2005 highlighting the global consensus on the science and urged governments 'to identify cost-effective steps that can be taken now to contribute to substantial and long-term reduction in net global greenhouse gas emissions'.

Ongoing civil society engagement

There was extensive contact with the business community, most notably through the WEF/Davos Group and the Corporate Leaders Group. Defra is working with WEF to ensure that international business views are fed into the Gleneagles Dialogue process.

Defra has also worked with Globe UK, a cross-party group of Parliamentarians, to run a series of events on international climate change with legislators from the G8 and major emerging countries such as China, India, South Africa and Mexico. This has helped to raise awareness of the issues surrounding the international climate change debate and recognises the key role legislators have to play in terms of encouraging debate among their constituents, lobbying, and holding their governments to account.

Energy

Energy White Paper

The 2003 Energy White Paper, *Our Energy future – Creating a Low Carbon Economy*⁵² set four overarching goals for the UK's long-term energy policy: to boost energy security; reduce carbon emissions; alleviate fuel poverty; and improve economic competitiveness.

Monitoring and reporting progress towards implementation of the White Paper's goals are undertaken under the auspices of the cross-Government Sustainable Energy Policy Network (SEPN), which is headed up by a strategy unit based at the Department of Trade and Industry. The second annual report⁵³ was published on 21 July 2005, describing detailed progress towards all of the White Paper's goals.

Energy efficiency

Action to reduce energy demand through improved energy efficiency is a key aspect of the Government's long-term energy strategy. In addition to being highly cost-effective, energy efficiency measures can help achieve all of the White Paper's goals simultaneously.

*Energy Efficiency – The Government's Plan for Action*⁵⁴, was published by Defra in April 2004 and sets out how the UK will save 12 million tonnes of carbon per year through a package of policies and measures that encourage energy efficiency saving UK households and businesses over £3 billion per year on their energy bills. Delivering against the commitments contained in the action plan is one of Defra's key commitments in the *UK Sustainable Development Strategy*.

To underpin successful implementation of the suite of energy efficiency measures in the Action Plan and as a means of tracking progress, Defra has embarked on a programme to develop energy efficiency indicators.

Energy indicators for UK households have now been developed and were published alongside the SEPN second annual report to illustrate how consumption and carbon emissions depend on the demand for the various services that require energy, and the efficiency with which these services are delivered. Work on developing indicators for the services and industrial sector is ongoing.

⁵² www.dti.gov.uk/energy/whitepaper/wp_text.pdf

⁵³ www.dti.gov.uk/energy/sepn/secondannualreport.shtml

⁵⁴ www.defra.gov.uk/environment/energy/review/index.htm

Other key achievements secured during 2005-06 include:

- hosting an international energy efficiency conference on 2–3 November 2005 in support of the UK Presidency of the G8 and EU and targeted at an audience of senior policy makers in order to further the UK's energy efficiency agenda;
- £5 million in grant funding provided by the Community Energy programme, which acts to promote community heating schemes across the UK. This money has been drawn down into 61 Development Grants and 50 Capital Grant schemes;
- Comprehensive Energy Efficiency Innovation Review, examining how technological, policy, financial and cultural innovation across the economy could best contribute to the long-term step change in energy efficiency to which Defra is committed, completed jointly with HM Treasury. This provided a substantial contribution to the Climate Change Programme Review, the Energy Review, and work for the next spending period;
- the second 3-year phase of the Energy Efficiency Commitment (EEC) began on 1 April 2005, at roughly double the level of activity of the first phase;
- under the Building Regulations in April 2005, Defra acted to increase minimum standards for new boilers, effectively making condensing boilers mandatory in most situations, delivering a significant amount of carbon savings;
- The Beacon Council Learning Exchange for Sustainable Energy programme was launched on the 17 June 2005. The exchange showcases good local authority practice and learning opportunities by providing practical tips for service improvement, opportunities to network and share experiences;
- Defra has funded the Energy Saving Trust in setting up three Sustainable Energy Centres to provide increased resources and more support for local action on small scale renewable energy, transport and energy efficiency; and
- Defra is continuing to work closely with the Office of the Deputy Prime Minister on the development of a Code for Sustainable Homes. The Code will set out clearly specified minimum performance level for energy, water, waste and materials efficiency, that are higher than the statutory levels.

Defra commissioned a study to examine the role tradable certificates could play in promoting a further improvement in energy efficiency if incorporated into the EEC. The conclusions of the report were published in February 2006⁵⁵ and are being used to inform the ongoing energy review.

⁵⁵ www.defra.gov.uk/environment/energy/eec

Energy Review

The Secretary of State for Trade and Industry and the Minister for Energy launched the Energy Review in January. As part of this, a consultation *Our Energy Challenge: securing clean, affordable energy for the long term*⁵⁶ ran to 14 April 2005. The review has a broad scope and considers all aspects of the energy system including both energy supply and demand. The consultation sets out the energy challenges currently being faced by the UK, and invites responses to the evidence presented and to what should be done to secure clean affordable energy for the long term.

The review is being taken forward by a cross-departmental team based in the Department of Trade and Industry, with officials drawn from key relevant departments and the Prime Minister's Strategy Unit. The devolved administrations are already involved and will continue to be involved throughout the course of the review. The review team will draw on expert support and analysis both within and outside Government.

The review team will report to the Prime Minister and the Secretary of State for Trade and Industry in the summer.

Looking forward to 2006-07

In 2006-07, Defra will:

- begin work on the framework for the EEC in 2008-11. Defra will consider with all stakeholders how to provide as much flexibility as possible in the range of measures that can be employed to meet EEC targets, for example micro generation, renewables, smart metering and behavioural measures and how to continue to encourage increased customer engagement;
- all new homes funded by Government or its Agencies, including through relevant public-private partnerships will have to meet the requirements of the Code for Sustainable Homes;
- deliver the new Climate Change Communications Initiative, raising levels of public awareness of climate change and shifting attitudes by commencing the first projects funded through the challenge fund;
- work with the Office of the Deputy Prime Minister (ODPM) to review what more existing buildings can do to contribute carbon savings; and
- begin to take forward Defra's energy policy commitments in the Revised Climate Change Programme.

⁵⁶ <http://www.dti.gov.uk/energy/review/>

Eliminate fuel poverty

Public Service Agreement target 7: Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy Objective.

Further details of this new target, which is shared with the Department of Trade and Industry (DTI), are on the Defra website⁵⁷. Defra is currently facing some slippage in meeting this target⁵⁸.

The UK Fuel Poverty Strategy

Published in 2001, the *Fuel Poverty Strategy*⁵⁹ was produced following a requirement enacted under the Warm Homes and Energy Conservation Act 2000. The Act requires the Government to prepare and publish a strategy to ensure that, as far as reasonably practicable, persons do not live in fuel poverty. The strategy must specify a target date for achieving that objective, the target date being no more than 15 years after publication of the strategy.

Therefore, the Government has a legal duty to ensure that, as far as reasonably practicable, people in England do not live in fuel poverty after November 2016. The devolved administrations are responsible for the achievement of targets in their own countries.

The strategy also sets an initial goal of ending fuel poverty for vulnerable households in England by 2010. Vulnerable households are those low income homes with older people, families with children and those who are disabled or have a long-term illness. The most widely accepted definition of a fuel poor household is one which needs to spend more than 10 per cent of its income on fuel to heat its home to an adequate standard of warmth.

The Government's main programme for tackling fuel poverty in the private sector in England is Warm Front. The new phase of the Warm Front Scheme was launched in June 2005, with changes made to increase the impact of the scheme in contribution to tackling fuel poverty. These changes to the scheme are aimed at ensuring more vulnerable households can benefit from measures that have a greater impact on bills, such as central heating. The scheme now aims to take households to a defined level of energy efficiency where there will be minimal risk of households falling into fuel poverty.

⁵⁷ <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

⁵⁸ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

⁵⁹ http://www.dti.gov.uk/energy/consumers/fuel_poverty/strategy.shtml

Funding

Figure 3 shows current assumptions on the funding allocated to help to reduce fuel poverty over the period 2005-08. It was announced in the 2005 Pre-Budget Report⁶⁰ that an additional £300 million would be made available over the 2005-08 period to tackle fuel poverty across the UK. £250 million of this funding will go to Warm Front, with the aim of helping Defra expand its drive to provide free central heating to householders in receipt of Pension Credit. This funding will also help to provide £300 towards the cost of a central heating system to pensioners not eligible for Warm Front, and is additional to the extra £140 million that was allocated to Warm Front in the 2004 Spending Review.

Figure 3: Funding to support the reduction of fuel poverty

Year	2005-06	2006-07	2007-08
Amount (£ millions)	192	326	356

Performance

Defra is committed to reporting annually on progress against the targets set out in the *UK Fuel Poverty Strategy* and in the 2004 Spending Review. The most recent *Progress Report*⁶¹, published in July 2005, reported that there were 1.2 million households in fuel poverty in England in 2003, with 1 million of those vulnerable households. However, due to a number of large increases in energy prices since this date, it is likely that progress will begin to reverse.

There is a two-year lag on published figures due to the fact that Defra use data from the English House Condition Survey to generate the requisite information for reporting purposes. Since the start of the Warm Front Scheme in June 2000 to August 2005, over one million households have received measures to improve the comfort of their home⁶².

Factors affecting performance

The degree of challenge in achieving Defra's fuel poverty target is affected by a number of issues outside Defra's control, including changes in fuel prices. In the current context of significantly increased fuel prices, the challenges around meeting Defra's Public Service Agreement target are brought into sharper focus. Current projections indicate that fuel price rises between 2003 and 2006 may have placed an additional one million vulnerable households into fuel poverty over that same period. The unprecedented level of recent price rises has already presented and continues to present serious challenges for the achievement of fuel poverty goals.

⁶⁰ The exact text of the Pre-Budget Statement in relation to fuel poverty funding is available at: http://www.hm-treasury.gov.uk/media/FA6/2F/pbr05_chapter5_203.pdf

⁶¹ http://www.dti.gov.uk/energy/consumers/fuel_poverty/

⁶² Detailed information on measures installed is available at: www.eaga.co.uk.

Defra will continue to work closely with colleagues in the Department of Trade and Industry (DTI), to monitor the impact of rising energy prices and ascertain how that impact can be mitigated. Together with DTI, Defra is continuing, in light of rising energy prices, to assess the likely total level of resource that will be necessary to achieve the 2010 target. This information will be an intrinsic part of the Department's representations to Ministers regarding future funding.

The funding which has been made available to tackle fuel poverty in the private sector in England (primarily through the Warm Front Scheme) has enabled many households to receive assistance and has helped contribute to much of the progress made to date. There is an ongoing high level of interest in and commitment to the scheme as a key contributor to delivery of this Public Service Agreement target. However, Defra is continuing the work to ensure that the Warm Front Scheme and the fuel poverty agenda is adequately resourced to enable us to move forward successfully.

Other challenges to Defra's fuel poverty goals include changes in the overall economic situation, fluctuations in levels of income from benefits and the performance of a number of other initiatives to improve the energy efficiency and comfort of households. Defra is working to assess the contribution made by other policies and programmes – such as the Decent Homes Standard and the Energy Efficiency Commitment – which are expected to contribute towards the achievement of Defra's fuel poverty target.

Overall progress will continue to be measured through detailed monitoring of the number of households taken out of fuel poverty and the characteristics of those remaining. Government will continue to report annually on progress through the *UK Fuel Poverty Strategy Annual Progress Reports* and in Defra's and DTI's Autumn Performance and Departmental Reports.

Looking forward to 2006-07

Significantly, in light of recent energy price rises, 2006-07 will see a major increase in Defra's fuel poverty funding, along with an associated increase in levels of activity under Warm Front. In expanding the scope and capacity of the scheme, Defra will continue to work closely with all of its stakeholders within and outside of Government to ensure that the increased resource is appropriately targeted and allocated in order to reach those most in need.

Defra continues to work with the Warm Front Scheme Manager, Eaga Partnership⁶³, to ensure that the scheme operates in a way that delivers the best possible service to customers and delivers value for money for the Department. A Warm Front Scheme Management Board, chaired at a senior level within Defra, has been set up to consider and evaluate the full range of issues that may impact on the immediate and longer term delivery of the scheme. Defra have also established a Public Service Agreement Management Board, which brings together senior officials from a range of Government departments with an interest in fuel poverty issues with the aim of monitoring and evaluating progress towards, and challenges for, the Public Service Agreement target.

⁶³ <http://www.eaga.co.uk/>

The Fuel Poverty Advisory Group will continue to play an important role in drawing together key partners from energy suppliers, national charities, voluntary organisations and local government to set and consider the fuel poverty agenda. Their support and advice will form an important part in the ongoing evaluation of the range of policy options in place and the potential future policy tools that may help to meet Defra's target.

The new phase of the Warm Front Scheme

Defra published *Fuel Poverty in England: the Government's Plan for Action*⁶⁴ in November 2004. The detailed changes to the Warm Front Scheme that were announced in this document included the provision of central heating to all eligible households. Moreover, the changes incorporated the establishment of Warm Front accounts, wherein households would be able to receive assistance over a period of time for different measures under Warm Front, subject to the maximum amount of grant that can be paid. These changes have now been implemented, and the new phase of the Scheme has been operational since June 2005.

Warm Front is now better equipped to target and treat those most in need in a sustainable way, and is able to gather more detailed information as to the impact of certain measures in individual properties.

Improving air quality

Public Service Agreement target 8: Improve air quality by meeting the Air Quality Strategy targets for carbon monoxide, lead, nitrogen dioxide, particles, sulphur dioxide, benzene and 1,3-butadiene. Joint target with the Department for Transport.

The Government's air quality policies are aimed at protecting people's health and the environment from air pollution, without imposing unacceptable social or economic costs. The air breathed today is much cleaner than it was ten or twenty years ago, particularly in urban areas. Emissions and concentrations of most pollutants have been cut significantly as a result of national and local measures.

Objectives for four of the seven pollutants in the air quality target were met in 2005 and Defra is on course to achieve the other objectives in most parts of the country. However, more needs to be done if Defra is to meet the objectives for nitrogen dioxide and particles in all parts of the country. For a short overview of progress please see Appendix 2⁶⁵.

⁶⁴ www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov_actionplan.pdf

⁶⁵ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

Defra issued a consultation document on the 5 April 2006 on a review of the *Air Quality Strategy* setting out options for a number of potential additional new policy measures to further improve air quality and move the Department closer to its air quality objectives and Public Service Agreement target. As well as direct benefits to public health, these new policies have the potential to provide important benefits to quality of life, reducing health inequalities and helping to protect our natural and semi-natural habitats and ecosystems.

It also seeks stakeholders views on the strategy's existing objectives for air pollutants, in particular, improved protection for ecosystems and vegetation, and an option for a new, more cost effective, policy framework and a new provisional objective for controlling fine particulates. It also sets an agenda for longer term action to improve understanding of air pollutants and also attempts to qualitatively assess the potential for further air quality improvements in the very long term.

An updated strategy should be published at the end of the year drawing conclusions from the consultation and providing a clear, long term vision for air quality.

A copy of the consultation document, technical annex and Regulatory Impact Assessment and accompanying 3rd report by the Interdepartmental Group on costs and benefits are available on the Defra website⁶⁶.

The sources of air pollution are many and varied, ranging from industrial and road transport emissions to domestic and natural sources. Subject to the current consultation, the *Government's Air Quality Strategy*⁶⁷ and *Addendum*⁶⁸ contains policies for tackling air pollution and sets objectives for nine key air pollutants and their achievement in the UK between 2003 and 2010. The strategy gives information on the sources of each pollutant, together with an estimate of the extent each is responsible for overall emissions. Road transport is responsible for a significant percentage of emissions of many (although not all) of the pollutants.

The Department for Transport (DfT) has responsibility for the main policy levers to reduce emissions of pollutants from the transport sector, and therefore has joint ownership with Defra for the air quality Public Service Agreement target and its delivery. Defra and DfT have established joint governance arrangements at both senior and working levels to help drive progress in all policy areas in the departments which can contribute to the delivery of the air quality target.

The air pollutants covered by the air quality Public Service Agreement target are:

- benzene;
- nitrogen dioxide (NO₂);
- 1,3-butadiene;

⁶⁶ <http://www.defra.gov.uk/corporate/consult/airqualstrat-review/index.htm>

⁶⁷ *The Air Quality Strategy for England, Scotland, Wales and Northern Ireland* (Cm4548: January 2000).

⁶⁸ *The Air Quality Strategy for England, Scotland, Wales and Northern Ireland: Addendum* (Defra, February 2003)

- particles (PM₁₀)⁶⁹;
- carbon monoxide;
- sulphur dioxide; and
- lead.

Funding

The resources in Figure 4 are estimates of Defra's expenditure associated with the air quality target. The figures do not include expenditure by DfT. More detail on DfT's activities to improve air quality can be found in their Departmental Report⁷⁰.

Figure 4: Expenditure on improving Air Quality 2005-08

Area	2005-06 £ millions	2006-07 £ millions	2007-08 £ millions
Programme:	5.35	5.35	5.35
Air quality monitoring network	4.80	4.80	4.80
National Atmospheric Emission Inventory	0.30	0.30	0.30
Support for Local Air Quality Management system: local authority helplines, assessment of reviews and action plans	0.25	0.25	0.25
Supported Capital Expenditure Programme⁷¹:	2.409	2.365	2.365
Monitoring equipment	1.14	–	–
Emission Inventory	0.12	–	–
Air Pollution Dispersion modelling	0.24	–	–
Action Plans	0.90	–	–
Administration	0.63	0.65	0.67

The programme expenditure funds the Department's air quality monitoring networks, assessment of the results, development of new policies, the evidence base for the impact of policies and research on the links between emissions and the effects on air pollution. The Department supports local authority capital expenditure on their statutory duties for Local

⁶⁹ PM₁₀ means particulate matter which passes through a size-selection inlet with a 50 per cent efficiency cut-off at 10 micrograms aerodynamic diameter.

⁷⁰ <http://www.dft.gov.uk/>

⁷¹ Local authorities are now considering their applications to the 2006-07 programme.

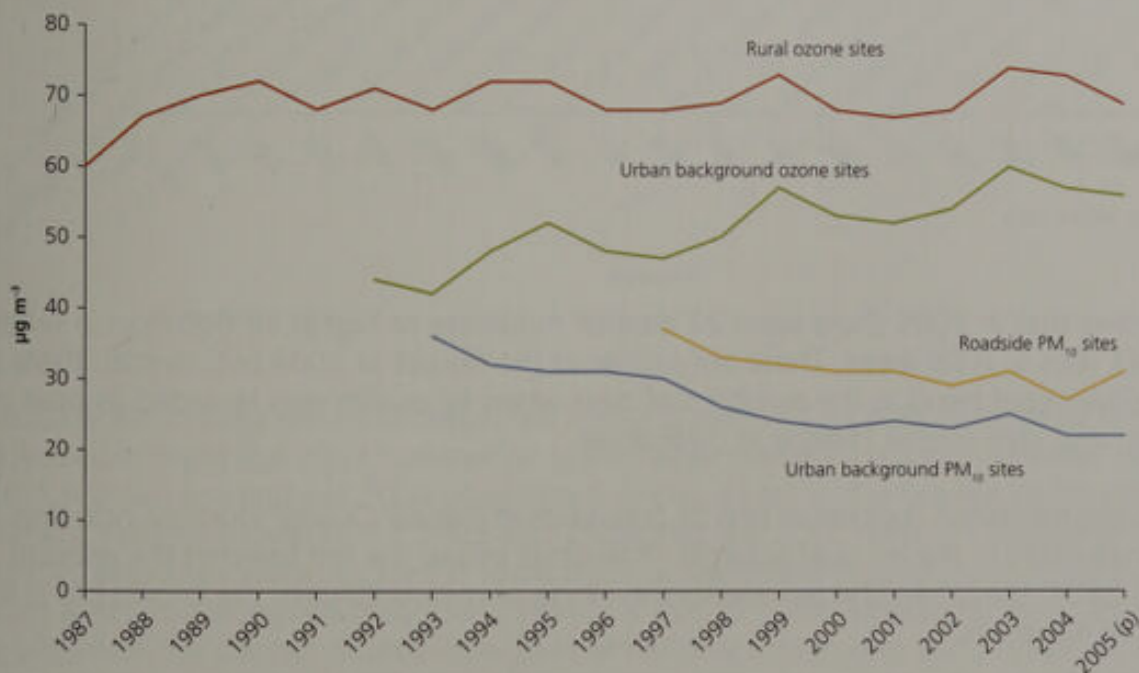
Air Quality Management through its annual Supported Capital Expenditure (Revenue) scheme. Local authorities are required to work towards achievement of the *Air Quality Strategy* objectives set in regulations. The programme assists their expenditure on air pollution monitoring equipment, emission inventory, pollution dispersion projects and action plans.

Performance

One of the ways Defra monitors trends in air quality is through the sustainable development indicator for air quality. Since the launch of the new *UK Sustainable Development Strategy: Securing the Future* in March 2005 this now consists of two indicators.

Figure 5 shows annual average levels of the two types of pollution (particulates and ozone) now believed to have the most significant impact on public health. Annual average particulate levels have been decreasing, although the trend may be levelling off. There is a very slight long-term upward trend in background ozone levels.

Figure 5: Levels of United Kingdom Ozone and PM₁₀, 1987 to 2005 (provisional)



Source: Netcen, Defra

Ozone index shows annual mean of the daily maximum 8 hour running mean.

PM₁₀ index shows annual average.

Figure 6 shows the provisional results for the average number of days when any one of five air pollutants was recorded as moderate or higher and which reflect short term pollution episodes.

Figure 6: Days when air pollution is moderate or higher, 1987-2005

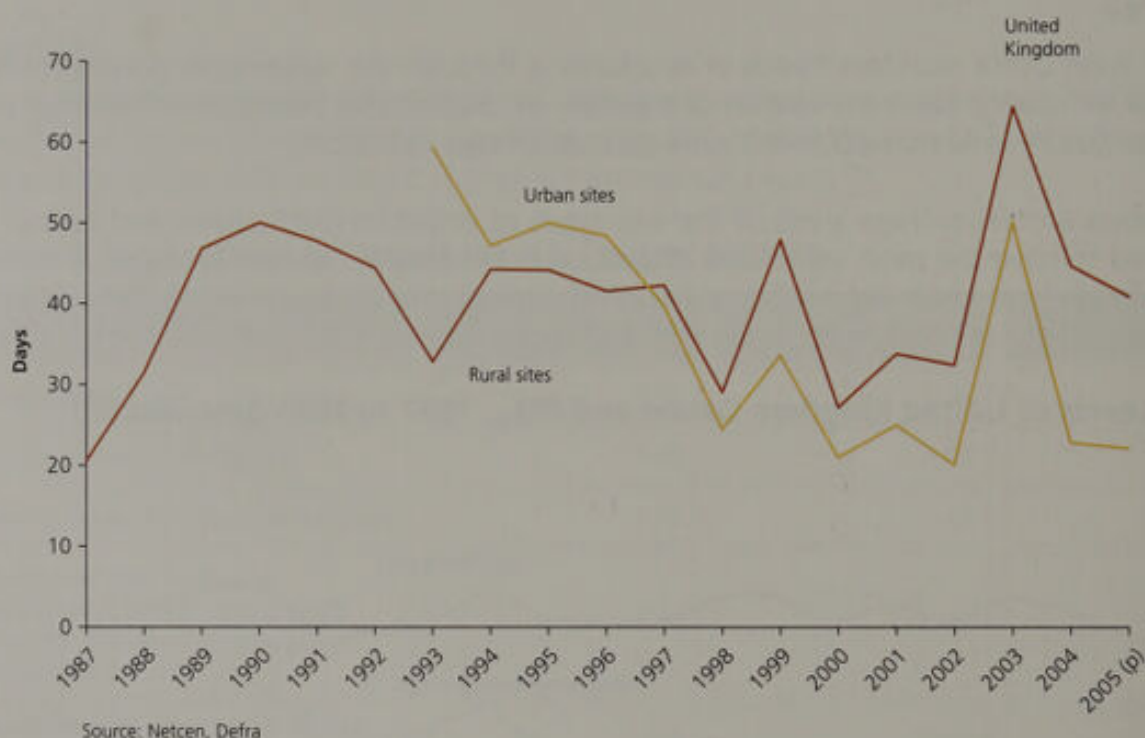
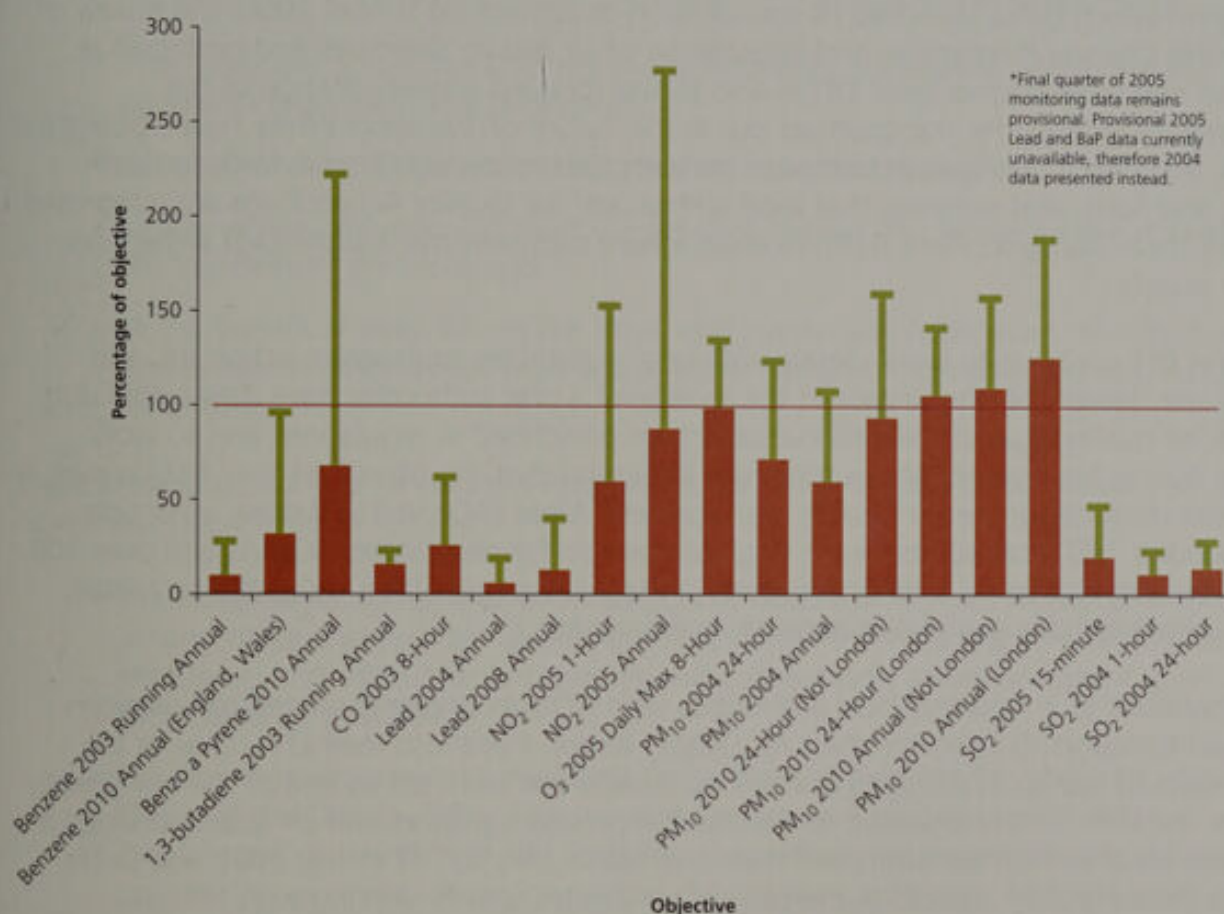


Figure 6 shows that in 2005 there were 22 days of moderate or higher air pollution in urban areas and 41 days in rural areas. These are similar to the figures in 2004 but, overall, there is long term downward trend in the numbers of days when air quality was recorded as poor in urban areas, and little overall change in rural areas.

Figure 7 shows measured concentrations of pollutants in the *Air Quality Strategy* including the seven pollutants in the air quality target. Pollutants below the red line met the relevant objective in 2004; the green line represents the range of measurements; the brown bar is the average of all measures.

Figure 7: Measured concentration of pollutants in England in 2005 as a percentage of the relevant *Air Quality Strategy* objective



Source: Netcen, Defra

The 2005 preliminary results of measured concentrations of air pollutants show that Defra continued to meet the 2003 national air quality objectives for carbon monoxide, benzene and 1,3-butadiene and the 2004 objectives for lead, as set in the Government's *Air Quality Strategy*. Preliminary results for 2005 also show that the 2005 nitrogen dioxide and 2004 particles objectives were not met in some parts of the country, particularly in some major urban areas and alongside busy roads, primarily due to traffic emissions. Initial analysis shows no breach of the sulphur dioxide objectives at national monitoring sites. However, 13 local authorities have declared Air Quality Management Areas for sulphur dioxide (SO₂) and are working to improve air quality in their areas.

Although our air is cleaner in overall terms than at any time since the industrial revolution, measured concentrations of air pollutants show that long-term reducing trends for nitrogen dioxide (NO₂) and particles (PM₁₀) are flattening out or even reversing at a number of locations, despite current mitigation measures. Defra's modelling shows that, although the vast majority of the country will meet the objectives, there will be some areas (mostly urban and busy roadside locations) where, with present policies and technologies, it is questionable whether the targets will be achieved within the deadline.

Defra has been working with DfT, other key departments and stakeholders to identify possible additional new measures to move closer to the strategy's air quality objectives and generate health and environmental benefits. This includes the review of the *Air Quality Strategy* on which Defra launched its consultation document on 5 April 2006, the review of the *Climate Change Programme* and negotiation of air quality directives and protocols at European and international level. DfT is also taking forward implementation of the Government's strategy for transport set out in the *Future of Transport* White Paper, published in 2004, and also working with European partners to develop tighter standards for both vehicles and fuels, and ensuring that local authorities' Air Quality Action Plans are integrated into their Local Transport Plans (LTPs) in areas where transport has a significant impact on local air quality.

Defra and DfT continue to work closely with local authorities to progress action on, and improve the delivery of, the targets at the local level. Local authorities have a statutory duty to check air quality against the national objectives prescribed in regulations and to work towards their achievement. Where there is a likelihood that the objectives may not be met, authorities must designate Air Quality Management Areas (AQMAs) and draw up action plans. Around 160 local authorities in England have so far designated AQMAs and over 100 authorities have drawn up their action plans setting out proposals to tackle the problems. Many authorities have completed detailed assessments.

Defra continues to encourage local authorities with AQMAs primarily related to emissions from road transport to integrate their Air Quality Action Plans into their LTPs. Due to the large impact of transport planning policies, air quality has been set as one of the key priority areas for the LTPs. This is expected to generate improved transport and air quality policies at local level. Local authorities submitted their provisional LTPs to DfT in July 2005 and Defra assessed the air quality aspects of the plans. The Department is working with DfT on engaging with local authorities to improve the quality of the second generation of LTPs. Authorities final LTPs were received in March 2006 and are currently being assessed.

There is a close relationship between the UK national air quality policy and Defra's European obligations. Last year, the European Commission published a *Thematic Strategy on Air Pollution* and a proposal for a new air quality directive which would streamline the current legislation and introduce a new target for fine particles. The UK took forward initial negotiations on the directive in Environment Working Group under the recent UK Presidency of the EU. More detailed negotiations are continuing under the Austrian Presidency. As part of the review of the UK *Air Quality Strategy* Defra has taken account of these European developments including a new approach to air quality management for non-threshold pollutants such as particles.

Factors affecting performance

A huge range of international, national and local policies can affect air quality at any given location. Improving the quality of our air requires action at all levels of government:

- internationally, through standards and agreements, particularly within the EU, as air pollutants cross territorial boundaries;
- nationally, where Government departments have the greatest role to play;
- locally, where pollution can have the greatest impact and where local authorities are the key delivery partners; and
- at the individual level, where the travel and consumption decisions of individuals and private businesses can have a significant impact on the environment, including air quality.

There are a large number of partners responsible for delivering the Government's air quality objectives. These include:

- the European Union and other international bodies, which are responsible for, among other things, international product standards (including vehicle and fuel standards) and other relevant treaties and conventions, aimed at reducing emissions of harmful air pollutants;
- Government departments, including Defra, the Department for Transport, the Office of the Deputy Prime Minister, the Department of Trade and Industry, Department of Health and HM Treasury, all of which are responsible for national policies (for example, decisions on fuel duties, energy policies, national land-use planning policies) which can impact on air quality;
- the Environment Agency and local authorities, which are responsible for the regulation of emissions from industrial installations and processes;
- the Highways Agency, which is responsible for managing the country's motorways and trunk roads;
- local authorities, which are responsible for local air quality management, including reviewing and assessing air quality, and preparing action plans to remedy any local pollution hotspots. Local authorities are also responsible for land-use planning policies, such as the location of new developments, which can have a significant impact on air quality. Upper-tier and unitary authorities in England (outside London) are also responsible for developing and implementing transport policies for their areas and submitting these as a Local Transport Plan;

- the Mayor for London, who is responsible for preparing an air quality strategy and a transport strategy for London; and
- public and private transport operators, hauliers, motor manufacturers, the oil industry and individual consumers, through their production, consumption, home heating and individual travel decisions.

Looking forward to 2006-07

Defra expect to see several important developments over the next 12 months or so which will have significant impact on air quality:

- publication of a new *Air Quality Strategy* by the end of 2006;
- ongoing discussion and negotiation on the European Commission's proposals for new air quality directives published last year;
- taking forward implementation of measures and initiatives in the *Future of Transport* White Paper, led by DfT; and
- negotiation of other air quality Directives such as the National Emission's Ceiling Directive, and Protocols at European and international level.

Flood risk management

Defra's *Five Year Strategy* has identified flood and coastal erosion risk management in a way which furthers sustainable development as one of the Department's strategic outcomes within the strategic priority to meet the challenge of climate change.

Defra's policy is to manage the risks from flooding and coastal erosion by employing an integrated portfolio of approaches which reflect both national and local priorities, so as to reduce the threat to people and their property, and to deliver the greatest environmental, social and economic benefit, consistent with the Government's sustainable development principles.

Defra's *Making Space for Water* programme will create a new Government strategy for flood and coastal erosion risk management in England. The new strategy, to be underpinned by the principles of sustainable development and taking account of the Office of Science and Technology's *Foresight Report*⁷² will steer the direction of policy over the next 20 years. Strategy development is being taken forward as a number of projects and progress can be followed on the Defra website⁷³.

A range of projects have been initiated under *Making Space for Water* to ensure the new strategy is based on sound evidence. These projects have been brigaded around three main themes.

⁷² <http://www.foresight.gov.uk/>

⁷³ <http://www.defra.gov.uk/enviro/fcd/policy/strategy.htm>

Securing a holistic approach to the management of all forms of flood and coastal erosion risk will ensure a consistent and long-term approach that delivers the best value for money in the national risk management programme through work such as:

- giving the Environment Agency a strategic overview for all sources of flooding and coastal erosion risk; and
- investigating how best to ensure a more integrated approach to the management of urban flood risk across all bodies with drainage or flooding responsibilities.

Embedding sustainable development into the Department's work to ensure its approach to risk management considers and delivers the social, environmental and economic objectives whilst also working with (rather than against) natural processes where possible. Key work includes:

- investigating how it might be possible to help communities and individuals cope with the consequences of taking a long-term sustainable approach; and
- strengthening planning controls to ensure planners take proper account of flood risk.

Increasing the nation's resilience to flood events.

Key projects include:

- strengthening resilience standards for new buildings and assessing the feasibility of providing grants to increase the resilience of properties that are unlikely to benefit from community defences; and
- developing the capacity of emergency services at all levels through learning from past events and emergency simulations such as Exercise Triton, together with improving the response, recovery and the resilience of key infrastructure.

Defra's flood emergency planning work is reported in the emergency preparedness section found in Chapter 4.

Funding

Defra funds the majority of the Environment Agency's expenditure on flood risk management and gives financial support to improvement projects undertaken by local authorities. Further support for local authority expenditure comes from the Office of the Deputy Prime Minister (ODPM) through the local government funding mechanisms.

The effective management of flood and coastal erosion risk is a priority for Government. This is demonstrated by the substantial increase in funding in recent years which was maintained in the 2004 Spending Review, as shown in Figure 8.

Figure 8: Flood management, Defra spend, 2005-08

Area	2005-06 ⁷⁴ £ millions	2006-07 ⁷⁵ £ millions	2007-08 ⁷⁵ £ millions
Grant to the Environment Agency	426.9	427.8	464.9
Grant and SCA/SCE(R) ⁷⁶ to local authorities/internal drainage boards	79.9	84.4	54.0
Other, (for example, consultancies, Research and Development contribution to Ministry of Defence for Storm Tide Forecasting Service, running costs)	8.4	7.9	7.8
Total	515.2	520.1	526.7

Figure 8 takes no account of local authority expenditure on flood and coastal erosion risk management. This exceeded £86 million in 2004-05 and is expected to be a similar figure in 2005-06. This expenditure is supported by ODPM through the local government funding mechanisms.

The outcome of the 2004 Spending Review was to roll forward the 2005-06 allocations to the following two years with Defra allocating the £20 million that the 2002 Spending Review anticipated would be derived from new funding streams. Defra has agreed efficiency targets with the Environment Agency which will at least maintain outputs over the current spending review period against a flat expenditure profile.

All funding for capital works in 2006-07 is fully committed, and is substantially committed for 2007-08. Defra therefore announced in December 2005 that no new projects would be approved for these two years but that the position would be reviewed in Autumn 2006. This will allow Defra to take account of the development of new output and performance measures which will increasingly inform investment decisions and be fully in place by April 2008.

Defra has introduced changes under which local authorities can, from April 2006, be allocated a 100 per cent grant for eligible costs of projects in place of the previous mixture of grant and Supported Capital Expenditure (Revenue). This much more straightforward arrangement will allow local authorities to invest in much needed defences, confident that the costs will be fully met by Government. Defra now pays internal drainage boards a 100 per cent grant rate for implementing Water Level Management Plans (WLMPs) in areas of high nature conservation interest.

⁷⁴ Provisional outturn.

⁷⁵ Indicative allocations.

⁷⁶ Supplementary Credit Approvals/Supported Capital Expenditure (Revenue).

Defra is also introducing changes to the respective roles and responsibilities of the Department and operating authorities in line with the Policy Centre Review Programme⁷⁷. Defra is gradually ceasing all delivery related activity including approval of the great majority of individual schemes. From 1 November 2005 Defra increased the level above which the Environment Agency needs Departmental approval for its own flood risk management projects from £5 million to £50 million (based on whole life costs). Allied to this, from 1 April 2006, Defra introduced a system of post approval evaluations to assess the way that the Agency operates its own internal approval processes. Also from April 2006 the Agency will, on Defra's behalf, approve and pay for grant schemes undertaken by local authorities and internal drainage boards under the Land Drainage Act 1991. This will be extended to local authority schemes undertaken under the Coast Protection Act by April 2008. This delegation of responsibility is linked to the Environment Agency Strategic Overview project being undertaken as part of *Making Space for Water*. Organisational and staffing changes flowing from this work are being managed in Defra.

Performance

The year 2005-06, was the final year of the three Service Delivery Agreement (SDA) targets relating to flood defence from the 2002 Spending Review. One related to having no loss of life through flooding and was linked to the second target of delivering an enhanced flood and coastal defence capital programme over the 2002 Spending Review period, by investing £397 million to reduce the risk to life, to major infrastructure, environment assets and to some 80,000 houses. The final target was to implement the outcomes of the flood and coastal defence funding review to improve the way that the service is funded and delivered. The first target was not met as a result of the two unfortunate deaths in Carlisle in January 2005. Provisional figures for 2005-06 indicate that investment over the period will reach over £600 million and that the number of houses with increased protection will be over 102,000, significantly above the target. In relation to the funding review outcomes these were all substantially implemented with the few remaining to be completed being subsumed into normal business.

For the 2005-08 period Defra has set a target to:

manage flood and coastal erosion risk so as to contribute to sustainable development, including minimising loss of life and improving the standard of protection for at least 100,000 households using efficiency savings to maintain outputs at equivalent levels to 2005-06.

Defra is working closely with the Environment Agency (EA) and other partners in delivering this more broadly based target which is underpinned by a detailed delivery plan.⁷⁸ In the first year, 2005-06, there is overlap with the SDA targets reported on in the previous paragraphs. Provisional figures indicate that delivery bodies have exceeded their target for houses protected and that the EA are on track to deliver the efficiency savings target.

⁷⁷ More detail on this can be found in Chapter 7.

⁷⁸ <http://www.defra.gov.uk/enviro/fcd/policy/aim.htm>

Defra's action to reduce flood risk allowed the Association of British Insurers (ABI) to renew, in November 2005, their Statement of Principles to ensure that cover continues to be widely available in flood risk areas. ABI members will maintain flood cover for existing customers in areas defended to an annual flood probability standard of 1.3 per cent or better or where flood defences will be put in place to at least this standard over the following five years.

Looking forward to 2006-07

During 2006-07 Defra will:

- continue to implement its 2004 Spending Review flood and coastal erosion risk management target;
- take forward development of the new Government strategy for flood and coastal erosion risk management, including:
 - consulting, and reaching conclusions, on the form of the Environment Agency's strategic overview of all flood and coastal erosion risk management work;
 - completing work on new output and performance measures for flood and coastal erosion risk management to take full effect in 2008-09. These will provide a more robust means of setting targets, assessing performance and informing funding decisions;
 - identifying and launching the integrated urban drainage partnership pilot studies;
 - scoping and rolling out a resilience grants pilot;
 - with ODPM, launch the new Planning Policy Statement 25 to strengthen planning controls; and
 - publish drafts of revised appraisal guidance.
- continue implementing changes in the respective roles and responsibilities of the Department and operating authorities in line with Defra's Policy Centre Review Programme;
- continue discussions and negotiations on the proposed EU Floods Directive to ensure that UK interests are fully considered; and
- take forward evidence and innovation activities including the joint research programme with the Environment Agency and enhanced European collaboration on the funding of floods research through leadership of the ERA-NET CRUE programme.

Sustainable consumption and production

This section addresses some key developments on Defra-led work on the joint Defra/Department of Trade and Industry (DTI) agenda on sustainable consumption and production (SCP), then goes on to look at waste and recycling and chemicals. Under this strategic priority the Department is seeking two strategic outcomes:

- the decoupling of economic growth from environmental degradation and unsustainable resource use; and
- protection of human health and the environment by minimising amounts of waste produced and getting as much value as possible out of what is left by re-use, recycling or composting and the recovery of energy.

SCP is also one of the four priority areas for action agreed with devolved administrations through the *UK Sustainable Development Strategy, Securing the Future*, which sets out the Government's approach to taking forward commitments agreed at the World Summit on Sustainable Development (WSSD) in 2002 through measures to promote:

- better products and services, which reduce their environmental impacts;
- cleaner, more efficient production processes, which strengthen competitiveness; and
- shifts in consumption towards goods and services with lower impacts.

Over the past year the Department concentrated on fulfilling the commitments made in *Securing the Future*, including:

- establishing a business-led Sustainable Procurement Taskforce to develop a national action plan on sustainable procurement (see Chapter 2);
- building the evidence base on priorities for action;
- continued development work for an environmental information service for consumers – Environment Direct;
- providing advice and support to business on improving resource efficiency measures, minimising waste production and maintaining competitiveness through an expanded Business Resource Efficiency and Waste (BREW) Programme;
- expanding our Market Transformation Programme to support Government policy and develop the knowledge base and policy briefs on sustainable products. (*Sustainable Products 2005: Policy Analysis and Projections* provides the latest summary⁷⁹);
- establishing a Business Task Force on Sustainable Consumption and Production to help develop ideas for practical action on key aspects of SCP;

⁷⁹ www.mtprog.com/publications.aspx

- ongoing support for the Sustainable Development Commission/National Consumer Council led Round Table on sustainable consumption;
- supporting 35 voluntary and community sector groups to further the Government's sustainable development objectives within England through the Environmental Action Fund;
- leading on the establishment of an international task force for sustainable products to enable greater international co-operation to encourage more resource efficient goods and services;
- lobbying for SCP to be a priority area for the revised EU Sustainable Development Strategy; and
- international involvement in the UN's 'Marrakech Process' – a ten-year framework of programmes to promote sustainable consumption and production.

More information can be found on Defra's website⁸⁰.

Over the next year the Department will be putting programmes in place that aim to ensure economic growth is decoupled from environmental degradation and deliver the commitments in *Securing the Future*, including publishing a national action plan for sustainable procurement, launching the Environment Direct Service and providing continued support for business through the BREW programme. By the end of 2006 Defra aims to have produced an action plan on sustainable consumption and production that sets out:

- a review of progress to date;
- priority areas for action;
- how the Government is taking forward the recommendations of the Sustainable Procurement Taskforce and the Roundtable on Sustainable Consumption; and
- measures to address the rising environmental impacts attributable to products.

Waste and recycling

Public Service Agreement target 6: To enable at least 25 per cent of household waste to be recycled or composted by 2005-06, with further improvement by 2008.

The Government's policy on waste is set out in Waste Strategy 2000, published in May 2000, and associated policy documents⁸¹.

⁸⁰ www.defra.gov.uk/environment/business/scp/index.htm

⁸¹ More information on Defra's approach to waste management can be found at: <http://www.defra.gov.uk/environment/waste/index.htm>

Recent figures show that almost 23 per cent of household waste in England was recycled in 2004-05. This puts Defra well on course to meet the target. For a short overview of progress see Appendix 2⁸².

The target of 25 per cent recycling and composting by 2005-06 for England was set in the 2002 Spending Review, and further updated during the 2004 Spending Review. Government set local authority statutory recycling and composting targets in 2003-04 and 2005-06 so that each authority contributes to the achievement of this target. To ensure that further progress is made, Defra has just consulted on options for further recycling and composting targets in 2007-08.

In addition, the EU Landfill Directive requires the UK to reduce the volume of biodegradable municipal waste sent to landfill to 75 per cent of the 1995 level produced by 2010; 50 per cent by 2013; and 35 per cent by 2020. Increases in recycling and composting, consistent with Defra's waste and recycling target and the statutory local authority targets mentioned above, will be required in order to reduce the amount of residual municipal waste that is finally sent to landfill⁸³.

Defra is currently reviewing its strategy in the light of progress with consultation due to finish in May 2006. To ensure that further improvements are made in performance the consultation recognises the need for a broader approach, embedding all waste streams and change in emphasis.

The new strategy places a much greater emphasis on waste prevention, set firmly in the Department's wider sustainable consumption and production agenda, as well as the need to shift towards seeing waste more clearly as a resource, so that products and materials containing valuable resources are recovered and not buried in landfill. To this end the review proposes new, more ambitious national recycling and composting targets for household waste – 40 per cent by 2010 and 50 per cent by 2020 – alongside advice and information to the public⁸⁴.

Funding

Defra along with others support a range of initiatives to reduce waste and increase recycling. Figure 9 sets out examples of funding to improve waste management and recycling.

⁸² Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

⁸³ More information on Defra's approach to waste management can be found at: <http://www.defra.gov.uk/environment/waste/index.htm>

⁸⁴ The consultation document on the Review of England's Waste Strategy can be found at: <http://www.defra.gov.uk/corporate/consult/wastestratereview/index.htm>

Figure 9: Examples of funding to support improved waste management and recycling

Area	2005-06 £ millions	2006-07 £ millions	2007-08 £ millions
Waste Implementation Programme/Waste and Resources Action Programme (WRAP)	92.0	65.0	60.0
Challenge Fund	45.0	n/a	n/a
Waste Performance and Efficiency Grant (from 2005)	45.0	105.0	110.0
Private Finance Initiative	130.0	255.0	280.0
WRAP recycle market development work ⁸⁵	10.2	12.2	12.2

Performance

Figure 10 shows the household recycling rates from 1996-97 to 2004-05. The figures for 2004-05 are provisional estimates for England from WasteDataFlow which were published on 24 March 2006⁸⁶. Data show that in 2004-05 household recycling and composting had increased to its highest level ever at 22.5 per cent.

This a rise of 4.7 percentage points from the 2003-04 rate of 17.8 per cent. The growth rate over the past couple of years has been greater than the historic growth rate of 1 or 2 percentage points.

Figure 10: Household waste recycling rates in 1996-97 to 2004-05

Financial year	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
England household waste recycling	7.5%	8.2%	9.0%	10.3%	11.2%	12.5%	14.5%	17.8%	22.5%
Household waste recycled (thousand tonnes)	1,682	1,915	2,126	2,547	2,809	3,197	3,740	4,521	5,769
Increase in weight of household waste recycling from 1996-97 level	–	14%	27%	51%	67%	89%	122%	169%	243%

⁸⁵ Figures for 2006-07 and 2007-08 are provisional.

⁸⁶ <http://www.defra.gov.uk/news/2006/060324a.htm>

Defra has been and is continuing to step up the range of support services it offers to local authorities, and the acceleration of the national rate of recycling and composting confirms that the 25 per cent target is within reach.

Factors affecting performance

Delivery of Defra's waste and recycling target is through local authorities, with the bulk of the funding coming from the local authority Environment, Protective and Cultural Services (EPCS) block. The proportion of this to be spent on waste management is up to each local authority to determine.

Local authority waste management costs are rising steadily in the light of continuing year on year increases in waste and to fund the infrastructure needed to divert more waste from landfill to meet challenging EU targets. These additional costs were factored in to the 2004 Spending Review, which is injecting an additional £800 million by 2007-08 into the EPCS block. This provides core funding for local authority services, including waste, as well as an additional £275 million in Private Finance Initiative (PFI) credits for investment in value for money waste disposal facilities.

Following the reform of the Waste Minimisation and Recycling Fund, Defra has paid out £45 million to local authorities this year under the new three-year Waste Performance and Efficiency Grant. Designed to support new and more efficient ways to deliver waste reduction, increase recycling and diversion from landfill, payment will rise to £105 million in 2006-07 and £110 million in 2007-08.

Tax

To provide greater incentives to move away from landfill, the 2003 Budget announced that the standard rate of landfill tax would be increased by £3 per tonne in 2005-06 and by at least £3 per tonne in the years thereafter, on the way to a medium to long-term rate of £35 per tonne. These increases will be revenue neutral to local authorities as a whole in 2006-07 and 2007-08. Arrangements for redistribution of the revenues to local authorities in 2005-06 were established in the autumn as part of the local government finance settlement.

Waste Implementation Programme

The primary objective of the Waste Implementation Programme (WIP) is to divert biodegradable municipal waste away from landfill, to help meet the requirements of Article 5 of the Landfill Directive⁸⁷. The programme therefore has a broader focus than recycling and composting although it has a strong positive impact on the achievement of Defra's waste and recycling target⁸⁸.

WIP is promoting the availability in England of cutting-edge technologies capable of processing waste diverted from landfill through its provision of pilot 'Demonstrator' schemes. The schemes, being run in partnership with local authorities and industry, will help to

⁸⁷ www.defra.gov.uk/environment/waste/localauth/lats/pdf/lats-roadshow-01q&a.pdf

⁸⁸ Information on WIP can be found at: <http://www.defra.gov.uk/environment/waste/wip/index.htm>

establish the technical and commercial viability of emerging and near-market waste technologies. WIP is also supporting local authorities' expansion of new waste facilities through PFI, market development, and planning improvements. For example, by the end of December 2005 almost £856 million PFI credits had been awarded to 20 endorsed projects, with more currently undergoing review. Meanwhile, the market development programme is focussing on developing alternative funding methods and attracting new financial investment into waste.

Recently announced reforms to Municipal Waste Management Strategies and Planning Policy Statement 10⁸⁹ in conjunction with the Office of the Deputy Prime Minister (ODPM), also provide a more integrated, simpler and effective framework for making sure communities are supported by more sustainable, modern waste facilities.

Local authorities benefit from direct support from WIP's Local Authority Support Unit (LASU). This unit provides a range of targeted support measures that are available on the Defra website⁹⁰, covering issues such as procurement; process; strategy; kerbside waste; estates; civic amenity sites; and bulky goods collections. Additionally in 2004-05, local authorities received up to £20,000 of direct consultancy support to help, for example, in planning for the introduction of the Landfill Allowance Trading Scheme. This support has continued into this year and 372 (94.4 per cent) out of 394 authorities have received, or are receiving Direct Consultancy Support in 2004-05 and 2005-06.

Following feedback from over 70 local authorities in December 2005, the programme will now concentrate this specialist support in the areas of procurement, planning, waste strategy and waste composition over the next two years.

Good quality data and research is essential to sound management of all waste streams and is being specifically addressed by WIP. The Waste and Resources Research and Development programme helps to deliver the evidence base needed for development of future waste and resources policies. The Department has invested an initial £15 million in this programme covering a three year period. A first call for research proposals led to the provision of funding for 26 projects (after review and evaluation), amounting to £4 million over three years. A second call initiated in November 2005 focuses on bio waste, residual waste management, behavioural change, community-based activities, risk management, impact assessment, and waste composition and trends. It is anticipated that a similar number of projects will be let under the second competition. Initial expressions of interest are currently being evaluated and successful applicants will be invited to develop full proposals over the next few months. A third call will be announced in the Autumn.

Following consultation on arrangements to improve the data available on all waste streams to Government, local authorities and the waste industry, work is also progressing on (in conjunction with the Environment Agency) launching a new, data collection and storage system based on regular returns from the waste management industry.

⁸⁹ <http://www.odpm.gov.uk/index.asp?id=1143834>

⁹⁰ <http://lasupport.defra.gov.uk/>

Landfill Allowance Trading Scheme

The Landfill Allowance Trading Scheme (LATS), introduced by Defra in April 2005, is a further step in the drive to move to more sustainable waste management practices. Though the scheme will not affect the waste and recycling target directly, it should provide local authorities with an additional incentive to increase recycling and composting as they have to divert increasing tonnages of biodegradable municipal waste away from landfill.

Under the scheme, authorities are set allowances for the amount of biodegradable municipal waste they can landfill, which they can, within restriction, 'bank', 'borrow' or 'trade' according to their needs. This system of tradable allowances should help to ensure that the targets in Article 5 of the Landfill Directive are met in the most cost efficient and effective way for England as a whole.

Trading is progressing well and authorities are beginning to engage with the forward market. Since the launch of the scheme, twenty five deals have been recorded on the LATS register, resulting in 533,912 allowances sold for the value of £10.2million.

The Waste and Resources Action Programme

The achievement of the statutory targets for local authority recycling and composting will result in a significant increase in material extracted from the waste stream. This will need to be reprocessed and incorporated into products.

The Waste and Resources Action Programme (WRAP) is a major UK programme established to promote resource efficiency. Its main focus is on creating stable and efficient markets for recycled materials and products, and removing the barriers to waste minimisation, re-use and recycling. WRAP, a not-for-profit organisation in the private sector, is backed by substantial Government funding from Defra, the Department of Trade and Industry and the devolved administrations.

WRAP's activities include the development of standards to help generate greater confidence in recycled materials, business advice and the provision of a range of financial support mechanisms including capital grants to the recycling sector to increase recycling capacity directly. These programmes are on track to deliver a further 1.25 million tonnes of new recycling capacity by 2006, the majority of which will be able to process material drawn from the municipal waste stream.

Through funding from the Waste Implementation Programme, WRAP launched a £10 million multi-media advertising campaign in September 2004 – *Recycle Now* –, which is still running. The campaign's aim is to generate a minimum increase of 10 per cent in the public perception of recycling as a 'must or should do' activity by March 2006, and the first set of research results showed that within six months the campaign is already half way to achieving its target. All of WRAP's programmes are being evaluated against the business plan targets.

Retailers have also been targeted by WRAP as a way both to reduce packaging and to increase public participation in recycling. The Courtauld Commitment, launched in July and backed by major retailers, committed signatories to reduce packaging waste growth by 2008, to deliver absolute reductions in packaging waste by 2010 and to identify ways to tackle the problem of food waste.

Summary

Though the target of 25 per cent recycling and composting by 2005-06 for England is challenging, the Department has put in place a wide range of activities to support progress towards it, and reports to date suggest that Defra is on course to meet the target.

Defra is also working up a major new recycling initiative with retailers and local authorities to improve supermarket 'bring' sites⁹¹. In addition, £5 million has been earmarked for 2005-06⁹² to help local authorities carry out pilot programmes of novel incentives to encourage household recycling and waste reduction. Research into existing schemes in England is nearing completion and is helping to inform the pilots.

The 2004 Spending Review announced that Defra will help local authorities to deliver around £300 million worth of efficiency gains on waste services by 2007-08.

Developing more effective joint working, promoting best practice and standardisation of procurement operations will form a key part of realising these savings. Help will also be available through new initiatives such as an Innovation Forum project, launched in December 2004, and supported by Defra, Office of the Deputy Prime Minister and the Local Government Association, to identify and propose solutions to barriers to joint-working between local authorities. More detailed information on efficiency targets is provided in Chapter 7.

Through the review of its waste strategy Defra is identifying where further improvements can be made.

Chemical regulation

The main aim of the Government's chemicals policy is to promote the sustainable use of chemicals by identifying the industrial chemicals in use that pose unacceptable risks to the environment or to human health and taking suitable action to eliminate those risks. In pursuit of this aim, the Government acts at a national, European and global level, working with stakeholders and other governments as appropriate. The identification of hazards and risks to the environment from chemicals needs to be done with a minimum of testing on animals and without unnecessary negative impact on industry. Defra works with the Interdepartmental Group on the 3Rs (Replacement, Refinement and Reduction) to reduce the use of animals in scientific experimentation and supported the setting up of the National Centre for the 3Rs in May 2004.

⁹¹ <http://www.defra.gov.uk/news/2004/041208f.htm>

⁹² This funding is being drawn from the £45 million available under the Waste Performance and Efficiency Grant in 2005-06.

In the field of nanoscience and nanotechnology, the Government has been pursuing objectives to ensure that the opportunities and uncertainties they present are fully addressed. The approach adopted recognises the need to ensure that debate takes place between science and society at an early stage in the development of the technology and fosters responsible product development to protect human health and the environment from potential harm. The Government is fully supporting international activities in nanotechnology to move towards a harmonised approach to regulation.

Performance

Main highlights in 2005-06 included:

- UK Presidency achieved political agreement on new EU Chemicals regulation – for the Registration, Evaluation and Authorisation of Chemicals (REACH). Defra has agreed a package that will achieve proper protection of humans and the environment whilst safeguarding the competitiveness of European industry;
- the launch of the UK Co-ordinated Chemicals Risk Management Programme in July 2005 to take forward hazard and risk assessment and risk management of chemicals in the period leading up to the first assessments under REACH;
- consultation on proposed national action to restrict the use of perfluorooctane sulphonate (PFOS) and substances that degrade to PFOS has led to the European Commission drafting EU legislation;
- a new initiative to explore sustainable development in the chemicals industry has begun this year, looking at different attitudes to sustainability in larger and smaller firms, approaches to incentivisation, and ways in which Defra's engagement with the industry might be more conducive to sustainable goals;
- the launch of a new £1.4 million programme, in conjunction with a consortium of funders, which aims to investigate whether complex mixtures of endocrine disrupting chemicals in fresh waters, known to affect fish, are causing ecologically relevant effects at the catchment (or population) scale;
- international achievements include the first Conference of the Parties to the Stockholm Convention on Persistent Organic Pollutants in Uruguay in May 2005; the second Conference of the Parties to the Rotterdam Convention on the Prior Informed Consent procedure for certain hazardous chemicals and pesticides in international trade in Rome in September 2005; and the third meeting of the preparatory committee to develop a new international initiative on chemicals, the Strategic Approach to International Chemicals Management (SAICM) in Vienna, also in September 2005; and
- publication of a first UK Government research report: *Characterising the potential risks posed by engineered nanoparticles* in November 2005.

Looking forward to 2006-07

In 2006-07 Defra will:

- conclude negotiations on REACH;
- continue development of a voluntary notification scheme for industry on engineered nanoparticles;
- take forward the research objectives to identify potential hazards and risks from engineered nanoparticles with a view to implementing regulation where needed; and
- take action on green procurement of products containing chemicals by the public sector, and agreed outcomes with industry on supporting sustainable development.

Radioactive waste

Defra has responsibility, along with the devolved administrations, for UK radioactive waste management policy.

Defra's *Departmental Report 2004* explained that a review of policy for the long-term management of the UK's higher activity radioactive wastes was ongoing under the *Managing Radioactive Waste Safely* programme. Under this programme, sponsored by Defra, on behalf of the UK Government and the devolved administrations, the independent Committee on Radioactive Waste Management (CoRWM) was established in November 2003 to carry out an assessment of the best option, or combination of options, for the management of these higher activity wastes, providing protection for people and the environment. CoRWM are undertaking an intensive programme of work for this assessment which will lead to delivery of its recommendations by July 2006. These recommendations will provide the basis for deciding future policy and set in place arrangements for such implementation⁹³.

In contrast to the situation for higher activity radioactive wastes, there are various existing routes available for the disposal of low level radioactive waste (LLW). However, with the creation on 1 April 2005 of the Nuclear Decommissioning Authority (NDA), which will have responsibility for the decommissioning and clean-up of the UK's older publicly owned civil nuclear sites, it has been recognised that future arisings of LLW will be in excess of currently available disposal capacity. To address this issue Defra, the Department of Trade and Industry (DTI) and the devolved administrations announced in March 2005 a joint review of LLW management policy. This is a parallel and complementary programme to the work of CoRWM on higher activity wastes. The aim is, following discussion of the issues with stakeholders and a subsequent public consultation, to issue a statement of future policy for the management of LLW in Summer 2006⁹⁴.

⁹³ Further information on the committee can be found at: www.corwm.org.uk

⁹⁴ <http://www.peoplescienceandpolicy.com/llw/index.html>

Defra and DTI acquired joint ownership of the radioactive waste disposal company United Kingdom Nirex Ltd (Nirex) on 1 April 2005 from its previous nuclear industry owners. This honoured statements made to Parliament in July 2003, that Nirex would be made independent of the nuclear industry and come under greater Government control. A jointly-owned Defra/DTI Company Limited by Guarantee (CLG) has been set up to hold the company's shares. Nirex undertakes important work on standards for the conditioning and packaging of radioactive waste, compiling the UK Radioactive Waste Inventory jointly with Defra, and acting as the UK's main source of knowledge and expertise on the underground disposal of radioactive waste. A decision on the long-term future of Nirex will be taken in the light of CoRWM's recommendation and the Government policy decisions taken in light of it.

Protecting the countryside and natural resource protection

Natural resources protection covers a cross section of the Department's policy responsibilities covered by a range of objectives and Public Service Agreement targets⁹⁵. This section of the report specifically addresses:

- halting the loss of biodiversity;
- the England Biodiversity Strategy⁹⁶;
- reversing the decline of farmland birds;
- Commons Bill;
- action to support national biodiversity;
- protecting sites of special scientific interest;
- conserving global biodiversity;
- sustainable use and protection of soils;
- protecting landscapes;
- improving water quality and achieving a sustainable use of water resources;
- protecting the marine environment; and
- implementing the *Rural Strategy 2004*⁹⁷, including the creation of Natural England.

Defra met its commitment in the *UK Sustainable Development Strategy* to work with stakeholders to develop a clear vision and coherent approach for the UK to the protection and enhancement of natural resources. Following a number of initial workshops and a one-day conference with key stakeholders in the first half of 2005, a draft vision was published on Defra's website in October. Stakeholders and members of the public were invited to submit comments via an online discussion forum. Defra received over 100 comments from individuals and organisations.

⁹⁵ Defra met its 2002 target to open up access to mountain moor heath and down. See the *2005 Autumn Performance Report* – page 130 at: <http://www.defra.gov.uk/corporate/apr/apr2005.pdf>

⁹⁶ <http://www.defra.gov.uk/wildlife%2Dcountryside/biodiversity/biostrat/>

⁹⁷ *Rural Strategy*, July 2004 is available at: www.defra.gov.uk/rural/strategy/default.htm

Defining a vision is an essential first step in moving towards a more integrated policy framework for the natural environment. Although the vision itself is defined in terms of high-level outcomes, it will provide the context within which more detailed outcomes, targets and indicators can be defined. In that regard it will also set the context for Defra's key delivery partners, including Natural England and the Environment Agency. The vision will also provide greater focus for the Department's strategic communications and help to give the UK a clear and consistent voice in international fora.

Looking forward to 2006-07

Defra will continue to work with stakeholders in 2006 to publish a final vision and develop the evidence base for a more integrated approach⁹⁸.

By completing the major extension of the right of access to open country and registered common land set out in the Countryside and Rights of Way Act, Defra is now able to take action on other priorities. The Department is starting further work to achieve its aim that everyone should have good opportunities to enjoy the natural environment. Action to improve access to coastal land is Defra's first priority. Defra has asked the Countryside Agency, working together with its Natural England partners English Nature and the Rural Development Service, to undertake fact-finding work about the English coast and current access provisions. Defra plans to issue a public consultation paper in October 2006 setting out the Department's views on ways that can best deliver action to improve access to the English coast.

Halting the loss of biodiversity

The *Biodiversity Strategy* represents the bringing together of England's key contributions to achieving the EU Gothenburg target to halt the loss of biodiversity by 2010. The international focus of this work was given further emphasis under the EU Presidency at the Nature Director's meeting in Aviemore which stressed the urgent need for all Member States to take action now to meet the 2010 target, and urged the European Commission to issue its response to the stakeholder conference in Malahide in 2004.

Measuring performance

In September 2005, the Department published updates on 19 of the indicators⁹⁹ used to measure the progress of the *England Biodiversity Strategy*, over half of which were assessed as making positive progress towards achieving the objective. The others all showed either no change or an uncertain trend due to a lack of long-term data or short-term fluctuations in data.

⁹⁸ Further information is available at: www.defra.gov.uk/wildlife-countryside/natres/index.htm

⁹⁹ The indicators were first published in December 2003 as *Measuring Progress: baseline assessment* and can be found on Defra's website at: <http://www.defra.gov.uk/wildlife-countryside/biodiversity/biostrat/indicators/index.htm>
We are committed to updating *Measuring Progress: baseline assessment* alongside the full report on progress with the *England Biodiversity Strategy* in 2006.

Reversing the decline in farmland birds

Public Service Agreement target 3a: Care for our natural heritage, make the countryside attractive and enjoyable for all and preserve biological diversity by reversing the long term decline in the number of farmland birds by 2020, as measured annually against underlying trends.

Defra is currently on course to meet this target. For a short overview of progress see Appendix 2¹⁰⁰.

Reversing the decline in farmland birds is a measurable indicator of the ecological health of the wider countryside, including areas outside designated nature conservation sites such as Sites of Special Scientific Interest (SSSIs) and nature reserves.

Funding

The farmland birds Public Service Agreement target is integral to much of the Department's work and so it is not possible to separate the funding of specific measures that support farmland birds, as these measures are also designed to benefit other species, such as farmland insects and plants.

Financial information which is relevant to the farmland birds work programme can be found in this chapter in the sections dealing with sustainable farming and food, the England Rural Development Programme and reform of the Common Agricultural Policy.

Performance

The Public Service Agreement target relates to the long-term trend in farmland bird populations.

¹⁰⁰ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

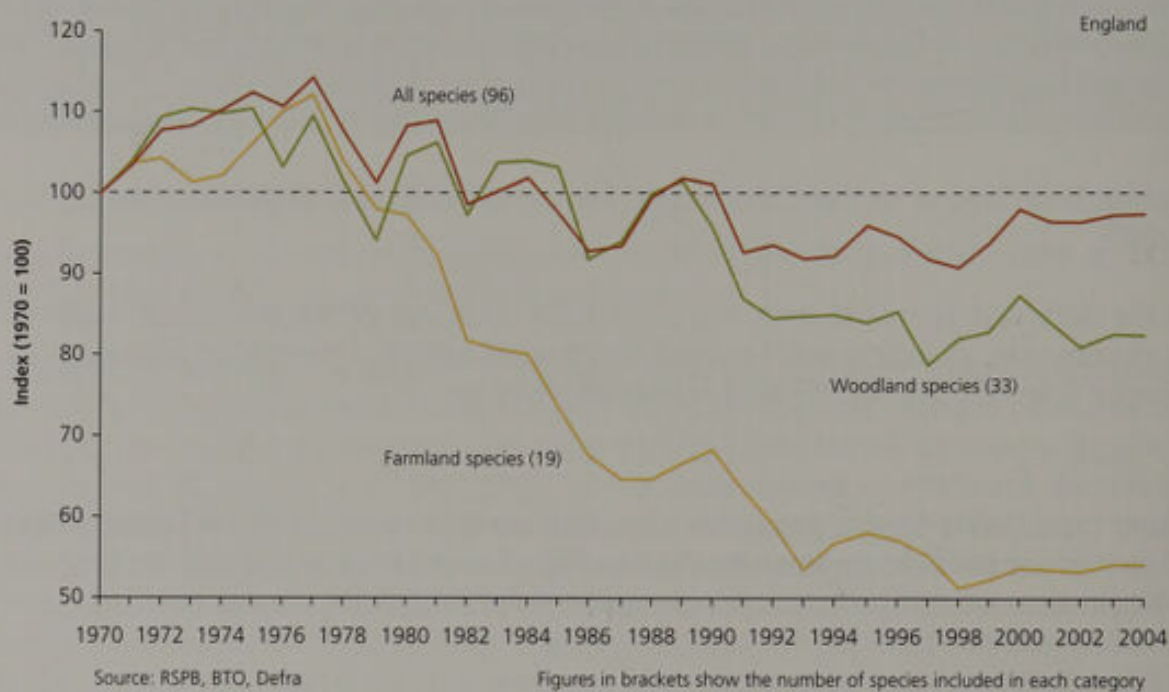
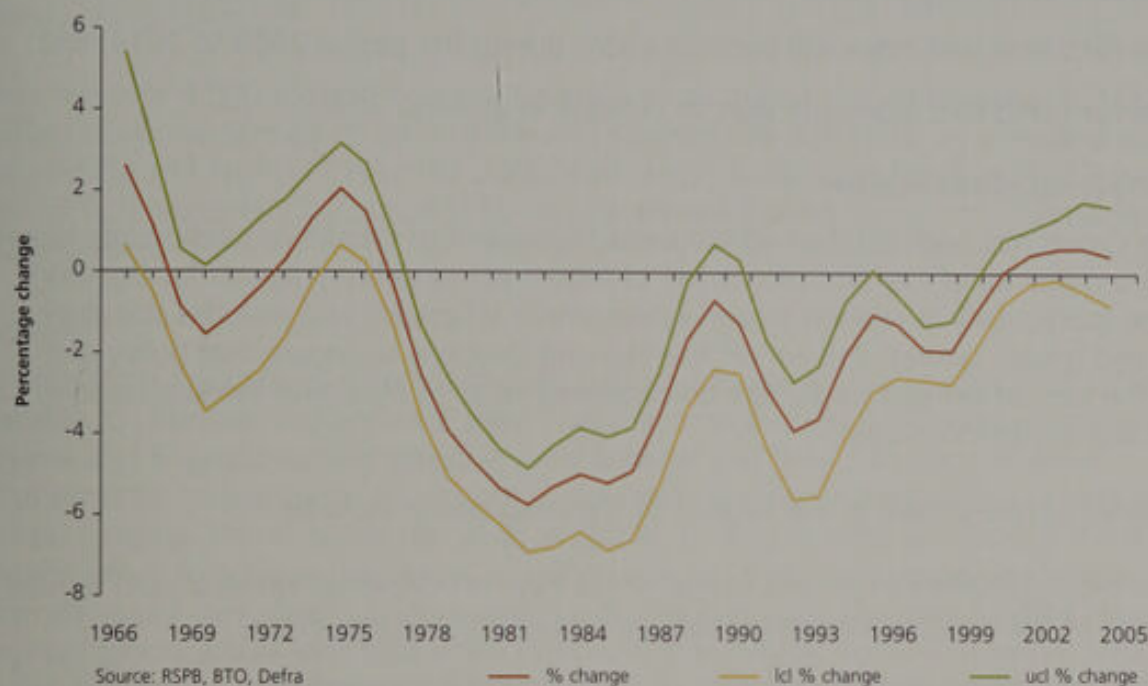
Figure 11: Population of wild birds (England): 1970-2004¹⁰¹

Figure 11 shows changes in the wild bird population index for England, with the indices of farmland and woodland birds shown separately. It shows that, following a decline in the late 1980s, England's breeding bird populations have on the whole increased by nearly 6 per cent in the past 10 years. Populations of woodland species declined by nearly 30 per cent, and farmland species by over 50 per cent between the mid 1970s and the mid 1990s, but have been relatively stable since then.

¹⁰¹ 2005 figures will not be available until December 2006.

Figure 12: Year on year changes in the farmland bird index for England: long-term trend (1967-2004, 19 farmland bird species)¹⁰²



The lines labelled ucl and lcl are the upper and lower 95 per cent confidence limits. The new chart uses the revised Public Service Agreement data.

Figure 12 shows the year on year changes in a smoothed version of the farmland bird index. The chart provides a visual assessment of the progress towards meeting the Public Service Agreement target of reversing the long-term decline in farmland birds. It shows three versions of the year on year changes. The top line shows year on year changes in the upper (95 per cent) confidence limit; the middle line shows the actual year on year changes of the indicator itself; and the bottom line shows the year on year changes in the lower (95 per cent) confidence limit. When all three lines are above zero then the increase in the farmland bird index will be assessed as statistically significant.

The chart shows that the long term decline in farmland bird populations appears to have halted, with indicators showing a year on year increase for the fifth year in succession (although this increase has not been statistically significant in any year to date). However, this stabilisation and possible early signs of a recovery in numbers start from a low base and hide a variety of trends, with the populations of some species still decreasing and others showing signs of recovery.

¹⁰² 2005 figures will not be available until December 2006.

This indicates that Defra is on course to meet the farmland birds target:

- the rate of decline of Farmland Bird Index will slow in the period 2004 to 2009;
- the Farmland Bird Index will become stable during the period 2009 to 2014; and
- the Farmland Bird Index will start to increase in 2014 to 2020.

Factors affecting performance

A Steering Group has been established for the achievement of Defra's farmland birds target. The group is made up of key partners, many of whom act as delivery agents for the work programme (particularly in relation to agri-environment schemes), and includes statutory, voluntary and private bodies. The aim of the Steering Group is to ensure that policy and action by the various delivery bodies are co-ordinated so as to maximise the likelihood of successful delivery of this target.

Policy areas which are critical to the success of the programme include:

- the cross-compliance element of the Single Payment Scheme, which should reduce some of the negative environmental impacts of agriculture; and
- take-up, funding and effectiveness of Environmental Stewardship.

Monitoring of the impact of Environmental Stewardship and of the 2003 Common Agricultural Policy reforms over the coming years will be key to the success of this target. The Agricultural Change and Environment Observatory will be one of the main tools that will help the Department do this.

Sites of Special Scientific Interest

Public Service Agreement target 3b: Care for our natural heritage, make the countryside attractive and enjoyable for all and preserve biological diversity by bringing into favourable condition by 2010 95 per cent of all nationally important wildlife sites.

Progress to date indicates that Defra is on course to deliver this target in that the milestone for March 2006 has been exceeded. Considerably improved data and analysis has confirmed that the trajectory published in last year's annual report is achievable in broad terms. For a short overview of progress please see Appendix 2¹⁰³, or English Nature's website, where the percentage of the area of Sites of Special Scientific Interest (SSSIs) series in target condition is reported monthly, on the basis of the latest information available for each management unit.

¹⁰³ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

A coherent network of designated sites is a vital component of the Government's overall nature conservation strategy. SSSIs are at the heart of its system of designated sites. The relationship between SSSIs and its wider biodiversity goals is explained in the *Biodiversity Strategy for England*¹⁰⁴.

There are over 4,000 SSSIs in England covering more than 1 million hectares¹⁰⁵. SSSIs are notified under section 28 of the Wildlife and Countryside Act 1981, as amended by the Countryside and Rights of Way Act 2000, and range in size from less than half a hectare to over 63,000 hectares. Owners of SSSIs include private individuals, private companies, and public bodies.

Funding

Funding from a variety of different sources has contributed to the condition of SSSIs, and is available to maintain and enhance sites. These sources include the Countryside Stewardship Scheme and Environmentally Sensitive Area Scheme and their successor scheme, Environmental Stewardship, along with wider funding programmes, such as National Lottery and EU funding. The effective use of all available funding streams will be vital if the Department is to achieve the target, although it is not possible to quantify these as any particular grant can contribute to a wide range of objectives. The only funding stream targeted specifically at SSSI land is the Wildlife Enhancement Scheme, administered by English Nature.

English Nature's designated sites programme includes all the costs of their work associated with SSSIs, including staff, enforcement of the regime, legal aspects, management agreements with landowners and management of SSSI land owned by English Nature.

In 2005-06, English Nature spent just over £43.1 million on this programme. English Nature's wider programme of work, such as influencing policy and building partnerships, also contributes to improving the condition of SSSIs, but is not a direct cost, and is not included for in this figure.

Performance

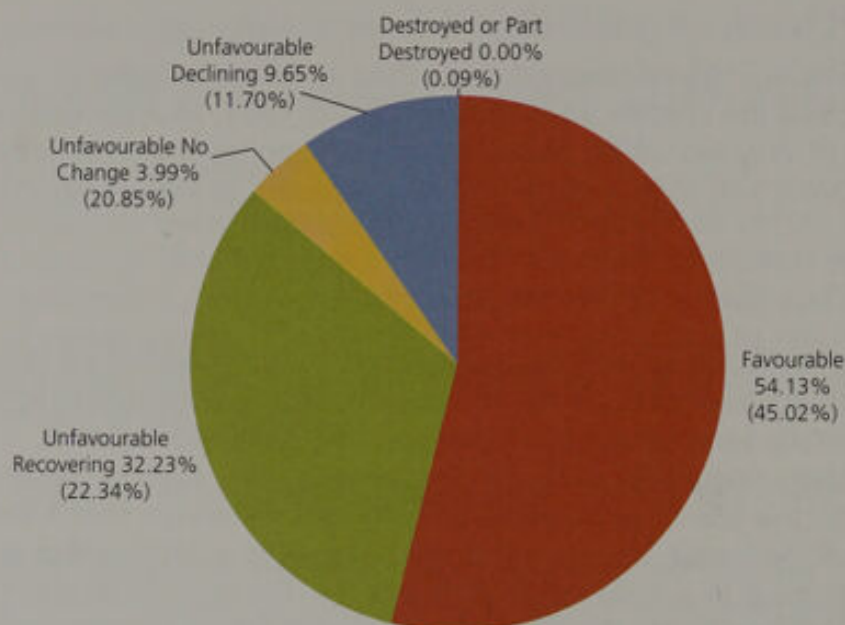
The SSSI Public Service Agreement target was set in 2000 and English Nature completed the first round of its condition assessment programme in March 2003. This provided a baseline of 56.9 per cent of the total area of SSSI area in target condition (target condition constitutes the sum of sites in the Favourable and Unfavourable Recovering categories¹⁰⁶). On the basis of condition assessments completed by the end of March 2006, the percentage of the total SSSI area in target condition was 72.3 per cent, up from 67.4 in March 2005, as stated in the 2005 Departmental Report.

¹⁰⁴ *Working with the Grain of Nature – A Biodiversity Strategy for England*. This is available at: www.defra.gov.uk/wildlife-countryside/biodiversity/biostrat

¹⁰⁵ 4,120 SSSIs covering 1,074,215.02 hectares. Refer to: www.english-nature.org.uk

¹⁰⁶ A fuller explanation is given in the SSSI section of Appendix 2.

Figure 13: Condition of Sites of Special Scientific Interest in England at 31 March 2006 (31 March 2005 figures in brackets)



In the 2005 Departmental Report, Defra published a trajectory setting interim milestones to assist with the assessment and reporting of progress towards achievement of the SSSI target, informed by an English Nature computer model. Since then, through English Nature's Remedies project, it has been possible to replace this planning tool with timetabled plans for each management unit not yet in target condition. These plans suggest that the trajectory published last year is broadly achievable, and that the 95 per cent target can be met by the end of 2010, subject to adequate funding for the programmes which contribute to this outcome.

Neither the Public Service Agreement target itself nor the technical note which supports it¹⁰⁷ specify a date within 2010 by which the 95 per cent target is to be met, although the target has been described in different contexts as applying at the end of March, in line with the English Nature corporate planning year. The degree of planning accuracy for delivery of the remainder of the target, which is for the first time made possible through English Nature's Remedies project, means that the date becomes more important. Defra and its delivery partners will now be aiming to achieve the 95 per cent figure by the end of 2010 and this is reflected in the refined trajectory shown at Figure 14.

Trajectory milestones refer to the percentage of SSSI land to have been rated as being in target condition by the specified date, in the most recent assessment of each management unit.

¹⁰⁷ The full Technical Note can be viewed at: <http://www.defra.gov.uk/corporate/busplan/tn.pdf>

Figure 14: Sites of Special Scientific Interest – the trajectory

Date	Percentage of SSSIs in target condition
31 March 2007	78
31 March 2008	83
31 March 2009	89
31 March 2010	93
31 December 2010	95

Factors affecting performance

A number of factors have inhibited performance in delivering the milestone for March 2006. Of these, the most important has been the delay in full implementation of the Higher Level Scheme within Environmental Stewardship, which will be a key delivery mechanism for the remainder of the target. Given this, and financial constraints on English Nature during the year, attaining the 72 per cent milestone is a considerable achievement. This has been made possible by the step-change in planning for the target represented by the Remedies project, which for nearly all SSSI land not yet in target condition identifies an appropriate action plan.

In order to achieve the SSSI target, the Department needs to work in partnership across Government and with a range of organisations. Natural England, its component parts up to its inception, and major SSSI landowning, managing or influencing bodies are key delivery partners. Although the Department has good strategic relationships with all of these, its success in reaching this target depends on their co-operation and commitment. Defra has mechanisms in place to manage these relationships, including a programme board and the SSSI Major Landowners' Group.

The data continues to indicate the high level of partnership working that is required and that agri-environment schemes will have a major role to play in delivery of the target. The formation of Natural England and the period of confederated working leading to this are supporting both these aspects of delivery activity.

Commons Bill

The Commons Bill was introduced to the House of Lords on 27 June 2005. The Bill will protect our common land for current and future generations, and deliver real benefits in terms of sustainable farming, public access and biodiversity¹⁰⁸.

¹⁰⁸ More information on the Commons Bill can be found at: <http://www.defra.gov.uk/wildlife-countryside/issues/common/legislation/commons-bill/index.htm#what>

Supporting action to protect biodiversity nationally

Whilst a coherent network of designated sites is a vital part of the Government's overall strategy for protecting natural resources, there is still much that needs to be done to secure the long-term health of biodiversity, for example in the wider countryside and on species protection.

Conserving and enhancing biodiversity requires an holistic approach which creates a 'wildlife-friendly' landscape. Many of the longer-term threats to biodiversity occur at a landscape scale – for example, agriculture, diffuse pollution and inappropriate development. Fundamental changes in policy and behaviour are necessary if Defra is to reverse the decline in biodiversity. Defra is seeking, therefore, through the England Biodiversity Strategy Implementation Groups to integrate wildlife considerations into all sectors and policies which have a significant impact on biodiversity. Defra is also promoting local biodiversity action partnerships to lead on activity at a local level, contributing to community strategies and local authority performance measures. More information can be found on Defra's website¹⁰⁹.

Conserving global biodiversity

Inter-departmental Ministerial Group on Biodiversity

In the international arena Defra is working with the Foreign and Commonwealth Office, the Department for International Development and the Joint Nature Conservation Committee to ensure that policies affecting biodiversity and poverty alleviation are cohesive around the globe. Issues that are being addressed through this group include the risks to biodiversity and livelihoods from increased consumption of bush meat. During 2005 terms of reference for a comprehensive research project were refined to assess the need for the Government to take action in this area. The research will conclude in 2006 and report back to the Inter-Departmental Ministerial Group on Biodiversity (IDMGB). In addition, the IDMGB has been assessing UK obligations and priorities in the context of biodiversity. This work will affect the direction of priorities in 2006 and subsequent years.

Convention on Biological Diversity

The UK continues to work to ensure the effectiveness of the Convention on Biological Diversity and show leadership in the international and European arenas.

Furthermore, the World Summit on Sustainable Development Delivery Plan for international biodiversity (see Promoting Sustainable Development – Chapter 2) outlines the UK's proposed contribution to global efforts towards the target agreed in Johannesburg to achieve a significant reduction in the rate of biodiversity loss by 2010. Recent Progress includes:

- efforts to develop a process to include the contribution of the Millennium Ecosystem Assessment into the work of the Convention on Biological Diversity;

¹⁰⁹ www.defra.gov.uk/wildlife-countryside/biodiversity/index.htm

- a Defra-sponsored international meeting, the Convention on Biological Diversity (CBD) discussed ways of streamlining procedures in order to ensure the effectiveness of the convention. Useful outcomes from this meeting were fed into an official CBD meeting, where Defra secured a number of important outcomes, including agreement to move towards streamlined reporting procedures for parties to the convention; and
- Defra has taken forward further work in support of the international business and biodiversity initiative with Brazil and other key partners aimed at identifying ways in which business could engage with biodiversity issues in order to minimise their impacts on global biodiversity.

The Darwin Initiative

The Darwin Initiative funds biodiversity projects in developing countries to help them meet their obligations under the convention on biological diversity. Projects involve collaboration between UK institutions with biodiversity expertise working in partnership with host country organisations. Last year the initiative provided £5 million towards such projects.

Since it was set up in 1992 the Darwin Initiative has committed £45 million to 400 projects in 100 countries and now has an annual budget of £7 million.

The Convention on Migratory Species and related agreements

Defra represents the UK in a number of international agreements to conserve migratory species. The Department is particularly active in these agreements and has been elected to serve on many of their respective committees where Defra can help influence its priorities in delivering conservation objectives.

Defra led UK delegations at international conferences in 2005 in respect of two of these agreements, and co-ordinated European Union positions at both of them on a range of issues, including climate change and avian influenza.

At the Meeting of Parties to the African-Eurasian Waterbird Agreement, Defra secured the adoption of UK proposals to co-ordinate international research into climate change and the effects on waterbirds and to implement the outcomes of an international conference held in Edinburgh in 2004 on waterbirds.

A study into climate change and migratory species, and another on migratory birds of prey underpinned some of Defra's proposals at these conferences¹¹⁰.

In 2006, Defra or its agencies will represent the UK at international meetings where decisions on the conservation of migratory species, including European bats, small cetaceans, marine turtles, albatrosses and petrels will be taken.

¹¹⁰ Copies of the reports of these studies can be downloaded from the Defra website: <http://www.defra.gov.uk/wildlife-countryside/resprog/findings/index.htm>

Great ape conservation

The UK has been closely involved in international efforts to address great ape conservation in the context of the Great Ape Survival Project Partnership (GRASP). The first Intergovernmental Meeting of the GRASP, including 21 of the 23 great-ape range-states, donor states and interested organisations, took place in September 2005 in Kinshasa in the Democratic Republic of Congo. The UK played a significant role in developing a keynote declaration agreed by consensus at that meeting, and was elected to serve on an intersessional Executive Committee to oversee implementation of the partnership's work programme.

Convention on International Trade in Endangered Species

Defra has played a key part in promoting sustainable management of wildlife natural resources internationally, through its successful participation in a number of different Convention on International Trade in Endangered Species (CITES) initiatives including:

- a special session of the EU Enforcement Working Group on sturgeon (November 2005) to look at strengthening enforcement efforts against the illegal trade in caviar;
- an international meeting on Introduction From the Sea (November 2005) to look at the problems relating to the licensing of trade in marine species which are taken from waters outside the jurisdiction of any state;
- the – World Conservation Union (IUCN) workshop (January 2006) on the conservation and management priorities for the African lion;
- a wildlife crime workshop held in February 2006 in India to look at ways that UK enforcement authorities could assist their Indian counterparts; and
- continued important funding (£224,500) of CITES projects and initiatives particularly in enforcement training (ivory poaching and the trade in tiger and leopard skins).

Wildlife, Licensing and Registration Service

During the year ending 31 March 2005, the Wildlife Licensing and Registration Service (WLRS) issued 46,479 import permits, export permits and sales certificates with 97 per cent being issued within target and 4,987 Bird Registration documents with 94 per cent in target. This is an increase in output from last year of 12.5 per cent. There has also been a slight increase (1 per cent) in the success rate in meeting service standards, all achieved with no increase in resources.

For the coming year 2006-07 WLRS will be completing the preparations for transferring to the State Veterinary Service (SVS) Agency and completing the roll-out of a new computer system. WLRS will be reviewing the Bird Registration processes and list of birds on Schedule 4 of the Wildlife and Countryside Act 1981. Also the recent review of charges will result in new fees for CITES applications being introduced.

Wildlife crime

The Department has continued working to reduce crime against wildlife, in support of its conservation and biodiversity objectives. Its panel of Wildlife Inspectors has carried out over 400 inspections to check compliance with the wildlife controls the Department administers.

Defra has contributed £162,000 to support the work of the National Wildlife Crime Intelligence Unit, and announced that a further £200,000¹¹¹ will be made available to strengthen its role in reducing wildlife crime, and to reduce the risk of diseases like avian influenza entering the country through illegal trade.

During the year, the unit moved to temporary accommodation. Work is underway to find it a permanent home, to widen its remit to include an investigative capacity, and to expand and enhance its role.

The Department put in place the Control of Trade in Endangered Species (Enforcement) (Amendment) Regulations 2005. These regulations increased the penalties for people found guilty of illegally trading in the world's species most threatened by trade in the UK, from two to five years' imprisonment.

As part of the UK Presidency of the EU, the Government hosted an EU Wildlife Trade Enforcement Co-ordination Workshop. Enforcement officials from all 25 Member States attended, and agreed a statement and a series of recommendations, including that an action plan should be developed. Defra's Minister, Jim Knight, urged participants to be vigilant, especially given the threat from avian influenza in illegal imports of birds. Work on taking forward the recommendations continues.

Zoos

Defra introduced new management measures for zoo inspectors to assist with effective implementation of the zoo licensing regime. Additionally, the Zoos Forum published guidance on assessing animal welfare in zoo animals and began work with the Department on guidance on setting benchmarks for zoos' participation in conservation work. These measures will assist delivery of zoos' contribution to the overall conservation effort to reduce biodiversity loss.

Sustainable use and protection of soils

Soil is a fundamental and irreplaceable natural resource, providing the essential link between the components that make up the environment. The way soil is used, and the influence of activities on it, will have important and far-reaching effects on the quality of the environment and the quality of our lives.

The sustainable use and protection of soil feeds into the achievement of a number of Public Service Agreement targets. For this reason Defra has developed a programme of work to improve the protection and management of soils across a wide range of land uses.

¹¹¹ This figure does not include a £50,000 contribution from the Association of Police Officers.

The *First Soil Action Plan for England: 2004-2006*¹¹² (published May 2004) commits the Government and partners to 52 actions relating to better soil protection and management across a wide range of activities that impinge on soils including land use planning construction, minerals extraction, agriculture, forestry and heritage conservation.

Alongside this domestic policy, Defra is also involved in developments of an *EU Thematic Strategy for Soil Protection*, adopted in April 2002 following concerns about the degradation of soils in the EU.

Funding

In support of this work, Defra spends £1.2 million a year on research into soil functions and processes.

Performance

First Soil Action Plan for England: 2004-2006

Progress on delivery of the *Soil Action Plan* is well underway and on target to meet set milestones. At the last review (November 2005) eight actions had been completed and a further 42 were awarded Green or Amber traffic lights in terms of progress. Six monthly progress reports and the first annual report on the Soil Action Plan are available on the Defra website¹¹³.

EU Thematic Strategy for Soil Protection

The European Commission aims to publish a further communication on the *Thematic Strategy for Soil Protection* during 2006. It is anticipated that this will include a communication assessing the current situation and outlining the strategy's objectives, a detailed Extended Impact Assessment, and a Soil Framework Directive addressing many of the key soil threats outlined in the commission's original communication.

The Government and other UK stakeholders having an input to this strategy, see it as a framework for identifying threats to soils and highlighting the need for action. While Defra supports the European Commission action encouraging Member States to protect their soils, the Department has stressed the need to legislate only where necessary.

Looking forward to 2006-07

Defra will continue to work on the delivery of actions set out in the *First Soil Action Plan for England*, as well as developing ideas for the next phase of soil protection policy. Developments on the EU side will depend on the exact content of the Commission's communication.

¹¹² <http://www.defra.gov.uk/environment/land/soil/pdf/soilactionplan.pdf>

¹¹³ <http://www.defra.gov.uk/environment/land/soil/sap/index.htm>

Protecting landscapes

The Aggregates Levy Sustainability Fund

The Aggregates Levy Sustainability Fund (ALSF) delivered £25 million of Government funding in England to mitigate the environmental impact of aggregate (sand, gravel and crushed rock) extraction and compensate communities impacted upon by quarrying. The ALSF in England has the following objectives:

- minimising the demand for primary aggregates;
- promoting environmentally friendly extraction and transport;
- addressing the environmental impacts of past aggregates extraction; and
- compensating local communities for the impacts of aggregates extraction.

15 additional local authorities were given funding under the fourth objective. Over 400 ALSF projects were running during the year.

Defra had begun a review of the ALSF and commissioned consultants to provide an evidence base for decisions on the review. The consultants' report was delivered at the end of February. Discussions between Defra and stakeholders on the review were ongoing at the end of the financial year.

New National Parks

After 4 years of consideration, the first new National Park in England for many years was created on 1 March 2005. This is the New Forest National Park, which is the first National Park in the South East region. It comprises 571 square kilometres of rich and varied landscape with an ancient pastoral system and some of the most extensive wildlife habitats in Europe.

Work continues on the consideration of a second new National Park – also in South East England – in the South Downs.

Looking forward to 2006-07

The Aggregates Levy Sustainability Fund

Defra will continue to support its delivery partners to fund projects which meet the objectives of the ALSF. Defra and HM Treasury completed the review of the fund and an announcement on the future of the ALSF was included in the 2006 budget. Defra will start to put in place delivery arrangements for any future funding.

New National Parks

The New Forest National Park Authority, after a transitional year, took on its full statutory powers on 1 April 2006.

Sustainable use of water resources and improving water quality

Although not covered directly by a Public Service Agreement target, Defra's *Five Year Strategy* makes clear that good water quality, a good water environment and a sustainable water supply constitute one of the key strategic outcomes the Department is seeking to achieve.

In November 2002, the Government published its strategic vision for the future direction of water policy in England in *Directing the Flow*¹¹⁴. The strategy set out the main future priorities and direction for the longer-term inland and coastal water environment and our water resources, both for the water and sewerage industry and others who use water or affect its quality. The Government's approach to the management of water resources is predicated on a twin-track approach of managing demand and developing sustainable resources where needed.

Funding

Figure 15: Water funding (excluding flood management)

Area	2005-06 £ millions	2006-07 £ millions	2007-08 £ millions
British Waterways Board	62	59	60
Marine Environment Issues and Water Supply Regulation Grants	12	12	12
Water Publicity and Research	2	2	2
Drinking Water Inspectorate	2	2	2
Total	78	75	76

Performance

The Water Act 2003 received Royal Assent on 20 November 2003. The majority of the Act has now been brought into force and the emphasis in 2005-06 has been on setting up the required new bodies, and developing secondary legislation and guidance.

The Consumer Council for Water came into being on 1 October 2005. A major aim of the Act was to put consumers at the centre of regulation and the new Consumer Council has a major contribution to make. The Water Services Regulation Authority replaced the Director General of Water Services on 1 April 2006. The regulator's new duties place stronger emphasis on the consumer interest and sustainable development.

¹¹⁴ http://www.defra.gov.uk/environment/water/strategy/pdf/directing_the_flow.pdf

Work has continued on implementation of the water resources aspects of the Act. The new drought planning regime has been put in place, and a consultation was launched in relation to the water resources planning regime. A new abstraction threshold has been introduced, leading to the deregulation of some 20,000 small abstractions, most of which are by farmers.

The new water supply licensing regime commenced on 1 December 2005. It is now possible for large commercial and industrial customers to be supplied by water supply licensees in competition with incumbent water companies. The secondary legislation and guidance necessary to implement the competition regime were issued in 2005-06 following consultation, and were informed by work done by industry advisory groups established by the Office of Water Services (Ofwat).

The Act also placed new duties on Government, public bodies and the water industry to further water conservation. The Government had already taken measures to help promote water efficiency by business through Envirowise. Envirowise is a programme funded by the Department of Trade and Industry (DTI) and Defra, working in partnership with the devolved administrations, providing free and practical environmental advice to UK businesses.

The Government also introduced the Enhanced Capital Allowance (ECA) Scheme for sustainable water technologies which was launched in 2003 and is modelled on the ECA scheme for energy-saving technologies. Since its launch, the number of technologies included in the scheme has increased to nine. Details of the scheme, the technologies and their qualifying criteria, and the list of products that meet the required criteria can be found on the *Water Technology List*¹¹⁵.

Defra, in conjunction with the Market Transformation Programme, is assessing the feasibility of a voluntary water product information labelling scheme for water fittings and appliances. The scheme would provide information at the first point of sale on the relative water use of equipment, to inform consumer choice and to stimulate competition and innovation.

A new Water Saving Group was established in October 2005, through which key stakeholders are working together to promote the efficient use of water in households. The Group is chaired by Elliot Morley, the Minister of State for Climate Change and Environment, and will meet every six months. The members of the group include Defra, the Consumer Council for Water, the Environment Agency, the Office of the Deputy Prime Minister (ODPM), Ofwat, Water UK and Waterwise. These organisations are working together on projects dealing with customer perceptions and awareness, best practice in promoting water efficiency, information needs, the policy and regulatory framework and measuring success.

Looking forward to 2006-07

Defra will continue to work on implementing the Water Act 2003. For water resources the Department expects to revise the existing abstraction licensing regulations (which date back to the 1960s), and to end existing exemptions from abstraction control. It aims to introduce the new water resources planning regime in October 2006.

¹¹⁵ <http://www.eca-water.gov.uk>

Defra will publish a baseline report to benchmark current demand management activities in Spring 2006. This will enable the Secretary of State's report about steps taken to further water conservation, required to be published in 2007 under Section 81 of the Water Act 2003, to identify progress more effectively. Defra will also produce non-statutory guidance on the measures which water companies can take to meet their new statutory duty of furthering water conservation in their functions (Section 82), and the ways in which public authorities can take into account the desirability of conserving water supplied to premises (Section 83). The guidance is expected to be published in Summer 2006.

Following the cross-Government review of water affordability¹¹⁶ published in December 2004, Defra is working with stakeholders to follow up all the recommendations of the report. The recommendations included setting up a pilot study in the South West. The pilot is under way and will target, and assess the effectiveness of, water affordability assistance to lower income households in the South West region. The conclusions are expected to be available in mid 2007.

Water Framework Directive

The Water Framework Directive requires River Basin Management Plans outlining programmes of measures to be drawn up by 2009, with the aim that all inland and coastal waters achieve 'good status' by 2015.

A wide range of implementing activity is required. Action to deliver this, with the active participation of stakeholders and led by Defra and the Environment Agency as competent authority for implementation in England and Wales, intensified during 2005-06¹¹⁷.

Defra will be revising the guidance to the Environment Agency on river basin planning to reflect the consultation responses. Once comments received in the consultation on the science underlying environmental quality standards have been considered there will be further discussion and consultation. This will consider the consequential social and economic costs and the possible need in relation to some water bodies to consider setting alternative objectives as provided for in the Directive. A revised Nitrate Vulnerable Zones Action Programme for England will be put in place. Defra will consult in the second half of 2006-07 on policy options to tackle diffuse water pollution, from agriculture (under the Catchment Sensitive Farming programme) and from urban sources respectively. Negotiations on the proposed Directives on groundwater and on priority substances are likely.

Protecting the marine environment

The marine environment is not covered by a specific Public Service Agreement target. However, the prudent use of natural resources and the protection and improvement of the

¹¹⁶ <http://www.defra.gov.uk/environment/water/industry/affordability/pdf/wateraffordability.pdf>

¹¹⁷ More information can be found at: <http://www.defra.gov.uk/environment/water/wfd/index.htm>

marine environment are among Defra's strategic outcomes. It is also linked to other priorities, including climate change, together with the sustainable management of fisheries as part of the marine environment.

Funding

In support of this work, Defra spent some £4.8 million in 2005-06 on research on marine environmental issues, and around £5 million on scientific work covering monitoring and assessment.

Performance

Defra has taken the lead on a wide range of initiatives to protect and manage the marine environment, both at home and internationally. Defra also provides an environmental perspective on human activities that take place at sea, such as aggregate extraction and the offshore oil and gas industry and co-operates closely with other Government departments and organisations such as the Crown Estate. Defra issued around 600 licences during 2005-06 for construction work in the sea or for the disposal of dredged material from ports and harbours. This included several for the development of offshore wind farms, which will provide an important contribution in the drive for renewable energy.

In addition, the Joint Nature Conservation Committee and English Nature support Defra's objectives by undertaking work on marine habitats and species¹¹⁸.

State of the seas report

In March 2005, Defra published *Charting Progress – An Integrated Assessment of the State of UK Seas*¹¹⁹. This provided the first integrated assessment of the state of the seas across the whole of the UK's continental shelf and the impact of different human activities on marine ecosystems. The report concluded that the UK's seas are productive and support a wide range of marine life. However they are under threat from climate change and unsustainable fishing. *Charting Progress* also identified a number of gaps in Defra's knowledge which could be improved to enhance the evidence used for policy development. It announced a Marine Data and Information Partnership (MDIP) to provide a framework for managing marine data and information across UK organisations plus a Marine Climate Change Impacts Partnership (MCCIP) to provide a co-ordinating framework to enable the transfer of high-quality evidence on marine climate change impacts to policy advisors and other stakeholders.

Marine Bill

Defra's *Five Year Strategy* included a commitment to improve the current framework for managing and protecting all its marine resources through a Marine Bill. This will provide the

¹¹⁸ See Chapter 5 for further details on the work of English Nature.

¹¹⁹ *Charting Progress: An Integrated Assessment of the State of UK Seas* is available at:
<http://www.defra.gov.uk/environment/water/marine/index.htm>

framework within which those who regulate marine activities can ensure the sustainable use and protection of its marine resources and will help to apply the ecosystem approach. This framework will allow the different uses of the sea – including wildlife protection, offshore wind and other industries – to develop harmoniously. Work is underway and Defra is consulting on the content of the Marine Bill.

Review of Marine Fisheries and Environmental Enforcement

The *Review of Marine Fisheries and Environmental Enforcement* was published in July 2004. It sets out the current position and prospects for enforcement and related tasks in England and Wales and makes recommendations for improving the organisational, legal and financial framework. The report *Securing the Benefits – the joint UK response to the Prime Minister's Strategy Unit Net Benefits report on the future of the fishing industry on the UK*¹²⁰ was published in June 2005. These reviews will help to shape the content of the fisheries components of the Marine Bill.

Marine spatial planning

Marine spatial planning provides an opportunity to take a strategic and forward-looking approach to managing and protecting the marine environment that addresses the multiple, cumulative and potentially conflicting uses of the sea. A pilot project to test the practicability of marine spatial planning was undertaken in the Irish Sea during 2005. It engaged a wide range of stakeholders in simulating the development of a plan. The recommendations from the pilot are available online¹²¹. They have helped to develop proposals for marine spatial planning in the Marine Bill.

Review of Marine Nature Conservation

*Safeguarding Sea Life – the Joint UK response to the Review of Marine Nature Conservation*¹²² was published in December 2005. It set out the Government's and devolved administrations' response to a package of measures proposed by the Review of Marine Nature Conservation Working Group in July 2004 to improve the protection afforded to important marine features and ecosystems. The response is being taken into account in the development of policies for the Marine Bill.

Habitats and Birds Directives

Defra is in the process of finalising regulations to extend the application of the Habitats and Birds Directives beyond territorial waters to all areas under UK jurisdiction. Once in place, these will provide additional protection to species of European importance and will also enable Defra to designate Special Areas of Conservation and Special Protections Areas in the offshore marine area.

¹²⁰ *Securing the Benefits – the joint UK response to the Prime Minister's Strategy Unit Net Benefits report on the future of the fishing industry on the UK* is available at: www.defra.gov.uk/fish/sea/sfp/index.htm

¹²¹ www.abpmer.co.uk/mspp

¹²² www.defra.gov.uk/wildlife-countryside/ewd/rmnc/index.htm

Protecting whales, dolphins and porpoises

Defra plays an active role in the conservation and protection of cetaceans (whales, dolphins and porpoises). The Government does not believe that there is any genuine need or justification for whaling, other than some subsistence whaling by indigenous people. Defra would like to see all other forms of whaling, which often involves unacceptable cruelty, ended. All cetaceans are protected by law in UK waters. The UK is a leading member of the International Whaling Commission (IWC), and strong supporter of the moratorium on commercial whaling which became effective in 1985-86. Defra participated at the 57th annual meeting of the IWC which took place in Ulsan, Korea, from 20-24 June 2005.

The UK is also an active member of ASCOBANS¹²³ – the Agreement on the conservation of small cetaceans of the Baltic, North East Atlantic, Irish and North Seas. Alongside on-going research on strandings of cetaceans, the UK has supported SCANS II, an important survey during 2005 of cetacean abundance in European and Atlantic waters, which will report its findings later this year.

European Marine Thematic Strategy

The *Thematic Strategy on the Protection and Conservation of the Marine Environment* was one of seven thematic strategies stipulated as priority actions under the 6th Environment Action Programme. The European Commission published its Marine Strategy package¹²⁴ in October 2005. It consisted of a Commission Communication (the Strategy), a proposal for a Marine Strategy Directive to achieve good environmental status for Europe's marine environment by 2021, and an impact assessment. Deliberation of the package by Member States started under the UK Presidency and will continue under the future Presidencies. In the UK, a public consultation on the Commission's proposals started in December 2005. The deadline for responses was 31 March 2006.

OSPAR

Defra co-ordinates the UK's input to the Oslo and Paris Convention for the Protection of the Marine Environment of the North East Atlantic¹²⁵ (OSPAR) and is overseeing progress towards meeting the long-term goals and objectives set out in OSPAR's strategies. These cover hazardous substances, eutrophication¹²⁶, radioactive substances, offshore oil and gas production, the conservation of biodiversity and assessment and monitoring. These require contracting parties to adopt programmes and measures to reduce pollution and protect and conserve biodiversity in the marine environment. Defra, on behalf of the UK, submitted the first sites to be designated as OSPAR Marine Protected Areas in January 2006. This will contribute towards the OSPAR objective of establishing a representative network of ecologically coherent marine protected areas in the OSPAR maritime area by 2010.

¹²³ www.ascobans.org

¹²⁴ These documents are available at: www.europa.eu.int/comm/environment/water/marine.htm

¹²⁵ www.ospar.org

¹²⁶ Eutrophication is the term used to describe the process of phosphorus enrichment. It can be defined as the over-enrichment of lakes and rivers with nutrients, usually phosphorus, leading to excessive growth of algae and other aquatic plants.

Global marine biodiversity

Defra contributes to global fora such as the Convention on Biological Diversity and through the UN Convention on the Law of the Sea to secure improved global and regional oceans governance. During Presidency of the EU, the UK worked to help achieve an integrated and coherent approach to global oceans, including protecting sensitive ecosystems in areas beyond national jurisdiction from destructive practices; the development of a regular global assessment for the state of the marine environment; the renewal and more effective working of the UN's Consultative Process on oceans; strengthened regional fisheries organisations and the tackling of illegal, unregulated and unreported fishing and bycatch¹²⁷. In July 2005, the two-year tenure of the UK-Seychelles Secretariat of the International Coral Reef Initiative came to an end. An increased awareness of the threats that coral reefs face, further pressure for international action and the funding of three small-scale projects to protect and manage coral reefs better was achieved.

Looking forward to 2006-07

The 1 April 2006 saw the creation of Defra's Marine and Fisheries Directorate. This brings together fisheries policy with wider marine policy to provide a fully integrated and coherent approach in Defra to promoting sustainable fisheries, a profitable industry and the conservation and sustainable development of the marine environment.

Delivering the Marine Bill is a key task for Defra in 2006. The Bill will take shape following public consultation. Defra shall also put into law regulations extending the Birds and Habitats Directives to the extent of UK jurisdiction in the marine environment.

Defra will continue to work through the EU, OSPAR and global fora to improve the protection and management of the marine environment. In particular, the Department will work with the European Commission and other Member States in negotiating the Marine Strategy Directive.

Implementing the Rural Strategy¹²⁸

The Government's *Rural Strategy 2004* published on 21 July 2004 announced radical reforms to the delivery of the Government's rural policies. The strategy addresses three priorities, of which the first two are addressed in the chapter on Sustainable Rural Communities. This section of the report addresses the third priority in *Rural Strategy 2004*: enhancing the value of our countryside.

The English countryside provides essential natural resources and services and is enjoyed by rural residents and visitors from across the UK and overseas. The Department's strategy is two fold:

¹²⁷ The portion of a fishing catch that is discarded as unwanted or commercially unusable.

¹²⁸ www.defra.gov.uk/rural/ruraldelivery/whats-new.htm

- to continue to take action to conserve, enhance and manage the rural and urban environments; and
- to enhance the value and natural beauty of the countryside for rural communities and the benefit and well-being of society in general.

The radical reforms of the delivery arrangements set out in the *Rural Strategy* include changes to meet these twin, mutually reinforcing, objectives. They include:

- the establishment of Natural England to provide an integrated approach to sustainable management, enhancement and use of the natural environment; and
- radical simplification of Defra's rural funding streams¹²⁹.

Natural England

In order to maintain momentum towards the full establishment of Natural England as a statutory executive Non-Departmental Public Body, the constituent parts established a 'confederation of partners' on 1 April 2005, working together under a common overarching vision and purpose to deliver joint outcomes in a strong and determined partnership which delivers real changes. This has already led to closer working between the Countryside Agency, Rural Development Service (RDS) and English Nature. Customers are already feeling the benefits. For example, the progressive transfer of SSSI Wildlife Enhancement Scheme agreements into the Higher Level Environmental Stewardship Scheme and establishment of a single contact point for all agreement holders; and the provision of integrated policy advice to national and regional Government consultations, including renegotiation of the EU Rural Development Regulation. Information on progress can be found on Defra's website¹³⁰.

Review of Funding Streams

The Modernising Rural Delivery Programme will continue with its long-term agenda of streamlining and simplifying access to funding. Defra intends to make substantial progress on radically restructuring funding streams, building on the achievements so far, towards the goal of three major funding programmes by April 2007.

In relation to natural resource protection Defra has:

- replaced 3 agri-environment schemes with the single Environmental Stewardship Scheme (ESS) with two tiers – Entry Level (or Organic Entry Level) and Higher Level – designed to operate as an integrated programme. In future, grants will be delivered through a single menu, as a development of that launched in ESS in March 2005. This will bring together ESS with existing grants operated through the Rural Development Service, English Nature, The Countryside Agency, the Forestry Commission and potentially some National Park schemes by January 2007;

¹²⁹ Report of Rural Funding Review, July 2004. This is available at: www.defra.gov.uk/rural/ruraldelivery/funding/default.htm

¹³⁰ www.defra.gov.uk/rural/ruraldelivery/whats-new.htm.

- signed the *English National Parks and Environmental Land Management Funding Protocol*, which sets out the role of the National Park Authorities in collaboration with Defra, the Forestry Commission and the Natural England Partnership in the delivery of environmental land management funding, preventing duplication of funding and ensuring it meets the strategic aims of the funding stream;
- replaced two forestry grants with one which will in future share the same process as other environmental funding; and
- reduced the number of entry points into the Aggregates Levy Sustainability Fund from three to one, as the Countryside Agency and English Nature have merged their previously separate programmes. English Heritage is working with Defra to present a common entry point for customers.

Defra has also implemented changes on advice and support, so that customers can now access information on Defra family, Regional Development Agency and Government Office funding streams more easily through an internet advice channel and an improved Defra helpline¹³¹.

Looking forward to 2006-07

Further significant steps will be taken during 2006-07 to implement the new delivery arrangements described in the *Rural Strategy*, including implementing the measures in the Natural Environment and Rural Communities Act, which received Royal Assent in March 2006 and the legal establishment of Natural England in October 2006; the development of the Environmental Land Management Fund; and embedding the principles of the funding review in the implementation of the new England Rural Development Programme 2007-13.

Sustainable rural communities

Over the past 30 years or more, rural communities have faced a number of changes that affect the way people live, work and inter-relate. Migration to, from and between rural areas is now the norm, with around half a million people moving between rural and urban communities and vice versa each year – challenging perceptions of who is a 'local'. Overall, this migration is leading to a slow, but notable, increase in the rural population (an increase of 5.7 per cent between 1992 and 2003). This places additional pressures on rural housing and services but also creates new opportunities for growth, as many incomers are economically active. This must be set against the wider demographic trend towards an ageing population, which is particularly marked in rural areas, as many older people seek the high quality of life that rural communities can offer.

On average rural areas are thriving economically – benefiting from good communications, access to markets and a skilled labour force – but this is not the whole picture. Those who work in rural areas tend to earn less than those who live there and commute to jobs in towns and cities. Some rural areas are lagging behind, with earnings per head (both residence and work-place based) on a par with the most deprived urban areas. And even in

¹³¹ www.defra.gov.uk/corporate/contacts/contact.asp

relatively prosperous areas, there are many individuals and households which are disadvantaged, especially because of poor access to services and affordable housing. Equally, whilst the countryside remains rural England's greatest treasure, valued by everybody, in many areas there are pressures on natural resources.

As a response to the challenges and changes facing rural England, in July 2004, the Government announced its new devolved and targeted approach to rural policy and delivery. *Rural Strategy 2004* identifies the key priorities for rural communities and for enhancing our natural environment, together with radical reforms to support delivery of Defra's policies. The approach set out is based on devolving decisions and taking action closer to rural communities, targeting greater resources at areas of greatest need, and working in partnership at national, regional and local level.

This section of the report is structured around progress in addressing the first two priorities in *Rural Strategy 2004*:

- economic and social regeneration (focussing on progress in achieving the Department's targets under Public Service Agreement target 4); and
- social justice for all.

It also covers progress in developing the modernised delivery arrangements described by the strategy under the Modernising Rural Delivery Programme.

The third priority of *Rural Strategy 2004* – *enhancing the value of our countryside* – is covered in detail under the protecting the countryside and natural resource protection section of this chapter.

Enhancing opportunity in rural England

Public Service Agreement target 4: Reduce the gap in productivity between the least well performing quartile of rural areas and the English Median by 2008 demonstrating progress by 2006 and improve the accessibility of services for people in rural areas.

This Public Service Agreement target can be separated into two broad strands: improving the productivity of rural areas; and accessibility to services in rural areas. Whilst there are overlaps, the separate nature of the two strands lends itself to each strand being reported on separately¹³².

Data will be available to enable a first formal assessment of overall progress on rural productivity (against the headline indicator) to be made by the end of 2006 – covering the period from April 2003 to March 2005. Historical data allowed a baseline to be established last year. Data are now available for 2003-04 enabling the emerging trend in the gap to be measured. The gap has narrowed slightly at this early stage.

¹³² Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

Funding

The principal instruments for directly addressing low rural productivity are:

- Regional Development Agency (RDA) programmes;
- England Rural Development Programme (ERDP) social-economic funding; and
- European Structural Funds (including Objective 1 in Cornwall).

This amounts to approximately £200 million per annum over the remaining spending period.

Regional Development Agencies

Defra's baseline contribution to the RDAs' Single Programme was increased in April 2005 to £72 million. This includes £21 million transferred from the Countryside Agency to enable the RDAs to play a bigger role in delivering the social and economic regeneration objectives set out in *Rural Strategy 2004*. Defra's contribution will remain at approximately this level (in real terms) until the end of the current spending period in 2008.

England Rural Development Programme

During 2005-06, a total budget of £49 million had been allocated to the three ERDP project-based schemes (Rural Enterprise Scheme, Vocational Training Scheme and Processing and Marketing Grants) to fund projects that support the development of more sustainable, diversified and enterprising rural economies and communities. These schemes contribute to *Rural Strategy 2004* and *Strategy for Sustainable Farming and Food* and to the achievement of Defra's targets under Public Service Agreements 3, 4 and 5.

ERDP project-based schemes provided £15.56 million towards rural community and rural tourism projects including, for example, approximately £2.8 million for rural community halls. This funding provided benefits to nearly 200,000 people and supported 442 rural tourism enterprises, which created or maintained 576 jobs. £30 million has also been provided to projects that whilst directly assisting farm businesses also offered benefits to the wider rural economy and community, for example by funding farm diversification activities that created or maintained rural jobs and also encouraged visitors into the countryside.

European Structural Funds – Objective 1

In 1999, three areas in England were awarded 'Objective 1' status by the European Commission. This designation is given to areas throughout the European Union (EU) whose economic development is lagging behind the EU average in terms of income and employment (the interim is GDP per capita less than 75 per cent of the EU average). The Objective 1 programme provides additional funds for a wide variety of activities with the aim of moving these regions towards a range of targets. These include raising income per head, encouraging economic diversification, increasing the number of jobs and businesses and boosting wages/incomes. Defra is responsible for managing the guidance element of the European Agricultural Guidance and Guarantee Fund (EAGGF) in areas awarded Objective 1 status. This is run in parallel to the ERDP (which covers the remainder of England).

The programme runs from 1 January 2000 to the end of 2006. Each Objective 1 area considers and administers projects in accordance with the local Single Programming Document (SPD). EAGGF funding in the Objective 1 areas covers similar measures to the Rural Enterprise Scheme, Vocational Training Scheme and Processing and Marketing Grant Scheme, which are available in the rest of England under the ERDP.

At the beginning of the programme £66.5 million was allocated under EAGGF (Guidance) with equivalent funding from Defra. The three English areas which have been designated by the European Commission to receive jointly funded assistance under Objective 1 are:

- Cornwall and the Isles of Scilly – administered by Government Office South West Plymouth; £96 million was allocated over the period.
- Merseyside – administered by Government Office North West Liverpool; £7 million over the period.
- South Yorkshire – administered by Government Office Yorkshire and Humberside South Yorkshire; £28 million over the period.

In 2005 each region met its targets for the utilisation of European and Defra funds to deliver cost effective and economically sound projects. As at 1 April 2006:

- Government Office for the South West has invested around £69 million in Cornwall and the Isles of Scilly since the start of the programme. They currently have 134 live projects and a further 6 projects under appraisal;
- Government Office for Yorkshire and Humberside has invested around £15 million in South Yorkshire. The region currently has 13 projects approved, with two more in the pipeline. The remaining EAGGF funds will be fully committed to the end of the programme once these contracts are issued; and
- Government Office for the North West has invested around £3.3 million in Merseyside. To date the region has approved 35 projects and has no projects undergoing appraisal.

European Structural Funds – Leader+

The England LEADER+ Programme had a combined EU and Defra budget for 2005-06 of £11 million. LEADER+ is a rural development initiative under the EU structural funds which enables local partnerships to select and test innovative projects in their areas. Projects funded under the England LEADER+ programme range from a Rural First Aid programme on the Isle of Wight that seeks to address slower emergency response times in rural areas by offering free first aid and injury prevention advice for vulnerable people, to the development of a cycling and walking network (the Wherryman's Way) in Norfolk seeking to add to the tourist offering and develop new markets for local products.

After a slow start to the Leader+ programme as areas built up the capacity to deliver the programme, there is now real evidence of progress being made across the 25 LEADER partnerships as evidenced by a wide range of outputs since the start of the programme, which include among others:

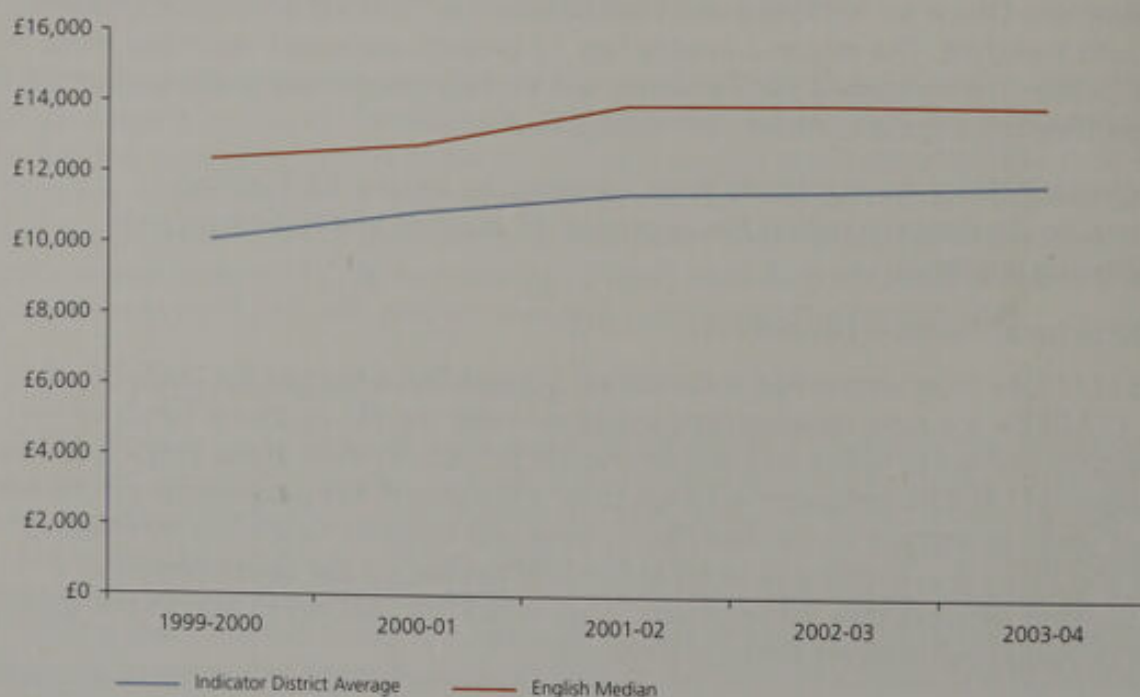
- 1,277 jobs created or safeguarded;
- 277 community facilities set up or improved; and
- 1,390 community services established or assisted across the country since the start of the programme.

Performance 2005-06

Economic productivity

Defra has made considerable progress developing the measures by which the target will be monitored. In particular, data are now available to establish a short run trend for the productivity headline indicator (see Figure 16). This has allowed the Department to establish a trajectory against which to measure progress. The most recent data available (from the year 2003-04) shows that the gap in productivity has narrowed since the target went live in April 2003, but it is too early to be confident that this trend will continue. Defra will be in a position to assess this, once next year's data becomes available at the end of 2006.

**Figure 16: Productivity proxy headline indicator
(average earnings of resident working age population)**



Regional Development Agencies (RDAs) will also report on outputs delivered in support of the target at the beginning of 2006, and then on a six-monthly basis under the new performance management arrangements for RDAs. In reporting against delivery of their corporate plans, RDAs are required to disaggregate their outputs on a rural and urban basis, and by disadvantaged areas. This will enable a fuller assessment than previously possible of the impact of this key element of the programme in rural areas. The first round of reports from RDAs gives a clear indication of the range of activities which they are undertaking to support the economy in rural areas and, in particular, those areas facing the greatest challenges. This provides a platform to develop relationships with them further and monitor their contribution to delivering the target.

Given the significant time delays in the production of the national statistics needed to update the headline indicator, and the imperfect nature of the productivity proxy itself, Defra also tracks the progress of a number of intermediary indicators. These focus on economic trends and productivity drivers which are likely to influence productivity in rural areas with the final outcome measured by our headline indicator. They also provide a more general indication of the health of the rural economy. The latest data available are shown on Defra's website¹³³.

Rural productivity

In support of funding to address low productivity, the Department has continued to work with a number of national and regional partners to help improve the support available to rural businesses and to drive up skill levels in all rural areas. In particular, Defra has supported a pathfinder project led by the Department of Trade and Industry's (DTI) Small Business Service, and based in the Welland, a rural area of the East Midlands, which will test various approaches to improving access to business support for rural businesses. The pathfinder started in summer 2005 and ran until the end of March 2006. Defra has also supported a project by Lantra, the sector skills council for the land-based and environmental sectors, to help increase the uptake of training. The project will develop a competence framework for rural businesses in the land-based sectors, and should provide the basis for increased recognition of skills outside of formal qualifications.

Access to services

For services, in the 2004 Spending Review, Defra identified five main themes where improvements for rural areas are a priority – health, education and skills, work and pensions, transport and housing – and selected indicators of progress for each theme. Steady progress has been achieved towards establishing the evidence base for which progress against Public Service Agreement target 4 (Services) indicators can be assessed, although further work is needed (with Department for Transport (DfT) and the Department for Work and Pensions (DWP) in particular). Defra and the Office of the Deputy Prime Minister (ODPM) have worked together on an intensive programme of work on affordable housing, not least the establishment of a joint Defra/ODPM Affordable Rural Housing Commission in July 2005.

¹³³ <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

Factors affecting performance

There is no such thing as a single, homogenous rural England. Rural areas range from some of England's most prosperous communities, to communities where average incomes are on a par with the most deprived urban areas, and from areas with excellent access to a wide range of public and private services to those where many services are remote. Furthermore, even at very local level, rural communities tend to be very mixed – with prosperous households living alongside those facing real disadvantage. Indeed these differentials are one of the defining characteristics of most rural communities. Broadly these fall into three categories:

- **Population sparsity and distance from major urban centres (peripherality).** In economic terms, there are advantages from the collocation of firms and industries in cities, in terms of knowledge spill-over, networking, reduced transport costs, labour market efficiency, local competition and service centres. By their nature many sparsely populated rural areas tend to be distant from such urban centres. This tends to increase the cost of service provision, and mean that the more peripheral rural areas gain the least benefits from the agglomeration of economic activity in cities;
- **Comparative advantage in low paid sectors.** The characteristics of some rural areas play a strong part in determining the activities which take place there. For example, the presence of high quality agricultural land leads some areas to specialise in agricultural production and distribution, both comparatively low added-value economic activities. Likewise, the high environmental quality of some rural areas leads to heavy dependency on tourism, some (though by no means all) of which is seasonal and low paid; and
- **Areas undergoing major economic structural adjustment.** A final category of rural area characterised by low productivity and consequent low levels of social welfare is those areas adjusting to recent declines in a major economic activity; in particular the former mining areas of the East Midlands, Yorkshire, the North East and Cornwall. Many of these areas lie close to major cities and therefore the issues facing these communities tend to be very different from the first two categories. Also, on a smaller scale, some former seaside resorts and fishing communities fall into this category. Demographic change can also play a part here. The average age of the population in rural areas is increasing more quickly than in urban areas, and this can further increase the pressure on services.

This is a very challenging Public Service Agreement target. As noted in the previous section, part of the explanation for 'lagging' rural areas can be found in the intrinsically peripheral nature of many areas, and the sparsity of population which defines their character. Likewise, for areas with a comparative advantage in relatively poorly paid (low added value) sectors, shifting economic activity into higher added value, including knowledge-based sectors, will not be achieved overnight, but will require long-term planning and investment.

The relatively limited resources directly available mean that Defra must use its influence with other Government departments to ensure that the needs of rural communities and economies are addressed as part of their wider plans and mainstream expenditure – whether, for example, in transport, skills, or business support.

A further challenge to delivery of the target is presented by the fact that many of the levers to enhance services are well beyond Defra's direct control. As delivery of public services is further devolved to local agents and providers, the methods by which Defra influences them must also devolve.

Looking forward to 2006-07

Regional Development Agencies

Defra will continue to build on its relationship with these key strategic partners over the course of the next year. The contribution that Regional Development Agencies (RDAs) are making to the economy and delivery of services in rural areas and in particular towards Defra's Public Service Agreement target 4 will become clearer as further 6 monthly reports become available and as the Performance Assessment is developed.

2007 Comprehensive Spending Review

Defra has continued with a vigorous research programme to enhance its understanding of rural areas. The 2007 Comprehensive Spending Review (CSR07) will allow an opportunity to review whether the current Public Service Agreement target is still appropriate to measure progress on the Government's rural affairs agenda.

The next Rural Development Programme for England 2007-2013

The current England Rural Development Programme (ERDP) ends on 31 December 2006. The next programme will run from 2007-2013. Proposed priorities for the next programme were put out to public consultation on 27 February. The consultation will run until 22 May. The strategy and draft programme will then be submitted to the European Commission later in the year.

As announced in *Rural Strategy 2004*, Defra will devolve responsibility for the social and economic funding under the next programme to the RDAs. This will enable links with the RDAs' regeneration funds and move decision-making closer to customers. RDAs will also take over the legacy work from the existing ERDP Project Based Schemes from October 2006.

Natural England and the Forestry Commission will lead on delivering funding aimed at enhancing the environment and countryside in the next programme. Defra, Natural England, the Forestry Commission and the RDAs will work closely together to design and deliver an integrated programme.

The LEADER+ Programme¹³⁴ (currently a separate programme under Structural Funds) will not run as a separate programme in the 2007-2013 programming period. However, the Leader+ approach, involving locally-driven public private partnerships, will be a key delivery mechanism for the next Rural Development Programme. At least 5 per cent of the European funding must be delivered through the Leader+ approach in the next programme.

Objective 1

By the end of 2006 the three programmes will have committed all the European funds available. Although payments to support existing projects will in some cases continue until 2008, after 2006 the programmes will be closed to new entrants.

For the period 2007-13 support for socio-economic activities in these areas will be available under the new England Rural Development Programme.

Future Structural Funds 2007-13

Negotiations on the next round of Structural Funding (covering the period 2007-13) are ongoing and are expected to conclude by June 2006. The Structural Funds have been re-organised around three priorities: Convergence, Regional Competitiveness and Employment and European Territorial Co-operation. New programmes are due to commence on 1 January 2007.

Future programmes have the potential to make a significant contribution to Defra's strategic outcomes. The current draft of the new regulations contains significant opportunities for both direct environmental investments and socio-economic support for rural areas. Therefore, Defra will continue to work closely with the Department of Trade and Industry (DTI) (as lead department) and other Whitehall colleagues throughout negotiations in order to ensure that the finalised regulations maximise the potential contribution to rural and environmental objectives.

As part of the agreement reached at the European Council of 15-16 December 2005 on the next EC budget for the 2007-13 Financial Perspective, Member States agreed on future Structural and Cohesion Funds spending for the 2007-13 budgetary cycle. Defra estimates that the UK will receive a total of approximately €9.4 billion (in 2004 prices) in Structural Funds receipts from 2007-13. The Department will only know the precise figures to be received by UK regions after an Inter-Institutional Agreement has been reached on the final EC budget and once the European Commission has produced official Structural Funds allocations for the UK and its regions.

Each Member State is required by the European Commission to produce a National Strategy outlining how it intends to allocate Structural Funds. Defra is closely involved in the drafting of this document which is being co-ordinated by DTI. The draft strategy was published for consultation on 28 February 2006 and sets out the Government's proposed priorities for

¹³⁴ www.defra.gov.uk/rural/leader/default.htm

spending over 2007-13. These include a commitment to integrating environmental sustainability across all actions of the funds in the UK and, within England, support for ensuring sustainable development, production and consumption. Following completion of the consultation in May, the National Strategy will be submitted to the European Commission.

The consultation on the National Strategy for Structural Funds is running alongside the consultation on the priorities for the new rural development programme for England (see previous section). Both initiatives have an important role to play in the economic development of rural areas, and the Department will be working to ensure that there is a coherent approach so as to make the most effective contribution to Defra's rural objectives.

Social justice for all

The *Rural Strategy 2004* commitment to social justice for all was reaffirmed in 2005 when the Government's rural manifesto made a further commitment to tackling social exclusion and disadvantage in rural areas. Defra's work to address this commitment includes:

- working to identify and address the specific dimensions of rural disadvantage (such as affordable housing);
- working across Government to ensure that policies and interventions aimed at tackling disadvantage adequately meet the needs of rural communities ('rural proofing'); and
- supporting work to build the capacity of rural communities to address local needs.

Funding

Affordable rural housing

Building on the challenges set out in Defra's *Five Year Strategy*, the Department has:

- provided nearly £700,000 in 2005-06 to continue the existing Rural Housing Enabler programme until March 2006 (thereafter, until March 2008, funding will be available through the Rural Social and Community Programme);
- commissioned research on the affordability of housing in rural areas and to investigate the economic drivers of rural housing markets; and
- strengthened the democratic voice of rural people by providing £500,000 for the Quality Parish Scheme – to provide training for councillors and clerks and for building on the infrastructure for effective engagement between the tiers of Government.

Voluntary and community sector infrastructure programme

By 31 March 2006, Defra completed its delivery of the £10 million two-year programme to strengthen local capacity in the voluntary and community sector in tackling social exclusion and to develop the role of social and community enterprise.

Parish planning

Defra continued to support parish planning through two programmes, both worth around £1 million in 2005-06: a legacy programme for communities which had started their work under the Countryside Agency's Vital Villages programme; and an interim programme to provide continuity pending commencement of the Rural and Social Community programme¹³⁵.

Rural Social and Community Programme preparation

To ensure a smooth transition to the new Rural Social and Community Programme, which commenced on 1 April 2006, Defra funded the preparation of business plans covering the intended use of the programme funding. The plans were put together collectively by voluntary and community sector organisations, local government (including parish councils) and others with key rural community support roles.

Progress in 2005-06

Rural proofing

Defra and the Countryside Agency/Commission for Rural Communities are working with all branches of Government, national, regional and local, to ensure that proper account is taken of the potential impact on rural communities of all policies and initiatives, during development and delivery.

The Commission for Rural Communities (CRC) has reported steady progress in rural proofing, both at national and at local level. However, the Commission has expressed concern over the availability of data to enable Government departments to report the 'rural impact' of policy, both around Public Service Agreement target 4 and generally, and in the effectiveness of rural proofing of policy delivery at the regional, sub-regional level and throughout devolved decision making.

Progress has been made in embedding rural proofing into the policy making process across Government, by:

- working closely with departments to identify policy areas that are important to building sustainable rural communities. Defra's Public Service Agreement target 4 will measure Defra's success in this by using a range of targets from across Government. With the Office of the Deputy Prime Minister (ODPM), Office of National Statistics, and the Countryside Agency, Defra has now provided the means for Government to report on rural delivery of Public Service Agreement targets with a revised rural/urban definition;

¹³⁵ <http://www.defra.gov.uk/rural/communities/parish-planning.htm>

- working with Regional Development Agencies (RDAs) and local authorities to make sure rural communities get fair access to services;
- developing the evidence base in support of the identification and tackling of social exclusion in rural England;
- including rural proofing as an element of the Regulatory Impact Assessment; and
- Rural proofing the Local Government Comprehensive Performance Assessment.

Defra is undertaking a review of the way in which the Department works to ensure the thorough rural proofing of policy development and implementation by Whitehall departments (including Defra) and their delivery partners at all levels.

Commission for Rural Communities

Work to establish the Commission for Rural Communities (CRC) as a new, independent Non-Departmental Public Body (NDPB) has continued and remains on schedule for the CRC's vesting in October 2006. Vesting as an independent NDPB will give CRC the freedom to develop its roles and provide a greater challenge to bodies responsible for policy and delivery in relation to rural communities. The Commission will contribute to the development of the rural evidence base, which in turn will enable the Department to focus on the key strategic issues for rural policy development.

In April 2005 Defra launched the CRC as an operating division of the Countryside Agency, with its own objectives for supporting rural communities, particularly focussing on those suffering from social disadvantage or economic underperformance. The Department is working with the Commission to develop its profile and reputation by promoting areas of its work including support for:

- its publication of *State of the Countryside 2005 Report*¹³⁶;
- its study into affordable rural housing – which feeds into the Affordable Rural Housing Commission (ARHC) inquiry;
- its thematic study on social disadvantage in rural areas; and
- work to engage ministers on the CRC's main aims and objectives.

Affordable Rural Housing

Affordable housing is a cornerstone to delivering sustainable development in rural areas, providing homes for people with strong local social networks, who run and work in rural businesses and deliver local services. Through modern design and construction, affordable housing can make a contribution to conserving the environment and natural resources.

In response to the challenge set out in Defra's *Five Year Strategy* and manifesto commitments, the Government has succeeded in establishing measures to increase access to affordable housing in rural areas. In particular, working with the Office of the Deputy Prime Minister

¹³⁶ http://www.countryside.gov.uk/Publications/articles/Publication_tcm2-27153.asp

(ODPM), the Department has secured arrangements for the effective buy-back of rural properties under the new Homebuy scheme and made rural proofing a requirement for Regional Housing Boards.

Defra has also ensured that rural circumstances have been addressed in:

- the development of draft Planning Policy Statement 3 (PPS3)¹³⁷;
- the new working draft of ODPM's guidance on housing market assessments;
- the consultation draft of the new *Supporting People* strategy; and
- the Government's response to the Barker Review of Housing Supply.

Defra has also secured agreement with ODPM for the requirement that Regional Housing Boards at a minimum maintain current levels of funding for villages and market towns.

Affordable Rural Housing Commission

The Affordable Rural Housing Commission (ARHC) was launched in July 2005, following a commitment in the Government's Rural Manifesto 2005, to identify ways of improving access to affordable housing for people in rural areas. The Commission has 12 members, chosen to bring rural community, environmental, housing association, private sector, land and business perspectives.

Through a series of regional visits across the country, a call for written evidence, oral evidence hearings and learning from existing good practice, the ARHC aims to reach a consensus on practical steps across private, Government and voluntary sectors, to improve access to affordable housing in rural areas. The ARHC will report to ODPM and Defra ministers in May 2006.

Supporting rural community development

Defra's £10 million two-year Voluntary and Community Sector and Social Inclusion Programme came to an end on 31 March 2006. The programme sought to strengthen local capacity in the voluntary and community sector in tackling social exclusion and to develop the role of social and community enterprise. It provided further funding for development of consortia of Voluntary and Community Sector organisations in rural areas, alongside the Home Office's ChangeUp¹³⁸ Programme. An early evaluation suggested the need for some continuing support to build the front-line capacity of organisations to ensure that they are sufficiently effective and able to build good relationships with the statutory sector. A change management package and further funding opportunities through the new Rural Social and Community Programme will help to address that need.

¹³⁷ The new PPS3 will set out the national planning policies for housing, which regional planning bodies and local authorities should take into account in developing regional spatial strategies and local development frameworks.

¹³⁸ <http://www.communities.homeoffice.gov.uk/activecomms/sup-vcs/changeup/>

The two-year programme also provided funding for a collaborative project with the Department for Work and Pensions on benefits uptake by older people, and an action research project looking at the contribution that a social enterprise approach can make to social inclusion. To support local community development, Defra launched a new web based information hub¹³⁹ on rural community buildings, including village halls. This hub provides guidance, funding sources and links to other sources of information. The cross-Government Neighbourhoods programme¹⁴⁰ also developed quickly throughout 2005. Defra chaired the Parishes Workgroup, which draws members from a wide range of local government, voluntary and community sector stakeholders. Following the completion of a research project *The Potential of Parish Councils to support Neighbourhood Arrangements*, the workgroup submitted its evidence-based policy recommendations to the Project Board in January 2006.

Rural Social and Community Programme

A tangible product of Defra's Funding Streams Review in 2004 is the new Rural Social and Community Programme, which commenced on 1 April 2006. A consultation exercise, including events across England, between July and October 2005 enabled the detailed programme design to be announced soon after, in November 2005, through publication of a *Conclusions from consultation and the way forward* document¹⁴¹.

Looking forward to 2006-07

Affordable Housing

The Government will formally respond to the recommendations put forward by the ARHC. Defra will work with other Government departments and the CRC to consider the best way to take forward the ARHC's recommendations.

Recognising the proven benefits of the Rural Housing Enabler (RHE) scheme, from April 2006 until March 2008 local and sub-regional partnerships are being invited to put forward a case for funding from Defra's Rural Social and Community Programme. Continuation of existing or new RHE posts, as well as other measures to address rural affordable housing, will be considered. Defra will support the continuing professional development of RHEs to increase their effectiveness by funding opportunities for training.

Defra will also:

- continue to work with and draw on the expertise of the CRC to disseminate good practice and further the Government's understanding of rural housing issues;
- continue to monitor levels of affordable-housing delivery and work with ODPM, Government Offices and others to improve rural-proofing of regional housing and spatial strategies;

¹³⁹ <http://www.defra.gov.uk/rural/communities/halls/default.htm>

¹⁴⁰ <http://www.odpm.gov.uk/index.asp?docid=1137789>

¹⁴¹ <http://www.defra.gov.uk/corporate/consult/rsc-programme/>

- continue to work with ODPM on the further development of planning and funding policies and strategies for affordable housing in order to meet the housing and support needs of the most vulnerable groups in society, including those experiencing homelessness and older people; and
- work with ODPM to secure improved funding for affordable housing in the negotiations around the 2007 Comprehensive Spending Review.

Rural Social and Community Programme

The commencement of the Rural Social and Community Programme in April 2006 will see the delivery of diverse, locally determined activities to address issues such as community capacity building, improving access to and the use of community buildings, work to improve the supply of affordable rural housing, parish and community planning and promotion of social enterprise solutions. The programme will replace a diverse set of funding arrangements all aimed at addressing social exclusion in rural areas and rural community capacity building, many of which were formerly delivered by the Countryside Agency.

The new programme devolves responsibility for design and delivery of local activities and projects to voluntary and community sector and other organisations that work within rural communities. Defra and Government Office staff will retain a challenge role – ensuring that the plans drawn up, collectively, by those organisations address the programme's objectives, fit with other public funding streams (such as LEADER+ and the Safer Stronger Communities Fund) and include proper performance management arrangements.

The programme is worth £13.5 million a year for 2006-07 and 2007-08. The largest part (approximately £9 million for each of the two years) will be to fund sub-regional activities and will, in some sub-regions, be incorporated in Local Area Agreements. A further £3.5 million a year is committed for services provided under Defra's agreement with the network of Rural Community Councils in England. The remainder of the funding will support the delivery of the programme at a regional and national level, including the promotion of the Quality Parish and Town Council Scheme.

Disadvantage and social exclusion

Defra is working to identify, through clear evidence and research, the areas of policy which can have the greatest impact on disadvantage and social exclusion among rural communities; and to ensure that other Government departments will be able to provide key data on the delivery of their policies in rural areas, and within that the delivery to disadvantaged people in rural areas.

Rural Services Review

The Government made commitments in the *Rural White Paper* and *Rural Strategy 2004* to tell the rural public about the standards of public services they can expect. The Rural Services Review is the means by which Defra will deliver on this commitment. The next edition of the

Review (due in May 2006) will contain information about service standards and case studies to demonstrate them in action and a wide range of other information of interest to the rural public.

Implementing the Rural Strategy: Modernising Rural Delivery Programme

The Government's *Rural Strategy 2004* published on 21 July 2004 announced radical reforms to the delivery of the Government's rural policies. The new delivery arrangements that Defra is implementing through the Modernising Rural Delivery Programme¹⁴² are aimed at delivering the services that Defra is responsible for¹⁴³ in a more streamlined, customer-focussed way, by a smaller number of organisations with devolved responsibility, with clearer roles and working in partnership within an overarching sustainable development framework. Although not responsible for the delivery of other Government departments' services in rural areas, the programme is about encouraging them to apply these principles.

Performance

The Natural Environment and Rural Communities Act received Royal Assent on 30 March 2006¹⁴⁴ and provides the powers to:

- create Natural England (bringing together the functions of English Nature with parts of the Countryside Agency and Rural Development Service);
- formally establish the Commission for Rural Communities (CRC) as a new advisor, watchdog and advocate for rural people, making tackling disadvantage a priority;
- give the Secretary of State greater flexibility in allocating funding and delegating responsibility to delivery bodies working under Defra's remit. This would help to make access simpler and easier for customers and tailor delivery to regional needs; and
- introduce a number of measures designed to help streamline delivery and modernise wildlife and national park legislation.

The Act implements key elements of the *Rural Strategy 2004*.

The Act will apply to the UK, although the majority of measures extend to England and Wales only. The devolved administrations have been and are engaged with Defra on those issues that extend beyond England.

¹⁴² www.defra.gov.uk/rural/ruraldelivery/whats-new.htm

¹⁴³ Both direct services such as land management advice, and grants and funding for communities to deliver services such as rural buses.

¹⁴⁴ www.defra.gov.uk/rural/ruraldelivery/bill/default.htm

Regional rural delivery frameworks and rural delivery pathfinders

In each region, the Government Office has been leading the development of a rural delivery framework to ensure that prioritisation and delivery in the English regions address the three core strands of *Rural Strategy 2004*. Development of the frameworks has brought together a range of partners to identify economic, social and environmental priorities, and provide an excellent opportunity to improve the co-ordination of delivery¹⁴⁵.

Looking forward to 2006-07

Over the coming year there are a number of critical milestones, and significant challenges, in ensuring that Natural England and the CRC are fit for purpose, and the provisions of the Natural Environment and Rural Communities Act are commenced so that the new NDPBs can be fully operational from 1 October, that devolution leads to improved partnerships and mechanics for decision-making, and that the simplification of Defra's funding streams does make a real difference to Defra's customers.

Sustainable farming and food sector including animal health and welfare

This section reports on:

- reform of the Common Agricultural Policy (CAP);
- progress in delivering Defra's *Strategy for Sustainable Farming and Food*;
- European Union (EU) funding for environmental conservation and rural development;
- steps to protect public health and ensure high standards of animal health and welfare; and
- work to ensure the sustainable management of fisheries.

Reform of the Common Agricultural Policy

Public Service Agreement target 5: Deliver more customer-focussed, competitive and sustainable farming and food industries and secure further progress via CAP and World Trade Organisation negotiations in reducing CAP trade-distorting support.

¹⁴⁵ <http://www.defra.gov.uk/rural/ruraldelivery/pathfinders/default.htm>

Defra is currently on course to meet this element of the target. For a short overview of progress please see Appendix 2¹⁴⁶.

The European Union's Common Agricultural Policy (CAP) has traditionally been costly for consumers and taxpayers and damaging for the environment, trade and development. Subsidies linked to what and how much farmers produce incentivised over production of certain commodities and contributed to the intensification of EU agriculture.

The CAP also causes trade distortion and damage to developing country markets, particularly as a result of the export refunds used to subsidise the sale of EU surpluses and the high import tariffs designed to shield European markets from lower world prices.

By working within the EU to break the link between direct payments and production and by seeking to divert a greater proportion of subsidy away from agricultural support and towards wider rural development and environment schemes, the Government has made significant progress in its aim of achieving better value for the public money spent on the CAP. This is also enhancing the long term sustainability of farming by improving its economic prospects, environmental impacts and social benefits. This Public Service Agreement target was set for the period 2005-08 and carries forward previous Public Service Agreement targets which sought to cut the cost of the CAP to consumers and taxpayers.

In November 2005, the Agriculture and Fisheries Council, under the Presidency of the UK, reached agreement on a general approach to sugar reform. The main elements of the reform package include a cut in production by means of a 36 per cent price reduction over four years and arrangements designed to reduce EU production by at least 6 million tonnes. These reforms will be accompanied by a framework for adjustment assistance for traditional African, Caribbean, and Pacific country supplies through country-specific Action Plans (the funding for which will be decided separately). These reforms bring sugar into line with other reformed CAP regimes, and should lead to a stable and sustainable market. The reforms should also enable the EU to make a more positive contribution to the World Trade Organisation (WTO) Doha Round.

The Agriculture and Fisheries Council reached political agreement in June 2005 on reform of the EU Rural Development Regulation which governs EU spending on rural, environmental and development schemes.

The WTO held its 6th ministerial conference in Hong Kong in December 2005. WTO members built on the Framework Agreement of August 2004 in a number of areas. The EU, with the UK holding the Presidency, offered to eliminate all export subsidies by 2013, with a substantial part to be eliminated by half-way through the implementation period (around 2010). This is a significant contribution which will need to be incorporated into a full Doha Development Agenda agreement in the first half of 2006.

¹⁴⁶ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

In December 2005, EU Heads of State and Government agreed a proposal from the UK Presidency for the Union's budget over 2007-13, including the CAP. That proposal included a provision allowing Member States to transfer voluntarily up to 20 per cent of their funding for CAP and direct payments to rural development. This Government has always supported moving funds in this direction, and will continue to do so. The agreement in December also contained a commitment to review all EU expenditure, including the CAP, in 2008-09. The Commission may bring forward related proposals at that time, which may cover the CAP.

These developments represent significant progress in reforming the CAP, but more needs to be done. In particular, more needs to be done to address the consumer and taxpayer costs of the CAP, as previous rounds of reform have not addressed market price support or the overall cost of the policy. A debate has already begun ahead of the 2008-09 budget review. On 2 December, the Government made its first contribution to the debate, with the publication of a paper which, building on the approach of the *Curry Policy Commission* report in 2002, sets out a clear vision for the CAP and European agriculture over the next 10 to 15 years¹⁴⁷. The changes set out in the paper are designed to deliver the long term vision of an industry which is fundamentally sustainable and an integral part of the European economy. The Government is in on-going discussions with other Member States and other stakeholders about their views on that vision, and their own ideas for the future of the CAP.

Funding

2005 saw the introduction of the Single Payment Scheme (SPS), which replaced eleven direct aid schemes linked to production of crops and livestock. As a result, total payments of subsidies linked to production made to farmers in the United Kingdom, are estimated to have fallen to £212 million in 2005, the majority of these being payments made through the Over Thirty Month Scheme.

Other payments made through schemes from which farmers may benefit as a consequence of engaging in agricultural production are expected to be £2.8 billion due to the introduction of the SPS. Less Favoured Areas support schemes payments are expected to be £144 million and through the agri-environment schemes £260 million. The first payments under the new Environmental Stewardship Scheme (for the Entry Level) are now underway. Payments of animal disease compensation are expected to be £55 million, due to an increase in the number of cattle slaughtered under Bovine Tuberculosis disease control measures.

Expenditure on production linked CAP market support schemes is forecast to total £339 million in 2005-06. Of this, £178 million is expected to be spent on sugar and starch schemes, £102 million on dairy schemes, £29 million on fruit and vegetable schemes, £16 million on processed goods and the remainder on other schemes¹⁴⁸.

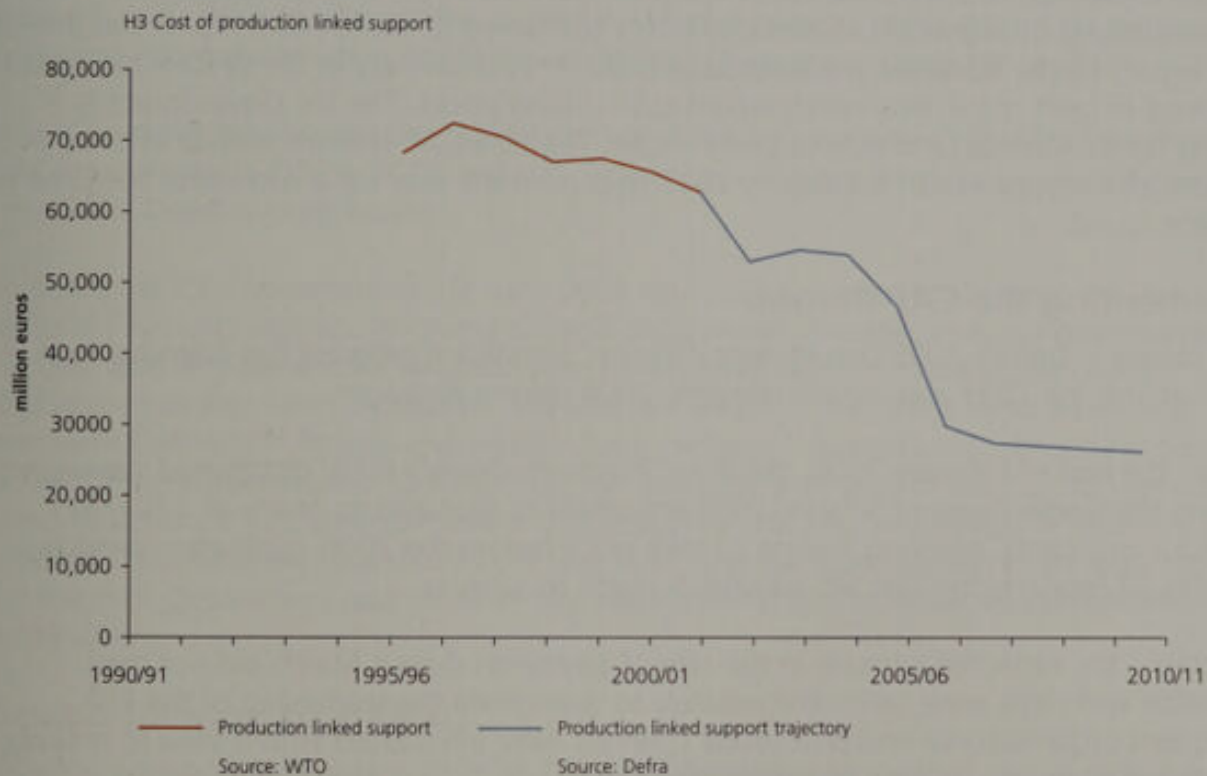
¹⁴⁷ The vision paper can be found at: <http://www.defra.gov.uk/farm/capreform/vision.htm>

¹⁴⁸ Source: Agriculture in the United Kingdom 2005.

Performance

The UK Government played a leading role within the EU to secure the CAP reforms of 2003 and 2004. The recent reforms to the sugar regime, have made substantial contributions to the achievement of this Public Service Agreement target of reducing production linked support.

Figure 17: Common Agricultural Policy production-linked support



The Government is working within the EU to take decoupling even further, and looking forward to the opportunities which may arise from the outcome of the WTO negotiations, an EU review of the dairy regime in 2008 and a review of decoupling in 2008 or 2009.

The 2003 reforms will also mean that an extra €9 billion will be transferred from the EU's CAP subsidy budget to help fund environmental and rural development schemes over the period to 2013.

The Government's current provisional estimates of the weekly cost of the CAP to UK consumers and taxpayers is between £9.50 and £10 for a family of four¹⁴⁹. Following the reform agreed at the Brussels European Council in 2002, which sets an annual ceiling on market-related and direct expenditure, the Commission's current budget proposals will limit

¹⁴⁹ Source – Defra internal Agricultural Economics Unit.

increases in the budget from €38.54 billion in 2004 to €40.65 billion by 2013, including accommodating the 2004 enlargement of the EU. That ceiling is likely to mean a decrease in expenditure in real terms. Following the agreement on future financing of the EU reached in December 2005, the accession of Bulgaria and Romania to the EU in 2007 will also be accommodated within the current budget ceiling, which should lead to an additional decrease in expenditure.

The recent CAP reforms will have little impact on the cost of the CAP to consumers. That is governed largely by higher EU commodity prices compared to world market prices as a result of EU import tariffs. However, the negotiations currently underway in the WTO trade round could lead to tariff reductions which would cut EU food prices. The UK Government is pressing for substantial tariff cuts in that context. The EU's CAP reforms and its offer to eliminate all forms of export subsidy by 2013 help pave the way for a successful outcome to the trade round.

Implementing the CAP Reform

As explained in Defra's *2005 Departmental Report*, significant progress has been made in implementing the 2003 and, where relevant, 2004 reform packages.

Towards the end of February 2006, the Rural Payments Agency (RPA) distributed statements detailing the Single Payment Scheme (SPS) entitlements allocated to nearly all 120,000 successful applicants, enabling trading to take place before the 2006 application window ends. On 20 February the first SPS payments made to farmers.

Regrettably, the expected increase in the rate of payments during March did not then materialise and steps were taken immediately to strengthen the leadership of the RPA. Subsequent organisational and procedural changes were introduced with a view to making outstanding payments as soon as is legally possible.

Factors affecting performance

The achievement of reform of an EU wide policy such as the CAP is, of course, dependent on a number of factors which are outside the direct control of Defra or the UK Government. However, by setting ourselves this target, the Department ensures that resources and effort are directed towards strategies for achieving Defra's goal.

Key to Defra's success is the effectiveness of its arguments and influence upon the European Commission and other EU Member States. Defra makes its case by identifying and creating opportunities for taking forward the reform agenda and by engaging with its EU partners at Ministerial and official level across the spectrum of Government.

Following publication of European Commission legislative proposals for sugar reform on 22 June 2005, agreement was reached at the November Agriculture Council on the basis of a Presidency compromise supported by an overwhelming majority of the Council. The final package endorsed by the Council is very closely based on the Commission's proposals, namely a substantial cut in institutional prices, abolition of permanent intervention, the introduction of a voluntary restructuring scheme to reduce production and a new decoupled direct aid for growers. At the same time, Defra has been working with the Department for International Development (DfID) to support the European Commission in producing its promised action plan to address the potential negative impacts of EU reform on those developing countries which currently have preferential access to the EU market.

Defra is working closely with the Department of Trade and Industry (DTI), DfID, the Foreign and Commonwealth Office (FCO) and HM Treasury to continue to make significant progress in the Doha Development Round.

The timetable for implementing the June 2003 reforms have been challenging for Defra and the Rural Payments Agency, involving a single programme management and governance structure, and very close collaboration with the devolved administrations. The overall programme has also been monitored and assessed through the Office for Government Commerce Gateway™ Review and Health-check processes. Nonetheless, there have been a number of difficulties related to the 2005 payment timetable and, in addition to immediate corrective action, a fundamental review of the agency was also announced in February 2006 to look at its current and possible future functions, and the effectiveness of its relationship with the core Department and its other key stakeholders, and to make recommendations for the future.

Looking forward to 2006-07

Following adoption in February 2006 of Council legislation giving effect to the radical sugar reform package agreed at the November Agriculture Council secondary legislation implementing various aspects of the new regime must now be put in place by the Commission, through the Management Committee procedure, before entry into force of new arrangements from 1 July 2006. In addition Member States need to reach their own decisions on certain discretionary elements, notably in respect of additional income support for farmers, on which a consultation exercise was launched on 27 February, compensation for growers and the operation of the voluntary restructuring scheme. Decisions are also still outstanding on adjustment aid for African, Caribbean and Pacific Sugar Protocol countries for the period 2007-13, following agreement on an initial tranche of €40 million for the balance of 2006.

Defra will be working closely with DTI, DfID, FCO and HM Treasury to continue to press for significant progress to be made in the Doha Development Round. Defra will be engaging within the EU to help pave the way for a liberalising outcome. Good progress has already been made on agriculture, but there are still difficult hurdles to overcome.

During 2006 reports are expected from the European Commission on the CAP regimes for fresh and processed fruit and vegetables, bananas and fibre crops (flax and hemp) and possibly wine. Defra shall press for reform of these regimes in line with its vision for CAP as proposals are presented. The Department will also be discussing its own CAP vision generally with stakeholders and other Member States as part of the debate on the EU budget ahead of the budget review in 2008-09.

Sustainable farming and food

Public Service Agreement target 5: Deliver more customer-focussed, competitive and sustainable farming and food industries.

Defra is currently on course to meet this element of the target. For a short overview of progress please see Appendix 2¹⁵⁰.

The Government's *Strategy for Sustainable Farming and Food: Facing the Future*, sets out how industry, Government and consumers can work together to secure a profitable and internationally competitive future for its farming and food industries, while contributing to a better environment, improving nutrition and public health and encouraging prosperous communities.

The strategy is the principal means of delivering Defra's Public Service Agreement target 5. It also contributes to the delivery of several other Public Service Agreement targets within Defra and other Government departments. These include a significant influence on the delivery of Defra's Public Service Agreement targets 1 and 9, supporting the promotion of sustainable development and improved animal health and welfare. It will also have an impact on Defra's Public Service Agreement targets 2, 3 and 4 and on delivery of Public Service Agreement targets within the Department of Health through the Food and Health Action Plan.

Funding for the Strategy

The Government announced as part of the 2002 Spending Review, that £500 million would be made available to implement the *Strategy for Sustainable Farming and Food (SFFS)*, in addition to existing spending by Defra and other Government departments which is being used to deliver aspects of the strategy.

This sum covers a number of major aspects of the strategy. These include the new agri-environment scheme, Environmental Stewardship (Entry Level and Higher Level)¹⁵¹, and the IT system to underpin all the England Rural Development Programme (ERDP) schemes; improvements in livestock traceability and other major animal health and welfare measures; and food chain initiatives such as the Agriculture Development Scheme and English Farming Food Partnerships.

¹⁵⁰ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: www.defra.gov.uk/corporate/busplan/busplan.htm

¹⁵¹ See chapter 6 on Rural Development Service or at: www.defra.gov.uk/erdp/schemes/es/default.htm

The cost breakdown is shown in Figure 18 which also includes areas where additional funding was provided by Defra for strategy measures in 2002-03 and continued in later years.

Funding for grant schemes, the new environmental stewardship schemes, and the development of the Whole Farm Approach and livestock identification schemes will continue through 2006-08. After the 2002 Spending Review period, from 2006-07 all SFFS funding is forecast to be met from expected departmental budget allocations, including aspects of the strategy originally funded in 2002 Spending Review.

Figure 18: Funding for sustainable farming and food

Area	2005-06 (£ millions)
Additional money to be made available via grant schemes	11.0
Investment into research and new technology	1.8
Development and implementation of new agri-environment and rural development schemes, including IT development costs	151.0
Development and implementation of new Whole Farm Approach to reduce bureaucracy and burden on farmers	12.5
IT systems to support livestock identification and tracing	68.0
Investment to reduce the likelihood and impact of an animal disease outbreak	45.0
Total	289.3

Performance

Currently this element of the target is measured by the productivity of farming indicator: Gross Value Added per person, UK compared to rest of EU.

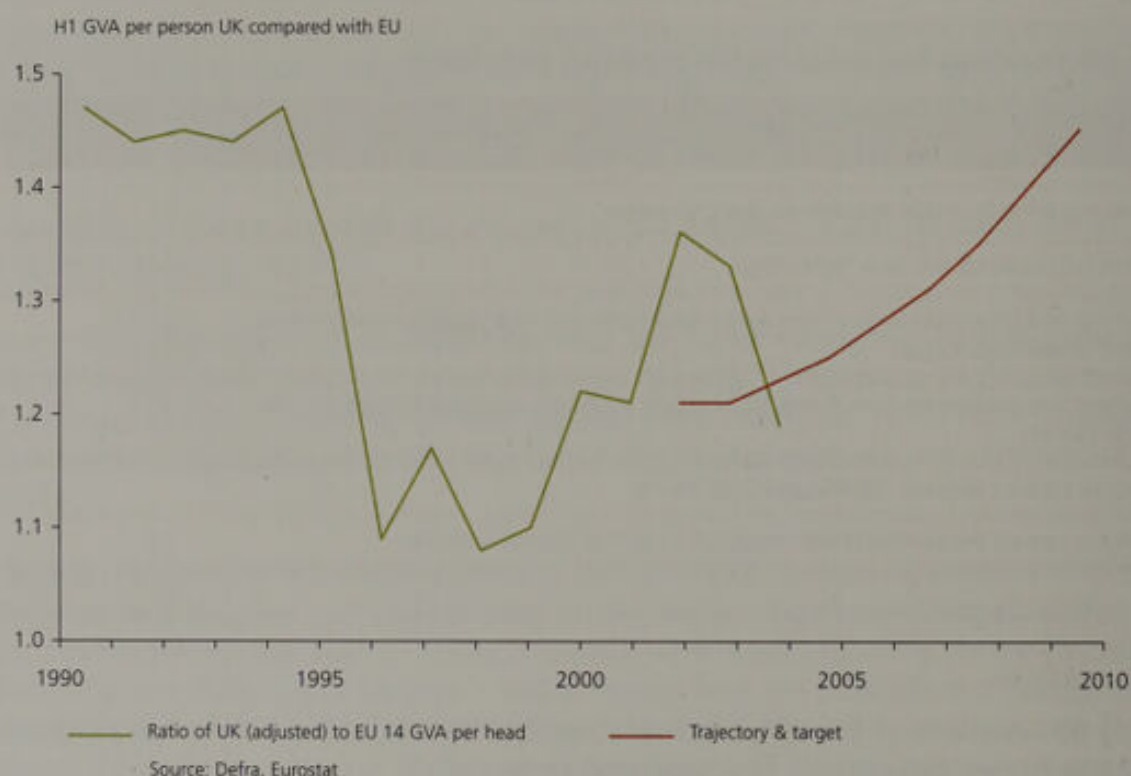
However, Defra is developing three additional indicators that will reflect the broader aims of the target:

- productivity of the food chain beyond the farm gate;
- river water quality: nitrate and phosphate levels from agriculture in rivers; and
- soil quality: soil organic matter content in agricultural topsoils.

Reporting against these indicators will commence when the methodology has been agreed. These indicators should be available for the 2007 Departmental Report.

Productivity of farming: this indicator compares the gross value added per person of UK agriculture (adjusted to remove the effects of the exchange rate) with that of the 14 other EU member states (before the 2004 accessions). Figure 19 shows this, using the ratio UK: EU 14. In spite of a fall between 2003 and 2004, the indicator continues the overall trend of increasing since the low of 1998.

Figure 19: Gross Value Added per person UK compared with EU



However, the objectives of the *Strategy for Sustainable Farming and Food* range much more widely than even these four areas. They are founded on the three pillars of sustainability and take an holistic approach encompassing environmental and social sustainability as well as economic development.

The non-Public Service Agreement target 5 indicators are reported on under their relevant Public Service Agreement targets.

During 2005-06, key achievements include:

- significant progress on implementation of Common Agricultural Policy (CAP) reforms agreed in June 2003, which in breaking the link between direct payments and subsidies and production, is enabling farmers to produce for the market rather

than in response to subsidy. At the same time the new CAP payments are now linked to compliance with a range of environmental and animal health and welfare standards;

- the System Preview of the Whole Farm Approach (WFA) was launched in September 2005 by Lord Bach with the first release of the live system rolled out in March 2006. The approach will deliver a range of benefits to both farmers and regulators. For the farmer it will reduce duplication and repeat requests for information, allow participants to understand how new standards and regulations may impact on their business, and provide direct access to guidance and targeted information which will improve business performance. Independent research has estimated that using the WFA in place of equivalent, paper based forms will save the farmer 15 per cent of time spent form filling;
- key grants have been given under the Agriculture Development Scheme, including awards to the red meat, dairy and cereals industry fora to deliver improvements in competitiveness, improve collaborative action and reduce the disparity in the costs of production and profitability between the most and least efficient farmers; and
- continuation of work to develop an optimal package of measures for tackling diffuse water pollution from agriculture, with consultation planned in 2006.

Farm business advice

Defra launched the new Farm Business Advice Service, 'Knowing your options', in October 2005, in order to help farmers consider the business implications of the new Single Payment Scheme (SPS). The new service replaces the former three-day Farm Business Advice Service which ended in March 2005.

Food chain initiatives

Defra will continue to support initiatives which aim to improve the efficiency of the food chain and contribute to the spread of best practice. The Agriculture Development Scheme has backed a range of new projects designed to achieve a sector-wide impact in terms of helping the industry adapt to the challenges ahead, with a budget of £4.4 million in 2005-06. The scheme will continue to operate in 2006-07 with a budget of £5.1 million.

Following an economic evaluation of its *Regional Food Strategy*, Ministers announced during the year that Defra would continue to support producers of quality regional food and drink through a programme of activities aimed at creating trade development opportunities, raising consumer awareness and improving business competitiveness. This support (an additional £1 million per year) will continue for a further two years beginning in 2006-07.

On exports, Defra will continue to provide funding to the International Agriculture and Technology Centre and to Food From Britain to promote agricultural, and food and drink exports respectively.

The food and drink industry beyond the farm gate makes a major contribution to the UK economy and provides over 3 million jobs, about 13 per cent of the workforce. It also has significant environmental and social impacts. Defra has therefore been working with industry and other stakeholders to develop a *Food Industry Sustainability Strategy* to address the sector's environmental, social and economic priorities identified by a stakeholder group and confirmed by public consultation.

The strategy, to be published later in 2006 sets out how food and drink manufacturers, wholesalers, retailers and food service providers in this country, can through widespread adoption of best practice, help to achieve sustainable development. It envisages much closer working between industry and with Government best practice programmes, such as Envirowise, the Carbon Trust and the Waste and Resources Action Programme to raise performance. It also includes targets for making progress in key areas such as energy, water and waste.

Non-food crops

The Government is taking forward the *Strategy for Non-Food Crops and Uses* and will be issuing a 2-year progress report in November 2006. The Government set a Renewable Transport Fuel Obligation (RTFO) in November. This will require 5 per cent of road fuel to come from a renewable source by 2010. The Government is now consulting on the details of the obligation, which is anticipated to come into force in April 2008.

Organic farming

EU proposals were received at the end of 2005 on amending the organic food and farming regulation, where the Government will be seeking simplification of control where this is consistent with maintaining consumer confidence. The Government implemented the decision taken in 2004 to extend a national derogation allowing existing standards for organic poultry to be maintained, to avoid disadvantaging UK producers against competitors elsewhere in the EU.

Agricultural gangmasters

Defra Ministers supported the Gangmasters (Licensing) Bill, which received Royal Assent in July 2005. The Act established the Gangmasters Licensing Authority (GLA), which was set up in April 2005. New licenses for Gangmasters were introduced from 6 April 2006 when the GLA opened for applications. The new licenses must be held by anyone supplying labourers to work in agriculture or food processing and packaging, and should protect up to 600,000 workers from exploitation by rogue employers.

Tenant farmers

Defra is committed to ensuring a viable future for the tenanted sector, which makes an important contribution by allowing people to farm without the capital needed to buy land, and provides opportunities for new entrants into the industry. Defra is taking forward all of

the recommendations of the Tenancy Reform Industry Group (TRIG) for amendment to the Agricultural Holdings Act 1986 and Agricultural Tenancies Act 1995 through a Regulatory Reform Order which is anticipated to come into force in the summer of 2006. Defra is also providing funding over four years for an adjudication scheme to hear disputes between landlords and tenants on proposals for agri-environment schemes and diversification projects. The scheme is another recommendation of TRIG, and backs up the TRIG Code of Good Practice for agri-environment schemes and diversification projects within agricultural tenancies.

Farm regulation and charging strategy

Defra is committed to improving the regulation of farming, and published a strategy *Partners for Success*, addressing this issue on 28 November 2005¹⁵². The launch platform was shared with the National Farmers Union and Royal Society for Protection of Birds, indicating the breadth of support from stakeholders. In developing the strategy, Defra gathered evidence on the performance of farm regulation from farmers, regulatory bodies and policy makers. The Department worked with stakeholders to agree priorities for reducing bureaucracy and improving the effectiveness and efficiency of farm regulation, in line with the recommendations of the recent Better Regulation Task Force Report, *Less is More* and the findings of the Hampton Review. The Department also developed tools and techniques to provide it with a better understanding of the cumulative burden of planned Defra regulation on farmers.

The strategy offers a 10 year vision for the regulation of agriculture. It also sets out actions to improve regulation by: using alternatives to regulation; better design of regulations; improving information and advice; improving skills and professionalism; and more effective enforcement. In addition, the strategy sets out Defra's charging and risk sharing policy in agriculture. Specific simplification proposals announced in the strategy are discussed in the better regulation chapter of this report.

Sharing responsibility and costs of animal disease

As announced in *The Partners for Success – A Farm Regulation and Charging Strategy* the Department established the Joint Industry/Government Working Group on Sharing Responsibility and Costs of Animal Disease. The group met for the first time in December. It aims to produce proposals (in time for public consultation by early summer 2006) on sharing responsibilities and costs of exotic animal disease outbreaks.

Looking forward to 2006-07

The Farm Business Advice Service will continue to be available to farmers during 2006-07 to encourage them to think about their business options and help farmers identify the best way to secure future profitability and sustainability.

During 2006-07, Defra will continue to support food chain initiatives which aim to improve the efficiency and contribute to the spread of best practice.

¹⁵² <http://www.defra.gov.uk/farm/regulation-strategy/>

In line with its *Regional Food Strategy*, Defra will continue to support producers of quality regional food and drink through a programme of activities aimed at creating trade development opportunities, raising consumer awareness and improving business competitiveness.

On exports, Defra will continue to provide funding to the International Agriculture and Technology Centre and to Food From Britain to promote agricultural, and food and drink exports respectively.

Non-food crops

The Government has implemented a programme to deliver the actions set out in the *Non Food Crops Strategy*. Decisions are expected to be taken on measures to stimulate bio energy, and in particular biomass-fuelled heating, in response to the conclusions of the Biomass Task Force Report and the findings of related reports.

Organic farming

Negotiations on the EU proposals for amending the organic food and farming regulation will be taken forward in 2006. The Government will be seeking simplification of control where this is consistent with maintaining consumer confidence and will work with stakeholders to secure the adoption of a framework which will allow the UK organic sector to continue to develop successfully.

Whole Farm Approach

The development of the Whole Farm Approach continued after the full operational release in March 2006, with additional features being added to the Whole Farm Approach website¹⁵³ thereby increasing the benefits the wider programme will deliver.

Factors affecting performance

The strategic outcomes set out in the *Strategy for Sustainable Farming and Food* as measured by progress against a range of headline indicators, will be the ultimate recognition of success in the long term. In the shorter term, success will be measured against achievement of delivery indicators which underpin the strategic outcomes in the *Strategy for Sustainable Farming and Food*.

The degree of challenge is high. It requires a major shift in culture, behaviour and performance throughout a complex delivery chain (including other Government departments, the Government Offices in the regions, the Regional Development Agencies, and the food and farming industries) and in consumer behaviour. Delivery of the outcomes at regional level will be a vital element and effective co-ordination and communications will be essential. Implementation of the Common Agricultural Policy reform – itself a major challenge – will be a vital step in removing the distorting effects of production-linked subsidies and providing a

¹⁵³ <http://www.defra.gov.uk/farm/wholefarm/default.htm>

clearer focus on environmental requirements. Other challenges ahead include roll-out of the new Environmental Stewardship schemes and Whole Farm Appraisal and the impact of the Modernising Rural Delivery Programme on the delivery landscape.

Effective communications with stakeholders, particularly in the farming sector, is essential to raise awareness of the strategies initiatives and achieve behavioural change. The broad strategic approach to communications requires continual reinforcement of the high-level message that changes are needed in terms of business performance, environmental performance and in the social dimension. These messages need to underpin more specific communications, and need to be delivered not only by Defra but also by regional and private sector partners and other delivery agents.

To inform future communications activities, research was carried out to explore the most effective methods of communicating with farmers and to measure farmers' levels of awareness and attitudes towards the desired outcomes of the strategy. The work will be followed by on-going tracking research to measure changes in farmers' levels of knowledge of the key *Strategy for Sustainable Farming and Food* messages.

European Union funding for environmental conservation and rural development

The England Rural Development Programme (ERDP) is a seven-year, £1.6 billion programme, jointly financed by Exchequer and European money, which was launched in October 2000. The ERDP provides the framework for implementing, in England, the EU Rural Development Regulation and also contributes to the delivery of the Government's *Strategy for Sustainable Farming and Food* by helping farmers and foresters to respond better to consumer requirements and become more competitive, diverse, flexible and environmentally responsible. It also provides help to rural businesses and communities which need to adapt and develop.

Defra publishes annually an ERDP report to the European Commission. Defra will publish the 2005 report in the summer of 2006¹⁵⁴.

From January 2007 the current ERDP will be succeeded by a new programme covering the period 2007 to 2013¹⁵⁵.

Priorities for funding under the new programme were put out to public consultation on 27 February. The consultation will run until 22 May and the draft programme is expected to be presented to the European Commission in summer 2006.

Further information on the ERDP can be found at: www.defra.gov.uk/erdp/default.htm

¹⁵⁴ www.defra.gov.uk/erdp/docs/ann_rep.htm

¹⁵⁵ For information on the consultation, see www.defra.gov.uk/erdp/rdp07_13/default.htm

Safeguarding and improving the health and welfare of animals and protecting society from the effects of animal disease

The Animal Health and Welfare Strategy for Great Britain

The *Animal Health and Welfare Strategy for Great Britain* – a 'daughter strategy' to the *Sustainable Food and Farming Strategy* – sets the long-term direction for the work of Government, farmers, vets and others to improve animal health and welfare. Working in partnership is at the heart of the strategy and over the past year Defra has worked with stakeholders to develop new partnerships and to share risk. In line with the principle of partnership, Defra established the independent England Implementation Group in July 2005. The Group is an independent body, set up to oversee delivery of the Strategy in England. It is now working with Government, the livestock and food industries, animal owners, the veterinary profession and others to ensure the strategy's vision and aims are achieved.

The strategy, other associated documents and the latest details of the England Implementation Group can be found on Defra's website¹⁵⁶.

Developing relationships with delivery partners

Defra continues to develop its relationships with key delivery partners. In January 2006 the Chief Veterinary Officer chaired a second meeting with heads of delivery partners to discuss emergency preparedness and priorities for delivery in the area of animal health and welfare. It was agreed that this valuable and informative forum would meet at least once a year.

Following the State Veterinary Service (SVS) becoming an Executive Agency in 2005, Defra has been working closely with the SVS on the development of key performance targets and a two-way flow of information to ensure that delivery issues are fully considered during policy development and that policy outcomes are being achieved. Work to develop this is ongoing.

Defra has also been working closely with the Meat Hygiene Service (MHS) and the Food Standards Agency (FSA) in setting priorities for the MHS based on risk assessment across the wide range of delivery functions they perform on behalf of Defra and the FSA. The Department is strengthening its relationships and improving accountability.

Local authorities continue to deliver services in animal health and welfare against the backdrop of the Framework Agreement between them, Defra and the Welsh Assembly¹⁵⁷. This agreement promotes the use of consistent risk assessment in deciding priorities for delivery. Local enforcement plans are agreed between local authorities and Divisional Veterinary Managers of the SVS.

Arrangements for inspecting and enforcing animal health and welfare regulations involve a number of delivery bodies and there is a need for better co-ordination between them. Defra has started a review of its delivery arrangements in this area, looking at the roles and

¹⁵⁶ <http://www.defra.gov.uk/animalh/ahws/default.htm>

¹⁵⁷ <http://www.defra.gov.uk/animalh/ahws/deliver/index.htm>

responsibilities of the main delivery partners. The review was announced in November as part of Defra's *Farm Regulation and Charging Strategy*. It ties in with and will take account of the Hampton Review on inspection and enforcement, which recommended the creation of an Animal Health Inspectorate. The review is expected to report in June 2006.

The Official Feed and Food Controls Regulation (No. (EC) 822/2004) aims to establish an EU-wide framework for a consistent and harmonised, risk-based, approach to the verification of compliance with regulations – in respect of feed and food law, animal health and welfare rules, with the latter elements principally being Defra's responsibility. This broad approach is consistent with the principles underlying Better Regulation and the Hampton Review on effective inspection and enforcement.

National Scrapie Plan

Public Service Agreement target 9: To improve the health and welfare of kept animals, and protect society from the impact of animal disease through sharing the management of risk with industry including... a reduction of 40 per cent in the prevalence of scrapie infection (from 0.33 per cent to 0.20 per cent) by 2010.

Current status: Not yet assessed. For a short overview of progress see Appendix 2¹⁵⁸.

The National Scrapie Plan (NSP) has been in operation since July 2001. Between 1 April 2005 and 31 December 2005, 13,953 farm visits took place and the blood from over 583,000 animals was tested.

The main aims of the NSP are to protect animal health by reducing and eventually eradicating scrapie and to protect public health from the theoretical risk of Bovine Spongiform Encephalopathy (BSE) in sheep (if present and being masked by scrapie) by increasing the levels of genetic resistance to Transmissible Spongiform Encephalopathies (TSEs) in the national flock. Both aim to make a significant contribution to the five year strategic aim of putting sustainable development into practice by improving the health and welfare of animals.

During 2005-06, the NSP launched the 'Flock Register'¹⁵⁹ which implements EU requirements to introduce a framework to recognise the Transmissible Spongiform Encephalopathy (TSE) resistance of sheep flocks.

A Food and Veterinary Office (FVO) Mission visit took place in October 2005 and approved the action taken to implement the compulsory scrapie flocks scheme.

Plans are well underway to undertake a tender exercise during 2006 for suppliers of genotyping services and electronic ID suppliers.

¹⁵⁸ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

¹⁵⁹ <http://www.defra.gov.uk/animalh/bse/othertses/scrapie/nsp/schemesInitiatives/flock-register.htm>

Since the launch of the NSP, almost 50,000 farm visits have taken place and over 2.1 million animals have been tested to assess their genetic resistance to TSE infection.

Factors affecting performance

Plans to introduce a compulsory ram genotyping scheme in 2006 have been delayed pending further discussion in Brussels for a permanent legal base for EU wide compulsory genotyping schemes.

Reducing the annual incidence of Bovine Spongiform Encephalopathy

Public Service Agreement target 9: To improve the health and welfare of kept animals, and protect society from the impact of animal disease through sharing the management of risk with industry including..... a reduction in the number of cases of Bovine Spongiform Encephalopathy (BSE) detected by both passive and active surveillance to less than 60 in 2006 with the disease being eradicated by 2010.

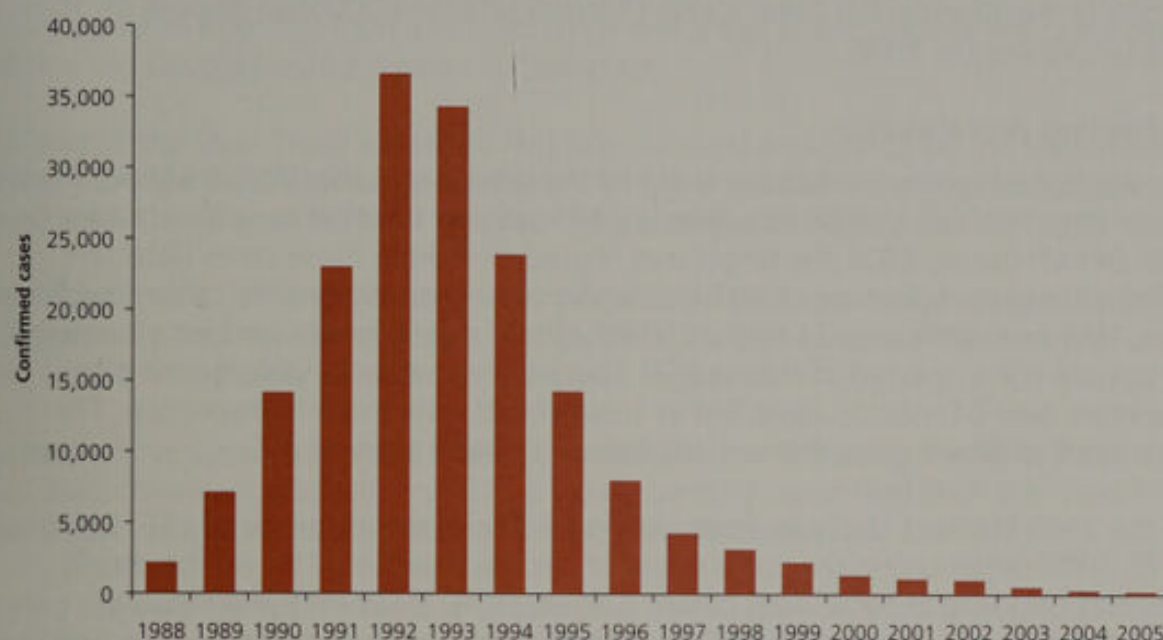
For a short overview of progress see Appendix 2¹⁶⁰.

There has been some slippage in relation to the target. The epidemic continues to show a steady decline but may not reach the 60 case threshold during 2006.

The total number of confirmed cases of BSE in GB detected by scanning (passive) surveillance of clinical suspects fell from 82 in 2004, to 39 in 2005, a reduction of over 52 per cent. A further 164 BSE cases were confirmed in GB from over half a million animals tested in the targeted (active) surveillance programme. This represents a 28 per cent reduction from the 227 cases detected in 2004. The long-term challenge remains to eradicate the disease.

¹⁶⁰ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

Figure 20: Bovine Spongiform Encephalopathy passive and active surveillance cases reported 21 August 1988 to 31 December 2005



Further statistics and information on BSE are available on the Defra website¹⁶¹.

Funding

Figure 21 sets out anticipated expenditure on BSE controls and eradication over the current and next two financial years. The totals include controls relating to the safe disposal of animal by-products, including measures to protect public health and the spread of animal diseases other than just BSE.

Figure 21: Allocated cost of Bovine Spongiform Encephalopathy eradication

Area	2005-06 forecast outturn (£ millions)	2006-07 planned allocation (£ millions)	2007-08 planned allocation (£ millions)
Transmissible Spongiform Encephalopathy (TSE) Directorate ¹⁶²	57.47 ¹⁶³	89.63	88.75
Science Directorate	14.85	13.6	12.5
Over Thirty Months Scheme (OTMS)	223.34	7.68	0.5
Older Cattle Disposal Scheme (OCDS) – forecast outturn	13.00	76.00	63.00

¹⁶¹ <http://www.defra.gov.uk/animalh/bse>

¹⁶² Includes Veterinary Laboratories Agency (VLA) TSE Surveillance contracts, e.g. testing costs and consultancy, which were previously part of the Veterinary Directorate budget and provision of funding for transfer in-year to the Rural Payment Agency (RPA) for TSE testing.

¹⁶³ Includes provision of funding transferred in-year to the Rural Payment Agency (RPA) for TSE testing.

Year-to-year variation in funding is a result of the Over Thirty Month (OTM) rule change in November 2005 and the subsequent replacement of the OTMS with a system of robust BSE testing for all cattle born after August 1996 entering the food chain and the introduction in January 2006 of the time-limited Older Cattle Disposal Scheme (OCDS) to dispose of older cattle born before August 1996.

Factors affecting performance

The target was based on the predictions made by the Veterinary Laboratories Agency model. The previous target only included cases detected by scanning surveillance (clinical cases reported to Defra). During 2004 the target was revised to include those cases detected through Defra's major programme of active surveillance of clinically healthy cattle slaughtered under the OTMS and cattle over 24 months which die on a farm or are sent for emergency slaughter but are not suspected of having BSE. The active surveillance programme also includes animals over 24 months identified as casualties at ante mortem inspection. The programme aims to detect cases that are not showing clinical signs of BSE.

Although the 2005 statistics show an encouraging decline in the incidence of BSE, Defra will not meet its 2006 target unless the current rate of decline improves. This will be mainly affected by the longevity of cattle born before August 1996, in which the estimated prevalence of infection is greatest. The OCDS, a time-limited intervention scheme scheduled to commence in early 2006, will reduce the longevity of these cattle. However, any future increase in targeted surveillance within this group (from the current 10,000 per year) might increase the observed incidence.

There are very few cases in animals born after 31 July 1996 when the UK ban on feeding mammalian meat and bone meal to farmed livestock is considered effective. The main routes of infection for these born after the reinforced ban (BARB) cases are thought to be the persistence of very small quantities of feed produced before August 1996 or very small quantities of infectious material in imported feed ingredients, particularly those imported via other Member States whose feed rules were not tightened until 2001. Continued or increasing numbers of BARB cases could also impact on the achievement of this Public Service Agreement target. The average incubation period for BSE is 5 years and the current incidence is the result of past infection. In July 2005, Defra published an independent review of BARB cases. The review found that the BSE controls in place are soundly based and concluded that elimination of feed borne sources is the key to elimination of BSE.

The National Feed Audit (NFA) monitors and enforces the feed ban. The feed ban is the primary BSE eradication measure. The NFA covers the feed supply chain from production and distribution through to end-use. During 2005, the SVS carried out over 2,000 feed inspections and collected over 12,000 feed samples. None of the livestock feed samples tested contained evidence of prohibited processed animal proteins.

Over Thirty Month rule change and beef exports

On 7 November 2005 the rule which has stopped older cattle from entering the human food chain since March 1996 was replaced with a permanent exclusion of cattle born before 1 August 1996 from the food and feed chain and a BSE testing regime for cattle over thirty months old slaughtered for human consumption.

The end of the Over Thirty Month (OTM) rule followed acceptance by the Government of advice from the Food Standards Agency (FSA) that a robust testing regime had been developed. Cattle born before 1 August 1996 continue to be excluded from the food chain.

The replacement of the OTM rule marks a significant step in the year on year decline in the BSE epidemic and represents a boost for the food industry and beef farmers who will now be able to enter their older cattle into the human food chain.

Abattoirs have been required to meet strict standards endorsed by the FSA. These include a two-day assessment and entering into a legally binding agreement with the Meat Hygiene Service on operational procedures to ensure effective testing.

During the year work continued to ensure that the EU ban on exports of UK cattle and beef was lifted as soon as possible. In March 2005 the European Food Safety Authority confirmed its previous advice that the incidence of BSE in the UK met the criteria for moderate risk status, in line with World Animal Health Organisation (OIE) guidelines. The report following the Food and Veterinary Office inspection of the UK's BSE controls in June was favourable. In particular it noted enhancements in the databases, monitoring of sampling and supervision of BSE epidemio-surveillance demonstrating how many animals are effectively tested. There were no serious criticisms of our BSE surveillance and controls, paving the way towards ending the export ban.

On 8 March 2006 the EU Standing Committee for the Food Chain and Animal Health (SCOFAH) unanimously approved a Commission proposal to allow the UK to export:

- cattle born or reared in the UK on or after 1 August 1996;
- beef and beef products derived from such cattle slaughtered on or after 15 June 2005; and
- beef containing vertebral column, or products derived from vertebral column from cattle slaughtered on or after the date that the EU Regulation enters into force.

Such exports may take place, subject to certain rules, on the same basis as other Member States. At the time of writing we expect the EU Regulation to enter into force on 2 May and exports to be able to resume from 3 May. Cattle born before August 1996 will remain permanently excluded from the domestic market and for export.

The decision to lift the ban was a significant objective for the Department and is a further vindication of controls on BSE and our efforts to eradicate this disease. It has been warmly welcomed by the British beef industry, which can now attempt to regain lost markets with its high quality produce.

Bovine tuberculosis

Public Service Agreement target 9: To improve the health and welfare of kept animals, and protect society from the impact of animal disease through sharing the management of risk with industry including... a reduction in the spread of Bovine tuberculosis to new parishes to below the incremental trend of 17.5 confirmed new incidents per annum by the end of 2008.

Latest available figures indicate progress in line with the target. For a short overview of progress please see Appendix 2¹⁶⁴.

Bovine tuberculosis (TB) is one of the most difficult animal health problems that the farming industry currently faces in Great Britain. Through the *Government strategic framework for the sustainable control of bovine TB in Great Britain* the Department is aiming to work in partnership with stakeholders to bring about a sustainable improvement in control of bovine TB over the next ten years, tailored to reflect regional variation in disease risk and emerging evidence.

At the end of 2005 just over 3 per cent of British herds were under bovine TB restriction due to a bovine TB incident¹⁶⁵. The problem is much worse in the south west and west of England and south west Wales. Nearly 94 per cent of British herds were officially bovine TB-free at the end of 2005¹⁶⁶. The estimated confirmed herd incidence of bovine TB in Great Britain in 2005 was just over 4 per cent¹⁶⁷ and the estimated animal incidence was 0.53 per cent¹⁶⁸. The long-term trend (1986-2004) has been an 18 per cent annual increase in confirmed new herd incidents and a 21 per cent annual increase in the number of bovine TB reactors culled.

Public consultation on badger culling

Statistically significant results obtained from the proactive treatment of the Randomised Badger Culling Trial, combined with other scientific evidence (including the Republic of

¹⁶⁴ Details on how Defra measures performance for each of its 2004 Spending Review Public Service Agreement targets can be found on Defra's website at: <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

¹⁶⁵ GB cattle herds under bovine TB restriction on 31 Dec 2005 because of a bovine TB breakdown (does not include herds under restriction for an overdue tuberculin test).

¹⁶⁶ Per cent of GB cattle herds officially bovine TB-free on 31 Dec 2005 (remainder includes herds under bovine TB restrictions for any reason e.g. an overdue tuberculin test, a bovine TB breakdown, disclosure of inconclusive reactors within 3 years of the conclusion of a confirmed incident, etc).

¹⁶⁷ Confirmed new bovine TB herd breakdowns as a per cent of tests on unrestricted herds tested in GB between 1 Jan – 31 Dec 2005. (Total new bovine TB breakdowns as a per cent of tests on unrestricted herds in the same period = 7.9 per cent).

¹⁶⁸ Tuberculin test reactors as a per cent of all GB cattle tested between 1 Jan – 31 Dec 2005.

Ireland Four Areas Trial), led the Government to conclude that a consultation was needed to help inform the decision on whether to introduce badger culling as a bovine TB control measure in areas of high incidence of cattle TB in England.

The consultation document considered options to stimulate discussion on how a call could be implemented.

Funding

Figure 22: Funding for bovine TB surveillance, control and research 2005-06 to 2007-08

Area	2005-06 Allocation (£ million)	2006-07 Planned allocation (£ million)	2007-08 Planned allocation (£ million)
Cattle Testing ¹⁶⁹	33.4	38.8	38.8
Compensation ¹⁷⁰	45.5	31.1	32.6
Randomised Badger Culling Trial ¹⁷¹	7.2	5.5	3.4
VLA Research ¹⁷²	7.1	7.6	7.6
Other Research ¹⁷³	12.3	12.3	12.3
HQ/Overheads ¹⁷⁴	1.7	1.7	1.7

Bovine tuberculosis surveillance compensation

In 2004-05 the cost of bovine TB compensation in GB was £35 million. In line with the published *Animal Health and Welfare Strategy*, which seeks to find a balance between the burden to the taxpayer and the responsibility of cattle owners to ensure high standards of animal health and welfare, Government consulted on a new table valuation system for bovine TB, brucellosis, Enzootic Bovine Leukosis and BSE in 2004. In 2005 significant enhancements were made to the system following concerns raised by stakeholders during consultation – in particular the proposed number of cattle categories was increased from 29 to 47. The new compensation system for bovine TB, brucellosis and Enzootic Bovine Leukosis, was introduced on 1 February 2006. For BSE the new arrangements were introduced in March 2006. In line with stakeholder wishes, Defra is working to set up a compensation advisory group.

¹⁶⁹ Cattle testing – the cost of carrying out the testing of cattle for TB by arranging, assessing and monitoring tests, conducting investigations of incident herds and diagnostic testing by Local Veterinary Inspectors on behalf of Defra.

¹⁷⁰ Compensation – GB figure, includes payments for 'reactors' and 'contact animals' which are compulsorily slaughtered. This includes 'salvage' money received by the Government for those carcasses which are permitted to go into the food chain or are eligible for Over Thirty Month Scheme payments.

¹⁷¹ Randomised Badger Culling Trial (RBCT) – includes cost of the field trial, analysis, audit, ISG and administration costs. The trial field work finished in 2005-06. Administration costs only from 2006-07.

¹⁷² VLA research – includes all Defra funded work carried out by the Veterinary Laboratories Agency relating to TB in cattle and badgers including the supply of tuberculin.

¹⁷³ Other research – includes all other Defra funded research relating to TB in cattle and badgers.

¹⁷⁴ HQ/overheads – includes staff costs for veterinary advice and administration of TB policy.

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- Defra continued to devote considerable effort to negotiating new and revised export health certificates with other governments. The Department worked closely with UK industry through Export Certification User Groups to help focus on priority export markets where there are real prospects of trade. Key successes were agreeing export health certification for exports of UK pigs to China and Taiwan. Close liaison with overseas governments through British Embassies and High Commissions succeeded in keeping open most poultry export markets despite the threat of import restrictions by importing countries because of global concerns about avian diseases;
- continued progress in tackling the threat of animal disease as a result of illegal imports of products of animal origin (POAO). Our delivery partner HM Revenue and Customs (HMRC) has increased its enforcement capabilities with all 3,500+ HMRC Detection Officers trained to detect and seize POAO. HMRC also has dedicated detection staff (approximately 100 officers) and there is now a 10 meat detector dog programme in operation. New baggage x-ray scanners have been installed at selected major airports. Seizures are now in excess of 25,000 a year. Enforcement is based on risk, including information provided by Defra on the animal health disease situation around the world, such as the risks from new disease outbreaks (including Avian Influenza). HMRC deploy their resources accordingly. Defra and HMRC also continue to increase public awareness of the rules with targeted campaigns both in GB and overseas, including specific material aimed at travellers to countries affected with H5N1 Avian Influenza; and
- on 17 November 2005 Defra announced an evidence based review of its policies that prevent rabies from entering the UK. The main aims of the review are to ensure that UK rabies controls on all rabies-susceptible mammals are proportionate and sustainable, given that their primary purpose is to protect public health, and to inform the UK's response to the European Union (EU) review of certain requirements of EU regulation 998/2003 on the non-commercial movement of pet animals. The review is expected to report in summer 2006.

EU Presidency achievements

Defra successfully reached agreement on a new directive updating Community controls on Avian Influenza at Agriculture Council in December. The new directive, as well as introducing new measures for controlling High Pathogenic Avian Influenza, introduces for the first time controls and surveillance for Low Pathogenic Avian Influenza.

At the informal meeting of Chief Veterinary Officers held in September 2005 in Edinburgh the Presidency held a successful workshop to provide strategic direction to work on the future Community Animal Health Policy, and agreed conclusions which will inform further work by the Commission on developing this policy for 2007-13. This is the first time that this

kind of strategic approach has been adopted in the area of Animal Health and Welfare and will inform community expenditure on disease control from 2007-13 and beyond.

Defra finalised Presidency conclusions on the Transmissible Spongiform Encephalopathies (TSE) Road Map to lay the ground for amendments to TSE legislation (including the linked but non-Presidency work of lifting the UK beef ban). On welfare of meat chickens Defra shaped the proposed revisions to ensure that they will reduce the burden of administration (part of a Presidency better regulation objective). Defra made good progress on identifying the major issues relating to fish health that need to be addressed by revision to current controls.

Defra was busy with negotiations on existing and new veterinary agreements with other countries, with several meetings with Russia during the Presidency. The Department also had a busy time working on resolving sanitary and phytosanitary export related issues.

The Livestock Data Programme

Supporting the *Sustainable Farming and Food Strategy* and the *Animal Health and Welfare Strategy* the Livestock Data Programme will deliver in 2006-07 a new IT system that will bring new ways of reporting information electronically, significantly changing the way cattle, sheep and pigs are tracked in Great Britain.

There has been success this year in completion of a sheep electronic identification (EID) pilot and a project for reporting data by telephone. Defra has worked closely together with IBM and also accepted their recommendation that a system in use in another Member State should form the core of the new Livestock Register (ahead of other options to use the existing internal systems or develop a new system).

To support the move from design to implementation the Department is appointing change champions in all key delivery agents and its governance arrangements support the active participation of the wider Defra family, industry and the devolved administrations.

National Fallen Stock Scheme

The *2005 Departmental Report* described the National Fallen Stock Scheme which had just started in November 2004. The scheme is being run by the National Fallen Stock Company which was set up by Government, in partnership with industry, with the aim of assisting farmers in their compliance with the EU Animal By-Products Regulation by reducing the cost to farmers of disposing of their fallen stock. The scheme has generally been successful, despite some early teething problems and localised collection difficulties during the Spring lambing season, and by the end of 2005 the scheme had attracted some 35,000 members and made over a quarter of a million fallen stock collections. The National Fallen Stock Company continues to work in partnership with Defra, local and national farming organisations and the fallen stock collection industry to provide an improved nationwide service in 2006. At the end of 2005 Defra commissioned an independent review of the scheme, and is expecting a report later in 2006¹⁷⁶.

Looking forward to 2006-07

Defra expects the negotiations to conclude on both meat chicken welfare and fish health during the Austrian Presidency. Further work on the Transmissible Spongiform Encephalopathy (TSE) roadmap will result in agreement to amendments to the current TSE Regulation. At the meeting of Standing Committee on Food Chain and Animal Health on 7 – 8 March, the European Commission supported by Member States voted to lift the embargo exports of UK beef and cattle. The Commission, following reflection on Presidency conclusions on the Animal By-Products Report, are expected to bring forward proposals to amend the Animal By-Products Directive. Work on the new Directive on the Welfare of Meat Chickens should be concluded by Austria and they will also be taking forward the Commission proposal for an Animal Welfare Action Plan for the Community. In late 2006 the Commission should conclude its work on a Community Animal Health Policy, as driven forward by the UK during its Presidency.

A sustainable marine fishing industry

The economic, environmental and social impact of the fishing industry is a key element in the fabric of coastal waters and communities. There are over 11,500 commercial sea fishermen in the UK and a further 18,000 employed in the processing sector. The industry is part of the make-up of many coastal communities and has an important contribution to make to the well being of the marine environment. Fisheries management plays an essential role in

¹⁷⁶ Further information about the scheme can be found at www.nfsco.co.uk

helping to deliver Defra's strategic outcomes and its work is set within the frameworks of Defra's *Five Year Strategy* and the *UK Sustainable Development Strategy*. In conjunction with the Devolved Administrations, the EU and other partners, Defra has responsibilities for:

- conserving fish stocks;
- managing the industry and its impact on commercial stocks as well as on other species, such as fish that are not exploited commercially, cetaceans and sea birds; and
- managing the industry and its impact on habitats.

Fisheries management has an important impact on the marine environment as a whole; other marine issues are covered in Chapter 3 in the protecting the countryside and natural resource protection section.

Whaling policy

The Department formulates and delivers the UK's policy on whaling, including seeking to maintain the International Whaling Commission (IWC) moratorium on commercial whaling.

Salmon and freshwater fish

In addition, Defra has responsibility for the UK's policy on salmon and freshwater fisheries and aquaculture. Domestic issues in these policy areas are devolved. Defra's responsibilities in respect of international negotiations and England therefore include:

- the conservation and enhancement of salmon and freshwater fisheries;
- licensing of keeping and release of non-native fish; and
- control and prevention of diseases of fish.

Funding

Following the restructuring of Fisheries Directorate associated with the creation of the Marine Fisheries Agency from 1 October 2005, the Fisheries programme expenditure (Departmental Expenditure Limit only) for 2005-06 was £21 million with an administration budget of £4 million.

Performance

In June 2005 the four UK Fisheries Departments published *Securing the Benefits*¹⁷⁷ – the joint response to *Net Benefits*, the report in 2004 of the Prime Minister's Strategy Unit on the fishing industry. The response, which sets the framework for future fisheries management in the UK, was the product of collaboration with devolved administrations and stakeholders.

¹⁷⁷ <http://www.defra.gov.uk/fish/sea/pdf/securingbenefits.pdf>

Following this Defra published *Charting a New Course*¹⁷⁸ – a detailed action plan which sets out how Defra will deliver the commitments made in *Securing the Benefits*.

In October 2005, the Marine Fisheries Agency was established, bringing together the Sea Fisheries Inspectorate and other delivery teams to strengthen its ability to provide a professional and effective service.

The Presidency of the EU during the second half of 2005 brought opportunities for the UK to shape further reform of the Common Fisheries Plan (CFP) in the interests of a sustainable fisheries sector and marine environment.

Key achievements in 2005-06

A successful Presidency of the EU led to:

- successful negotiation of quotas for 2006 which respect the need to protect depleted fish stocks whilst providing opportunity to catch more healthy stocks;
- two agreed recovery plans to contribute to sustainable fish stocks;
- the presentation of a Commission Action Plan on simplification of the CFP;
- emerging consensus on the need to make changes to the timetable for annual fisheries negotiations;
- good progress in Council working group discussion on the aquatic animal health dossier;
- improving transparency, traceability and compliance, for example through the introduction of requirements for the registration of buyers and sellers of first sale fish;
- successful completion of the second year of the Fisheries Science Partnership, designed to allow fishers and scientists to develop a joint understanding of the fish stocks and the impact of fishing;
- consultation on increasing the minimum landing size of bass;
- setting up a new mechanism to co-ordinate EU Member State marine fisheries research programmes, including filling gaps in research;
- meeting of the pan UK Committee for Aquaculture Research and Development (CARD) to discuss strategic priorities and commissions for aquaculture and fish health research;
- appointing regional facilitators in Regional Development Agencies to help people in the fishing industry to develop their business;

¹⁷⁸ <http://www.defra.gov.uk/fish/sea/sfp/newcourse.pdf>

- launch of a new quarterly bulletin for stakeholders;
- continuing support to Regional Advisory Councils with a long term aim of promoting the decentralisation of EU fisheries management and policy development;
- maintaining international moratorium on commercial whaling;
- initiating a change programme to deliver improvements to arrangements for quota management;
- maintenance of UK freedom from serious fish diseases; and
- the establishment of the Marine Fisheries Stakeholder Forum (MFSF), consisting of key stakeholders within the fishing industry.

Looking forward to 2006-07

Defra will continue working towards its aim of a fishing sector that is sustainable, profitable and supports strong local communities, managed effectively as an integral part of coherent policies for the marine environment. Key areas of fisheries work will be:

- negotiations of the EU aquatic animal health dossier to help ensure that the high health status of the UK is adequately protected while avoiding the imposition of excessive bureaucracy or cost burdens on Government or industry;
- preparing for the proposed Salmon and Freshwater Fisheries Bill;
- implementing appropriate and effective measures to restore depleted fish stocks and protect vulnerable marine species and habitats;
- improving decision-making under the Common Fisheries Policy (CFP) with better stakeholder engagement and a more regional focus;
- simplifying EU and UK regulations including agreeing an EU change programme;
- submission of the National Strategic Plan and Operational Programme to the European Commission to set out the UK's plans for future fisheries management and using the new European Fisheries Fund;
- developing an integrated approach to the selection of Marine Protected Areas (MPAs) and consider experimental sites to explore multi-purpose MPAs;
- identifying ways of applying Strategic Environmental Assessments (SEAs) to fisheries management policy;
- publishing a response to the Royal Commission's report *Turning the Tide*;

- co-ordinating the international implementation initiatives set out in the High Seas Task Force Report on illegal unregulated and unreported fishing;
- communication during 2006 setting out options on how the EU proposes to meet its commitments on fisheries made at the World Summit on Sustainable Development (WSSD) in 2002; and
- to manage the commission funded ERA-NET 'MariFish, coordination of European marine fisheries research programmes', which aims to help develop better collaboration between the major European funders of fisheries research.

Defra has contingency plans in place to address disruptive events which impact on the Department's responsibilities, such as animal diseases, water supplies and flooding.



Preparing for emergencies

This chapter of the report looks at the steps Defra takes to prepare for emergencies.

Contingency Planning in Defra

Contingency Planning covers two main areas:

- emergency planning to address disruptive events which impact on the Department's policy responsibilities, such as animal diseases, water supplies and flooding; and
- business continuity planning to ensure that the Department would be able to carry out its essential business activities in the face of serious disruption to its staff or infrastructure, such as an influenza pandemic, fire or IT failure.

Contingency Planning in Defra is championed by the Minister of State (Climate Change and the Environment) and overseen by a Contingency Planning Board which is chaired by the Director General (Chief Operating Officer). Chapter 9 of *Defra's Five Year Strategy* commits the Department to reviewing and testing its emergency planning arrangements by 31 March 2007 and a programme of work is in place to address this.

The main areas of Defra's responsibilities for emergencies are identified in the Cabinet Office's Capabilities Programme¹⁷⁹. In all cases the emergency plans have been reviewed recently and have either been tested in real emergencies or exercises, or have exercises planned. Work on business continuity and disaster recovery planning has continued over the past year. Nearly all areas of the core Department are covered by business continuity plans which have been compiled in a common format. Exercises have been carried out to test some of the plans and more are planned. The Management Board takes part in an annual business continuity and disaster recovery exercise.

Flooding from rivers or the sea

Defra is the lead policy Department for flood risk management (see Chapter 3) and the lead Department for flooding emergencies, holding the Lead Department Plan. This provides for communications and co-ordination of the central Government response to flooding from rivers and the sea, in conjunction with the Civil Contingencies Secretariat (CCS) of the Cabinet Office and the Government Offices of the Regions, which act as central Government's representatives on the ground.

In 2005 a new Flood Emergencies Capabilities Programme (FECp) was set up within the overall CCS Capabilities Programme. The aim of the FECp is to steer work on improving preparedness, response and resilience at all levels of government to tackle flooding from

¹⁷⁹ See the UK Resilience website: www.ukresilience.info/index.shtml

various sources such as pluvial or groundwater as well as rivers or the sea. During the period of this Report, there have been extreme floods in June 2005, in the North York Moors. Extensive damage occurred and the emergency service response quickly mobilised.

Water supply incidents

Defra is the lead Department for water incidents and emergencies which have the potential to affect large numbers of people or will last for more than a day. Such incidents are rare. The Department works closely with emergency planning teams in the water companies and elsewhere. During 2005-06, Defra:

- responded to several emergencies including a major water incident in Hexham;
- revised its water emergency response plan; and
- organised and participated in emergency exercises.

Looking forward to 2006-07

During 2006-07 Defra will continue to work with the water industry on water security issues and take part in exercises to test and refine emergency plans.

Food supply

The Food Chain Emergency Liaison Group, set up by the Department to help improve emergency preparedness in the face of major disruptions to food supplies, met five times during 2005-06. With the help of this group, the Department has continued, for example, to encourage industry to carry out vulnerability assessments of its sites, logistical and supply arrangements and to take steps to improve resilience where necessary. The Department has also helped to make targeted specialist advice available in key areas of the food chain. In addition, Defra has encouraged industry to draw up emergency plans to ensure its preparedness to overcome problems when resilience measures fail.

Exotic animal disease preparedness

2006 marks the five year anniversary of the foot-and-mouth (FMD) disease outbreak in the UK, and in light of the evolving global situation and heightened interest of the risk of Avian Influenza, Defra continues to develop policies and operational readiness necessary for controlling and managing an outbreak of exotic animal disease. This work includes:

- putting in place disease control legislation and disease control policies for FMD¹⁸⁰, Highly Pathogenic Avian Influenza¹⁸¹ (HPAI), rabies and other exotic diseases;
- putting in place the scientific modelling and evidence base to assess risk and support disease control policies;
- the development of a national contingency plan for the main exotic diseases which summarises the policies and the structures that would be introduced, and provides the framework for the national and local operational and veterinary instructions¹⁸²;

¹⁸⁰ www.defra.gov.uk/animalh/diseases/fmd/default.htm

¹⁸¹ www.defra.gov.uk/animalh/diseases/notifiable/disease/ai/index.htm

¹⁸² www.defra.gov.uk/footandmouth/pdf/genericcp.pdf

- the strengthening of links at national and local levels with a wide range of stakeholders and operational partners including other government departments particularly in relation to the human health impact of avian influenza; and
- contingency planning exercises at local and national levels, including operational partners and stakeholders.

On the international stage the UK Presidency played a leading role in supporting the Commission on focussing global effort on preparedness for a human influenza pandemic and controlling avian influenza outbreaks. Defra encouraged its international partners to focus on combating avian influenza at source and to use existing key multilateral organisations which lead on this issue (including the World Animal Health Organisation (OIE), World Health Organisation, World Bank, and UN Food and Agriculture Office). Within the EU Defra also developed a Presidency plan to focus on preparedness for human pandemic and avian influenza, and ensure that EU competent authorities for both human and animal health have a clear steer should the risk materialise.

Plant health – maintaining freedom from plant disease

This programme aims to prevent or control serious plant pest and disease outbreaks which threaten agriculture, horticulture and the environment. It also supports trade through certification services.

Work is underpinned by a research programme (worth £800,000) focussed on the development of pest risk assessments and techniques to detect, identify and eradicate pests.

Highlights for 2005-06 included the publication of Defra's *Plant Health Strategy for England*¹⁸³ and the introduction of an enhanced EU checking regime for imports. Action also continued against ongoing disease threats, notably *Phytophthora ramorum*, a pathogen responsible for the death of oak trees in California and a related new pathogen, *Phytophthora kernoviae*.

UK Presidency highlights included production of a Council EU Impact Assessment (in the absence of a Commission Assessment) for a proposal on Potato Cyst Nematodes that helped to embed Better Regulation in the phytosanitary sector. Progress was also made on initiatives to increase EU scientific capacity and co-operation.

A priority for 2006-07 will be establishing new working arrangements in the light of decisions on the future organisation of the Plant Health and Seeds Inspectorate following the Hampton Review recommendations on policy and delivery.

Management of chemical, biological, radiological and nuclear incidents

Defra is the lead department for co-ordinating the consequence management of Chemical, Biological Radiological and Nuclear (CBRN) incidents – events involving the deliberate or accidental release of chemical, biological, radiological or nuclear material.

¹⁸³ www.defra.gov.uk/planth/strategy.htm

During 2005-06, the Department:

- established the Government Decontamination Service on 1 October 2005, more details of which can be found in Chapter 5;
- continued to develop CBRN policy by actively engaging in several cross-Government activities under the Home Office CBRN Programme;
- produced a Defra CBRN Contingency Plan for co-ordinating the Departmental response to a CBRN incident which was tested in exercises and lessons learned incorporated;
- strengthened internal arrangements for sharing information and co-ordination of CBRN policy by expanding membership of the cross-Defra CBRN Network and Defra CBRN Planning Board to ensure all key areas were included;
- produced a Defra CBRN Training and Exercise Strategy to train key Defra personnel;
- participated in cross-Government CBRN exercises such as Exercise Atlantic Blue, where over 70 Defra staff took part;
- continued to develop handbooks to assist with recovery from a CBRN incident; and
- continued to fund and actively contribute to CBRN research programmes.

Looking forward to 2006-07

During 2006-07, the Department will articulate and document its Lead Government Department role for co-ordinating CBRN consequence management which will involve agreeing roles and responsibilities with all key departments and agencies.

The Department will continue its work to enhance the resilience to a CBRN incident by actively participating in the Home Office CBRN Programme and the wider Cabinet Office Capabilities Programme. Whilst contributing to several work streams, the Department will take forward work on reviewing environmental sampling, co-ordinating input from several external organisations, and highlighting gaps in capability.

Nuclear emergency planning and Radioactive Incident Monitoring Network (RIMNET)

Defra is the lead department for co-ordinating the Government response to a nuclear accident overseas. Defra also supports other lead departments in their response to a nuclear incident or accident at a UK civil or military site or one involving radioactive materials in transit. RIMNET was created following the Chernobyl accident in 1986.

During 2005-06, the main achievements were:

- arrangements which ensure that Defra is able to act effectively and efficiently in the event of a nuclear accident or incident were tested on several occasions, mostly under exercise conditions but also for real, non-radioactive events such as the fire at Buncefield oil storage depot;
- Business Continuity Planning to ensure RIMNET availability and resilience was further developed and tested. The RIMNET system has a backup facility available at the Metrological Office, Exeter should the London facility be compromised or physically inaccessible. The RIMNET Team decanted to Exeter to test arrangements for working from a remote location;
- RIMNET 3 system became operational on 19 January 2005 and has remained in service throughout the year and there has been a programme of training to ensure that colleagues in the nuclear emergency response community are familiar with the new system;
- an in-house policy review team undertook a formal review of the extent to which the functions of the RIMNET team needed to be undertaken in Defra or central Government and whether those functions needed to be undertaken at any particular location. The report was completed during December 2005 and recommendations are being considered; and
- International nuclear emergency preparedness arrangements continue to feature heavily in the RIMNET calendar. There were numerous routine communications tests between the UK, European Commission and International Atomic Energy Agency. In May 2006 a workshop will be held in Paris, hosted by the Nuclear Energy Agency (NEA) at which Member States are required to discuss their nuclear emergency response arrangements. In preparation for that, Member States were advised to test their procedures for responding to specific issues at a table top exercise. Planning for such an exercise, to be held in April 2006, is now at an advanced stage.

Looking forward to 2006-07

During 2006-07, the Department will continue its work to enhance the UK's nuclear incident and accident response arrangements by actively participating in exercises at the local and national level. With the exception of the NEA-led exercise in April 2006, all other exercises are determined by bodies outside the Department. Further training in the use of the RIMNET system is already scheduled. The RIMNET Business Continuity Plan will be further developed to ensure maximum resilience. Meetings of the Radioactive Incident Monitoring Coordinating Committee (RIMCC) will continue periodically throughout the year to ensure stakeholder awareness and involvement in the in-house policy consultancy review process.

The Central Science Laboratory headquarters in Sand Hutton, near York.



Defra's Executive Agencies

This chapter reports on Defra's nine Executive Agencies. It outlines their aims and objectives, their funding for 2005-06, their performance against their service standards and targets, their key developments and a forward look to 2006-07.

Three new Executive Agencies were created in 2005-06:

- State Veterinary Service (launched on 1 April 2005);
- Marine Fisheries Agency (launched on 1 October 2005); and
- Government Decontamination Service (launched on 1 October 2005).

These joined the six Executive Agencies already in existence:

- Rural Payments Agency;
- Veterinary Laboratories Agency;
- Central Science Laboratory;
- Centre for Environment, Fisheries and Aquaculture Science;
- Pesticides Safety Directorate; and
- Veterinary Medicines Directorate.

Each of these provides its own unique contribution to achieving Defra's aims and strategic priorities and is therefore integral to the work that Defra does. This chapter provides only a very broad overview of the work of Defra's Executive Agencies. The Annual Reports and accounts for the individual agencies are published in the summer.

Defra has created a user-friendly internet tool to illustrate and provide information relating to the number of diverse delivery partners that help Defra to deliver its strategic priorities. Together these organisations are called the 'delivery landscape'. Many of these bodies are part of the Defra family of bodies that are directly owned or sponsored by Defra; others are partners the Department works closely with¹⁸⁴.

¹⁸⁴ Further detail on 'delivery landscape' can be found on Defra's website:
<http://www.defra.gov.uk/corporate/delivery/landscape/index.htm#1>

Rural Payments Agency

The Rural Payments Agency (RPA) is Defra's largest Executive Agency and a major customer-facing delivery body, providing a range of services in support of the Department's objectives. The key services are making rural payments, carrying out rural inspections, and tracing livestock.

Following the decisions on implementation of the Common Agricultural Policy (CAP) Reform, RPA has focussed on the delivery of the new Single Payment Scheme (SPS) which was introduced in the 2005 scheme year. Delays with implementation of the scheme mean that our aim now is to deliver the SPS 2005 payments to the farming industry as fast as is possible in conformity with EC regulations. A number of process hurdles have been removed to help speed up payments and deliver greater customer focus; this includes streamlining of the way in which claims are processed and paid and the reduction in authorisation checks to speed up the flow of payments. Mid-value claims are being prioritised to release the maximum value of payments to those most in need as quickly as possible.

Funding in 2005-06

Figure 23 sets out the Rural Payments Agency's main funding for 2005-06. This funding comes within Defra's Departmental Expenditure Limit (DEL).

Figure 23: Rural Payments Agency Departmental Expenditure Limit (DEL) resource funding 2005-06

Area	2005-06 (£ million)
RPA running costs	158
Over Thirty Months Scheme (OTMS) and Older Cattle Disposal Scheme (OCDS)	260
Other Scheme Expenditure	168
CAP Reform and Change Programme	57
Depreciation and cost of capital	17

Figure 24: Rural Payments Agency Annually Managed Expenditure (AME) funding 2005-06

	2005-06 (£ million)
TOTAL AME Funding	2,295

The bulk of this expenditure is for CAP payments and is reimbursed to the UK Treasury by the EC.

Performance in 2005-06 against targets

The 2005-08 RPA Business Plan included a number of key business plan targets. Progress against these targets is monitored throughout the year. The business plan targets are presented under the balanced scorecard headings of business process, customer, finance and people.

Figure 25: Rural Payments Agency performance in 2005-06 against targets

Target	Performance
Business Process	SPS claim forms were issued to all known potential claimants by 15 April 2005 and this target has been met.
Customer	RPA commenced SPS payments in February 2006. Payment of valid claims under SPS is the Agency's highest priority. Performance for processing and paying claims on other Pillar 1 schemes meets Ministerial and Commission deadlines. RPA is succeeding in recording births, deaths and movements of cattle on the Cattle Tracing System against its timeliness target. RPA is on course to re-baseline customer satisfaction to take account of its new customer base under SPS, and to deliver the SPS communications strategy.
Finance	Disallowance is expected to be less than 2 per cent in 2005-06, and RPA is also on course for funding operations within 3 per cent of its forecast provided to Defra at the 3rd Quarter Review.
People	RPA's transition to its new Organisational Design has continued over 2005-06. An SPS Training Programme has been delivered to appropriate staff, to ensure that they are equipped with the necessary skills to operate the new processing system.

Key developments

Some key developments in 2005-06 have been:

- first year of SPS requiring the processing of some 120,000 applications and associated issues;
- cross compliance and land eligibility inspections;
- earlier laying of *Annual Report and Accounts* before summer parliamentary recess;
- EU Food and Veterinary Office (FVO) positive report on cattle tracing arrangements;
- new Older Cattle Disposal Scheme introduced to replace Over Thirty Months Scheme;
- established new Defra Investigation Services merging Defra Investigation Branch and Counter Fraud and Compliance Unit (CFCU);
- operated Poultry Register based in Workington; and
- enhanced Customer Service Centre capacity.

Looking forward to 2006-07

Key challenges in 2006-07 are:

- to ensure that SPS 2005 payments are made within the payment window;
- review what further steps can be taken to simplify the SPS payment process both to expedite the 2005 SPS payments and implement lessons learned for 2006;
- processing SPS claims for the 2006 scheme year, when there will be a need to amend the system in light of policy decisions taken on sugar reform, and a possible backlog of work on other schemes arising from the SPS 2005 payments;
- implementing the arrangements under Modernising Rural Delivery and, from 1 January 2007, the new Rural Development Regulation; and
- the core functions and responsibilities of RPA will be reviewed in 2006-07.

Information about RPA and the *Agency's Annual Report with Accounts* can be found at www.rpa.gov.uk.

Veterinary Laboratories Agency

The Veterinary Laboratories Agency (VLA) provides Defra and other Government customers with specialist veterinary research, consultancy, surveillance and laboratory services.

Funding in 2005-06

Figure 26: Estimated Veterinary Laboratories Agency income for 2005-06

Customer	(£ million)
Defra – surveillance and reference laboratories	75.1
Defra – research projects	19.6
Defra – SVS	0.2
Defra – other	0.4
Food Standards Agency	4.3
Other Government	0.6
Commercial	3.8
EU	1.0
Total	105

Final figures will be available in May 2006 and will be published in the *Agency's Annual Report and Accounts*.

Performance in 2005-06 against targets

Figure 27: Veterinary Laboratories Agency performance in 2005-06 against targets

Target	Performance
Financial	
To achieve full cost recovery	On target
Efficiency	
Deliver 2.5 per cent efficiency savings	On target
Service Delivery	
To meet 85 per cent of Research Objectives Assessment Milestone Evaluation (ROAME) research milestones	On target
Meet the baseline (set in 04-05) for deliverables for surveillance contracts	On target
Achieve a score of at least 75 per cent satisfaction in the VLA customer satisfaction survey	Achieved
Quality	
Maintaining current third party certifications and accreditations	On Target
Achieve ISO9001 certification across the whole Agency	Achieved
Safety	
Implement VLA's safety plan	On target

Key developments

Some key developments include:

- playing a key role in the avian influenza (AI) outbreak as international, EU community and national reference laboratory for AI. VLA scientists also played an important role in containing the Newcastle disease outbreak¹⁸⁵ in Surrey during July 2005;
- achieving ISO9001 certification across the entire network of laboratories;
- achieving ISO14001 certification at the Weybridge site;
- opening of a new state of the art science laboratory for work on tuberculosis and high-throughput serology; and
- completion of a new Animal Services headquarters building that received an excellent BREEAM rating (Building Research Establishment's Environmental Assessment Method).

¹⁸⁵ www.defra.gov.uk/animalh/diseases/notifiable/disease/newcastle/newcastled.htm

Looking forward to 2006-07

Key activities and events in 2006-07 include:

- combining Defra's veterinary surveillance strategy and veterinary public health strategy into an overarching strategy for veterinary public health and animal health and welfare;
- working with Defra and the Biotechnology and Biological Sciences Research Council (BBSRC) on the options appraisal study for VLA and the Institute for Animal Health (IAH); and
- extending ISO14001 certification to the network of regional laboratories.

Information about VLA, and the Agency's Annual Report can be found at www.vla.gov.uk.

Central Science Laboratory

The Central Science Laboratory's (CSL) primary aim is to provide Defra with an efficient and competitive service in scientific support, research and advice to meet both statutory and policy objectives and Defra's Public Service Agreement targets. Our work programme is divided between three main areas:

- sustainable agriculture;
- environmental protection; and
- food safety and quality.

Funding in 2005-06

Figure 28: Central Science Laboratory income for 2005-06

Customer	(£ million)
Defra – Research, Development and Support	32
Food Standards Agency	2
Other UK government	2
EU	2
Overseas and commercial	9
Total	47

In 2005-06, CSL's expected total income is £47 million, of which £32 million (68 per cent) is Defra-related, covering both Research and Development and non-Research and Development work for many Defra policy customers, and £15 million (32 per cent) from other sources, including EU, other Government departments (including the Food Standards Agency) and commercial work. Much of the non-Defra income is in the food safety arena, including significant food analysis work for commercial customers.

Performance in 2005-06 against targets

Figure 29: Central Science Laboratory performance in 2005-06 against targets

Target	Performance
Financial and efficiency	
Recovery of full economic costs	On target
Efficiency targets	On target
Implementation of reviews	
Supporting Delivery Strategy Team in taking forward recommendations of the Agency Review	On target
Responding to Science Audit recommendations re CSL's academic profile	On target
Quality and Service Delivery	
Manage the Agency in an effective manner	On target
Delivery of project milestones	On target
Customer satisfaction survey	On target

Key developments

Some key developments have been:

- CSL published a science strategy based on an analysis of Defra's future requirements and also other Government departments and the wider agri-food industry. This strategy identifies the challenges facing CSL and the need to move in new directions and strengthen relationships, as well as the further development of some existing competences;
- CSL, together with five other Public Sector Research Establishments (PSREs), signed a co-operation agreement on 12 July 2005 that will see these laboratories working closer together to increase their effectiveness. Acting in the best interest of the public, the agreement will promote knowledge sharing on topics of strategic and

operational importance, for instance emergency response and disease control. The members of this PSRE partnership, which is known as the Interlab Forum, are:

- Central Science Laboratory (Defra);
 - Centre for Environment, Fisheries and Aquaculture Science (Defra);
 - Defence Science and Technology Laboratory, Ministry of Defence (MoD);
 - Health and Safety Laboratory, Health and Safety Executive/Department for Work and Pensions (HSE/DWP);
 - Health Protection Agency, Department of Health (DH); and
 - Veterinary Laboratories Agency (Defra).
- CSL demonstrated its commitment to sustainable development with publication of its Sustainable Development Action Plan. The plan brings together actions relating to policies, operations and people – ensuring that sustainable development is considered in the way the organisation works; and
 - CSL is working alongside partners in six twinning¹⁸⁶ projects focussing on phytosanitary controls and food safety. CSL is mandated by Defra to represent its interests in this EU-funded Twinning Programme. The programme is designed to assist accession states and candidate countries develop modern and efficient administrations. CSL experts are working with the beneficiary states for a period of at least a year to build capacity in defined areas.

Looking forward to 2006-07

During 2006-07:

- Defra's Agency sustainability review of CSL (and Defra's other Laboratory Agencies) is ongoing. The information gathered will provide the basis for a strategy for Defra's Laboratory Agencies, with a view to developing appropriate contractual arrangements by 2008;
- as part of CSL's continuous improvement strategy CSL will achieve ISO9001 accreditation for its operational systems; and
- during September 2006 CSL will undergo a further Science Audit which will review the quality, balance, scope and appropriateness of CSL's scientific programmes.

Further information about CSL, and the Agency's *Annual Report and Accounts*, can be found at www.csl.gov.uk.

¹⁸⁶ <http://www.defra.gov.uk/farm/international/euint/help.htm>

Centre for Environment, Fisheries and Aquaculture Science

The Centre for Environment, Fisheries and Aquaculture Science (CEFAS) provides scientific services for Government objectives that involve:

- conserving and enhancing the aquatic environment;
- promoting rational management of its natural resources; and
- protecting the public from aquatic contaminants.

In 2005-06, about 78 per cent of CEFAS's income was derived from work on behalf of Defra and a further 13 per cent from other public bodies in the UK, such as the Food Standards Agency. The remainder was obtained from research and consultancy for the EU (5 per cent) and a variety of other organisations in the UK and overseas (4 per cent).

Funding in 2005-06

Figure 30: Centre for Environment, Fisheries and Aquaculture Science income for 2005-06

Area	(£ million)
Defra – research and scientific services, total	32.5
Food Standards Agency	2.9
Other UK government	2.6
European Union	1.9
Overseas and commercial	1.7
Total	41.6

Performance in 2005-06 against targets

The Agency is on track to meet all of its performance targets for the year, some of which will not be capable of evaluation until after the year-end. Formal performance data will be published in the Agency's *Annual Report and Accounts* in summer 2006.

Figure 31: Centre for Environment, Fisheries and Aquaculture Science performance in 2005-06 against targets

Target	Performance (at January 06)
Fulfil commitments on time, within budget and to agreed standards of quality; overall delivery of R and D milestones to exceed 90 per cent.	On target
Provide a high standard of services to the satisfaction of customers; increase the Customer Satisfaction Survey overall score to 82 per cent.	On target
Enhance scientific capability and reputation; achieve high standard of excellence based on indicators of scientific and technical quality and the overall score to exceed 75 per cent.	On target
Recover the full cost of CSL's services and invest for the future; 100 per cent cost recovery.	On target
Operate with simple, reliable and effective processes; achieve agreed Gershon Efficiency Plan savings.	On target
Respect and help the agency's people to develop; increase the Annual Staff Survey satisfaction score to 63 per cent.	On target

Key developments in 2005-06

There were a number of key developments in 2005-06:

- revised management structures in support of new CEFAS Science Strategy;
- successful outcome of Quinquennial Science Audit;
- an increase of £3 million (27 per cent) in competitively-won income;
- delivering Gershon efficiency savings;
- enhancement of disaster recovery capability;
- ISO14001 implementation; and
- e-procurement implementation.

Looking forward to 2006-07

Key developments during 2006-07 will be:

- response to Defra's Laboratory Strategy Plan;
- further efficiency savings including plans for estate rationalisation and electronic record management;
- enhanced quality management accreditation; and
- implementing actions arising from the Quinquennial Science Audit.

Information about CEFAS, and the Agency's *Annual Report and Accounts* can be found at www.cefas.co.uk.

Pesticides Safety Directorate

The Pesticide Safety Directorate (PSD) aims are:

- to ensure the safe use of pesticides and detergents for people and the environment;
- to harmonise pesticide regulation and crop protection within Europe; and
- as part of the strategy for sustainable food and farming, to reduce negative impacts of pesticides on the environment.

PSD will meet these aims using a range of methods including advice and guidance, voluntary agreements and regulation.

PSD is responsible for:

- providing controls on pesticides used in agriculture, horticulture and in the garden;
- monitoring the use of pesticides and take enforcement action against illegal use;
- providing policy advice to Ministers and take the lead on pesticide and detergent issues for Defra;
- supporting the UK and EU reviews of the safety of pesticides and detergents;
- working to standardise pesticide regulation within Europe; and
- co-ordinating a programme of research and development to complement the approvals system and support its policy objectives.

PSD's responsibilities link directly to Defra's strategic priorities on sustainable farming and food, sustainable consumption and production, natural resource protection and better regulation.

Funding in 2005-06

In 2005-06, about 54 per cent of PSD's costs were met by industry, through a system of application fees and the annual levy on the UK sales of pesticides, with the remainder funded by Defra plus a small income stream for EU funded work largely under twinning contracts¹⁸⁷.

¹⁸⁷ Note: these figures have not yet been audited – audited figures will appear in the Agency's *Annual Report and Accounts* in summer 2006.

Figure 32: Pesticides Safety Directorate funding for 2005-06

Area	(£ million)
Fees	3.6
Levy	3.9
Defra	5.8
European Union	0.6
Total	13.9

During 2005-06 there has been a modest shift back in funding from fee paid work to levy funded activity. This broad balance of funding is expected to largely continue in 2006-07. It is also anticipated that fee income will reduce in 2006-07 as the European review programme moves to completion.

Performance in 2005-06 against objectives

PSD is on track to meet all of its 2005-06 objectives, with the exception of two policy targets where progress is dependent on external bodies. Some objectives will not be capable of evaluation until after the year end. Formal performance data will be published in the Agency's *Annual Report and Accounts* in summer 2006.

Figure 33: Pesticides Safety Directorate performance in 2005-06 against targets¹⁸⁸

Target	Performance
To deliver high quality scientific work to underpin the safe use of pesticides for people and the environment.	On target
To complete pesticide approval applications to time (90 per cent within published processing times) and to cost (published fees and charges).	On target
To take forward a national strategy for the sustainable use of plant protection products.	On target
Increase information to the public on pesticide treatments carried out.	In progress, subject to follow up of Royal Commission on Environmental Pollution (RCEP) report.
To secure UK's interests in negotiations on the revision of Council Directive 91/414/EEC, the formulation of a thematic strategy on the sustainable use of pesticides and the development of the new Maximum Residue Levels (MRLs) Regulation.	Proposals from Commission not now expected until June 2006. UK views fed into Commission.
To deliver EU funded projects to the satisfaction of the European Commission and the Twinning/ Partners' contract, strengthening our links with new Member States and those planning to accede to the European Union.	On target
Carry out annual surveillance programme, monitoring the UK food supply for pesticide residues to make sure it is safe and pesticides are being used properly.	On target
Report number of incidents and follow up action taken, including enforcement and prosecution cases.	On target
Increase public awareness on safe use and regulation of pesticides by improving clarity and reducing jargon in public communicating and by engaging with stakeholders.	On target
To recover the full economic cost (as calculated according to resource accounting principles) of our services from industry and Defra.	On target
Savings of 3 per cent to be achieved against Defra funding and to maintain fees at 2004-05 levels.	On target

Information about PSD, the Agency's *Annual Report and Accounts* and its performance in 2005-06 against targets can be found at www.pesticides.gov.uk.

¹⁸⁸ To reflect the range of work undertaken by PSD under each of its six key objectives and to reduce the number of high-level targets against which it was measured, PSD's targets for 2005-06 mirror its key objectives.

Key developments in 2005-06

These include:

- PSD has become the UK competent authority for detergents;
- PSD is leading a Defra-wide Pesticides Policy Network, providing a clear and joined-up Departmental focus for pesticide issues;
- following completion of PSD's Customer Satisfaction Survey, a new Stakeholder Visit Scheme has been launched to improve staff understanding of stakeholders' business;
- the Agency maintained its Investors in People status;
- launched a new-look website, incorporating better public interest areas and more documents in plain English;
- as well as having a Small Business Champion to guide Small and Medium Enterprises through the approvals process, the Agency is also examining ways to streamline the approval of alternative pest and disease control measures through a pilot scheme;
- PSD's electronic records management system has been successfully introduced across the Agency; and
- PSD has prepared and published a Sustainable Development Action Plan.

Looking forward to 2006-07

PSD's current aims and objectives drive how it plans its business and allocates resources, how it develops its policies and how it measures and reviews its performance and manages risks. Key challenges and the objectives they relate to are as follows:

- The future of PSD: The Agency will take forward any business changes arising from the Hampton Review;
- Changing business: the nature of PSD's evaluation work is undergoing further change. As the Community review programme for pesticides reaches completion and subsequent re-registration workloads increase, the requirements for specialist input will shift. Effective procedures will need to be in place to ensure that PSD has the correct balance of specialist staff;
- PSD will work to ensure increased harmonisation and pursue work sharing opportunities both globally and at an EC level. PSD will ensure that staff have appropriate skills and the expertise to deliver sound scientific decisions;

- Changing policy: with the planned development of new EC legislation and the action plans under the *National Pesticides Strategy* it remains essential to work closely with all stakeholders; and
- Financial: from 2004-05, PSD has operated on a Net Running Cost Control basis. This change in the Agency's funding status means that it can continue to carry out its core business effectively, and maintain a reputational lead in Europe, without the restriction of fixed budget constraints.

Veterinary Medicines Directorate

The vision of the Veterinary Medicines Directorate (VMD) is the responsible, safe and effective use of veterinary medicinal products. In working towards achieving this vision the VMD aims to protect public health, animal health, the environment and promote animal welfare by assuring the safety, quality and efficacy of veterinary medicines. The VMD is an outward facing organisation with a strong focus on the needs of its customers and stakeholders.

Veterinary medicines also play a key role in delivering the aims of Defra's *Animal Health and Welfare Strategy*.

Funding in 2005-06

In 2005-06, around 70 per cent of VMD's costs were met by industry with the remaining 30 per cent being funded by Defra, and this balance of external to internal funding is expected to continue in 2006-07. The VMD also received reimbursement for assessment work performed on behalf of the European Medicines Evaluation Agency. Overall cost recovery for 2005-06 is expected to be 99.5 per cent (within tolerance).

Figure 34: Veterinary Medicines Directorate funding for 2005-06

Area	(£ million)
Fees from industry	9.0
Defra	3.9
Total	12.9

Performance in 2005-06 against targets

The VMD is on track to meet all of its outcome based objectives and performance targets for the year, some of which will not be capable of evaluation until after the year-end. Formal performance data will be published in the Agency's *Annual Report and Accounts* in July 2006.

Figure 35: Veterinary Medicines Directorate performance in 2005-06 against targets

Target	Performance (at March 2006)
Authorise veterinary medicines efficiently, using good science, thus ensuring their safety, quality and efficacy.	On target
Ensure the field-use of veterinary medicines is safe and effective principally through monitoring the use of best practice through pharmacovigilance.	On target
Ensure the safe use of veterinary medicines authorised in the UK through surveillance of residues and follow-up action where misuse is detected.	On target
Develop policy to ensure that veterinary medicines can be used effectively and safely, offering protection to human health, animal health and welfare and the environment.	On target
Seek to encourage the proper use of veterinary medicines and actively discourage improper use.	On target
Develop the VMD to ensure it is fit for purpose and its vision, aim and objectives are contributing to Defra's Public Service Agreement target 9 as well as its overall vision and values.	On target

Key developments in 2005-06

Key developments during 2005-06 included:

- the Veterinary Medicines Regulations 2005 came into force on 30 October 2005. They transpose into UK law the amended EU provisions from 2001 and recommendations from the Marsh and Competition Reports. Following a Better Regulation Review, the Regulations revoke or dis-apply UK legislation on veterinary medicines made under the Medicines Act 1968. The Regulations have been written in plain English and attempt to provide a single set of legislation on veterinary medicines;
- following implementation of the Freedom of Information legislation on 1 January 2005 VMD has dealt with 43 requests within existing resources;
- continued integration of programme and project management best practice to improve delivery across the VMD. This continues to deliver benefits, improvements to business planning and has led to the better allocation of resources to priorities;
- accreditation under BS7799 Security Standard for the provision of IT systems and services; and
- accreditation under the Investors in People Recruitment and Selection Model.

Looking forward to 2006-07

The key challenges to the VMD throughout the period 2006-07 and its plans for meeting them have been outlined in the VMD's Business Plan, which is available on the VMD's

website¹⁸⁹. The business plan sets out the strategy for the VMD over a three-year period, which is taken forward and delivered by a series of projects directed towards continuously improving the VMD's efficiency and effectiveness.

VMD's key drivers for the future will be:

- the economic state of the veterinary pharmaceutical industry and its effect on the volume of licensing work the VMD receives;
- the outcome of the public consultation on the new veterinary medicines legislation;
- the outcome of the consultation on the recommendations contained in the HM Treasury Report entitled *Reducing Administrative Burdens: Effective Inspections and Enforcement* which could have far reaching implications for the future organisation and structure of the VMD; and
- the development of a European Network of medicine regulatory authorities and the continuing expansion of the European Union.

State Veterinary Service

The State Veterinary Service (SVS) helps to deliver a sustainable food and farming sector, protects the health and welfare of farmed animals, and minimises the impact of animal health issues on public health. SVS works closely alongside partners and other stakeholders, to build and maintain a robust, competitive and humane livestock farming sector, as free as possible from diseases which threaten the viability of the sector and cause suffering to animals.

Further information regarding SVS objectives and organisational structure can be found at www.svs.gov.uk.

Funding in 2005-06

Figure 36: State Veterinary Service expenditure in 2005-06

Resource DEL	(£ million)
Staff costs	50.5
Local Veterinary Inspector costs	26.5
Other (inc. IT expenditure)	11.8
Total Resource DEL Forecast	88.8
Capital DEL	2.6

¹⁸⁹ <http://www.vmd.gov.uk/>

Performance in 2005-06 against targets

Figure 37 shows the un-audited position as of January 2006. At this point data collection systems were in place to support performance evaluation against the majority of key operational targets, with a small number still under development. Formal performance data will be published in the Agency's *Annual Report* in the summer of 2006.

Figure 37: State Veterinary Service Performance in 2005-06 against targets

SVS Key Targets 2005-06 ¹⁹⁰	Performance
Implementation of the <i>Animal Health and Welfare Strategy for Great Britain</i>	
To agree working arrangements or agreements with the Government Offices for the Regions, HM Revenue and Customs and the Royal Society for the Prevention of Cruelty to Animals by 31 March 2006.	<i>Good progress made.</i> All Animal Health Divisional Offices (AHDO) are working with Government Offices (GOs) on emergency preparedness and a Memorandum of Understanding with the RSPCA is in preparation.
Implementing specific animal health policies, including public health	
Targets agreed for Scrapie, Bovine Spongiform Encephalopathy and Bovine Tuberculosis (TB).	Most are on track or within 20 per cent of the target level ¹⁹¹ . Some require further work to develop and validate appropriate metrics.
Emergency preparedness	
To determine and publish an annual plan for exercises led by the SVS including preparation for an Avian Influenza exercise in 2006.	<i>On track:</i> Plans for AHDO major exercises in 2006-07 were agreed by SVS National Contingency Planning Group. Preliminary stages of a National Avian Influenza Exercise were completed early in 2006.
To agree a definition of readiness and to work towards reducing the extent of variation between AHDOs.	<i>On track:</i> A readiness model has been developed and all AHDOs will be assessed against it between November 2005 and early summer 2006.
Animal welfare	
Targets in place for the time taken to intervene in and resolve welfare cases.	An action plan has been established to resolve apparent anomalies in performance data collected in respect of these targets.
Facilitating international trade	
To issue at least 95 per cent of export health certificates within the timeframes agreed.	<i>On target.</i>
Customer satisfaction	
To develop a measure of customer satisfaction and establish baseline levels by March 2006.	A proposed SVS customer survey was not undertaken in 2005-06. Instead the agency has produced a booklet setting out service standards and customer complaints procedures, which was published in March.

¹⁹⁰ These targets are derived from Defra's Public Service Agreement targets and the *Animal Health and Welfare Strategy for Great Britain* – see SVS Corporate Plan 2005-2008 and the SVS Business Plan for the interim period 2005-2006.

¹⁹¹ Performance has been affected by the need to deal with an outbreak of Newcastle Disease and the consequences of the developing Avian Influenza situation in Europe.

Figure 37: State Veterinary Service Performance in 2005-06 against targets (continued)

SVS Key Targets 2005-06	Performance
Effectiveness	
To measure the organisation using the Balanced Scorecard establishing baseline levels for future improvement by March 2006.	The SVS Ownership Board agreed that the Balanced Scorecard would not be adopted in this business year. Instead the organisation has focussed on defining base measures and establishing its performance measurement systems.
Efficiency	
To agree the 2004 Spending Review profile of the organisation's Gershon efficiency savings and prepare for their implementation.	On target. Provisional efficiency saving targets have been agreed with the Efficiency Programme Board. These targets will be confirmed following the completion of year-end accounts.

Key developments in 2005-06

In accordance with Defra's Delivery Strategy, SVS was created an Executive Agency on 1 April 2005.

The first year of agency status has seen a restructuring of the organisation to align with Government Office regions, with the aim of improving strategic co-ordination with other delivery partners operating within these regions. Restructuring has also seen the development of a Corporate Centre, based largely at the agency's headquarters in Worcester.

Agency status has also enabled SVS to focus on developing its delivery capabilities to the full, and this has initially meant focussing on enhancing operational management systems, embedding the new management structures, improving performance reporting and developing relationships with stakeholders.

During this period SVS successfully managed two incidents of exotic disease; an outbreak of Newcastle disease during July 2005, and the discovery of a case of highly pathogenic H5N1 avian influenza in a quarantine premises in November 2005. Since then the agency has been actively involved in strengthening arrangements aimed at preventing, or managing, an outbreak of avian influenza in Great Britain.

Looking forward to 2006-07

During 2006-07 SVS will continue to review, develop and implement its business systems and processes and, alongside resource modelling activities, its preferred business model. In particular work will go forward on the Business Review Programme which will enable improvements to be made in performance measurement and reporting.

In addition, during this period, SVS will assume lead agency responsibilities for implementing the recommendations of the Hampton Review on animal health.

Marine Fisheries Agency

The Marine Fisheries Agency (MFA) was established as an Executive Agency of Defra on 1 October 2005. The Agency's work includes the delivery of services such as inspections and enforcement, marine environmental work, vessel licensing, quota management, grants and statistics. Further details can be found on its website at: <http://www.mfa.gov.uk>

The Agency's vision is:

A trusted manager of sea fisheries and the marine environment recognised for our fairness and valued for our professionalism, expertise and high standards.

Objectives for 2005-06:

- to be a key partner in the management of marine fisheries;
- to enforce fisheries regulations professionally, consistently and fairly;
- to contribute to the sustainable use of the marine environment;
- to provide specialist information and advice that facilitates the development of effective policy and helps customers to abide by it; and
- to promote an open, diverse and fair culture in which staff are encouraged to reach their full potential.

Funding in 2005-06

Figure 38: Marine Fisheries Agency funding for 2005-06

Area	(£ million)
Running costs	6.4
Surface Surveillance	5.9
Aerial Surveillance	2.4
Satellite Monitoring	0.8
IT Project and system management	1.0
Structural grants under Financial Instrument for Fisheries Guidance	5.0
Total	21.5

The MFA also co-ordinates claims by Defra, Ministry of Defence, Scottish Fisheries Protection

Agency, Department for Agriculture and Rural Development in Northern Ireland, and UK Sea Fisheries Committees on the European Commission's fund for EC Aid. This fund provides support for certain forms of investment in public authorities' capability to enforce EU Fisheries Regulations. EC aid of £5.99 million receivable by Defra in support of an estimated £46 million spent on relevant projects in 2005 is treated as 'non-budget' income. Of this £588,000 relates to Defra projects and is surrendered to the Consolidated Fund, the remainder is to be disbursed to the other delivery bodies and scores as non-budget expenditure by MFA.

Figure 39: Marine Fisheries Agency Performance in 2005-06 against targets

Target	Performance
Enforcement of sea fisheries.	On target
Legislation and implementation of EU marketing regime.	On target
UK vessel licensing and economic links.	On target
Management of UK fleet capacity.	On target
Management of UK fisheries quotas.	Assessment of uptake of UK quotas by 1 March achieved.
Biological sampling.	Target was to achieve 90 per cent sampling subject to availability of samples. 70 per cent achieved. Shortfall due to non-availability of species, largely caused by reduced fishing activity.
Marine environment and fisheries interference.	On target
Fishing Industry grants and UK state aids.	On target
Data Collection Regulation (EC) 1543/2000.	On target
Management, recording and provision of data on fishing activities and catches.	On target

Key developments in 2005-06:

Some key developments have been:

- establishment of regular local meetings with the fishing industry and other stakeholders;
- launch of MFA intranet and internet sites;
- changes to the arrangements for issue of fishing vessel licences;
- re-launch of fisheries structural grant scheme;
- new agreements reached on co-operation on enforcement with other Member States; and
- implementation of new UK-wide data systems.

Looking forward to 2006-07

Some key challenges are:

- implement enhanced IT systems for cross-checking key management data;
- introduce web-based system to provide industry access to information on fishing quota up-take;
- implement customer satisfaction survey;
- fully embed new enhanced risk-based approaches to fisheries and marketing inspections; and
- introduction of a new European Fisheries Fund.

Government Decontamination Service

The Secretary of State established the Government Decontamination Service (GDS) as an executive agency of Defra on 1 October 2005, following the work over the previous 18 months of a project team housed within Climate, Energy and Environmental Risks Directorate. The project team worked very closely with a number of other Government departments in setting up the GDS within the Home Office's CBRN Resilience Programme, and provides its services for the UK as a whole.

The purpose of the GDS is to increase the nation's resilience to the consequences of terrorist, or major accidental incidents, involving the release of chemical, biological or radiological (CBR) materials. The service is to be the United Kingdom's national centre providing access to expertise on dealing with the decontamination of the environment following such incidents.

Funding

Funding for 2005-06 is expected to total £5.525 million. Of this, the GDS expects to spend £2.525 million in 2005-06, and aims to use surplus funds in 2006-07 (with additional sponsor funds) to cover the costs in that year.

Key developments in 2005-06

Some key developments include:

- GDS was launched as an executive agency of Defra on 1 October 2005, on time and within budget;
- GDS successfully completed its framework of decontamination contractors, which represents a major strengthening of the UK's ability to recover from a CBR event; and
- protracted negotiations delayed possession and refurbishment of permanent accommodation, and consequently recruitment of permanent staff.

Looking forward to 2006-07

Some key challenges will be:

- bringing GDS up to full complement and completing the training programme;
- embedding GDS in regional and local response and recovery plans throughout UK;
- strengthening links with the Environment Agency, Health Protection Agency, and other key partners;
- strengthening decontamination capability through research and development; and
- strengthening specialist supplier capability.

Defra aims to reduce the probability of flooding from rivers and the sea through the management of land, river systems, and flood and coastal defences.



Working with others: Defra's delivery partners

This chapter reports in turn on some of Defra's larger delivery partners including:

- the Forestry Commission;
- the Environment Agency;
- the Countryside Agency;
- English Nature;
- British Waterways; and
- the Rural Development Service.

Details of Defra's other public bodies (including executive Non-Departmental Public Bodies (NDPBs) and public corporations) and a listing of Defra's advisory and tribunal NDPBs can be found on Defra's website¹⁹².

Defra sponsors over 50 executive and advisory NDPBs, tribunals and public corporations and is responsible for approximately 600 appointments to those bodies. Chairs and members are typically appointed for 2 or 3 year terms and Ministers have the option of re-appointing them for a further term (and for smaller bodies, additional terms after that) if appropriate. Further information on Defra public appointments, including a full list of the appointees, along with the start and expiry date of their current terms and the remuneration they receive is available on Defra's website¹⁹³.

Defra has created a user-friendly internet tool to illustrate and provide information relating to the number of diverse delivery partners that help Defra to deliver its strategic priorities. Many of these bodies are part of the Defra family of bodies that are directly owned or sponsored by Defra; others are partners the Department works closely with¹⁹⁴.

Forestry Commission

The Forestry Commission (FC) is the Government department which, throughout Great Britain, delivers sustainable development through woodlands and forestry. Across Great Britain it is responsible for international policy, research and setting standards for and monitoring sustainable forestry. In England it leads the implementation of the Government's *England Forestry Strategy* (EFS) through the public forest estate and the private sector.

¹⁹² www.defra.gov.uk/corporate/delivery/agents/index.htm

¹⁹³ www.defra.gov.uk/corporate/delivery/guidance/general/index.htm

¹⁹⁴ Further detail on the 'delivery landscape' can be found on Defra's website:
<http://www.defra.gov.uk/corporate/delivery/landscape/index.htm#1>

Figure 40 shows which of the FC's programmes contribute to Defra's Strategic Priorities and Public Service Agreement targets (see Chapters 2 and 3 for more information).

Figure 40: How the Forestry Commission contributes to Defra's Strategic Priorities and Public Service Agreement targets

FC programmes	Defra Strategic Priorities					Defra Public Service Agreement Targets				
	1	2	3	4	5	1	2	3	4	5
Sustainability (GB and England)	✓	✓	✓	–	C	✓	✓	✓	–	C
EFS Programmes	✓	✓	✓	✓	C	✓	✓	✓	✓	–

Notes:

1= Climate Change and Energy

2= Sustainable Consumption and Production

3= Protecting the Countryside and Natural Resource Protection

4= Sustainable Rural Communities

5= Sustainable Farming and Food (including Animal Health and Welfare)

C= activity for forestry complementary to that for agriculture

FC also contributes to the Public Service Agreement targets for Department for Culture, Media and Sport (DCMS), Department for Education and Skills (DfES), Department of Health (DH), Home Office (HO) and the Office of the Deputy Prime Minister (ODPM).

Achievements in Great Britain in 2005-06

The FC:

- published an updated UK Forestry Standard; and
- published a UK science and innovation strategy.

What the Forestry Commission aims to do in Great Britain in 2006-07

The FC aims to:

- prepare a Strategic Sustainability Action Plan;
- update guidance in support of the UK Forestry Standard;
- progress a Regulatory Reform Order amending the Forestry Act, to allow Commissioners to deliver the Government's forestry objectives;
- co-ordinate the UK's contribution to the EU's Forest Action Plan and to the next Ministerial Conference on the Protection of Forests in Europe;
- work with World Conservation Union and the World Wildlife Fund to promote forest landscape restoration; and
- implement the 2005 *Science and Innovation Strategy* for British Forestry.

Achievements in England in 2005-06

The FC:

- entered into agreements with Defra on FC's role in delivering the Government's *Rural Strategy* and Natural England partners and the Environment Agency to support progressive alignment with these bodies;
- introduced the English Woodland Grant Scheme (EWGS) and started the process to align it with the new Environmental Land Management Fund;
- published the *Forest Industry Sector Baseline Mapping Study for England*;
- piloted a forestry harvesting, processing and marketing grant;
- brought 1.4 million cubic metres of certified timber to the market;
- became Government lead sponsor for the 12 Community Forests;
- helped expand the role of woodlands in the Sustainable Communities Plan in the North West of England, in the former South Yorkshire and Nottinghamshire coalfields and Thames Gateway;
- delivered over 1,000 events in the Active Woods campaign;
- took on responsibility as the relevant authority for dedicating woodlands for access and completed dedication of the freehold public forest estate;
- with Defra published *Keepers of Time*, policy and guidance on the management of ancient and native woodlands; and
- brought 79 per cent of woodlands related Sites of Special Scientific Interest (SSSIs) into favourable or recovering condition.

What the Forestry Commission aims to do in England in 2006-07

In 2006-07 the FC aims to:

- contribute to the completion and introduction of the new England Rural Development Programme 2007-13;
- with Natural England, develop a framework for aligning FC's work to improve the effectiveness of rural delivery;
- support Defra in the revision of the EFS and with Natural England develop a joint implementation plan;
- complete the introduction of GLADE (on-line grants management) and work with Defra and Natural England to align the delivery of woodland grants within the new Environmental Land Management Fund;
- work with the England Forestry Industry Partnership on priorities in the light of the Industry Mapping Study;

- work with ODPM to help deliver the Sustainable Communities Plan in the North West, the former Coalfield Area and the Thames Gateway;
- support the 12 Community Forests to prepare and implement succession strategies to guide their work after 2007;
- help woodland owners to provide and manage access and recreation facilities;
- develop the role of woodlands in Defra's Diversity Action Plan;
- conclude a Public Private Partnership to develop the FC's forest holidays business;
- introduce a strategy to increase the woodfuel contribution to renewable energy;
- implement policy on ancient and native woodlands; and
- with Defra, publish a policy for restoring priority open habitats from woodlands.

How FC spends its money

The FC receives Parliamentary funding as part of the settlement received by the Secretary of State.

Figure 41: The Forestry Commission funding and expenditure

£ millions	2004-05 Forecast	2005-06 Plan	2006-07 Plan
Source of Funds			
Funding provided by Parliament	71.3	82.7	83.9
EU co-financing of Woodland Grants	4.9	4.0	5.8
Forestry Commission receipts	–	2.6	0.5
Forest Enterprise receipts	42.5	43.6	46.6
Total funding	118.7	132.9	136.8
Use of Funds			
England Activities			
– policy, regulation and grants	31.9	32.3	33.3
– public forest estate	71.2	82.4	85.3
Expenditure – England activities	103.1	114.7	118.6
Expenditure – GB activities	15.6	18.2	18.2
Total Expenditure	118.7	132.9	136.8

Further reports and more information can be found at www.forestry.gov.uk

Environment Agency

The Environment Agency is the leading public body protecting and improving the environment in England and Wales. The Agency's job is to ensure the protection and enhancement of the environment and achieve a better quality of life, now and for generations to come.

The Environment Agency's work includes preventing flooding and pollution incidents, reducing industry's impacts on the environment, cleaning up rivers, coastal waters and managing water resources, contaminated land, improving wildlife habitats, improving and enhancing inland waterways and public access to them, and ensuring sustainable inland fisheries.

Funding 2005-06

The Environment Agency's operating budget in 2005-06 amounted to just over £1 billion. Approximately two-thirds of this funding came from Government grants (both Defra and the Welsh Assembly Government), levies and other income, with the remaining amount met from income raised directly through various charging schemes.

Figure 42: Defra funding for Environment Agency in 2005-6

	(£ million)
Flood Defence	426.9
Environmental Protection (including conservation, navigation and recreation)	140.9
Fisheries	6.3
Total Defra funding	574.1

Key achievements during quarter 1 and quarter 2, 2005-06

During quarter 1 and quarter 2 of 2005-06, the Environment Agency had a number of key achievements which include:

- serious pollution incidents have declined by 9 per cent from the same period last year;
- more homes were protected from flooding in the first two quarters this year compared to the whole of 2004-05, for about half the cost, through effective delivery of a flood risk management plan which is a quarter larger than 2004-05;
- 37 per cent more inspections of flood defence assets were undertaken in the first two quarters of 2005-06 compared with the same period last year;
- the Agency restored 757 hectares of contaminated land to beneficial use, which exceeds the annual target of 677 hectares;

- the Salmon Action Plans for the first part of the year were completed ahead of target and the declared salmon rod catch for 2005 is likely to be over 20 percent above the previous five year's average; and
- a continued improvement was delivered in Biodiversity Action Plans leading to more and better wildlife habitats due to increased management focus and targeted resource allocation.

The Agency has also so far delivered over £10 million savings, against an efficiency target of £7.5 million.

Looking forward to 2006-07

Some of the Agency's goals for 2006-07 are to:

- reduce emissions of greenhouse gases that are contributing to global warming and adapt to the impacts of climate change the UK is experiencing already, such as rising sea levels and changes in seasonal rainfall patterns;
- improve flood forecasting to give better and earlier warnings so that people at risk are able to protect themselves and their property from the effects of flooding. Construct new flood defences and improve the quality of existing defences where this is justified;
- reduce over-abstraction of water from the environment particularly where it is damaging wetlands and wildlife and work with water companies and others to promote more efficient use of water;
- improve air quality by regulating emissions from industry, so that these do not breach air quality standards;
- tackle pollution through risk-based regulation and by finding new ways to reduce diffuse sources of pollution. Help farmers and others to practise sustainable land management so that soils are healthier, and to protect water and air from pollution. This will need a mix of regulation, incentives, and advice for land managers;
- help create a cleaner, healthier marine environment and, through the passage of the Marine Bill, advise Government on how to bring together management of our seas and coasts;
- contribute to water and wetland biodiversity in the countryside, coast and towns, for example by creating wetlands as part of our work to reduce the risk of floods;
- clean up contaminated land and prevent further damage through regulation so there are no risks to human health, water quality and wildlife;
- promote wider recreational opportunities including access to inland waters through the development of regional strategies; and

- reduce the amount of waste produced, for example by working with Government to create more comprehensive waste strategies, which provide for re-use and recycling, and use waste regulations to help people use recovered waste as a resource.

Further information about the Environment Agency can be found at:
<http://www.environment-agency.gov.uk/aboutus>.

Countryside Agency

The Countryside Agency is the Government's statutory adviser on countryside issues. The Agency has a broad role improving the quality of life for people living in the countryside and improving the quality of the countryside for everyone to enjoy. The Agency is active in advising and influencing partners in central and local government and all bodies with an interest in the health of the countryside and rural society.

Funding 2005-06

Defra provided the Agency with grant-in-aid of £65 million in 2005-06 plus an additional £2.16 million for the Aggregates Levy Sustainability Fund. A further £14 million came to the Agency from a variety of other sources including lottery funding.

Figure 43: Countryside Agency grant-in-aid expenditure by Division 2005-06

Division	(£ million)
Landscape, Access and Recreation	44
Commission for Rural Communities	7
Enabling the Agency to deliver (corporate services)	14
Total	65

Key achievements in 2005-06

The Countryside Agency has been preparing for its dissolution, which is scheduled to happen in October 2006 under provisions made in the Natural Environment and Rural Communities Act¹⁹⁵. The Act, which received Royal Assent on 30 March 2006, and the Agency's dissolution, are strands of Defra's Modernising Rural Delivery Programme, which is implementing the bulk of the *Rural Strategy 2004* – the Government's response to Lord Haskin's 2003 review of *Rural Delivery*.

Key achievements of the year have included the following:

- the Agency's landscape, access and recreation (LAR) teams have been working with English Nature and Defra's Rural Development Service to prepare for the establishment of a new integrated agency, Natural England;

¹⁹⁵ See Chapter on Sustainable Rural Communities and www.defra.gov.uk/rural/ruraldelivery/bill/default.htm

- the Commission for Rural Communities (CRC) was established as an operating division within the Countryside Agency on 1 April 2005. The CRC acts as a rural advocate, expert adviser and independent watchdog for rural communities, with a particular focus on rural disadvantage, and it will be established as an independent NDPB in October 2006; and
- most of the Agency's socio-economic delivery functions, with appropriate resources, were transferred on 1 April 2005 to Regional Development Agencies (RDAs) and to Defra for delivery through Government Offices.

Other achievements (Landscape, Access and Recreation Division)

- the Agency completed the second year of operation of the Access Management Grants scheme, which has enabled the new right of access to come into operation with minimal problems;
- the *Diversity Review* and *Outline Diversity Action Plan*, delivering the *Rural White Paper 2000* commitment, was completed by the Agency. The Minister asked the Countryside Agency to prepare the draft Diversity Action Plan ready for consultation from May 2006;
- the Agency's Walking the Way to Health initiative (WHI) has encouraged over 350,000 regular walkers on led health walks every week. The Learning and Skills Council recognised WHI training as a national model in 2004 and the service has gone on to train almost 20,000 volunteers as walk leaders, most of whom are regularly leading health walks; and
- the Agency's Sustainable Development Fund for Areas of Outstanding Natural Beauty (AONBs) was allocated to AONB partnerships for the first time this year. Partnerships typically received about £100,000 to assist with small-scale schemes and initiatives that supported both local communities and AONB purposes.

Details of the Countryside Agency's work and achievements, and a full list of Countryside Agency reports, publications and accounts, can be found at: www.countryside.gov.uk.

Other achievements (Commission for Rural Communities)

- the Chairman of the Countryside Agency, in his capacity as the Rural Advocate, undertook a programme of visits, seminars and meetings to hear about issues affecting rural communities, businesses and individuals, particularly those suffering disadvantage;
- the CRC published its *State of the Countryside 2005 report*, offering an overview of key facts and trends across a broad range of social, economic and environmental topics relating to rural England; and

- the CRC produced the fourth annual monitoring report on rural proofing within Government. The report shows the progress of Government departments as they seek to embed rural objectives in policy making and delivery, and identifies good practice and innovation to encourage rural proofing to be taken up more widely.

Details of the Commission's work programmes and achievements, and a full list of the Commission's reports and publications, can be found at: www.ruralcommunities.gov.uk.

Looking forward to 2006-07

The Natural Environment and Rural Communities Act will now bring about the dissolution of the Countryside Agency in 2006-07. The Agency's land, access and recreation (LAR) functions will pass to a new body, Natural England (NE), and some of its responsibilities for rural communities will pass to the new Commission for Rural Communities (CRC). It is expected that the Countryside Agency will be dissolved on 30 September 2006. Natural England and the Commission for Rural Communities will be established as new Non-Departmental Public Bodies (NDPBs) on 1 October 2006.

English Nature

Working with Defra

English Nature (EN) is the statutory body responsible for nature conservation in England and was established under the provisions of Section 128 and Schedule 6 to the Environment Protection Act 1990 which divided up the Nature Conservancy Council into three Country Councils: Scottish Natural Heritage (SNH); Countryside Council for Wales (CCW); and EN.

Funding 2005-06

English Nature's total resource budget for 2005-06 is £76.6 million.

Figure 44: English Nature Funding 2005-06

	(£ million) ¹⁹⁶
DEL Capital	1.7
DEL Resource	74.9
Consisting of :	
Baseline or core grant	68.3
Accruing Superannuation Liability Charges *	71.5
Transfers from AME to DEL *	74.9
Grant-in-aid	73.2
Income	
Consisting of :	
Aggregates Levy Sustainability Fund*	3.5
Peat buy out	0.3
Local and regional biodiversity	0.7
Of which :	
Ring fenced Joint Nature Conservation Committee contribution	3.6
Note: – Items marked * do not score against the Natural Resources and Rural Affairs budget.	

Key achievements 2005-06

Highlights of the year have included:

- 72.3 per cent by area of Sites of Special Scientific Interest (SSSIs) is in favourable or recovering condition and 86.4 per cent by area of National Nature Reserves (NNRs) is in favourable or recovering condition (exceeding the target of 85 per cent);
- habitat restoration or recreation outside of SSSIs: 142 hectares (ha) of restoration/creation underway or achieved on chalk grassland giving a total of 4,000 ha of chalk grassland, 235 ha of freshwater habitats restoration/recreation underway or achieved giving a total of 2,000 ha of freshwater and 400 ha of coastal habitats restored or created giving a total of 500 ha of coastal habitats restored or created;
- 46 (52 per cent) of EN lead *Biodiversity Action Plan* (BAP) species are currently considered to be stable or increasing and 40 per cent of the 15 English Nature lead habitats are now stable or increasing;
- continued close working with Defra to help deliver the Public Service Agreement target for Farmland birds; through attendance of key events and an English Nature sponsored conference resulting in contribution to a professional journal. The

¹⁹⁶ Figures may not add up due to rounding.

Farmland Bird Database (Version 2) has been updated this quarter for distribution to regional and local area teams for English Nature by the end of January 2006. Version 2 now provides a better evidence base to support and target applications to the Higher Level Stewardship;

- Landscape-scale partnership – to deliver a project in each Government region, practical work commenced in 7 Area Based Deliveries (ABD) – Great Fen, Mineral Valleys, Northern Kites, Thames Basin Heaths, and Yorkshire Floodplains, North West Wetlands South Lakes and Wigan, Regeneration and Biodiversity in the Inner Thames (RABIT); and
- work has continued extending the range of opportunities and facilities for people and communities to access, enjoy and participate, particularly on National Nature Reserves (NNRs) and Local Nature Reserves (LNRs), through initiatives for health, recreation and tourism, outdoor learning, volunteering, arts and culture. The programme of outreach projects has largely been completed. All the projects have been a great success and many have reached out to new and diverse audiences.

More information about the work of English Nature and copies of its *Annual Report and Accounts* can be found at www.english-nature.org.uk

Looking forward to 2006-07

During 2006-07 English Nature:

- will continue to work in close partnership with Defra to meet the milestones in the Department's delivery plan for the Public Service Agreement target to get 95 per cent (by area) of SSSIs into favourable condition by 2010;
- will continue to protect our wildlife and geological heritage outside designated sites by developing a series of large landscape-scale programmes as highlighted in the above achievements, which will deliver a wide range of sustainable development benefits. This approach also contributes directly to Defra's Public Service Agreement target of reversing the long-term decline in farmland birds by 2020; and
- will be working as a Confederation with the Landscape Access and Recreation Division of the Countryside Agency and the Rural Development Service, which means joint working activity, running pilot schemes and improved customer delivery in the run up to the vesting of Natural England in October 2006.

British Waterways

Working with Defra

British Waterways (BW) is the UK's largest navigation authority. It is a public corporation, accountable to Defra in England and Wales, and to the Scottish Executive in Scotland. BW cares for a 3,250-kilometre network of historic canals and navigable rivers in England, Scotland and Wales. Its aim is for a sustainable and integrated network of waterways

throughout Britain providing maximum benefit and enjoyment to society. It works with a broad range of public, private and voluntary sector partners to unlock the potential of the inland waterways and generate income for investment.

Funding 2005-06

Defra provided £62.59 million which contributed towards total BW expenditure in the order of £192 million.

Key achievements 2005-06

Some of BW's key achievements have been:

- implementation of a new communication and consultation procedure to improve the organisation's openness and accountability;
- the successful completion of a new business partnership, the Waterside Pub Partnership, which will develop a national network of waterside pubs; and the creation of a Public Private Partnership to develop Wood Wharf, a large regeneration site in London's Docklands;
- statutory maintenance arrears on target to eliminate by 2012 in line with the public commitments given; and
- progressing the recommendations of the *2004 Review of British Waterways*.

Looking forward to 2006-07

During 2006-07 British Waterways will:

- work with Defra to implement recommendations of the Policy Review of British Waterways;
- be working towards achieving targets set out in its five-year plan: *Our Plan for the Future 2006-10*, notably earning sufficient income needed to sustain the long-term future of the waterways, investing resources where they will generate long-term benefits to customers and the waterways network;
- continue to explore new methods to release the full commercial potential of its waterways and encouraging maximum use by the widest possible range of people;
- make further progress on restoration projects including the Droitwich Canals, Liverpool Link and the Manchester, Bolton and Bury Canal; and
- work in support of the Government's aim to deliver a sustainable Olympics through its proposed restoration of the Bow Back Rivers.

At the same time BW will be protecting and enhancing the waterways environment and heritage, improving customer service and operational efficiency.

Further information can be found on BW's website at: <http://www.britishwaterways.co.uk>

Rural Development Service

From 1 April 2005, the Rural Development Service (RDS) was given a new informal (non-statutory) status and has been operating as closely as possible to the model of a Non-Departmental Public Body. This new arrangement allows RDS to operate in an equal partnership with English Nature and the Countryside Agency in the run up to Natural England being legally established. It has included the appointment of a Chair and non-executive Board. The main focus for the Chair and non-executives has been to represent the interests of RDS externally to stakeholders and internally in discussions about Natural England.

Environmental Stewardship

In 2005 a new agri-environment scheme – Environmental Stewardship – was launched. The introduction of the Entry Level Scheme and Higher Level Scheme which are available to all farmers for the first time, builds on the success of the Countryside Stewardship and Environmentally Sensitive Areas Schemes. On 1 February 2006, initial Higher Level agreements commenced and RDS has negotiated over 13,000 Entry Level Scheme agreements. These agreements cover about 1.6 million hectares, which accounts for over 15 per cent of the agricultural land area of England. Further information is available on Defra's website¹⁹⁷. See also section on *Sustainable Farming and Food Strategy* in Chapter 3.

Farm Advice Unit

Following the recent transfer of the Farm Advice Unit to RDS from core Defra, RDS is responsible for managing and co-ordinating the delivery of Defra-funded farm advice programmes. RDS also advises Defra on farm advice matters and policy.

Launch of Catchment Sensitive Farming

The England Catchment Sensitive Farming Delivery Initiative was formally announced by the Minister of State for Climate Change and the Environment on 19 December 2005. This will cover the period April 2006 to March 2008 and will have a total budget of £25 million. It will focus on forty priority catchments, which have been identified by the Environment Agency and English Nature. It will be funded by Defra and delivered by Natural England working in partnership with the Environment Agency through the new Environmental Land Management Fund. See also sections on the Environment Agency and the new Environmental Land Management Fund in the chapter on protecting the countryside and natural resource protection.

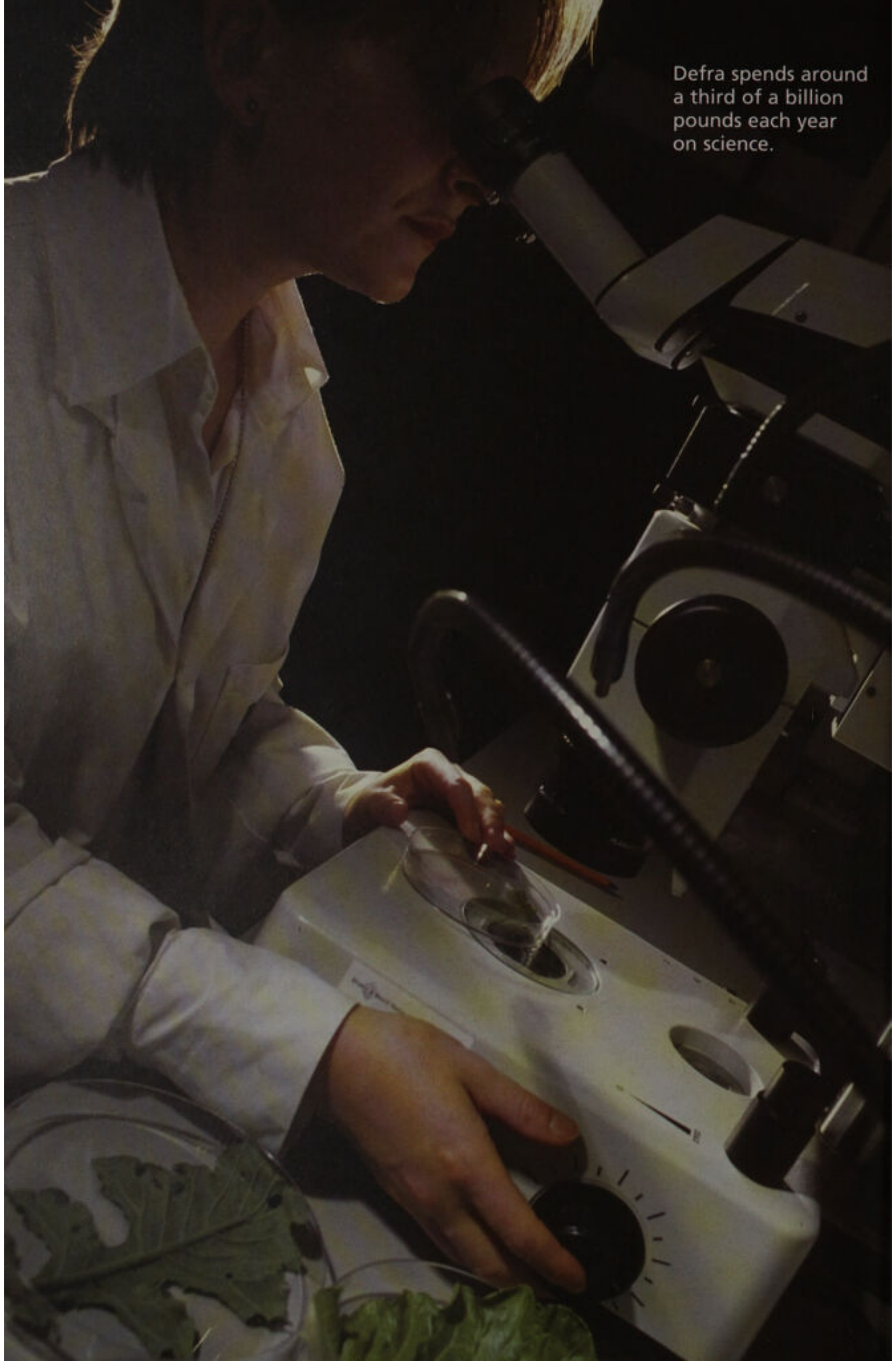
Natural England

RDS is playing a key part in the Natural England Confederation working in partnership with English Nature and the Countryside Agency in the run up to the creation of Natural England. See also the section on Natural England in the chapter on protecting the countryside and natural resource protection. Examples on confederation working can be found on Defra's website¹⁹⁸.

¹⁹⁷ www.defra.gov.uk/erdp/schemes/es/default.htm

¹⁹⁸ www.defra.gov.uk/rural/ruraldelivery/natural-england.htm

Defra spends around
a third of a billion
pounds each year
on science.



A Department fit for purpose

Defra continues its major programme of internal reform to develop as a Department and to be well placed to deliver its *Five Year Strategy*. Defra aims to build on the changes made so far to further become a Department which:

- is focussed strongly of the achievement of clear outcomes;
- constantly searches for ways to strengthen its capacity for delivery;
- is outward looking, professional and expert, and is respected internationally, among stakeholders and within Government;
- is flexible and agile and understands the needs and behaviours of its customers; and
- attracts, retains and motivates the best people.

This chapter begins with an overview of the Departmental Reform Programme and the three programmes driving internal change, and concludes by setting out how Defra is aiming to become more efficient. The chapter then moves on to look at how the Department:

- develops policy based on sound evidence;
- embeds the professional services which underpin the work of the Department, which includes financial control, commercial management, information technology, estates and communications; and
- manages its people and how the Department is responding to the challenges posed by the Professional Skills for Government agenda¹⁹⁹.

Departmental Reform Programme

During 2005-06 Defra has developed more formal programme management structures to take forward implementation of the Delivery Strategy, the Policy Centre Review and Corporate Centre Review as one unified Departmental Reform Programme which will deliver:

- a smaller, more efficient core Department (corporate centre and policy);
- better alignment and responsiveness of its skills, capabilities and resources to existing and emerging Departmental priorities;
- more effective delivery through its delivery partners, including the Defra family;
- more effective policy development to achieve Defra's strategic outcomes; and
- improved customer satisfaction, both internally (with the corporate centre) and externally (with direct and end customers).

¹⁹⁹ Details on Professional Skills in Government can be found at: www.civil-service.gov.uk/skills

In the summer of 2005 Defra's Management Board recognised that, in order to deliver these objectives, there was a need to join up business and IT design and investment decisions, and to engage the Defra family more effectively in this process. The programme is therefore now overseen by the Departmental Reform Group, chaired by the Permanent Secretary, which aligns business and IT decision-making for core Defra.

This group works in parallel with the Defra Collaboration Group, which is a Chief Executive Office level forum for Defra family-wide decision-making on cross-cutting business design issues, chaired by Defra's Chief Operating Officer. The Defra Collaboration Group aims to improve partnership working on business design across delivery bodies, including delivery and operation of the corporate data repositories, joining up customer interactions, and maximising collective capacity. Future work will be underpinned by the ongoing collaborative development of a shared business model.

Defra's Delivery Strategy

Defra's Delivery Strategy was set out in the *2005 Departmental Report*. It describes how Defra will achieve its outcomes through more effective partnerships between policy and delivery. This means an organisational separation between the two functions, but one underpinned by consistent and well-understood principles. The core Department will define the outcomes required to deliver Government policy, but the business of delivery will be passed to delivery bodies that have a shared understanding with the Department on their role in both delivering Defra's outcomes and supporting the development of policy. These organisations will have clear governance and accountability arrangements, and their roles and responsibilities will be strategically aligned to the Department's objectives. Where possible delivery bodies will share core information and systems, and provide customers with one-stop entry points. In constitution, delivery bodies may be executive agencies, Non-Departmental Public Bodies (NDPBs) or partners in regional and local government or the private and voluntary sectors.

In 2004 the Management Board decided that all remaining delivery or operational functions will be placed outside the core Department by March 2008. As part of this process the twenty one Defra regulators identified in the Hampton Review will be placed within four of the thematic regulators he envisaged. More information on the Hampton Review and Better Regulation can be found in Chapter 8. An example of the work to identify functions which might be placed outside the core Department is the recent review of RIMNET, the Radioactive Incident Monitoring Network, which reported on options in January 2006.

Performance in 2005-06

Key developments include:

- the State Veterinary Service became an Executive Agency in April 2005, see Chapter 5;

- the three current bodies delivering rural policy, the Countryside Agency, English Nature and Defra's Rural Development Service, have been working in confederation since mid-2005 as part of their preparation to form the new Natural England Agency, as recommended by the Haskins Review²⁰⁰;
- the Marine Fisheries Agency was created in October 2005, see Chapter 5; and
- the Government Decontamination Service was established as an Executive Agency in October 2005. Further information can also be found in Chapter 5.

The Delivery Strategy framework is being further developed to include guidance on:

- devolving delivery to regional and local government, and to other bodies beyond the Defra family and the public sector, and the accountability frameworks which would govern such arrangements;
- developing more robust models for governance, sponsorship and accountability for Defra and its national delivery bodies; and
- shared operating principles for how the Defra family works together on shared business design issues and shared processes, underpinned by the ongoing development of a shared business model, and other collaborative work.

Looking forward to 2006-07, the *Delivery Strategy* will continue to be implemented as Defra:

- develops more sophisticated business models;
- expands the collaborative working agenda;
- transfers further operational functions to delivery agencies; and
- carries out structural reorganisation through the Departmental Reform Programme and Hampton Review implementation.

Defra's Policy Centre Review Programme

The second part of the Departmental Reform Programme is the Policy Centre Review Programme (PCRP). This is creating the kind of core policy department Defra needs to deliver its *Five Year Strategy* efficiently and effectively. There will be 250 fewer staff in post and a £10 million cash release saving, contributing to Defra's efficiency target.

Progress during 2005-06

Progress included:

- a customer contact unit was piloted, and achieved full roll-out in April 2006. It will handle all parliamentary and ministerial correspondence, freeing up policy-makers' time and bringing dedicated expertise and a higher level of service to customers;

²⁰⁰ See Chapter 6, and chapters on Protecting the Countryside and Natural Resources Protection, and Sustainable Rural Communities.

- all areas of the policy business have started a radical re-examination of the way they plan and prioritise work, how resources are allocated to tasks, and how the organisation should be reshaped;
- a central resource has been set up in the Strategy Unit to deal with cross-cutting policy challenges. The policy units have also started work to set up their own flexible team initiatives that will enhance their ability to focus staff resources on existing and emerging priorities. These projects will continue in 2006. Changes that need to be made to HR systems to support flexible teams have been identified and work on these has started and will continue in 2006;
- a review of the way Defra manages the process to make appointments to the Boards of its NDPBs recommended setting up a central unit to free up policy-makers' time and resources. This will be implemented in 2006, providing a more effective process and greater consistency;
- an independent review of the five statutory levy boards for agriculture and horticulture was completed in 2005, with recommendations to retain statutory levies but to radically change the structure of the boards and so reduce the number of NDPBs; and
- as part of its programme to deliver its *Five Year Strategy* the Department has been reviewing the way in which it undertakes its role as a sponsor to some industry sectors to ensure that these activities are focussed on the Department's strategic priorities, particularly its commitments to promote sustainable development and to regulate better.

Looking forward to 2006-07

In 2006-07:

- Defra will be looking at the best way to provide and use specialist and scientific advice, to improve the policy-making process and ensure the delivery of evidence-based policy and innovative solutions; and
- Defra is improving the business planning processes to ensure work is properly prioritised and that the allocation and use of resources is better matched to business needs.

Defra's Corporate Centre Programme

The third component of internal reform concerns Defra's corporate centre. By 2008 Defra will have restructured its corporate services, in order to deliver more strategic, high quality, and professional support services to the Department.

Key achievements in 2005-06

Key achievements included:

- transforming Human Resources (HR) is one area where significant progress has been made in the past year. Building on the development of a Service Centre (handling first line enquiries and data processing) and a Resource Centre (which handles recruitment and deployment);
- a top management review of the corporate centre resulting in a reduction of its directorates from four to three and the rescoping of a number of senior manager posts including a Chief Operating Officer, HR and Corporate Services Director and a Chief Information Officer;
- the beginning of a phased roll-out began of electronically enabled self-service back office functions including an on-line self-service HR system, an intranet-based procurement system and an electronic system for travel and subsistence claims;
- a Shared Service Programme was established to look at how the Gershon proposals to make savings by sharing back office services might be realised by Defra. Good progress is being made and the Defra Management Board gave approval in November to the setting up of a Shared Services Agency (subject to discussions with Treasury and Cabinet Office) to deliver corporate services to Defra and the wider family. Close working between the Shared Services Programme and the Natural England programme have been established, (Natural England will be the first of the agency's new customers when they vest in October 2006);
- a review of Defra's IT Intelligent Customer Function was completed and its key findings agreed. Implementation of some wide-ranging changes have taken place during 2005-06 which will strengthen the quality and value of the services offered through Defra's strategic partnership with IBM to the business and wider stakeholders in the Defra family; and
- Defra has begun a programme to improve delivery of major IT-enabled projects, by strengthening delivery focus and project assurance functions, under the direction of the Chief Information Officer.

Looking forward to 2006-07

During 2006-07 Defra will:

- work to achieve the targets set out in its Sustainable Development Action Plan for internal operations²⁰¹;
- continue the roll-out of electronic self-service functions, such as the full electronic self-service HR systems;
- take forward the Smart Working programme, which will enable people to work more flexibly in Defra and make more efficient use of the Department's office space;

²⁰¹ <http://www.defra.gov.uk/environment/sustainable/index.htm>

- implement a new operating model for how the corporate centre works with the business;
- continue to seek efficiencies; and
- establish the foundations for the new Shared Services Agency.

Corporate Performance Framework

Defra has developed a Corporate Performance Framework based on the use of an annual business planning process with a Corporate Balanced Scorecard providing the means for monitoring and review. The delivery of results (both strategic outcomes and Public Service Agreement targets) is fully embedded in the framework, as are the management of the enabling activities that support delivery.

The Corporate Balanced Scorecard is used on a quarterly basis to help track Departmental performance against key indicators. It consists of 4 quadrants, providing a balanced view of areas affecting performance. The quadrants are: Results (including the strategic outcomes, Public Service Agreement and non-Public Service Agreement targets and Mission Critical programmes and projects); Processes; Customers and Stakeholders; and People, Knowledge and Culture. It is accessible to all Defra staff via the intranet and staff are encouraged to understand how they contribute to scorecard measures.

A number of lower level, or local, scorecards have been developed to help monitor performance within the Department's business areas, although this has, so far, been undertaken on a voluntary basis to suit the needs of those business areas.

Departmental Capability Review

Capability Reviews are being introduced to assess departments' capabilities in three main areas: Leadership, Delivery and Strategy. Each review will aim to identify where departments need to improve, and will include an action plan to address the findings. The Prime Minister's Delivery Unit (PMDU) in the Cabinet Office has been working with Permanent Secretaries and others to develop a model for Capability Reviews, with further refinement taking place following the pilot review in February/March in the Department for Constitutional Affairs. The programme will be rolled out over all 17 main departments over the next 18 months. Defra's review is likely to take place early in 2007.

Defra's preparations for its Capability Review will be developed over the coming months and will reflect wider developments of the Capability Reviews as they emerge.

Efficiency

Defra is working to deliver the efficiency targets agreed in its 2004 Spending Review settlement in respect of the financial years 2005-06 to 2007-08. By the end of 2005 Defra had delivered financial efficiencies worth £140 million and reduced civil service posts by 1,016. Defra is also committed to continue the work on efficiency and has started to identify efficiencies that run into the next spending period.

Defra's efficiency targets

Defra agreed, as part of the 2004 Spending Review, to deliver efficiencies of £610 million and 2,400 Civil Service posts by the end of 2007-08. This was in response to the Gershon Cross-Departmental Review of Efficiency, *Releasing resources to the front line: Independent Review of Public Sector Efficiency*²⁰², the aim of which was to identify efficiency savings in order to move resources to front-line delivery across Government.

In addition to the efficiency targets, and within the same timescales, Defra will have made plans (in line with the Lyons Review of relocation, *Well Placed to Deliver? Shaping the Pattern of Government Service: Independent Review of Public Sector Relocation*²⁰³) to relocate 390 posts from London and the South East.

The Efficiency Programme

Defra's Efficiency Programme is responsible for overseeing and reporting delivery of the targets, identifying adequate contingency to cover any shortfall, and embedding efficiency across the Department (beyond the existing efficiency portfolio).

The programme, which is overseen by the Efficiency Programme Board and managed through a small Efficiency Programme Office, was established in October 2004. Defra's Finance Director is the Senior Responsible Owner and has the authority to escalate key issues and risks to Defra's Management Board.

The Defra Efficiency Programme draws upon a portfolio of initiatives that is being undertaken across the core Department, its Executive Agencies and Non-Departmental Public Bodies. The major components of the portfolio are:

- Waste Implementation Programme (see Chapter 3 for more details);
- Environment Agency Change Programme;
- Rural Payments Agency (RPA) Change Programme;
- Activity Baseline Review (ABR) – Emissions Trading Scheme;
- England Rural Development Programme IT (ERDP-IT);
- Contracting and procurement;
- Other Executive Agencies efficiency programmes;

²⁰² http://www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_efficiency.cfm

²⁰³ http://www.hm-treasury.gov.uk/consultations_and_legislation/lyons/consult_lyons_index.cfm

- Modernising Rural Delivery Programme²⁰⁴ (MRDP);
- IT Outsource Programme (E-nabling);
- Policy Centre Review Programme;
- Transforming HR (THR); and
- Finance Change Programme.

The largest components, based on forecasts at December 2005, are shown in Figure 45 and Figure 46.

Figure 45: Efficiency Programme – forecast financial efficiencies (£ millions)

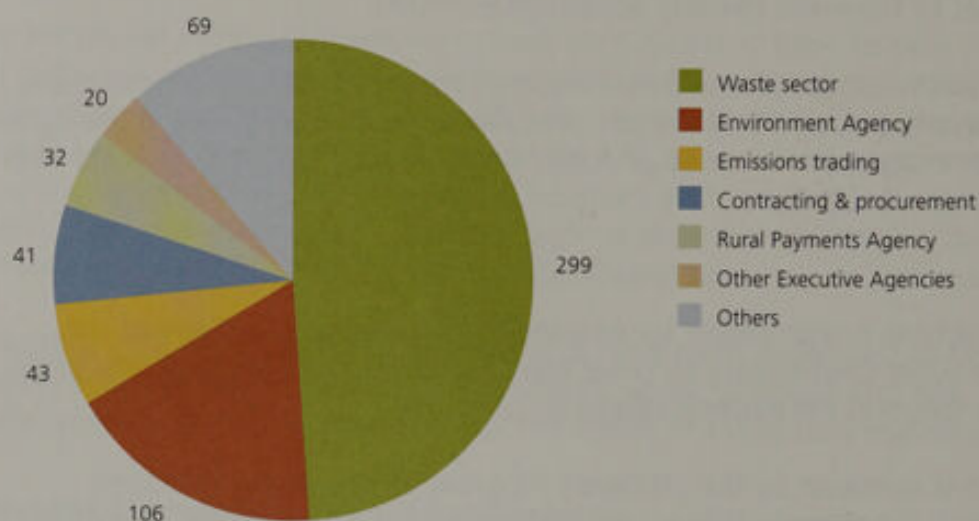
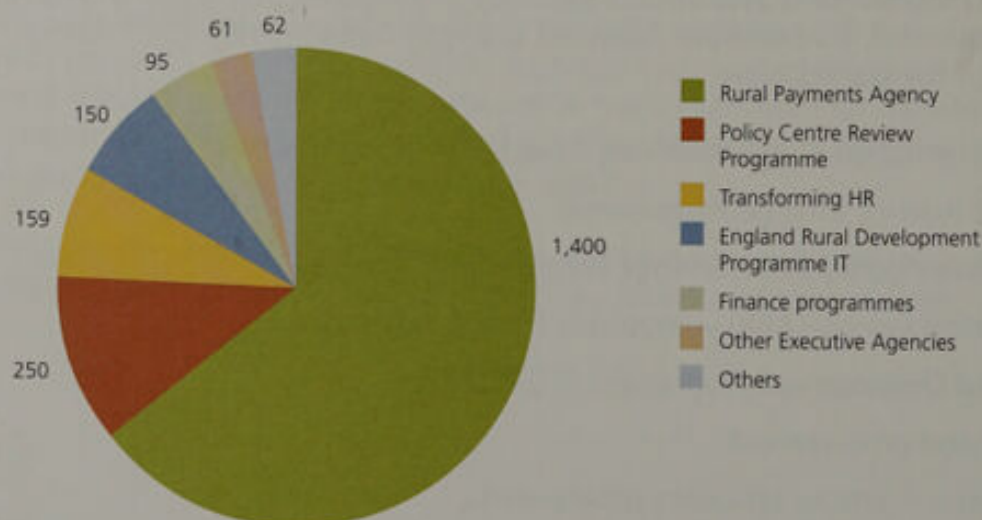


Figure 46: Efficiency Programme – forecast workforce efficiencies



²⁰⁴ See section on Sustainable Rural Communities in Chapter 3.

£377 million of the overall target will be delivered as cash-releasing efficiencies (producing the same output for less input) while £233 million will be productivity efficiencies (more or better outputs for the same cost). Of the £610 million, £299 million are expected to be delivered by local authorities via efficiencies in waste services for which authorities have budgetary responsibility but Defra has policy responsibility. Half of the waste service efficiencies will be cash-releasing.

A criterion of delivering these efficiencies is that the level of service is maintained or improved. This aspect is being monitored in a number of ways including monitoring of output levels, customer satisfaction surveys, internal and external audits, achievement of Public Service Agreement targets, and corporate Balanced Scorecard measures. Part of the role of the Efficiency Programme is to ensure that quality is not compromised where efficiencies are being delivered. This will be a priority for the remainder of the spending period.

Defra's Efficiency Technical Note²⁰⁵ (ETN) sets out how the efficiencies will be delivered. In line with other Government departments and at the request of HM Treasury, the Department's ETN was revised in late 2005 to provide more information in a more user-friendly format. It was published on Defra's website in December 2005.

Efficiencies delivered in 2005-06

To the end of 2005, Defra had delivered actual efficiencies amounting to £140 million, of which £91 million were cash-releasing. Efficiencies in environmental services contributed £54 million to this total. Other major contributions came from the Environment Agency (£47 million) and through procurement (£9 million). In the same period, Defra made 1,016 post reductions. Of these, the Rural Payments Agency Change Programme led to a reduction of 876 posts. A further 107 posts came from the transformation of work in Human Resources. Efficiencies delivered to the end of 2005 amount to some 42 per cent of the Department's workforce target and 23 per cent of its financial target. (2005-06 efficiencies in environmental services have not been included as they are not finalised until June 2006.)

²⁰⁵ <http://www.defra.gov.uk/corporate/busplan/efficiencynote-0511.pdf>

Figure 47: Efficiency Programme – financial efficiencies to date (£ millions)

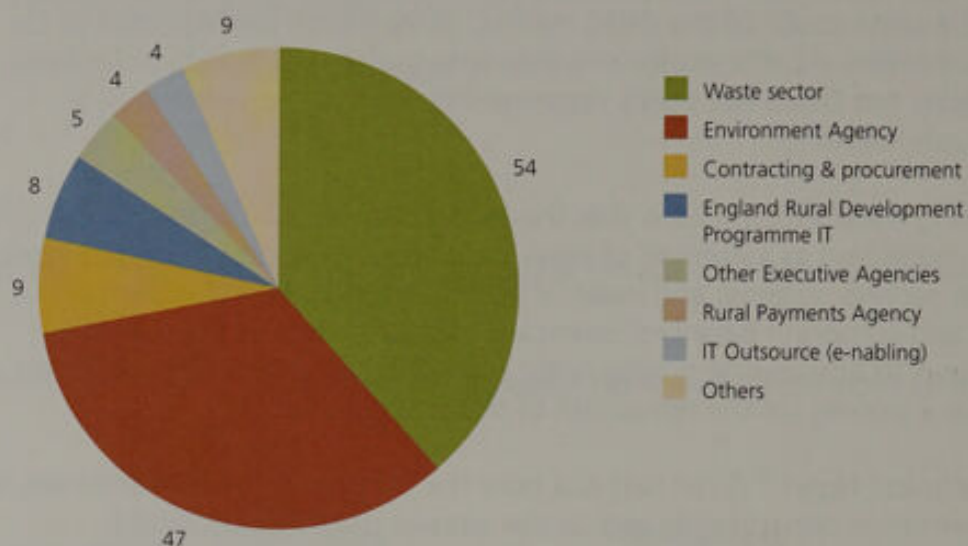
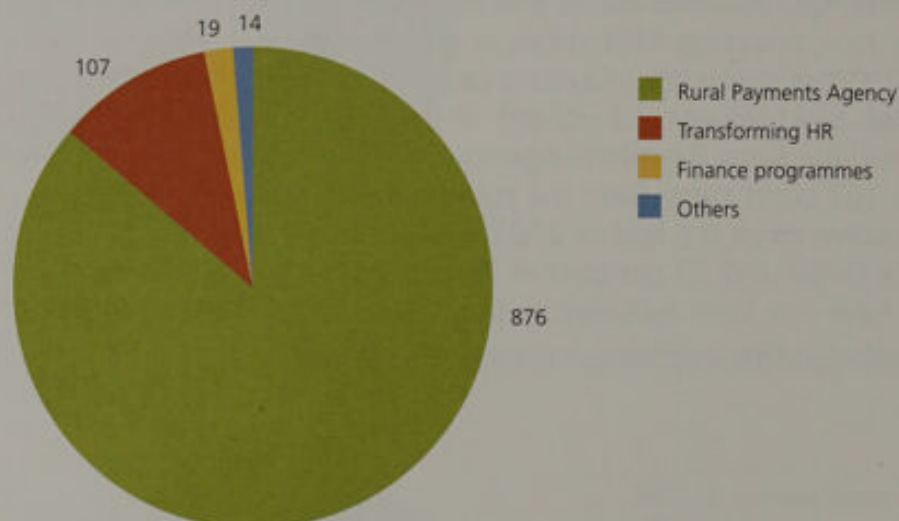


Figure 48: Efficiency Programme – workforce efficiencies to date



Based on current forecasts, Defra remains on track to deliver its target for financial efficiencies across the 2004 Spending Review period. However, the latest forecasts indicate a slight shortfall against the 2004 Spending Review workforce reduction target. The programme team will identify and bring other initiatives into the efficiency portfolio to remedy this and also to create financial contingency.

The initiatives that make up the portfolio are at various stages of maturity and will deliver at different points over the 2004 Spending Review period. Over the next twelve months, key milestones that will deliver efficiencies include:

- further roll out of new IT systems and staff reductions in RPA;
- final implementation of ERDP IT systems;
- establishment of a centralised Customer Contact Unit and centralised liaison on NDPBs as part of Policy Centre Review Programme, and early staff reductions;
- updated guidance and toolkits on waste services as well as completion of work on credits for re-cycling; and
- completion of roll out of e-HR self-service systems.

Relocation of Posts from London and the South East

Defra has created a Lyons Steering Group to oversee the relocation of posts from London and the South East. The steering group reports to the Efficiency Programme Board. Defra's target for relocation of staff from London and the South East was agreed as part of the 2004 Spending Review settlement. This followed the *Independent Review of Public Sector Relocation* carried out by Sir Michael Lyons. By the end of 2005, Defra had relocated 134 posts from London and the South East. The majority of these posts went to York and Worcester. The Department expects to exceed the target of 390 relocations by the end of 2007-08.

Evidence-based policy-making

Strategic thinking and policies depend not only on the right skills but also on a clear, accurate and accessible evidence base. This section outlines some of the major events and key outputs during 2004-05. Chapters 2 and 3 describe how these outputs are being used to inform the work of the Department thereby ensuring that its policy-making is based on sound evidence.

Science in Defra Change Programme: delivering the evidence

Defra spends around a third of a billion pounds annually on science. The forecast for 2005-06 was approximately £160 million on research and development and approximately £200 million on other types of science, including scientific advice, field trials, knowledge transfer, surveillance and monitoring.

Science (including the social, economic and statistical sciences) is at the heart of good policy-making in Defra. Scientific work is developing at an accelerating rate, and the science within Defra's remit can often be contentious or uncertain. There is an increasingly important public dimension to the use of science in policy-making. These trends place growing demands on Defra's scientific capabilities and performance.

The programme consists of a number of projects, designed to ensure that:

- Defra is carrying out the right scientific activities to underpin current and future policy needs and to anticipate emerging risks and opportunities;
- the scientific advice Defra obtains, and the science activities supporting it, is of a high quality;
- Defra has access to the right expertise and skills to procure and interpret scientific information, and that scientific advice is used appropriately in the policy-making process; and
- Defra science is open and transparent, and its aims and results are effectively communicated.

Performance in 2005-06

During 2005-06:

- Defra released its *Evidence and Innovation Strategy 2005-08* for public consultation in October 2005. Through this the department will seek to identify the right priorities for the evidence and innovation activities needed to deliver its strategic outcomes. Consultation on the document has recently closed and the Department is now analysing responses;
- following recommendations of the 2004 review of Defra's science laboratories, the Department is taking forward a Laboratory Strategy to deliver a long-term sustainable future for the laboratories. As part of this, Defra is working with the Biotechnology and Biological Research Council (BBSRC) on a joint study to consider the future relationship between Veterinary Laboratories Agency and the Institute of Animal Health (IAH);
- the Science Advisory Council (SAC) was established in 2004 to provide the Chief Scientific Adviser, and through him Ministers, with expert and independent science advice. The Council met four times with a successful open meeting in October 2005. The majority of the Council's work is through sub-groups with independent experts co-opted as appropriate to provide specialist advice. The Council's recommendations in 2005 included advice on:
 - the governance of science advisory bodies;

- Defra's Evidence and Innovation Strategy;
- peer review and quality assurance of Defra science; and
- bovine tuberculosis and badgers.
- the Defra Horizon Scanning programme is undergoing a review. A new strategy and research programme based on best practice is currently being established;
- the Department has promoted the EU Sixth Framework Programme²⁰⁶ and highlighted Defra's priority research areas in its response to the European Commission's consultation on identifying the main research themes for the Seventh Framework Programme;
- the Department launched a new Science Handbook in January 2005 for use within Defra to ensure consistency and best practice in procuring research;
- the Department has strengthened its science communication activities to raise awareness of Defra science among stakeholders and the public and to help increase public confidence in its use of science; and
- the Sustainable Farming and Food Research Priorities Group published its report of a stakeholder consultation on priorities for research to promote sustainability of the farming and food industries in March 2005.

Looking forward to 2006-07

During 2006-07 Defra will:

- continue to work with the Office of Science and Technology on its review of Defra Science due to be published in 2006;
- build and foster a new, focussed relationship between Defra and its science agencies by developing a Laboratory procurement strategy;
- maximise Defra's opportunities to benefit from international collaborative research, notably in the development of the next EU Framework Programme, through science initiatives under the Sixth Environment Action Programme and through bodies such as the EU's Standing Committee on Agricultural Research;
- publish a high-level *Evidence and Innovation Strategy* setting out the Department's overall approach in these areas, and taking full account of the recent public consultation;
- further develop Defra's internal scientific expertise and capacity through the Head of Profession function led by the Chief Scientific Adviser;

²⁰⁶ The Framework Programmes are European Community funded, multi-annual Research and Technological Development programmes (started in 1984), to improve the competitiveness of European industry and provide support for the development of common policies. The programmes provide a framework and financial support for collaborative research in areas defined as being high priority where collaboration at European level provides added value.

- continue to develop the role of the new Science Advisory Council, ensuring that Council recommendations are addressed by the Department and that the Council continues to make an effective input to the development of Defra's science programmes and activities. Council activities will include:
 - a review of the science underpinning Defra's avian influenza contingency plan;
 - an end-to-end review of the process by which science is used to develop Defra policy; and
 - consideration of how natural (non-operational) risks are managed within Defra and the contribution of scientific evidence.

Economics, statistics and social research

Economics, statistics and social research teams across Defra have continued to provide relevant, timely and high quality analyses and advice to Ministers and policy makers, also publishing a wide range of statistics and analyses informing policy, including the National Statistics series. Members of these teams also represent Defra on a range of inter-departmental groups and committees and the Government at a variety of European Union and other international groups and meetings.

Performance in 2005-06

During 2005-06 Defra's economics, statistics and social research teams have worked closely together, with colleagues across the Department and in other departments providing analyses and advice that contribute to the delivery of Defra's priorities and outcomes. Overarching work has included engagement in the development of the *Evidence and Innovation Strategy* reported in the previous section, embedding social research as a core discipline within Defra's evidence base, support to the development of Defra's approach to better regulation and better policy making, and a major contribution to initial work on the 2007 Comprehensive Spending Review.

During 2005-06 the work of Economics, Statistics and Social Research teams has included:

Climate Change and Energy

- the Climate Change Review Programme has involved close working with other Government departments to evaluate existing climate change mitigation policies;
- work on the Renewable Transport Fuels Obligation has produced analysis of the costs of introducing biofuels into the transport fuel supply chain and the likely sources of the feedstocks, including the economic impacts on the supply of biomass crop inputs in the UK; and
- experimental statistics on carbon emissions by local authority area have been published for the first time²⁰⁷.

²⁰⁷ <http://www.defra.gov.uk/environment/statistics/globalatmos/globalcalghg.htm>

Sustainable Consumption and Production

- the Defra Evidence Base Research Programme²⁰⁸ has been supported with economic analysis to support Sustainable Consumption and Production, including work that is feeding into the Sustainable Procurement Task Force²⁰⁹;
- a model to assist local authorities in developing the Landfill Allowance Trading Scheme was launched plus forecasts provided of both municipal and non-municipal waste up to 2020 along with the costs and benefits of various policy options for the 2006 waste strategy review; and
- a new set of 68 national sustainable development indicators was published, along with regional figures for 44 of these indicators for the 9 Government Office regions.

Natural Resource Protection

Several research projects on the economics of biodiversity contributed to a programme of work supporting the *England Biodiversity Strategy*, including:

- updating and improving the costings of the Biodiversity Action Plans (BAPs); and
- initial work was completed on the sources and values of funding available for biodiversity conservation in England.

Sustainable Rural Communities

Close working with other Government departments, agencies and organisations has continued, ensuring that the evidence on rural areas is included in developing policy.

Highlights include:

- further development of the rural evidence base, including the publication of *Productivity in Rural England*²¹⁰, development of a new rural classification for Local Authority Districts²¹¹, further development of the Rural Evidence Hub and the publication of a number of research projects²¹²; and
- analysis to inform the Affordable Rural Housing Commission²¹³.

Sustainable Farming and Food

Defra economists and statisticians have contributed to a wide range of policy activities related to sustainable farming and food over the last year. Highlights include:

- models of commodity markets informed the UK position on the reform of the EU Common Agricultural Policy (CAP) Sugar and Rice Regimes;

²⁰⁸ Sustainable Consumption and Production Evidence Base Research Programme: www.defra.gov.uk/environment/business/scp/research.htm

²⁰⁹ <http://www.defra.gov.uk/environment/business/scp/pdf/scp008.pdf>

²¹⁰ <http://www.defra.gov.uk/rural/pdfs/research/productivity-rural-england.pdf>

²¹¹ http://statistics.defra.gov.uk/esg/rural_resd/rural_definition.asp

²¹² <http://www.defra.gov.uk/rural/research/>

²¹³ <http://www.defra.gov.uk/rural/housing/commission/default.htm>

- economic analyses of proposals for reforming terms of trade under the World Trade Organisation Doha round have been delivered;
- an economic evidence base, including estimates of the cumulative burden of regulation on farmers, was developed for the *Farm Regulation and Charging Strategy*²¹⁴;
- a new research programme, the Agricultural Change and Environment Observatory, was launched in July 2005 in partnership with English Nature, the Countryside Agency and the Environment Agency. This will monitor the impacts on the environment of the 2003 CAP reform and will run initially for three years²¹⁵;
- provision of analysis of the likely agricultural and environmental outcomes under different options for the Uplands Rewards Structure will feed into the forthcoming consultation on the England Rural Development Programme²¹⁶;
- research on the social and environmental impacts of food transport (food miles) was published²¹⁷ and will be followed by an annual set of indicators; and
- significant progress was made on matching farm registers to the Office of National Statistics' Interdepartmental Business Register which will improve coverage and response in future surveys.

Animal Health and Welfare

Highlights include:

- policy development on bovine tuberculosis (TB), including compensation and cost-benefit analysis of control measures;
- economic assessment of lower stocking densities for broilers, including commissioning research applying valuation techniques to the welfare of chickens;
- development of statistical indicator framework to measure progress with the *Animal Health and Welfare Strategy* implementation; and
- economic and statistical assessments of the threat from avian influenza.

Looking forward to 2006-07

Work will continue on developing and improving the evidence base supporting the Department's strategic priorities and informing the development of policy, including through support to the development of Defra's approach to better regulation and better policy making. Within the framework of work on the 2007 Comprehensive Spending Review, economists will be leading the evidence base work stream that will develop a strong and robust evidence base supporting the Zero Based Review and Spending Review stages. More information can be found on Defra's website²¹⁸.

²¹⁴ <http://www.defra.gov.uk/farm/regulation-strategy/documents.htm>

²¹⁵ <http://www.defra.gov.uk/farm/observatory/index.htm>

²¹⁶ <http://statistics.defra.gov.uk/esg/reports/disareas/default.asp>

²¹⁷ <http://statistics.defra.gov.uk/esg/reports/foodmiles/default.asp>

²¹⁸ <http://statistics.defra.gov.uk/esg/default.asp>

Legal services

The Legal Services Directorate General provides legal and investigation services to Defra and its agencies. It maintains close links with legal teams in other Whitehall departments and devolved administrations to help to ensure the effectiveness and consistency of its legal advice and litigation activities.

Performance 2005-06

During 2005-06 Defra's legal services:

- supported transposition and implementation of Common Agricultural Policy (CAP) reform measures;
- made continuing progress in implementing EC environmental legislation (including transposition of EU Law);
- contributed to Defra's continuing efforts regarding regulatory reform;
- prepared the Hunting Bill and supported its Parliamentary process and implementation;
- prepared the Clean Neighbourhoods and Environment Bill and supported its Parliamentary passage (which received Royal Assent on 7 April 2005);
- prepared the Natural Environment and Rural Communities Bill (which received Royal Assent in March 2006);
- prepared the Animal Welfare Bill;
- published an Enforcement Policy for Defra;
- dealt with various judicial reviews and other litigation including, litigation investigations and contractual disputes following the foot-and-mouth disease outbreak; and
- provided legal support through the UK Presidency of the EU and at international negotiations on climate change.

Looking forward to 2006-07

During 2006-07 Defra's legal service will:

- assist in the effective and timely implementation of CAP reform;
- assist in the modernisation of rural delivery structures and functions;
- assist in Defra's major procurement and development projects;
- embed a more outcome driven-approach to enforcement;

- develop and apply a thorough training programme on Better Regulation for lawyers (to increase the added value of their internal challenge function);
- promote the effectiveness and the survival of the Kyoto Protocol;
- contribute to optimum targeting of fisheries control and enforcement for conservation purposes;
- contribute to Defra's efforts to ensure that it remains fully responsive to developments on the information agenda (including the Freedom of Information Act 2000); and
- provide legal support in implementing the Hampton recommendations on the consolidation of inspectorates.

Programme and project management

Defra's Programme and Project Management Unit (PPMU) was set up in 2003 to:

- develop Programme and Project Management (PPM) expertise;
- disseminate and monitor PPM practice and ensure that PPM becomes the natural way of working in Defra, in particular to spread lessons learned and best practice; and
- manage the scope of key programmes and projects within a single portfolio, providing assurance to, among others, the Management Board on its progress in delivering its top portfolio of programmes and projects.

In addition to the Office of Government Commerce GatewayTM Reviews²¹⁹ and internal audits, Defra is putting in place a further range of measures to ensure that its top programmes and projects are more likely to deliver to schedule and cost.

Risk management

Defra is now almost four years through its *Five Year Strategy* to embed good risk management in the Department.

The number of high-risk policy areas within Defra's portfolio, combined with the range of delivery partners that the Department work with, and a challenging internal reform programme, demand an effective handling of risk if Defra is to be successful in delivering its strategic outcomes. This is now clearly understood and a range of tools and techniques, training aids and good practice examples underpin the Department's development of a more systematic and consistent approach to risk at all levels.

²¹⁹ The OGC Gateway Process examines a programme or project at critical stages, from the start of the project to when it finishes, to provide assurance that it can progress successfully to the next stage; the process is based on well-proven techniques that lead to more effective delivery of benefits together with more predictable costs and outcomes. More information is available at: www.ogc.gov.uk/index.asp?id=377

Building on the progress of the last year, three priority areas remain:

- improving Defra's handling of risk in policy and delivery submissions to Ministers and in subsequent discussions with Ministers;
- improving Defra's management of risk in delivery partnerships; and
- improving Defra's understanding and management of the Department's portfolio of risk.

Corporate services and systems aligned to business needs

The various parts of the corporate centre in Defra are engaged in programmes to improve their performance, for example, programmes to ensure that Defra makes best use of information technology (IT), and to improve the finance function, and to ensure more effective co-ordination between them. This part of the chapter looks in turn at the following areas of corporate activity:

- finance;
- information technology in Defra;
- Defra's estates strategy; and
- communications.

Finance

Defra's total public spending for 2005-06, including its Agencies, is £3.7 billion. This is significantly lower than last year's £5.8 billion because HM Treasury has back-dated a number of budget classification changes which are only formally effective from 2006-07, so as to maintain the comparability with prior years in the core tables. This is explained further in the new commentary added in Chapter 9 (Core Tables).

Improvements in financial control

The improvement of financial management continues to be a priority for the Department. Intelligent use of the internal integrated financial reporting system has already resulted in much more accurate forecasting and budgeting processes. Defra is seeking further improvements by implementing recommendations set out in a review carried out in 2005.

Migration to HM Treasury's new integrated financial reporting system (COINS) has been completed successfully. The Department's approach was seen as a model for other departments, several of whom have sought advice and guidance on implementation.

The Finance Change Programme has made further progress on the embedding of financial, procurement and project management skills within Defra's policy areas and the Department's delivery agents and on implementing further improvements to the systems, procedures and Departmental structure used to provide financial management control.

During 2005-06 the Department took the decision to press ahead with a programme to establish a Shared Services Organisation (SSO) agency for core-Defra and members of the wider Defra family, to be fully implemented by 2007. The agency will combine the provision of financial, human resources, accommodation and procurement services to provide greater economies of scale and improvements in the quality of services.

During February 2006 the Finance Planning Resource Directorate (FPRD) Change Programme Board decided to close the programme earlier than anticipated. The Directorate will still be sponsoring work streams to meet its requirement to:

- reshape the Financial Planning and Resources Directorate to focus both on its strategic role and its role as a customer for the finance services that are planned to be provided by the SSO;
- supporting the successful delivery of Defra's relocation targets;
- delivering improved decision support across business areas to provide more efficient, business informed advice on budgetary management, business planning, performance reporting and contract management; and
- meeting the financial management information requirements of key stakeholders, including the requirement to provide Parliament and HM Treasury with timely, accurate and reliable data on estimates, forecasts and outturns.

Commercial management and procurement

Defra reported value for money savings to the Office of Government Commerce (OGC) of £98 million on an expenditure of £1.3 billion for the financial year 2004-05. As part of the Efficiency Programme, Defra has achieved efficiency savings in procurement of £53 million, against the Gershon efficiency target of £30 million for the period April 2005 – March 2008. The Purchasing and Contracts Division (PCD) also achieved ISO9001 accreditation and, in conjunction with the National Audit Office, ran a workshop for over twenty Government departments on sustainable procurement. PCD also procured a containerised gassing system for disease control of poultry and, further supported Defra's work on emergency preparedness. PCD continued to let contingency contracts for the various services required to combat any outbreaks of animal health diseases.

Defra embedded further its e-procurement strategy into core-business processes and procedures and has been implementing a 'No Purchase Order, No Payment' policy across the core Department. This is contributing to improved financial management and control through improved visibility of expenditure commitments and efficiency improvements in back-office functions. An e-contracts database is being deployed across the Department which will provide information centrally on Defra's contractual commitments and contract variations in the context of the cash-releasing savings and efficiency improvements required under the Gershon efficiency programme.

Highlights include:

- the Department published its joint report with the Greater London Authority on *Opportunities for Efficiency Gains in Waste Management Services – London Pilot Study*, and its *Sustainable Procurement Strategy and Toolkit*;
- the Public Sector Food Procurement Initiative (PSFPI) continues to make good progress with a contract for a study into the feasibility of establishing a national on-line facility to help buyers do business with farmers;
- a Defra Green Futures supplement *Sausage, Mash and Sustainability* was sent to some 12,000 readers including over 1,000 public sector decision takers in October 2005;
- the leaflet *Unlocking Opportunities* for buyers was published in September 2005;
- a successful food procurement workshop was held at the Sustainable Procurement Conference in London in October 2005;
- the first round of regional suppliers' workshops took place in November 2005 and March 2006;
- more regional pilots were undertaken to develop the food chain supply side; and
- more guidance, tools and best practice case studies were put on the PSFPI web site²²⁰.

Defra's Food Procurement Unit also gave presentations at several conferences for key stakeholders, including schools and hospitals. Defra also hosts regular steering group meetings with the Government Offices for the regions to disseminate information from Central Government.

As the world's fourth largest importer of wood products, the UK shares responsibility with timber producing countries for tackling the problem of illegal logging and forest loss. As a strategy for influencing other consumers at home and abroad the Government is seeking to purchase its timber and timber products from legal and sustainable sources. Defra has been

²²⁰ www.defra.gov.uk/farm/sustain/procurement/

responsible for overseeing implementation of this policy for over five years. A central point of expertise on timber (CPET)²²¹ has been established to give guidance and specific advice to public sector buyers and their suppliers. The success of Defra and CPET in helping to increase the demand for and supply of legal and sustainable timber has been recognised by the Environment Audit Committee in its report on *Sustainable Timber* published in January 2006. The UK is a leader in this field and is working within the EU, UN and G8 processes to promote its timber procurement policy.

The policy was developed from a G8 commitment and is therefore part of UK foreign policy. Consequently Defra has worked closely with the Foreign and Commonwealth Office and the Department for International Development. Defra maintained a working relationship with Government officials in Denmark, Holland, France, Germany, Canada and, to a limited extent Malaysia, Ghana and Japan. Domestically Defra has worked closely with the Office of Government Commerce and have regular meetings with a number of departments that comprise the Timber Buyers' Group.

Departmental Investment Strategy

Defra's *Departmental Investment Strategy 2005-08* describes the investment programmes planned for the 2004 Spending Review, and outlines the outcome of previous investment activity. The strategy is available on the Defra website²²².

The net book value of the fixed assets controlled by Defra including its Executive Agencies, Non-Departmental Public Bodies (NDPBs) and Public Corporations is approximately £3.6 billion. This includes flood and coastal defences held by the Environment Agency and a major portfolio of land and buildings including internationally important laboratory and research facilities. The Department plans to invest at least £339 million in both 2006-07 and 2007-08 to maintain and upgrade these assets. This will also include funding to be given to local authorities to invest for example in waste recycling and flood management.

Where assets are no longer required for the Department's business, they are sold either to other departments or to private businesses. Defra, including its NDPBs and Executive Agencies, generated income of approximately £17 million in 2005-06 from sale of its surplus assets.

Fraud awareness and prevention

Defra is introducing an anti-fraud and anti-corruption strategy, to advise and guide staff on the approach to the serious issues of fraud and corruption. This strategy document includes a fraud response plan, which provides more detailed guidance on how to deal with fraud and corruption.

The strategy document is therefore a coherent re-statement of current responsibilities and also covers legislation since 2000.

²²¹ <http://www.proforest.net/cpet>

²²² www.defra.gov.uk/corporate/busplan/dis/index.htm

The document sets out:

- Defra's responsibilities as a Department;
- how the Department expects its staff to behave; and
- explains the reasons why these procedures should be strictly adhered to.

Internal audit

Internal Audit's primary role is to provide independent assurance on risk management, control and governance to the Departmental Accounting Officer. Internal Audit undertakes this role through a programme of agreed assignments, designed to address the main risks to the achievement of the Department's objectives. The recommendations arising from this work assist managers in improving the effectiveness of control, efficiency and value for money.

Defra's Audit and Risk Committee is an advisory body which supports and advises the Accounting Officer on issues of risk, control, governance and other related matters. It also supports the internal audit, external audit and risk management roles within the Department.

A new *Internal Audit Strategy*, approved by the Audit and Risk Committee, identifies and maps the assurance framework for the Department as the basis for determining the level of assurance required, from all available sources and to plan the required level of internal audit work. This new approach is designed to enable Internal Audit to demonstrate that it is continuously providing the necessary level of audit coverage in a changing Department. The scope of work is on Risk Management, Planning and Strategy, Performance Management, Change, Governance and Programme and Project Management systems, as well as the risks to the achievement of the Department's key outcomes to be secured against its five strategic priorities. New software and a new structure are being implemented to meet the challenges of relocating the majority of the Division to York under the Lyons agenda.

Information Services in Defra

Defra's Information Services are essential to maintaining effective ways of working for a large number of people in the Department and key to delivery of Defra's *Five Year Strategy*, Public Service Agreement targets and major business change programmes. Defra signed an outsource contract for IT services with IBM in 2004 and is now benefiting from this relationship. During 2005-06, the Department extended the contract further within the Environment Agency, Natural England and the Commission for Rural Communities.

The Department is well into its programme to implement its Delivery Strategy. Consequently much of the focus is now in providing improved information services for customers and staff across the Defra family. The wider Government agenda is also a significant driver, in particular the *Transformational Government Strategy* and its remit to improve customer services across Government, deploy shared services across departments, and improve IT professionalism.

Performance in 2005-06

Defra has made significant progress in the implementation of its Information Services (IS) Strategy. The following strategic system deliveries have been completed in 2005-06:

- implementation of systems and call centre arrangements by the Rural Payments Agency for the Single Payment Scheme (SPS), registration of 120,000 customers and their land using the new systems, processing of applications, and commencement of payments;
- implementation of a new system and major business change to administer the Environmental Stewardship schemes, and commencement of payments;
- introduction of the first release of the Whole Farm Approach Portal, making available to farmers the Whole Farm Appraisal that will help them in improving farming practices;
- delivering corporate data services for customers, spatial information and livestock is at the heart of Defra's IS strategy. During 2005-06, design work was completed for a new livestock register, agreement was reached on a strategy for customer registration, and implemented the first release of a spatial information repository;
- implementation of a Poultry Register to help in dealing with a potential Avian Influenza outbreak, new on-line cattle tracing facilities, and system changes that helped in removing the beef export ban; and
- implementation of a new strategic IT architecture, commencement of a full-scale office systems refresh, and introduction of a policy of using more sustainable IT equipment.

Defra's Information Services continued to provide reliable access to information, records management, and knowledge management services, meeting obligations under the Freedom of Information Act²²³ and the strengthened Environmental Information Regulations promptly and accurately. The Translations Service provided key services during the UK Presidency of the EU, while the Library provided a new one-stop-shop for Defra staff on Avian Influenza information.

²²³ www.foi.gov.uk

Estates Strategy

The Department's drive on estate rationalisation is influenced by the outcome of a comprehensive internal review linked to both the outcomes of the Gershon and Lyons reports. Consequently, Defra is preparing a comprehensive estates strategy.

The Department is committed to making the best use of its available estate. For example, the London estate is being improved to make the best use of the available space by open plan working which will help to promote more flexible ways of working. This approach is also being adopted in the regional estate.

The Department is committed to exploring opportunities with other departments and the wider public sector to sharing accommodation and is ensuring that its utilisation of sites is maximised.

Communications

It is essential that all communications across Government are customer-focussed and based on robust evidence. The need for sound strategic planning resulting in the delivery of integrated communications plans is a key requirement. Chapters 2 and 3 set examples in detail of some of the major areas of communication. These include:

- Climate Change – which aims to raise awareness about the threat of climate change;
- Common Agricultural Policy reform – running road shows across England, distributing videos, CD-ROMs and DVDs introducing and explaining the Single Payment Scheme; and
- Waste Strategy – the launch of a major national and local communications campaign.

Ministerial correspondence

Defra has a target to respond to letters within 15 working days. A Ministers Correspondence unit deals with the majority of letters to MPs and Peers signed by Ministers.

**Figure 49: Performance against target for answering Ministerial correspondence
1 April 2005 to 31 March 2006**

Letters received	Percentage of letters replied to within 15 days
12,737	61

People and performance

Defra's Departmental Reform Programme has set a challenging people agenda which must deliver organisational change and efficiency savings while also building workforce sustainability through:

- strong transformational leadership and skills development;
- talent management and succession planning;
- redeployment and resourcing;
- effective performance management, pay and reward strategies; and
- improved processes and ways of working.

This section of the report sets out the key people issues addressed during 2005, providing the basis for developing the Department's People Strategy for 2006 and beyond.

Transforming HR (T-HR): Changing the way HR services are delivered

The Department is nearing completion of a three-year programme of transformation within HR that is aimed at simplifying HR procedures and providing enhanced quality advice to managers and staff. A new electronic HR system (e-HR) is being introduced to enable staff and their managers to access, and input, data directly. The Department is also addressing the need to define roles and responsibilities of HR; line managers and employees; and modernise HR policies to meet the needs of Defra. The Department is making steady progress towards an HR services capacity that provides a quality service to customers at lower cost, and which meets the Gershon target for March 2006 of 1 HR staff member to 64 Defra employees.

Recruitment and redeployment

Defra's recruitment policy is to ensure that the Department attracts and retains high quality staff, and that it selects the best candidate for the job at every selection opportunity. It is seeking to build a diverse, highly skilled and highly motivated workforce which will be capable of delivering on the Department's complex agenda now and in the foreseeable future.

Defra as an employer is bound by the civil service rules of open and fair recruitment and approaches both internal and external campaigns on the basis of equality. It operates a competency based approach to selection with managers taking the responsibility for the selection process.

Defra has managed the impact of an increasing number of restructuring exercises on staff in a fair and consultative way, and continues to comply with Cabinet Office protocols aimed at minimising compulsory redundancies. Vacancies are filled internally unless there is clearly no suitable internal candidate and if particular specialist skills are not available within the Department. The Department is exploring ways to deploy staff internally to support business priorities effectively and retain the skills and talents needs for the future.

Use of permitted exceptions

The Commissioners' Recruitment Code allows a limited number of circumstances in which exceptions are permitted to the recruitment principles of fairness, openness and merit. The primary objective of permitting certain exceptions is to provide flexibility where it is genuinely necessary to meet the needs of the Department. Figure 50 shows the appointments that have been made under the permitted exceptions rules.

Figure 50: Recruitment practice: use of permitted exceptions

Permitted Exception	Numbers
Inward secondments into Defra	79
Re-appointment of former Civil Servants	37

Pay and reward

The 2005 Pay Award, which was effective from 1 July 2005, represented the final stage of the multi-year pay settlement (that runs until 30 June 2006).

A key strategic aim of the multi-year pay settlement was to modernise and harmonise pay for staff following the creation of Defra in 2001. Over the course of the deal, significant re-structuring of the pay ranges has been delivered such as shortening of pay ranges, re-structuring of pay minima, introduction of step-progression and milestones.

The Department is now looking at the pay arrangements for 2006 and beyond. These include:

- considering new tensions such as finance, pay coherence, organisational change, local pay and the Professional Skills for Government agenda;
- to modify the structure to reflect on the lessons learnt over the last four years;
- develop the structure further; and
- to make the pay arrangements as simple and transparent as possible, affordable and fit for business purposes.

Performance management

Improving Defra's performance continues to be a key priority. Effective performance management involves a comprehensive range of processes and measures, including:

- business planning;
- communicating the Department's objectives and targets;
- setting clear business targets and standards;

- performance appraisal and personal development plans;
- reward and recognition, including bonuses and team awards;
- balanced business scorecard; and
- Defra staff survey.

A new performance appraisal system which is focussed on the achievement of delivering outcomes was introduced on 1 April 2005. The characteristics of the system are:

- continuous regular honest feedback throughout the year;
- two compulsory in-year reviews; and
- a short end of year assessment focussed on the delivery of work objectives.

An integral part of Defra's performance management strategy are the high performance bonus awards, which recognise Defra's most outstanding performers through the payment of in-year and annual performance bonuses.

Managing attendance

The Department is committed to managing sickness absence and continues to embed the policy which was introduced in December 2004. Sickness absence levels in Defra are consistently below the Civil Service average, as shown for 2004 when Defra lost 7.5 days per staff year compared with 9.1 across the Civil Service.

A new Occupational Health service provider was contracted in Autumn 2005, offering fresh impetus to supporting the needs of Defra's managers and staff. The Department is working towards reducing the average number of days lost per staff year to below 6.9 by 2010.

Defra has been working closely with the Health and Safety Executive (HSE) regarding tackling stress in Government departments. During 2005, the realignment of Occupational Health Services, Employee Support Services and the introduction of Employee Assistance Programme (EAP) arrangements mean that the Department is better positioned to be pro-active in this area.

Leadership Development

The Senior Managers Leadership Development Programme (SMLDP) ran from 2003-05 at a cost of £3 million, and was aimed at assessing and developing the most senior 700 leaders in Defra. In December 2004, the Management Board approved a new strategy for leadership development to build on the success of SMLDP and expand the concept of Leadership Development to Defra people at all levels. In particular it aimed to focus attention on the 'Big 5' (Taking Personal Responsibility, Shaping and Creating a Vision of the Future, Putting Diversity into Practice, Making Things Happen Through Others and Facing Up to Hard Choices) key leadership behaviours that the Department judges are most likely to need to meet Defra's needs now and in the future.

Since December 2004 Defra has been working on the next phase of its Leadership Development Programme, integrating the 'Big 5' into learning and development and HR processes, to ensure their positive impact on Defra's business at all levels. Work includes aligning the 'Big 5' with the Professional Skills for Government (PSG) framework, and ultimately by the end of the next phase (October 2006) the entire programme will leave a legacy of solid learning opportunities, HR processes and expertise in the form of easy-to-use toolkits with hard measures to evaluate leadership effectiveness.

Learning and development

During 2005-06 there has been a significant increase in the number of staff and managers in Defra who believe they are developing the skills they need to do their job. This has been achieved by aligning the learning and development strategy with Defra's business strategy and plans, and by forging closer links between business units and learning and development operations to facilitate a better understanding of business issues and their impact on skills requirements. The learning and development strategy will be updated to reflect leadership development, policy skills development (arising from Defra's Policy Centre Review Programme), the wider Civil Service Professional Skills for Government initiative, and a range of new and ongoing learning and development needs identified by business areas.

Gains in efficiency have been made through bringing together the Central and IT learning and development teams and undertaking a competitive tender to secure a Framework Agreement of high quality, value for money learning and development providers. The learning and development portfolio has been updated to provide greater choice in content and learning approach to meet the needs of both business operations and individuals.

Investors in People

Defra's accreditation as an Investor in People (IiP) is more important than ever with the growing focus on enhancing skills and increasing capacity to improve delivery and achieve efficiencies. By May 2006 Defra expects to have recognition for a further three-year period.

The Department has worked with IiP UK to ensure that those parts of Defra that have now or will shortly become separate from the core Department can retain their IiP status.

Professional Skills for Government

Professional Skills for Government (PSG) is a key part of the Government's Delivery and Reform agenda. It is a major, long-term change programme designed to ensure that civil servants, wherever they work, have the right mix of skills and expertise to enable their departments or agencies to deliver effective services²²⁴.

During 2005 the Department has conducted a first skills audit of the Senior Civil Service (SCS). Plans are now being implemented to ensure Defra can meet the Government's target that 75 per cent of SCS members demonstrate competence in all six core skill areas by

²²⁴ More information can be found at: <http://psg.civilservice.gov.uk/>

September 2007. But Defra needs competent, professional people with a full range of skills at all levels, not just in senior management. Defra aims to roll out PSG to all staff as quickly as possible and implementation during 2006 will focus on, skills, HR Policy, procedures and communication.

Interchange and Take5

Defra regards Interchange²²⁵ as a key component to meeting its changing business agenda and it is being embedded at all level of the business. In particular, the focus for Interchange during 2005 has shifted towards shorter, planned visits, projects or collaboration with delivery partners and industry, and a requirement that all Senior Civil Servants (SCS) spend at least 5 days on such activities as part of their performance objectives. This is Defra's new Take5 initiative. Over 60 per cent of Defra's SCS have already participated in Take5, which has involved contact with over 50 organisations in the public and private sectors that have a stake in Defra's agenda.

Defra is currently working with Government Offices, Agencies and other delivery agents and partners to encourage more reciprocal Interchange arrangements, ensuring the full range of Interchange activities are recognised as key to Professional Skills for Government and the development of Defra's capabilities and skills.

Relations with employees and their representatives

Defra has begun to redefine its relationship with its staff and staff representatives, building on the principles of honest and constructive communication. Key aspects are:

- staff will be engaged and informed about the Department's plans and their implementation;
- Trade Unions' views will be taken into account in the development of policy; and
- work is being done to improve and develop HR policies and processes, designed to be evidence based, simple, clear and concise and directly supporting Defra's strategic priorities. Draft policies are being sent to the Plain English Campaign organisation to achieve its 'crystal mark'.

HR policy development is aligned with the Defra big five leadership behaviours, with the aim of encouraging more effective line management decision making on people issues.

Diversity

The Department has developed an overarching *Diversity Strategy*, agreed at Management Board level, which demonstrates how the Department will meet the targets identified in the Cabinet Office's 10 point plan for Delivering a Diverse Senior Civil Service. This is designed to take Defra into the next stage of developing and embedding stronger diversity management into the fabric and culture of the Department. A key element of this is achieving greater representation of minority groups in the Senior Civil Service (SCS) and at Grades 6 and 7.

²²⁵ See Defra's website: <http://www.defra.gov.uk/corporate/recruit/interchange.htm>

Recruitment and selection and training and development

In order to support delivery of the *Diversity Strategy*, the Department has revised its Diversity Champions' Network chaired by the Permanent Secretary, to ensure it includes representatives from all areas of Defra's Business, including the Executive Agencies. This year the Department has worked closely with its Agencies and NDPBs in order to promote a more diverse and representative mix at senior level and in the grades below.

The external focus resulting from the establishment of business Diversity Champions, and the alignment of the Diversity and Equality Unit teams with business areas will help ensure that diversity issues are addressed from the outset and improve the Department's ability to meet the requirements arising from equality legislation, in particular in relation to the development of policy and service delivery.

The Champions' Group and staff networks will help take forward work currently underway to develop a new Equality Scheme to address the legal requirements arising from the Disability Discrimination Act 2005 and the Race Relations (Amendment) Act 2000.

Diversity and equality awareness training has been updated to reflect a similar business focussed approach. The Department continues to work with other government departments through a variety of diversity networks, to share best practice and ensure a cohesive approach.

Figure 51: Core Defra: Percentage of men, women, part-time, ethnic minority, and disabled staff by grade May 2005 compared to April 2006

Grade	Men %		Women %		Part time %		Minority Ethnic %		Disabled %	
	May 2005	April 2006	May 2005	April 2006	May 2005	April 2006	May 2005	April 2006	May 2005	April 2006
SCS	70	70	30	30	6	6	3	3	1	2
Pay Band 2	74	79	26	21	0	0	7	6	0	0
Pay Band 3	71	75	29	25	0	0	0	0	0	0
Grade 6	66	66	34	34	9	9	2	2	4	5
Grade 7	64	62	36	38	7	10	3	3	4	4
SEO	65	63	35	37	10	7	2	2	3	4
HEO	55	54	45	46	9	9	5	5	4	5
EO	48	47	52	53	9	9	12	15	5	7
AO	38	40	62	60	15	14	12	16	6	7
AA	44	54	56	46	20	18	11	19	12	13
Average	52	52	48	48	11	10	8	9	5	6

Figure 52: Defra and All Agencies: Percentage of men, women, part-time, ethnic minority and disabled staff by grade May 2005 compared to April 2006

Grade	Men %		Women %		Part time %		Minority Ethnic %		Disabled %	
	May 2005	April 2006	May 2005	April 2006	May 2005	April 2006	May 2005	April 2006	May 2005	April 2006
SCS	72	74	28	26	5	5	3	3	1	2
Pay Band 2	78	79	22	21	0	0	6	6	0	0
Pay Band 3	71	75	29	25	0	0	0	0	0	0
Grade 6	71	71	29	29	8	7	2	2	4	5
Grade 7	66	65	34	35	6	10	3	3	4	4
SEO	66	64	35	36	10	6	2	2	4	4
HEO	56	55	44	45	9	7	4	4	5	6
EO	46	45	54	55	13	7	7	7	7	7
AO	39	39	61	61	14	8	6	7	7	8
AA	43	43	57	57	21	18	5	6	9	11
Average	51	49	49	51	12	8	5	5	6	7

Staff Survey

A full core-Defra Census Staff Survey took place in July 2005 and the final response rate was 64 per cent. The overall picture appears to show a continuing improvement in many areas.

- **Blame and challenge** – More people feel that they would not be blamed for making a wrong decision than in 2004;
- **Performance management** – More people thought the Department rewarded effective performance, but dealing with poor performance is still a major problem, both Defra-wide and locally;
- **Resources, people, skills and workloads** – More managers than before say they have enough people with the right skills to meet their team's objectives, but too few satisfied with their current workload and work longer than their condition hours;
- **Consultation** – More people think their views are sought before changes are made which affect their job. Although only 50 per cent of respondents understood the definitions of 'direct' and 'end' customers and only a third of people said they regularly conducted satisfaction surveys, these are upward trends;

- **Bullying, harassment and discrimination** – the figures show no improvement since the last census survey, which is very disappointing, and new approaches, both corporately and locally, need to be considered; and
- **Perception of the Management Board and Directors** – More people feel the Management Board and Directors are providing effective leadership than in 2004.

A new action plan addressing four priority areas (bullying, harassment and discrimination; perception of the Management Board; performance management and resources, skills and workloads) is awaiting Management Board endorsement before being launched.



Our *Sustainable Farming and Food Strategy* sets out action to achieve sustainable, diverse, modern and adaptable farming, integrated with the rest of the food chain and taking into account the needs of the environment and rural economy.

Better Regulation and the Hampton Review

Defra's regulatory activity supports delivery of its core objectives and has wide-ranging consequences for the environment, for agriculture and for animal health and welfare. Effective regulation promotes business growth, delivers leaner and more sustainable policies and opens up international markets to UK companies. Ill-conceived regulation, or regulation that is disproportionate or administratively complex, results in stagnation, fails to deliver outcomes and can lead to increased costs on industry.

The Department is eliminating burdensome and unnecessary regulation while maintaining environmental and other standards. This aim is widely shared throughout the European Union. That is why Better Regulation is an agreed top priority for the European institutions and why it is central to the Lisbon Strategy for delivering jobs and growth. The UK Presidency of the EU prioritised progress on better European regulation. Defra has made a notable contribution both at EU level and domestically.

The Better Regulation framework

Better Regulation is part of the strategy to make the UK a global economy, which offers choice and opportunity for our businesses and our citizens. Important milestones over the last two years were:

- early 2004 – Defra set up a team to develop a strategy to improve regulation in farming. The *Farm Regulation Strategy*²²⁶ published in November 2005, is the first sector specific better regulation strategy developed in Whitehall (see Sustainable Farming and Food in Chapter 3);
- April 2004 – Defra's Regulation Task Force published its report with 54 recommendations and the Better Regulation Unit was established to drive them forward;
- December 2004 – the Department published its *Five Year Strategy*²²⁷, which committed to reducing the net administrative burden from its regulations by 25 per cent by 2009. The Department will need to have regulations in place that minimise burdens on businesses whilst securing effective outcomes;
- March 2005 – the Better Regulation Task Force (BRTF) published its report *Regulation – Less is More: Reducing Burdens, Improving Outcomes*²²⁸, which advocated use of the standard cost model for measuring the administrative burden imposed by departments, reducing that burden and putting in place the necessary organisational structures; and

²²⁶ <http://www.defra.gov.uk/farm/regulation-strategy/>

²²⁷ <http://www.defra.gov.uk/corporate/5year-strategy>

²²⁸ <http://www.brc.gov.uk/publications/lessismoreentry.asp>

- March 2005 – Philip Hampton published his review *Reducing administrative burdens: effective inspection and enforcement*²²⁹. Among other matters, this identified the need to apply a risk-based approach to enforcement and proposed that 21 of Defra's inspection and enforcement bodies should be consolidated into six of the seven thematic regulators recommended in the report.

The rest of this chapter describes how Defra is taking forward these recommendations, identifies regulatory activity since the 2005 Annual Report and looks at how wider, better regulation objectives are being taken forward.

EU Better Regulation agenda

Around half to two thirds of all regulation implemented by Defra derives from EU proposals. Therefore, ensuring EU legislation is proportionate and well designed is a pivotal part of Defra's approach. It also recognises that Better Regulation was a top UK priority for the EU Presidency. Action included:

- improving the content and use of impact assessments (IAs) for new legislation;
- simplifying the body of legislation; and
- strengthening the regulatory framework.

These principles were embedded in the 6 Presidencies' Initiative on Better Regulation, signed by the consecutive Presidencies of Ireland, the Netherlands, Luxembourg, UK, Austria and Finland in December 2004. This ensures a continuity of approach and action on Better Regulation at the European level.

Defra took a pro-active approach to meeting the UK Presidency objectives. Ministers produced a strategy document on how the Department would engage and progress Better Regulation at the EU level and Defra appointed a Better EU Regulation co-ordinator.

As a result of this action, Defra achieved a number of key successes during the Presidency which have laid solid foundations for taking forward the Better Regulation agenda across the EU as a whole:

- an Environment Council discussion on Better Regulation, demonstrating the benefits of better regulation to good environmental outcomes;
- applying the Better Regulation principles to the handling of the Environmental Thematic Strategies with a particular focus on Commission IAs;
- agreeing Council conclusions on CAP Simplification, these will lead to a roadmap on measuring and setting targets to reduce administrative burdens;

²²⁹ http://www.hm-treasury.gov.uk/media/935/64/Hampton_Interim_Report_709.pdf

- sustained pressure on the Commission to include adequate IAs with all proposals discussed in Council by introducing systematic discussion of IAs in Working Groups. Austria has continued this approach in 2006;
- undertaking a Council IA on the Potato Cyst Nematode Directive in the absence of an adequate Commission IA, the UK led a Council exercise to provide the necessary information to evaluate the Commission's proposal and to underpin potential amendments; and
- establishment of the Network of European Environmental Lawyers (NEEL) this promotes regular discussions through a dedicated website and uses the network to share information and ideas on legal aspects of negotiation, transposition, implementation and infraction.

During 2005, the Commission also continued to prioritise the Better Regulation agenda, with the support of Defra, it produced a number of key publications including:

- communication on Better Regulation for growth and jobs in the European Union;
- revised IA Guidelines;
- communication on a strategy for the simplification of the regulatory environment;
- communication on the outcome of the screening of legislative proposals pending before the legislator; and
- communication on an EU common methodology for assessing the administrative costs imposed by legislation.

Also in 2005, the UK was a signatory to a 3 Presidency paper, *Advancing Better Regulation in Europe*, (with Austria and Finland) which will maintain the political momentum through 2006. Defra is building upon its EU achievements in 2005 and a Departmental strategy document for 2006 has been approved by Ministers.

Following a successful pilot scheme and from April 2005, transpositions of legislation are mandated to apply Programme and Project Management (PPM). A new pilot is looking at similar tools and guidance to support EU negotiations. The benefits have included early and more effective engagement with key stakeholders and a greater confidence that the implementation of EU legislation will be managed effectively.

Defra's Simplification Plan

One of the pivotal BRTF recommendations was for all departments to develop, by September 2006, a rolling programme of simplification to identify regulations that can be simplified, repealed, reformed or consolidated.

In November 2005, Defra was one of the first three departments to publish an initial simplification plan. Reducing administrative burdens is an integral component of the plan. A four-phase approach is being taken to tackle burdens:

- mapping: to identify Defra regulations, which impose administrative burdens;
- baselining: to estimate the administrative burdens that are imposed;
- detecting opportunities: to identify opportunities to reduce burdens; and
- reduction: to agree projects to streamline or reduce burdens.

The mapping exercise included interviews with 25 regulators and delivery bodies and workshops with Defra policymakers. A total of 650 regulations were identified, some of which only give rise to obligations when a specific event arises, such as disease outbreak. Others revise earlier regulations without repealing them. Figures 53 and 54 show the number of regulations that give rise to burdens for each of Defra's policy areas and the origin of the regulations.

Figure 53: Administration burdens by policy area

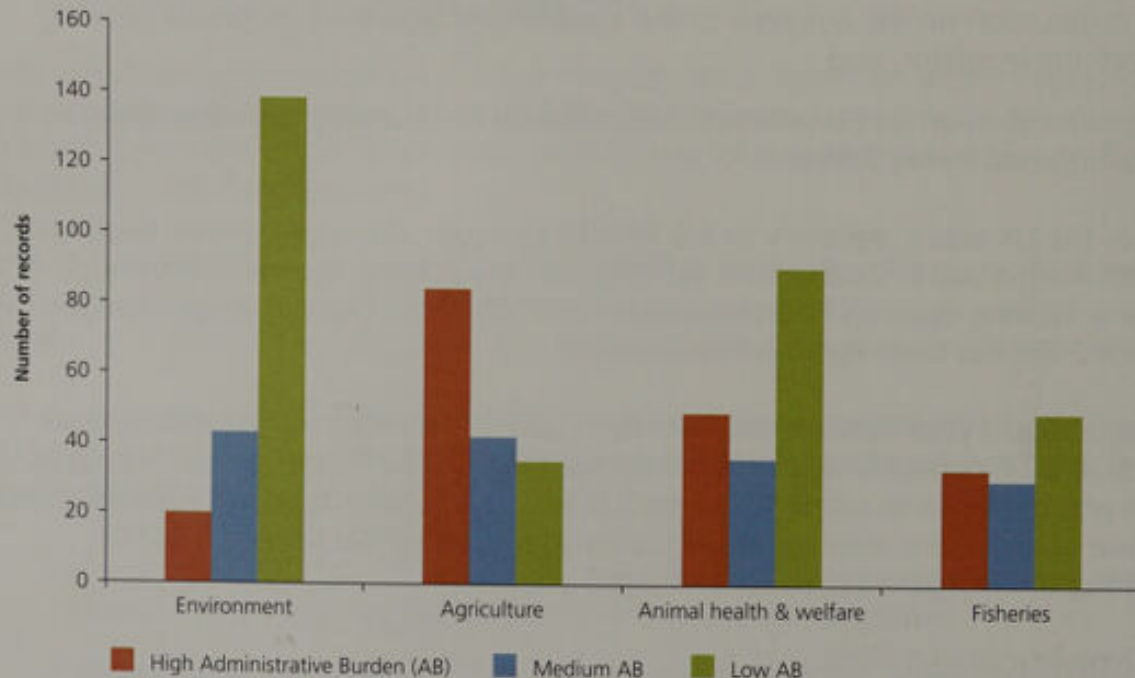
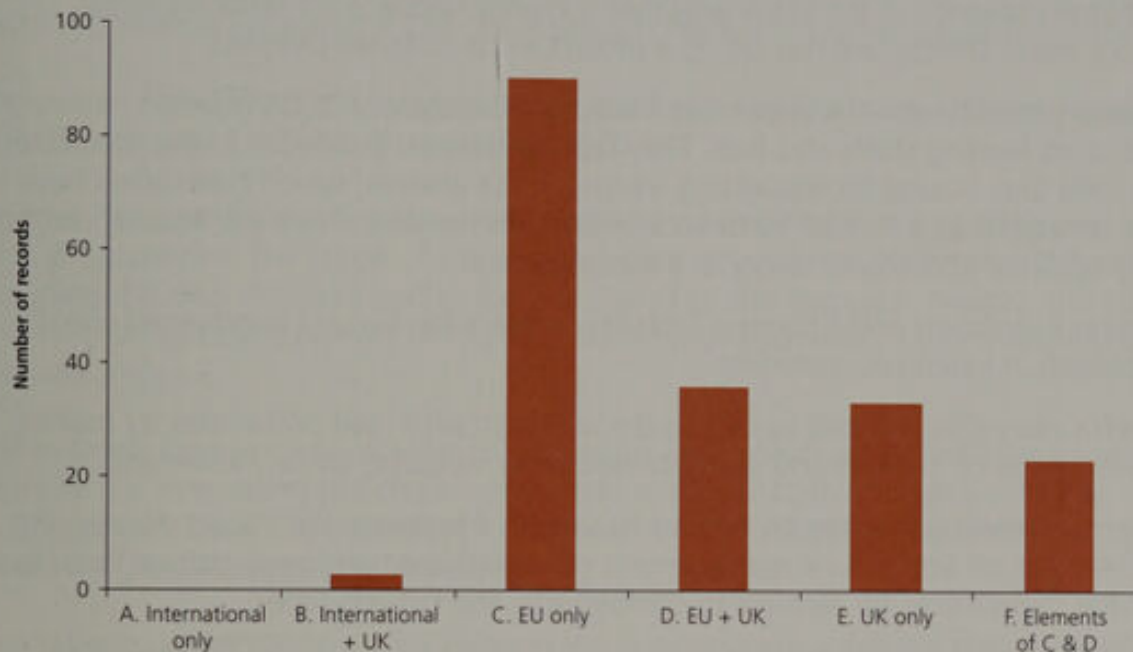


Figure 54: Origin of High Administrative Burdens

The baselining work has been taken forward by appointed contractors.

Ideas for reducing administrative burdens (including detecting new projects) have come from a range of stakeholders: business; representative organisations; policymakers; individuals; and regulators.

Defra's initial simplification plan detailed 64 initiatives, which were underway to simplify Defra regulations and reduce business burdens. These measures had been estimated to save business more than £86 million each year. In accordance with the BRTF recommendation, the plan is very much an evolving document and is being updated on a regular basis as new projects develop and the results of the baselining exercise emerge.

Since publication of the initial version in November 2005, the Department has been reviewing the measures identified, considering other projects that could be taken forward and carrying out more work to cost the overall savings that will arise.

The following are examples of projects to reduce the administrative burden:

- Environmental Permitting Programme – aims to streamline the permitting systems for waste and major industrial operations covered by Pollution Prevention and Controls (PPC). It will help to reduce administrative costs, provide greater simplicity and lower charges for customers;

- reducing red-tape in the water industry – Defra is working with the industry and its main regulators to reduce administrative burdens particularly around duplication of data requests, the level of detail required and the potential for self-monitoring discharge consents, in the same way that currently happens for drinking water. Defra's Water Directorate has set up a project to co-ordinate progress;
- veterinary medicines – the Veterinary Medicines Regulations 2005 govern medicated feeding stuffs and fees. They replace relevant provisions in the Medicines Act 1968 and around 50 supporting Statutory Instruments, which themselves have been amended by a further 50 or so Statutory Instruments. They are flexible, can be easily updated and ensure clarity in a complex area;
- Farming Regulation and Charging Strategy Partners for Success announced specific simplification initiatives, including:
 - Defra examining options to reduce the administrative load on farmers by making greater use of markets and slaughterhouses in reporting cattle movements;
 - Defra recently consulting on options to simplify Environmental Impact Assessment (EIA) rules on agricultural management of uncultivated and semi-natural land, to make them easier for farmers to comply with and cut red-tape;
 - reviewing the complex local delivery arrangements for inspecting and enforcing animal health and welfare regulations. This will help reduce overlap and bureaucracy and simplify farmers' interactions with Government;
 - replacing the Over Thirty Month rule by a rigorous Bovine Spongiform Encephalopathy testing regime boosting incomes by an estimated £52 million a year for beef and dairy producers; and
 - cutting the time spent by farmers filling in forms. By 2008, the average farmer who claims under the Single Payment Scheme (SPS) will experience at least a 15 per cent reduction in overall time spent filling in forms. It is estimated that this time saving will equate to about a £20 million annual saving for farmers in England.
- Under the UK Presidency, the Agriculture Council agreed conclusions on the Commission's CAP Simplification initiative that request a roadmap to be produced within this year's CAP Simplification Action Plan setting out the options for measuring and setting targets to reduce administrative burdens in the agricultural sector. This will make agriculture the first sector of the Commission to take forward this area of the better regulation agenda. Defra will work with the other Member States to analyse and share data on administrative burdens in the agricultural sector.

Implementing the Hampton Review and Better Regulation

To ensure that Defra and its family of delivery agencies implement the Hampton Review and Better Regulation agenda, two complementary programmes have been set up. These are the Better Regulation Programme and the Hampton Review Implementation Programme.

The overall objective of the two is to make the Defra family a more effective regulator and, in so doing, help it achieve its strategic objectives.

To drive this agenda forward effectively, Defra has developed a strategic business case for both programmes. The scope of the business case includes the majority of Defra's agencies, including the new thematic bodies recommended by the Hampton Review, and covers the end-to-end regulatory process from policy through to inspection, enforcement and delivery of the outcomes.

The business case aims to catalyse collaboration and provide an added impetus across the Defra family to meeting the challenge to reduce administrative burdens imposed on business by 25 per cent by 2009, improve the quality and effectiveness of regulatory outcomes and introduce greater operational efficiency.

To enable implementation of the vision in the business case a delivery plan is being developed collaboratively across the Defra family which will provide the roadmap for implementation.

Better Regulation Programme

The principles that underpin the programme include collaboration across the Defra family, focussing on what it means to those Defra regulate; and an enabler to better quality regulation. The Programme has three important strands:

- **strand 1:** will help to ensure that Defra delivers the 25 per cent reduction in administrative burdens that the Department is publicly committed to;
- **strand 2:** will develop an effective end-to-end regulatory process; and
- **strand 3:** will provide tools to support effective regulation and bring together best practice.

This approach recognises that effective regulation needs to dovetail policy development with inspection, enforcement and evaluation activities. Therefore, the programme's governance will be shared across policy areas and Defra's family of regulators to ensure that Better Regulation principles, and their intended outcome of a reduction in administrative burdens, are built into partnership working.

The new governance programme builds upon existing work to assure the strategic alignment, relative priority, proportionality of burden and quality of regulations as they are developed. This will assist to manage activities better within the initial and future simplification plan and it will enhance Defra's business processes to align or simplify related regulations as new regulations are developed.

Hampton Review Implementation Programme

The programme aims to ensure that restructuring of Defra's inspection and enforcement functions recommended by the Hampton Review embeds better regulation in working practices and culture for the future to create the forward thinking, focussed, modern regulators they seek to be. The programme will be an enabler for change across the whole regulatory process and support for the mergers recommended in the review. In particular the programme aims to enable implementation of cross-cutting initiatives which support better regulation and collaborative working across the Defra family such as data sharing, legislation and the merger process.

Progress on recommendations from the Hampton Review

Philip Hampton recommended seven thematic bodies:

- the existing Environment Agency;
- the new Natural England agency;
- a new Agricultural Inspectorate which is based on the existing Rural Payments Agency Inspectorate;
- a new Animal Health body based on the existing State Veterinary Service;
- the existing Food Standards Agency;
- the existing Health and Safety Executive; and
- the Local Better Regulation Office.

Driving this agenda is the need to create modern, better focussed and more forward-thinking organisations able to take strategic decisions, prioritise areas of work and use resources more effectively for Defra's customers. This will direct regulatory resources where they are most effective in promoting compliance.

Defra is moving forward to deliver these outcomes. Some mergers have already been decided and are currently taking place:

- the Wine Standards Board will become part of the Food Standards Agency during the summer of 2006;
- Horticultural Marketing Inspectorate merged with the Rural Payments Agency Inspectorate in April 2006;

- Wildlife and Convention on International Trade in Endangered Species (CITES) Licensing, the Wildlife Inspectorate, and Egg Marketing Inspectorate will all form part of the new Animal Health Agency. These mergers will take place in 2007; and
- the Rural Development Service will become part of Natural England towards the end of 2006.

Full public consultation on other mergers will be undertaken before decisions are made. These include:

- Veterinary Medicines Directorate;
- Drinking Water Inspectorate; and
- Gangmasters Licensing Authority.

Options for the National Bee Unit and the Fish Health Inspectorate are being considered in the context of the future of the science laboratories. The agricultural levy bodies' options will be developed within the context of the Radcliffe review. The Pesticides Safety Directorate is being considered in the context of the creation of a UK Competent Chemicals Authority.

The future of the Sea Fish Industry Authority is also currently subject to public consultation. The future of the Plant Health and Seeds Inspectorate and other Plant Health Division delivery functions and the Plant Variety and Seeds delivery functions will be subject to a review of the options. The review will report on 31 July 2006, with an initial review of the options available by 15 June.

The Department has committed to make all the changes needed by April 2009. This is a significant and far-reaching programme of work and offers an exciting opportunity to deliver benefits directly to customers and allow Defra's inspection and enforcement work to become more targeted and risk-based. This will enable the Department to improve customer focus and further reduce the burden on business, while maintaining the current level of protection.

Regulatory Compliance Code

Publication of the *Regulators' Compliance Code* was announced in the Chancellor's Budget on 22 March 2006. It embodies the principles of better regulation identified in the Hampton Report.

Defra embraced the Hampton Report and the Better Regulation agenda as the opportunity to extend the reach of its reform programme which had already initiated ways of working in line with Hampton principles.

The objective is to deliver improved regulatory outcomes through a more efficient and less burdensome regulatory regime, which uses risk assessment and shared data whenever possible and which improves the guidance available.

Following the approach laid down in the Compliance Code, and building it into the way the Department works, will help rapid movement towards compliance with the Hampton recommendations by the target date of April 2009.

90 Day Simplification Proposals

On 15 September 2005, a new initiative was launched across Whitehall inviting businesses to submit proposals to simplify regulations in direct response to the BRTF's recommendation in its March 2005 report (*Less is More*) on developing a rolling programme of simplification. Cabinet Office set up a one-stop online portal for business through which to submit their ideas. Departments have 90 days in which to reply to a proposal and must either commit to pursue it further or give details of why it would be inappropriate to do so.

Defra welcomes this initiative and since last September, has encouraged industry and stakeholders to submit proposals on regulations that could be simplified, improved or repealed. The important aspect of this initiative is that proposals cannot reduce protection and they must result in a net reduction of the administrative burden and that burden cannot be shifted elsewhere.

As of 31 March, Defra had received 35 proposals under this initiative. Examples of proposals received are:

- National Farmers Union (NFU) raised industry concerns about the amount of information required for applications for Integrated Pollution Prevention and Control permits and the targeting of this information on key environmental priorities. They proposed a self-audit based on risk rather than a threshold approach for selection of sites. While it is not possible to remove the threshold, as it is set in the IPPC Directive, the Environment Agency is developing a new application form that reflects an industry view on how to simplify the process and uses a tick box approach for some aspects;
- proposals received from National Audit Office and a Defra stakeholder to consider the process of wild and endangered bird registration in England. This involved changes to Schedule 4 of the Wildlife and Countryside Act 1981 to alleviate administrative burden on keepers. Defra engaged with stakeholders, the Welsh Assembly and the Scottish Executive, as bird registration affects the devolved administrations. Both the Scottish Executive and the Welsh Assembly have agreed that a common approach is desirable and are keen to be part of a public consultation planned for later in 2006 to take this forward; and
- the NFU raised concerns around the continuing relevance of hedgerows regulations in the light of other regulations on cross compliance. In response to these concerns, and comments from other stakeholders in two public consultations, Defra is

committed to making changes to the Hedgerows Regulations 1997 to make them more flexible and responsive to developing strategies for the protection of the countryside.

Measuring the administrative burden

In its March 2005 Report (*Less is More – Reducing Burdens, Improving outcomes*), the BRTF called on Government to measure the administrative burden faced by businesses and other UK organisations. It proposed adoption of the Standard Cost Model as a systematic measurement of the administrative burden and to set a target to reduce it. For this purpose, administrative burdens are defined as activities which must be undertaken in order to comply with regulation, for example, form filling, keeping records or responding to information requests and preparing for inspections.

As part of a cross-Whitehall initiative, Defra commenced work in summer 2005 with sector specific consultants on drawing up a comprehensive list of all regulations for which it is responsible and which impose an administrative burden on business.

By September 2005 a list of around 600 regulations had been identified spanning all spheres of the Department's activities. The measurement exercise then moved into its second stage in September 2005, when a contractor was appointed to measure the costs of these burdens to provide a baseline against which the target for reductions could be measured. Defra had already set a target in December 2004 to reduce administrative burdens on business by at least 25 per cent by 2009. The overall baseline for achieving reductions in administrative burden is expected to be finalised in summer 2006 and published in the pre-Budget report 2007.

Ministerial Challenge Panel on Regulation

The new procedures described above build on and complement the existing Ministerial Challenge Panel on Regulation (MCPR). Defra's Better Regulation Minister, Lord Bach, chairs this panel, which was established in 2005 in response to Defra's own Regulation Taskforce which recommended improving internal accountability for regulations.

The panel comprises senior level representatives from Defra's enforcement agencies, the Small Business Service and the Better Regulation Commission. Its role is to scrutinise and apply rigorous intellectual challenge to regulatory measures that are being developed by Defra policymakers. More than 50 policy proposals have been scrutinised during the panel's eighteen months of operation. By making use of a scoring template to judge each proposal and giving direct feedback to director-level policy leads, the MCPR is able to ensure that better regulation principles are applied effectively and consistently across the Defra family. The panel also encourages policymakers to take the Better Regulation agenda into account in developing their negotiating stance on EU proposals.

The MCPR has extended its remit to look at proposals that are received direct from businesses under the 90 Simplification Initiatives.

Environmental Regulation

A significant area of Defra's Better Regulation work is securing environmental protection while minimising burdens. There are many examples of how Defra is achieving this balance.

Following a commitment made in Defra's *Rural Strategy 2004*, the Department carried out a survey of environmental regulation. The main output from the survey is a set of criteria produced for identifying regulators and partnership working arrangements for delivery of new regulations. The criteria are in the process of being embedded into Defra policymakers' working practices used when implementing regulation.

The *Review of Enforcement in Environmental Regulation*²³⁰ was launched by the Minister of State for Climate Change and the Environment, Elliot Morley, on 8 September 2005. The Review aims to reach conclusions in summer 2006 about the best enforcement approaches for improved environmental protection. The Government's *Sustainable Development Strategy* stresses that positive behaviour needs to be encouraged, but enforcement is still important.

Stage 1 of the Review will draw together evidence to tell the Department where there are obstacles to effective environmental enforcement. Stage 2 will assess possible solutions to overcome those obstacles, in ways which will increase flexibility for enforcers, deal more proportionately with businesses which try to protect the environment, and which minimise and, if possible, reduce business costs.

The review is developing a dialogue with interested people and organisations. This includes an exploration with businesses and enforcers of whether and how administrative penalties could make enforcement more effective. It will also include exploring ways in which enforcement could be made more effective by involving the wider community.

The review is expected to contribute to the Cabinet Office Better Regulation Executive's wider penalties review, which is looking across all regulators in the follow-up to the Hampton Report.

Legislative and Regulatory Reform Bill

The Legislative and Regulatory Reform Bill was introduced into Parliament on 10 January. The Bill will create a wider law reform power than that in the Regulatory Reform Act 2001 and will enable reform of outdated or over-complicated regulation. Once in force Defra will make use of the streamlined processes it introduces as appropriate.

²³⁰ www.defra.gov.uk/corporate/ministers/speeches/em050908.htm

Regulatory Reform Orders

One current alternative to classic regulation is the power set out in the Regulatory Reform Act 2001 to use Regulatory Reform Orders (RRO) to remove outdated legislation.

Defra has used the RRO power to take forward 4 measures since 2003. These were:

- the Regulatory Reform (Sugar Beet Research and Education) Order 2003;
- the Regulatory Reform (British Waterways Board) Order 2003;
- the Regulatory Reform (Joint Nature Conservation Committee) Order 2005; and
- the Regulatory Reform (Forestry) Order 2006.

In addition, the Regulatory Reform (Agricultural Tenancies) (England and Wales) Order 2006 was laid for first stage Parliamentary scrutiny on 30 March 2006.

The infrequent use of this power is the reason why the Government has introduced the Legislative and Regulatory Reform Bill.

Annual statement of forthcoming legislation

On 31 January 2006 Defra published a statement of forthcoming legislation²³¹. The statement sets out when in 2006 new regulations impacting on businesses and the public in general will take effect. This statement is part of a cross-Whitehall initiative to give businesses more certainty and allow them to plan for changes to regulatory requirements. The statement will be updated in June 2006.

Changing the culture

A range of tools is being successfully used within Defra to promote better regulation in everyday practice. The Department's Issues Panel meets regularly to discuss a variety of better regulation issues. In February 2006 the Issues Panel considered the UK's Presidency of the European Council of Ministers. Conclusions from the panel on, for example, priority areas for action, are helping to inform Defra's contribution to the EU better regulation agenda.

Better policy training is a positive step toward lasting cultural change. Training events provide an environment where challenge is encouraged and there is scope for participants to engage in fresh ways of thinking about policy development. For example, Policy Team Action Planning Workshops are interactive events where policy teams benchmark their policymaking against a Best Practice Framework that is based on the core components of the Better Regulation agenda. Attendees are invited to participate in follow-up Regulatory Impact

²³¹ www.defra.gov.uk/corporate/regulat/regulat.asp#forthcoming

training which gives them a greater understanding of the Regulatory Impact Assessment (RIA) process and how to undertake a full impact assessment. Bespoke training modules, such as Customer Focus, Stakeholder Involvement and Evidence Based Policymaking are also delivered. Around 900 Defra family staff have attended workshops so far. Training is a proven method for embedding best practice principles and facilitating joined-up policy development with delivery bodies.

Regulatory Justice: following the Hampton Review

The March 2005 Hampton Review recommended that the Better Regulation Executive should undertake a comprehensive review of regulators' penalty regimes. The initial phase, commenced in December 2005, was a call for evidence to inform the scope and content of a full public consultation in spring 2006.

Core Defra responded to the call for evidence on 21 February²³². The response recommends that the review looks across the breadth and depth of enforcement mechanisms and available interventions while maintaining an open mind. It argues that what will suit regulators best is a flexible and responsive approach which allows a range of different sanctions to be considered depending on the nature and severity of the breach in question. Therefore, the review should have regard to the established principles of sound enforcement: proportionality; targeting; consistency; transparency and accountability.

Consultations on legislative proposals

The total number of consultations started between 1 April 2005 and 31 March 2006 and made available to the public for comment on Defra's website (consultation page) was 107. The number of these consultations lasting 12 weeks or more was 84. The total number of (limited) consultations that fell short of the 12 week period was 23. All but three of these consultations were authorised by the appropriate Minister or equivalent. Of the three: one was part of an EC consultation process; one was authorised by the Chief Veterinary Officer and was an adjunct to a full consultation lasting 12 weeks; and one was issued by In-House Policy Consultancy on behalf of several departments. A breakdown of the total number of consultations issued and the reasons for the limitations is given in Figure 55.

²³² www.defra.gov.uk/corporate/regulat/regulat.asp#macrory

Figure 55: Total number of consultations and the reason for limitations

	No of Consultations
Total Consultations	107
Met the minimum 12 weeks	84
Did not meet the 12 weeks	23
Length of consultation in weeks	
8-11 weeks	17
Less than 8 weeks	6
Reasons for not meeting minimum 12 week period	
Specialised issues for limited stakeholders	8
Timescales dictated by EU processes	6
Follow up consultation	4
Meet legislative timetable for Bill	1
Regulations to be laid in timely manner	1
To allow new arrangements by required date	1
Set by Prime Minister's Office	1
Minor change in practice	1

Regulatory Impact Assessments

Good quality RIAs are an essential element in ensuring that regulatory proposals are fully costed and their impact measured in respect of the economy, society and sustainable development.

In Defra there is a variety of examples of how RIAs have been used to help in the formulation of policy and establish a negotiating stance on EU measures:

The RIA on Potato Cyst Nematodes has proved a valuable tool. An initial version assessed the range of options being considered by the Commission and a revised version evaluated the published Commission Proposal. A cost benefit analysis was also undertaken to examine the impact of the proposal over a 20-year period.

The UK Presidency followed a similar process for the EU as a whole. The Presidency co-ordinated what was effectively an EU RIA using the Commission's own guidelines on Impact Assessments. This will help to ensure a balanced discussion as negotiations progress. Additionally, the benefits of using Impact Assessments have been demonstrated to the Commission and other Member States. This should help embed use of such assessments in future negotiations in the Phytosanitary sector.

Sustainable Land Use Division used RIAs as the primary policy development tool on new rules creating an environmental impact assessment (EIA) consent system for potentially damaging restructuring work on farms. The RIA framework encouraged cost benefit analysis, risk assessment and assessment of wider and indirect environmental, economic and social effects. This helped extract options which failed the better regulation tests and helped develop lighter-touch options which were proportionate to the risk, which farmers would be more able to understand and comply with and which would minimise unnecessary red-tape. A public consultation on proposed rules ended in late 2005. The rules are due to come into force in October 2006.

The importance of better regulation has been an integral part of the UK's contribution to shaping the European Marine Thematic Strategy. Defra's partial RIA has ensured that the UK has a sound evidence base ahead of negotiating the Marine Strategy Directive. Work is continuing on the RIA and a fully worked up version will be produced at an appropriate time as progress on the Directive continues.

The RIA on TB pre-movement testing supports provisions in the Tuberculosis (England) order 2006 for statutory pre-movement testing of cattle in England for bovine TB.

Movement testing was the subject of a public consultation. Following consultation an independent stakeholder group, chaired by a representative from the farming community, was set up and tasked with recommending a practical, cost-effective and enforceable policy mechanism for delivering pre-movement testing of cattle for TB.

In developing ideas and reaching conclusions, the group informed and was informed by the RIA, which sets out the costs and benefits of the options. The RIA is an open attempt to evaluate options using the best evidence available. It was necessary to make assumptions and estimates where hard information was limited and to make informed guesses about the likely business response to the policy measure. The RIA showed that pre-movement testing would have a significant impact on some areas of the industry. In considering options, the RIA enabled the Group to make recommendations that would mitigate the impacts whilst ensuring effectiveness of the measure in terms of disease control.

Pre-movement testing of cattle in England will be subject to review prior to the introduction of Phase 2 of the policy in March 2007. The RIA will be revised using data obtained since implementation of pre-movement testing.

However, Defra recognises that RIA quality is variable and will be looking further at how to improve the overall quality and timeliness of those it produces following publication of revised guidance by the Better Regulation Executive in tandem with improved training.



One of Defra's targets is to deliver more customer-focussed, competitive and sustainable farming and food industries.

Core Tables

This is the sixth year since the introduction of Resource Accounting and Budgeting that the expenditure plans have been published. The details of the Parliamentary Main Estimate are published separately.

The aim of the published tables is to provide an explanation of what Defra spends its money on. They provide an analysis of Departmental expenditure in resource terms, showing resource consumption and capital investment. The information includes Voted and non-Voted expenditure.

This year includes tables outlining how Defra spends its money by country and region.

Table 1 – Defra public spending

This table sets out a summary of the expenditure on functions which are now administered by the Department, covering the period from 2000-01 to 2007-08. Because the Department was only formed during 2001, past years' figures have been determined on the basis of the expenditure incurred by each of the various business areas brought together by the Machinery of Government changes in June 2001. Current and future year figures reflect the budgeted figures agreed with HM Treasury for the Department.

Table 2 – Defra resource budget detail

This table provides the resource consumption details in Table 1, broken down into greater detail. It shows the expenditure for each of the Department's functions and activities. The breakdown by activity within each function has been updated since 2003.

Table 3 – Defra capital budget details

This table provides details of the capital expenditure plans in the same format as Table 2.

Table 4 – Defra capital employed

This table shows the capital employed by the Department, in a balance sheet format. It provides a high-level analysis of the value of the various categories of fixed assets, debtor and creditor values, and also the extent of provisions made.

Table 5 – Defra's administration costs

This table presents in more detail information concerning the administration costs of running the Department. For the current year and past years there is an analysis of administration expenditure showing pay bill costs and other costs.

Table 6 – Staff numbers 2000-01 to 2007-08

This table shows actual and projected staffing in the Department, split between permanent staff, casuals and overtime.

Table 7 – Defra's identifiable expenditure on services, by country and region

This table shows actual and projected identifiable expenditure on services, by country and region.

Table 8 – Defra's identifiable expenditure on services, by country and region, per head.

This table shows actual and projected identifiable expenditure on services, by country and region per head.

Table 9 – Defra's identifiable expenditure on services by function, country and region for 2004-05

This table shows actual identifiable expenditure on services by function, country and region for 2004-05.

Commentary on core tables

Introduction

HM Treasury guidance for Departments on the Spring 2006 Departmental Report requires a commentary in support of the common core tables, not least because Treasury has produced a new regime of budgeting rules from 2006-07 published in December 2005²³³.

The Treasury publishes a glossary in the Public Expenditure Statistical Analyses report (Cm 6521)²³⁴ that explains most of the terms used in the common core tables and in the commentary below so these are not all repeated here.

There are many references to individual programme budgets within the main text of the Report so the comments below are restricted to the trends shown by the common core tables, especially when compared to the corresponding figures published last year.

Major change from last year

Defra's total public spending for 2005-06, including its Agencies, is £3.6 billion. This is significantly lower than last year's published figure of £5.8 billion because HM Treasury has back-dated²³⁵ a number of budget classification changes which are only formally effective from 2006-07 (in line with new rules referred to above). The back-dating within the common core tables is to maintain comparability with prior years in the tables. The changes cover three main areas:

- all expenditure on the Common Agricultural Policy (CAP) has been reclassified from Annually Managed Expenditure (AME) to Departmental Expenditure Limit (DEL) spending (£2.3 billion). By itself this would have no impact on total public spending (as defined below). However, at the same time, all the EU matching income on CAP has been reclassified from non-Budget to negative DEL. This means whilst the CAP income and expenditure nets out to zero within the resource budget (except for provisions to cover disallowance²³⁶ and exchange rate gains and losses²³⁷), the total public spending (as defined below) has fallen by £2.4 billion;
- all other EU income (£203 million in 2005-06) has been reclassified from non-Budget to negative DEL. As the corresponding expenditure (such as on Structural Funds and the Over Thirty Months cattle culling Scheme (OTMS)) was already classified as DEL, this resulted in a net fall in the DEL budget; and

²³³ See http://www.hm-treasury.gov.uk/documents/public_spending_and_services/consolidated_budgeting_guidance_for_2006-07.cfm.

²³⁴ See http://www.hm-Treasury.gov.uk/media/172/47/pesa2005_complete.pdf – Appendix F from page 159.

²³⁵ Via the new Treasury financial information system, COINS, which produces the common core tables.

²³⁶ Disallowance means financial penalties that can be imposed by the EU following their audit of individual CAP schemes.

²³⁷ Exchange rate gains and losses can occur because the income is denominated in Euros.

- the capital grants to the private sector and public corporations (£268 million in 2005-06) have been reclassified from resource to capital. This includes, for example, expenditure on Warm Front (where funding is rising significantly) and parts of the expenditure of the Carbon Trust and British Waterways.

The tables are split (and sub-analysed) by business area to be consistent with the layout of the Parliamentary Estimate and previous Departmental Reports.

Table 1 – Total public spending

Background

Total public spending is the sum of the resource budget and capital budget less depreciation (excluded so as to avoid double counting). Both the resource and capital budgets are split into DEL and AME elements for control purposes.

DEL budgets are negotiated with Treasury via Spending Reviews (SRs) that cover three years. The most recent (SR2004) covers 2005-06 to 2007-08. DEL includes the accruals-based consumption of the Non-Departmental Public Bodies (NDPBs) that the Department sponsors, which is not voted by Parliament as Parliament votes the cash required to fund the NDPB consumption on an annual basis.

AME budgets are usually demand led and not easily controllable by departments so are set each year via the Parliamentary Main Estimate at the beginning of the year. They can be updated during the year via the Winter and Spring Supplementary Estimates subject to approval by Parliament.

As a result of the reclassification changes, Defra has very little residual AME budget. It is now limited to the impact of changes to provisions against closed pension funds (£50 million per annum) and the expenditure of the Levy Funded Bodies (LFBs) that the Department sponsors (£72 million per annum). The levy income of the LFBs is classified as non-Budget.

As this table is a summary of tables 2 and 3, only commentary on the overall totals is added here.

Comparisons – forward looking

The estimated outturn for 2005-06 is very close to the budget made available via the Spring Supplementary Estimate, after allowing for the impact of the classification changes referred to in this commentary. The plans for 2006-07 agree to the 2006-07 draft Main Estimate (draft Estimates are now drawn from the same COINS system as the core tables).

The resource DEL for the current and next two years has fallen compared to the figures published last year again because of the classification changes. The impact of reclassifying the capital grants is more marked for the later years as it includes the additional £45 million/£95 million for Warm Front provided for those years by the 2004 Spending Review (SR2004).

The capital DEL for the current and next two years has increased by £315 million/£433 million/£468 million compared to the figures published last year largely because of:

- the reclassification of capital grants (£248 million/£293 million/£343 million – including the additional funding in SR2004 for Warm Front);
- the additional funding for Warm Front (£20 million/£125 million/£105 million) and Carbon Trust (£0/£15 million/£20 million) announced in the Pre-budget Report in December 2005; and
- drawing down £40 million of prior year's unspent budget as End Year Flexibility (EYF) to fund IT investment (for example, Whole Farm Approach, erdpIT and Livestock ID projects).

Comparisons – backward looking

The actual outturn for total public spending for 2004-05 is £2,394 million lower than the estimated outturn published in last year's Report, largely caused by the re-classification of £2,445 million of EU income from non-Budget. The remaining overspend compared to the estimate (£51 million) consists of:

- additional AME actual expenditure (£30 million) relating to the water industry closed pension fund provision not included in the estimate;
- the actual AME costs of the Intervention Board (£57 million) not included in the estimate;
- the estimated outturn including £95 million expenditure on the water industry closed pension fund surrendered to Treasury and so not included in the actual outturn; and
- an actual overspend on CAP AME expenditure (£43 million) compared to the estimate used for the 2005 Report.

The actual outturn for resource DEL for 2004-05 is £378 million lower than the estimated outturn published in last year's Report, largely caused by:

- the re-classification of capital grants referred to above (£174 million),
- the net effect of the CAP income and expenditure reclassification (£118 million); and
- the estimated outturn including £95 million for the water industry closed pension fund being surrendered to Treasury.

The actual outturn for Capital DEL for 2004-05 is £157 million higher than the estimated outturn published in last year's Report, largely caused by the re-classification of capital grants referred to above (£174 million) balanced by an actual underspend that emerged after the estimate (£17 million).

Table 2 – Resource budget

Expenditure on Animal Health and Welfare (AHW) rose significantly this year compared to last year following the introduction of the new BSE testing regime, increased work on emergency preparedness and disease surveillance and increased TB compensation. Savings are expected in the following years due to the introduction of new rates of compensation for scrapie and TB.

Expenditure on Environmental Protection (EP) continues to rise strongly, driven by increased investment in Climate Change, Waste and Flood Defence work discussed in the body of the report.

Sustainable Farming, Food and Fisheries (SFFF) shows a fall this year compared to last year but then remains at the same level for the succeeding years. This is largely caused by a large fall in Fisheries expenditure this year that recovers over the following two years.

Natural Resources and Rural Affairs (NRRA) rose very significantly compared to last year and remains at that level for the succeeding years. This is largely because the policy area is retaining budgetary responsibility for a number of major programmes where it has most recently passed the budget over to the Rural Payments Agency (RPA). So this increase is mirrored to some extent by a fall in RPA budgets. Examples of these schemes are the England Rural Development Programme (ERDP) and Structural Funds.

Expenditure continues to be re-directed from departmental operations into policy formulation and delivery work, but not at the expense of science policy.

Other than the comment under NRRA above, expenditure on OTMS by RPA falls as it has now been replaced by the smaller Older Cattle Disposal Scheme (OCDS). Expenditure on CAP Pillar 2 (ERDP) included within 'Other Funding' increases following the introduction of the new Entry and Higher Level Schemes (ELS and HLS) whilst expenditure on CAP Pillar 1 (increasingly via the Single farm Payment Scheme (SPS)) is expected to remain level. CAP income includes all the matched funding from the EU for CAP, OTMS/OCDS and Structural Funds.

RPA's running costs are now expected to fall significantly as its change programme reaches completion.

Table 3 – Capital budget

EP (Climate, Energy and Environmental Risk) shows the increased investment in Warm Front and Carbon Trust capital grants, with slower growth in waste management capital.

'Other Activities' within Departmental Operations for 2005-06 captures the cost of most of the Department's IT programme (for example, Whole Farm Approach, Livestock ID projects, departmental and RPA reform) reflecting the Department's centralised control over IT strategy. It also includes the investment in modernising and rationalising the Department's buildings and laboratories, including those used by the Executive Agencies.

NRRA shows the investment in the IT system underpinning the new CAP Pillar 2 schemes (ERDP, ELS and HLS), albeit switching from land management and rural development into rural policy (reflecting further rationalisation within that business area).

Table 4 – Capital employed

The figures for 2004-05 and earlier are extracted from the audited resource accounts for those years²³⁸, including those of the NDPBs that are not consolidated into Defra's own accounts but which form part of the DEL group.

Subject to any major provisions being required (such as £2 billion for foot-and-mouth in 2000-01 and £1 billion for the water industry closed pension scheme liabilities in 2003-04 onwards) the main fluctuations within capital employed appear between current assets and creditors due within one year. The net position on these balances has not fluctuated greatly but the individual volatility around the year-end is caused by the balances with the EU for CAP Pillar 1 payments. 2005-06 is showing a much larger creditor and corresponding EU debtor figures because of the delays in making payments to land owners on SPS 2005 following the issue of their entitlements in February 2006. The position is expected to stabilise for future scheme years.

Tangible assets have shown significant growth since the Department was formed in 2001, reflecting the investment in IT projects and modernising the building estate. This is not expected to continue and depreciation will begin to erode the net book value.

The NDPB net assets show consistent growth through the years caused by the indexation of the Environment Agencies (EA) flood and water management assets to reflect their net current replacement cost. The next quinquennial professional revaluation was due at 1 April 2006. Further detail is available from EA's own accounts²³⁹. EA's net assets represent 95 per cent of the total departmental capital employed, with Kew Gardens a further 4 per cent.

Table 5 – Administration costs

The total net administration costs for 2005-06 appear significantly higher than the previous year and higher than in the future years because most of the End-Year Flexibility that Defra was able to draw down from Treasury this year was available as administration but has actually been spent on front-line operations. This expected outturn had not yet been reflected in the Treasury COINS system when the core tables were drawn but is evident from the Department's internal financial system. The outturn for 2004-05 is £66 million lower than the planned figures from last year's report for the same reason.

The plans for 2006-07 and 2007-08 show the total net administration costs at £22 million lower than the corresponding figures from last year's report. This is as a result of the switching of depreciation from voted (some of which was previously included in administration) to non-voted resource (which is excluded from the administration analysis).

²³⁸ See <http://www.defra.gov.uk/corporate/finance/resource-accounts/index.htm>

²³⁹ See http://www.environment-agency.gov.uk/aboutus/275292/234823/?version=1&lang=_e

Tables 7, 8, 9 – Regional tables: footnotes and explanatory text

Departments are encouraged to add notes to the regional tables to explain what drives the regional allocation of particular spending areas shown. Departments should also accompany the tables with the following explanatory text:

- the spending data shown in these tables is consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 7 of Public Expenditure Statistical Analyses (PESA) 2006. PESA contains more tables analysed by country and region, and also explains how the analysis was collected and the basis for allocating expenditure between countries and regions;
- the tables include the spending of the department and its NDPBs on payments to private sector and subsidies to public corporations. They do not include capital finance to public corporations but do include public corporations capital expenditure. They do not include payments to local authorities or local authorities' own expenditure;
- the data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded;
- the tables do not include depreciation, cost of capital charges or movements in provisions that are in DEL/AME. They do include salaries, procurement expenditure, capital expenditure and grants and subsidies paid to individuals and private sector enterprises;
- the figures were taken from the HM Treasury Public spending database in December 2005 and the regional distributions were completed in January/February 2006. Therefore the tables may not show the latest position and are not necessarily consistent with other tables in the Departmental Report;
- across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the departments area of responsibility, usually England, compare. So the analysis shows the regional outcome of spending decisions that have on the whole not been made primarily on a regional basis; and
- the functional categories used are the standard United Nations Classifications of the Functions of Government (COFOG) categories. This is not the same as the strategic priorities used elsewhere in this report.

Table 1: Total public spending (£ thousands)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Consumption of Resources:								
Animal Health and Welfare	2,539,461	706,359	383,652	273,379	247,514	352,009	327,196	327,656
Environmental Protection	631,834	1,537,430	631,552	617,631	972,259	1,182,987	1,336,915	1,439,665
Sustainable Farming, Food and Fisheries	157,810	166,934	179,958	201,226	210,033	182,270	188,021	187,778
Natural Resources and Rural Affairs	294,685	374,830	488,338	426,313	360,733	596,529	548,564	558,562
Departmental Operations	247,492	229,472	328,775	309,473	425,804	281,034	251,014	240,554
Rural Payments Agency	387,936	517,063	308,066	590,397	564,168	459,425	317,465	294,677
Other Executive Agencies	-4,002	-5,836	-5,659	-6,382	-1,693	4,746	-905	-905
Total resource budget	4,255,216	3,526,252	2,314,682	2,412,037	2,778,818	3,059,000	2,968,270	3,047,987
of which:								
Resource DEL ⁽¹⁾	2,409,218	2,260,469	2,263,313	2,339,192	2,707,220	2,936,178	2,917,643	2,997,360
Capital Spending:								
Animal Health and Welfare	221	304	409	10,625	22,673	—	—	—
Environmental Protection	235,460	335,333	298,236	402,922	356,396	469,545	637,447	673,855
Sustainable Farming, Food and Fisheries	8,202	12,929	4,533	10,818	3,427	7,311	4,855	4,855
Natural Resources and Rural Affairs	22,077	33,024	18,776	44,794	28,641	42,981	31,335	31,335
Departmental Operations	22,095	35,635	59,871	20,349	46,182	134,536	61,023	57,375
Rural Payments Agency	5,669	7,726	9,526	35,928	7,362	—	4,700	4,700
Other Executive Agencies	9,636	21,739	27,061	37,821	24,700	—	32,640	34,880
Total capital budget	303,360	446,690	418,412	563,257	489,381	654,373	772,000	807,000
of which:								
Capital DEL	302,034	445,352	417,095	561,940	487,985	654,373	772,000	807,000
Total public spending⁽²⁾	4,441,650	3,847,776	2,580,717	2,836,237	3,068,699	3,590,488	3,535,188	3,649,905

(1) Departmental Expenditure Limits, set as part of the 2002 and 2004 Spending Reviews.

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

Table 1: Total public spending (£ thousands)

(continued)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Spending by local authorities on functions relevant to the Department								
Current spending:	2,969,406	3,143,823	3,482,753	3,852,690	4,097,595	—	—	—
of which:								
financed by grants from budgets above	-213,664	-208,095	-220,012	-38,386	460	—	—	—
Capital spending:	130,197	151,469	171,368	299,528	415,791	—	—	—
of which:								
financed by grants from budgets above	50,621	72,751	78,548	158,344	121,980	158,943	—	—

Table 2: Resource budget

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Animal Health and Welfare	2,539,461	706,359	383,652	273,379	247,514	352,009	327,196	327,656
of which:								
Animal Welfare	65,454	65,684	53,964	60,755	58,505	91,179	80,910	77,610
BSE (and other TSEs)	55,752	50,592	62,523	65,745	47,830	80,503 ⁽¹⁾	81,067	81,067
Disease Prevention	2,363,024 ⁽²⁾	522,873	142,494	49,685	48,561	49,472	53,164	60,416
Endemic Disease & Zoonoses (inc Bovine TB)	28,832	33,870	67,137	56,381	41,316	63,107	67,303	63,811
National Scrapie Plan	—	8,000	10,878	15,808	26,310	25,854	17,824	17,824
Animal Health and Welfare Administration Costs	26,399	25,340	46,656	25,005	24,992	41,894	26,928	26,928
Environmental Protection	631,834	1,537,430	631,552	617,631	972,259	1,182,987	1,336,915	1,439,665
of which:								
Environment Quality and Waste	110,000	122,237	135,476	103,120	163,181	201,552 ⁽³⁾	217,794	279,157
Climate, Energy and Environmental Risk	139,789	183,420	127,675	179,146	178,617	233,558 ⁽⁴⁾	241,751	272,978
Environment Protection Strategy	118,666	949,496 ⁽⁵⁾	167,323	145,318	62,816 ⁽⁶⁾	156,085	173,155	173,654
Water (including Drinking Water Inspectorate)	238,174	256,706	175,987	164,573	530,787 ⁽⁷⁾	544,909	670,318	679,979
Environmental Protection Administration Costs	25,505	25,571	25,091	25,474	36,858	46,883	33,897	33,897
Sustainable Farming, Food and Fisheries	157,810	166,934	179,958	201,226	210,033	182,270	188,021	187,778
of which:								
European Union and International Policy	347	358	383	351	366	5,472	857	769
Food Industry and Crops	50,500	56,820	56,358	70,425	56,341	65,318	50,258	48,332

Table 2: Resource budget (£ thousands)

(continued)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Sustainable Agriculture and Livestock Products	55,060	57,340	60,416	61,358	74,547	64,146	69,990	66,377
Fisheries	31,784	32,776	36,269	44,636	51,223	17,748	33,749	39,133
Sustainable Farming, Food and Fisheries Administration Costs	20,119	19,640	26,532	24,456	27,556	29,586	33,167	33,167
Natural Resources and Rural Affairs	294,685	374,830	488,338	426,313	360,733	596,529	548,564	558,562
of which:								
Land Management and Rural Development	66,326	78,106	55,223	84,292	48,573	220,255 ⁽⁹⁾	183,634	190,363
Wildlife, Countryside and Better Regulation	75,273	89,623	183,290 ⁽⁹⁾	119,811	111,410	143,217	141,383	142,652
Rural Policy (including Rural Development Service)	135,646	189,871	231,375	201,521	185,623	209,086	200,256	202,256
Natural Resources and Rural Affairs Administration Costs	17,440	17,230	18,450	20,689	15,127	23,971	23,291	23,291
Departmental Operations	247,492	229,472	328,775	309,473	425,804	281,034	251,014	240,554
of which:								
Science Policy	55,833	32,935	62,419	67,846	55,202	52,893	55,532	55,072
Developing Defra	—	—	—	38,800	40,100	—	—	—
Developing the Evidence Base	10,648	11,316	9,670	11,558	11,031	4,749	4,272	4,272
Other Activities (including admin costs)	181,011	185,221	256,686	191,269	319,471	223,392	191,210	181,210
Rural Payments Agency	387,936	517,063	308,066	590,397	564,168	459,425	317,465	294,677
of which:								
OTMS	154,150	138,801	145,969	161,045	130,243	79,678 ⁽¹⁰⁾	89,000	107,000
Direct Payments under CAP	1,807,518	1,574,172	1,683,534	1,999,480	2,257,989	2,226,843	2,205,583	2,202,986
CAP Income	-1,708,691	-1,476,846	-1,734,770	-2,009,052	-2,278,214	-2,225,888	-2,412,876	-2,432,951

Table 2: Resource budget (£ thousands)

(continued)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Other Funding	32,693	173,306	97,992	263,277	250,636	153,244	289,339 ⁽¹⁾	312,365
Administration	102,266	107,630	115,341	175,647	203,514	225,548	146,419	105,277
Other Executive Agencies	-4,002	-5,836	-5,659	-6,382	-1,693	4,746	-905	-905
of which:								
Other Executive Agencies	-4,002	-5,836	-5,659	-6,382	-1,693	4,746	-905	-905
Total resource budget	4,255,216	3,526,252	2,314,682	2,412,037	2,778,818	3,059,000	2,968,270	3,047,987

- (1) Increase in testing due to replacement of the Over Thirty Month cattle culling scheme.
- (2) The foot-and-mouth disease outbreak occurred in February 2001. The balance reflects direct costs incurred in-year and the establishment of a provision in the accounts.
- (3) Increase in funding due to recycling of Landfill Tax established under 2004 Spending Review.
- (4) Increase in funding for fuel poverty and Carbon Trust under 2004 Spending Review.
- (5) Includes provision of £827 million for Environment Agency Closed Pension Scheme.
- (6) The Department was not required to provide funding for the Environment Agency Closed Pension Scheme due to the use by the scheme of the existing pension fund investment. Contributions will resume 2006-07.
- (7) 2004-05 and 2005-06 figures include a baseline transfer from the Office of the Deputy Prime Minister of £271 million and £319 million respectively for flood management purposes.
- (8) 2005-06 includes increased funding for the England Rural Development Programme, including the implementation of the new Entry Level Scheme.
- (9) The 2002-03 figure includes a £92 million pension scheme transfer from English Nature to the Principal Civil Service Pension Scheme.
- (10) Decline is due to the replacement of the Over Thirty Month Scheme by a rigorous testing regime together with contributions from the Department of Health.
- (11) 2006-07 and 2007-08 include increased funding for England Rural Development Programme.

Table 3: Capital budget (£ thousands)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Animal Health and Welfare	221	304	409	10,625	22,673	—	—	—
of which:								
Animal Welfare	79	109	126	5,192	18,767 ⁽¹⁾	—	—	—
Disease Prevention	-31	-44	-51	—	—	—	—	—
Endemic Disease & Zoonoses (inc Bovine TB)	—	—	—	87	2,976	—	—	—
National Scrapie Plan	—	—	58	294	930	—	—	—
Animal Health and Welfare Administration Costs	173	239	276	5,052	—	—	—	—
Environmental Protection	235,460	335,333	298,236	402,922	356,396	469,545	637,447	673,855
of which:								
Environment Quality and Waste	19,700	19,700	36,649	90,081 ⁽²⁾	49,792	55,720	65,651	65,651
Climate, Energy and Environmental Risk	110,299	158,775	155,737	182,972	160,702	195,300	365,462	400,462
Environment Protection Strategy	480	679	8,196	42,859	45,295	25,707	30,100	30,100
Water (including Drinking Water Inspectorate)	104,668	155,746	97,154	86,736	100,607	192,818 ⁽³⁾	176,234	177,642
Environmental Protection Administration Cost	313	433	500	274	—	—	—	—
Sustainable Farming, Food and Fisheries	8,202	12,929	4,533	10,818	3,427	7,311	4,855	4,855
of which:								
Food Industry and Crops	163	404	2,481	-10	606	—	65	65
Sustainable Agriculture and Livestock Products	958	1,065	1,044	1,044	797	—	—	—
Fisheries	6,997	11,344	376	7,386	1,736	7,311	4,790	4,790
Sustainable Farming, Food and Fisheries Administration Costs	84	116	632	2,398	288	—	—	—

Table 3: Capital budget (£ thousands)

(continued)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Natural Resources and Rural Affairs	22,077	33,024	18,776	44,794	28,641	42,981	31,335	31,335
of which:								
Land Management and Rural Development	—	—	6,294	31,937 ⁽⁴⁾	23,821	—	—	—
Wildlife, Countryside and Better Regulation	6,704	11,706	11,768	10,264	4,068	15,506	7,235	7,235
Rural Policy (including Rural Development Service)	15,326	21,252	639	1,181	752	27,475	24,100	24,100
Natural Resources and Rural Affairs Administration Costs	47	66	75	1,412	—	—	—	—
Departmental Operations	22,095	35,635	59,871	20,349	46,182	134,536	61,023	57,375
of which:								
Science Policy	4,826	8,241	7,678	5,170	4,958	—	7,600	7,600
Developing Defra	—	—	—	6,200	4,900	—	—	—
Developing the Evidence Base	989	1,699	1,573	402	279	—	—	—
Other Activities (including administration costs)	16,280	25,695	50,620	8,577	36,045	134,536 ⁽⁵⁾	53,423	49,775
Rural Payments Agency	5,669	7,726	9,526	35,928	7,362	—	4,700	4,700
of which:								
Other Funding	5,669	7,726	9,526	35,928	7,362	—	4,700	4,700
Other Executive Agencies	9,636	21,739	27,061	37,821	24,700	—	32,640	34,880
of which:								
Other Executive Agencies	9,636	21,739	27,061	37,821	24,700	—	32,640	34,880
Total capital budget	303,360	446,690	418,412	563,257	489,381	654,373	772,000	807,000

(1) Increase in funding for livestock ID.

(2) All the local authorities' waste management was classified as capital.

(3) Increased investments in flood defence works.

(4) Increase in funding for the England Rural Development Programme IT.

(5) Increase reflects the centralisation of the funding of IT projects across the Department.

Table 4: Capital employed (£ millions)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Projected	2006-07 Projected	2007-08 Projected
Assets on Departmental Consolidated Balance Sheet at end of year								
Fixed Assets								
Intangible	3	5	6	13	16	20	20	20
Tangible	509	520	599	741	813	787	760	724
of which:								
Land & Buildings	383	372	383	444	461	441	421	401
Vehicles, Plant & Machinery	9	6	35	33	31	30	29	28
Equipment & IT	117	142	181	264	321	316	310	295
Investments	1	2	16	16	12	9	5	2
Liabilities and Current Assets								
Current Assets	884	1,062	1,417	983	1,486	2,512	1,502	1,476
Creditors (<1 year)	-965	-909	-1,378	-944	-1,512	-2,602	-1,556	-1,498
Creditors (>1 year)	-14	-20	-42	-38	-25	-31	-26	-32
Provisions	-2,058	-345	-238	-1,038 ⁽¹⁾	-1,125	-1,073	-1,080	-1,090
Capital employed within main Department and Executive Agencies⁽²⁾	-1,640	315	380	-267	-335	-378	-375	-398
NDPB net assets	1,934	1,955	1,984	2,150	2,336	2,351	2,385	2,420
Total capital employed within the Departmental Group	294	2,270	2,364	1,883	2,001	1,973	2,010	2,022

(1) The increased provision in the main department is to cover liabilities arising from the EA Closed Pension Scheme. A detailed explanation was supplied in the 2004-05 Resource Accounts for the Department. Provision in 2001 was for foot-and-mouth disease.

(2) Negative figures reflect the Department bearing provisions against its reserves in excess of its other net assets.

* Figures may not sum due to rounding.

Table 5: Defra's administration costs (£ thousands)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Plans	2005-06 Plans	2006-07 Plans	2007-08 Plans
Gross administration costs								
Paybill	113,104	229,295	231,743	235,212	218,762	242,230	—	—
Other	167,017	53,490	190,825	128,502	152,936	182,714	—	—
Total gross administration costs	280,121	282,785	422,568	363,714	371,698	424,944	340,329	330,311
Related administration cost receipts	-35,518	-50,941	-44,316	-76,606	-56,635	-82,491	-55,165	-55,147
Total net administration costs	244,603	231,844	378,252	287,108	315,063	342,453	285,164	275,164
Analysis by activity:								
Animal Health & Welfare	26,399	25,340	46,656	25,005	24,992	41,894	26,928	26,928
Environment	25,205	25,571	25,091	25,474	36,858	46,883	33,897	33,897
Sustainable Farming, Food and Fisheries	20,119	19,640	26,532	24,456	27,556	29,586	33,167	33,167
Natural Resources and Rural Affairs	18,641	18,431	18,450	20,689	14,981	23,971	19,313	19,313
Departmental Operations	149,030	136,862	253,521	185,883	207,414	206,600	168,174	158,174
Executive Agencies	5,209	6,000	8,002	5,601	3,262	-6,481	3,685	3,685
Total net administration costs	244,603	231,844	378,252	287,108	315,063	342,453	285,164	275,164

Table 6: Staff numbers

	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Intervention Board								
CS FTEs ⁽¹⁰⁾	1,197 ⁽⁸⁾	1,080	—	—	—	—	—	—
Overtime	22	85	—	—	—	—	—	—
Casuals ⁽¹⁾	132	30	—	—	—	—	—	—
Total	1,351	1,195	—	—	—	—	—	—
Department for Environment, Food and Rural Affairs (Gross Control Area)⁽²⁾								
CS FTEs ⁽¹⁰⁾	6,855 ⁽³⁾	7,970 ⁽⁶⁾	10,034	10,132	9,732	9,337	9,223	8,815
Overtime	180	777 ⁽⁷⁾	245	174	144	186	120	120
Casuals ⁽¹⁾	284	1,110 ⁽⁷⁾	925	642	775	1,007	621	315
Total	7,319	9,857	11,204	10,948	10,651	10,530	9,964	9,250
Veterinary Laboratories Agency (Net Control Area)								
CS FTEs ⁽¹⁰⁾	1,127	1,160	1,244	1,303	1,244	1,229	1,204	1,180
Overtime	22	77	26	25	35	35	34	34
Casuals ⁽¹⁾	28	20	36	32	17	21	21	20
Total	1,177	1,257	1,306	1,360	1,296	1,285	1,259	1,234
ADAS/Farming and Rural Conservation Agency (Net Control Area)⁽⁵⁾								
CS FTEs ⁽¹⁰⁾	670	—	—	—	—	—	—	—
Overtime	6	—	—	—	—	—	—	—
Casuals ⁽¹⁾	76	—	—	—	—	—	—	—
Total	752	—	—	—	—	—	—	—
Central Science Laboratory (Net Control Area)								
CS FTEs ⁽¹⁰⁾	594	598	642	646	644	632	677	677
Overtime	4	32	8	8	8	8	8	8
Casuals ⁽¹⁾	36	40	47	32	41	40	37	37
Total	634	670	697	686	693	680	722	722

Table 6: Staff numbers

(continued)

	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Estimated Outturn	2006-07 Plans	2007-08 Plans
Veterinary Medicines Directorate (Net Control Area)								
CS FTEs ⁽¹⁰⁾	126	110	116	124	125	130	132	132
Overtime	1	1	1	1	—	—	—	—
Casuals ⁽¹⁾	1	—	—	—	—	—	—	—
Total	128	111	117	125	125	130	132	132
Centre for Environment, Fisheries and Aquaculture Science (Net Control Area)⁽⁴⁾								
CS FTEs ⁽¹⁰⁾	497	505	514	521	515	516	511	503
Overtime	21	21	15	12	12	13	13	12
Casuals ⁽¹⁾	40	15	7	7	2	5	5	5
Total	558	541	536	540	529	534	529	520
Pesticides Safety Directorate (Net Control Area)								
CS FTEs ⁽¹⁰⁾	—	—	—	—	182 ⁽⁹⁾	196	200	200
Overtime	—	—	—	—	0	0	0	0
Casuals ⁽¹⁾	—	—	—	—	8	0	0	0
Total	—	—	—	—	190	196	200	200
Total Defra	10,568	12,436	13,860	13,659	13,484	13,355	12,806	12,058

⁽¹⁾ The outturn and estimated 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 to 31 March 2004), 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), RPA (from 16 October 2001), SVS (from 1 April 2005), MFA and GDS (both from 1 October 2005).

⁽³⁾ Excludes JFSSG and MHS following the establishment of the Food Standards Agency from 1 April 2000.

⁽⁴⁾ CEFAS became a Net Control Agency from 1 April 2000.

⁽⁵⁾ 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).

⁽⁶⁾ DEFRA was created on 8 June 2001 from MAFF and approximately 650 staff from the Department of Environment, Transport and the Regions (DETR).

⁽⁷⁾ Includes FMD related work.

⁽⁸⁾ The IBEA was abolished on 15 November 2001 and its functions were taken over by the Rural Payments Agency (RPA).

⁽⁹⁾ PSD became a Net Control Agency from 1 April 2004.

⁽¹⁰⁾ Civil Servants – Full Time Equivalents.

Table 7: Defra identifiable expenditure on services, by country and region (£ millions)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Plans	2005-06 Plans	2006-07 Plans	2007-08 Plans
North East	207.0	339.7	252.0	244.2	241.1	241.7	252.3	262.0
North West	540.8	713.4	625.0	515.4	540.4	524.8	547.1	565.1
Yorkshire and Humberside	676.9	912.8	571.1	525.9	578.3	586.2	590.5	611.4
East Midlands	426.5	605.0	490.7	472.9	533.8	520.9	533.4	552.2
West Midlands	393.1	632.3	427.0	425.2	454.9	459.8	475.9	489.2
Eastern	449.2	661.7	485.6	519.0	629.0	612.0	618.9	641.6
London	242.5	300.3	380.9	359.2	461.1	488.2	502.4	517.7
South East	487.0	645.1	561.3	518.7	606.2	626.7	644.5	665.6
South West	797.9	1,172.1	837.2	787.8	801.9	791.2	819.2	850.8
Total England	4,220.8	5,982.5	4,630.9	4,368.3	4,846.8	4,851.5	4,984.2	5,155.5
Scotland	—	—	—	—	—	—	—	—
Wales	—	—	—	—	—	—	—	—
Northern Ireland	—	—	—	—	—	—	—	—
Total UK identifiable expenditure	4,220.8	5,982.5	4,630.9	4,368.3	4,846.8	4,851.5	4,984.2	5,155.5
Outside UK	—	—	—	—	—	—	—	—
Total identifiable expenditure	4,220.8	5,982.5	4,630.9	4,368.3	4,846.8	4,851.5	4,984.2	5,155.5
Non-identifiable expenditure	372.8	262.7	226.1	446.2	445.1	365.9	487.1	566.8
Total expenditure on services	4,593.6	6,245.2	4,857.0	4,814.4	5,291.8	5,217.4	5,471.3	5,722.3

Table 8: Defra identifiable expenditure on services, by country and region, per head (£s per head)

	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Plans	2005-06 Plans	2006-07 Plans	2007-08 Plans
North East	81.4	133.8	99.3	96.2	94.7	95.5	99.8	103.7
North West	79.8	105.3	92.1	75.7	79.1	76.9	80.1	82.6
Yorkshire and Humberside	136.5	183.4	114.4	105.0	114.8	116.4	116.9	120.7
East Midlands	102.3	144.4	116.2	111.2	124.7	121.2	123.5	127.1
West Midlands	74.6	119.7	80.5	79.9	85.3	86.1	88.9	91.1
Eastern	83.6	122.5	89.6	95.0	114.5	110.6	111.1	114.4
London	33.5	41.0	51.7	48.6	62.1	65.3	66.8	68.4
South East	60.9	80.4	69.8	64.2	74.7	76.7	78.5	80.6
South West	162.3	237.1	168.5	157.6	159.2	156.2	160.7	165.8
Total England average expenditure per head	85.7	121.0	93.3	87.6	96.8	96.5	98.7	101.7
Scotland	—	—	—	—	—	—	—	—
Wales	—	—	—	—	—	—	—	—
Northern Ireland	—	—	—	—	—	—	—	—
Total UK identifiable expenditure per head	71.7	101.2	78.1	73.3	81.0	80.8	82.7	85.2

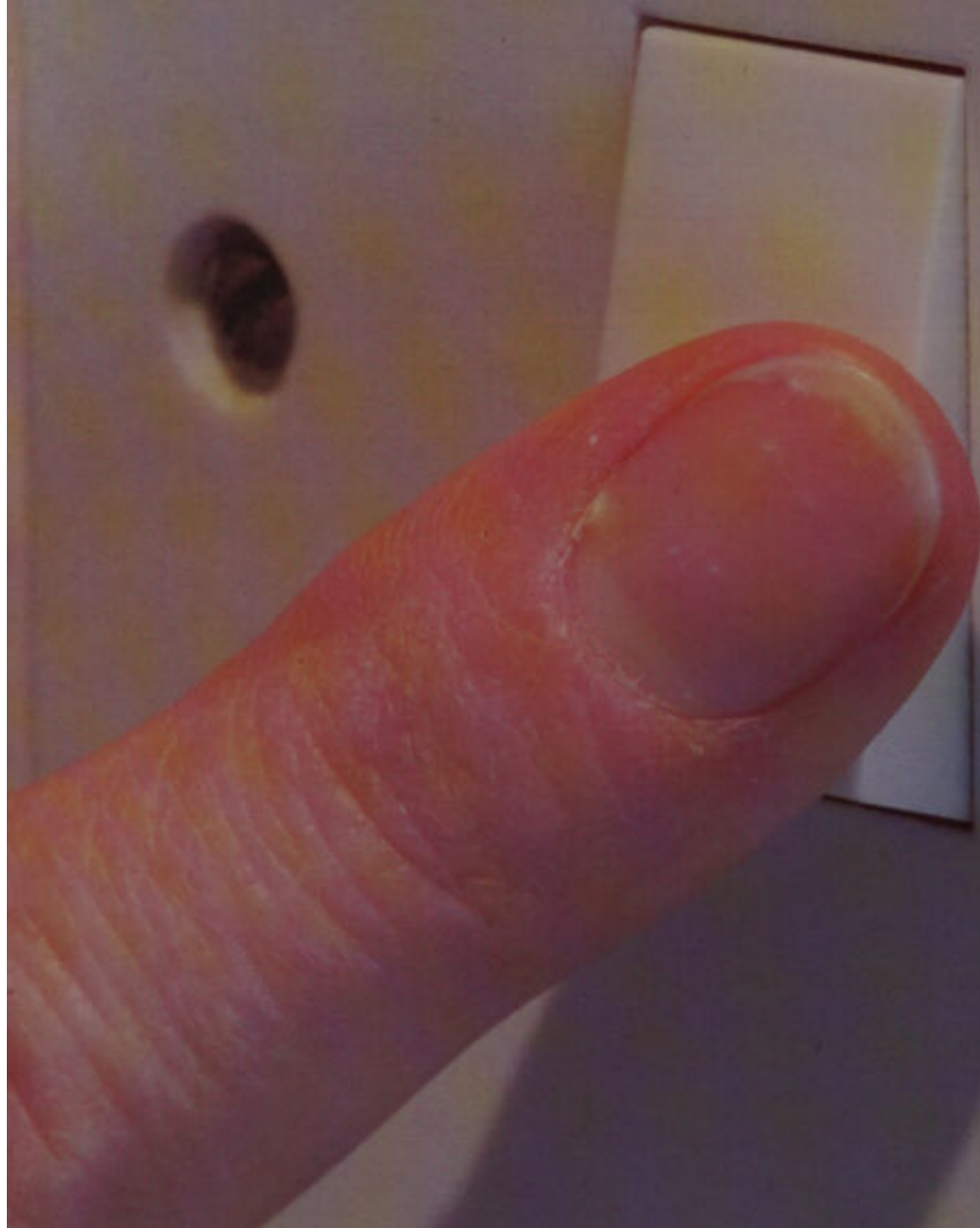
Table 9: Defra identifiable expenditure on services by function, country and region, for 2004–05 (£ millions)

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London
Defra							
Enterprise and economic development							
Regional Policy	6.7	10.9	8.6	3.5	6.5	2.5	0.0
Total enterprise and economic development	6.7	10.9	8.6	3.5	6.5	2.5	0.0
Agriculture, fisheries and forestry							
Forestry	0.2	0.4	0.3	0.3	0.3	0.4	0.5
Market support under CAP	127.0	287.1	332.9	345.5	235.7	410.3	224.9
Other agriculture food fisheries policy	64.8	109.2	129.3	91.6	122.1	119.3	118.7
Total agriculture, fisheries and forestry	192.0	396.8	462.5	437.3	358.1	529.9	344.1
Environment protection							
Environmental protection	42.2	132.0	106.8	92.6	89.7	96.0	116.3
Total environment protection	42.2	132.0	106.8	92.6	89.7	96.0	116.3
Housing and community amenities							
Other housing and community services	0.2	0.7	0.5	0.4	0.5	0.5	0.7
Total Housing and Community amenities	0.2	0.7	0.5	0.4	0.5	0.5	0.7
Total	241.1	540.4	578.3	533.8	454.9	629.0	461.1

Table 9: Defra identifiable expenditure on services by function, country and region, for 2004–05 (£ millions) (continued)

South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	Outside UK	Total Identifiable expenditure	Not identifiable	Totals
Defra										
Enterprise and economic development										
3.4	3.4	45.6	0.0	0.0	0.0	45.6	0.0	45.6	0.0	45.6
3.4	3.4	45.6	0.0	0.0	0.0	45.6	0.0	45.6	0.0	45.6
Agriculture, fisheries and forestry										
0.5	0.3	3.3	0.0	0.0	0.0	3.3	0.0	3.3	0.0	3.3
324.3	471.3	2,759.0	0.0	0.0	0.0	2,759.0	0.0	2,759.0	0.0	2,759.0
117.6	236.6	1,109.0	0.0	0.0	0.0	1,109.0	0.0	1,109.0	120.0	1,229.1
442.4	708.2	3,871.3	0.0	0.0	0.0	3,871.3	0.0	3,871.3	120.0	3,991.4
Environment protection										
159.7	89.9	925.0	0.0	0.0	0.0	925.0	0.0	925.0	325.0	1,250.0
159.7	89.9	925.0	0.0	0.0	0.0	925.0	0.0	925.0	325.0	1,250.0
Housing and Community amenities										
0.8	0.5	4.9	0.0	0.0	0.0	4.9	0.0	4.9	0.0	4.9
0.8	0.5	4.9	0.0	0.0	0.0	4.9	0.0	4.9	0.0	4.9
606.2	801.9	4,846.8	0.0	0.0	0.0	4,846.8	0.0	4,846.8	445.1	5,291.8

Energy - gas and electricity - used in the home is responsible for 25% of the UK's carbon dioxide emissions. Wasting less energy saves money, creates jobs and helps make industry more competitive. Energy efficiency measures also improve the quality of housing, helping bring warmer, healthier homes to old and vulnerable people living in fuel poverty.



Summary of progress against outstanding Comprehensive Spending Review 1998, 2000 and 2002 Spending Review Public Service Agreement targets

Comprehensive Spending Review 1998

Target	Performance
8. Cut the overall cost of the Common Agricultural Policy to European Union (EU) consumers and taxpayers from its current level of 88 billion ecus (£62 billion) a year.	Not met. Radical reform of the Common Agricultural Policy was agreed in June 2003 (with further similar reforms to the Mediterranean crops regimes in April 2004, and to the sugar regime in November 2005) and is currently being implemented. It should lead to a small real terms decrease in taxpayer costs over the next few years. In addition, the agreement in December 2005 on the EU budget 2007-2013 includes a commitment to review the entire EU budget, including the CAP, beginning in 2008-09. The UK continues to press for further reform in this and other EU contexts and in the context of the WTO which will bring further taxpayer and consumer savings. This target was carried forward in the 2000 Spending Review as Public Service Agreement target 8 and subsequently into the 2002 Spending Review as Public Service Agreement target 5. More details can be found on progress in Chapter 3 of this report and on Defra's website²⁴⁰.

2000 Spending Review

8. Secure agreement, by March 2004, to reforms that reduce the cost of the Common Agricultural Policy to consumers and taxpayers.	Not met. Radical reform of the CAP was agreed in June 2003 (with further similar reforms to the Mediterranean crops regimes in April 2004 and to the sugar regime in November 2005) and is currently being implemented. It should lead to a small real terms decrease in taxpayer costs over the next few years. In addition, the agreement in December 2005 on the EU budget 2007-2013 includes a commitment to review the entire EU budget, including the CAP, beginning in 2008-09. The UK continues to press for further reform in this and other EU contexts and in the context of the WTO which will bring further taxpayer and consumer savings. This target was carried forward (with the 2000 Spending Review target 9) in the 2002 Spending Review as target 5. More detail can be found on progress in Chapter 3 of this report and on Defra's website²³³.
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²⁴⁰ <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

2002 Spending Review

Target	Performance
5. Deliver more customer focussed, competitive and sustainable farming and food as measured by the increase in agriculture's gross value added per person excluding support payments and secure Common Agricultural Policy reforms that reduce production-linked support, enabling enhanced EU funding for environmental conservation and rural development.	Sustainable farming and food. On course. A methodology has been developed to remove the effects of the exchange rate from UK agriculture's GVA (Gross Value Added per person). This has been based on analysis of agricultural output and input price movements for the UK and the Euro zone in relation to exchange rate changes. The methodology has been agreed with HM Treasury. The target is for GVA for UK agriculture to return to the levels of the early 1990s, a ratio of 1.5, by 2010. In 2004, the ratio was 1.26 (i.e. UK GVA was 26 per cent above the average for EU14). This was an increase of 0.13 (11.2 per cent) over 1996 though a decrease of 0.07 (5.1 per cent) over 2003. CAP reform. On course. On 26 June 2003, Agriculture and Fisheries Ministers reached agreement on reform of the Common Agricultural Policy. It breaks the link between the vast majority of direct payments and production. It introduces compulsory modulation, for the first time on an EU-wide basis, switching support from production subsidies to targeted support for environmental and rural development objectives. In April 2004 these reforms were extended to the Mediterranean crop regimes (tobacco, cotton and olive oil) and hops, following the principles of the June 2003 reforms and in November 2005 similar reforms were agreed for the sugar regime. The agreement reached on the EU budget in December 2005 allows Member States to transfer voluntarily up to 20 per cent of funding from subsidy payments to environmental and rural development schemes. The Government will continue to create and use opportunities such as these to press for reforms which reduce the cost and increase the value of the CAP.
6. Enable 25 per cent of household waste to be recycled or composted by 2005-06.	On course. Final data for 2003-04 from the Municipal Waste Management Survey show that 17.8 per cent of household waste in England was recycled or composted and that the rate of increase in total recycling is greater than that achieved in previous years. Provisional estimates from WasteDataFlow for 2004-05 show that England recycled or composted 22.5 per cent of household waste. These figures suggest that though more work needs to be done, the 25 per cent target for 2005-06 appears achievable.

Summary of progress against 2004 Spending Review Public Service Agreement targets

Target	Performance
1. To promote sustainable development across Government in the UK and internationally, as measured by: • the achievement of positive trends in the Government's headline indicators of sustainable development; • the UK's progress towards delivering the World Summit on Sustainable Development commitments, notably in the areas of sustainable consumption and production, chemicals, biodiversity, oceans, fisheries and agriculture; and • progress towards internationally agreed commitments to tackle climate change.	On course. Elements of this target carried over from the 2002 target on domestic promotion of sustainable development are on course with progress in line with plans and expectations. This assessment of progress is based on both an assessment of trends in the sustainable development indicators and general progress measured at six-monthly intervals using a standard set of delivery criteria which have been agreed with the Treasury. The recent launch of the new UK Sustainable Development Framework and <i>UK Sustainable Development Strategy</i> (UKSDS) has helped to define clearly the shared priorities for action that need to be developed over the coming years to create the best conditions for success. The 2004 target has been expanded to include international sustainable development and climate change commitments for which no assessment of progress has yet been made. A full assessment for all elements of the target will be based on trend analysis of the new indicator set and achievement of UKSDS commitments. Fully updated data to support this assessment will not be available until late 2006.
2. To reduce greenhouse gas emissions to 12.5 per cent below 1990 levels in line with our Kyoto commitment and move towards a 20 per cent reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables. Joint with Department of Trade Industry and Department for Transport.	On course. Provisional estimates released at the end of March 2005 show that carbon dioxide (CO₂) emissions increased by 0.5 per cent between 2003 and 2004. The increase is due mainly to increases in emissions from gas and oil consumption which were greater than the slight fall in emissions due to reduced coal consumption. Net emissions of CO₂ fell by 5.6 per cent between 1990 and 2004. The Government expects emissions of CO₂ to fall by more than 10 per cent by 2010 and that emissions of all greenhouse gases will be around 20 per cent below taking account of projected energy prices, economic growth and the effect of policies currently in the climate change programme. The UK therefore remains on course to achieve the UK's Kyoto target. Additional policies are being considered to help put the UK back on track towards its 20 per cent reduction goal.

Target	Performance
3. Care for our natural heritage, make the countryside attractive and enjoyable for all and preserve biological diversity by: • reversing the long-term decline in the number of farmland birds by 2020, as measured annually against underlying trends; and • bringing into favourable condition by 2010 95 per cent of all nationally important wildlife sites.	Farmland birds. On course. This is a long-term programme, and many factors will influence its achievement. Environmental Stewardship, launched in 2005, is a key delivery instrument, particularly Entry Level Stewardship. The favourable outcome of the Common Agricultural Policy (CAP) mid-term review and the effects on farming practices of the new cross-compliance requirements of the Single Payment Scheme (SPS) may also be highly influential. Systems are in place to monitor ES and the effects of CAP reform. Sites of Special Scientific Interest. On course. The accurate baseline for this target was established in March 2003 as 56.9 per cent of the total area of SSSIs in target condition. On the basis of the latest available condition assessments at the end of March 2006, 72.3 per cent of the total area of SSSIs was in target condition. The trajectory milestone of 72 per cent was exceeded, resulting in the assessment of on course. This milestone was achieved despite the impact of restricting factors discussed in Chapter 3. Thanks to English Nature's Remedies project, timetabled plans are in place for nearly all SSSI land not yet in target condition, and the outcome of these is reflected in a refined trajectory, which takes account of the recent slippage and provides a timetable for meeting 95 per cent by the end of 2010. We will continuously monitor progress against the plans and trajectory to identify examples of best practice and areas for improvement.
4. Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2008, demonstrating progress by 2006, and improve the accessibility of services for people in rural areas.	Not yet assessed. Data will be available to allow a first assessment of overall progress on rural productivity (against the headline indicator) to be made by the end of 2006 – covering the period from April 2003 to March 2005. Historical data allowed a baseline to be established last year. Data are now available for 2003-04 allowing the trend in the gap to be measured. The gap has narrowed slightly. Steady progress has been achieved towards establishing the evidence base for which progress against Public Service Agreement target 4 (Services) indicators can be assessed although further work is needed (with Department for Transport and Department for Work and Pensions in particular). By September 2006 Defra will be in a position to report progress against the indicators on access to health services (child and adolescent mental health services; and drug rehabilitation and treatment), education and skills (children's services; and the number of 16-18 year olds not in education or employment), work and pensions (employment rates in disadvantaged groups; and pensions credit uptake) and rural transport. We are reconsidering the relevance to the other indicators originally selected for this target – on road safety and affordability of housing – to the objective for this part of the Public Service Agreement, equity of access to rural services.

Target	Performance
5. Deliver more customer-focussed, competitive and sustainable farming and food industries and secure further progress via CAP and WTO negotiations in reducing CAP trade-distorting support.	Overall on course. While there are no major variances from the <i>Sustainable Farming and Food Strategy</i> (SFFS) delivery plan at this stage, likelihood of delivery is heavily dependent on Defra's ability to deliver a long-term change in behaviour in the food and farming industry and to demonstrate when its outcomes have been achieved. The SFFS programme is the mechanism for delivery of Public Service Agreement target 5. In 2004 the focus of the programme moved away from planning to delivery across the programme, both in terms of delivery of milestones within the work-streams and on the main strands of cross-cutting activity, including risk, communications and regional delivery. The programme is now firmly in the implementation and delivery phase. Implementation of the 2003 Common Agricultural Policy reform is well underway and the new Environmental Stewardship Scheme was launched in Spring 2005. In addition the ten-year <i>Animal Health and Welfare Strategy</i> and Implementation Plan for England was launched; Phase 2 of the Whole Farm Appraisal pilot completed, with the online appraisal ready to be piloted in 2005-06; and following consultation, an announcement was made on the proposed way forward on diffuse water pollution. This element of the target is measured by the indicator productivity of farming: Gross Value Added per person compared to rest of EU – on course.
6. To enable at least 25 per cent of household waste to be recycled or composted by 2005-06, with further improvement by 2008.	On course. Final data for 2003-04 from the Municipal Waste Management Survey show that 17.8 per cent of household waste in England was recycled or composted and that the rate of increase in total recycling is greater than that achieved in previous years. Provisional estimates from WasteDataFlow for 2004-05 show that England recycled or composted 22.5 per cent of household waste. These figures suggest that though more work needs to be done, the 25 per cent target for 2005-06 appears achievable.
7. Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy Objective.	Currently facing some slippage. Latest figures published in July 2005 indicated that the number of vulnerable households in fuel poverty in England in 2003 had fallen to 1 million households, down from 4 million in 1996 and 1.2 million in 2002. However, indications are that the recent and unprecedented rises in energy prices may have increased the number of vulnerable households in fuel poverty by one million households between 2003 and 2006. Major increase in funding (an additional £250 million to tackle fuel poverty in England over 2005-08) announced in the 2005 Pre-Budget Report will further strengthen the ability of the Warm Front Scheme to target and assist those households most in need. Work is ongoing to determine the likely implications of recent energy price rises for the total level of resource that will be necessary to meet our 2010 target. The methodology used for calculating the number of households in fuel poverty recently went through a consultation exercise and peer review to determine its robustness with a positive outcome. Defra will continue to work with other Departments, particularly DTI, and other key stakeholders to ensure Defra is able to respond to the challenges posed by factors out of the Department's control in seeking to meet this Public Service Agreement target.

Target	Performance
8. Improve air quality by meeting the <i>Air Quality Strategy</i> targets for carbon monoxide, lead, nitrogen dioxide, particles, sulphur dioxide, benzene and 1,3 butadiene. Joint target with Department for Transport.	Defra continues to meet the first targets for four pollutants in the Public Service Agreement target and <i>Air Quality Strategy</i> in 2005. We are meeting objectives for all air pollutants in 99 per cent of the UK. We are broadly on course to meet the remaining objectives but more work will be needed to achieve those for nitrogen dioxide and PM₁₀ in all parts of the country. Defra issued a consultation document on the review of the <i>Air Quality Strategy</i> on 5 April 2006. It seeks stakeholders' views on a number of potential additional policy measures to improve air quality and move us closer to the air quality objectives and Public Service Agreement target. An updated strategy should be issued at the end of 2006.
9. To improve the health and welfare of kept animals, and protect society from the impact of animal diseases, through sharing the management of risk with industry, including: • a reduction of 40 per cent in the prevalence of scrapie infection (from 0.33 per cent to 0.20 per cent) by 2010; • a reduction in the number of cases of Bovine Spongiform Encephalopathy BSE detected by both passive and active surveillance to less than 60 in 2006, with the disease being eradicated by 2010; and • a reduction in the spread of Bovine Tuberculosis (TB) to new parishes to below the incremental trend of 17.5 confirmed new incidents per annum by the end of 2008.	Scrapie: Slippage. Plans to introduce a compulsory ram genotyping scheme in 2006 which implements a transitional EU requirement and contributes to the delivery of the scrapie Public Service Agreement target have been put off pending the outcome of further discussion in Brussels for a permanent legal base for EU wide compulsory genotyping schemes. BSE: Some Slippage in relation to the 2006 target. The epidemic continues to show a steady decline but may not reach the 60 case threshold during 2006. As the average incubation period for BSE is five years, the current decline in cases is a result of past actions. The number of cases detected in 2006 is thus linked to the number of cattle remaining in older age groups in the UK cattle population, particularly those born before August 1996, when the reinforced feed ban was fully effective. The final total for passive surveillance cases in 2003 was 175, a 61 per cent reduction on the previous year. The final totals for 2004 and 2005 were 82 and 39 representing year-on-year reductions of 53 and 52 per cent respectively from the previous years' totals. The final total for active surveillance cases in 2005 was 164, a 28 per cent reduction on the previous year. In 2003 and 2004 there were year-on-year reductions of 47 per cent and 44 per cent per cent respectively from the previous years' totals. Bovine TB: On Course. Latest available figures show that for the year ending 30 September 2005 there were 306 confirmed new incidents (CNIs) in new parishes (parishes where there had been no confirmed new incidents during the previous 4 calendar years). The 5-year average to September 2005 was 281.8 CNIs in new parishes. The change from 2004 to 2005 was +17.2 CNIs in new parishes in comparison with the Public Service Agreement target 9 of +17.5. The short-term measures introduced in autumn 2004 will contribute to achieving this target, as will pre-movement testing which was implemented in England on 27 March 2006. More detail on these targets can be found in Chapter 3.

Public Accounts Committee Recommendations

In 2005-06 the Public Accounts Committee (PAC) published the following report:

1 November 2005 Ninth Report, Foot and Mouth Disease: applying the lessons (HC 563)²⁴¹.

²⁴¹ www.publications.parliament.uk/pa/cm/cmpublicacc.htm#reports

Health and Safety

Health and Safety in Defra

The following section covers core Defra's progress in this area – other Defra Agencies and NDPBs will produce their own statement for their reports.

Defra is committed to providing and maintaining a healthy and safe working environment for all its employees and any other person who may be affected by the Department's activities. The Department's staff are exposed to a wide variety of potential risks ranging from those in the normal office to the more extreme found in the rural and marine environment.

Accident and ill health reports

Accidents, work-related ill health and near misses, including dangerous incidents and verbal abuse and threatening behaviour are reported centrally to the Departmental Health and Safety Unit. All reports are initially investigated by local management prior to review by the health and safety advisers. Ten reports were made to the Health and Safety Executive as required by the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). The incident rate for RIDDOR incidents is 167 per 100,000 employees.

Figure 56: Health and Safety incidents: 1 January 2005 to 31 December 2005

Type of Incident	No of Reports
Fatal injuries	0
Major injuries	3
Dangerous Occurrences	0
Over 3 day injuries	7
Minor injuries	70
Near misses (including verbal abuse)	20
Incidents of violence/aggression/verbal abuse	13
Road traffic accidents	15
Ill health cases	21
TOTAL	149

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