

Departmental Report 2007



Defra deals with the essentials of life
– food, air, land, water and people

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This document is part of a series of Departmental Reports (Cm 7091 to Cm 7117) which, along with the Main Estimates 2007-08, the document Public Expenditure Statistical Analyses 2007 and the Supplementary Budgetary Information 2007-08, present the Government's expenditure plans for 2007-08, and comparative outturn data for prior years.



Department for Environment, Food and Rural Affairs

Departmental Report 2007

Presented to Parliament by the Secretary of State
for Environment, Food and Rural Affairs
by Command of Her Majesty
May 2007

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Foreword from the Secretary of State



When I arrived in Defra a year ago, I set in train a review of the Department's aims and priorities, and the way it does its business, from engaging with citizens and business to how the organisation is lined up to deliver our priority goals.

This process of refreshing our strategy has confirmed my conviction that we are now facing challenges in the environmental arena of a new order of magnitude. We are, as a nation, living well beyond our environmental means. If everyone in the world lived as we do in the UK, we would need three planets to support us. Therefore Defra, together with our partners across government and internationally, need to move towards what WWF and Bioregional have

called "One Planet Living". The mitigation of climate change and protection of natural resources are the two complementary drivers of our work.

Over the past year, we have made major progress towards aligning Defra policies towards this goal. The Climate Change Bill is the world's first legislative framework to manage the transition to a low carbon economy. The Energy Review, the next phase of the European Union Emissions Trading Scheme, and the decisions from the European Council will help to drive the changes in our energy system required to meet our obligations. The forthcoming Waste Strategy will continue our progress in reducing, recycling and recovering waste. The Marine Bill White Paper creates a new spatial planning framework for our seas. We have also agreed to funding for the Rural Development Programme for England that will continue the shift towards paying farmers to deliver environmental public goods.

I am well aware that we can only achieve our goals if we also maintain our reputation as a Department by responding to the needs of our customers. Most obviously, this includes the task of making accurate payments to farmers under the Single Payment Scheme. We didn't get that right last year, but the Rural Payments Agency has made real efforts to correct the problems. We must also continue to focus our efforts to ensure that people and the economy are protected from the risks of flooding and animal diseases, that people in rural areas feel confident that we understand and are acting on their concerns, and that we maintain levels of animal welfare.

2007 is a critical year for the environment if we are to mobilise action among individuals, business and governments across the world. I believe Defra is well placed to play a leading role in addressing one of most daunting challenges facing the planet.

A handwritten signature in black ink, appearing to read 'David Miliband'.

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

Executive Summary of our performance from the Permanent Secretary



2006 marked the fifth anniversary of Defra, and was a chance to celebrate what we have already achieved as a Department and how far we have come since our creation five years ago. We have made great strides towards achieving a healthier countryside, vibrant rural communities, sustainable food and farming and towards meeting the global challenge of climate change.

As this report sets out in detail, we have made progress against our broad range of Public Service Agreement (PSA) targets. We have had notable successes with the groundbreaking Animal Welfare Act and in handling emergencies, reforming the Common Agricultural Policy, providing international leadership on climate change and implementing the highly successful Environmental Stewardship Scheme, to name just a few. Here, however, I wanted to highlight the organisational changes that have taken place within Defra and the Defra Network over the past year, to provide some context for the reforms over the coming year and to set out my vision for the future direction of the Department.

In 2006, we established a number of new organisations. In September 2006, jointly with other government Departments, we created the Office of Climate Change (OCC). This is a ground-breaking approach to responding to cross-cutting issues. It provides a shared government resource for climate change analysis and policy development, reporting in to a group of Ministers from all the interested Departments. The OCC has already done some important work, for example, in leading on the drafting and publication of a draft Climate Change Bill in March 2007 which (subject to Parliamentary approval) will bind our ambitious climate change targets in statute, provide the legislative framework for an independent Carbon Committee and put in place a credible long-term framework for emissions reductions.

Also in October 2006, we established two new Non-Department Public Bodies; Natural England and the Commission for Rural Communities. The Modernising Rural Delivery (MRD) Programme, formed to examine the recommendations of the 2004 Rural Strategy Report, considered ways to deliver our rural services more efficiently through a smaller number of organisations with clearer and more accountable roles. Natural England now has the vital role of conserving and enhancing England's valuable natural environment, while the Commission for Rural Communities will provide a stronger voice for rural communities.

The last year has also been an opportunity to take stock, to reconsider our priorities and to refresh our departmental strategy. A new Secretary of State and new faces in the Ministerial team provided added impetus to the *Strategy Refresh* project, as did the input of more than 100 staff from across Defra who took part in creative strategy workshops to feed into this process. It was clear that tackling environmental challenges was a priority, and that there were numerous policy synergies across the Department in this area. As a nation, we are living beyond our environmental means, and we concluded that Defra's core mission needed to be focused on helping us all to live within our environmental means. *One Planet Living*, an idea developed by WWF and Bioregional, has helped us to illustrate and debate this challenge, and has provided a conceptual framework to refocus the ways that we make and deliver our broad range of policies relating to energy, water, waste, food and farming, land and the marine environment.

To deliver on this strategic vision, the Department will need to become more flexible and responsive to the needs of both Ministers and our customers and citizens. Our ambitious change programme – *Renew Defra* – will help us to become a department that is more customer-oriented, effective and quick on its feet; able to adapt to a more dynamic policy environment. To do this, we will inevitably have to be a smaller and leaner Department, as well as one in which it is 'easy to get things done'. As part of this, we are re-orientating the way we work towards project and programmes, which should minimise overlap and enable us to become more agile as a Department. But we are also focusing on the ways in which we work in partnership with others across complex delivery networks, so that we can strengthen partnership working and work towards seeing ourselves as customers see us to improve our provision of services. *Renew Defra* is not an add-on or an option. It is becoming, and must continue to become, integral to the way we work in the Department.

The *Renew Defra* programme will also enable the Department to respond to the findings of our *Capability Review*.^{*} The review highlighted a number of core strengths on which we will continue to build, including our professional expertise; commitment; world-leading scientific evidence; excellence at negotiating in Europe; sound contingency plans (as demonstrated by our rapid response to the outbreak of avian influenza in Suffolk), and some good examples of innovative citizen engagement. However, the review also identified areas in which we need to make significant changes and improvements. As outlined above, we are giving particular attention to improving customer focus and creating stronger partnerships with our delivery bodies and customers through *Renew Defra*. We are also working to build a high performance culture; developing more robust business processes and strengthening the senior leadership team. We have developed an action plan to take forward recommendations from the review^{**}, and I am determined that we will deliver on it.

^{*} http://www.civilservice.gov.uk/reform/capability_reviews/publications/pdf/Capability_Review_Defra.pdf

^{**} <http://www.defra.gov.uk/corporate/how-do-we-work/pdf/capabilityreview-response.pdf>

There are certainly broader policy and delivery challenges ahead, as this report details, if we are to deliver on our high level goals of avoiding dangerous climate change and maintaining and enhancing our natural asset base. I also recognise that the last year has not been without its own particular challenges. First among these was the delay in making payments to farmers under the Single Payment Scheme (SPS). Whilst the Rural Payments Agency (RPA) has made good progress, there is still more to be done to resolve the last remaining 2005 Single Payment Scheme (SPS) claims – and we are working to address this as a priority.

But I am confident that Defra has the commitment, the energy and the people to meet these challenges and to build on our many successes over the next five years and beyond. The Department's key strengths, as highlighted by our Capability Review – pride in what we do and passion for delivering our outcomes – are strengths that all high-performing organisations aspire to. We have a very strong foundation that, together with our ambitious Renew Defra programme, gives me confidence that we can respond positively, effectively and innovatively to the challenges that lie ahead.

A handwritten signature in black ink, reading "Helen Ghosh". The signature is written in a cursive, flowing style.

Helen Ghosh
Permanent Secretary

Chapter 1:

Aim, strategic priorities and Departmental structure



This Departmental Report sets out the progress against each of Defra's Public Service Agreement (PSA) targets set in Spending Review 2004 and areas of work as they relate to Defra's current strategic priorities. This report also includes (in the core tables at Chapter 11) key financial data setting out the resources allocated during this and recent years.

Defra's Strategy

During 2006 Defra has revisited its priorities, ways of working and organisational structures. This has coincided with the Comprehensive Spending Review 2007 (CSR07) and development of the new PSA set.

It has become clear through this process that the overarching challenge for Defra is to help everyone to live within our environmental means. This is most clearly exemplified by the need to tackle climate change internationally and through domestic action to reduce greenhouse gas emissions, and to secure a healthy, resilient, productive and diverse natural environment.

Central to achieving these goals will be reducing the environmental impact of the lifestyles we lead, the products that the UK economy produces and consumes, and the waste we produce. We also need to reduce the global impact of our food production and consumption, improving the environmental contribution that a profitable and competitive farming industry in the UK can make to our environment.

These challenges can only be met by a respected department, making it vital that we focus on delivering to the needs of our many customers efficiently and effectively. We must do this while maintaining high levels of protection of human, animal, and plant health and ensuring the economy is resilient to environmental risk, including that from the inevitable impacts of climate change.

Defra continues to champion Sustainable Development, helping Government as a whole to deliver economic, social and environmental sustainability. Defra also continues to be the focal point for rural policy, supporting strong rural communities and ensuring that dispersed rural needs are reflected in social and place-based policies across Government. The Department will maintain a strong international dimension, with a critical role in both European Union and global policy making.

These priorities will shape the way the department works as we enter the CSR07 period and will be formalised in the new PSA set and Departmental Strategic Objectives currently under discussion. They build on the strategic priorities set out in Defra's five year strategy (*Delivering the Essentials of Life*, which was published in December 2004), and provide the focus that the Department needs to achieve its high-level goals and

deliver what its customers need. This report is based around those strategic priorities, and the Public Service Agreement targets agreed in the 2004 Spending Review. The report also sets out areas where additional emphasis is needed to achieve our high level goals and where, if Defra is to make real progress, it needs to go further in the CSR07 period than the targets agreed in the 2004 Spending Review. It therefore reports on:

- tackling climate change;
- sustainable development;
- sustainable consumption and production;
- protecting the natural environment;
- sustainable farming and food;
- sustainable rural communities;
- emergency preparedness; and
- Better Regulation and our corporate services.

Renew Defra Programme

To deliver our high level goals, the Department must be organised in a way that allows us to work effectively and flexibly to meet changing needs and new challenges. The overarching aim of the Renew Defra programme is to transform the department into one where performance lies at the heart of everything that we do and where there is a far greater focus on the needs of customers.

The Department has a clear vision for the future of Defra. Indeed, over the last six months a good deal of work has been done to clarify what we do and how we do it. The overarching aim is to create a high performing organisation, one that is more collaborative, flexible and effective in developing policies which deliver the right outcomes for the Department and those we work for. The Renew Defra programme has already started working towards these goals through five distinct work streams:

- building a high performance culture;
- seeing ourselves as customers see us;
- defining the Defra way of doing things;
- delivering the Right Size, Right Shape, Right Skills organisation; and
- managing the programme.

The Renew programme team is in the process of developing the programmes and projects – both existing and new – that fall under each work stream and will help achieve their objectives. Many parts of the Department are already re-shaping themselves into the project and programme approach that is at the heart of Renew Defra. Work is also underway to review our processes for performance and reward to help us in building a high performance culture.

Under 'Defining the Defra way of doing things', work has started to develop a new approvals function that will simplify and make consistent the process for starting new projects and programmes. The development of a standard model for the way we develop policy across the department is moving forward. Progress has also been made on the 'Right Size, Right Shape, Right Skills' work stream. Defra will become a leaner, more flexible and strategic Department. This will have the added benefit of helping the Department achieve post reduction targets set by the Treasury and to operate effectively within the reduced budgets we will have available from 2007-08 onwards.

The Renew Defra programme will deliver improvements in performance and value for money. The Management Board aims to create a smaller and highly skilled Defra which will have a strong positive impact in terms of its strategic priorities. Through the Renew programme Defra will become a more flexible, influential, respected and collaborative organisation, to which all our people will be proud to belong.

Accountability

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

- David Miliband, the Secretary of State, has overall statutory and political accountability to Parliament for all matters associated with the Department. He 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 targets;
- Helen Ghosh 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.

Defra's Ministers



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



Ian Pearson MP,
Minister of State for
Climate Change and
the Environment



Ben Bradshaw MP,
Minister of State for
Local Environment,
Marine and
Animal Welfare



Barry Gardiner MP,
Minister For Biodiversity,
Landscape and
Rural Affairs



Lord Rooker,
Minister of State
Sustainable Farming
and Food

The Department's Management Board¹

| | |
|--|--|
| Helen Ghosh Permanent Secretary | |
| Bill Stow Director General, Strategy and Evidence Group | Peter Unwin Director General, Natural Environment Group |
| Andy Lebrecht Director General, Food and Farming Group | Debby Reynolds Chief Veterinary Officer and Director General, Food and Farming Group |
| Andrew Burchell Director General, Service Transformation Group | Gill Aitken Director General, Legal Services Group |
| Mike Anderson Director General, Climate Change Group | Prof Sir Howard Dalton Chief Scientific Advisor |
| Ian Grattidge Director Finance, Planning and Resources | Bill Griffiths Non-executive Director |
| Janet Grossman Non-executive Director | |

¹ Further details of the Management Board and meetings can be found on the Defra website: <http://www.defra.gov.uk/corporate/manboard/index.htm>

Chapter 2: Tackling climate change



HIGHLIGHTS

Defra is on course to reach its goal of reducing greenhouse gas emissions by 12.5 per cent.

The Climate Change Bill was published in March 2007.

A cross-Departmental programme board has been established to oversee delivery of the 2006 Climate Change Programme commitments.

The Energy Review policy package will deliver savings of 19 to 25 million tonnes of carbon per year by 2020, equivalent to the emissions from up to 15 million homes.

The Office of Climate Change was created in October 2006.

From June 2000 to March 2007 1.4 million households have received measures to improve the energy efficiency and comfort of their home.

Defra continued to meet objectives for four of the seven pollutants in the air quality PSA target throughout the UK in 2006.

ISSUES

More needs to be done to meet the 20 per cent reduction in CO₂ emissions by 2010.

The results for the first year of the European Union (EU) Emission Trading Scheme (ETS) were published in May 2006. In the UK these show that in 2005 emissions were 242 Mt CO₂, compared to an annual allocation of 215.

Fuel price rises between 2004 and 2006 may have placed additional vulnerable households into fuel poverty in England.

In urban areas in 2006 there were 41 days of moderate or higher levels of air pollution compared with 22 in 2005.

At some locations, long-term reducing trends for nitrogen dioxide (NO₂) and particles (PM₁₀) are flattening out or even reversing due to increasing primary emissions of NO₂.

Our aim is to protect and improve the environment, and to integrate the environment with other policies across Government and in international fora. Effective protection of the environment requires activity on many fronts – for example, from acting to limit environmental threats (such as global warming) to safeguarding individuals from the effects of poor air quality. This chapter of the Departmental Report focuses on the Department's efforts to address these issues. It covers our progress on delivering our Public Service Agreement targets to reduce greenhouse gas emissions, including the policy environment, and the numbers of people who live in fuel poverty. It concludes by looking at the Department's progress to deliver its Public Service Agreement target to improve air quality.

Public Service Agreement target 2: Reducing greenhouse gas emissions

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

Ownership of Public Service Agreement target 2 is shared between Defra, the Department of Trade and Industry (DTI) and the Department for Transport (DfT). However, the individual policies and measures that will deliver this Public Service Agreement target fall within the portfolios of a much wider group of departments, including the Department for Communities and Local Government (DCLG), HM Treasury (HMT) and the devolved administrations.

Work is also being taken forward at European Union (EU) level that will play a major role in achieving this Public Service Agreement target. For example, the EU Emissions Trading Scheme (EU ETS) is being developed under the European Climate Change Programme (ECCP) to complement measures being taken at a national level and reduce emissions across all Member States.

Performance

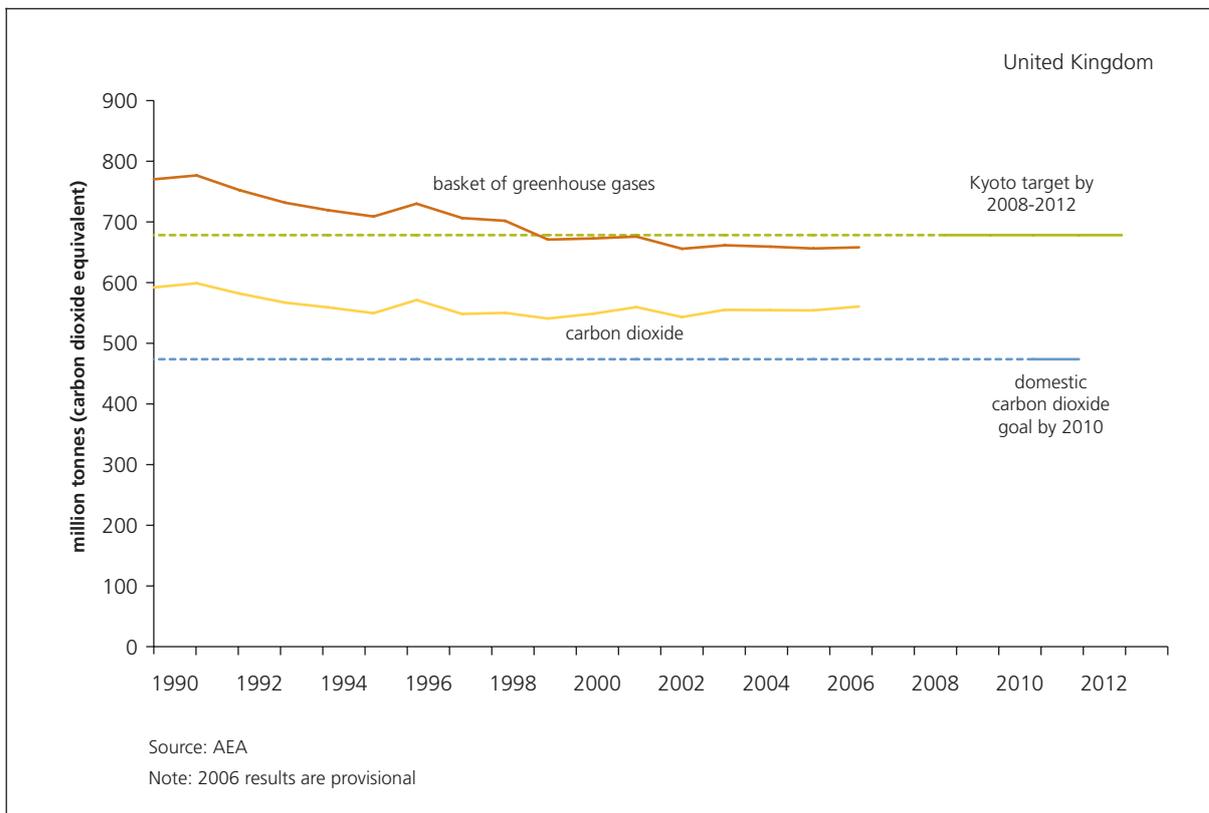
Defra is **on course** to reach its Kyoto target of reducing greenhouse gas emissions by 12.5 per cent but **more needs to be done** to meet the 20 per cent reduction in CO₂ emissions by 2010. Figure 1 shows the levels of emissions of greenhouse gases. More information on how Defra measures performance of its PSA targets can be found at <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

It is provisionally estimated that, in 2006, emissions of the total 'basket' of six greenhouse gases covered by the Kyoto Protocol were around 15 per cent below the base year, down from 775.2 to 658.1 million tonnes carbon dioxide equivalent.

Net emissions of carbon dioxide during the year have provisionally been estimated at around 560.6 million tonnes, about 5¼ per cent lower than the 1990 level of 592.1 million tonnes. Carbon dioxide is the main greenhouse gas, accounting for around

84 per cent of all emissions in the 'basket' in 2005, the latest year for which final results are available. The provisional estimate of 2006 carbon dioxide emissions is around 1¼ per cent higher than the 2005 figure. This increase was primarily as a result of fuel switching from natural gas to coal for electricity generation. This has also resulted in an estimated increase of ½ per cent in emissions from the total basket of gases covered by the Kyoto Protocol for the year.

Figure 1: Emissions of greenhouse gases: 1990-2006 (provisional)



Climate Change Bill

The Government's blueprint for tackling climate change was published on 13 March 2007. The draft Climate Change Bill, the first of its kind in any country, and accompanying strategy, set out a framework for moving the UK to a low-carbon economy. It demonstrates the UK's leadership as progress continues towards establishing a post-Kyoto global emissions agreement. Key points of the draft bill include:

- a series of clear targets for reducing carbon dioxide emissions - including making the UK's targets for a 60 per cent reduction by 2050 and a 26 to 32 per cent reduction by 2020 legally binding;
- a new system of legally binding five year "carbon budgets", set at least 15 years ahead, to provide clarity on the UK's pathway towards its key targets and increase the certainty that businesses and individuals need to invest in low-carbon technologies;

- a new statutory body, the Committee on Climate Change, to provide independent expert advice and guidance to Government on achieving its targets and staying within its carbon budgets;
- new powers to enable the Government to more easily implement policies to cut emissions;
- a new system of annual open and transparent reporting to Parliament. The Committee on Climate Change will provide an independent progress report to which the Government must respond. This will ensure the Government is held to account every year on its progress towards each five year carbon budget and the 2020 and 2050 targets; and
- a requirement for Government to report at least every five years on current and predicted impacts of climate change and on its proposals and policy for adapting to climate change.

The draft bill will be subject to a full public consultation alongside pre-legislative scrutiny in Parliament.

The policy framework

Following a period of extensive policy analysis and evaluation, which began in autumn 2004, a revised Climate Change Programme (CCP) was published on 28 March 2006. The 2006 CCP is expected to reduce the UK's emissions of the basket of greenhouse gases on which the Kyoto target is based to 23.6 per cent below base year levels by 2008-12 and the UK's CO₂ by 16.2 per cent below 1990 levels by 2010.

A cross-departmental programme board has been established to oversee delivery of the 2006 CCP commitments.

Key specific CCP policies that Defra has lead responsibility for include:

- International Climate Change negotiations;
- Climate Change analysis and science;
- EU and UK Emissions Trading schemes;
- Climate Change Agreements;
- sponsorship of the Energy Saving Trust and The Carbon Trust;
- Energy Efficiency Commitment; and
- enhanced public engagement, including through the Climate Change Communications Initiative.

Other policies led by Defra as part of the CCP 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 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.

Energy Review

The Government concluded the Energy Review with the publication of a set of proposals designed to reinforce the UK's long-term energy policy in the face of the mounting global threats posed by climate change and to energy security.

Whereas the CCP focuses on policies and measures to deliver the 2010 target, the *Energy Review* looked further ahead to 2020. It contains a set of proposals to get Defra on course to achieve progress in emissions reductions by 2020, and to achieving the goal of a 60 per cent reduction in CO₂ by 2050. The headline themes of the *Energy Review* were:

- energy efficiency;
- strengthening the Renewables Obligation; and
- more widely removing barriers to distributed generation.

Emissions Trading remains at the centre of domestic and international efforts on climate change, and UK priorities for the EC Commission Trading Scheme (EU ETS) were identified for Phase II and beyond.

The published conclusions of the Energy Review present a sensible approach for a balanced energy policy and includes ambitious new proposals for cutting emissions from all sectors of society. Key proposals published in the *Energy Review* included; recognition of the potential role of carbon capture and storage; and an extension of the transport bio fuel target – possibly to 10 per cent by 2015. The Review also reiterated the UK's push to include aviation in the EU ETS. Additionally, the European Commission is calling for the current voluntary agreements on new car fuel efficiency to be replaced by a legislative framework. A proposal is expected in late 2007 or early-mid 2008.

The Review notes the potential role for nuclear energy but makes clear that it is for the private sector to propose and pay the full costs of building, running and decommissioning sites. The Committee on Radioactive Waste Management (CoRWM) published recommendations for the long-term management of the UK's higher activity waste at the end of July 2006. The UK Government and devolved administrations responded to the report by CoRWM with the Environment Secretary, David Miliband, announcing plans for the long-term management of higher-activity radioactive waste to Parliament on Wednesday 25 October 2006.

The Energy Review policy package is designed to deliver savings of 19 to 25 million tonnes of carbon per year by 2020, equivalent to the emissions of up to 15 million homes.

The consultations announced in the CCP and the *Energy Review* will help to inform a new Energy White Paper due to be published in May 2007.

Office of Climate Change

The Office of Climate Change (OCC) was created in October 2006 to work across Government to provide a shared resource for analysis and development of climate change policy and strategy. The OCC supports Ministers through:

- high level management and reporting of progress on existing commitments;
- consolidating existing analysis to develop a cross-government consensus on current progress and outstanding issues;
- identifying short and medium term goals for particular sectors/areas and consequent priorities for action;
- carrying out time-limited policy-focussed projects; and
- promoting understanding of climate change across government and supporting departments to adapt their policies.

The OCC began an audit of existing work to develop a clear picture of where we stood on climate change and what outstanding issues needed to be addressed most urgently, taking as a starting point the Climate Change Programme Review. Following the OCC's analysis of carbon budgets, the Climate Change Bill, discussed earlier, will be introduced into Parliament later this year.

Annual reporting to Parliament

Following the passage of the Climate Change and Sustainable Energy Act 2006 the Government will now report annually to Parliament on progress towards our climate change and energy goals.

European Union Emissions Trading Scheme

Between 2005 and 2007, the UK National Allocation Plan (NAP) is set to deliver carbon dioxide emissions savings of around 65 million tonnes. This is around 8 per cent below the current level of emissions from the 1,000 installations covered by the scheme.

The results of the action taken by all EU operators to reduce their emissions in the first year of operation of the scheme were published on the European Commission's website in May 2006.

Phase II of the Scheme runs from 2008 to 2012, to coincide with the first Kyoto commitment period. In November 2006 the Commission approved the UK's NAP which allocated 246 million allowances (1 allowance is equivalent to 1 tonne of carbon dioxide) per year, which is designed to deliver emissions reductions of 29MtCO₂ per year. The Final Allocation Decision and approved NAP were published in March 2007. The UK registered a major success in being the only member state to have its NAP agreed for the second phase of the EU ETS.

The EU Environment Council agreed under the UK's EU Presidency that emissions' trading seems to be the best way forward to tackle the growing contribution that aviation emissions are making to climate change. This would enable the aviation industry to meet its environmental costs through a mixture of emissions reductions within the sector and the purchase of reductions that can be produced more cheaply by other sectors. The Council also called for the Commission to produce a legislative proposal on including aviation in the EU ETS, which was published in December 2006. The UK welcomed this and continues to press for its inclusion as soon as possible and certainly in Phase II of the scheme. Additionally, the Government has asked the Commission to explore the feasibility of inclusion of Surface Transport emissions in the EU ETS as part of the wider review of the Scheme.

Measuring performance of the European Union Emissions Trading Scheme

The results for the first year of the EU ETS were published in May 2006. In the UK these show that in 2005 emissions were 242MtCO₂, compared to an annual allocation of 215 million allowances.

These results were broadly in line with the Government's expectations for 2005. The power stations sector was allocated less than needed in order to provide incentives for reduction, because UK generators are relatively insulated from international competition. However, the rest of UK industry covered by the Scheme had 9.5 million surplus allowances that it could sell. It is difficult to draw firm conclusions on the environmental impact of the scheme with just one year's data. The results for Year 2 were released at the beginning of April 2007. Defra, DTI, regulators and the devolved administrations will be assessing the data published by the Commission.

The first year has shown the trading mechanism is viable and that the institutional framework is sound. For example, in the UK, almost all operators complied with the requirements of the scheme, reporting emissions and surrendering allowances within deadlines. This represents a solid base to build on for the future.

UK Emissions Trading Scheme

In the four years from 2002 until 2005 the scheme delivered emissions reductions from Direct Participants (DPs) totalling 7.05 MtCO₂, well in excess of their targets. Of the 33 DPs in the scheme, 19 have already exceeded their target for 2006 with another 3 on track to meet or exceed their targets. Final year results of the UK ETS will be

available in May 2007. In addition, the UK Emissions Trading Registry (ETR) has been adapted for use in the EU scheme and the UK's EU/UN registry has now been licensed to 16 other countries.

Climate Change Agreements

Climate Change Agreements are arrangements with energy intensive industry to meet challenging energy efficiency targets in return for an 80 per cent reduction in the Climate Change Levy. Key results of second target period (2004) were:

- sectors achieved savings of 14.4 MtCO₂ per annum;
- 21 out of 42 sectors met their targets outright;
- in a further 17 sectors all the facilities had their Climate Change Levy discounts renewed;
- 98 per cent of facilities (10,111) have had Climate Change Levy discounts renewed; and
- there was continued improvement across all sectors.

The full results of the second target period are published on the Defra website at www.climatechange.gov.uk

Twelve new sectors have now joined the agreements and negotiations with others are in progress.

The Carbon Trust

Defra provides grant funding support to the Carbon Trust – over £75 million this year – to lead on energy efficiency for the business and public sector in the UK, and support the development of low carbon technology. As a result of funds announced in the 2005 Pre-Budget Report, the Trust has significantly expanded its interest-free loans scheme for small and medium sized enterprises, and through Salix Finance Ltd, a Carbon Trust offshoot, has established energy efficiency revolving loan schemes with local authorities, universities, NHS Trusts and other public sector bodies.

The Energy Saving Trust

Defra provides grant funding support to the Energy Saving Trust (EST) – about £27 million this year – to lead on energy efficiency and carbon abatement in the household sector in the UK. In 2006-07 EST is developing its Sustainable Energy Network pilot to deliver practical services on carbon abatement at a local level to household customers.

Funding

Figure 2: Funding to support climate change mitigation

| Area | 2005-06 | 2006-07 | 2007-08 |
|--|---------------------|---------------------|---------------|
| UK Emissions Trading Scheme (UK ETS) incentive payments ² | Up to £40.5 million | Up to £40.5 million | – |
| Carbon Trust Grant Payment ^{3, 4} | £61 million | £78.6 million | £90.7 million |
| Energy Saving Trust Grant Payment ^{5, 6} | £27 million | £26.2 million | £29.1 million |
| Community Energy ⁷ | £5 million | £9.4 million | – |

Large non-energy intensive organisations

In the Energy Review, the Government committed to consult on measures to cut carbon emissions from large non-energy intensive commercial and public sector organisations by 1.2 million tonnes per year by 2020. The consultation was launched on 8 November 2006 and included a proposal for an Energy Performance Commitment (EPC) – a mandatory emissions trading scheme – alongside a system of voluntary benchmarking to achieve the carbon reduction aims for this sector (which includes supermarket chains, hotel chains, and government departments). These organisations account for around 15 MtC emissions – about 10 per cent of the UK's economy wide carbon emissions.

The Energy Efficiency Commitment

Households are responsible for around 30 per cent of total UK energy use equivalent to annual emissions of around 40MtC. Defra's key focus for tackling household carbon emissions is through an obligation on energy suppliers to promote improvements in household energy efficiency.

² The UK ETS is a voluntary trading scheme, with incentive payments made to participating companies depending on the emissions reductions made.

³ 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 (BREW).

⁴ Carbon Trust figures for 2006-07 and 2007-08 are indicative only. Additional funding was announced in the Pre-Budget Report 2005.

⁵ 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.

⁶ Energy Saving Trust figures for 2006-07 and 2007-08 are indicative only.

⁷ Funding for this programme comes from the Capital Modernisation Fund.

In 2006, Defra announced the results of the first phase of the Department's highly successful Energy Efficient Commitment (EEC) (which ran from 1 April 2002 to 31 March 2005). The second phase of the EEC (EEC2) runs from 1 April 2005 to 31 March 2008 and requires around double the level of activity.

On 1 August 2006, Ofgem published its annual report to the Secretary of State *A Review of the First Year of the Energy Efficiency Commitment 2005-08*. This reported that to the end of the first year of EEC2 suppliers had achieved nearly 60 per cent of the overall EEC target.

The third phase of the EEC (EEC3) will run from 2008 to 2011. In July 2006, the Government published an initial consultation on the Energy Efficiency Commitment April 2008-11 to solicit early views on EEC3, to inform its thinking for a statutory consultation in spring 2007.

Post-2011 Household Supplier Obligation

The Energy Review announced that there will be a household supplier obligation until at least 2020; a further 9 years after EEC3 ends in 2011. Under EEC, suppliers are not disincentivised from increasing their energy sales year on year. An initial progress report on the development of the Supplier Obligation was published in the 2007 Energy White Paper.

Energy Services Directive

The Energy End-Use Efficiency and Energy Services Directive entered into force on 17 May 2006 and Member States must transpose it fully by 17 May 2008. The Directive is intended to enhance the cost effective and efficient use of energy in Member States by providing the necessary targets, mechanisms, incentives and institutional, financial and legal frameworks to remove existing barriers to the efficient end use of energy.

Key provisions of the Directive are:

- a national indicative energy savings target of 9 per cent over nine years;
- public sector to play an exemplary role in meeting the target;
- requirement to place obligations on energy suppliers and distributors to promote energy efficiency; and
- actual-time-of-use metering and more accurate and informative billing, allowing consumers to make better informed decisions about their energy use.

Defra is responsible for the transposition of the Directive and this is being taken forward through five work streams, involving representatives from across Government and Ofgem.

Distributed energy and combined heat and power

As part of the Energy Review, it was announced that the Government and Ofgem will lead a comprehensive review of the incentives and barriers that impact on distributed generation including Combined Heat and Power (CHP). The review will report in the first half of 2007 and will include the Climate Change Programme commitment to undertake a study into the licensing and exemption arrangements governing small-scale CHP and renewables operations.

The main CHP commitment in the Climate Change Programme was the full consideration of its treatment in the UK's National Allocation Plan for the second phase of the EU ETS and this has largely been successfully concluded, with a separate sector for existing Good Quality CHP plant and a ring-fenced New Entrant Reserve for new plants generating Good Quality CHP electricity.

The Department has also worked with DTI on the revision of the guidance for power station consent applications, which was published in December. The new guidance is aimed at providing more information on how power station developers should give full consideration of opportunities to develop CHP. Among other revisions, the new version is intended to clarify and simplify the guidance and it contains new heat maps including potential local customers for heat from power stations.

The last stages in transposing the EU Directive on the promotion of cogeneration were also completed. This included Defra officials playing a key role in Brussels during the development of harmonised reference values for high-efficiency CHP, thus ensuring a uniformity of efficiency across the Member States.

Public engagement

Defra launched the Climate Change Communication Initiative (CCCI) in December 2005, with a budget of £12 million over three years (2005-06 to 2007-08). This is one of the Department's key commitments 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:

- £8.5 million funding for 83 local communication initiatives in England;
- freely available communication resources, including an award-winning two-minute film that has achieved £5.5 million free air time, and a dedicated website www.climatechange.gov.uk;
- nine regional youth Climate Change Champions, selected through a national competition in May 2006, and have been communicating about climate change across the country;
- the launch of a website, *Tomorrow's climate, today's challenge*, to give a visual identity to the whole initiative; and

- 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.

As part of broader work across the Department on citizen engagement, a number of information tools are being developed through the initiative, aimed at helping individuals understand the relationship between climate change, CO₂ and their own actions. As part of this, a consultation on a code of best practice on offsetting was launched in January 2007.

Public Service Agreement target 7: Eliminate Fuel Poverty

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

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 eradication of fuel poverty is a devolved issue with the devolved administrations responsible for the achievement of respective targets in their own countries.

Defra has a goal of ending fuel poverty for vulnerable households in England by 2010. Vulnerable households are those on 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 maintain an adequate heating regime.

Performance

Given the recent unprecedented rise in fuel costs, the challenge to deliver this target has increased.⁸ There is **slippage** against this target. Details on how Defra measures performance against its Public Service Agreement targets can be found at: <http://www.defra.gov.uk/corporate/busplan/busplan.htm>.

The most recent *Progress Report*⁹, published in June 2006, reported that there were 1.2 million households in fuel poverty in England in 2004, of which 1 million were vulnerable households. However, due to the significant increases in energy prices since this date, it is likely that progress will have begun to reverse.

The two-year lag in publishing fuel poverty figures is brought about by data compilation. 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 March 2007, some 1.4 million households have received measures to improve the energy efficiency and comfort of their home.¹⁰

⁸ 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

⁹ http://www.dti.gov.uk/energy/consumers/fuel_poverty/

¹⁰ Detailed information on measures installed is available at: www.eaga.co.uk.

Factors affecting performance

Fuel poverty is driven by three elements, a homes energy efficiency, household income and the price of fuel. The degree of challenge in achieving the fuel poverty target is affected by two of these elements being out with Defra's direct control.

Based on current estimations, it is anticipated that fuel price rises between 2004 and 2006 will have placed an additional one million vulnerable households into fuel poverty in England, with a relative increase in the devolved administrations. Looking forward, estimations will have been influenced by the recently announced reductions in fuel costs by some of the large energy suppliers and Government continue to monitor the scale of the effect.

Funding

Figure 3: Funding to support the reduction of fuel poverty

| Year | 2005-06 | 2006-07 | 2007-08 |
|--------------------|---------|---------|---------|
| Amount (£ million) | 192 | 326 | 351 |

Looking forward to 2007-08

Defra continues to work with the Warm Front Scheme Manager, Eaga Ltd¹¹, 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.

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 our ongoing evaluation of the range of policy options in place and the potential future policy tools that may help to meet our targets.

Public Service Agreement target 8: Improving air quality

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*.

This target is **on course**. 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. Overall, the air we breathe is cleaner today than at any time since before the industrial revolution. Emissions and concentrations of most pollutants have been cut significantly as a result of national and local measures.

11 <http://www.eaga.co.uk/>

Monitoring data shows that objectives for benzene, 1,3-butadiene, carbon monoxide and lead in the air quality target were met throughout the UK in 2006 and Defra is meeting current objectives for all air pollutants in most parts of the country – up to 95 per cent in some cases – and only a limited number of hotspots remain. However, more needs to be done if Defra is to meet the objectives for nitrogen dioxide and particles in all parts of the country.

Defra issued a consultation document in 2006 on a review of the *Air Quality Strategy* setting out options for a number of 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 natural and semi-natural habitats and ecosystems.

Further modelling, sensitivity and assessment of some of the proposed new measures and objectives has been undertaken. At the same time, the baseline for the review has been revised to take account of latest data. A final strategy is planned for summer 2007.

A copy of the consultation is available on the Defra website (www.defra.gov.uk).

The sources of air pollution range from industrial and road transport emissions to domestic and natural sources. Subject to the current consultation, the Government's *Air Quality Strategy* and Addendum 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 to which each is responsible for overall emissions. Road transport is responsible for a significant percentage of emissions of many (although not all) of the pollutants.

Performance

One of the ways Defra monitors trends in air quality is through the sustainable development indicator for air quality. This consists of two sub-indicators. One shows average levels of the two types of pollution (particulates and ozone) now believed to have the most significant impact on public health. See Figure 4. The other shows the 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.

Annual average particulate levels have been decreasing, although the trend may be levelling off. The production of ozone is strongly influenced by the weather, more being created on hot sunny days; the high levels recorded in 2006 in the UK are in part due to the heat wave.

Figure 4: Levels of United Kingdom Ozone and PM₁₀, 1987 to 2006

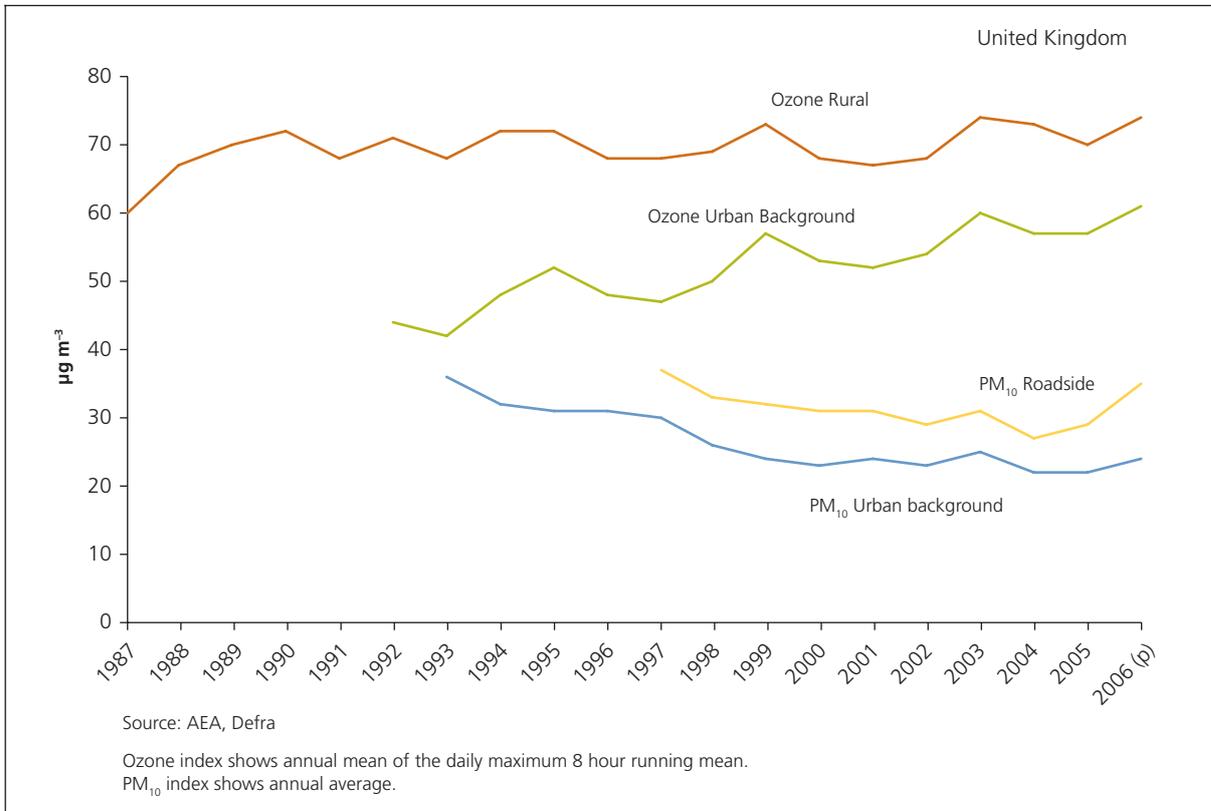
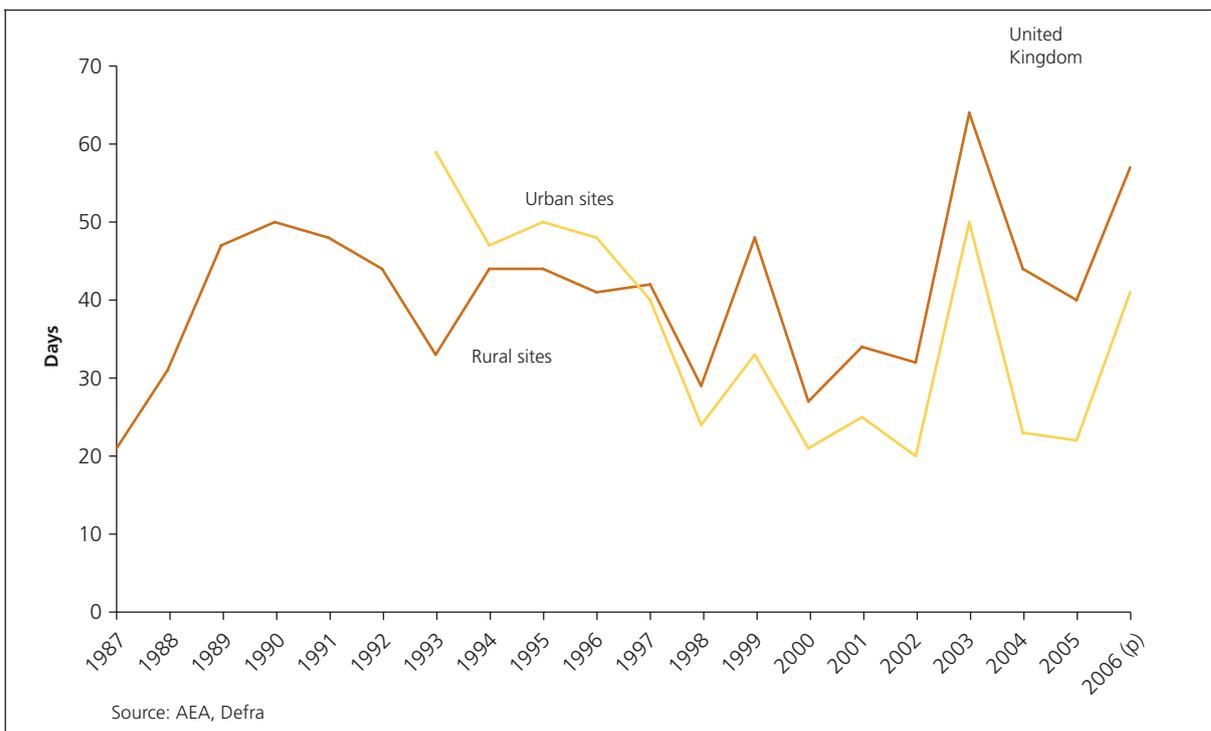


Figure 5: Days when air pollution was moderate or higher, 1987-2006¹²



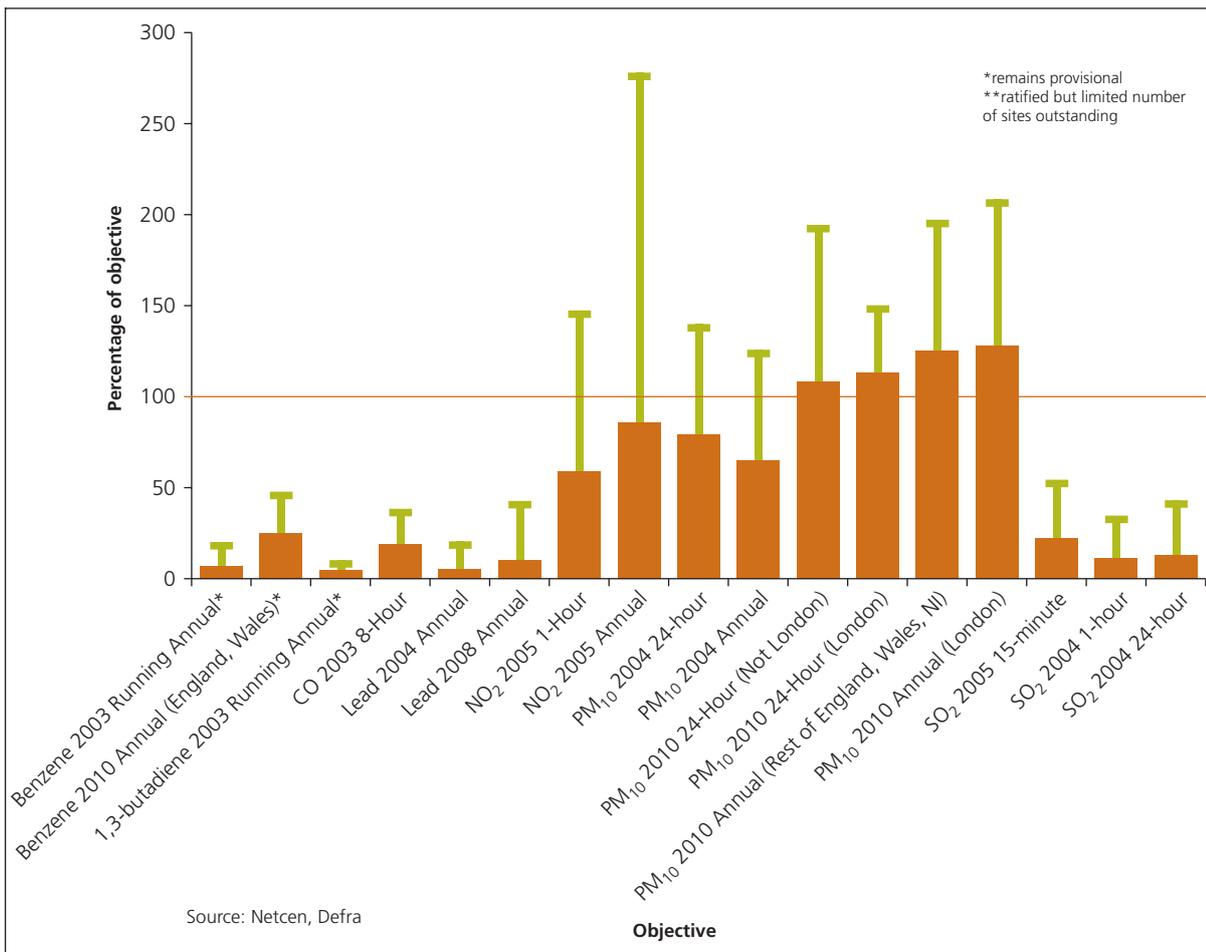
¹² Rural monitoring began in 1970/80s and urban background monitoring was undertaken at a significant number of sites from 1991, hence there are gaps in the data prior to these years.

Figure 5 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 5 also shows that in 2006 there were 41 days of moderate or higher air pollution in urban areas compared with 22 days in 2005 and 48 in 1996, reflecting a high degree of variability. In rural areas last year there were 57 days of moderate or higher levels of air pollution compared with 40 in 2005 and 41 in 1996.

Figure 6 shows the provisional results in 2006 of measured concentrations of pollutants in the *Air Quality Strategy* including the seven pollutants in the air quality Public Service Agreement target. Pollutants below the red line met the relevant objective in 2006; the green line represents the range of measurements; the brown bar is the average of all measures.

Figure 6: Provisional results of measured concentration of pollutants in England in 2006 as a percentage of the relevant *Air Quality Strategy* objective



The 2006 results of measured concentrations of air pollutants show that Defra continued to meet the *Air Quality Strategy's* national air quality objectives for benzene, 1,3-butadiene, carbon monoxide and lead. There were no breaches of the sulphur dioxide objectives recorded 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.

Results for 2006 however 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.

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. This may be due to increasing emissions of primary NO₂ from road vehicles fitted with particle traps, which is the subject of further research. Defra's modelling shows that, although the vast majority of the country will meet these 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. This includes the review of the *Air Quality Strategy*, the Climate Change Programme and negotiation of air quality directives and protocols at European and International level. These reviews have taken a view and considered the impacts of any additional policies and measures on air quality and climate change to seek joint optimisation of benefits.

DfT is also taking forward implementation of the Government's strategy for transport set out in the *Future of Transport* White Paper 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 and 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 200 local authorities have so far designated AQMAs and more than 120 authorities have drawn up action plans with proposals to tackle the problems.

Factors affecting performance

A huge range of international, national and local policies can affect air quality at any given location. Improving the quality of 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:

- EU and other international bodies,
- Government departments,
- Environment Agency and local authorities, responsible for the regulation of emissions from industrial sources;
- Highways Agency, responsible for the motorways and trunk roads;
- levels of local authorities, responsible for local air quality management, land-use planning policies and for developing Local Transport Plans (LTPs) and implementing transport policies;
- Mayor for London, through his air quality strategy and transport strategy; and
- public and private transport operators, hauliers, motor manufacturers, the oil industry and the public through their production, consumption, home heating and individual travel choices.

Funding

The resources in the table below show Defra's expenditure against the air quality target. These figures exclude expenditure by the DfT.

Figure 7: Expenditure on Improving Air Quality 2005-08

| Area | 2005-06 (£ million) | 2006-07 (£ million) | 2007-08 (£ million) |
|--|------------------------|------------------------|------------------------|
| Programme: | 5.4 | 5.4 | 5.4 |
| Air quality monitoring network | 4.8 | 4.8 | 4.8 |
| National Atmospheric Emission Inventory | 0.3 | 0.3 | 0.3 |
| Support for Local Air Quality Management system: local authority helplines, assessment of reviews and action plans | 0.3 | 0.3 | 0.3 |
| Capital grant support Programme:¹³ | 2.4 | 2.36 | 2.36 |
| Monitoring equipment | 1.1 | | |
| Emission Inventory | 0.1 | | |
| Air Pollution Dispersion modelling | 0.2 | | |
| Action Plans | 1.0 | | |
| Administration | 0.63 | 0.65 | 0.67 |

¹³ Local authorities are now considering their applications to the 2007-08 programme.

Chapter 3: Sustainable Development



HIGHLIGHTS

The first round of Sustainable Development Action Plans were published by Departments across Whitehall.

New targets set for the Sustainable Operations on the Government office estate, in particular for the central office estate to be carbon neutral by 2012. Action plan on procurement published.

New sustainable development commitments and projects in all regions under *Securing the Regions' Futures* and joint work with Regional Development Agencies on smart productivity.

Shared agenda and action on sustainable communities published with the Local Government Association.

Every Action Counts – sustainable development programme for the voluntary and community sector – launched: over 250 organisations signed up and 320 community workers trained on sustainable development.

Further ministerial statements signed under the Sustainable Development dialogues with Mexico and South Africa.

ISSUES

17 of the Sustainable Development Framework Indicators show some deterioration.

Significant progress on putting in place governance for delivery and policy-co-ordination on sustainable development, despite Defra's weak levers for delivering the target. Defra is currently working with HM Treasury and other partners to achieve better cross-Government accountability for sustainable development over the next spending review period.

SDC's *Sustainable Development in Government* report shows Government has only partially met targets for Sustainable Operations and is not on track for 2010 carbon reduction targets.

The past 20 years have seen a growing realisation that the current model of development is unsustainable. From the loss of biodiversity with the felling of rainforests or over fishing, to the negative effect our consumption patterns are having on the environment and the climate. This chapter of our Departmental Report provides a general overview and assessment of the progress we are making in delivering our Sustainable Development Public Service Agreement target, but as Defra's overarching target, efforts to deliver Sustainable Development can be seen in other chapters of the Report.

Sustainable Development

Public Service Agreement target 1: Promoting sustainable development

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 change.**

Progress against the sustainable development Public Service Agreement is measured by the trends in the sustainable development framework indicators. Overall Defra is **on course** to meet the target. Further details on how this target is measured can be found at <http://www.defra.gov.uk/corporate/busplan/busplan.htm>.

Headline Indicators

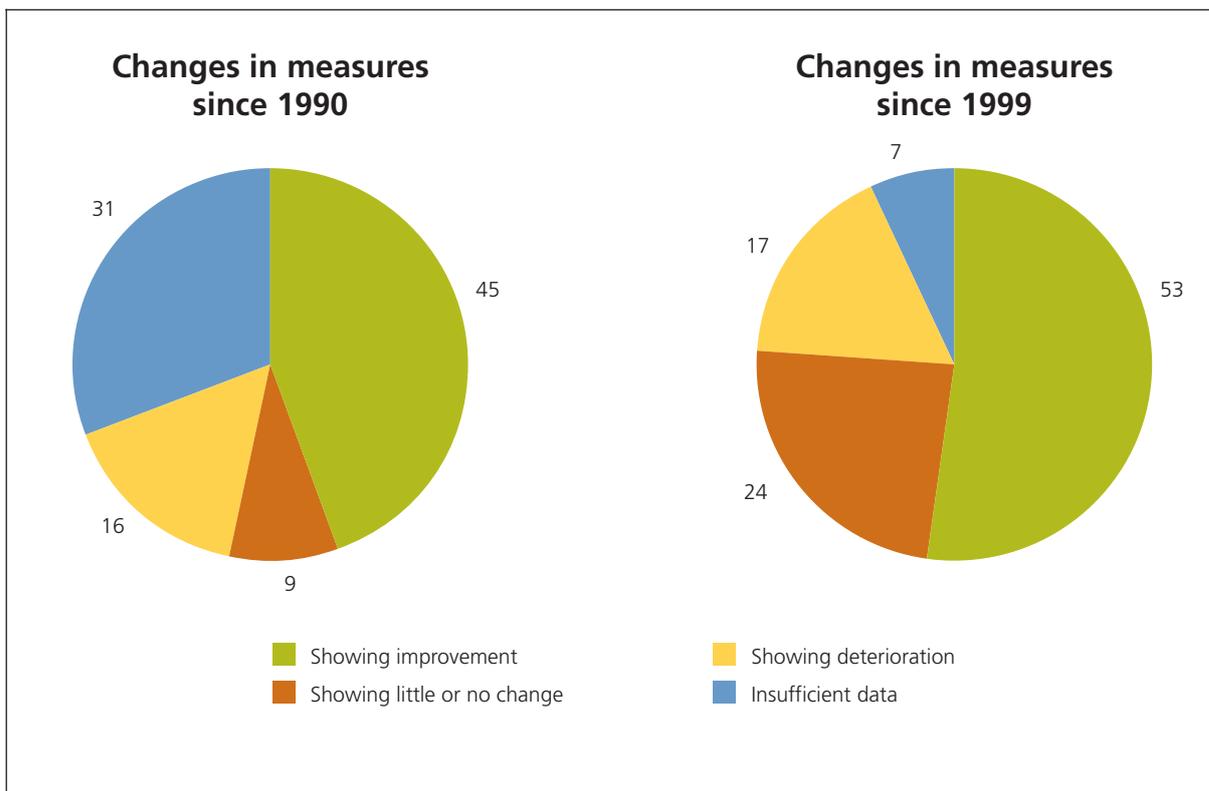
On the basis of 101 out of 127 measures (comprising 68 indicators) in comparison with the position in 1999, 53 measures show improvement (representing over half of those for which it is possible to make an assessment), and 24 show little or no change.

A wide range of measures show improvement including renewable electricity, emissions of air pollutants, manufacturing, service and public sector emissions, waste recycling, agricultural emissions and land stewardship, biodiversity loss, river water quality, land recycling, community participation, vehicle crime and burglary, fear of crime, poverty measures, mortality rates, road accidents, housing conditions and fuel poverty, rough sleepers and local environmental quality.

Those measures showing deterioration since 1999 are specifically: aviation emissions of greenhouse gases, fossil fuels used for electricity generation, nitrogen oxide emissions from electricity generation, carbon dioxide emissions from: households, private vehicles

and road freight, energy supply (consumption exceeding UK production), water loss through leakages, household waste arising, extent of sensitive areas affected by excessive nitrogen from air pollution, robbery, infant mortality gap (between highest and lowest rates), childhood obesity, walking and cycling, children walking to school, ozone pollution in urban areas, and households living in temporary accommodation.

Figure 8: Headline Indicators



Making sure delivery happens

The Sustainable Development Commission (SDC) has expanded to enable it to play a watchdog role in addition to its advisory, capacity-building and advocacy roles:

- the last year saw the first round of published Sustainable Development Action Plans (SDAPs) from all Government departments. These outline departments' actions on implementing the *Sustainable Development Strategy* commitments and on sustainable development more broadly. The SDC's assessment of all Departmental SDAPs can be found at: <http://www.sd-commission.org.uk/pages/SDAP06.html>;
- Defra's SDAP is at: <http://www.defra.gov.uk/environment/sustainable/action-plan.htm>;
- Defra worked with the Better Regulation Executive to ensure that sustainable development considerations are strengthened in Impact Assessments. In particular, the new impact assessment asks for a greenhouse gas impact assessment for policy developments and contains clear guidance on the need to integrate social and economic costs and benefits. Defra has been developing tools for sustainable development in policy-making;

- Defra launched a joint publication with the Department of Trade and Industry (DTI) and Department of Communities and Local Government (DCLG) entitled *Securing the Regions' Futures*. This set out the Government's approach to strengthening regional delivery of the four Sustainable Development priorities;
- under *Securing the Regions' Futures* each English region has made a new pledge or 'regional challenge' on climate change that will galvanise action amongst regional stakeholders;
- each region has identified a range of new partnership projects or activities to boost delivery on:
 - tackling climate change (12 projects);
 - 'one planet economy' (11 projects);
 - protecting natural resources (3 projects); and
 - delivering sustainable communities through Local Strategic Partnerships / Local Area Agreements (12 projects).
- using the guidance contained in *Securing the Regions' Futures* each region is now refreshing its own high level strategy to strengthen their focus on the four Sustainable Development priorities;
- Defra worked with the Regional Development Agencies (RDAs) to publish *Smart Productivity*. This new report sets out the ways in which RDAs can help increase regional economic productivity hand in hand with environmental priorities, tackling climate change and protecting natural resources;
- we published with the Local Government Association *Sustainable Communities – a shared agenda, a share of the action*. This guide provides development priorities through their core services including education, social services, transport, economic development, transport and the local environment; and
- we also worked with Government Offices for the Regions and local partnerships to maximise the potential which Local Area Agreements have to deliver action on the national sustainable development priorities. Defra will continue to work with DCLG over the coming year to strengthen sustainable development in Sustainable Community Strategies and Local Strategic Partnerships.

Government leading by example

The sustainable development strategy suggests that in order to seek behaviour change towards greater sustainability from others, Government needs to lead by example.

Defra has agreed across Government a new framework of ambitious targets for the Government office estate, including making the Government office estate carbon neutral by 2012 and committing to reduce Government's total emissions from buildings by 30 per cent. By 2020 for its own estate Government has committed:

- to recycle 75 per cent of waste;
- to reduce the waste generated by 25 per cent;

- to reduce water consumption by 25 per cent;
- to increase energy efficiency by 30 per cent per square metre; though
- the SDC's report on sustainable operations on the Government estate suggests that we need to work harder to achieve these targets.

The Sustainable Procurement Task Force, set up jointly by Defra and HM Treasury, published its findings in June 2006 and the government response, in March 2007, set out how central government would take this forward. The government sees sustainable procurement as a key lever to deliver its operational targets.

Working with others in the United Kingdom

In order to deliver sustainable development, Government needs to involve people. This means engaging people in decision-making, but also making use of everyone's energy, enthusiasm and creativity to achieve sustainable development.

To support this, we launched *Every Action Counts*, a part of the cross-government *Together We Can* initiative. It enables and encourages community groups to take action on Sustainable Development by providing better tools, information and face-to-face support. Defra is providing funding for the initiative which is being delivered by a partnership of voluntary and community sector organisations. 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 included:

- the launch of the *Every Action Counts* website (www.everyactioncounts.org.uk) and community packs which provide advice, support, simple actions, games and activities to help any local group to make a difference. The website received half a million web hits since its launch;
- over two hundred and fifty individual community groups and organisations signed up and participating in environmental action at the local level on energy, travel, saving our resources, food and caring for their local areas;
- twenty five national third sector organisations boosting their own contribution by preparing their own Sustainable Development Action Plans, engaging their local affiliate groups and training their staff to make every action count; and
- three hundred and twenty frontline community workers trained on Sustainable Development behaviours and how to apply this to their work with local people.

During October 2006, the Secretary of State and the Minister for the Third Sector, visited Doncaster to meet some of those involved in *Every Action Counts*. Following the discussion on climate change which took place on this visit, a number of third sector organisations are now working together to prepare a declaration on climate change. Defra, the Office of the Third Sector and organisations already involved in *Every Action Counts*, will be working to launch this declaration in spring 2007. Thousands of voluntary and community organisations are expected to signal their commitment to act on CO₂ emissions as a result.

Working internationally

The UK continues to work at EU and international levels, recognising that to address the challenges of Sustainable Development co-operation is essential to ensure that learning is shared and progress achieved.

World Summit on Sustainable Development

The World Summit on Sustainable Development (WSSD) took place in Johannesburg from 26 August to 4 September 2002. In July 2006 Defra published updated plans for delivering the commitments made by the UK. These plans are updated to those published previously and cover the WSSD commitments where Defra has responsibility for leading UK policy: 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. They also outline progress so far. More information can be found at <http://www/sustainable-development/gov.uk/international/wssd/deliveryplans2005.htm>

Sustainable Development dialogues

Progress has been made in a number of areas, for example:

- Mexico – Joint Ministerial Statement signed between the Foreign Secretary and Minister of Foreign Affairs, Luis Ernesto Derbez Bautista on 4 October 2006. We will collaborate on climate change; capacity building; governance; corporate social responsibility; natural resource management; sustainable communities; science and technology and sustainable consumption and production;
- South Africa – Joint Ministerial Statement signed between David Miliband and Minister for Environmental Affairs and Tourism, Marthinus Van Schalkwyk. We will collaborate on climate change; mainstreaming sustainable development; sustainable consumption and production; natural; resource management; sustainable communities and private and the financial sector;
- India – Successful visit to India by David Miliband in January 2007 to progress climate change and Sustainable Development objectives. The Minister made a range of visits in Delhi and Mumbai, meeting with Government officials, business leaders and NGOs. Sustainable Development priorities discussed with the Indian Government going forward included Sustainable Consumption and Production, forestry and illegal trade in wildlife; and
- China – Launched a package of collaborative projects, including a project on soil nitrogen management to improve fertiliser use; support to a circular economy pilot; training for Sustainable Development; and a project to build capacity in chemicals' management through the existing UK-China Chemicals Working Group.

European Union

- Heads of State and Government adopted a renewed *EU Sustainable Development Strategy* in June 2006. It meets the UK's main objectives for the review: it is a single, coherent document, has a strengthened governance process; and emphasises many

UK priority issues, notably climate change and sustainable consumption and production; and

- looking forward, in autumn 2007 the European Commission will report on national and EU-level implementation to inform a debate by the European Council that will set future priorities for action.

Commission on Sustainable Development

The Commission on Sustainable Development (CSD) is the central UN forum for pursuing sustainable development objectives internationally. CSD will address climate change, energy for sustainable development, air pollution, industrial development, and their interlinkages. Defra is the lead department on CSD, working in close collaboration with other government departments and in consultation with external stakeholders.

United Nations Environment Programme

The United Nations Environment Programme (UNEP) is the central pillar for the environment in the UN. Defra is the lead department on UNEP, working closely with other Departments and external stakeholders. Defra contributes £4.2 million to UNEP's Environment Fund annually. In recognition of UNEP's growing role in bridging environment and development, the Department for International Development (DfID) has announced its intention to provide additional support to UNEP by:

- working through the UN, the EU and bilaterally with UNEP the UK was successful in ensuring the Biennial Budget and Work Programme (B&WP) of UNEP accords with UK priorities for UNEP, namely chemicals management, governance, biodiversity, and sustainable consumption and production; and
- Defra will continue to engage with UNEP to ensure that the B&WP is fully implemented.

UN reform

The Prime Minister and the Chancellor have both spoken about the need for a stronger International Environmental Governance (IEG) architecture. Several processes are underway to achieve this. Defra, in close collaboration with Foreign and Commonwealth Office (FCO), HM Treasury, and DfID, has played an important role in driving this forward by:

- the UN Secretary General's Panel on System Wide Coherence, the UNEP Governing Council and the UN General Assembly Informal Working Group on IEG, have all made recommendations on strengthening the international environmental architecture, with UNEP firmly at the centre;
- as co-chairs of the EU informal working group on IEG, the UK is driving an ambitious but pragmatic EU position on strengthening IEG by calling for a stepwise approach to the long-term objective of upgrading UNEP to a UN Environment Organisation; and
- Defra will continue to build momentum for strengthened IEG within the wider UN reform debate.

Chapter 4: Sustainable consumption and production



HIGHLIGHTS

The UK's Government's *Sustainable Procurement Plan* was published.

A guide to greener living has been launched on the Directgov website providing an opportunity to promote sustainable consumption messages.

Defra has met the first part of its PSA6 target on waste and is on track for the second.

The Waste and Resources Research Programme (WRAP) currently has a portfolio of 66 funded Research and Development projects.

To date (the second year of trading), 681,000 landfill allowances were sold on the bulletin board at an average £19.64 per allowance.

WRAP has secured signatures from 13 leading grocery retailers and four leading brands to the Courtauld Commitment.

To date, the Waste and Resources Action Programme (WRAP) Programme has supplied 1 million composting bins to householders across England.

By the end of December 2006, almost £935 million waste Private Finance Initiative (PFI) credits had been awarded to local authorities.

There are now 13 PFI waste projects in operation.

90 per cent of households now have a recycling kerbside collection system.

ISSUES

Local authority waste management costs are rising steadily.

There is a gap between the worst and best performers on recycling.

SCP is one of Defra's strategic priorities. Under this strategic priority the Department is seeking two 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.

We promote sustainable consumption and production (SCP) through measures to encourage:

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

This chapter of the Departmental Report explores the issues and moves on to look at how we are encouraging a more sustainable approach to the management of waste.

Why is sustainable consumption and production important?

An SCP approach is an important part of helping the UK reduce consumption and to develop policies that are rooted in the way people live their everyday lives, focussing on the areas that have the biggest environmental impacts:

- homes, household products, food, personal travel and tourism;
- over the past year we have concentrated on fulfilling the commitments made on SCP in *Securing the Future*, and developing and implementing further policy initiatives; and
- publishing the UK *Government Sustainable Procurement Action Plan*, following the recommendations of the business-led Sustainable Procurement Task Force. Successful delivery of the Action Plan will move the public sector further towards its goal of being low carbon, low waste and water efficient, respecting biodiversity and deliver wider sustainable development objectives.

Developing the evidence base to underpin the development of policy and to raise the debate about key issues. Over 40 projects have been let, covering key areas such as sustainable food, business environmental performance, procurement, behaviour change, overseas impacts of consumption and measurement of SCP:

- successfully arguing the case for the EU to develop a *Sustainable Consumption and Production Action Plan* which results in ambitious goals; and
- maintaining our international involvement in the UN's *Marrakech Process* – a ten-year framework of programmes to promote sustainable consumption and production.

Encouraging business

We have also continued to develop our approach to encourage business to use resources more efficiently, enhance its profitability and utilise the potential of innovative technologies by:

- providing advice and support to business on improving resource efficiency measures, minimising waste production and maintaining competitiveness through our Business Resource Efficiency and Waste (BREW) Programme;
- establishing the Business Taskforce on Sustainable Consumption and Production to help develop ideas for practical action on key aspects of SCP;
- establishing, with the Department of Trade and Industry (DTI), the Commission on Environmental Markets and Economic Performance to consider how to further stimulate sectors that can make a significant contribution to environmental outcomes and productivity; and
- developing proposals with the DTI and Department for Communities and Local Government (DCLG) for an Innovation Platform in SCP that will initially focus on developing the capability for UK industry to deliver low-impact buildings. This will help meet the UK's commitment to reduce carbon emissions by 60 per cent by 2050, address a growing market, and bridge known innovation gaps that currently prevent industry from meeting these market needs.

The Regional Development Agencies (RDAs) received £11.71million from the BREW Programme in 2006-07. Of this, £5 million has been split equally amongst the nine English regions to be spent on coordination of businesses resource efficiency and waste minimisation support.

This includes brokerage models and mapping of the landscape to identify any gaps. The additional £6.71 million is being spent on specific resource efficiency projects to address regional priorities. The RDAs have been awarded £10.9 million of BREW funding for 2007-08 to continue to deliver against the BREW objectives in the regions.

Sustainable products

A key theme of SCP is the need to address the environmental impacts of products throughout their lifecycle, we have:

- used our Market Transformation Programme (MTP) to support Government policy and develop the knowledge base and policy briefs on sustainable products;
- begun to develop product 'Road Maps' to focus in more detail on how we plan to address the environmental impacts issues associated with the lifecycle impacts of key products;
- continued to lead on the International Task Force for Sustainable Products (ITFSP) to enable greater international co-operation to encourage more resource efficient goods and services;

- budget 2006 announced a new initiative, in partnership with major retailers and the Energy Savings Trust, to encourage the purchase of more energy efficient consumer electronics; and
- agreed with manufacturers and retailers an ambition to phase out inefficient general light source (GLS) bulbs from almost all domestic use by the end of 2011.

Encouraging consumers

The SCP programme has also begun to develop approaches to encourage consumers towards more sustainable lifestyles and helped develop Defra's wider thinking on citizen engagement.

Defra has:

- launched an Environment and Greener Living franchise on Direct.gov to help people who want to find out what they can do in their everyday lives to tackle climate change and other environmental issues (www.direct.gov.uk/greenerliving);
- supported the Sustainable Development Commission (SDC) and National Consumer Council (NCC) Round Table on Sustainable Consumption; and
- supported 35 voluntary and community sector groups through our Environmental Action Fund to help deliver a wide range of SCP outcomes – £7.1million has been allocated over the three years 2005-08.

Looking forward

Over the next year we will be focusing our activity particularly around the key themes of:

- reducing the environmental impacts attributable to products and services;
- encouraging business resource efficiency;
- encouraging innovation and the development and use of environmental technologies;
- taking forward the *UK Government Sustainable Procurement Action Plan*; and
- building a social marketing strategy for pro-environmental behaviour.

Public Service Agreement target 6: Waste and recycling

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

Defra has met the first part of the target and is **on course** to meet the second. Further details on how Defra measures performance against its Public Service Agreement targets can be found at <http://www.defra.gov.uk/corporate/busplan/busplan.htm>.

Defra's National Statistics estimates based on data entered onto WasteDataFlow for 2005-06 show that 26.7 per cent of household waste was recycled or composted in England in 2005-06. This means that Defra has met the first part of the target.

To ensure that further progress is made, in 2007-08 all local authorities must at least equal their 2005-06 targets and meet the minimum level of 20 per cent. This should help the poorest performers to close the gap with the better performers and raise national performance significantly towards 30 per cent.

Performance

Figure 9: Household waste recycling rates in 1996-97 to 2005-06

| Year | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|--|---------|---------|---------|---------|---------|
| England household waste recycling (percentage) | 12.5% | 14.5% | 17.7% | 22.5% | 26.7% |
| Household waste recycled (thousand tonnes) | 3,197 | 3,740 | 4,521 | 5,769 | 6,796 |
| Increased weight of recycled household waste from 1996-97 base year (percentage) | 89% | 122% | 169% | 243% | 304% |

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 by 2010; 50 per cent by 2013; and 35 per cent by 2020. Increases in recycling and composting will be required in order to reduce the amount of residual municipal waste that is finally sent to landfill.

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, and the need to fund the infrastructure required to divert more waste from landfill (particularly residual waste) to meet challenging EU targets will place additional pressures on local authority budgets.

These additional costs were factored in to the 2004 Spending Review, which injected an additional £800 million by 2007-08 into the EPCS block which provides core funding for local authority services, including waste, as well as an additional £275 million in PFI credits for investment in value for money waste disposal facilities.

Following the reform of the Waste Minimisation and Recycling Fund, Defra paid out £105 million to local authorities in 2006-07 under the Waste Performance and Efficiency Grant programme. Designed to support new and more efficient ways to deliver waste reduction, increase recycling and diversion from landfill, a further £110 million will be provided during 2007-08 and will be administered by DCLG as part of its Local Area Agreement (LAA) fund.

Waste Implementation Programme

The Waste Implementation Programme (WIP) was set in 2003 up to help Local Authorities to deliver England's contribution to the UK Landfill Directive, and to ensure that the Government's Public Service Agreement (PSA) target of 25 per cent recycling and composting are delivered.

Over the past three years the programme has distributed £4.6 million of Direct Consultancy Support (DCS), received by over 294 authorities. DCS has delivered support in the areas of procurement, planning, strategy and waste composition on a national scale. This has contributed to the national recycling targets for 2003-04 and 2005-06 being exceeded. The support has now helped to prepare many local authorities to deliver the procurement strategies intended to deliver on the UK landfill directive targets. It has given WIP a snapshot of the nation's progress towards targets and a greater insight into the barriers leading to poor performance.

WIP's main recycling activities are delivered through the Waste and Resources Action Programme (WRAP), which run major programmes of work advising local authorities on Kerbside Collection systems, providing advice and support for waste minimisation efforts such as the Home Composting Campaign and working with retailers under the Courtauld Agreement, as well as also developing and running the 'Recycle Now' national awareness campaign.

Best practice on waste management and procurement activities is encouraged through the WIP led Environmental Services Efficiency Programme and delivered through the Regional Centres of Excellence.

WRAP currently has a portfolio of 66 funded Research and Development projects. A number of these projects are now complete and the outputs are being disseminated. Following policy and stakeholder engagement, work is now being done to refresh the existing Research and Development Strategy with an aim to publish a revised version in summer 2007.

Following consultation on arrangements to improve the data available on all waste streams to government, local authorities and the waste industry, work in conjunction with the Environment Agency, is also progressing on delivering a new, accurate and comprehensive data collection and storage system based on regular returns from the waste management industry. The Waste Data Hub is now operational and is allowing more detailed analysis of the data reported from the waste management industry and local authority returns to take place. We are now testing and adding to data held

within the system and, once this has been completed, will be using the system to produce robust evidence based reports which will be made available on our website.

The newly established Waste Infrastructure Delivery Programme is helping local authorities to accelerate the delivery of Waste Management Infrastructure. The programme provides advice on (but will not dictate) technology choice, financing options, procurement best practice and will promote joint working solutions. The need for this infrastructure and support was identified in the Kelly *Second Market Review on Waste*. The programme is also working on developing markets for Refuse Derived Fuels.

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. 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.

To date (second year of trading) 681,000 allowances were sold on the bulletin board at £19.64 per allowance. Year on year, trading has slowed with diminishing activity from authorities trading through 2008-09 to 2013. Most authorities are holding surplus allowances during this time.

The Waste and Resources Action Programme (WRAP)

The Waste Resource and 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, is backed by Defra, and the devolved administrations. In addition, WRAP has secured signatories from 13 leading grocery retailers and four leading brands (to date) to the Courtauld Commitment, expressing their commitment to working with WRAP to achieve WRAP's objectives as follows:

- to design out 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.

This is backed by an £8 million Innovation Fund which supports research and development by retailers and their supply chains to develop, test and trial innovative packaging to reduce consumer products packaging and food waste in the home.

WRAP's has supplied 1 million home composting bins to householders across England and they are backing this up with a composting support service.

Funding

Defra along with others support a range of initiatives to reduce waste and increase recycling. The table below sets out examples of funding to improved waste management and recycling 2005-08.

Figure 10: 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) | 73 | 59 | 50 |
| Challenge Fund | 45 | N/A | N/A |
| Waste Performance and Efficiency Grant (from 2005) | 45 | 105 | 110 |
| Private Finance Initiative | 130 | 255 | 280 |
| WRAP recycle market development work ¹⁴ | 12 | 11 | 12 |

Tax

To provide greater incentives to move away from landfill, the standard rate of landfill tax was 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.

To encourage recycling and to reduce landfill, the Chancellor announced in the 2007 Budget that landfill tax will, from April 2008 to 2011; rise from its present rate of £24 per tonne by £8 each year, and to reduce the environmental impact of quarrying, the aggregates levy – which has been frozen since its introduction – will rise in April 2008 from £1.60 to £1.95 per tonne.

Waste infrastructure

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 establish the technical and commercial viability of emerging and near-market waste technologies. WIP is also supporting local authorities' expansion of new waste

¹⁴ Figures for 2007-08 are provisional.

facilities through PFI, market development, and planning improvements. By the end of December 2006, almost £935 million PFI credits had been awarded to local authorities. There are currently 13 projects in operation, a further 8 projects going through procurement and a number currently undergoing review.

Recycling and composting of household waste by local authorities collectively has increased dramatically – up from 11 per cent in 2000-01 to 27 in 2005-06. Highest performing authorities are now recycling more than 50 per cent of the household waste they collect). This has been driven in part by statutory performance standards for individual local authorities for the recycling or composting of household waste that were set for the years 2003-04 and 2005-06.

Improved performance depends firstly on the availability of easily accessible facilities for collection of recyclable waste and secondly the use of these facilities for increasing amounts of waste by more households. 90 per cent of households now have a kerbside collection system driven in part by the requirements of the Household Waste Recycling Act 2003 for waste collection authorities to provide arrangements for the separate collection of at least two types of recyclable waste from households by 2010.

The forthcoming review of the Waste Strategy will continue our progress in reducing, recycling and recovering waste.

Chapter 5: The natural environment



HIGHLIGHTS

Defra is on course to meet the PSA target to reverse the decline in farmland birds. At the end of March 2007 over 75 per cent of the area of Sites of Special Interest (SSSIs) were in favourable or recovering condition.

Natural England was established in October 2006 as a powerful new champion of the natural environment.

In November Defra published *Working with the Grain of Nature – Taking it Forward* – a review of the progress made to date under the England Biodiversity Strategy and a forward look at actions over the coming years to contribute to the 2010 target to halt biodiversity loss.

The Commons Act 2006 received royal assent in July 2006 and will help protect common land and village greens, and deliver real benefits in terms of sustainable farming, public access and biodiversity.

In October 2006 Defra launched the National Wildlife Crime Unit, which gathers, analyses, and co-ordinates intelligence on wildlife crime, as well as providing operational support for wildlife law enforcers.

A Sea Change, a Marine Bill White Paper, was launched for consultation in March 2007.

The drought planning regime enabled us to cope with one of the most severe droughts of the last 100 years with minimal restrictions.

A new EU Regulation on the Registration, Evaluation and Authorisation of Chemicals (REACH) was agreed in December 2006, and will begin to come into force from June 2007.

ISSUES

Climate change will bring many challenges to our natural environment and we will need to ensure that our policies take full account of the need to adapt to its impacts.

The PSA target of 95 per cent of the SSSI area being in favourable or recovering condition by 2010 has faced a number of major barriers to progress this year. As a result, there has been slippage against the March 2007 milestone of 78 per cent which will need to be made up in future years.

A major challenge for the future is to improve the ecological quality of water.

The sustainable use and management of our natural resources is essential for our long term survival and prosperity. Along with climate change, Defra has identified securing a healthy natural environment as one of our key priorities.

We care about the natural environment for its intrinsic value but also depend on it for the wide range of services it provides for people. These ecosystem services include the provision of basic resources such as clean air, water and food. A healthy natural environment also provides us with the raw materials we need for a strong and sustainable economy and plays a vital role in supporting our health and well-being.

Defra is working to develop a more integrated framework for policy-making and delivery on the natural environment. This will involve taking a more holistic ecosystems based approach to conserving, managing and enhancing our natural environment. We are also working on improved methodologies for valuing ecosystem services, to ensure that the true value of our natural assets is properly reflected in policy and decision-making across government. We aim to ensure that the importance of the natural environment is reflected within the new performance framework being developed under the Comprehensive Spending Review.

This section of the report specifically addresses:

- action to safeguard, enhance and value biodiversity;
- sustainable management of land and soils;
- protecting our landscapes;
- encouraging people to enjoy, understand and care for the natural environment
- improving water quality and achieving a sustainable use of water resources;
- protecting the marine environment;
- improving the quality of the local environment; and
- Chemical regulation and nanotechnology.

Biodiversity

The Convention on Biological Diversity requires parties to develop national strategies and action plans for the conservation and sustainable use of biodiversity. This requirement is met in part by the *UK Biodiversity Action Plan* and by the country strategies including the England Biodiversity Strategy.

The UK has supported the development of the European Commission Communication and Action Plan, *Halting the loss of biodiversity by 2010 – and beyond*, which draws together existing EC and national actions into a more coherent strategy towards meeting the objectives and targets required to halt the loss of biodiversity by 2010. Council Conclusions welcoming the Communication and Action Plan were adopted by the Environment Council in December.

The England Biodiversity Strategy

In November Defra published *Working with the Grain of Nature – Taking it Forward*,¹⁵ a review of the progress made to date under the England Biodiversity Strategy and a forward look at actions over the coming years to help achieve the 2010 target. As part of this report, the Department also reported on the 51 indicators used to assess progress against the England Biodiversity Strategy. Six of the seven headline indicators for which trends have been assessed in 2006 show positive progress, while for populations of wild birds in England, the trend appears to have stabilised. This demonstrates that good progress is being made but there is still much more that needs to be done.

Climate change brings new challenges to how we approach the conservation and enhancement of our biodiversity. The England Biodiversity Group has set up a Climate Change Adaptation Workstream to help ensure that climate change is taken into account in the development of biodiversity policy.

Progress against UK Biodiversity Action Plans

In June 2006, Government and the Devolved Administrations jointly published *The UK Biodiversity Action Plan: Highlights from the 2005 Reporting Round*¹⁶. This showed that 22 per cent of the priority habitats and 11 per cent of priority species are increasing, and that more priority species are showing improved trends than in past reports (1999 and 2002). Revised targets for Habitat and Species Action Plans were also published by the partnership on 30th November 2006.

The review of the UK's list of priority species and habitats on scientific grounds has been completed¹⁷ and consideration is now being given to the organisation and coordination of the key actions necessary to help conserve these. In support of this, Defra held a workshop in March 2007 with its major partners and colleagues from devolved administrations to consider how an ecosystems approach could be applied to assist implementation.

Public Service Agreement target 3a: Reversing the long-term decline in the number of farmland birds

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

¹⁵ Working with the Grain of Nature – taking it forward, Vols I and 11 available on <http://www.defra.gov.uk/wildlife-countryside/biodiversity/biostrat/index.htm>

¹⁶ The full report can be found at <http://www.ukbap.org.uk/library/Reporting2005/UKBAPReport05.pdf>

¹⁷ Further details are available online at <http://www.ukbap.org.uk/BAPGroupPage.aspx?id=98>

Reversing the decline in farmland birds is viewed as a measurable surrogate 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.

Performance

The Department is currently **on course** to meet this target. Further information on how Defra measures progress against its Public Service Agreement targets can be found at <http://www.defra.gov.uk/corporate/busplan/busplan.htm> Figure 11 below shows that declining farmland bird populations in England mostly affected farmland specialists (those species that breed solely or mainly on farmland). Of those species that have experienced major declines over the last three decades some, such as Grey Partridge, Turtle Dove and Starling, continue to decrease. Recent upturns in the indices for others, including Skylark and Corn Bunting, may be an early sign of recovery.

Figure 11: Population of farmland generalist and specialist birds: 1966-2005 (England)

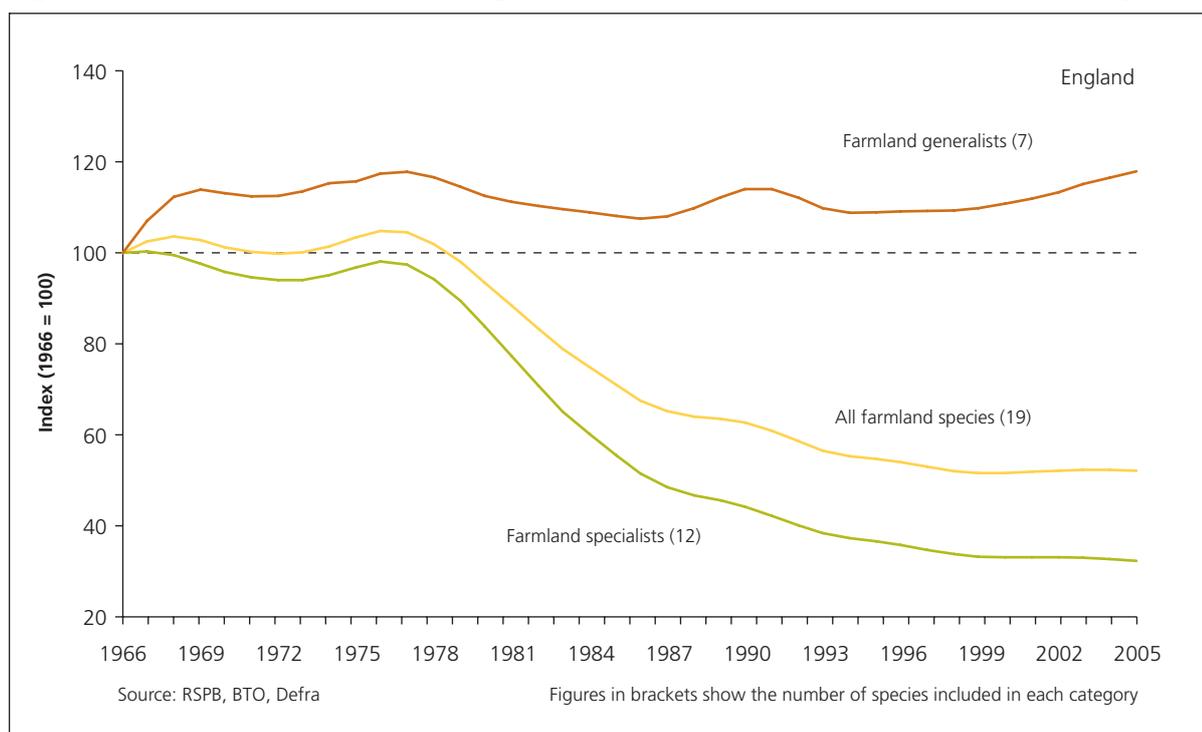


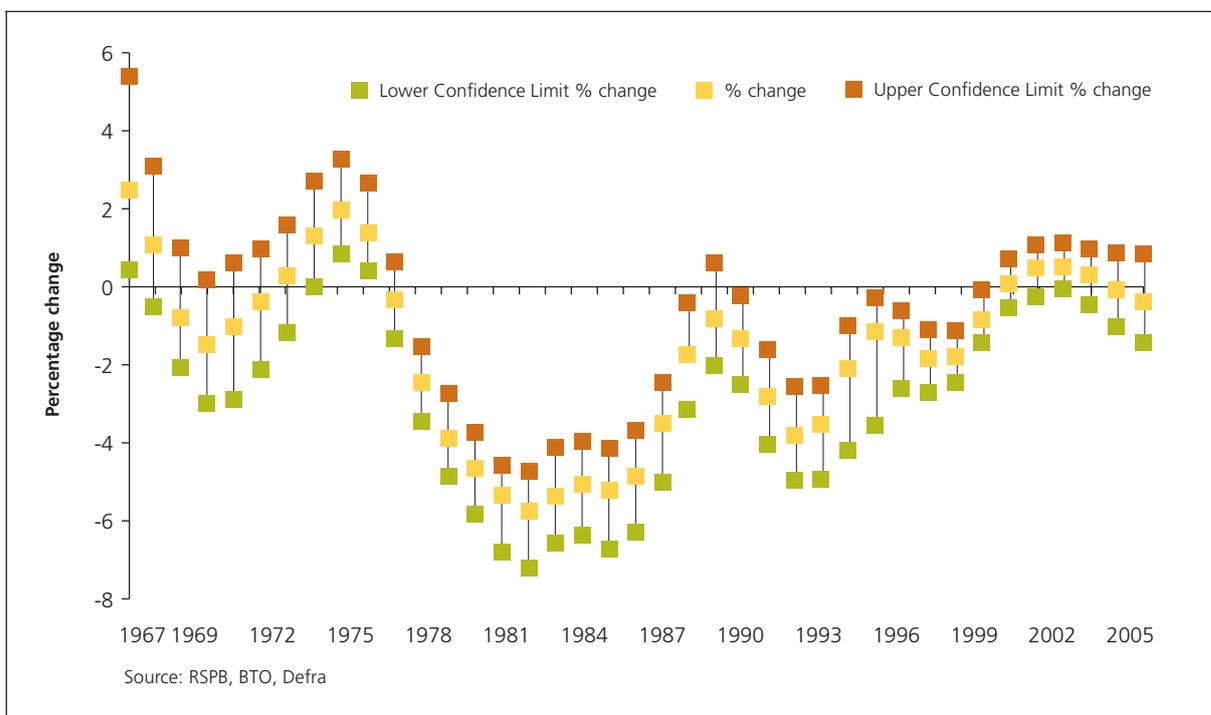
Figure 12 below shows the year-on-year changes in the England farmland bird index. It shows three versions of year-on-year changes. The top marker shows the year-on-year changes in the upper (95 per cent) confidence limit; the middle marker shows the actual year-on-year changes of the indicator itself; and the bottom marker shows the year-on-year changes in the lower (95 per cent) confidence limit. When all three markers are above zero (each indicating a year-on-year increase), the increase in the index of farmland birds will be assessed as statistically significant. In recent years

the actual change has been close to zero and shows that there has been no significant change in farmland bird populations over the last five years.

This indicates that we are on course to meet the farmland birds target:

- the rate of decline of Farmland Bird Index will slow in the period 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.

Figure 12: Year on year changes in the farmland bird index for England: long-term trend (1967-2005, 19 farmland bird species)



Note: The lower and upper confidence limits for the long-term trend data use a 95 per cent confidence interval.

Factors affecting performance

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

- take-up, funding and effectiveness of Environmental Stewardship. This is a key part of the forthcoming Rural Development Programme for England; and
- the cross-compliance element of the Single Payment Scheme which should reduce some of the negative environmental impacts of agriculture.

Monitoring of the impact of Environmental Stewardship and CAP 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. A review of progress of Environmental Stewardship will begin in May 2007. The review's aim is to consider whether Environmental Stewardship is on track to deliver against its objectives, including this target, taking into account the findings of the Initial Evaluation, and to identify any necessary adjustments to the scheme. The review will also consider how best to integrate Hill Farm Allowance into the Stewardship arrangements, in the light of the recent announcement of a commitment to achieve this by 2010.

Funding

The target is integral to much of the Department's work and so it is not possible to separate the funding of specific measures that supported farmland birds.

Public Service Agreement Target 3b: 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 95 per cent of all nationally important wildlife sites by 2010.

There are over 4,000 Sites of Special Scientific Interest (SSSIs) in England covering over 1 million hectares, some 7 per cent of England's area. This Public Service Agreement Target aims to bring into 'target condition'¹⁸ 95 per cent of the area of SSSI land in England by 2010. The condition of SSSIs is a key indicator of the success of Defra's biodiversity strategy, and a wider indicator of environmental sustainability. Further details on how Defra measures performance against its Public Service Agreement targets can be found at <http://www.defra.gov.uk/corporate/busplans/busplan.htm>.

Performance

There is currently some **slippage** against this target. In March 2003 a baseline of 56.9 per cent of the total area of SSSI area was in target condition. On the basis of condition assessments completed by the end of March 2007, the percentage of the total SSSI area in target condition was 75.4 percent compared with 72.3 per cent figure in March 2006.

The Department has annual milestones to assist with the assessment and reporting of progress towards achievement of the SSSI Target by December 2010. This trajectory has been informed by Natural England's Remedies Project, which details the reasons for adverse condition, the appropriate remedy or action for tackling each one, and the

¹⁸ 'Target condition' is the term used to encompass land in the Favourable and Unfavourable Recovering categories.

party believed to be responsible for the implementation of the remedy for each unit not yet in target condition.

Trajectory milestones refer to the percentage of SSSI land to be in target condition by the specified date (see Figure 3).

Figure 13: Sites of Special Scientific Interest – the trajectory

| Date | Annual Milestone (Percentage of SSSI area in Target Condition) |
|------------------|---|
| 31 March 2008 | 83 |
| 31 March 2009 | 89 |
| 31 March 2010 | 93 |
| 31 December 2010 | 95 |

Factors affecting performance

There has been slippage in meeting the milestone of 78 per cent set for March 2007. The principal reasons were:

- major organisational change associated with the creation of Natural England; and
- under-delivery by a number of the major SSSI landowning or managing bodies.

Natural England has developed a new on-line reporting system that allows major stakeholders to view live data regarding their own remedies. This facilitates the production of timetabled delivery programmes and helps to ensure that the action needed to bring SSSI land into target condition is properly planned. It will reduce the risk of slippage in future years.

The data on the condition of SSSI management units and the agreed remedies required to bring each unfavourable unit into favourable condition show that it will be possible to recover this year's slippage before 2010. For a short overview of progress please see Appendix 1¹⁹, or the Natural England website²⁰. This shows the percentage of the area of the SSSI series in target condition each month.

¹⁹ 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

²⁰ <http://www.naturalengland.org.uk>

Funding

The principal source of funding now available to farmers and landowners is the Environmental Stewardship scheme, although existing management agreements under the (now closed) Countryside Stewardship (CSS) and Environmentally Sensitive Areas (ESA) schemes are also making a significant contribution. The Wildlife Enhancement Scheme (WES), which is targeted specifically at SSSI land, has played a particularly important role in bringing some sites into target condition. In addition, public bodies that own SSSI land contribute through their own budgets, and wider funding programmes, such as the Lottery and through the EU, continue to make a useful contribution.

Local sites

Local sites and local site partnerships outside statutory designations can also play an important part in conserving and enhancing biodiversity. We produced guidance²¹ this year to foster a more consistent and systematic approach to site designation, following this up with a seminar involving key practitioners to encourage and disseminate best practice.

Natural Environment and Rural Communities Act 2006

The Natural Environment and Rural Communities Act, which received Royal Assent in March 2006, created two new non-departmental public bodies (NDPBs). Natural England was set up as a powerful champion for the natural environment, bringing together English Nature, parts of the Countryside Agency, and most of the Rural Development Service to conserve and enhance our landscapes and biodiversity and importantly to help people enjoy them. The Commission for Rural Communities, established as a strong national rural adviser, advocate and watchdog, is charged with ensuring Government policies are making a real difference on the ground in tackling rural disadvantage.

The Act also re-constituted the Joint Nature Conservation Committee as a UK body, created a duty for public and statutory bodies to integrate biodiversity into their decision-making, further protected Sites of Special Scientific Interest from damage, delivered a commitment to curtail the inappropriate use of byways by motor vehicles,²² clarified national parks legislation, and strengthened the enforcement powers of those fighting wildlife crime.

²¹ Local Sites: Guidance on their Identification, Selection and Management. Available on <http://www.defra.gov.uk/wildlife-countryside/ewd/local-sites/localsites.pdf>

²² By putting an end to claims for motor vehicle access on the basis of historical use by horse-drawn vehicles.

Invasive non-native species

Invasive non-native species have been described as the second biggest threat to biodiversity after habitat loss and destruction and they also have very significant economic impacts on for example, agriculture, forestry, flood management, fisheries and land use development. Various international agreements and instruments, including the Convention on Biological Diversity and the European Commission's Action Plan for the 2010 biodiversity target, call for the development of national strategies to address this important cross-cutting issue. This year has seen the GB Non-Native Species Programme Board hold a further stakeholder forum, establish a non-native species risk analysis panel, progress several research projects and take early and decisive action to eradicate an invasive aquatic plant. A draft GB Invasive Non-Native Species Framework Strategy was issued for consultation in February. The final strategy and supporting strategy implementation plan will be published towards the end of this year.

Wildlife crime

At national level, Defra's Wildlife Inspectors carried out over 350 inspections to check compliance with the Department's wildlife controls; and October 2006 saw the launch of the National Wildlife Crime Unit, a multi-agency operation gathering and analysing wildlife crime intelligence, and providing operational support for wildlife enforcers. At the international level, the UK joined the Coalition Against Wildlife Trafficking (CAWT) in February 2006, hosted preparatory meetings to discuss how the initiative would go forward, and contributed to its formal launch in February 2007.

International 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 (JNCC) to ensure policies affecting biodiversity and poverty alleviation around the globe are cohesive. Issues that are being addressed through this group include the risks to biodiversity and livelihoods from increased consumption of bushmeat. A research project considered this in 2006 and reported back to the Inter-Departmental Ministerial Group on Biodiversity (IDMGB) meeting in March 2007. In addition, the IDMGB has been assessing UK obligations and priorities in the context of international (including Overseas Territories and Crown Dependencies) biodiversity, and this work will guide policy across the Government in a more holistic way than before.

Convention on Biological Diversity

The Eighth Conference of the Parties (COP 8) to the Convention on Biological Diversity (CBD) took place at the end of March 2006. During the year, work began on mapping UK implementation of the decisions from COP 8 on a wide range of topics including

Protected Areas, the Millennium Ecosystem Assessment, Marine and Coastal Biodiversity, and the Private Sector Engagement and Framework for monitoring the achievement of the 2010 target.

The World Summit on Sustainable Development (WSSD) Delivery Plan for international biodiversity was revised and updated in August 2006. This 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. In October, with UK Government support, the 2010 biodiversity target was incorporated as an additional target in the framework of the Millennium Development Goals. In March, David Miliband attended a meeting of Environment Ministers from the G8 plus Brazil, China, India, Mexico, South Africa and the European Commission. The meeting adopted the Potsdam Initiative on Biodiversity which among other things called for an economic study of the value of 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. This year the Initiative has funded 41 new projects totalling £2.7 million, each lasting around three years; and nine subsequent projects totalling £335,000 in order to maximise and strengthen their long term impact and legacy.

Convention on International Trade in Endangered Species (CITES)

Under CITES, the UK has been active in taking measures to address controls of trade on a range of species and their derivatives including: elephant ivory; tigers; apes and monkeys; vicuna; wild birds; whales; sharks; and sturgeon caviar, and worked to develop parameters for improved electronic permitting. In preparation for the 14th CITES Conference of the Parties in The Hague (June 2007), the UK has been instrumental in developing and submitting proposals to: improve enforcement of CITES restrictions; address the specific consequences of wildlife trade that is undertaken over the internet; and, assist countries in considering and assessing implementation aspects of CITES measures on poor peoples' livelihoods.

During 2006-07 the Wildlife Licensing and Registration Service (WLRS) started to review charges for CITES applications. It is planned to introduce new fee levels for CITES applications in 2008 and move to full costs recovery by 2012. On 1 April 2007 WLRS transferred to Animal Health, the new agency based on the State Veterinary Service.

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 their priorities in delivering conservation objectives. In 2006, Defra led a UK delegation at the meeting of parties to the Agreement on the Conservation of Albatrosses and Petrels

(ACAP). Among other things the meeting agreed a work programme for ACAP for the next three years. Defra has also been active in leading an initiative to develop a possible new agreement for the conservation of migratory birds of prey in Africa and Eurasia.

Land and soils

Soils

The *First Soil Action Plan for England: 2004-2006*²³ (published May 2004) committed the Government and partners to 52 actions relating to better soil protection and management across a number of activities and policy areas that impinge on soils including: land use planning, construction, minerals extraction, agriculture, forestry, and nature, landscape and cultural heritage conservation. By March 2007 23 actions had been completed in full, two actions were still awaiting international negotiations to commence²⁴, and the progress of the remaining 27 actions had been reviewed (as per their final milestones) and the way forward determined. Six monthly progress reports and the second annual report on the Soil Action Plan now available.²⁵

A new Soil Strategy for England is currently being developed, taking stock of progress under the Action Plan as well as emerging priorities for soil protection on maintaining soil carbon and the recycling of organic wastes to land. Defra plans to publish this for consultation in summer 2007.

Alongside its domestic policy, Defra has also been involved in the development of an *EU Thematic Strategy for Soil Protection*.²⁶ This was adopted by the European Commission on 22 September 2006 and sets out proposals for a Soil Framework Directive. Since the Commission adopted its proposal, Defra has worked with other government departments, agencies and stakeholders to develop a UK negotiating position in line with the principles of better regulation and subsidiarity. Defra has also been working with other Member States and the European Parliament in order to be able to influence the course of negotiations. We intend to proceed to a full public consultation in summer 2007.

Commons Act 2006

The Commons Act 2006 received Royal Assent in July 2006 — the most significant legislation protecting our commons for a generation. The Act will help protect common land and village greens, and deliver real benefits in terms of sustainable farming, public access and biodiversity. There are nearly a million acres of commons in England and more than half of this is designated as SSSI. Only 68.8 per cent of this land is in favourable or recovering condition — significantly lower than the 75.4 per cent of all SSSI land in England. The Act will contribute to achievement of the Government's target to bring 95 per cent of all Sites of Special Scientific Interest (SSSIs) into favourable or recovering condition by 2010.

²³ <http://www.defra.gov.uk/environment/land/soil/pdf/soilactionplan.pdf>

²⁴ Proposed revisions to the Sewage Sludge Directive and a proposed Biowaste Directive.

²⁵ <http://www.defra.gov.uk/environment/land/soil/sap/sap-advisory/newsletter/index.htm>

²⁶ <http://ec.europa.eu/environment/soil/index.htm>

Landscape

With Defra as lead department, the UK ratified the Council of Europe's European Landscape Convention in November 2006. This is the first convention dealing with all landscapes, rural, urban, and peri-urban. It covers the protection, management and planning of both outstanding and degraded landscapes and includes inland water and marine areas. It became binding on 1 March 2007. An England Project Group was established with Natural England and English Heritage to take forward an implementation plan and a wider UK group was formed to exchange ideas and monitor implementation in the home nations. In 2007-08 and thereafter we will be looking to take forward with partners the implementation plan formulated by Natural England and will be liaising with other government departments to ensure our existing compliance with the Convention is strengthened still further through opportunities created by the ongoing process of policy review.

The Aggregates Levy Sustainability Fund

In 2006-07 the Aggregates Levy Sustainability Fund (ALSF) provided around £20 million for projects in England to mitigate the environmental impact of aggregate (sand gravel and crushed rock) extraction and compensate communities impacted upon by quarrying. Over 450 ALSF projects were supported during the year, including projects on nature reserves, seabed habitat mapping and refurbishment of community halls. In the Pre-Budget Report the Chancellor announced that the ALSF would be continued in 2007-08.

Access and recreation

With the successful completion of the first full year of implementation of the right of public access under the Countryside and Rights of Way Act 2000, we have focussed attention on possible ways to improve access to the English coast. Natural England submitted its report on four options in February 2007, in which it has advised the Government to introduce legislation to create a new right of public access to the English coast. Defra will be going out to public consultation on this in late spring/early summer 2007.

During summer 2006 the Countryside Agency (now Natural England) managed a public consultation on behalf of the Department on proposals for a draft Diversity Action Plan to promote opportunities for people from under-represented groups to take part in outdoor recreation. Later in 2007 a final Action Plan will be published by Natural England which will oversee its implementation.

Forestry

During 2006 a consultation process was undertaken as part of the review of the 1998 England Forestry Strategy. The main messages emerging from the consultation were: that woodlands have a role to play in adapting our ecosystems to climate change; and sustainable woodland and tree management in both rural and urban areas can deliver a wide range of public benefits – but that the achievement of this relies on an economically viable forestry sector. The new strategy will be published in summer 2007.

Defra has continued to promote the Government's sustainable timber procurement policy as a key measure for tackling illegal logging and deforestation through the power of consumer demand. Ministers and officials have worked within G8, UN and EU initiatives to encourage more countries to adopt policies and to harmonise policies as far as possible. Implementation by the UK public sector is being strengthened by working with supply chains to overcome barriers and educating key players. Under the EU's Forest Law Enforcement, Governance and Trade (FLEGT) action plan Defra will spearhead the introduction of a regulation to stop illegal timber being imported from volunteer partner countries. From 2009 Departments will be required to purchase only timber from sustainably managed forests or with a FLEGT licence; from 2015 only timber from sustainably managed forests will be acceptable.

Water

Although not covered directly by current Public Service Agreement targets, Defra's 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. 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.

Water availability

Work has continued on implementation of the water resources aspects of the Water Act 2003. Water resources management planning became a statutory requirement on 1 April 2007 and we have consulted on the acceleration of water metering in areas where there are shortages.

The drought planning regime enabled us to cope with one of the most severe droughts of the last 100 years with minimal restrictions. Widespread hosepipe bans were imposed by water companies but only one company found it necessary to restrict some further non-essential uses of water through drought order powers. There were no water supply interruptions. The drought also drew attention to the limited scope of hosepipe ban powers; consequently Defra has launched a consultation on proposed changes to powers to restrict a wider range of non-essential uses of water during a drought.

The Water Saving Group (WSG) was set up in October 2005 and includes representatives from all the key water industry stakeholders. Since the first meeting the group has made

good progress on its action plan to promote water efficiency in households. Progress includes a joint Defra and DCLG consultation on options for regulating for minimum standards of water efficiency in new homes and commercial buildings published in December 2006. Defra also published in January a consultation paper on the WSG proposal for extending metering in the most seriously affected areas.

Defra has continued to work with the Environment Agency and Ofwat on a solution to the issue of financing changes to abstraction licences where these are varied or revoked to protect the environment. It is estimated that around £450 million may be payable in compensation to licence holders.

Water Quality

Defra works, under the Water Framework Directive (WFD) and related measures, to improve water bodies to good status by 2015, improving biodiversity and ecology. Significant progress has been made towards developing River Basin Management Plans, including: strengthening engagement through Defra's National WFD Stakeholder Forum; and issuing guidance to the Environment Agency – as competent authority – on river basin management. Adoption of a new Groundwater Directive has also been secured, embodying the UK's negotiating objectives.

Through the Catchment Sensitive Farming Delivery Initiative, introduced in April 2006, 39 catchment officers have been put in place to support and work with farmers and land managers to undertake voluntary action in order to reduce diffuse water pollution. Approximately £7 million was spent on this initiative in 2006-07 with a further £13.3 million earmarked for it in 2007-08.

A decision was announced on 22 March 2007 that a 30 kilometre tunnel will be built to intercept sewage and rainwater discharges along the River Thames so as to make the river fit for the 21st century. Thames Water is now responsible for taking forward detailed design and planning of the tunnel, which is expected to be completed in 2019-20.

Marine and fisheries

Defra created a new Marine and Fisheries Directorate on 1 April 2006 to bring together fisheries policy with wider marine policy and provide an integrated and coherent approach to promote the sustainable development of the marine environment. During 2006-07 Defra's strategic outcome for marine and fisheries was to achieve sustainably managed and protected oceans, seas, coasts and inland fisheries and their ecosystems. Defra focused on six priorities to underpin this aim. Progress under each of the key areas of work is summarised below.

Conserve and protect UK European marine ecosystems, biodiversity and freshwater and migratory fish through sustainably managing them

Defra actively participated in the consultation on the European Commission's proposal for a Marine Strategy Directive which included a series of negotiations in Brussels in the

second half of 2006. Member States reached a political agreement at the Environment Council in December 2006.

Further to that, Defra co-ordinates the UK's input to the Oslo and Paris Convention for the Protection of the Marine Environment of the North-east Atlantic (OSPAR) and is working towards meeting the long-term goals and objectives set out in OSPAR's strategies to reduce pollution and protect and conserve biodiversity in the marine environment.

We currently have 146 marine protected areas in UK inshore waters. This figure includes 78 Special Protection Areas, 65 Special Areas of Conservation and 3 Marine Nature Reserves. Work during 2006/07 has focussed on the survey of Areas of Search (AoS) for habitat in UK offshore waters (waters beyond 12 nautical miles). The focus of our effort has been to ensure we have a complete Natura 2000 site series in the marine environment. Twelve AoS were surveyed during this period.

In September 2006 a short review of the ongoing validity of recommendations requiring changes to primary legislation from the Salmon and Freshwater Fisheries Review published in 2000 was concluded. Ministers accepted the recommendation that inland fisheries legislation be modernised using powers under the Legislative and Regulatory Reform Act 2006 and the European Communities Act 1972.

Help the marine fisheries sector to secure a long term sustainable and profitable future

Defra developed a vision for the future of marine fisheries in the second half of 2006, Fisheries 2027 – towards a contract for the future of marine fisheries. The draft environmental contract aims to clarify our objectives for the fisheries sector; balance environmental, economic and social objectives; and set out the roles and responsibilities of different stakeholders in achieving sustainability.

The Quota Management Change Programme has undertaken a number of activities including: a review of Producer Organisations, a study into the vulnerability of fishing communities to changes in quota management, a survey of FQA unit holdings on 'dummy licences', published a summary paper of the under 10m fleet structure and activities and engaged stakeholders in developing thinking and options further.

Both the November and December councils were successful for the UK, achieving key outcomes such as a new Total Allowable Catch (TAC) and quotas for deep sea species with substantial reductions to afford further protection for severely depleted stocks.

The European Commission reached agreement with the International Council for the Exploration of the Seas (ICES) on a change in the timetable of the ICES advice on fish stocks, a Defra initiative from the 2005 UK Presidency. From 2008, scientific advice will be published in June rather than October, allowing the EU a more reasonable timescale for preparation of the decisions on fishing opportunities traditionally taken at the December Fisheries Council.

Defra and the other UK Fisheries administrations have continued to provide practical support to the Regional Advisory Councils (RACs) in which the UK has an interest, including supporting a symposium on cod recovery convened by the North Sea and North West Waters RACs in the UK in March 2007.

Defra continues to give high priority to the simplification of fisheries legislation and reduction of burdens on industry. We are working closely with the Commission in the delivery of its Action Plan on simplifying the Common Fisheries Policy (CFP). Work is also underway on plans for the introduction of electronic logbooks and sales notes which will significantly reduce the reporting burden on fishermen.

The European Fisheries Fund (EFF) regulation was agreed at the June 2006 Fisheries Council meeting and published in July 2006. The Council decided not to fund investment in new vessels but will allow grants for the limited replacement of engines.

Promote good management and governance of waters in Europe and internationally, including maintaining the moratorium on commercial whaling

Defra is actively involved in using the marine environment for climate change mitigation. During 2006-07, Defra successfully negotiated a change in the London Convention to permit and regulate Carbon Capture and Sequestration, a major step to achieving an international legal framework for carbon storage in the sub seabed. Additionally, Defra and the Department for Trade and Industry issued licences for the London Array and Thanet wind farms in the Thames Estuary.

Defra and the Department for International Development set up a joint International Coordination Unit to facilitate the implementation of the High Seas Task Force proposals to combat illegal, unreported and unregulated fishing.

The United Nations General Assembly agreed a programme of actions in November 2006 on restricting deep sea bottom trawling owing to the strong position taken by the EU, and in particular the UK.

Marine Bill

A Sea Change – a Marine Bill White Paper was published on 15th March 2007, for consultation. The White Paper covers planning in the marine area; licensing activities in the marine area; how to take forward marine nature conservation proposals; modernising marine fisheries management; and a new marine management organisation.

Improving the quality of the local environment

Improving the quality of the local environment for everyone is one of Defra's key priorities. It aims to achieve improved local environmental conditions and cleaner streets, city centres and countryside, with reduced levels of litter, fly tipping and abandoned vehicles.

Defra continues to provide capital grants to local authorities in England to support work arising under the Contaminated Land regime set out in Part IIA of the Environmental

Protection Act 1990. In 2006-07, Defra provided grants totalling £13.54 million to more than 70 local authorities.

The results of the 2005-06 Local Environmental Quality Survey of England (LEQSE) were announced in the course of the year and the annual survey showed that litter levels in England fell 5 per cent to a five-year low.

A key tool in assisting land managers achieve improvements in the local environment this year has been through the commencement of the majority of remaining powers in the Clean Neighbourhoods and Environment Act in April 2006. Information on the uptake and use of the powers in their first year will be available in summer 2007. In-depth guidance and training seminars were provided to assist land managers in making full use of the powers available to them and in the course of the year an enforcement guide and training course were developed to further support the uptake of powers.

A commitment was given in the *Sustainable Development Strategy 2005* to provide local environmental quality information through a web portal to the citizen. An independent assessment of all local authorities is in the process of being undertaken by ENCAMS (The Keep Britain Tidy Group), with half being completed in 2006-07 and the remainder in 2007-08. This information will be accessible through Directgov and in-depth reports and guidance are being provided to all local authorities to enable them to deal with any issues arising from the assessments.

Defra has led the 'Chewing Gum Action' and 'Cigarette Litter Action' groups, which include representatives from local government and industry'. These groups aim to provide support through guidance and campaigns.

Defra has worked with retailers, industry and NDPBs during the year to achieve a sustainable reduction in the environmental impact from paper and plastic bags. Through the promotion of reduce, reuse and recycle, industry has set itself a target of achieving a 25 per cent reduction in the environmental impact by the end of 2008.

Prosecutions brought against people who illegally dump waste have more than doubled since 2001. Defra published in June 2006 a research report and good practice guide on the incentives for and the causes of fly-tipping to enable local authorities to develop more effective strategies aimed at reducing and preventing the problem. Defra has also funded the Environment Agency to develop the Flycapture Enforcement project to improve local authorities' ability to use the toolkit of powers and deal with fly-tipping more effectively. Defra is currently consulting on the introduction of statutory Site Waste Management Plans for introduction in April 2008 which will ensure that construction and demolition of waste on sites of a certain size will be disposed of appropriately. Defra has also consulted on improvements to the controls over those that handle and transport and will consult further with a view to introducing new regulations in October 2008.

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. In addition, Encams ran a noise campaign in July 2006 to raise awareness of neighbourhood noise issues and encourage neighbours to approach each other to resolve noise problems. The campaign generated 8,000 hits to the website, with 47 per cent of visitors saying that the campaign encouraged them to speak to their neighbours.

Defra is committed to improving the management of noise and has transposed the Environmental Noise Directive (END) into UK law by means of the Environmental Noise (England) Regulations 2006 which came into force in October 2006. END requires Member States to produce strategic noise maps by June 2007 for major railways, major roads, major airports and urban areas over a population threshold. Action plans to manage noise for these areas must be prepared by 18th July 2008.

Chemicals regulation and nanotechnology

The Government's aim is to promote the sustainable use of chemicals by identifying the industrial chemicals that pose unacceptable risks to the environment or to human health and taking action to eliminate those risks.

A new EU Regulation on the Registration, Evaluation and Authorisation of Chemicals (REACH) was agreed in December 2006, and will begin to come into force from June 2007. This followed the agreement on the new regime in December 2005 during the UK Presidency. This will establish an improved system across Europe. Implementing this regime will be the main priority over the next few years. An interim competent authority has been set up with the Health and Safety Executive, to begin to support industry in the implementation of REACH.

For nanoscience and nanotechnology, the Government is seeking to ensure that the opportunities and uncertainties 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 at the same time fosters responsible product development to protect human health and the environment.

Other activities in 2006-07 include:

- engagement with the UK Chemicals Stakeholder Forum to promote sustainability in the chemical supply chain;
- consolidation into one new regulation of 17 existing regulations concerning the marketing and use of chemicals subject to EU restrictions, including new restrictions on trichlorobenzene and polyaromatic hydrocarbons to implement two new EU directives;
- promoted European restrictions on the marketing and use of the surfactant perfluorooctane sulfonate (PFOS);
- the UK has led early stages of its implementation of the Strategic Approach to International Chemicals Management (SAICM), agreed in Doha in 2006, in donor

countries and has continued to engage in the work of the Stockholm and Rotterdam Conventions including how they may be more harmonised with each other and the Basel Convention on hazardous waste;

- consultation on and completion of the UK national plan of action to implement our obligations under the Stockholm Convention relating to persistent organic pollutants including the launch of a Dioxins Action Plan;
- launched a voluntary reporting scheme for engineered nanoparticles; and
- hosted the first meeting of the OECD working party on nanotechnology.

Chapter 6:

Farming and food; animal health
and welfare



HIGHLIGHTS

A £3.9 billion budget for the 2007–13 Rural Development Programme for England was agreed.

The Whole Farm Approach (WFA) was successfully released in March 2006.

The England Catchment Sensitive Farming Delivery Initiative is now fully in place.

The Gangmasters Licensing Authority (GLA) began processing licence applications.

Since the launch of the National Scrapie Plan (NSP) over 56,000 farm visits have taken place and over 2.1 million animals have been tested to assess their genetic resistance to Transmissible Spongiform Encephalopathy infection.

By the end of December 2006, over 400,000 Over Thirty Month Scheme animals had been slaughtered for human consumption.

The export of beef resumed in May 2006 and 35,000 tonnes were exported during 2006.

Over 93 per cent of British herds were officially bovine TB-free at the end of 2006.

There was a provisional 6 per cent reduction in the number of new TB incidents in Great Britain in 2006 compared with 2005.

The Animal Welfare Act (2006) came into force in April 2007.

ISSUES

The DOHA Development Agenda negotiations were suspended in summer 2006 due to a negotiating blockage between partners.

There has been some slippage in relation to the BSE and scrapie elements of the animal health Public Service Agreement target.

The absence of EU-driven compulsory ram genotyping will affect the ability to meet the target for Scrapie.

UK farming contributed £5.6 billion to our economy in 2006. It uses around three quarters of this country's land area, and employs over half a million people. One of Defra's major tasks is to help this vital industry to operate as efficiently as possible. In addition, the health and welfare of animals is central to Defra's work of protecting and improving livestock and controlling and eradicating disease.

This chapter of the Departmental Report looks at Defra's work to further reform the Common Agricultural Policy and the implementation of our strategy for sustainable farming and food and their related Public Service Agreement targets. It then moves on to look at our advancement towards delivering the *Animal Health and Welfare Strategy* and our animal-health related Public Service Agreement targets.

Public Service Agreement target 5: Reform of the Common Agricultural Policy (CAP)

Secure further progress via CAP and World Trade Organisation (WTO) negotiations in reducing CAP trade-distorting support.

By working within the EU to break the link between direct payments and production and by seeking to divert a greater proportion of direct payments away from agricultural support and towards wider rural development and environment schemes, the Government has made significant progress, particularly in the 2003 reforms, in its aim of reducing the trade distorting nature of the CAP and in achieving better value for public money. This is also enhancing the long-term sustainability of farming by improving its economic prospects, environmental impacts and social benefits. However further reform is still needed.

Performance in 2006-07

Overall **on course**. Likelihood of delivery is heavily dependent on our ability to deliver a long term change in behaviour in the food and farming industry and to demonstrate when our outcomes have been achieved. More details on how Defra measures its performance against its Public Service Agreement targets can be found at <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

World Trade Organisation negotiations – the DOHA Development Agenda

The DOHA Development Agenda (DDA) negotiations were suspended in the summer of 2006 due to a negotiating blockage between key players. Whilst negotiations restarted in early 2007, the delay, and the continuing negotiating blockage, has affected the Government's ability to secure progress in reducing CAP trade-distorting support via the WTO since the 2006 Departmental Report.

Sectoral CAP Reforms

Reform of the Common Market Organisation for Bananas (CMO) was completed in December 2006. Highlights included:

- the EU Commission presented its Communication on options for reform of the EU wine regime – Towards a Sustainable European Wine Sector;
- the EU Commission proposed the abolition of public intervention for maize. Negotiations are continuing on a possible compromise agreement;
- the EU Commission's proposal for a two-year extension of the existing potato starch quota system is likely to be adopted in 2007;
- phased intervention price cuts of 15 per cent for skimmed milk powder were completed in 2006, Milk quotas were increased by 0.5 per cent in 2006-07; and
- reform of the EU sugar regime brings sugar into line with other reformed CAP regimes, and should lead to a stable and sustainable market.

Rural Development

A £3.9 billion budget for the Rural Development Programme for England 2007–13 was agreed. Approximately £1.5 billion of this will be funded from the voluntary modulation of Pillar 1 direct farm payments to Pillar 2 (fully decoupled). £750 million will come from our allocation of EU European Agricultural Fund for Rural Development (EAFRD) funding. This Programme will primarily be used to help farmers to manage the land more sustainably and deliver important outcomes on biodiversity, landscape and access, water quality and climate change. Funding will also be used to improve the competitiveness of the agricultural and forestry sectors, as well as enhancing the wider rural economy.

In the last year of the England Rural Development Programme over £357million funding was provided.

Delivering decoupled payments

CAP payments are as fully decoupled as possible in England, thereby helping to minimise their trade-distorting nature. The Agricultural Change and Environment Observatory recorded the limited initial evidence of changes linked to the 2003 reforms for example, reduction in livestock numbers;

Looking forward to 2007-08

WTO negotiations – the DOHA Development Agenda (DDA)

We continue to press for an ambitious conclusion to the DDA as soon as possible. There is hope for a breakthrough in the Summer 2007 period.

CAP negotiations

The 2007-08 period will see a 'health check' of the CAP. This will look at the mechanisms of the CAP, in particular how the 2003-04 reforms are progressing, and will provide an opportunity to make further necessary changes. The Commission has indicated that they will make proposals aimed at phasing out remaining coupled payments and the use of quotas, the abolition of set-aside, phasing out of intervention, a shift in emphasis from Pillar 1 (direct farm payments) to Pillar 2 (rural development) via more compulsory modulation. The UK will also be pressing for further simplification

of the CAP (including no new burdens or complexities such as the capping of payments or market distorting risk and crisis management measures).

In addition there continue to be the following opportunities and actions to reform individual aspects of the CAP:

- reform of the Fruit and Vegetables CMO commenced at the end of January 2007;
- the EU Commission is expected to table proposals for reform of the EU wine regime in July 2007;
- the Commission is to produce a market outlook report in 2007 which will include an evaluation of the milk quota system;
- phased intervention price cuts of 25 per cent for butter to be completed on 1 July 2007;
- the amount of butter allowed into intervention will be reduced by a further 10,000 tonnes in 2007-08 to complete the 2003 CAP Reform agreement;
- milk quota will be increased by a further 0.5 per cent;
- there will be a further reduction in sugar prices of 8 per cent; and
- a review of set-aside and reform of the cereals regime will be part of the health check.

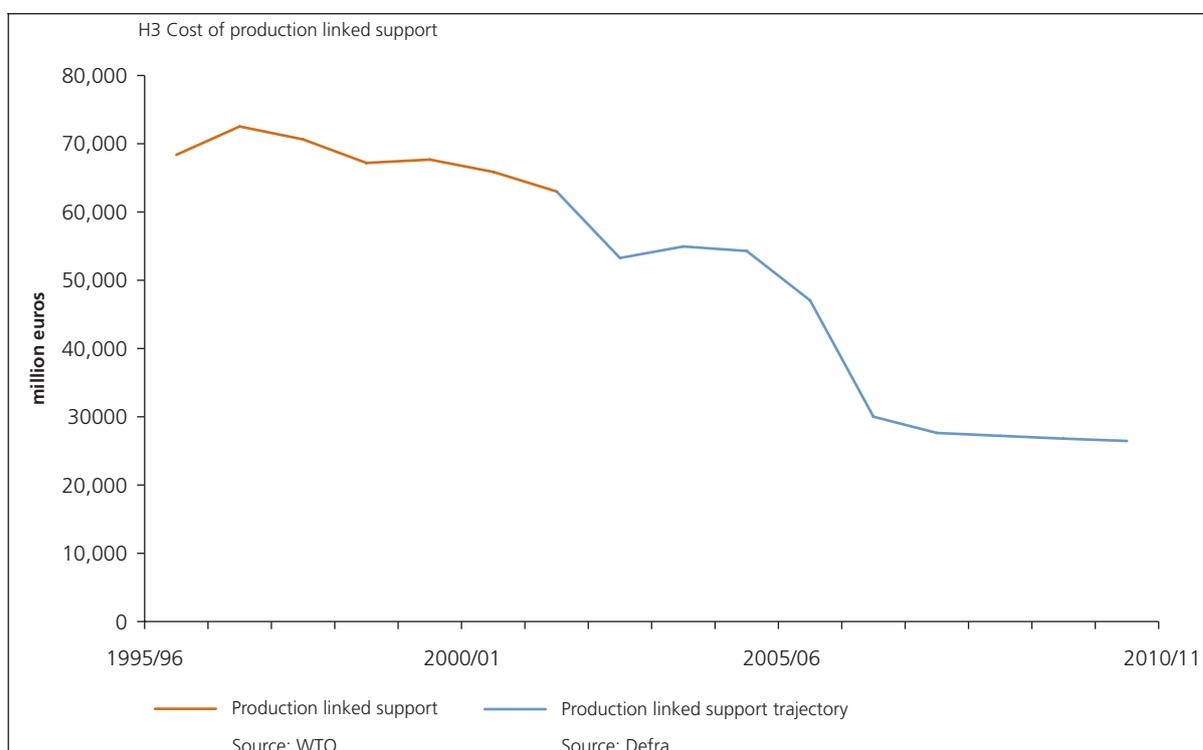
Rural Development

In England the Government will conduct a review of Environmental Stewardship.

Measures

The decoupling of farm subsidies from production, brought about by the 2003 reforms, has made a significant difference to the trade distorting nature of CAP payments (see Figure 14 for projections). Farmers now receive the majority of payments either through the Single Payment Scheme or as part of a rural development scheme. England has fully decoupled all payments where possible.

Defra projections suggest that the reform of the sugar regime, achieved during the UK Presidency in 2005 will, when fully implemented, be sufficient to achieve the target of a 10 per cent reduction in production-linked support by 2008-09.

Figure 14: CAP production linked support²⁷

Expenditure on EU export refunds for agriculture is set to decrease from €2,578 million in 2006 to €1,419 million in 2007.

The average agriculture tariff in 2004 was 22.7 per cent.

Public Service Agreement target 5: Sustainable farming and food

Deliver more customer focused, competitive and sustainable farming and food as measured by the increase in agriculture's gross value added per person excluding support payments²⁸;

Overall **on course**. Likelihood of delivery is heavily dependent on our ability to deliver a long term change in behaviour in the food and farming industry and to demonstrate when our outcomes have been achieved.

Performance

This element of the target is measured by the productivity of farming indicator: Gross Value Added (GVA) per person, UK compared to rest of the EU. Defra is developing three additional indicators that will reflect the broader aims of the target:

- river water quality: nitrate and phosphate levels from agriculture in rivers; and
- soil quality: soil organic matter content in agricultural topsoils.

²⁷ 2001-02 is the latest year of official notifications of domestic support by EU to WTO; values in subsequent years are projections.

²⁸ 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

The OTMS ended in January 2006 and the 10 year ban on the export of beef and cattle was lifted on 3 May 2006. These should make a positive contribution to the Gross Value Added (GVA) measure.

During 2006, key achievements include:

- despite issues the allocation of entitlements and disbursement of first payments under the Single Payment Scheme. 2006 also saw the second phase of the introduction of statutory management requirements (covering and animal health) which form part of the 'cross-compliance' arrangements linked with the new CAP payments;
- the Whole Farm Approach (WFA) was successfully released in March 2006. 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 completing forms;
- good progress has been made with the England Catchment Sensitive Farming Delivery Initiative which is now fully in place. Defra will consult shortly on a wider package of policy measures; and
- Environmental Stewardship (ES): due to the success of the Entry Level Stewardship scheme over 4 million hectares are being managed in an environmentally friendly way. Uptake for the Organic strand of Entry-Level Stewardship has also progressed well.

Food chain initiatives

Defra has continued to support industry led initiatives such as English Farming and Food Partnerships (EFFP), the Food Chain Centre (FCC) and the Red Meat and Cereals Forums which aim to improve the efficiency of the food chain and contribute to the spread of best practice.

Non-food crops

The Government is taking forward the *Strategy for Non-Food Crops and Uses*. A 2-year progress report, prepared by the Project Board overseeing implementation of the Strategy, was published in November 2006. The Government announced in 2005 that it will introduce a Renewable Transport Fuel Obligation (RTFO). This will require 5 per cent of road fuel to come from a renewable source by 2010. Companies will be required to report on the level of carbon savings achieved and the sustainability of their supplies. It is anticipated that the RTFO will come into force in April 2008. Work on the Biomass Strategy is ongoing.

Organic farming

Negotiations have continued on EU proposals for amending the organic food and farming regulation. The Government will be seeking to secure the possibilities for simplification of the proposal where this is consistent with maintaining effective control.

Agricultural Gangmasters

The Gangmasters Licensing Authority (GLA) began processing license applications in relation to agriculture, food processing activities and shellfish gathering.

It became an offence to operate as a gangmaster without a licence in the agriculture and food/fish processing sector, on 1 October 2006 and from December 2006 it became an offence to use an unlicensed gangmaster. From April 2007 this also applies to the shellfish gathering sector from April 2007.

Tenant farmers

Defra is committed to ensuring a viable future for the tenanted sector. The Regulatory Reform (Agricultural Tenancies) (England and Wales) Order 2006 came into effect on 19 October 2006. The legislation:

- encourages diversification in the tenanted sector,
- maintains and improve viability of tenanted farms,
- encourage restructuring of holdings;
- improves flexibility in the tenanted sector; and
- maintains a balance between landlord and tenant interests.

The Government will be monitoring the impact of the Regulatory Reform Order on the tenanted sector and will continue to seek advice from the Tenancy Reform Industry Group on this and other landlord/tenant issues.

Factors affecting performance

The *Sustainable Food and Farming Strategy* (SFFS) Forward Look sets out the scope of the challenges ahead and the next steps needed to deliver the priorities of the *Strategy for Sustainable Farming and food*. In the period ahead activity will be focused on those areas that can make the biggest difference to achieving the Department's goals.

Funding for the Strategy

Spending on the SFFS is spread across the Department. Key spending commitments in the 2006-07 financial year included £275.8 million on the following agri-environment schemes; Entry Level and Organic Entry Level Stewardship, Higher Level Stewardship, Environmentally Sensitive Areas, Countryside Stewardship, and Habitats.

In addition, approximately £12 million was made available to support food chain initiatives such as Food from Britain, support for regional and speciality foods, English Farming and Food Partnerships, the Agriculture Development Scheme, and the Red Meat and Cereals Industry Forums.

Spending on key elements of the SFFS will continue through 2007-08.

Looking forward to 2007-08

The Rural Development Programme for England (RDPE) 2007-13 was submitted to the Commission in spring 2007. The new programme should formally start later in the year. The programme document sets out the aims and objectives for the new programming period. The main strand of the programme will focus on delivering environmental benefits by rewarding farmers and other landowners for protecting and enhancing natural resources and mitigating the effects of climate change.

The other strands are concerned with improving the competitiveness of the farming and forestry sectors and contributing towards rural quality of life and diversification of the rural economy.

This will help the farming industry to become more sustainable by helping the industry to diversify into new food and non-farming sectors. A key aim is to have Entry-Level Environmental Stewardship scheme agreements covering 60 per cent of the farmed area by end of 2007.

The Animal Health and Welfare Strategy for Great Britain

Developing relationships with delivery partners

In 2006, a new animal health and welfare delivery board was established. This board provides a forum for policy and delivery partners to identify priorities and risks, tackle bottlenecks, remove barriers to reducing risk and ensure information is being shared in the most effective and efficient way.

The review of the animal health and welfare delivery landscape

This review looked at the roles and responsibilities of the main delivery partners in animal health and welfare. Defra will be consulting on its response in 2007.

Sharing responsibility and costs of animal disease

The Joint Industry Government Working Group on Sharing Responsibilities and Costs of Animal Disease made its conclusions and recommendations on exotic disease in July 2006. The UK Responsibility and Cost Sharing Consultative Forum, which met for the first time in December 2006, forms part of the widened on-going discussions for sharing responsibilities and costs for animal health and welfare. In sharing responsibilities, the aspiration is to reduce both disease risk and the regulatory burden. Defra published a consultation on the principles underlying responsibility and cost sharing in December 2006.

Public Service Agreement target 9: National Scrapie Plan (NSP)

A reduction of 40 per cent in the prevalence of scrapie infection (from 0.33 per cent to 0.20 per cent) by 2010

In 2006 12,787 farm visits took place and the blood from over 397,729 animals was tested.

Since the launch of the NSP, over 56,000 farm visits have taken place and over 2.1 million animals have been tested to assess their genetic resistance to Transmissible Spongiform Encephalopathy (TSE) infection.

Performance

This target is currently facing some **slippage**. More details of how Defra measures its performance against its Public Service Agreement targets can be found at <http://www.defra.gov.uk/corporate/busplan/busplan.htm>. Moves to introduce EU-wide compulsory breeding programmes for scrapie resistance were abandoned in early 2006. Consequently, a review of the existing GB-wide Ram Genotyping Scheme (RGS) was carried out. This recommended that two options for the future of the scheme (closure and a cost-shared animal health scheme) be put for public consultation. The consultation is due to be launched early in the summer of 2007.

Factors affecting performance

The absence of EU-driven compulsory ram genotyping will affect the Department's ability to meet its target. A policy review of existing national but voluntary arrangements is therefore underway.

The European Council and Parliament decided that breeding for scrapie resistance should not become compulsory. Ministers considered the results of a review of the NSP breeding programme undertaken. The key findings of that review were:

- that a fully Government-funded Ram Genotyping Scheme (RGS) is no longer appropriate;
- that stakeholders, including RGS members, should be consulted on the long-term future of the RGS; and
- options are expected to include cost-shared (between industry and Government) genotyping to deliver animal health benefits, or closure of the scheme. The consultation will also cover the future of the NSP flock register.

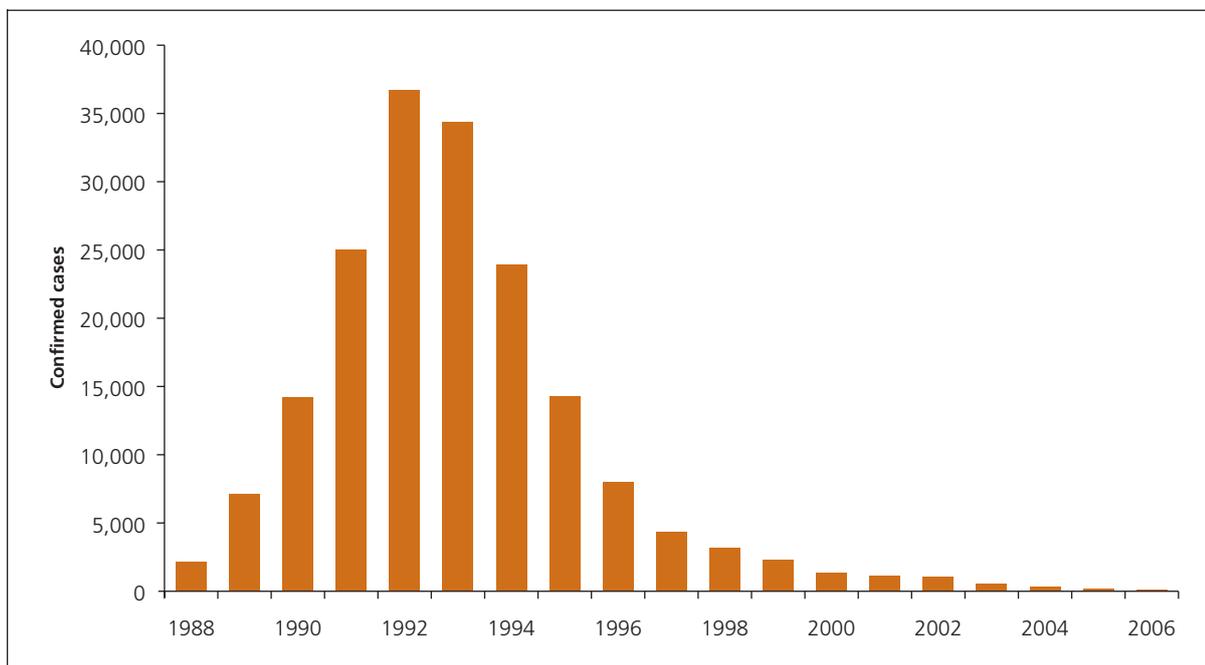
Public Service Agreement target 9: Bovine Spongiform Encephalopathy

Reduction in the number of cases of BSE detected by both passive and active surveillance to less than 60 in 2006 with the disease being eradicated by 2010²⁹.

There has been some **slippage** in relation to the target. The epidemic continues to show a steady decline. The Department failed to meet the 60 case threshold during 2006. The priority now is on working towards achieving the 2010 eradication target.

The total number of confirmed cases of Bovine Spongiform Encephalopathy (BSE) in GB detected by scanning (passive) surveillance of clinical suspects fell from 39 in 2005, to 15 in 2006. A further 89 BSE cases were confirmed in GB from almost 600,000 animals tested in the targeted (active) surveillance programme. 164 cases were detected in 2005. Total BSE numbers fell by 49 per cent in 2006. The long-term challenge remains to eradicate the disease.

Figure 15: Bovine Spongiform Encephalopathy passive and active surveillance cases reported 21 August 1988 to 31 December 2006



Factors affecting performance

Although the statistics show that the encouraging decline in the incidence of BSE continues, Defra has failed to meet its 2006 target. This is, in part, because the new EU legislation that lifted the export ban requires the Department to test more cattle under the active surveillance programme. The number of cases detected is also affected by

²⁹ 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>

the longevity of cattle born before August 1996, in which the estimated prevalence of infection is greatest.

Most cases of BSE have been detected in cattle born before 1 August 1996, the date from which the UK ban on feeding mammalian meat and bone meal to farmed livestock is considered effective. The main routes of infection for those 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.

The National Feed Audit (NFA) monitors and enforces the feed ban. Monitoring reveals a high level of compliance with the feed ban throughout the feed supply chain to end-use on farm, but continued vigilance is essential to the aim of eradication.

Funding

Figure 16 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 16: Allocated cost of Bovine Spongiform Encephalopathy eradication

| Area | 2005-06 outturn (£ millions) | 2006-07 allocation (£ millions) | 2007-08 planned allocation (£ millions) |
|--|------------------------------------|--|--|
| Transmissible Spongiform Encephalopathy (TSE) Directorate ³⁰ | 58.0 ³¹ | 72.0 | 80.0 |
| Science Directorate | 15.0 | 13.0 | 12.6 |
| Over Thirty Month Scheme (OTMS) | 227.0 | 8.0 | 0.5 |
| Older Cattle Disposal Scheme (OCDS) – forecast outturn | 13.0 | 76.0 | 63.0 |
| Totals | 313.0 | 169.0 | 156.1 |

³⁰ Includes Veterinary Laboratories Agency (VLA) Contracts E and T (TSE Surveillance contracts), e.g. testing costs, consultancy etc 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.

³¹ Includes provision of funding transferred in-year to the Rural Payment Agency (RPA) for TSE testing.

Over Thirty Month rule change and beef exports ban

Since the change of regulations in November 2005, there have been 71 abattoirs approved in the UK to slaughter Over Thirty Month (OTM) cattle. At 31 December 2006, over 400,000 OTM animals had been slaughtered for human consumption.

On 8 March 2006 the EU Standing Committee for the Food Chain and Animal Health (SCOFCAH) 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 after 3 May 2006.

The EU Regulation entered into force on 2 May 2006 and exports resumed the next day. Such exports may take place, subject to certain rules, on the same basis as other Member States.

The decision to lift the ban was a further vindication of controls on BSE and our efforts to eradicate this disease. 35,000 tonnes of UK beef was exported during 2006. It was anticipated that exports of pedigree cattle would be slower. However, £1 million of breeding cattle were exported.

Looking forward to 2007-08

The incidence of BSE is expected to continue to decline and the UK will work with the EU Commission and other Member States to introduce more proportionate controls in line with the EU Commission's TSE Roadmap.

Public Service Agreement target 9: Bovine Tuberculosis

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.

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.

Performance

The Department is currently **on course** to meet this element of the target. Further information on how Defra measures progress against its Public Service Agreement targets can be found at <http://www.defra.gov.uk/corporate/busplan/busplan.htm>. At the end of 2006 approximately 3.5 per cent of British herds were under bovine TB restriction due to a Bovine TB incident³². Over 93 per cent of British herds were officially bovine TB-free at the end of 2006³³. The estimated confirmed herd incidence of Bovine TB in Great Britain in 2006 was just under 4 per cent³⁴, with approximately 3.6 TB reactors found from every 1,000 animals tested.³⁵

There was a provisional 6 per cent reduction in the number of new TB incidents in Great Britain in 2006 compared to 2005. The TB testing effort has remained consistently higher in 2006 than in 2005. The reduction in new incidents in 2006, when combined with an increase in the number of herds tested, equates to a provisional decrease in TB incidence of 22 per cent.

The Chief Veterinary Officer carried out a review of the reduction in TB incidents in the first 6 months of 2006. She concluded that we need to monitor the apparent fall over a longer period to determine whether this is a temporary phenomenon or part of a sustained trend. The decrease is likely to be caused by a complex combination of factors. We continue to monitor the situation.

Public consultation on badger culling

We published a report summarising the outcomes of the public consultation and Citizens Panels on the principle and method of badger culling to control the spread of bovine TB in cattle in high incidence areas in England. Since the end of the consultation period (March 2006) Defra has worked closely with interested groups to try to establish a shared understanding of the facts. Ministers are weighing up the evidence provided by the TB Research Programme and Independent Scientific Group on cattle TB, and the practical difficulties. The issue of badger culling is complex and there is no simple answer.

³² PB cattle herds under bovine TB restriction on 31 Dec 2006 because of a bovine TB breakdown (does not include herds under restriction for an overdue tuberculin test).

³³ Per cent of GB cattle herds officially bovine TB-free on 31 Dec 2006 (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).

³⁴ Confirmed new bovine TB herd breakdowns as a per cent of tests on unrestricted herds tested in GB between 1 Jan – 31 Dec 2006. (Total new bovine TB breakdowns as a per cent of tests on unrestricted herds in the same period = **6.1** per cent).

³⁵ Tuberculin test reactors per 1,000 GB cattle tested between 1 Jan – 31 Dec 2006.

Funding

Figure 17: GB Funding for bovine TB surveillance, control and research 2005-06 to 2008-09

| Area | 2005-06 Allocation (£ million) | 2006-07 Allocation (£ million) | 2007-08 Planned allocation (£ million) | 2008-09 Planned allocation (£ million) |
|------------------------------|--------------------------------------|--------------------------------------|---|---|
| Cattle Testing ³⁶ | 36.7 | 38.8 | 38.8 | 38.8 |
| Compensation ³⁷ | 441.9 | 31.1 | 34.1 | 34.1 |
| RBCT ³⁸ | 6.2 | 5.5 | 3.4 | 3.4 |
| VLA Research ³⁹ | 7.5 | 7.6 | 7.6 | 7.6 |
| Other Research ⁴⁰ | 6.5 | 11.2 | 11.2 | 11.2 |
| HQ/Overheads ⁴¹ | 1.8 | 1.9 | 1.9 | 1.9 |
| Total | 100.6 | 96.1 | 97.0 | 97.0 |

Factors affecting performance

Pre-movement testing

New pre-movement testing rules came into effect in England, with the aim of reducing the risk of spreading bovine TB between herds through movements of cattle. The policy was rolled out gradually to allow sufficient time for herd owners and the veterinary profession to adjust to the new requirements.

The impact of the policy is subject to ongoing monitoring and key statistics are updated monthly and published on the Defra website at <http://www.defra.gov.uk/animalh/tb/premovement/monitoring-data.htm> We are committed to a conducting a formal review of the policy in 2008.

³⁶ 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.

³⁷ 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.

³⁸ 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.

³⁹ 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.

⁴⁰ Other research – includes all other Defra funded research relating to TB in cattle and badgers.

⁴¹ HQ/overheads – includes staff costs for veterinary advice and administration of TB policy.

Gamma interferon testing

In October 2006, Government introduced a new policy designed to improve the testing of cattle for bovine TB, by extending the use of the gamma interferon (g-IFN) diagnostic blood test in England and Wales. The g-IFN test is now used more widely, alongside the tuberculin skin test, to improve the sensitivity of the testing regime and identify more infected animals more quickly.

Compensation

Compensation, in England, is now determined primarily using table values, which reflect the average market price of bovine animals in 47 different categories, based on the animal's age, gender, type (dairy or beef) and status (pedigree or non-pedigree). A Cattle Compensation Advisory Group has been set up to help monitor the new compensation arrangements. In Wales and Scotland, compensation continues to be determined through individual valuations.

Development of Livestock Register

Defra has continued to work to develop a new GB livestock register. A formal internal review, which involved key Livestock Industry stakeholders, was carried out during 2006, and a new way forward has now been agreed.

National Equine Database

The database obtains data from two sources. It records essential passport information passed to the National Equine Database (NED) on a mandatory basis from Passport Issuing Organisations (PIOs), and data supplied by the Industry on a voluntary basis covering performance, pedigree, evaluation and grading (PPEG). As a not for profit limited company the revenue generated made by the database will be replenished into the industry as a direct benefit to those data providers who supply voluntary data.

The core passport database will be used to monitor the issuing of horse passports that are required under European Union legislation and, improve the ability to carry out disease surveillance and control. During 2006 the core element of the database came into operation.

Cattle Identification Register

Legislation on cattle identification and registration was reviewed during 2006. New Regulations will come into force in April 2007. England, Scotland and Wales will each introduce a single piece of legislation dealing with bovine identification and registration.

Several changes to improve the current system will be made. The most important of these are the abolition of the temporary calf passport and the introduction of DNA tests in support of late passport applications.

Independent Review of Livestock Movement Rules

The report into the independent review of livestock movement rules was published in August 2006 and contains 21 recommendations which would greatly simplify the rules governing movement reporting.

Work to analyse the potential impact and cost of the recommendations to industry and Government is now underway.

Other key animal health and welfare achievements

The Animal Welfare Act 2006, which came into force in Wales in March and England in April 2007 marks a milestone by bringing together and modernising welfare legislation relating to farmed and non-farmed animals. It introduces a duty on owners and keepers of all vertebrate animals to ensure the welfare of animals in their care. Now action can be taken if an owner is not taking all reasonable steps to ensure the welfare of their animal, even if it is not currently suffering.

Under the Animal Welfare Act 2006, regulations dealing with permitted animal mutilations and the circumstances in which a dog can have its tail docked have already been approved by Parliament, and came into force at the same time as the Act.

Implementation of an integrated information management system to support veterinary surveillance and disease control activities called Rapid Analysis and Detection of Animal-related Risks (RADAR). The system publishes reports highlighting the risks and distribution of veterinary threats to public and animal health. Some of these reports can be accessed on the RADAR website at <http://www.defra.gov.uk/animalh/diseases/vetsurveillance/radar/index.htm>

RADAR proved to be an invaluable tool during the exotic disease incursions of Avian Influenza, producing analyses, reports and maps for a wide range of audiences, ranging from Ministers and Defra/SVS officials, to farmers and academic researchers.

The GB Poultry Register continued to be invaluable in assisting with both contingency planning and avian influenza outbreaks in 2006. Data in the Register has been used to produce poultry population maps (using RADAR) and SMS text message alerts were sent to poultry keepers during the AI outbreaks in Norfolk and Suffolk keeping them updated on progress. There are currently over 250 million birds and almost 24 thousand premises registered.

The Department has worked closely with Industry, as part of the implementation of the Zoonoses Regulation and Directive, to develop and implement a National Control Plan for salmonella in breeding flocks and to develop a National Control Plan for Salmonella laying flocks. UK currently already meets the target set by EC for breeding flocks. The UK has collaborated in EU wide surveys for salmonella on laying flock holdings and broiler flock holdings. The European Food Standards Agency report for salmonella on laying flock holdings was published during the year and the UK Salmonella prevalence

figures on layer flock holdings were among the lowest third of the overall member state results and the lowest prevalence level of all member states with a major laying flock industry. The UK part of the EU wide broiler flock survey was completed and the results showed that the prevalence of Salmonella of public health significance in UK broiler flocks was amongst the very best of all member states and the lowest of the major poultry meat producing countries.

Working in partnership with industry, animal welfare organisations and enforcement bodies to successfully implement EU Regulation 1/2005 on the welfare of animals during transport. A public consultation was carried out in summer 2006 on its application in England, following which the Welfare of Animal Transport (England) Order 2006 was made in time for the Regulation's entry into force in January 2007.

Looking forward to 2007-08

The European Commission will be taking forward workstreams arising from the *Community Action Plan on the Welfare and Protection of Animals 2006-2010*. The independent review of the Community Animal Health Policy, which reported in November 2006, recommended closer integration of EU animal health and welfare policies. The EC is expected to respond to the report in the second half of 2007.

Work continues on the TSE Roadmap to secure agreement to amendments to the current TSE Regulation. 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.

Chapter 7: Sustainable rural communities



HIGHLIGHTS

The Commission for Rural Communities (CRC) was created in October 2006 and has reported steady progress in rural proofing, both at national and at local level.

Natural England was also created in October 2006.

In May 2006 the Affordable Rural Housing Commission (ARHC) presented its report to Government, setting out a range of practical recommendations to improve access to rural housing.

Under the England Rural Development Programme, 1,026 projects were approved during 2006, amounting to £40.5 million in grants.

The Rural Enterprise Scheme assisted over 150 rural village initiatives.

Rural Development Programme for England is now only awaiting final approval from the European Commission.

ISSUES

There is slippage against the rural productivity and services Public Service Agreement target mainly because Defra does not have the levers to ensure delivery.

There is a significant lag in gathering data to monitor progress on Defra's rural PSA target.

The CRC has expressed concern over the availability of data to enable government departments to report the 'rural impact' of policy, both around PSA target 4 and more generally.

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 from rural to urban and vice versa year – challenging perceptions of who is a ‘local person’. Our aim is to 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 chapter of the Departmental Report looks at some of the Department’s progress to deliver this aim, in particular our progress against our rural Public Service Agreement target and the use of funding in rural areas.

Developing the Rural Strategy

The Rural Strategy brought with it changes to modernise the way rural policy and delivery happens. Those changes are now in place. With the creation of the Commission for Rural Communities (CRC) and Natural England in October 2006, and the establishment in May 2006 of the Department for Communities and Local Government, there are new opportunities to take the next steps to ensure that rural policy and delivery are matters for which all parts of Government are responsible.

Commission for Rural Communities

The Commission for Rural Communities (CRC) is a small, expert body which provides strong and impartial advice to Government on rural issues. It also provides an independent voice for people in rural England, promoting their concerns and interests. Its chairman, who has been designated by the Prime Minister as the Rural Advocate, is engaged in a programme of activities to meet with rural people, communities and businesses. His findings are passed on by the CRC to relevant policy makers and deliverers and form the basis of annual Rural Advocate reports. Another aspect of the CRC’s remit is to ensure government and the wider public sector take account of particular characteristics of rural areas when making and implementing policy (rural proofing).⁴²

Public Service Agreement target 4: Enhancing opportunity in rural England

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

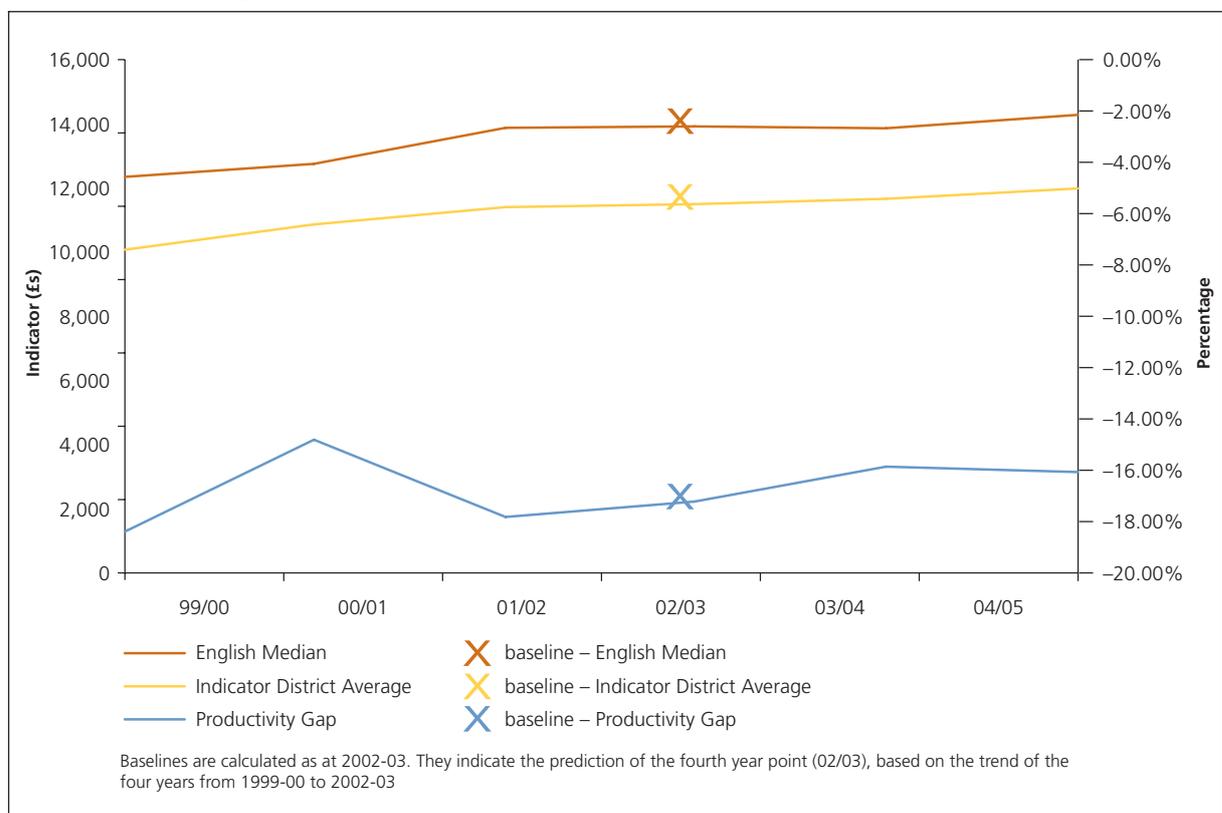
This PSA target can be separated into two broad strands: improving the productivity of rural areas; and access to services in rural areas. There is some **slippage** against this target. Further information on how Defra measures progress against its Public Service Agreement targets can be found at <http://www.defra.gov.uk/corporate/busplan/busplan.htm>

⁴² For more information on the CRC see its website: <http://www.ruralcommunities.gov.uk/>

Productivity of rural areas

Historical data have been used to create a baseline against which the headline productivity indicator can be measured, however this is limited to four data points (1999–2000 to 2002–03). The gap between the indicator district median and the English median has decreased by 1.15 per cent between the baseline and 2004–05 (the latest point for which data are available). Although the reduction in the productivity gap is encouraging, it should be noted that a realistic assessment of progress against the baseline will only be possible once data for at least three years after the baseline are available.

Figure 18: Headline Indicator (proxy labour productivity: Earnings Indicator 1) – The productivity gap



Given the significant time delays in the production of the National Statistics needed to update the headline indicator, and the imperfect nature of Defra's 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 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 website.

Each Regional Development Agency (RDA), in response to Government's new tasking framework, is required to disaggregate their 'core outputs' on a rural and urban basis.

This is the first year the RDAs have included disaggregation in both the 6-month and end of year reports for 2006-07. Defra is working with the Office of Project Advice and Training Practitioners Group to obtain a disaggregation method of best practise. The disaggregated data will better allow us to assess the geographical distributional impacts of RDA's funding.

Factors affecting performance

On aggregate, the performance of the economy in rural areas is comparable to performance in urban areas and, in general, rural areas face similar challenges to urban areas and the public interventions to address them should come from the mainstream. However, there is no such thing as a single, homogeneous 'rural England' and there are rural areas where economic performance is well below average and prospects for growth are more limited.

These rural areas face challenges due to a number of characteristics: distance from economic mass (urban areas); sparse populations and associated low densities of businesses and thin labour markets; and a comparative advantage in low productivity activity such as agriculture and tourism. Demographic change is also an underlying challenge: the average age of the population in rural areas is increasing more quickly than in urban areas. Such demographic trends and the preferences of an increasing number of older people who wish to retire to the countryside or coastal areas will support the comparative advantage of rural areas in low productivity, labour intensive service industries.

As such, lower productivity might not always be indicative of under-performance. The endowments (or inherent characteristics) of local areas play an important role in their potential for growth. Where rural areas have a comparative advantage in lower productivity industries and in provision of public goods (such as designated land like National Parks) and which are peripheral to the positive influence of agglomerations on economic performance, then growth would be expected to be lower than that of urban areas, even where these rural areas are performing as efficiently as possible.

Access to services in rural areas

In the current Spending Review period, Defra identified five main themes where improvements for rural areas are a priority – health, education and skills, work and pensions, transport and housing. Indicators of progress were selected for each theme. Data availability allows progress to be reported against three sub-targets.

Target: to reduce the waiting times from initial assessment to structured treatment and to increase the over-12 week retention rates by in rural areas by 2008: **Waiting Times** in all areas have fallen, at a roughly consistent rate. For England they have reduced from 4.3 to 2.9 weeks, for rural areas from 4.8 to 3.6 weeks. Thus whilst rates in rural areas are still slightly higher than England as a whole they are moving in line with England in a positive direction. **Retention Rates** in England have stayed constant at

76 per cent. In rural areas, however, they have fallen from 80 per cent to 77 per cent. This represents 3,600 out of a possible 4,700 people staying in treatment for longer than 12 weeks in 2005-06, compared to 3,300 out of 4,100 in 2004/05. This is not in line with the target of increasing the over-12 week retention rates in rural areas.

Target: to increase the uptake employment rates in rural areas for the following groups by 2008 compared to 2004: All Rural people, Ethnic Minorities, People with No/Low Qualifications, Lone Parents, Poor Wards – wards in CLG's PSA1 areas: The data received shows that for all groups, rural employment rates are slightly higher than the English average, although this gap is least prominent in Poor Wards. However, within rural areas, there has been a slight fall in employment rates for All People, People with No/Low Qualifications and Lone Parents whilst there has been a slight increase for the other two groups. These trends are in line with the national average.

Target: to increase the uptake of Pension Credit in rural parts of PSA 4 Indicator Districts by 2008 compared to 2004: The current rate of take up in rural parts of PSA indicator districts is 20.1 per cent of pensioners. However the uptake varies quite a lot across rurality – over 22 per cent in rural town and fringe areas (both sparse and less sparse) compared to around 18 per cent in village and dispersed areas.

Factors affecting performance

The key feature of needs in rural areas is that they are dispersed rather than concentrated. This may present practical challenges in relation to targeting and access. However, the issues faced by the majority of rural dwellers are, in essence, the same as those faced by those living in the rest of the country. In aggregate, rural areas consistently perform better against all key benchmarks of success, with the notable exception of geographical access to services. In this context, the choices exercised by the relatively affluent, mobile majority to travel to access goods and services have had a direct impact on the viability of certain local services. However, we need to be realistic about the extent to which Government intervention can (or should) directly influence these factors. Greater distances between settlements and services are an inherent feature of rurality and greater mobility and car use are facts of modern life.

We should also note that geographical access is an input rather than an outcome. The evidence shows that in the majority of cases the outcomes in rural areas tend to be as good, if not better, than the national picture. For example, a recent analysis of the *Opportunity for All* indicators of social exclusion, measuring the proportions of children, working age adults and pensioners living in households with low incomes; showed that improvements across all rural areas are in advance of or in line with national trends.

The current approach to measuring service provision presents a number of challenges. Data availability results in real difficulties measuring progress and leads to a tendency to focus on targets which can be measured. These may not reflect the real need in rural areas. These challenges around measurement are unlikely to be resolved in the short term and in any case, as outlined above, the focus should be on the outcomes rather than the inputs and outputs as currently measured.

Looking forward to 2007-08 productivity and access to services

As the evidence base has developed, and our understanding of the issues faced by people in rural areas has been enhanced, the design of this Public Service Agreement target has been found not to be effective in addressing our sustainable rural communities objectives. That is why we are now considering how we can focus more effectively on ensuring rural needs are addressed in mainstream policies. That will involve renewed efforts to ensure effective 'rural proofing' of other Government Departments' policies and programmes. A particular focus will be on those Departments' detailed plans for delivery of their new PSA targets and other strategic objectives.

England Rural Development Programme – Project Based Schemes

These schemes (Rural Enterprise Scheme, Vocational Training Scheme and Processing and Marketing Grants) supported projects for the development of more sustainable, diversifies and enterprising rural economies and communities. During 2006, 1,026 projects were approved, amounting to £40.5 million in grants. This funding, for example, created or safeguarded 23,000 jobs and provided 157,000 training days. The Rural Enterprise Scheme also assisted over 150 rural village initiatives. The ERDP closed on 31 December 2006.

The Rural Strategy 2004 endorsed the recommendation in the Haskins Review that responsibility for the delivery of the Rural Development socio-economic funding be transferred to the Regional Development Agencies. From 1 October 2006 RDAs became responsible for the delivery of the legacy projects approved under the England Rural Development Programme project-based schemes and the socio-economic measures contained in Axis 1, 3 and 4 of the new EU Rural Development Regulation (Council Regulation (EC) No 1698/2005).

Rural Development Programme for England (2007-2013)

Commencement of the Rural Development Programme for England had been delayed by the need to agree at EU level a Voluntary Modulation Regulation. This was settled on 27 March 2007 and the new programme will start following approval by the European Commission. The budget will cover spend on the socio-economic measures under new the programme and the legacy commitments under the ERDP project based schemes. The level of that budget is expected to be over £550 million for the programming period.

The LEADER+ Programme (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 for England. At least 5 per cent of the European funding will delivered through the Leader approach in the next programme.

European Structural Funds

The Objective 1 Programme ran 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). European Agriculture Guidance and Guarantee Fund (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 £65.5 million was allocated under EAGGF and equivalent match funding provided by Defra, bringing the total funding available to £131 million. The three English areas which have been designated by the European Commission to receive 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 (£48 million EAGGF, £48 million Defra);
- Merseyside – administered by Government Office North West Liverpool; £7 million over the period (£3.5 million EAGGF, £3.5 million Defra); and
- South Yorkshire – administered by Government Office Yorkshire and Humberside South Yorkshire; £28 million (£14 million EAGGF and £14 million Defra).

Under Objective 1, in 2005 each region met its targets for the utilisation of European and Defra funds to deliver cost effective and economically sound projects. The programme is almost fully committed and as at 1 February 2007:

- Government Office for the South West has invested around £83 million in Cornwall and the Isles of Scilly since the start of the programme. They currently have 139 live projects;
- Government Office for Yorkshire and Humberside has invested around £16 million in South Yorkshire. The region currently has 15 projects approved; and
- Government Office for the North West has invested around £4.4 million in Merseyside. To date the region has approved 50 projects.

LEADER+ is an EU programme under the structural funds for assisting rural communities in improving the quality of life and economic prosperity in their area. It is delivered through funding the development and implementation of rural development strategies by 25 local action groups in England.

The programme receives €54 million (approximately £37 million) from the EAGGF and this is matched by Defra, other public sources and the private sector. The programme runs from 1 January 2000 until 31 December 2006 but project expenditure is eligible until December 2008. The England LEADER+ Programme continues to stay within budget. As of 1 February 2007 the programme was 96 per cent committed. Over 1200 projects had been approved by the 25 local action groups and all indications suggest that the programme is on course to meet the wide range of economic social objectives as set out in the Programme Complement.

Affordable rural housing

In May 2006 the independent Affordable Rural Housing Commission presented its report to Government. The report offered a range of practical recommendations for Government and others on ways on ways to improve access to affordable housing for those who live and work in rural areas. Some of the recommendations challenge existing practice; others offered solutions that are in line with Government thinking. To reflect this, and the dynamic nature of policy development, reporting on the issues is on-going through our web-based progress report.

An important component of the Government's action to address the problem of affordable rural housing was the publication in November of Planning Policy Statement 3: Housing (PPS3). PPS3 follows the recommendations of the ARHC, stating that local authorities and regional planning bodies will have to take greater account of affordability pressures in rural areas, and the need to sustain village life by providing additional housing which is sensitive to the area and the environment.

Building on the challenges set out in *Defra's Five Year Strategy*, the Department has provided funding through the Rural Social and Community Programme to support the sub-regional activities to address local problems that exacerbate the problem of rural housing affordability. That funding will continue in 2007-08, the second year of the two-year programme.

Rural Social and Community Programme

The commencement of the Rural Social and Community Programme in April 2006 saw 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.

The new programme devolved responsibility for design and delivery of local activities and projects to voluntary and community sector and other organisations that work within rural communities. The job of Defra and Government Office staff is to ensure that the plans are fit for purpose and that they are delivered in ways that are complementary to other public funding streams, especially those that are delivered through Local Area Agreements.

The Quality Parish and Town Council Scheme strengthened the democratic voice of rural people by providing nearly £400,000 through the Rural Social and Community Programme – to provide training for councillors and clerks and for building on the infrastructure for effective engagement between the tiers of government.

Looking forward 2007-08

The Rural Social and Community Programme will provide a further £13 million of funding in 2007-08, a proportion of which has now been incorporated into Local Area Agreements. Of the total £3.5 million will go to Rural Community Councils in England.

Regional Rural Delivery Frameworks and Rural Delivery Pathfinders

In each region, the Government Office has been leading on the implementation and further development of a rural delivery framework which are designed to address the key economic, social and environmental priorities identified by a range of regional partners, and improve the co-ordination of delivery. The effectiveness of these frameworks is being monitored by the Regional Rural Affairs Forums.

Work continued during 2006-07 on the rural delivery pathfinder programme with 8 local authorities piloting innovative approaches to delivering rural policy and developing a modernised approach to rural delivery at local level. The programme has led to a better understanding of the context and constraints of delivery in a rural areas. It has also resulted in a stronger voice for local authorities in negotiating with regional and national agencies. Outcomes are being 'mainstreamed' through a number of routes, including through Local Area Agreements and the Regional Rural Delivery Frameworks.

Chapter 8: Preparing for emergencies



HIGHLIGHTS

The recent Capability Review cited Defra's work with a wide range of organisations on contingency planning as an example of effective practice.

The outbreak of highly pathogenic H5N1 Avian Influenza in Suffolk in February was controlled rapidly and effectively.

In January and February 2007 much of the Department participated in Exercise Winter Willow: an interdepartmental exercise addressing a possible outbreak of human pandemic flu.

Between April 2005 and March 2007, some 88,000 households have benefited from improved arrangements to minimise the risk from flooding and coastal erosion.

Funding was approved for six projects to explore innovative approaches to managing the risk of flooding and coastal erosion.

ISSUES

There were two significant outbreaks of Avian Influenza in England.

Sudden Oak Death is affecting trees in Cornwall.

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.

The Minister of State (Climate Change and the Environment) continues to champion contingency planning in the Department. The programme is overseen by a Board chaired by the Director General (Service Transformation). Chapter 9 of *Defra's Five Year Strategy* committed the Department to reviewing and testing its emergency planning arrangements in March 2007. Good progress has been made towards meeting this objective and Defra has improved its level of preparedness markedly: the Capability Review cited Defra's work with a wide range of organisations (including devolved administrations) on contingency planning as an example of effective practice. However, not all targets were achieved so a new two-year strategy is being developed to address remaining gaps and to test and strengthen existing plans.

As before, the main areas of Defra's responsibilities for emergencies are identified in the Cabinet Office's Capabilities Programme. Over the past year the emergency plans have been reviewed and several have been tested in real emergencies or exercises. In January and February much of the Department, including the Management Board, took part in Exercise Winter Willow: an interdepartmental exercise which addressed a possible outbreak of human pandemic flu.

Work on business continuity and disaster recovery planning has continued; plans have been updated and six exercises have been held across the Department. Most of the core Department and its executive agencies have to update business continuity plans. In October the Management Board took part in a business continuity and disaster recovery exercise led by the Cabinet Office (Emergency Planning College); lessons learnt were used to strengthen plans.

In February 2007, Defra and a cross-section of key partners, participated in the cross-Government exercise on a human pandemic influenza, Exercise Winter Willow. Participants included Ministers, Management Board Members, related agencies, key policy areas and a representative range of organisations from the food and water sectors. The exercise primarily tested Contingency Planning & Security Division's Generic Response Plan in Support of other Government Departments, which is designed to coordinate the Defra response to cross-cutting emergencies such as pandemic influenza. However, the scenario provided an opportunity to test contingency plans across the Defra family including Business Continuity arrangements which, have been developed under the Defra Contingency Planning Strategy. Initial conclusions are that the arrangements are flexible and broadly fit for purpose. However lessons have been identified to help improve the implementation of some elements of the response. Independent evaluators will report on the efficacy of arrangements and lessons identified in May 2007.

Defra is the lead Government Department for emergencies in a number of areas. The main ones are considered in the following paragraphs.

Water supply incidents

Water incidents that have the potential to affect large numbers of people or will last for more than a day are rare. The Department's role is to gather information about the incident, consider its consequences for Defra interests, liaise with other Government Departments, and take appropriate action necessary to complement the response of the water companies in the areas concerned.

During 2006 Defra worked with the water companies and other Government agencies to refine an appropriate planning framework.

During 2007 Defra will continue to work with the water industry on water security issues and take part in exercises to test and further refine emergency plans.

Food Supply

Defra has continued to encourage the food industry to carry out vulnerability assessments of its sites, logistical and supply arrangements, to take steps to improve resilience where necessary and to draw up business continuity plans to ensure its preparedness to overcome problems when they occur. Throughout 2006-07 Defra has participated in emergency exercises with other Government departments and industry to test and refine its own food sector emergency plan.

Exotic animal disease preparedness

Defra continues to ensure that its policies and operational readiness is kept up to date and ready for controlling and managing an outbreak of exotic animal disease and heightened risk of Avian Influenza and Bluetongue.

In December 2006 Defra pledged an additional £10 million, raising our total contribution to £30 million over three years, to continue the global effort to tackle avian flu at source and prepare for a possible pandemic.

Defra is close to completing a review of its policies aimed at preventing rabies entering the UK through an imported animal in response to the European Commission's review of certain requirements of EU regulation 998/2003 on the non-commercial movement of pet animals.

Ministers are considering the conclusions of the UK review. The evidence indicates that UK controls may no longer be proportionate to the risk of rabies entering the UK and it may be necessary to consider modernising processes and regulation in this area.

Responding to avian influenza outbreaks

Defra's exotic disease contingency plan was engaged to provide a local and national disease control centre to assist the SVS in eradicating the low pathogenic outbreak in Norfolk. This was achieved rapidly with a policy of culling, movement controls, vigilant surveillance of nearby and linked premises and cleansing and disinfection within the infected areas.

The outbreak of highly pathogenic H5N1 Avian Influenza at Holton in Suffolk in February was controlled rapidly and effectively in accordance with measures set out in both domestic and international legislation. The outbreak provided a real life opportunity, under intense media scrutiny, to test the contingency plans and capability to respond of Defra and its main delivery agent Animal Health, working with operational partners, including the Health Protection Agency, and the poultry industry. The experiences will feed into the ongoing development of operational arrangements and contingency plans.

Plant Health – Maintaining freedom from plant and bee diseases

This programme aims to prevent or control serious plant and bee pest and disease outbreaks which threaten agriculture, horticulture and the environment, and support trade through certification services.

Highlights for 2006-07

Highlights included further development and implementation of an enhanced EU plant health checking regime for imports. Action also continued against ongoing disease threats, notably *Phytophthora ramorum*, a pathogen responsible for the widespread death of oak trees in California, and a new related pathogen *Phytophthora kernoviae*, both which are now infecting trees in Cornwall. For bee health, key developments included the introduction of new tighter legislation and consultation on a new generic contingency plan for responding to outbreaks.

Priorities for 2007-08

A key priority is to establish new working arrangements in the light of decisions on the future organisation of the Plant Health and Seeds Inspectorate and the National Bee Unit following the Hampton Review.

Consequence management of chemical, biological, radiological and nuclear incidents

Defra is the Lead Department for coordinating the consequence management of Chemical, Biological Radiological and Nuclear (CBRN) incidents – events involving the deliberate or accidental release of chemical, biological, radiological or nuclear substances or materials. The key aim of this programme is to contribute to ongoing cross governmental work to prevent these incidents and to ensure that the Department has tried and tested contingency plans in place to be able to respond in the event of an incident occurring.

During 2006-07, the Department:

- continued to develop plans, procedures and policies by actively engaging in several cross-Government workstreams under the Home Office CBRN Programme;
- continued working closely with the newly established Government Decontamination Service (GDS) to develop and enhance our ability to decontaminate and recover from CBRN incidents;

- reviewed our response in the light of exercises and several real events including the Buncefield Oil Depot Fire, incorporating lessons identified;
- worked with partners across the Defra family on issues such as environmental sampling and monitoring and waste disposal; and
- contributed to the Government's response to the poisoning of Alexander Litvinenko with radioactive material and the subsequent clean up.

Looking forward to 2007-08

The Department will focus on developing our environmental sampling and monitoring capabilities and will also continue to contribute to cross departmental CBRN programmes.

Nuclear Emergency Planning and Radioactive Incident Monitoring Network (RIMNET)

Defra co-ordinates 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.

During 2006-07, 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;
- 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; and
- RIMNET has remained in service throughout this year and there continues to be a programme of training to ensure that staff in Defra and the nuclear emergency response community are familiar with the new system.

Looking forward to 2007-08

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.

Flood and coastal erosion risk management

The effective management of flood and coastal erosion risk is a priority for Government. Defra's policy is to manage the risks through 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 work can be divided between activities which directly manage the risk, including adequate preparation for responding to flood events, and policy development to improve management in the future, primarily through the cross-Government Making Space for Water programme. Most activities to manage risk directly are carried out by the operating authorities with Defra funding (primarily the Environment Agency but also local authorities and, in areas with special drainage needs, internal drainage boards).

Operational responsibility for responding to floods lies with the emergency services, the Environment Agency and local authorities. Defra co-ordinates the central Government response to flooding from rivers or the sea, in liaison with the Civil Contingencies Secretariat of the Cabinet Office and the Government Offices which represent central Government in the regions.

Performance

For the 2004 Spending Review period Defra's target is 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 works closely with the Environment Agency and other partners in delivering this target. The Department works to a delivery plan and holds quarterly meetings with the Agency to review progress and monitor barriers to achievement. Current forecast show that the target will be to improve protection for at least 100,000 households between 2005 and 2008. Some 88,000 households had benefited from improved protection between April 2005 and March 2007.

Defra chairs the Flood Emergencies Capabilities Programme set up in 2005 as part of the wider Cabinet Office Capability Programme to respond to flood events.

Progress in 2006-07 included analysis of the capability needed at all levels to respond to major, national scale events involving widespread river or sea flooding; assessment of the areas presenting the greatest risks of flooding; and formulation of a delivery plan to target improvements in capability. There was no significant river or sea flooding in 2006-07 but on occasion river and tide levels gave cause for concern and the Environment Agency and emergency responders took full precautionary action in readiness.

Policy development

We are creating a new strategy for flood and coastal erosion risk management in England. Our cross-Government Making Space for Water programme is underpinned by the principles of sustainable development, is taking account of the Government's *Foresight Report on Future Flooding* and will set the direction of policy over the next 20 years.

Performance

We consulted on proposals for new outcome measures for the risk management programme and approaches to prioritisation to replace the scoring system previously

used for capital projects. Under these proposals, Ministers will set targets to define the balance of the programme while operating authorities will make decisions on the use of resources to best deliver them. We are aiming to achieve better value for money and facilitate innovation and stakeholder participation whilst maintaining accountability by:

- as part of developing a more integrated approach to the management of urban flood risk, we started pilot projects in 15 locations with a range of different flood risk problems, existing management approaches and geographic spread;
- from 55 expressions of interest, we approved funding for six projects to explore innovative approaches to flood and coastal erosion risk management;
- we consulted publicly on the Environment Agency's strategic overview role on the coast;
- following public consultation, the Department for Communities and Local Government (DCLG) issued strengthened guidance for planning authorities to avoid inappropriate development in flood risk areas (Planning Policy Statement 25) in December 2006;
- in November 2006 we issued revised guidance for operating authorities on taking account of climate change in flood and coastal erosion risk management decisions, linked to the new planning guidance;
- we led for the UK in intensive negotiations on the proposed EU Directive on the Assessment and Management of Floods, securing major changes that produced a much improved text agreed by EU Environment ministers in June 2006. Second reading consideration by the European Parliament began in January 2007;
- we transferred responsibility for grant aiding local authority and internal drainage board flood risk capital improvement projects to the Environment Agency from April 2006. A system of post approval evaluation by Defra will assess operation of the Agency's internal approval processes; and
- in recognition of the benefit of greater certainty of future funding for the operating authorities, Ministers identified the need for a long term investment strategy. Partnerships UK produced an initial report to scope the work involved and also to assess possible alternative delivery mechanisms, for example through public/private partnership.

Programme management and stakeholder engagement

As well as public consultations to inform policy development, we regularly convene a Stakeholder Forum of key organisations involved in flood risk (including representatives of the public at risk, landowners, insurers and environmental groups). The Making Space for Water programme is managed using formal programme and project management techniques, including updated public information and reporting feedback. As a cross-Government programme, high level membership of the Programme Board includes representation from Defra, DCLG, HM Treasury, the Environment Agency (EA) and the Local Government Association (LGA).

Funding

Figure 19: Flood Management, Defra spend £ million

| Area | 2005-06 (£ million) | 2006-07 (£ million) | 2007-08 (£ million) |
|---|------------------------|------------------------|------------------------|
| Grant in Aid to the Environment Agency | 426.9 | 418.9 ⁴³ | 435.7 |
| Capital grants and SCE(R) ⁴⁴ to local authorities/internal drainage boards | 79.55 | 78.4 | 67.3 |
| Other, (for example, consultancies, Research and Development contribution to Ministry of Defence for Storm Tide Forecasting Service, running costs) | 8.4 | 7.9 | 6.0 |
| Total | 514.85 | 505.22 | 509.0 |

Figure 19 excludes local authority expenditure on flood and coastal erosion risk management supported by the DCLG – £86 million in 2006-07; also £2.6 million annual funding for the Storm Tide Forecasting Service transferred from Defra to the Ministry of Defence.

Defra has agreed efficiency targets with the EA to maintain outputs over the current spending review period against a flat expenditure profile.

Looking forward to 2007-08

Defra will continue to work with its partners to achieve our 2004 Spending Review target on risk management. Capital funding for improvement projects in 2007-08 is largely committed to the extensive programme of works already underway thus limiting the number of new projects that can be started but giving a high certainty of delivery. We will continue to take forward work with the EA to develop a long term investment strategy.

On policy development, Defra will continue taking forward Making Space for Water and in particular:

⁴³ Financial pressures elsewhere in the Department meant Environment Agency funding in 2006-07 had to be reduced in-year by £15 million to £413 million; this funding has been more than restored in 2007-08.

⁴⁴ Supported Capital Expenditure (Revenue) supplemented direct grant to local authorities prior to 2006-07. From April 2006 local authorities have received full funding through direct grant at a rate of 100 per cent of eligible costs.

- reach conclusions on the EA's strategic overview role on the coast and take forward work on its role inland;
- transfer to the EA responsibility for grant-in-aid to local authority schemes undertaken under the Coast Protection Act 1949 from April 2008 and continue implementing other changes in the respective roles and responsibilities of the Department and operating authorities;
- complete development of new outcome measures for flood and coastal erosion risk management with targets to take full effect from 2008-09;
- complete the integrated urban drainage partnership pilot studies and produce clear recommendations for improved approaches in the future;
- continue work to scope and roll out a resilience grants pilot;
- continue development of revised project appraisal policy guidance for operating authorities;
- work with the devolved administrations to transpose the proposed EU Floods Directive into UK law with a clear, cost-effective implementation plan;
- continue to work with the Department for Transport on proposals from the European Commission for a possible Maritime Directive; and
- take forward evidence and innovation activities including a joint research Programme with the EA and enhanced European collaboration on the funding of flood research through leadership of the CRUE ERA-NET research co-ordination programme.

Chapter 9: Better Regulation and corporate services



HIGHLIGHTS

Defra implemented the structural changes recommended in the Hampton Review, with six of the Hampton bodies merging into thematic regulators.

Introduction of the Whole Farm Approach will lead to savings for farmers estimated at £2.9 million by 2009–10.

During the Spending Review period, Defra has realised more than £25 million in receipts from the disposal of assets.

Three of Defra's buildings have won sustainability awards.

By the end of December 2006 Defra had delivered financial efficiencies worth £410 million and reduced civil service posts by 702.

Defra had relocated 199 posts from London and the South East.

ISSUES

Problems in the Rural Payments Agency (RPA) with the Single Payment Scheme mean that Defra is unable to make the reduction of 1,600 posts planned to be delivered by the RPA Change Programme.

Defra fell short of the target for handling Ministerial correspondence.

This Chapter deals with two important aspects that support the effective and efficient operation of the Department: Better Regulation and corporate services.

Better regulation and simplification

To respond to the various challenges that Defra faces and to deliver improved outcomes, the Department is taking a holistic approach to tackling regulatory and administrative burdens. This means using market-based solutions, focusing interventions, targeting inspections on high risk operations, improving comprehension and joining-up customer interfaces.

This section of the Departmental Report sets out in more detail some of the cross-cutting and strategic issues that face the Department's agenda for regulating better. It identifies the cross-cutting actions that have been taken and some of those in the pipeline. Building on earlier progress, 2006 saw a shift away from centrally-based ownership toward policy-team led regulating better and simplification.

Strategy on simplification

Defra is committed to reducing the administrative burden imposed by its regulations on business by 25 per cent by 2010. The Department's December 2006 simplification plan *Minimising Burdens, Maximising Outcomes* sets out plans for doing this, and looks more broadly at how the Department is improving and simplifying the way it develops regulation.

The Plan identifies potential administrative savings in excess of 30 per cent (around £160 million annually) of the total baseline figure of nearly £530 million. The Department's aim is to deliver an overall net reduction of 25 per cent by the target date of 2010, taking account of new and developing policy and regulation not included in the baseline, for example expected EU environmental regulation.

The Department will develop further simplification initiatives and report back on these in annual Simplification Plans, which will be published in the autumn of each year. The focus will be on prioritising activity around the most burdensome regulations for industry as well as those which are frequently reported as business irritants.

In tandem with this simplification work, Defra is looking at how it approaches policy development. It is recognised that this can be characterised by an inconsistent approach to quality assurance and customer focus. The *end-to-end* process for policy-making, which is being developed, will provide quality assurance and, challenges with key checkpoints during policy development. This will ensure the desired outcomes are achieved in the optimum way and that staff can move readily across policy areas.

The Department is also taking forward a project which will develop options and best practice for embedding a risk-based approach to policy-making. It will look at different types of risk at different stages of the regulatory process and provide a framework for assessing and communicating risk in a transparent way. It will develop a methodology for ensuring that risk assessments are undertaken and use the *end-to-end* process as a platform to factor risk into policy-making.

Hampton mergers

During 2006-07 the Department made further progress on implementing the structural changes recommended in the Hampton Review, with six of the Hampton bodies merging into thematic regulators:

- the Horticultural Marketing Inspectorate merged with the Rural Payments Agency Inspectorate on 1 April 2006;
- the Wine Standards Board merged with the Food Standards Agency on 1 July 2006;
- English Nature, the landscape, access and recreation functions of the Countryside Agency, and the Rural Development Service merged to form Natural England on 1 October 2006. This merger was in train before the Hampton Review, and has simplified the rural delivery landscape; and
- the Dairy Hygiene Inspectorate merged with the State Veterinary Service on 1 October 2006. The Egg Marketing Inspectorate and the Wildlife Registration and Licensing Service (including Convention on Trade in Endangered Species) merged with the State Veterinary Service on 1 April 2007.

Decisions have also been made around the remaining Hampton bodies:

- the Department is preparing a business case for establishing a new agency created from the Central Science Laboratory, Pesticides Safety Directorate, the Plant Health and Seeds Inspectorate, the Plant Variety Rights Office and Seeds Division, and the National Bee Unit. A final decision will be taken during 2007-08;
- the Fish Health Inspectorate will remain part of the Centre for the Environment, Fisheries and Aquaculture Science;
- the Department will shortly launch a consultation exercise on the future location of the Drinking Water Inspectorate; and
- the Department will prepare a business case on the options for the future location of the Veterinary Medicines Directorate in 2008 when the shape of the delivery landscape should be clear.

As a result of the greater policy-ownership of the regulating better agenda here are some areas where significant improvements are being made:

- modernising Water Quality Regulation – achieved savings of £2.2 million. This involves a move to generic permitting framework and operator self monitoring;
- EU Emissions Trading Scheme – reducing the burden for small installations has the potential to deliver savings of £1.2 million;
- movements of hazardous wastes – simplifying paperwork for monitoring movements will deliver savings of £2.1 million;
- Whole Farm Approach – the administrative saving for farmers is estimated at £2.9 million by 2009-10 (based on current uptake);

- replacement of the Over Thirty Month Scheme with the Older Cattle Disposal Scheme – delivers administrative savings of £3.49 million by the end of 2008;
- fruit and vegetable marketing standards (introduction of electronic certificates of conformity with EU marketing standards) – this achieves administrative savings of £3.22 million in 2007; and
- the Game Licensing Review realises administrative savings of £0.6 million per annum – starting in mid-2007.

EU Better Regulation

In response to requests from European Council, the Commission has developed plans to reduce administrative burdens; this is now the focal point of the European Better Regulation agenda. The Commission have proposed a target to reduce administrative burdens from EU legislation and national implementing measures by 25 per cent by 2012. In January 2007 they also produced an action plan setting out priority work areas. These include all key areas of Defra policy; environment, agriculture, animal health and fisheries.

Business Support Simplification Programme

Defra supports this Department of Trade and Industry-led Government initiative which seeks to reduce the overall number of business-facing products (for example loans, grants, advice etc) from around 3,000 to less than 100 by 2010. The Department is leading on simplifying the support Government offers to business to improve resource efficiency and reduce its environmental impact. This simplified support will take effect from January 2008.

Looking forward to 2007-08

During 2007-08 we will focus on practical collaborative projects to benefit customers based on shared priorities. Implementing the Governance of Delivery Review through Renew Defra recommendations and embedding new ways of working in the way we structure our delivery relationships within the group will also be a key part of ensuring that collectively we achieve outcomes more effectively.

Corporate services

Departmental Capability Review

Capability Reviews aim to assess Departments' capabilities in three main areas: Leadership, Delivery and Strategy. Each review identifies areas where Departments need to improve and also include an action plan to address the findings. The Prime Minister's Delivery Unit (PMDU) in the Cabinet Office developed work with Permanent Secretaries and others to develop a model for these Capability Reviews, with further refinement taking place following the pilot review in February/March 2006 in the Department for Constitutional Affairs (DCA).

Defra underwent its capability review in the winter and will be taking forward the recommendations in 2007-08. The Renew Defra programme will deliver many of these actions. The results of the capability review are at:

<http://www.defra.gov.uk/corporate/how-do-we-work/capability-review.htm>.

Efficiency Programme

Highlights

By the end of December 2006, Defra had delivered financial efficiencies worth some £410 million and reduced civil service posts by 702. A total of 199 posts have been relocated out of London and South East England.

The risk to delivery of financial efficiencies has been reduced through the identification of further contingency.

Progress has been made on the embedding of a wider value for money culture that will provide a long-term foundation for further efficiencies in the 2007 Comprehensive Spending Review (CSR07) period.

Background

Defra agreed, as part of the 2004 Spending Review, to deliver by the end of 2007-08 efficiencies of £610 million, a reduction of 2,400 Civil Service posts, and to have robust plans in place (in line with the Lyons Review of relocation, *Well Placed to Deliver? Shaping the Pattern of Government Service: Independent Review of Public Sector Relocation*⁴⁵) to relocate 390 posts from London and the South East.

Defra's Efficiency Technical Note⁴⁶ (ETN) sets out how the efficiencies will be delivered. At the request of HM Treasury, and in line with other Government Departments, the ETN was revised and published on Defra's website in late 2005.

The programme as initially established drew upon a portfolio of initiatives that were being undertaken across the core Department, its Executive Agencies and Non-Departmental Public Bodies. These initiatives were or are at various stages of maturity and are delivering at different points over the 2004 Spending Review period. The scope of the programme has since been widened to address the need to improve value for money across the Department.

Defra's Finance Director is the Senior Responsible Owner and – with a seat on Defra's Management Board – is able to escalate issues. The Efficiency Programme Board is responsible for overseeing and reporting delivery of the departmental efficiency targets, and for ensuring that adequate contingency is in place to cover any shortfall.

A further role of the Efficiency Programme is to ensure that performance and quality standards are not compromised where efficiencies are being delivered. 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.

⁴⁵ http://www.hm-treasury.gov.uk/consultations_and_legislation/lyons/consult_lyons_index.cfm

⁴⁶ <http://www.defra.gov.uk/corporate/busplan/efficiencynote-0511.pdf>

Progress towards the Department's targets is externally assured through quarterly reporting to the Office of Government Commerce (OGC) and by 6-monthly discussions between the Permanent Secretary and the Chief Executive of OGC on the likelihood of these targets being met. The most recent discussion – in November 2006 – assigned Amber/Green assessments for the financial and Lyons targets and a Red assessment to the headcount target.

Progress on financial efficiency

Of the £610 million target for financial efficiency, £299 million (half to be cash releasing) is expected to be delivered by local authorities via efficiencies in waste services for which authorities have budgetary responsibility but Defra has policy responsibility.

Of the overall target of £610 million, £377 million 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).

To ensure there is sufficient contingency to cover any under-delivery from these initiatives, additional efficiencies have been identified across the wider Department – particularly around procurement activity. The forecasts for affected initiatives have been revised upwards.

For assurance purposes the Department modifies the forecast provided by each initiative in line with the agreed qualitative assessment of likely delivery. This approach to risk-based forecasting has been endorsed by the OGC. Based on this more prudent assessment, Defra expects to deliver £675 million for the programme as a whole (£363 million excluding waste) against a target of £610 million (£312 million).

To the end of December 2006, Defra had delivered actual efficiencies amounting to £410 million, of which a total of £271 million was cash-releasing.

Figure 20: Financial targets, forecasts and delivery to date in £ millions

| Initiative | Original target | Revised target incl. contingency | Initiative forecast | Risk based forecast | Efficiency delivered to 31/12/06 |
|--|-----------------|----------------------------------|---------------------|---------------------|----------------------------------|
| Departmental Reform | 10 | 10 | 12 | 11 | 4 |
| E-nabling and IT | 11 | 19 | 20 | 16 | 11 |
| FPRD Change programme & Procure to pay | 3 | 3 | 9 | 8 | 6 |
| Environment Agency | 72 | 78 | 111 | 111 | 85 |
| ERDP IT | 30 | 30 | 17 | 9 | 14 |
| Catalyst | 8 | 8 | 0 | 0 | 0 |
| SVS | 4 | 4 | 8 | 7 | 2 |
| Rural Payments Agency Change Programme | 52 | 52 | 0 | 0 | 0 |
| Emissions Trading | 47 | 47 | 43 | 43 | 2 |
| Procurement | 30 | 90 | 101 | 92 | 58 |
| Executive Agencies | 17 | 17 | 20 | 19 | 20 |
| Modernising Rural Delivery | 13 | 13 | 18 | 17 | 9 |
| HR | 4 | 4 | 5 | 5 | 3 |
| Other | 10 | 29 | 24 | 23 | 12 |
| SUB-TOTAL | 311 | 404 | 388 | 363 | 226 |
| Waste Management | 299 | 299 | 327 | 313 | 185 |
| Total | 610 | 703 | 715 | 675 | 411 |

Figures may not add up due to rounding

Progress on workforce reductions

To December 2006, Defra had made 702 post reductions against an original target of 2,400. Of this target, 1,600 were to come from the RPA Change programme and the remaining 800 from the core department.

At the biannual efficiency discussion in November 2006 the department reported to OGC and HM Treasury that, in order to deal with improvements in the Single Payment Scheme, work at RPA during the 2004 Spending Review Period would concentrate on improving payment performance and that the Department would be unable to make the reduction of 1,600 posts planned to be generated by the RPA Change Programme.

In a subsequent bilateral between the Secretary of State and the Chief Secretary to the Treasury, the department reported that within the 2004 Spending Review Period it could deliver 1,200 post reductions from existing initiatives elsewhere in the department and its Executive Agencies. At least 200 further reductions are now anticipated through resizing and reshaping activities planned to take place as part of the Renew Defra programme. The RPA will be unaffected by these changes during the 2004 Spending Review period, but forecasts in its recovery plan a reduction of approximately 600 posts by the end of the CSR07 period.

The targets and forecasts in Figure 21 have been updated to show the Department's revised approach to workforce reduction in the 2004 Spending Review period.

Figure 21: Workforce reduction targets, forecasts and delivery to date by Full Time Equivalents

| Initiative | Original target | Revised target | Initiative forecast | Reductions to 31/12/06 |
|-------------------------|-----------------|----------------|---------------------|------------------------|
| Policy Centre Reform | 250 | 262 | 262 | 140 |
| Corporate Centre Reform | 180 | 458 | 458 | 182 |
| E-nabling and IT | 80 | 80 | 0 | 0 |
| RDS (ERDP IT & MRD) | 150 | 187 | 187 | 187 |
| Catalyst | 118 | 0 | 0 | 0 |
| SVS | 22 | 22 | 0 | 0 |
| RPA Change Programme | 1,600 | 0 | 0 | 0 |
| Executive Agencies | 0 | 61 | 141 | 45 |
| MRD | 0 | 50 | 50 | 50 |
| Farm Survey System | 0 | 12 | 12 | 12 |
| Wildlife Unit | 0 | 90 | 90 | 86 |
| Sub-total | 2,400 | 1,222 | 1,200 | 702 |
| Renew Programme | 0 | 200 | 200 | 0 |
| Total | 2,400 | 1,422 | 1,400 | 702 |

Progress on relocating posts from London and the South East

By the end of December 2006, Defra had relocated 199 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 having plans in place for 390 relocations by the end of 2007-08 and continues to work closely with OGC to manage risk and to ensure adequate contingency is available to assure delivery of this target by March 2010.

Progress on embedding a value for money culture in the Department

During the year, the original scope was widened to include providing assurance that everyday working practice and decision-making addresses value for money issues across the Department. In July 2006 the Permanent Secretary launched this initiative to embed value for money by writing to all Senior Civil Servants in Defra setting out expectations of how Defra should do business. Future business planning rounds will include a greater focus on delivering value for money.

Science in Defra

Defra spends around one-third of a billion pounds annually on science, with £155 million per year being invested in research and development. Around 95 per cent of Defra's research and development budget is spent by policy groups to directly support their strategic priorities, with the remaining funds being used by the Chief Scientific Advisor to fund cross-cutting and horizon scanning work. Defra also funds approximately £200 million on other science, including surveillance and monitoring, field trials and knowledge transfer.

We have focused on ensuring that the science the department procures and uses is both fully relevant to our needs and of a high quality. We have also sought to further improve the capacity of policy teams to use existing evidence more intelligently and to articulate their research needs further into the future.

In December 2006, the Office of Science & Innovation (OSI) published its Review of Defra Science. The review was very positive and praised the excellence of Defra Science, commending:

- our use of science, stating that Defra is 'an intelligent customer for science';
- our Quality Assurance processes;
- our approach to Horizon Scanning & Futures;
- the development of our *Evidence & Innovation Strategy*; and
- the establishment of our Science Advisory Council .

The review made a number of recommendations as to how Defra should further develop its management and use science. This included further developing the strategic approach to planning our science through our *Evidence & Innovation Strategy*, especially for the long term, improving the career and development opportunities for Defra scientists, embedding horizon scanning and futures into the department's strategic framework and determining how to make the use of science in policy making

more transparent. Defra published its official response to the OSI report in February, and we are seeking to ensure we act on its recommendations in our forward plan for the coming year.

Performance in 2006-07

During 2006-07:

- the finalisation of Defra's *Evidence & Innovation Strategy* which set Defra as the lead in Whitehall in terms of ensuring our research activities directly support our strategic priorities;
- Defra launched an *Earth Observation Strategy* and formed a team to implement it by involving colleagues across the organisation in obtaining valuable, cost effective data for the Department;
- the Department supported UK participation in the EU's Sixth RTD Framework Programme and have increased our collaboration with funding organisations in the other EU Member States. We have worked with the Commission to ensure that UK priorities were incorporated into the new RTD Framework Programme (2007/13);
- the Sustainable Farming and Food Research Priorities Group response of Defra and other public funders (including Levy Bodies) to the 40 priorities identified in the First Report. The Report also looked at ways to improve co-ordination between funders;
- a programme of the peer review of final reports is on-going with the non-food crops, organic farming, global atmosphere and veterinary medicines programmes having been considered in the last financial year. The review reports for the organic farming and non-food crops indicated that overall the scientific content of the projects was either 'sound' and 'robust or sound';
- the quinquennial Central Science Laboratory (CSL) Science Audit, was carried out in September 2006 by a team of 19 independent experts. The Science Audit Report identified CSL as a 'national centre of excellence' and concluded that the laboratory is delivering high-quality science which generally meets its customers needs;
- Defra and the Food Standards Agency (FSA) jointly appointed the United Kingdom Accreditation Service (UKAS) to audit a number of projects to monitor compliance with the Joint Code of Practice (JCoP) for Research; and
- the Defra Science Advisory Council (SAC) was established in 2004 to provide the Defra Chief Scientific Adviser, and through Ministers, with expert, independent science advice. The full council met 4 times, with an open meeting in July 2006.

The Council's recommendations in 2006 included advice on:

- how natural (non-operational) risk is identified, managed and mitigated across the Department;
- the science underpinning Defra's avian influenza contingency plan;
- how the quality of science used in press releases and contingency plans is assured;
- issues arising from the report of the Committee on radioactive waste management; and

- how science is commissioned, managed and used in policy-making.

Looking forward to 2007-08

During 2007-08 Defra will:

- initiate a refresh of our Forward Look and Evidence & Innovation investment strategy in order to:
 - use the science we procure effectively to underpin our policy development;
 - manage our relationship with the science base in a strategic and responsible manner;
 - ensure our developing vision for science now and in the future is shared with our partners and stakeholders; and
 - create a toolkit and training programme for policy makers undertaking foresight projects to enable them to be intelligent customers of foresight research.
- develop a new cross-cutting evidence hub that will undertake research and analysis of value across the departments activities;
- promote other opportunities for international collaborative research, including science initiatives under the Sixth Environmental Action Programme, OECD and COST; through bodies such as the EU's Standing Committee on Agricultural Research and the UK's Global Science and Innovation Forum; and through mechanisms such as the ERA-NET scheme;
- engage internal and external stakeholders in order to define Defra's Earth Observation needs;
- develop and strengthen its scientific community through its head of profession project in the context of the Renew Defra Programme;
- the quinquennial science audit of the Veterinary Laboratory Agency (VLA) is scheduled for September 2007 with the audit report being due for publication in January 2008;
- FSA take forward the key messages on best practice arising from the UKAS audit of projects against the Joint Code of Practice (JCoP) for Research to disseminate these to both Project Leaders of Defra/FSA funded research, Project and Programme Managers, and other funding bodies in the UK; and
- the Science Advisory Council will continue to advise Defra's Chief Scientific Adviser, monitoring how recommendations are being addressed by the department and to ensure the Council continues to make an effective input to the development of Defra's science programmes and activities.

Legal Group

The Legal Group provides legal services to Defra and its agencies. It maintains close links with legal teams in other departments to help to ensure the effectiveness and consistency of its legal advice and litigation activities.

Performance 2006-07

During 2006-07 Defra's Legal Group provided a full range of legal services to Defra and particularly:

- Provided legal resource in respect of a Bill on Climate Change, the Marine Bill, the Animal Disease Cost and Responsibility Sharing Bill, the Natural Environment and Rural Communities and Animal Welfare Acts, the establishment of Natural England and the EU Emissions Trading Scheme;
- provided legal support to the control of animal disease outbreaks;
- was instrumental in securing the amendment of the London Protocol to permit Carbon Capture and Storage;
- promoted the effectiveness and the survival of the Kyoto Protocol;
- advised on and developed the consultation on the Environmental Permitting Programme;
- provided legal support to the negotiations of the Marine Strategy Directive and the Waste Framework Directive;
- contributed to optimum targeting of fisheries control and enforcement for conservation purposes;
- supported Defra and the Rural Payments Agency on the Single Payments Scheme, the Rural Development Regulation and other common market reforms;
- provided legal support for the share transfer of UK Nirex Ltd and its staff to the Nuclear Decommissioning Authority;
- advised on and conducted civil litigation covering personal injury claims, employment claims and judicial review;
- advised on criminal investigations and conducted prosecutions for Defra and its agencies;
- developed and piloted a thorough Government Legal Service training programme on Better Regulation for lawyers; and
- led in Whitehall on improvements to the powers to implement EU law.

Looking forward to 2007-08

During 2007-08 Defra's Legal Group will provide a full range of legal services to Defra and particularly:

- Engaging fully with the Renew Defra Programme and providing legal services for all Defra's priorities;
- continued development of the Marine Bill;
- Common Agricultural Policy reform;
- Climate change internationally and at home (e.g. the Climate Change Bill);
- legal issues generated by diffuse water pollution;

- continued negotiation of the Waste Framework Directive;
- modernisation of rural delivery structures and functions;
- meeting Single Payment Scheme targets and reducing disallowance risk;
- an overhaul the UK's implementation of the Habitats Directive;
- a Regulatory Reform Order to conserve fish stocks in inland waters;
- work to embed a more outcome driven approach to enforcement and a realignment of enforcement responsibilities between Defra agencies and local authorities;
- Defra's major procurement and development projects;
- support in the conduct of investigations, prosecutions and civil litigation;
- developing Bill skills and focus resource; and
- help Defra remain fully responsive to developments on the information agenda.

Risk Management

Defra continues to grapple with the significant challenges of handling policy risks (which carry important implications for the environment, the public and the sectors we sponsor), whilst balancing the opportunities and threats associated with our complex delivery portfolio and reform agenda (which carry important implications for how we work and the services we offer).

Progress over the past year has been spurred by Defra's Science Advisory Council, which has been advising us on how we can assess and prioritise natural, external risks.

Going forward, our main challenge is to develop a framework in which different risks can be compared effectively. With such a framework, applied consistently, we have the opportunity of making our resource allocation decisions and business plans more risk-based.

Shared Services

In October 2006 the Department published a *Shared Services Transformation Programme Defra Sector Plan*, which can be found at http://www.cio.gov.uk/documents/ss/annual_report/sector_plans/defra_sector_planv2.pdf

This plan sets how the Defra Sector Shared Services Programme Board is focused on achieving outcomes and benefits for businesses through the transformation of support services. Our vision is that the Defra 'Network' Shared Services organisation (SSO) will be able to differentiate themselves and their services by focusing on the end customer rather than just efficiencies. By focusing on the 'product' and offering to the Network customers, the shared services organisation will add 'value', in the customers eyes, over and above what businesses believe they can deliver alone.

The current focus for shared services is on corporate services, in particular HR, Finance, Procurement and Estates. The proposed operating model initially addresses the roles of key functions but also looks at shared services being wider than just setting up a centre for transactional activities with its impact being more far reaching.

Finance

This section covers the issues that affected Defra's finances in 2006-07, outlines the overall context and circumstances for financial control, and sets out prospects and proposals for future years.

Defra faced major financial issues during the year in relation to the RPA and the Single Payment Scheme. Problems arose with the Rural Payments Agency's administration of the Single Payment Scheme. Continuing difficulties in making compliant payments under these new arrangements gave rise to a significant risk of disallowance being levied by the European Commission in future years, requiring a claim on the Reserve to cover the anticipated provision needed (yet to be finalised in Defra's accounts for 2006-07). A recovery programme is now in place and actions underway to address the issues that arose.

Budget allocations and the reallocation

Defra programmes have now matured and over the past two years have consumed spending in accordance with budget plans, which is in contrast to significant underspends in previous years. Over the course of 2006-07 a significant exercise was put in place to recalibrate budgets, to tighten disciplines and financial control. These initiatives will be carried forward to 2007-08 and future years.

The overall financial context

The context for financial control within Defra has become significantly more challenging. The general standard and expectations for financial management in government departments has been increasing, prompted by (among other things) HM Treasury initiatives, including faster closing of accounts. At the same time, with programmes picking up pace, planning and monitoring require greater flexibility from supporting financial systems.

Renew Defra

This programme impacts on financial control in two key areas. First, it involves a move from managing and controlling finances according to organisational structures to managing by outcomes and objectives. This initiative is hugely desirable and will result in a major step change in linking resources inputs directly to the outputs they generate. However, the change involves some fresh risks to financial control. We are moving from reliance on settled and established approaches, run by experienced staff, to using new approaches and people that will take time to bed in.

The second main impact is the move towards managing on a programme and project basis. Defra has to develop effective financial management and control over programmes and projects, and needs the systems to support this approach. As we move towards this model, effective financial management, reporting and control at this level of granularity becomes increasingly important.

Looking forward

The full extent of the challenges that result from the combination of organisational change and reducing financial headroom are now becoming clear.

Recognising the changes that are taking place, we have refreshed our framework for financial control, placing a greater emphasis on the need for budgetary control and accountability, and have set up a number of work streams to address the issues we face for financial control as part of the Renew Defra Programme.

Whilst culture, training and behaviours will form an important part of meeting the demands we face, improved systems and processes will provide the foundation for the changes we need. We have started work to provide this, initially by specifying these requirements in preparation for their delivery through the new Shared Services Organisation. This will include better coding, aligned to Departmental outcomes as agreed through the Comprehensive Spending Review, and improved and simplified processes for budget management and reporting. Our financial systems represent a major opportunity for the Department, as this has the potential to provide the kind of process automation, rigour and reporting capacity the renewed Department will need. This aspect of that programme will seek to realign financial aspects of the financial systems to the new way of working. This will provide far greater transparency between outputs and costs, and will provide simpler and more effective means of financial control and reporting.

Defra seeks to improve financial processes, including the availability, quality and timeliness of financial information. This will be addressed in part through Renew Defra reforms. Work we are undertaking in this area will include development of better mechanisms to monitor and provide feedback on the effectiveness of financial forecasting and control, and to make financial performance more visible.

Departmental Investment Strategy

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 over £900 million in both 2006-07 and 2007-08 to maintain and upgrade its assets; to provide capital grants to local authorities to invest for example in waste recycling and flood management; and to provide funding under the Warm Front scheme to improve the heating and energy efficiency of vulnerable homes.

Where assets are no longer required for the Department's business, they are sold either to other departments or to the private sector. Defra, including its NDPBs and Executive Agencies, generated income of approximately £40.4 million in 2006-07 from sale of its surplus assets.

Commercial management and procurement

Defra reported value for money savings to the Office of Government Commerce (OGC) of £101 million on an expenditure of £1.5 billion for the financial year 2005-06. As part of Defra's Efficiency Programme, the Department is reporting cash savings of £30 million for the financial year 2006-07.

A containerised gassing system for disease control of poultry was developed as part of Defra's emergency preparedness capability. Further, trialling of and contracting for whole house gassing to deal with larger poultry units in the event of Avian Influenza is in train. Contingency contracts continue to be let for the various services required to combat any outbreaks of animal health diseases together with contractual arrangements for the Compulsory Scrapie Flocks Scheme.

Procurement was heavily involved in the control and eradication of the H5N1 Avian Influenza outbreak in Suffolk in February 2007, low pathogenic avian influenza in Norfolk in April 2006, Newcastle Disease in East Lothian in October 2006, and in the establishment of the Government's Decontamination Service (GDS). The central procurement group (PCD) maintains a Business Continuity Plan and plays an active role as a member of the Disaster Recovery Management Team which is responsible for managing relocation and service continuity in the event of a major incident involving the loss of use of Defra buildings.

Defra is taking the lead on sustainable procurement across Government by committing to reaching level 5 of the Sustainable Procurement Flexible Framework by Autumn 2008 and work has been ongoing since August 2006 to reach this goal. The Sustainable Procurement Programme for Defra, led by PCD, captures Defra's existing leadership in the areas of food, travel and timber but also concentrates on other high sustainable impact sectors such as energy, pulp, paper and printing and facilities management through category management strategies.

The Public Sector Food Procurement Initiative (PSFPI) continues to make good progress. Defra chaired several meetings of the Food Procurement Implementation Group and regional bodies to coordinate activity across the public sector and within the regions. Defra gave presentations at several conferences for key stakeholders, including schools and hospitals.

The UK Government's timber procurement policy continued to stimulate action to tackle the problem of illegal logging and forest loss. The Central Point of Expertise on Timber (CPET) completed a review of the five major forest certification schemes which prompted some major improvements to some standards. International interest in Defra's work grew and the governments of two EU member states are now using the CPET service to identify the sources of legally logged timber. Defra, on behalf of the UK, together with the Netherlands and Denmark, co-presented the work being done on policy harmonisation to the UN and the European Commission. Defra officials attended various international conferences and made visits to Finland, Malaysia and Canada. The policy

features in current G8 + 5 (the major emerging economies of Brazil, China, India, Mexico and South Africa) work on climate change and biodiversity. To increase demand from the wider UK public sector Defra commissioned a project to work with some local authorities and their timber supply chains. Work began on developing new targets and better reporting of sustainable timber purchases by central departments in England.

Defra's work on sustainable procurement cross-governmentally included also:

- Travel – Collaboration with OGC buying solutions and the Department for Work and Pensions as a lead partner on the new Pan Government Travel Contract which was launched in April 2006. Sustainability was a key focus during the selection process and has resulted in a travel booking system that automatically captures rail, air and ferry travel data and calculates the carbon emissions generated from Departmental air and rail travel;
- Energy – Defra has been collaborating with OGC and OGC Buying Solutions on the development of the OGC's electricity re-let framework contract. Renewable energy is a crucial part of enabling Departments to meet targets for the Government estate and the new contract will reflect this need; and
- Paper – Defra, the then Office of the Deputy Prime Minister (ODPM) and Department for Transport collaborated on a new paper framework contract which was let in August 2005. The framework continued Defra's commitment to buy 100 per cent recycled paper for uncoated and 70 per cent recycled paper for coated papers.

The Department has achieved through its 'Delivering Efficient and Effective Procurement Solutions' (DEEPS) Programme efficiency savings in procurement of £77 million against the Gershon Efficiency Target of £30 million for the period April 2005 to March 2008. Key strands of the programme focus on embedding category, contract and supplier management into departmental procurement. At the Whitehall and Westminster World Civil Service Awards 2006 Defra procurement won the Procurement Award for its public sector travel procurement initiative and was nominated for the Efficiency Award.

Expenditure on Professional Services

The core Department's expenditure on professional services in 2005-06 was £260 million. The category breakdown is as follows:

Figure 22: Analysis of Professional Services Expenditure 2005-06

| Area | 2002-03 (£ million) | 2003-04 (£ million) | 2004-05 (£ million) | 2005-06 (£ million) |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
| IT and Telecommunication | 45 | 53 | 99 | 131 |
| Management & Business Consultancy | 15 | 20 | 79 | 44 |
| Programme and Project Management | 21 | 23 | 24 | 18 |
| Research and Development | 9 | 10 | 18 | 20 |
| Specialist Consultancy | 40 | 40 | 36 | 37 |
| Temp Staff | 11 | 9 | 10 | 10 |
| Total | 141 | 155 | 266 | 260 |

The guiding criterion has been and remains value for money from the use of consultants and professional services where it is appropriate and necessary to utilise them as an alternative to building in-house capacity in supporting the Department's strategies and objectives together with front line service delivery.

Fraud awareness and prevention

Defra requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. The Department will not accept any level of fraud or corruption. As with other large organisations, the size and nature of the Department's services puts it at risk to loss due to fraud and corruption both from within the Department and from without it. The Department is committed to making sure that the risk of fraud and corruption is minimised.

A strengthened anti-fraud and anti-corruption strategy was introduced in March 2006 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 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 an independent opinion of 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.

Internal Audit provided an assurance on the Department's system of risk management, control and governance for 2005-06. A risk-based programme of internal audit is being undertaken across the whole range of the Department's business in support of the opinion for 2006-07.

Defra's Audit and Risk Committee has four members, of whom, three are independent, including the Chairman who is a non-Executive Member of the Departmental Management Board. The 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.

The 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.

Information Services in Defra

Defra's Information Services are essential to maintaining effective ways of working in the Department and are key to delivery of Defra's business strategy, Departmental Strategic Objectives, Public Service Agreement targets and major business change programmes.

Defra signed an outsource contract for IT services with IBM in 2004. During 2006-07, the Department extended the contract further with the Environment Agency, Natural England and the Commission for Rural Communities for the provision of certain IT services.

The Department is well into its programme to implement the Delivery Strategy. Consequently much of the focus is now in providing improved information services 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, to deploy shared services across departments, and to improve IT professionalism.

The Department is now undertaking a joint service improvement programme with IBM, including setting up support for the Department in assuring delivery of IT projects.

Performance

Defra has made progress on a broad front in the implementation of its Information Services (IS) Strategy. The following strategic system deliveries have been completed:

- payments of Environmental Stewardship schemes using the new Genesis system;
- upgrades to the Whole Farm portal which provides an access point for farmers to Defra services and includes an appraisal mechanism to help in improving farming practices;
- implementing new data services covering customer, spatial and livestock data. We have also agreed a new model for recording livestock movements in which intermediaries pass data to Defra on behalf of livestock keepers;
- transfer of the EU / UN Emissions Trading Register to an operational service run on behalf of partner governments across Europe;
- setting up Corporate Shared Services for core Defra, some of its major agencies and Natural England; and
- the Office Systems project is delivering new collaboration tools that will support project working under the Renew Defra initiative along with new mobile systems (Blackberry, Broadband and Webmail) that support the Smart Working Programme – a key element of the latter is the introduction of 'Thin Client' technology (which saves on energy) to replace desk-top PCs.

During 2006-07, Defra implemented new governance arrangements to bring its information systems and business planning closer together and to extend governance across the Defra Network.

In the wider Government arena, Defra is fully committed to the principles of the Transformational Government Strategy reflected in Defra's Service Transformation Plan. Extensive work is being carried out in the customer area, where we are analysing our interactions with customers and implementing common approaches to customer identification, registration and other processes across the Defra Network. Defra is very active in publishing material to Directgov, including to the new Environment and Greener Living franchise, and the Department is building a strong relationship with Business Link, principally as a partner in the International Trade Single Window project. Defra is also participating in the IT Professionalism initiative and Defra's Chief Information Officer has taken on overall delivery competence lead for central government.

We continued to provide reliable access to information, records management, and knowledge management services, meeting our obligations under the Freedom of Information Act, the Environmental Information Regulations (which we sponsor across the public sector), the Public Records Act and other information legislation promptly and accurately. Translations Section provided key services during the UK Presidency of the EU, while the Library developed a new one-stop-shop for Defra staff on Avian Influenza information.

Estates and sustainable operations

Defra has made considerable progress in recent years in terms of improving efficiency and moving towards sustainable operations within its own estate. The size of the estate has reduced by 16 per cent (from 382,250 square metres to 320,750 square metres) during the Spending Review period. This has led in the same timeframe to £25.25 million in receipts from the disposal of assets, achieved largely by vacating buildings in Woburn Place and Whitehall Place East. There are plans in place to vacate more buildings in London (Cromwell House, Ashdown and Page Street) thereby exceeding the Management Board's target of reducing the London estate by 50 per cent by 2010 from a 2002 baseline. There is further potential in the coming Comprehensive Spending Review to make further reductions of 100,000 square metres. This reduction will secure approximately £52 million in receipts and further savings in annual running costs of about £21 million.

The £30 million design and refurbishment of 3-8 Whitehall Place transformed a tired, cellular 1950s Grade 2 listed building into a high quality commercial office, enabling modern, open-plan working for up to 875 people. This project won the 2005 RICS Sustainability Building of the Year award where the judges were impressed by getting the owner, the developer, contractor and Defra, as tenants, to embrace and surpass the Government's sustainability targets. On a similar theme, the £34 million refurbishment of Defra's Headquarters in Nobel House achieved the highest BREEAM rating for a project of its type and won the 2006 RICS London Region Sustainability Building of the Year award. And the Mills Building, part of the Veterinary Laboratories Agency, won the 2006 RICS South East Region Sustainability Building of the Year award.

Sustainability

Defra has established an auditable baseline across the estate to measure performance in meeting Ministerial sustainability targets. Additionally, tools are in place to show operational performance, trends and highlight any shortfalls for each site in the estate.

Carbon Neutrality

Defra has identified and piloted new technology to secure voltage optimisation which will be rolled out to 20 sites on the estate. This will deliver a carbon saving equivalent to 25 per cent of our carbon reduction target. It will cost £1.8 million with a payback in less than two years through energy cost savings.

The Estates Division has investigated and secured additional funding from within Defra and other Government Departments (including the Department for Trade and Industry) for a range of sustainable technologies, such as biomass burners.

Additionally, Defra is undertaking a rationalisation exercise for Facilities Management across the Defra Network. This exercise could well realise significant benefits in terms of efficiencies and moving towards carbon neutrality.

Ministerial correspondence

As Figure 23 shows, Defra fell short of the target for handling Ministerial Correspondence. However, Defra has set higher targets (15 days) for turnaround whereas other Departments work to 20 days.

Figure 23: Defra Ministerial Correspondence from MPs and Peers

January 2006 to 31 December 2006

| Department/ Agency | Target set for reply (working days) | Number of letters received | Number of letters where replies required | Percentage of replies (where reply required) within targets |
|-----------------------|---|-------------------------------|--|--|
| Defra | 15 | 12,475 | 12,475 | 53 ⁴⁷ |

Human resources

Defra has remodelled its Human Resource (HR) function and created a new, streamlined group covering Human Resources, Organisational Design development (OD & D) and Diversity. The new core structure reflects a move towards a small team of specialists working at a strategic and/or complex operational level across the 3 areas of expertise (HR, OD&D and Diversity).

This will result in the streamlining of transactional HR activity, reduction of bureaucracy and repositioning of HR as a strategic partner for the business that will:

- improve management capability;
- develop a performance culture, underpinned by diversity;
- ensure Defra has great leadership capability; and
- increase skills and professionalism.

The effect of this will be to improve people management at Defra, strengthening our reputation as an employer of choice and provider of world-class services.

People and performance

Defra has developed a People Strategy, which sets out how Defra will adapt its approach to people development and management. The People Strategy is about creating a high-performing Department – recognising that people are at the core of what Defra can do and what it can achieve. The People Strategy is focused around 3 key themes:

- getting the basics right;
- building leadership and organisational capability; and
- maximising flexibility.

⁴⁷ Defra introduced a fully centralised correspondence unit (CCU) in April 2006. Overall performance on Ministerial Correspondence has improved from 43 per cent within 15 days in the first half of the year to 63 per cent in the second half, (75 per cent within 20 days).

Pay and Reward

The 2006 pay award, effective from July 2006, represented the first pay award following Defra's four-year, multi-year pay settlement.

The 2006 pay award maintained the pay arrangements already in place. This was to ensure that no additional liabilities were carried forward for the significant number of staff transferring out of the department on TUPE terms. The general level of pay award was lower than in previous years.

In 2007-08 work will focus on the development and implementation of a new pay and reward strategy more suited to the business needs of the renewed Defra.

Performance Management

Improving Defra's performance continues to be a key priority. Effective performance management involves a comprehensive range of processes and measures. Defra's Management Board reviewed performance management generally in January 2007 and approved proposals for improvement over the next 12-18 months. The principles underpinning performance management in Defra will be Alignment, Accountability, Flexibility and Simplicity.

Investors in People

The Renew Defra programme means that Defra's accreditation as an Investor in People (IiP) remains of great importance. More than ever before, we need to enhance individual and organisational skills and flexibility.

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.

Defra's most recent assessment, completed in May 2006, showed us to be performing well in most areas. The External Assessor found examples of best practice across the department, but identified a need for a consistent approach across the organisation.

Professional Skills for Government

During 2006 the Department has concentrated on rolling-out PSG below the Senior Civil Service (SCS). Defra's Competence Framework has been revised to include the PSG Core Skills as well as other new and emerging skills we will need in the future. From April 2007 the new framework is being used in performance management.

Flexible resource management

The Renew Defra Programme has highlighted the need for the flexible allocation of people to priority projects. Defra needs to be quicker and more flexible in getting the right number of people, with the right skills, at the right time in the right place.

Defra's People Strategy identifies the need for a resource strategy to meet this need. Work has now started on developing a strategy to achieve flexible resourcing in core Defra. This will involve us developing a defined integrated solution to ensure we get

the outcomes and behaviours we require.

Leadership Development

This year, Defra completed the next phase of its Leadership Development Programme. The 'Big 5' key leadership behaviours that the Department judges are most likely to meet Defra's needs now and in the future have been integrated into learning and development and HR processes, to ensure their positive impact on Defra's business at all levels. The Big 5 are:

- Taking Personal Responsibility;
- Shaping and Creating a Vision of the Future;
- Putting Diversity into Practice;
- Making Things Happen With and Through Others; and
- Facing Up to Hard Choices.

Board Appointments

A central team to manage the process of making appointments to the Boards of Non Departmental Public Bodies has now been established and there have been improvements to both the process and providing value for money. This team works alongside the sponsor divisions, the Cabinet Office and the Office of the Commissioner of Public Appointments.

Interchange and Take5

Defra continued to work with Government Offices, Agencies and other delivery agents and partners to encourage reciprocal Interchange arrangements and embed Interchange into ways of working. The number of Senior Civil Service short placements continues to be achieved through Take5, whereby Senior Civil Servants spend approximately 5 days out 'at the sharp end' with customers, delivery agents or partners. The aim of the Take5 programme is to enhance the way Defra engages with its stakeholders.

Defra regards Interchange as a key component to meeting its changing business agenda and will be re-visiting its Interchange strategy to make sure it fits business need.

Diversity

The Department has developed and published a Joint Equality Scheme to address the duties arising from equalities legislation. Actions to address the employment duties complement an overarching Diversity Strategy, agreed at Management Board level, to support the Cabinet Office 10 point plan for Delivering a Diverse Senior Civil Service. Both strategies are designed to help Defra embed diversity into all aspects the Departments work and fabric.

To ensure that both current diversity and equality issues are mainstreamed into the core business of Defra, the Department has moved towards a more strategic business focused diversity framework, with ownership and responsibility at senior management level. As part of this work an Equality Impact Assessment tool (EIA) has been developed

to help business areas assess the potential impact a policy, process or service may have on different groups of people. Senior level commitment to this is illustrated in the Joint Equality Scheme.

Future developments in delivering on diversity

In future Defra will be delivering on diversity and wellbeing at work through a newly recruited Diversity, CSR and Wellbeing at Work team whose brief it is to develop Defra's strategies around diversity, corporate social responsibility and wellbeing at work. The Team will assume the work of the Diversity and Equality Unit and some of the work of the Health, Work and Wellbeing Team but will be London based. The role of the team is to help support Defra's people management strategy but it will also importantly make a significant contribution to Defra's core business through modelling corporate social responsibility both internally and externally.

Diversity targets

A key element of the Diversity Strategy is achieving greater representation of minority groups in the SCS and at Grades 6 and 7. The Department is taking steps to address the under-representation of minority groups at the most senior levels (and feeder grades). Actions include a series of Positive Action Mentoring programmes for staff in minority groups.

Figure 24: Core Defra: Percentage of men, women, part-time, ethnic minority, and disabled staff by grade April 2006 compared to January 2007

| Grade | Men per cent | | Women per cent | | Part Time per cent | | Minority Ethnic per cent | | Disabled per cent | |
|------------|--------------|--------------|----------------|--------------|--------------------|--------------|--------------------------|--------------|-------------------|--------------|
| | April 2006 | January 2007 | April 2006 | January 2007 | April 2006 | January 2007 | April 2006 | January 2007 | April 2006 | January 2007 |
| SCS | 70 | 72 | 30 | 28 | 6 | 7 | 3 | 3 | 2 | 2 |
| Pay Band 2 | 79 | 80 | 21 | 20 | 0 | 0 | 6 | 8 | 0 | 0 |
| Pay Band 3 | 75 | 83 | 25 | 17 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grade 6 | 66 | 66 | 34 | 34 | 9 | 12 | 2 | 2 | 5 | 2 |
| Grade 7 | 62 | 60 | 38 | 40 | 10 | 9 | 3 | 3 | 4 | 2 |
| SEO | 63 | 60 | 37 | 40 | 7 | 7 | 2 | 3 | 4 | 2 |
| HEO | 54 | 53 | 46 | 47 | 9 | 9 | 5 | 8 | 5 | 2 |
| EO | 47 | 47 | 53 | 53 | 9 | 8 | 15 | 19 | 7 | 1 |
| AO | 40 | 38 | 60 | 62 | 14 | 14 | 16 | 22 | 7 | 2 |
| AA | 54 | 58 | 46 | 42 | 18 | 17 | 19 | 18 | 13 | 0 |
| Total | 52 | 52 | 48 | 48 | 10 | 10 | 9 | 11 | 6 | 2 |

Figure 25: Defra and all Agencies: Percentage of men, women, part-time, ethnic minority and disabled staff by grade April 2006 compared to January 2007

| Grade | Men per cent | | Women per cent | | Part Time per cent | | Minority Ethnic per cent | | Disabled per cent | |
|------------|--------------|--------------|----------------|--------------|--------------------|--------------|--------------------------|--------------|-------------------|--------------|
| | April 2006 | January 2007 | April 2006 | January 2007 | April 2006 | January 2007 | April 2006 | January 2007 | April 2006 | January 2007 |
| SCS | 74 | 75 | 26 | 25 | 5 | 6 | 3 | 3 | 2 | 2 |
| Pay Band 2 | 79 | 84 | 21 | 16 | 0 | 0 | 6 | 7 | 0 | 0 |
| Pay Band 3 | 75 | 83 | 25 | 17 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grade 6 | 71 | 71 | 29 | 30 | 7 | 9 | 2 | 2 | 5 | 3 |
| Grade 7 | 65 | 64 | 35 | 36 | 10 | 10 | 3 | 2 | 4 | 3 |
| SEO | 64 | 63 | 36 | 37 | 6 | 9 | 2 | 3 | 4 | 4 |
| HEO | 55 | 55 | 45 | 46 | 7 | 10 | 4 | 6 | 6 | 3 |
| EO | 45 | 45 | 55 | 55 | 7 | 12 | 7 | 8 | 7 | 5 |
| AO | 39 | 38 | 61 | 62 | 8 | 17 | 7 | 6 | 8 | 5 |
| AA | 43 | 40 | 57 | 60 | 18 | 26 | 6 | 6 | 11 | 1 |
| Total | 49 | 48 | 51 | 52 | 8 | 14 | 5 | 6 | 7 | 4 |

Employee Support Service (ESS)

Defra's in-house Employee Support Advisors (ESA) have continued to support managers and individuals across Core-Defra (and its Executive Agencies) across the range of 'people' issues as part of the wider Health, Work and Well-being Team (HWWT) Business Plan. In addition to an enhanced resource of a 24 hour telephone counselling service, the team has also provided targeted support interventions (for example mediation, stress risk assessments, strategic well-being action plans).

Chapter 10: Defra's delivery partners



HIGHLIGHTS

Working together to deal with emergencies and to protect public health:

- Central Science Laboratory (CSL), Veterinary Laboratory Agency (VLA) and State Veterinary Service (SVS) – early demonstration that avian influenza cases in Fife and East Anglia did not mean that the disease had taken hold in the wild bird population; and
- SVS – Discovery and containment of Newcastle disease in East Lothian in October; and
- Government Decontamination Service (GDS), Cefas and VLA – involvement in testing and tracing after the polonium poisoning incident.

Natural England and the Commission for Rural Communities were established as new independent non-Departmental Public Bodies under the provisions of the Natural Environment and Rural Communities Act 2006.

The Veterinary Medicines Regulations came into force in October 2006.

The total number of serious illegal waste dumping incidents fell significantly.

British Waterways (BW) is set to support the Government's aim to deliver a sustainable Olympics through its proposed restoration of the Bow Back Rivers.

BW secured £70 million of external funding for six waterway restoration projects that will create new homes, jobs and improve the lives of people in Liverpool, Glasgow, Droitwich, Manchester and Stroud.

ISSUES

Difficulties with the delivery of the Single Payment System (SPS) in 2005 will take time to resolve.

There is a significant risk of the EC imposing penalties in respect of implementation of the SPS in 2005.

Defra's Delivery Strategy

Work continued this year under Defra's Delivery Strategy. The functions transferred to delivery bodies involved smaller units than when we created three new executive agencies in 2005. That and the influence of the drive under the implementation of the Hampton Review to reduce the number of Defra delivery bodies meant that where possible we placed delivery functions with existing bodies rather than create new ones.

Defra's outcomes are delivered through a network of delivery agents, many of which are within the Defra Network. The quality of bilateral relationships between the core Department and its delivery partners and the oversight of delivery therefore continues to be important. This year we conducted a review of governance of delivery. It identified areas for improving the policy delivery chain in three key areas: skills, structures and behaviours. This covered the relationship between Defra and its delivery partners, aspects internal to Defra and aspects of delivery partners themselves such as the performance of their Boards. The Defra Management Board accepted its overall recommendations which are now being followed up as an integral part of the Renew Defra Programme.

The delivery of our outcomes by this network of delivery partners means that the quality and oversight of the relationships between our delivery partners (and between our policy design teams) is as important as the quality and oversight of individual policy delivery relationships. This and the broad range of autonomies and responsibilities across Defra Network delivery partners have brought a strong emphasis this year on collaboration to improve the experience for customers. In order to facilitate and drive this we created the Departmental Collaboration Group, open to all Defra Network CEOs and key policy makers. This year, in order to support collaborative working across the network, the Group commissioned development of a Defra Network business model.

The initial benefits are:

- fully accessible and accurate information about all our delivery bodies, their business processes and their customer groups (which is being further developed in greater detail); and
- an agreed set of principles to address some of the common barriers to collaborative working, including greater clarity on operational responsibilities and the funding of shared developments.

Also, the Collaboration Group commissioned a review of contact centre provision in the Defra Network and agreed actions to promote best practice and build a group-wide approach to development of contact centres.

Our focus on improving the direct customer experience of Defra Network policy delivery was further strengthened this year by the development of an outline customer strategy that sets a framework suitable for supporting service design through the policy – delivery chain. The strategy has been practically applied in a pilot focusing on the farming sector.

Defra's larger delivery partners include:

- the nine Defra executive agencies;
- the Forestry Commission;
- the Environment Agency;
- Natural England; and
- British Waterways.

Details of Defra's other public bodies (including executive NDPBs and public corporations) and a listing of Defra's advisory and tribunal NDPBs can be found on Defra's website.

In the section below we look first at the performance of the Defra Network executive agencies and then at the performance of the Forestry Commission and some of our key public bodies.

Defra sponsors over 50 executive and advisory NDPBs, tribunals and public corporations and is responsible for approximately 600 appointments to those bodies.

Executive Agencies

The Defra Network's readiness to deal with emergencies was tested strongly this year. The State Veterinary Service (SVS), now renamed Animal Health, Veterinary Laboratory Agency (VLA) and Central Science Laboratory (CSL) demonstrated that a case of avian flu in a dead bird in Fife did not mean that the disease had gained a foothold in the UK's wild bird population. The Government Decontamination Agency (GDS) was actively involved in the decontamination aftermath of a death from anthrax in Scotland. GDS was similarly involved, alongside Cefas and VLA in the aftermath of the polonium poisoning incident at the end of 2006.

All our executive agencies continued to deliver quality services to and on behalf of the Department with the exception of the well known difficulties of the Rural Payments Agency (RPA) which were highlighted during the year.

Ministers and the Defra Management Board agreed this year to a plan to ensure a long term sustainable future for the Centre for Environment, Fisheries and Aquaculture Science (Cefas), as part of Defra's Laboratory Strategy. This transformation plan involves consolidating Cefas' activities at offices based in Lowestoft and Burnham on Crouch into a new fit for purpose site, along with growing non-Defra business and making further efficiencies. Recognising its status as a strategic partner of Defra, the agency will remain fully in the public sector, but, once the transformation plan is fully established, the Department will examine whether there would be benefits from a change of ownership model.

As a consequence of an in-depth review of the relationship between the veterinary Laboratories Agency (VLA) and the Institute of Animal Health (IAH) the Department and the Biotechnology and Biological Sciences Research Council (BBSRC) concluded that in the medium term they would continue to have separate futures, but would continue to look at opportunities for improved collaboration in the future. This includes continued Defra investment in the new joint VLA and IAH virology facility on the IAH site at Pirbright, a major strategic investment in the future of the agency and the future of the collaborative relationship.

From April 2007 the SVS became a new organisation, Animal Health, extending its remit in animal health and welfare delivery through the incorporation of the Dairy Hygiene Inspectorate, the Wildlife Licensing and Registration Service and the Egg Marketing Inspectorate.

Looking Forward to 2007-08

In the coming year we will decide on the strategic direction of two more of our Executive Agencies, the CSL and the Pesticides Safety Directorate (PSD). In the context of the Laboratory Strategy Programme and implementation of the Hampton Review of inspections and enforcement, we will be considering the business case for a new regulatory science agency created from the CSL, the National Bee Unit, PSD, the Plant Health and Seeds Inspectorate and the Plant Variety Rights Office and Seeds Division of Defra alongside, for PSD, an alternative of merger with the Health and Safety Directorate. Implementation of the Cefas transformation plan will move forward, with the aim of securing a site for the new laboratory and undertaking the detailed design of the building during the year. We expect also to enhance the relationship between Defra and all the agencies.

Rural Payments Agency

The Rural Payments Agency (RPA) is Defra's largest executive agency, providing a range of services in support of the Department's objectives. The key services are making rural payments, carrying out rural inspections, and livestock tracing.

The RPA's main priority is delivery of the new Single Payment Scheme (SPS). At the start of 2006-07, the RPA had failed to achieve its target of paying most SPS 2005 claims by the end of March 2006. The RPA made partial payments from May 2006. This enabled the Agency to pay about 95.5 per cent of the value of RPA claims by the end of June. However, late payments and other problems with the implementation of SPS resulted in a significant risk of potential disallowance (the European Commission not reimbursing the UK for CAP subsidies). As a result Defra asked for an additional cover of £305 million in the January 2007 Spring Supplementary Estimates. The UK is still in discussion with the European Commission about disallowance and to date no penalties have been applied.

The Agency continued to pay SPS 2005 claims throughout the year and to review claims where further work by the Agency or representations by farmers suggested that a farmer's entitlements may have been wrongly calculated. At the end of March 2007 about 11,000 SPS 2005 claims cases (over €100 euros), had been identified as possibly requiring changes.

The failure of the RPA to pay farmers on time led to investigations by the National Audit Office, Public Accounts Committee and the Efra Committee. The Efra Committee published its report in March 2007 and the Department will be responding in detail to the conclusions and recommendations made.

It will take some time for the Agency to recover from the problems of the SPS 2005 scheme; these problems delayed the start of processing SPS 2006 claims and also led to systematic problems in ensuring the accuracy of future payments. This legacy has made the delivery of SPS 2006 challenging and impacts will continue to be felt in subsequent years. The Agency aims to provide stability for customers in 2007 and an improved service in 2008. The RPA's processes for handling SPS claims have been streamlined and further improvements are in hand as part of the Chief Executive's recovery campaign for the Agency. The claim forms for SPS 2007 have been issued successfully, ahead of the RPA's internal target.

Defra commissioned in March 2006 the Hunter Review to look at the RPA's current and possible future functions. The review, which reported in March 2007, concluded that RPA should remain as a Defra agency, concentrating on its core business as a paying agency. The review recommended that there should not be major changes in the structure or the responsibilities of the Agency in the immediate future, while the operation of the Single Payment Scheme was being stabilised. However, the review also identified a number of opportunities for the RPA to improve its operations without disrupting its core activities.

Funding in 2006-07

Figure 26: below sets out the Rural Payments Agency's main funding for 2006-07

| Area | 2006-07 (£ million) |
|--|------------------------|
| RPA running costs | 226.2 |
| Over Thirty Months Scheme (OTMS)/and Older Cattle Disposal Scheme (OCDS) | 50.0 |
| Other Scheme Expenditure | 16.1 |
| CAP Reform/Change Programme | 6.4 |
| Depreciation and cost of capital | 16.9 |

Performance in 2006-07 against targets

Figure 27: Rural Payments Agency performance in 2006-07 against targets

| Target | Performance |
|------------------|---|
| Business Process | The process of extracting customer information to add to SPS 2007 forms took place in February 2007. The agreed CAP inspections programme was completed on time. RPA developed a system for monitoring how effectively it was working with Defra. |
| Customer | RPA began SPS 2006 payments in January 2007 and implemented a partial payments plan in February. By the end of March 2007 RPA had paid about £1.07 billion (70 per cent of the estimated fund of £1.54 billion). It is too early to say whether the target of paying 96.14 per cent of claim value by end of June 2007 will be met.) The RPA had achieved published targets for deciding representations from customers related to SPS 2005 and for recording cattle movements. RPA are seeking to improve the quality of the data held in support of SPS claims. |
| Finance | Defra agreed an additional £46 million of funding mainly to cover additional costs related to SPS processing. The risk of disallowance (penalties applied by the European Commission for incorrect application of CAP schemes or late payments) is currently much greater than 2 per cent. Defra and RPA have established a joint working group to manage this risk. |
| People | Training has focused on giving RPA staff the skills they need to improve the delivery of SPS. |

Key developments in 2006-07

Some key developments:

- about 95 per cent by value of SPS payments were made by 30 June 2006 against a regulatory target of 96.14 per cent;
- working with stakeholders, the information provided to farmers has been improved;
- all SPS inspections required to be finished by December 2006 were completed on time;
- England Rural Development Programme inspections were also completed on behalf of Natural England by the end of December 2006;
- development of a recovery campaign for the Agency; and
- an NAO audit which concluded that there was no material risk to the SPS fund. However, there remains a significant risk that the European Commission will seek to impose penalties (disallowance) in respect of implementation of SPS 2005.

Looking forward to 2007-08

Key challenges are:

- to ensure that SPS 2006 payments are made within the payment window;
- to ensure that SPS 2007 payments are made earlier and with less risk of disallowance;
- further improvements to customer service;
- implementing the new Rural Development Regulation; and
- following up the Hunter review.

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 2006-07***Figure 28:** Estimated Veterinary Laboratories Agency income for 2006-07

| Customer | Income (£ millions) |
|---|---------------------|
| Defra – surveillance and reference laboratories | 76.3 |
| Defra – research projects | 18.9 |
| Defra – SVS (now Animal Health) | 0.1 |
| Defra – other | 3.1 |
| Food Standards Agency | 2.3 |
| Other Government | 0.3 |
| Commercial | 8.7 |
| EU work | 1.6 |
| Total | 111.3 |

Final figures will be available in May 2007 and will be published in the Agency's Annual Report and Accounts.

*Performance in 2006-07 against targets***Figure 29:** Veterinary Laboratories Agency performance in 2006-07 against targets

| Target | Performance |
|--|-------------|
| Financial – Achieve full cost recovery. | On target |
| Efficiency – Deliver 2.5 per cent efficiency savings. | Achieved |
| Service Delivery – Meet 85 per cent of Research Objectives Assessment Milestone Evaluation (ROAME) research milestones. | On target |
| Achieve 85 per cent of surveillance deliverables to time. | On target |
| Achieve a score of at least 80 per cent satisfaction in the VLA customer satisfaction survey. | Achieved |
| Quality – Maintain current third party certifications and accreditations. | On target |
| Achieve ISO14001 certification for the regional laboratories. | Achieved |
| Safety – Implement VLA's safety plan 2006-07 to timescales indicated. | On target |

Key developments 2006-07

Some key developments include:

- the VLA and Institute for Animal Health (IAH) actively continue to explore opportunities for greater collaboration following the decision by Defra and BBSRC that they would have separate futures in the medium term;
- an increase in surveillance for avian influenza in wild birds was conducted during the year to support EU policy requirements. VLA played a pivotal role in the examination of wild bird carcasses;
- the interlab forum continued to highlight its value via collaboration between the Health Protection Agency (HPA) and VLA with respect to the polonium poisoning incident at the end of 2006. VLA's Radiochemistry Unit added about 25 per cent to HPA's analytical capacity as well as providing technical advice to the Defence Science and Technology Laboratory;
- VLA hosted three internal conferences during the year – the 6th International Symposium on Avian Influenza, the 16th International Congress of the International Organisation for Mycoplasmosis and Prion Diseases of Livestock; and
- ISO14001 certification was extended to the network of regional laboratories.

Looking forward to 2007-08

Key activities and events in 2007-08 include:

- during September 2007 it will undergo a further Science Audit, which will review the quality, balance, scope and appropriateness of its science programmes;
- developing the *Building Bridges* initiative, which is aimed at increasing collaborative links on the delivery of science at VLA and the IAH;
- further development work for the new shared facility virology laboratory on the IAH Pirbright site; and
- further development of the Weybridge site to include a new headquarters for administrative staff as well as a new office suite for the Centre for Epidemiology and Risk Analysis.

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 2006-07***Figure 30:** Central Science Laboratory income in 2006-07

| Customer | (£ million) |
|---|-------------|
| Defra – Research, Development and Support | 32.9 |
| Food Standards Agency | 2.3 |
| Other UK government | 2.0 |
| EU | 3.0 |
| Overseas and commercial | 8.8 |
| Total | 49.0 |

For 2007-08, forecasts suggest similar splits in the income streams, and an overall turnover 2 per cent ahead at £50 million. Defra income is expected to decline to £32 million. Non-Defra income will increase to £18 million, within this is growth related to the Food Standards Agency and commercial business.

*Performance in 2006-07 against targets***Figure 31:** Central Science Laboratory performance in 2006-07 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 | |
| Delivery of project milestones | On target |
| Customer satisfaction survey | On target |

Key developments in 2006-07

Some key developments have been:

- the overall assessment from the CSL Science Audit, which took place during September 2006, stated that CSL is "clearly a national centre of excellence whose work and facilities are valued highly both in Europe and the wider international community. It is delivering high-quality science and working effectively with a diverse range of customers." A number of recommendations were made to help CSL further improve its service and science quality, particularly in the area of communications, to both strengthen customer relations and raise CSL's profile. CSL will produce an implementation plan during 2007 to address these recommendations;
- negotiations with a private-sector diagnostics company concluded in the successful spin-out of our lateral flow device manufacturing facility in January 2007. The new company, called "Forsite" will be launched by Ministers in 2007;
- achievement of ISO 9001:2000 certification for our entire business operation; and
- our sustainable development action plan was assessed during 2006 and was judged to provide a good example for other agencies to follow. We also successfully obtained environmental standard ISO 14001 certification for our environmental management systems.

Looking forward to 2007-08

During 2007-08:

- in the context of the Laboratory Strategy programme and implementation of the Hampton Review of Regulation, Defra will be considering the business case for a new regulatory science agency created from the Central Science Laboratory, Pesticides Safety Directorate, the Plant Health and Seeds Inspectorate and the Plant Variety Rights Office and Seeds Division of Defra alongside an alternative, for PSD, of merger with the Health and Safety executive; and
- we anticipate continued growth in international development driven by EU expansion and quality issues in global trade.

Further information about CSL, and the Agency's Annual Report and Accounts, can be found at www.csl.gov.uk

Centre for Environment, Fisheries and Aquaculture Science

The Centre for Environment, Fisheries and Aquaculture Science (Cefas) provides multi-disciplinary scientific research, consultancy and high value technical services that support delivery of Government's objectives for the marine environment:

- conserving and enhancing the aquatic environment;
- promoting rational management of its natural resources; and
- protecting the public from aquatic contaminants.

In 2006-07, about 79 per cent of Cefas' 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 (3 per cent) and a variety of other organisations in the UK and overseas (5 per cent).

Funding in 2006-07

Figure 32: Centre for Environment, Fisheries and Aquaculture Science income in 2006-07

| Area | 2006-07 (£ million) |
|---|------------------------|
| Defra – research and scientific services, total | 34.3 |
| Food Standards Agency | 3.4 |
| Other UK government | 2.4 |
| European Union | 1.5 |
| Overseas and commercial | 1.7 |
| Total | 43.3 |

Performance

Figure 33: Centre for Environment, Fisheries and Aquaculture Science performance in 2006-07 against targets at March 2007

| Target | Performance |
|--|-------------|
| Fulfil commitments on time, within budget and to agreed standards of quality | On target |
| Provide a high standard of services to the satisfaction of customers | On target |
| Enhance scientific capability and reputation | On target |
| Recover the full cost of Cefas' services and invest for the future | On target |
| Operate with simple, reliable and effective processes | On target |
| Respect and help the agency's people to develop | On target |

Key developments in 2006-07

There were a number of key developments in 2006-07:

- science action plans were drafted to promote excellence in our science, foster innovation;
- an increase of £1.5 million (20 per cent) in competitively-won non-Defra income;
- Gershon efficiency savings delivered and exceeded;
- major projects have been initiated to deliver Cefas' business transformation in accordance with the agreed Laboratory Strategy Programme confirmed by Defra's Management Board and Ministers; and
- Defra customers and Cefas have signed a 10-year agreement covering the provision of a range of scientific services.

Looking forward to 2007-08

Key developments during 2007-08 will be to:

- progress delivery of key elements of the Cefas transformation plan. This includes progressing plans for the Waveney Campus co-location, meeting our £10.1 million target (£9 million is forecast for 2006-07) for non-Defra income and exceeding agreed Gershon Review efficiency savings;
- refresh our strategy and revise our organisational structure to reflect the direction set by Ministers and Defra, in particular ensuring that this direction and the associated challenges are understood across the agency so our people can see where they can make a contribution;

- review potential governance structures for the Agency;
- continue to deliver excellence in our science, foster innovation and implement remaining actions from the science audit;
- re-engineer research vessel services to improve its contribution to financial and scientific objectives;
- commence the implementation of a plan to relocate the majority of the Burnham-on-Crouch Laboratory staff and work to Lowestoft; and
- develop career planning, training and succession planning to provide a working environment where staff can reach their maximum potential, which includes building on the Professional Skills for Government initiative.

Information about Cefas, and the Agency's Annual Report and Accounts can be found at www.CEFAS.co.uk

Pesticide Safety Directorate

Pesticide Safety Directorate (PSD) responsibilities link directly to Defra's strategic priorities on sustainable farming and food, sustainable consumption and production, natural resource protection and better regulation.

The 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 the Europe Community; 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.

Funding in 2006-07

In 2006-07, about 55 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 contracts, and from contracts with Other Government Departments.

Figure 34: Pesticides Safety Directorate funding

| Area | 2006-07 (£ million) |
|------------------------------|------------------------|
| Fees | 3.4 |
| Levy | 3.9 |
| Defra | 5.3 |
| European Union | 0.5 |
| Other Government Departments | 0.2 |
| Total | 13.3 |

This broad balance of funding is expected to largely continue in 2007-08. PSD has reviewed its current fees and a new charging structure will be in force from 2007-08.

*Performance in 2006-07 against targets***Figure 35:** Pesticides Safety Directorate performance in 2006-07 against targets

| 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 and to cost. | On target |
| To secure UK's interests in negotiations on the revision of Council Directive 91/414/EEC and the Framework Directive on the Sustainable Use of Pesticides. | On target |
| To deliver EC 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 EU. | On target |
| To monitor and report the presence of pesticide residues and environmental effects and taking enforcement action as appropriate. | On target |
| To take forward the action plans under the strategy for the sustainable use of plant protection products. | On target |
| Contribute to publication of the Government's response to the Royal Commission on Environmental Pollution on pesticides and bystander exposure. | On target |
| To provide an information service on pesticide policy and regulation. | On target |
| To recover the full economic cost. | On target |
| Delivery of Defra efficiency targets during the period of the business plan. | On target |

Information about PSD, the Agency's Annual Report and Accounts and its performance in 2006-07 against targets can be found at www.pesticides.gov.uk

Key Developments in 2006-07

These include:

- the Government's Strategy for the Sustainable Use of Plant Protection Products was published and PSD has been taking forward the associated action plans;
- a new Code of Practice for Using Plant Protection Products was published and PSD, with stakeholders, have promoted its key messages to pesticide users;
- the Government's response to the Royal Commission on Environmental Pollution's report on Crop Spraying and the Health of the Residents and Bystanders was published and PSD has worked with the department in taking forward the key recommendations;
- the website was restructured in order to offer improved accessibility and usability in line with World Wide Web Consortium (w3c) guidelines, further enhancements were made to the public interest areas, and work to ensure documents are in Plain English continues;
- the Agency has appointed a Growers Champion and a Biopesticides champion;
- new Biopesticides scheme was launched;
- PSD's electronic records management system is now embedded successfully across the Agency;
- PSD continues to support Defra's sustainability aims through implementation of the Agency Sustainable Development Action Plan;
- PSD successfully completed EU funded Twinning Projects in training regulatory authorities in Slovakia, Slovenia, Croatia and Latvia; and
- PSD continues its work as the UK Competent Authority for detergents.

Looking Forward to 2007-08

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:

- consideration is being given to the creation of a new Defra regulatory agency from the current policy and operation activities of PSD, PHSI, PVS and CSL, and as an alternative, for PSD, merger with the Health and Safety Executive. We will work with the review teams to maintain and wherever possible enhance PSD's operation and future viability. We are committed to maintaining a viable and responsive business during this period of potential change, whilst minimising any impact on day to day business;
- we are committed to retaining our Investors in People status, for which we will see re-accreditation in Autumn 2007;

- the nature of PSD's evaluation work is undergoing continuing change. As the European 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 has appropriate skills and the expertise to deliver sound scientific decisions;
- PSD continue to work on implementation of the Government's recommendations in relation to the Royal Commission on Environmental Pollution's on Crop Spraying and the Health of the Residents and Bystanders report;
- PSD is a full cost recovery Agency. It operates on a Net Running Cost Control basis. This means that we can continue to carry out our core business effectively, and maintain our reputation lead in Europe, without the restriction of fixed budget constraints; and
- PSD continues to support Defra's aim of sustainable development. PSD's Sustainable Development Action Plan has been judged as gaining momentum by the Sustainable Development Council.

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 2006-07

In 2006-07, around 75 per cent of VMD's costs were met by Industry with the remaining 25 per cent being funded by Defra. We expect this balance to shift increasingly towards industry over the next 12 months. The VMD also received reimbursement for assessment work performed on behalf of the European Medicines Evaluation Agency. Overall cost recovery for 2006-07 is expected to be 99.2 percent.

Figure 36: Veterinary Medicines Directorate funding 2006-07

| Area | (£ million) |
|--------------------|-------------|
| Fees from industry | 10.3 |
| Defra | 3.5 |
| Total | 13.8 |

Performance in 2006-07 against targets

Figure 37: VMD performance in 2006-07 against targets

| Target | Performance |
|--|-------------|
| Authorise veterinary medicines against legislative requirements according to published targets and fees and monitor their safe field use through pharmacovigilance. | On target |
| Ensure that UK policy objectives are reflected in EC legislation and that UK authorised veterinary medicines are safe for animal health and welfare, human health and the environment. | On target |
| Ensure that UK policy objectives are reflected in EC legislation and that UK authorised veterinary medicines are safe for animal health and welfare, human health and the environment. | On target |
| Actively monitor the safe use of veterinary medicines authorised in the UK. | On target |
| Recover the full cost of our operations from the industry and Defra. | On target |

Key developments in 2006-07

Key developments during the period of this report included:

- the Veterinary Medicines Regulations 2006 came into force in October 2006 and introduced changes to clarify some of the provisions of the 2005 Regulations following additional comments from stakeholders. They are the result of the anticipated annual update to the Regulations and provide a single set of current legislation on veterinary medicines;
- Ministers suspended the Marketing Authorisations for Cypermethrin sheep dips following reports of environmental incidents from their use. A Pollution Reduction Programme has been established with the Environment Agency and stakeholders to try to determine if these dips can be used in an environmentally sustainable way;

- the implementation of the small animal exemption scheme;
- the implementation of a blood bank scheme intended primarily for companion animals;
- the implementation of a menu based fee system to bring the cost of applications for new Marketing Authorisations more in line with the volume of work required to consider them;
- the instigation of a change programme aimed at ensuring the VMD is in a good position to deal with developments over the next five to ten years;
- following the coming into force of the Freedom of Information legislation in January 2005 we have dealt with 8,686 requests within existing resources;
- accreditation under BS7799 Security Standard for the provision of IT systems and services was maintained; and
- Investors in People accreditation was renewed to a higher standard following an inspection against IIP profiles.

Looking forward to 2007-08

The VMD Business Plan is available on the VMD's website and 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 affect on the volume of licensing work the VMD receives;
- the outcome of the public consultation in 2008 on the future structure of the VMD following the recommendations contained in the HM Treasury Report entitled *Reducing Administrative Burdens: Effective Inspections and Enforcement*; and
- the continuing development of a European Network of medicine regulatory authorities, the European Technology Platform and the continuing expansion of the European Union.

Animal Health

Animal Health (AH) (an enlarged agency formed in April 2007 from the merger of the State Veterinary Service, Dairy Hygiene and Egg Marketing Inspectorates and the Wildlife Licensing and registration Service) 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. The Agency 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. We regulate the trade in endangered species and in England and Wales work to protect public health by ensuring that dairy hygiene and egg production standards are met.

The tables below show expenditure and projected performance for the former State Veterinary Service prior to the launch of the expanded agency.

Funding in 2006-07

Figure 38: State Veterinary Service expenditure in 2006-07

| Area | £ millions |
|---|------------|
| Staff costs | 54.6 |
| Local Veterinary Inspector costs | 26.1 |
| Other (including expenditure for Disease Outbreaks) | 14.3 |
| Total | 95.0 |
| Capital | 6.8 |

*Performance in 2006-07 against targets***Figure 39:** State Veterinary Service Performance in 2006-07 against targets (position as of January 07)

| Targets | Performance |
|--|---|
| Implementation of the Animal Health and Welfare Strategy for Great Britain by carrying out surveillance and monitoring programmes and facilitating the development of regional action plans. | On target |
| Implementing specific animal and public health policies in relation to scrapie, BSE and bovine TB. | On target. Where TB is suspected at slaughter, the agency is falling short of the annual target to restrict 98 per cent origin herds within 2 working days but can demonstrate a considerable improvement through the year. All other targets in this area are on course to be met. |
| Strengthening emergency preparedness by implementing a coordinated programme of exercises, meeting agreed standards for readiness and resilience, and by enhancing poultry culling capability. | On target |
| Protecting animal welfare by meeting agreed response and resolution timescales and by taking appropriate remedial action. | On target. Central monitoring of remedial actions taken to prevent deterioration of less severe breaches of welfare law begin early in 2007. |
| Facilitating international trade by issuing export documentation within agreed timeframes. | On target |
| Delivering business improvement by benchmarking customer satisfaction levels and meeting key service standards. | On target. Only a small fraction of correspondence and complaints fail to be addressed within 15 working days, and where this occurs the reasons are investigated. |

Key developments in 2006-07

Notable achievements include:

- the appointment of Readiness and Resilience Managers to Divisional offices and the recruitment of HR Business Partners;
- Business Reform Programme launched. This will modernise the agency's information and communications technology and transform its service delivery model, increasing its ability to deliver a professional and responsive service to the customer;
- the agency dealt successfully with a number of disease outbreaks, including H5N1 in Fife and H7N1 in East Anglia in April, Newcastle disease in East Lothian in October and H5N1 in East Anglia in March;
- actively managing collection for the wild bird survey. In response to the threat from Bluetongue the agency had conducted more than 2,300 post-import checks on animals by January;
- responding effectively to the resumption of live calf exports, handling up to 9,700 export checks per week; and
- commencement of sampling for the Gamma-Interferon TB test. By January some 3,800 samples had been collected for testing by VLA .

Looking forward to 2007-08

Key challenges in 2007-08 will include:

- managing progression as an enlarged agency 'Animal Health', incorporating the Dairy Hygiene and Egg marketing Inspectorates and the Wildlife Licensing and Registration Service.
- developing an action plan to improve field response capability;
- progressing the programme of transformational change and identifying opportunities for Better Regulation;
- Implementing the Official Veterinarians Reform Programme, including the development of private practice quality assurance schemes; and
- delivering on its operational performance targets for TB control and for strengthening readiness and resilience.

Further information regarding Animal Health objectives and organisational structure can be found at www.defra.gov.uk/animalhealth

Marine and Fisheries Agency

The Marine and Fisheries Agency's (MFA) work includes the delivery of services such as inspections and enforcement; marine environmental work; vessel licensing quota management; grants; and statistics.

From 1 April 2007 the Agency's scope will be extended when it will be taking on additional responsibilities for management and monitoring of marine environment

activities. These additional responsibilities are the marine consents and licensing work (previously undertaken by core-Defra); licensing of marine aggregates dredging from the Department of Communities and Local Government; and monitoring, control and enforcement of the offshore marine regulations for implementing the EU Habitats and Wild Birds Directive.

Further details can be found on its website at: www.mfa.gov.uk.

The Agency's vision is:

- to be a key partner in the management of marine fisheries;
- to contribute to the sustainable use of the marine environment;
- to enforce fisheries regulations professionally, consistently and fairly; and
- to provide specialist information and advice that facilitates the development or effective policy.

Funding in 2006–07

Figure 40: Marine and Fisheries Agency Funding for 2006-07

| Area | (£ million) |
|---|-------------|
| Running costs | 6.9 |
| Surface Surveillance | 5.9 |
| Aerial Surveillance | 1.8 |
| Satellite Monitoring | 0.3 |
| IT Project and system management | 0.9 |
| Structural grants under Financial Instrument for Fisheries Guidance | 9.3 |
| Total gross | 25.1 |
| Less EU contribution | 7.1 |
| Total net | 18.0 |

The Marine and Fisheries Agency coordinates 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 the eligibility of EU Aid Expenditure for implementation, control, inspection and surveillance system applicable to CFP.

This fund provides support for certain forms of investment in public authorities' capability to enforce EU Fisheries Regulations.

Figure 41: Performance in 2006-07 against targets

| Target | Performance |
|--------------------------|-------------|
| Fishing vessel licensing | On target |
| Quota management | On target |
| Enforcement on land | On target |
| Process grants | On target |
| Fisheries data | On target |
| Marine environment | On target |

Targets are monitored throughout the year, with variations in performance being seen. However, annual performance targets are expected to be met.

Key Developments in 2006-07

These include:

- implementation of UK-wide IT systems for cross-checking of key management data;
- the creation of a National (England & Wales) Strategic Liaison Group comprising MFA, Sea Fisheries Committees and the Environment Agency to increase inter-agency cooperation for more effective fisheries enforcement, a better service for the fishing industry and greater value for money;
- simplification to the arrangements for issue of fishing vessel licences; and
- agreement of European Fisheries Fund regulation 2007-2013.

Looking forward to 2007-08

The key challenges are:

- managing the remaining budget of the 2000-2006 Financial Instrument for Fisheries Guidance (FIG) grant scheme (payments will continue into 2008) and preparing for the closure of the scheme (ie the final audit of the whole scheme);
- the launch of the 2007-2013 European Fisheries Fund (EFF);
- delivery of sole decommissioning scheme;
- further development of the Agency's website taking particular account of the Agency's increased role in relation to the marine environment;
- implementing biennial customer satisfaction survey;
- implementing biennial staff survey;
- strengthening of resources dedicated to tackling Illegal, Unreported and Unregulated fishing;

- integration into the Agency of new teams from core-Defra and DCLG; and
- marine aggregate dredging and monitoring, control and enforcement of new offshore marine regulations.

Government Decontamination Service

The purpose of the Government Decontamination Service (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 GDS is to be the United Kingdom's national centre providing access to expertise on dealing with the decontamination of the built and open environment following such incidents.

In its first full year of operation the GDS has validated its specialist supplier capability and set up its main operational procedures. These arrangements have been tested in exercise and whilst dealing with various incidents in the year. This includes the decontamination operation following a death from anthrax in Scotland and the aftermath of the Polonium-210 contamination in London. With the latter GDS Framework contractors provided additional sampling capability, at the request of the authorities, as well undertaking the decontamination of various buildings.

Funding in 2006-07

As part of the Defra with contribution received from other Government Departments. Total expenditure is estimated as £3.2 million.

Figure 42: Performance in 2006-07 against targets

| Target | Performance |
|--|--|
| To strengthen relationships with specialist suppliers. | On Target |
| To put in place and agree operational structures. | On Target but could be delayed by operational incidents. |
| To ensure that technical knowledge and expertise continues to improve. | On Target |
| To develop and implement an action plan following the 2005 staff survey and move GDS to a new headquarters building. | On Target |
| To lay the foundations for effective relationships with stakeholders and partners. | On Target |
| To operate within financial requirements and produce and implement an Efficiency Delivery Plan. | In progress with the efficiency plan and securing funding. |

Key Developments in 2006-07

These include:

- tested and exercised the specialist suppliers capabilities;
- agreed extensions of the supplier framework agreement with the Office of Government Commerce (OGC) and suppliers;
- participated in various incidents in addition to the ones mentioned above;
- completed recruitment and successfully occupied the new headquarters in Stafford; and
- tested the call-out procedures, the Emergency Operations Centre (EOC) and emergency arrangements.

The decontamination process will produce waste which will require specialist handling and treatment. GDS has worked with the Framework Suppliers to recognise and control the production and disposal of hazardous waste materials as far as its remit allows. On a general sustainability point the new GDS headquarters resulted from the refurbishment, by Defra Estates using Building Research Establishment Environmental Assessment Method standards of a surplus building on the MoD estate.

Looking forward to 2007-08

Some key challenges will be:

- implementing the lessons learnt from the incidents GDS worked on;
- developing the communications portfolio to maintain GDS activity with regional and local authorities recovery planning;
- assessing any capability gaps and procuring, with OGC, further suppliers for the framework; and
- developing the CBRN knowledge base and the Strategic National Guidance on decontamination.

Non-Departmental Public Bodies

Defra sponsors over 50 executive and advisory Non-Departmental Public Bodies (NDPBs), tribunals and public corporations and is responsible for approximately 600 appointments to those bodies.

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'.

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 delivery of the Government's England Forestry Strategy (EFS) through the public forest estate, the private sector and partnership-based initiatives.

The Forestry Commission contributes greatly to Defra's Strategic Priorities and to many of Defra's Public Service Agreement targets.

Achievements in Great Britain in 2006-07

The Forestry Commission:

- published an environmental policy statement for our activities;
- published a Simplification Plan to reduce the burden on business; and
- agreed an Action Plan for the next 7 years to implement the EU Forest Strategy and promote sustainable Forest Management across Europe.

What the Forestry Commission aims to do in Great Britain in 2007-08:

- develop a plan for the forestry sector response to climate change;
- implement a Development Strategy for Forest Research to diversify its income base;
- seek accreditation of our activities through an Environmental Management Scheme (as part of our Greenerways project);
- along with other partners develop a learning network of forest landscape restoration sites and tools;
- improve the effectiveness of how we communicate who we are, what we do, how we go about things, and the benefits that forests can bring.

Achievements in England in 2006-07

The Forestry Commission:

- supported Defra in the revising of the England Forestry Strategy (EFS);
- supported Government in responding to the Biomass Task Force Report and published a new *Woodfuel Strategy*;
- supported Defra in developing the role of woodlands and forests in the Rural Development Programme for England, including work with regional partners to produce Regional Implementation Plans;
- launched a new joint venture with the Camping and Caravanning Club to develop the Forest Holidays business;
- brought 1.4 million cubic metres of certified timber to the market and developed and delivered an 'e-business strategy' to cover our timber harvesting and marketing business;
- supported the 12 Community Forest partnerships to conclude the succession process which will guide their work after 2007;
- developed a robust process to monitor and evaluate greenspace projects and piloted it in the Thames Gateway with other partners;
- increased the number of partnerships with health trusts to provide more woodland opportunities for improved health and wellbeing;
- brought 83 per cent of Sites of Special Scientific Interest (SSSI) for which FC have statutory responsibility into favourable or recovering condition; and
- published a report on the restoration of 2000 ha of heathland on the public forest estate.

What the Forestry Commission aims to do in England in 2007-08:

- support Defra in completing the revision of the EFS and work with Natural England and others to develop a joint delivery plan;
- begin preparation of FC regional delivery programmes for the revised EFS which demonstrate appropriate alignment with national and Regional Forestry Framework priorities;
- develop a Climate Change Programme to include:
 - a system for climate-change proofing to aid forest management decisions;
 - development of baselines for carbon auditing of our work relating to forest management;
 - reduction of the environmental footprint of our activities;
- take the *Woodfuel Strategy* forward, in line with Ministers' wishes, into an implementation plan working closely partners – increasing the woodfuel contribution to renewable energy and enhancing the biodiversity of under-managed woodlands;
- absorb management of Defra's Farm Woodlands legacy schemes in FC's grants e-business system, delivering efficiency savings for the Defra family;
- advise Defra on the production of a Rural Development Programme for England; and work with Natural England and Regional Development Agencies to provide opportunities for woodland and forestry to contribute to all strands of the programme;
- improve the provision of wooded greenspace to local communities in support of Government's wider regeneration and development objectives;
- work with the Department of Communities and Local Government on a shared green-infrastructure exemplar to explore the role of trees and woodlands in the new Growth Points;
- develop a number of demonstration projects with partners to target those people currently under-represented in visits to woodlands;
- deliver a range of activities in the Active Woods Campaign to promote healthy living with a focus on dog ownership;
- bring 87 per cent of SSSIs, for which FC has statutory responsibility, into favourable or recovering condition; and
- in support of the updated *UK Biodiversity Strategy*, produce a policy statement and a strategic plan for open habitats with Defra and other partners.

Figure 43: The FC receives Parliamentary funding as part of the settlement received by the Secretary of State

| £ millions | 2005-06 Outturn | 2006-07 Supply Estimate | 2007-08 Budget |
|------------------------------------|--------------------|-------------------------------|-------------------|
| Source of Funds | | | (1) |
| Funding provided by Parliament | 80.8 | 83.9 | 88.7 |
| EU co-financing of Woodland Grants | 3.7 | 5.8 | 10.5 |
| Forestry Commission Receipts | 2.6 | 0.8 | 0.7 |
| Forest Enterprise Receipts | 47.3 | 49.4 | 50.9 |
| Total income | 134.4 | 139.9 | 150.8 |
| Use of Funds | | | |
| England Activities | | | |
| – policy, regulation and grants | 32.4 | 33.6 | 44.7 |
| – public forest estate | 84.7 | 88.1 | 87.9 |
| Expenditure – England activities | 117.1 | 121.7 | 132.6 |
| Expenditure – GB activities | 17.3 | 18.2 | 18.2 |
| Total Expenditure | 134.4 | 139.9 | 150.8 |

(1) The funding provided by Parliament includes an estimate relating to the transfer of Farm Woodland Schemes.

Further reports and more information can be found at www.forestry.gov.uk

Environment Agency

The Environment Agency (EA) is a key 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 2006-07

The Environment Agency's operating budget in 2006-07 amounted to just under £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 44: Defra funding for Environment Agency in 2006-07

| Area | £ million |
|--|--------------|
| Flood Defence | 419.2 |
| Environmental Protection (including conservation, navigation & recreation) | 129.3 |
| Fisheries | 5.9 |
| Total | 554.4 |

During 2006 and the first three quarters of 2007, the Environment Agency had a number of key achievements:

The total number of serious illegal waste dumping incidents fell significantly from 96 at the start of the year to 71 by the end of quarter three. The data indicates that the biggest number of incidents involved dumping of chemical drums followed by significant dumping of construction and demolition waste.

We protected 19,355 houses from flooding during the first three quarters of the year. We are making good progress with both large capital schemes and smaller capital maintenance schemes. We are on track with our programme of works for our top 30 capital schemes, some of which were delivered in advance in quarter two. We anticipate the year-end outcome will be in line with our target of protection of 30,000 homes.

Out of 327 flood plain development planning decisions received in the first 3 quarters by Local Planning Authorities to which we lodged an objection, 293 have been refused or amended in line with our advice. This is 31 ahead of our 80 per cent target of 262.

More rural land is covered by environmental agreements that protect soil and water. This is a new measure drawn from our new strategy and a high priority area of work for 2006-07. The target is for a minimum of 40 per cent of applications for Entry Level Schemes (in England) to include at least one resource protection management option for example soil and nutrient management plans. The target was met in 58 per cent of cases by quarter three.

Despite the volume of new sectors and regimes coming into regulation, we are above target for both Landfill and Process Industry permitting programmes.

Looking forward to 2007-08

The Environment Agency's priorities include:

- **Climate change:** ensuring the UK is prepared by adapting and building resilience to the impacts of climate change into our work programmes – principally for flood risk, water resources, waste management, land use and biodiversity. Continuing to administer the European Union Emissions Trading Scheme to control greenhouse gas emissions and reduce further global warming;
- **Flood risk management:** continuing to deliver our 'houses protected' targets, while improving the condition of our flood defence infrastructure and extending and improving the effectiveness of flood warning systems;
- **Environmental protection:** progressing and embedding modern risk-based regulation, preparing for and implementing the Water Framework Directive, and working to improve the environmental sustainability of agriculture;
- **Water resources:** streamlining regulation and ensuring water is used in a more sustainable way;
- **Navigation:** maintaining the increased level of investment in our navigation infrastructure in order to reduce the asset maintenance backlog and mitigate safety risks; and
- **Biodiversity:** working with Natural England and major landowners to improve the condition of Sites of Special Scientific Interest by tackling pollution, abstraction and flood management problems.

Further information can be found on EA's website at <http://www.environment-agency.gov.uk/>

Natural England

Natural England (NE) was created in October 2006, a merger of the Countryside Agency's landscape, access and recreation functions, with the activities of English Nature and the larger part of the Rural Development Service (RDS).

NE is an independent statutory Non-Departmental Public Body, building on the strengths of our founding bodies. Its remit is to ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations. This remit will be delivered so that it contributes towards sustainable development.

Since Natural England was launched in October 2006, we have:

- **Delivered Environmental Stewardship**, with 98,000 hectares now covered by the Higher Level Scheme (HLS), and the areas covered by the Entry Level Scheme (ELS) exceeding four million hectares. This is 43% of England's total agricultural area and we are well on our way to meet our 60% target in 2007-08;
- **Improved value for money**, by lessening the regulatory and budgetary burden on landowners. For example, the changes that we have already made to the process of HLS applications will avoid unnecessary cost of Farm Environment Plans;

- **Advised the Government** to introduce legislation to create a new right of public access to England's coastline along a continuous access corridor;
- **Worked with partners** to develop our approach to targeting incentives and advice. For example, we will work with the RSPB to address England's scarce and declining bird species, such as corn bunting and tree sparrows, and waders such as snipe, redshank and lapwings;
- **Integrated Catchment Planning**, launched the Catchment Sensitive Farming Project with the Environment Agency, and developed nine pilot projects, one in each region, to integrate wildlife, landscape and access objectives with resource protection measures. In four of the nine pilot projects, we are modelling the impacts of a warmer climate and developing a vision for a landscape resilient to climate change;
- **Launched the latest National Nature Reserve** in the Peak District in Dovedale in recognition of its diverse flower-rich grassland, ash woodlands and geology. The reserve supports a wide range of habitats typically found within the limestone dales of the Peak District and many of these are of national and European importance;
- **Become an active partner in Government**, and helped get a commitment to establish Marine Protected Areas in the Government's Marine White Paper. We have also played our part in gaining commitment from the Government for the inclusion of climate change adaptation in the Climate Change Bill;
- **Launched a health campaign**, reaching out to health professionals to increase their understanding of the health benefits of the natural environment. In time we hope that this will lead to an increase in patient prescriptions based around access to the natural environment;
- **Helped develop the Breathing Places campaign**, with the BBC and more than 300 other partners, to mobilise more than a million people to become involved in the environment; and
- **Developed a project with the Heritage Lottery Fund**, to improve access to the environment for people in the most deprived urban communities.

More information about Natural England can be found at <http://www.naturalengland.org.uk/>.

British Waterways

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 2006-07

Defra provided £55.5 million which contributed towards total BW expenditure in England and Wales in the order of £190 million.

Key achievements 2006-07

Some of BW's key achievements have been:

- development and roll out of BW's Customer Service Transformation Programme to deliver enhanced levels of customer service for the 300 million visits made to the waterways each year;
- implementation of business restructure to improve business efficiency and focus investment on maintaining and improving attractive waterways;
- the opening of two refurbished pubs as part of the Waterside Pub Partnership which is developing a national network of waterside pubs; and the working up a master plan for the development of Wood Wharf, a large regeneration site in London's Docklands;
- formation of a joint venture with the private sector to oversee the development of Gloucester's historic docks and waterside district;
- secured £70 million of external funding for six waterway restoration projects that will create new homes, jobs and improve the lives of people in Liverpool, Glasgow, Droitwich, Manchester and Stroud;
- acted as a direct enabler or facilitator to £6 billion of waterside regeneration around the country; and
- has worked closely with Defra in order to progress the recommendations of the 2004 review of BW which should provide it with a longer term funding agreement.

Looking forward to 2007-08

During 2007-08, British Waterways will:

- work with Defra to implement recommendations of the Policy Review of British Waterways;
- work towards achieving targets set out in its four-year plan, 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;
- delivering the waterway restoration projects for which funding has been secured; 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/>

Chapter 11: Core tables



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 and includes tables outlining how Defra spends its money by country and region.

The details of the Parliamentary Main Estimate and Resource Accounts are published separately.

Table 1 – Defra Total Departmental Spending

This table sets out a summary of the expenditure on functions which are now administered by the Department, covering the period from 2001-02 to 2007-08. Future year figures reflect the budgeted figures agreed with HM Treasury for the Department.

Table 2 – Defra Resource Budget DEL and AME

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.

Table 3 – Defra Capital Budget DEL and AME

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 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 2005-06

This table shows actual identifiable expenditure on services by function, country and region for 2005-06.

Commentary on core tables**Introduction**

HM Treasury guidance for departments on the Spring 2007 Departmental Report requires a commentary in support of the common core tables. HM Treasury publishes a glossary in the Public Expenditure Statistical Analyses report (Cm 6811) http://www.hm-treasury.gov.uk/media/377/49/cm6811_09_Appends.pdf 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.

The tables are split (and sub-analysed) by key areas of Departmental expenditure to be consistent with the layout of the Parliamentary Estimate and previous Departmental Reports. This year the tables have also been split between Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), these terms are explained in the following section.

Table 1 – Total Departmental Spending

Background

Total departmental 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 HM Treasury via Spending Reviews (SRs) that cover three years. The most recent, Spending Review 2004, covers 2005-06 to 2007-08. DEL includes the accruals based consumption of the Non-Departmental Public Bodies (NDPBs) that the Department sponsors.

AME budgets are usually demand led and not easily controllable by departments so are set at the beginning of each year via the Parliamentary Main Estimate. They can be updated during the year via the Winter and Spring Supplementary Estimates, subject to approval by Parliament.

Defra has a very small AME budget. It is limited to the impact of the unwinding of the discount rate applied to the provision for the water industry closed pension fund (£56 million per annum) and the consumption of the Levy Funded Bodies (LFBs) that the Department sponsors (£57 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 resource outturn for 2006-07 is very close to the budget made available via the Spring Supplementary Estimate. Since the publication of the Spring Supplementary Estimates, HM Treasury has reduced the Department's DEL budget by £38 million in relation to British Waterways Board's cost of capital.

The estimated capital outturn for 2006-07 is more than the budget made available in the Spring Supplementary Estimate. The transfer of capital grants from resource to capital increased pressure in this area, coupled with uncertainty around a number of programmes.

The plans for 2007-08 agree with the 2007-08 Main Estimate.

Comparing the total resource budget for 2006-07, the estimated outturn is £338 million higher than the plans that were published last year. This is mainly due to:

- £305 million claim on the reserve to cover the potential disallowance which could be levied by the European Commission (EC) on payments accrued up to 31 March 2007 by the Department on the Common Agricultural Policy (CAP) Pillar 1 schemes, mainly the Single Payment Scheme (SPS) 2005 and SPS 2006;
- £50 million End Year Flexibility (EYF) which was drawn down in the Spring Supplementary Estimate to cover various administration costs;

- £56 million increase to AME to cover the annual unwinding of the discount rate applied to the water industry closed pension fund;
- £38 million reclassification of cost of capital charges in respect of the British Waterways Board from Non-Budget to DEL;
- £99 million switch from resource to capital in respect of some of the Environment Agency's capital works.

Comparing the total capital budget for 2006-07, the estimated outturn is £131 million higher than the plans that were published last year. This is mainly due to the switch of £99 million from resource to capital mentioned above and £25 million EYF drawn down in the Winter Supplementary Estimate for the Rural Payments Agency (RPA) computer systems to support payments under the CAP.

The switch from resource to capital for some of the Environment Agency's capital works was also the main reason for the increase in the capital budget for 2007-08. The corresponding decrease to the resource budget for 2007-08 was lower as this adjustment was partially offset by £56 million to cover the annual unwinding of the discount rate applied to the water industry closed pension fund.

Comparisons – backward looking

Since the last Departmental Report, there has been a switch of £9 million from resource to capital for 2001-02 outturn. This is due to a change in the budgeting rules for the profit and loss on disposal of fixed assets. There has also been an increase to all previous years outturn due to the reclassification of the Department's cost of capital charge in respect of the British Waterways Board from Non-Budget to DEL.

The breakdown of the 2004-05 outturn between the business areas has been realigned since the last Departmental Report.

The actual resource outturn for 2005-06 is £193 million lower than the estimated outturn published in last year's report. The actual capital outturn for 2005-06 is £178 million higher than the estimated outturn published in last year's report. This is largely due to the Environment Agency's capital works expenditure moving from resource to capital in-year.

Table 1 Total Departmental Spending

£'000

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 Estimated | 2007-08 |
|---|------------------|------------------|------------------|------------------|------------------|----------------------|------------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Outturn | Plans |
| Resource budget | | | | | | | |
| Resource DEL | | | | | | | |
| Animal Health and Welfare | 496,159 | 349,624 | 273,379 | 257,084 | 355,810 | 318,629 | 401,270 |
| Environmental Protection | 568,689 | 660,213 | 646,165 | 1,009,079 | 961,541 | 1,247,391 | 1,322,669 |
| Sustainable Farming Food and Fisheries | 92,916 | 111,128 | 128,381 | 137,110 | 85,089 | 107,782 | 89,348 |
| Natural Resources and Rural Affairs | 374,830 | 398,015 | 426,315 | 369,927 | 532,171 | 563,252 | 552,047 |
| Departmental Operations | 220,497 | 328,775 | 309,473 | 380,905 | 296,652 | 355,213 | 259,435 |
| Rural Payments Agency | 517,063 | 449,880 | 590,397 | 592,628 | 499,478 | 589,438 | 242,282 |
| Other Executive Agencies | -5,836 | -5,659 | -6,382 | -1,693 | 9,588 | 12,242 | 36,893 |
| Total resource budget DEL | 2,264,318 | 2,291,976 | 2,367,728 | 2,745,040 | 2,740,329 | 3,193,947 | 2,903,944 |
| <i>of which: near-cash</i> | 2,535,558 | 2,027,458 | 2,144,463 | 2,413,473 | 2,292,814 | 2,564,305 | 2,608,720 |
| Resource AME | | | | | | | |
| Animal Health and Welfare | 210,200 | 34,028 | — | — | — | — | — |
| Environmental Protection | 981,565 | 2 | — | — | 54,900 | 55,599 | 55,600 |
| Sustainable Farming Food and Fisheries | 74,018 | 68,830 | 72,845 | 71,598 | 70,620 | 56,698 | 56,707 |
| Natural Resources and Rural Affairs | — | 90,323 | — | — | — | — | — |
| Rural Payments Agency | — | -141,814 | — | — | — | — | — |
| Total resource budget AME | 1,265,783 | 51,369 | 72,845 | 71,598 | 125,520 | 112,297 | 112,307 |
| <i>of which: near-cash</i> | 1,469,227 | 130,604 | 63,236 | 60,965 | 69,452 | 56,698 | 56,707 |
| Total resource budget | 3,530,101 | 2,343,345 | 2,440,573 | 2,816,638 | 2,865,849 | 3,306,244 | 3,016,251 |
| <i>of which: depreciation</i> | 125,166 | 152,377 | 139,057 | 199,500 | 140,687 | 183,214 | 205,082 |

Table 1 Total Departmental Spending (continued)

£'000

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|----------------|----------------|----------------|----------------|----------------|----------------------|----------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Capital budget | | | | | | | |
| Capital DEL | | | | | | | |
| Animal Health and Welfare | 304 | 409 | 10,625 | 22,673 | 15,782 | 10,694 | 5,300 |
| Environmental Protection | 335,333 | 298,236 | 402,922 | 356,396 | 641,323 | 742,246 | 752,980 |
| Sustainable Farming Food and Fisheries | 11,591 | 3,216 | 9,501 | 2,031 | 17,396 | 1,132 | 4,065 |
| Natural Resources and Rural Affairs | 33,024 | 18,776 | 44,792 | 28,641 | 64,978 | 36,439 | 29,200 |
| Departmental Operations | 44,610 | 59,871 | 20,349 | 46,182 | 61,719 | 55,364 | 84,587 |
| Rural Payments Agency | 7,726 | 9,526 | 35,928 | 7,362 | 5,271 | 29,774 | 5,120 |
| Other Executive Agencies | 21,739 | 27,061 | 37,821 | 24,700 | 25,821 | 26,654 | 24,900 |
| Total capital budget DEL | 454,327 | 417,095 | 561,938 | 487,985 | 832,290 | 902,303 | 906,152 |
| Capital AME | | | | | | | |
| Sustainable Farming Food and Fisheries | 1,338 | 1,317 | 1,317 | 1,396 | 2 | 850 | 846 |
| Total capital budget AME | 1,338 | 1,317 | 1,317 | 1,396 | 2 | 850 | 846 |
| Total capital budget | 455,665 | 418,412 | 563,255 | 489,381 | 832,292 | 903,153 | 906,998 |

Total departmental spending†

| | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Animal Health and Welfare | 704,873 | 382,070 | 282,263 | 279,757 | 368,099 | 329,323 | 406,570 |
| Environmental Protection | 1,827,404 | 888,448 | 968,547 | 1,279,169 | 1,584,796 | 1,950,677 | 1,979,849 |
| Sustainable Farming Food and Fisheries | 179,863 | 184,491 | 212,044 | 211,425 | 171,735 | 166,412 | 150,906 |
| Natural Resources and Rural Affairs | 404,803 | 503,667 | 468,494 | 395,081 | 586,893 | 596,221 | 577,760 |
| Departmental Operations | 223,913 | 333,558 | 307,162 | 337,343 | 340,839 | 344,501 | 312,946 |
| Rural Payments Agency | 518,262 | 310,276 | 612,441 | 599,990 | 489,105 | 619,212 | 247,402 |
| Other Executive Agencies | 1,482 | 6,870 | 13,820 | 3,754 | 15,987 | 19,837 | 42,734 |
| Total departmental spending† | 3,860,600 | 2,609,380 | 2,864,771 | 3,106,519 | 3,557,454 | 4,026,183 | 3,718,167 |
| <i>of which:</i> | | | | | | | |
| Total DEL | 2,593,479 | 2,556,694 | 2,790,609 | 3,034,175 | 3,433,100 | 3,913,036 | 3,605,014 |
| Total AME | 1,267,121 | 52,686 | 74,162 | 72,344 | 124,354 | 113,147 | 113,153 |

† Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 1 Total Departmental Spending (continued)

| | £'000 | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|----------------------|---------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Spending by local authorities on functions relevant to the Department | | | | | | | |
| Current spending | 3,246,441 | 3,482,752 | 3,847,091 | 4,097,596 | 4,440,827 | 4,699,135 | |
| <i>of which:</i> | | | | | | | |
| financed by grants from budgets above | -214,360 | -218,132 | -12,664 | 2,401 | 51,486 | 54,631 | |
| Capital spending | 141,874 | 172,775 | 301,070 | 415,912 | 433,185 | 484,450 | |
| <i>of which:</i> | | | | | | | |
| financed by grants from budgets above ^{††} | 72,751 | 78,548 | 158,244 | 121,880 | 143,677 | 141,808 | |

†† This includes loans written off by mutual consent that score within non-cash Resource Budgets and are not included in the capital support to local authorities line in table three.

Table 2 – Resource Budget DEL and AME

Expenditure on Animal Health and Welfare has risen over the last few years, mainly due to the introduction of the new BSE testing regime. The variance between BSE and Disease Prevention for the 2005-06 outturn is due to different assumptions being used when allocating spend between these two closely related areas. The increase in BSE for 2006-07 and 2007-08 is due to the transfer of budget for the Older Cattle Disposal Scheme (OCDS) and the Over Thirty Month Slaughter Scheme (OTMS) from RPA to show the increased spending on testing rather than compensation and disposal costs.

Expenditure on Environmental Protection continues to rise, driven by increased investment in Climate Change, Waste and Flood Defence. The decrease in 2005-06 outturn for the Water Directorate is due to the transfer of capital grants from resource to capital. The figures for 2006-07 and 2007-08 are much higher, partly due to increased spending in this area and partly because the transfer to capital for these years was lower.

Expenditure on Sustainable Farming Food and Fisheries has reduced, mainly due to the creation of the Marine Fisheries Agency and the corresponding transfer between Fisheries and Other Executive Agencies.

Expenditure on Natural Resources and Rural Affairs (NRRA) rose significantly in 2005-06 and remains at that level for succeeding years. This is largely because the policy area is retaining budgetary responsibility for a number of major programmes where it had recently passed the budget over to Rural Payments Agency. Examples of these schemes are the England Rural Development Plan and Structural Funds. Within the detail for NRRA, some Rural Policy capital grants have been switched from resource to capital and there has been a budget transfer between Rural Policy and Wildlife, Countryside and Better Regulation due to the Rural Development Service becoming part of Natural England on its formation.

The 2006-07 estimated outturn for Departmental Operations is higher than predicted in last years Report. This reflects a large proportion of the EYF drawdown in the Spring Supplementary Estimate being allocated to this area.

The increased expenditure in 2006-07 for RPA is due to increased provisions for potential disallowance of payments made to farmers under the EC SPS and other CAP schemes. The reduction in expenditure for 2007-08 is because it is anticipated that the current high level of provisions for CAP scheme disallowance will be considerably lower than at present.

Expenditure for Other Executive Agencies has risen steadily over the last few years. This is due to the creation of three new agencies, the Marine and Fisheries Agency, the State Veterinary Service (now renamed the Animal Health agency) and the Government Decontamination Service, whose functions were previously carried out within the core Department.

Table 2 Resource budget DEL and AME

| | £'000 | | | | | | |
|--|----------------|----------------|----------------|----------------------|----------------|----------------------|------------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Resource DEL | | | | | | | |
| Animal Health and Welfare | 496,159 | 349,624 | 273,379 | 257,084 | 355,810 | 318,629 | 401,270 |
| <i>of which:</i> | | | | | | | |
| Animal Welfare | 65,684 | 53,964 | 60,755 | 69,025 | 119,161 | 65,422 | 112,260 |
| BSE (and other TSEs) | 50,592 | 62,523 | 65,745 | 47,830 | 25,620 | 113,284 | 151,198 |
| Disease Prevention | 312,673 | 108,466 | 49,685 | 48,561 | 108,564 | 42,484 | 53,164 |
| Endemic Disease and Zoonoses (inc Bovine TB) | 33,870 | 67,137 | 56,381 | 41,316 | 35,488 | 62,234 | 43,811 |
| National Scrapie Plan | 8,000 | 10,878 | 15,808 | 26,310 | 27,261 | 7,179 | 17,824 |
| Animal Health and Welfare Administration Costs | 25,340 | 46,656 | 25,005 | 24,042 | 39,716 | 28,026 | 23,013 |
| Environmental Protection | 568,689 | 660,213 | 646,165 | 1,009,079 | 961,541 | 1,247,391 | 1,322,669 |
| <i>of which:</i> | | | | | | | |
| Environment Quality and Waste | 122,237 | 135,476 | 103,120 | 163,181 | 144,649 | 216,136 | 265,131 |
| Climate, Energy and Environmental Risk | 183,420 | 127,675 | 179,146 | 178,617 | 208,615 | 197,382 | 244,275 |
| Environment Protection Strategy | 122,896 | 167,323 | 145,318 | 62,816 ¹ | 164,399 | 172,840 | 144,694 |
| Water (inc Drinking Water Inspectorate) | 114,565 | 204,648 | 193,107 | 568,607 ² | 390,820 | 623,311 | 632,640 |
| Environmental Protection Administration Cost | 25,571 | 25,091 | 25,474 | 35,858 | 53,058 | 37,722 | 35,929 |
| Sustainable Farming Food and Fisheries | 92,916 | 111,128 | 128,381 | 137,110 | 85,089 | 107,782 | 89,348 |
| <i>of which:</i> | | | | | | | |
| European Union and International Policy | 358 | 383 | 351 | 366 | 875 | 1,069 | 769 |
| Food Industry and Crops | 39,042 | 44,916 | 56,139 | 44,526 | 45,086 | 37,604 | 34,340 |
| Sustainable Agriculture and Livestock Products | 10,274 | 12,390 | 12,352 | 24,541 | 8,450 | 11,625 | 13,750 |
| Fisheries | 23,602 | 26,907 | 35,083 | 41,446 | -9,036 | 22,279 | 8,108 |
| Sustainable Farming, Food and Fisheries Administration Costs | 19,640 | 26,532 | 24,456 | 26,231 | 39,714 | 35,205 | 32,381 |

Table 2 Resource budget DEL and AME (continued)

| | £'000 | | | | | | |
|--|------------------|------------------|------------------|------------------|----------------------|----------------------|------------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Natural Resources and Rural Affairs | 374,830 | 398,015 | 426,315 | 369,927 | 532,171 | 563,252 | 552,047 |
| <i>of which:</i> | | | | | | | |
| Land Management and Rural Development | 78,106 | 55,223 | 84,292 | 48,573 | 157,227 ³ | 180,479 | 190,363 |
| Wildlife, Countryside and Better Regulation | 89,623 | 92,967 | 119,813 | 111,410 | 174,332 | 248,415 | 251,506 |
| Rural Policy (inc Rural Development Service) | 189,871 | 231,375 | 201,521 | 195,577 | 176,094 | 122,019 | 85,443 |
| Natural Resources and Rural Affairs Administration Costs | 17,230 | 18,450 | 20,689 | 14,367 | 24,518 | 12,339 | 24,735 |
| Departmental Operations | 220,497 | 328,775 | 309,473 | 380,905 | 296,652 | 355,213 | 259,435 |
| <i>of which:</i> | | | | | | | |
| Science Policy | 32,935 | 62,419 | 67,846 | 55,202 | 51,087 | 62,466 | 59,223 |
| Developing Defra | — | — | 38,800 | 40,100 | — | — | — |
| Developing the Evidence Base | 11,316 | 9,670 | 11,558 | 10,631 | — | 5,140 | 6,887 |
| Other Activities (including administration costs) | 176,246 | 256,686 | 191,269 | 274,972 | 245,565 | 287,607 | 193,325 |
| Rural Payments Agency | 517,063 | 449,880 | 590,397 | 592,628 | 499,478 | 589,438 | 242,282 |
| <i>of which:</i> | | | | | | | |
| OTMS | 138,801 | 145,969 | 161,045 | 130,243 | 77,573 ⁴ | 1,836 | 2,000 |
| Direct Payments under CAP | 1,574,172 | 1,683,534 | 1,999,480 | 2,257,989 | 2,030,580 | 1,981,342 | 2,022,149 |
| CAP Income | -1,476,846 | -1,734,770 | -2,009,052 | -2,278,214 | -2,204,678 | -2,183,332 | -2,252,114 |
| Other Funding | 173,306 | 239,806 | 263,277 | 250,636 | 355,538 | 591,988 | 312,365 |
| Administration | 107,630 | 115,341 | 175,647 | 231,974 | 240,465 | 197,604 | 157,882 |
| Other Executive Agencies | -5,836 | -5,659 | -6,382 | -1,693 | 9,588 | 12,242 | 36,893 |
| <i>of which:</i> | | | | | | | |
| Other Executive Agencies | -5,836 | -5,659 | -6,382 | -1,693 | 9,588 | 12,242 | 36,893 |
| Total resource budget DEL | 2,264,318 | 2,291,976 | 2,367,728 | 2,745,040 | 2,740,329 | 3,193,947 | 2,903,944 |

Table 2 Resource budget DEL and AME (continued)

| | £'000 | | | | | | |
|---|----------------------|---------------|---------------|---------------|---------------|----------------------|---------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| <i>of which:</i> | | | | | | | |
| Near-cash | 2,535,558 | 2,027,458 | 2,144,463 | 2,413,473 | 2,292,814 | 2,564,305 | 2,608,720 |
| <i>of which:†</i> | | | | | | | |
| Pay | 612,787 | 606,566 | 605,753 | 679,339 | 943,565 | 803,194 | — |
| Procurement | 1,316,904 | 1,106,486 | 921,103 | 1,131,250 | 944,145 | 1,801,548 | 1,372,599 |
| Current grants and subsidies to the private sector and abroad | 704,809 | 567,405 | 532,929 | 496,595 | 318,835 | -200,159 | 296,010 |
| Current grants to local authorities | -214,360 | -218,132 | -12,664 | 2,401 | 51,486 | 54,631 | 17,469 |
| Depreciation | 125,166 | 152,377 | 139,057 | 198,850 | 139,519 | 183,214 | 205,082 |
| Resource AME | | | | | | | |
| Animal Health and Welfare | 210,200 | 34,028 | — | — | — | — | — |
| <i>of which:</i> | | | | | | | |
| Disease Prevention | 210,200 | 34,028 | — | — | — | — | — |
| Environmental Protection | 981,565 | 2 | — | — | 54,900 | 55,599 | 55,600 |
| <i>of which:</i> | | | | | | | |
| Climate, Energy and Environmental Risk | — | — | — | — | 54,900 | 55,599 | 55,600 |
| Environment Protection Strategy | 826,600 ⁵ | — | — | — | — | — | — |
| Water (inc Drinking Water Inspectorate) | 154,965 | 2 | — | — | — | — | — |
| Sustainable Farming Food and Fisheries | 74,018 | 68,830 | 72,845 | 71,598 | 70,620 | 56,698 | 56,707 |
| <i>of which:</i> | | | | | | | |
| Food Industry and Crops | 17,778 | 11,442 | 14,286 | 11,815 | 22,488 | 29,218 | 29,225 |
| Sustainable Agriculture and Livestock Products | 47,066 | 48,026 | 49,006 | 50,006 | 48,132 | 18,877 | 18,879 |
| Fisheries | 9,174 | 9,362 | 9,553 | 9,777 | — | 8,603 | 8,603 |

Table 2 Resource budget DEL and AME (continued)

| | £'000 | | | | | | |
|---|------------------|---------------------|------------------|------------------|------------------|----------------------|------------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Natural Resources and Rural Affairs | — | 90,323 | — | — | — | — | — |
| <i>of which:</i> | | | | | | | |
| Wildlife, Countryside and Better Regulation | — | 90,323 ⁶ | — | — | — | — | — |
| Rural Payments Agency | — | -141,814 | — | — | — | — | — |
| <i>of which:</i> | | | | | | | |
| Direct Payments under CAP | — | — | — | — | — | — | — |
| Other Funding | — | -141,814 | — | — | — | — | — |
| Total resource budget AME | 1,265,783 | 51,369 | 72,845 | 71,598 | 125,520 | 112,297 | 112,307 |
| <i>of which:</i> | | | | | | | |
| Near-cash | 1,469,227 | 130,604 | 63,236 | 60,965 | 69,452 | 56,698 | 56,707 |
| <i>of which:[†]</i> | | | | | | | |
| Pay | 17,461 | 12,260 | 15,448 | -10,400 | 36,104 | 21,962 | — |
| Procurement | 466,466 | 79,051 | 47,788 | 71,718 | 66,628 | 34,736 | 34,745 |
| Current grants and subsidies to the private sector and abroad | 985,300 | -51,030 | — | — | — | — | — |
| Current grants to local authorities | — | — | — | — | — | — | — |
| Depreciation | — | — | — | 650 | 1,168 | — | — |
| Total resource budget | 3,530,101 | 2,343,345 | 2,440,573 | 2,816,638 | 2,865,849 | 3,306,244 | 3,016,251 |

† The breakdown of near-cash in Resource DEL by economic category may exceed the total near-cash Resource DEL reported above because of other income and receipts that score in near-cash Resource DEL but are not included as pay, procurement, or current grants and subsidies to the private sector, abroad and local authorities.

1 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.

2 Figures include a baseline transfer from the then Office of the Deputy Prime Minister for flood management purposes.

3 2005-06 includes increased funding for the England Rural Development Programme, including the implementation of the new Entry Level Scheme.

4 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.

5 Provision for Environment Agency Closed Pension Scheme.

6 Pension Scheme transfer from English Nature to the Principal Civil Service Pension Scheme.

Table 3 – Capital Budget DEL and AME

Variances between the business areas for the 2005-06 outturn exist between the current tables and the tables published in last year's Departmental Report. This is due to the IT budget in the 2005-06 outturn for Departmental Operations being allocated out to the operating business areas, in last years tables the assumption was made that this budget would be centralised.

The capital spend under Animal Welfare relates to the Animal Health agency as this is where the plans are held on HM Treasury's database. The 2005-06 outturn for Disease Prevention relates to IT budgets for systems such as the Livestock Register and RADAR system. These budgets moved to Departmental Operations in 2006-07.

The recent increase in capital spend for Environmental Protection represents the increased investment in Warm Front and Carbon Trusts capital grants (Climate Energy and Environmental Risk), increased investment in Flood Defence and the transfer of capital grants from resource to capital (Water).

The increased capital spend for SFFF in 2005-06 mainly relates to the development of software to implement the live Whole Farm Approach portal in its initial phase.

The increase in Rural Policy reflects the transfer of capital grants from resource for 2005-06 onwards.

The increased capital spend for RPA in 2006-07 reflects the EYF claim in the Winter Supplementary Estimate for increased investment to support payments under the CAP.

Table 3 Capital Budget DEL and AME

| | £'000 | | | | | | |
|--|----------------|----------------|---------------------|---------------------|----------------|----------------------|----------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Capital DEL | | | | | | | |
| Animal Health and Welfare | 304 | 409 | 10,625 | 22,673 | 15,782 | 10,694 | 5,300 |
| <i>of which:</i> | | | | | | | |
| Animal Welfare | 109 | 126 | 5,192 | 18,767 ¹ | 8,280 | 10,694 | 5,300 |
| Disease Prevention | -44 | -51 | — | — | 7,502 | — | — |
| Endemic Disease and Zoonoses (inc Bovine TB) | — | — | 87 | 2,976 | — | — | — |
| National Scrapie Plan | — | 58 | 294 | 930 | — | — | — |
| Animal Health and Welfare Administration Costs | 239 | 276 | 5,052 | — | — | — | — |
| Environmental Protection | 335,333 | 298,236 | 402,922 | 356,396 | 641,323 | 742,246 | 752,980 |
| <i>of which:</i> | | | | | | | |
| Environment Quality and Waste | 19,700 | 36,649 | 90,081 ² | 49,792 | 68,896 | 72,585 | 58,317 |
| Climate, Energy and Environmental Risk | 158,775 | 155,737 | 182,972 | 160,702 | 193,080 | 361,794 | 381,000 |
| Environment Protection Strategy | 679 | 8,196 | 42,859 | 45,295 | 18,453 | 32,024 | 29,100 |
| Water (inc Drinking Water Inspectorate) | 155,746 | 97,154 | 86,736 | 100,607 | 360,894 | 275,843 | 284,563 |
| Environmental Protection Administration Cost | 433 | 500 | 274 | — | — | — | — |
| Sustainable Farming Food and Fisheries | 11,591 | 3,216 | 9,501 | 2,031 | 17,396 | 1,132 | 4,065 |
| <i>of which:</i> | | | | | | | |
| European Union and International Policy | — | — | — | — | — | — | — |
| Food Industry and Crops | 484 | 2,561 | 70 | 507 | 51 | 735 | 65 |
| Fisheries | 10,991 | 23 | 7,033 | 1,236 | 7,388 | 397 | 4,000 |
| Sustainable Farming, Food and Fisheries Administration Costs | 116 | 632 | 2,398 | 288 | 9,957 | — | — |

Table 3 Capital Budget DEL and AME (continued)

| | £'000 | | | | | | |
|--|----------------|----------------|---------------------|----------------|----------------|----------------------|----------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Natural Resources and Rural Affairs | 33,024 | 18,776 | 44,792 | 28,641 | 64,978 | 36,439 | 29,200 |
| <i>of which:</i> | | | | | | | |
| Land Management and Rural Development | — | 6,294 | 31,937 ³ | 23,821 | 22,427 | — | — |
| Wildlife, Countryside and Better Regulation | 11,706 | 11,768 | 10,262 | 4,068 | 20,496 | 7,085 | 5,442 |
| Rural Policy (inc Rural Development Service) | 21,252 | 639 | 1,181 | 752 | 22,055 | 29,354 | 23,758 |
| Natural Resources and Rural Affairs Administration Costs | 66 | 75 | 1,412 | — | — | — | — |
| Departmental Operations | 44,610 | 59,871 | 20,349 | 46,182 | 61,719 | 55,364 | 84,587 |
| <i>of which:</i> | | | | | | | |
| Science Policy | 8,241 | 7,678 | 5,170 | 4,958 | 8,442 | 6,042 | 7,600 |
| Developing Defra | — | — | 6,200 | 4,900 | 5,367 | — | — |
| Developing the Evidence Base | 1,699 | 1,573 | 402 | 279 | — | — | — |
| Other Activities (including administration costs) | 34,670 | 50,620 | 8,577 | 36,045 | 47,910 | 49,322 | 76,987 |
| Rural Payments Agency | 7,726 | 9,526 | 35,928 | 7,362 | 5,271 | 29,774 | 5,120 |
| <i>of which:</i> | | | | | | | |
| Other Funding | 7,726 | 9,526 | 35,928 | 7,362 | 5,271 | 29,774 | 5,120 |
| Other Executive Agencies | 21,739 | 27,061 | 37,821 | 24,700 | 25,821 | 26,654 | 24,900 |
| <i>of which:</i> | | | | | | | |
| Other Executive Agencies | 21,739 | 27,061 | 37,821 | 24,700 | 25,821 | 26,654 | 24,900 |
| Total capital budget DEL | 454,327 | 417,095 | 561,938 | 487,985 | 832,290 | 902,303 | 906,152 |
| <i>of which:</i> | | | | | | | |
| Capital expenditure on fixed assets net of salest | 182,615 | 168,267 | 191,616 | 191,946 | 217,197 | 177,856 | 178,750 |
| Capital grants to the private sector and abroad | — | — | — | — | — | — | — |
| Net lending to private sector | -63 | -73 | -28 | — | — | — | — |
| Capital support to public corporations | 1,810 | 1,330 | 1,000 | — | -3,584 | 6,266 | 9,048 |
| Capital support to local authorities† | 72,751 | 78,548 | 158,244 | 121,880 | 143,677 | 141,808 | 92,235 |

Table 3 Capital Budget DEL and AME (continued)

| | £'000 | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------------|----------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Capital AME | | | | | | | |
| Sustainable Farming Food and Fisheries | 1,338 | 1,317 | 1,317 | 1,396 | 2 | 850 | 846 |
| <i>of which:</i> | | | | | | | |
| Food Industry and Crops | -80 | -80 | -80 | 99 | — | 347 | 345 |
| Sustainable Agriculture and Livestock Products | 1,065 | 1,044 | 1,044 | 797 | 2 | 503 | 500 |
| Fisheries | 353 | 353 | 353 | 500 | — | — | 1 |
| Total capital budget AME | 1,338 | 1,317 | 1,317 | 1,396 | 2 | 850 | 846 |
| Total capital budget | 455,665 | 418,412 | 563,255 | 489,381 | 832,292 | 903,153 | 906,998 |
| <i>Of which:</i> | | | | | | | |
| Capital expenditure on fixed assets net of sales† | 183,953 | 169,584 | 192,933 | 193,342 | 217,199 | 178,706 | 179,596 |
| Less depreciation††† | 125,166 | 152,377 | 139,057 | 199,500 | 140,687 | 183,214 | 205,082 |
| Net capital expenditure on tangible fixed assets | 58,787 | 17,207 | 53,876 | -6,158 | 76,512 | -4,508 | -25,486 |

† Expenditure by the Department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

†† This does not include loans written off by mutual consent that score within non-cash Resource Budgets.

††† Included in Resource Budget.

1 Increase in funding for livestock identification.

2 All the local authorities' waste management was classified as capital.

3 Increase in funding for the England Rural Development Programme IT.

Table 4 – Capital Employed

The figures for 2005-06 and earlier are extracted from the audited Resource Accounts for those years, including those of the NDPBs that are not consolidated into Defra's own accounts but which form part of the DEL group.

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 increase in current assets and creditors due within one year for 2005-06 and 2006-07 relates to balances with the EC for CAP Pillar 1 payments. 2005-06 shows a much larger creditor and corresponding EC debtor figure because of the delays in making payments to land owners on SPS 2005 following the issue of their entitlements in February 2006. The creditor is higher than the debtor because this also includes a creditor with HM Treasury, as the Department has to surrender this EC income as a Consolidated Fund Extra Receipt (CFER). There is also a relatively high level of accrued payments and income for 2006-07, but still lower than 2005-06, as the timing of payments under the SPS has improved. Further improvements are anticipated for 2007-08, resulting in yet lower balances.

Provisions increased in 2003-04 due to the provision for the water industry closed pension scheme and again in 2005-06 and 2006-07 due to the CAP disallowance provision.

Table 4 Capital Employed

£'000

| | 2001-02 Outturn | 2002-03 Outturn | 2003-04 Outturn | 2004-05 Outturn | 2005-06 Outturn | 2006-07 Projected | 2007-08 Projected |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
| Assets on Departmental Consolidated Balance Sheet at end of year | | | | | | | |
| Fixed Assets | | | | | | | |
| Intangible | 5 | 6 | 13 | 16 | 17 | 16 | 15 |
| Tangible | 520 | 599 | 741 | 813 | 893 | 844 | 799 |
| <i>of which:</i> | | | | | | | |
| Land and Buildings | 372 | 383 | 444 | 461 | 563 | 562 | 562 |
| Vehicles, Plant and Machinery | 6 | 35 | 33 | 31 | 30 | 24 | 19 |
| Equipment and IT | 142 | 181 | 264 | 321 | 300 | 258 | 218 |
| Investments | 2 | 16 | 16 | 12 | 11 | 11 | 11 |
| Liabilities and Current Assets | | | | | | | |
| Current Assets | 1,062 | 1,417 | 983 | 1,486 | 4,429 | 3,052 | 1,452 |
| Creditors (<1 year) | -909 | -1,378 | -944 | -1,512 | -6,120 | -3,000 | -1,450 |
| Creditors (>1 year) | -20 | -42 | -38 | -25 | -21 | -21 | -21 |
| Provisions | -345 | -238 | -1,038 | -1,125 | -1,319 | -1,564 | -1,559 |
| Capital Employed within the main Department and Executive Agencies | | | | | | | |
| | 315 | 380 | -267 | -335 | -2,110 | -662 | -753 |
| NDPB Net Assets | 1,955 | 1,984 | 2,150 | 2,336 | 2,387 | 2,496 | 2,719 |
| Total Capital Employed within the Departmental Group | 2,270 | 2,364 | 1,883 | 2,001 | 277 | 1,834 | 1,966 |

Table 5 – Administration Costs

The layout of this note has changed since the last Departmental Report. Total administration expenditure and income are now shown gross whereas last year the income which the Department's net control agencies received from the core Department was included as offsetting expenditure.

As mentioned previously, there has been a switch of £9 million for the 2001-02 outturn to capital in line with a change to the budgeting guidance for the loss on disposal of assets, and the breakdown of the 2004-05 outturn between paybill and other has been realigned since the last Departmental Report to correctly match the published Resource Accounts.

The total administration budget is higher for 2005-06 and 2006-07. This is due to the drawdown of prior year underspends as additional administration budget through EYF.

Table 5 Administration Costs

£'000

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|----------------|----------------|----------------|----------------|----------------|----------------------|----------------|
| | Outturn | Outturn | Outturn | Outturn | Outturn | Estimated Outturn | Plans |
| Administration Expenditure | | | | | | | |
| Paybill | 229,295 | 231,743 | 235,212 | 249,071 | 265,479 | 260,702 | — |
| Other | 157,000 | 334,484 | 281,184 | 276,654 | 296,315 | 292,051 | — |
| Total administration expenditure | 386,295 | 566,227 | 516,396 | 525,725 | 561,794 | 552,753 | 512,472 |
| Administration income | -163,426 | -187,975 | -229,288 | -210,662 | -228,012 | -217,849 | -226,948 |
| Total administration budget | 222,869 | 378,252 | 287,108 | 315,063 | 333,782 | 334,904 | 285,524 |
| Analysis by activity | | | | | | | |
| Animal Health and Welfare | 25,340 | 52,956 | 25,005 | 24,042 | 39,716 | 28,026 | 23,013 |
| Environmental Protection | 25,571 | 25,091 | 25,474 | 35,858 | 53,058 | 37,722 | 35,929 |
| Sustainable Farming Food and Fisheries | 19,640 | 26,532 | 24,456 | 26,231 | 39,714 | 35,205 | 32,381 |
| Natural Resources and Rural Affairs | 18,431 | 18,450 | 20,689 | 14,221 | 24,518 | 12,339 | 24,735 |
| Departmental Operations | 127,887 | 247,221 | 185,883 | 211,449 | 194,592 | 217,930 | 165,781 |
| Other Executive Agencies | 6,000 | 8,002 | 5,601 | 3,262 | -17,816 | 3,682 | 3,685 |
| Total administration budget | 222,869 | 378,252 | 287,108 | 315,063 | 333,782 | 334,904 | 285,524 |

Table 6 Staff Numbers

| | | Staff-years | | | | | | | |
|--|----------------------|---------------|--------------------|---------------|---------------|---------------|---------------|--------------------|---------------|
| | | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| | | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Plans |
| Intervention Board | CS FTEs | 1,197 | 1,080 ⁷ | — | — | — | — | — | — |
| | 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 ³ | 6,855 | 7,970 ⁵ | 10,034 | 10,132 | 9,732 | 9,326 | 8,604 ⁹ | 8,746 |
| | Overtime | 180 | 777 ⁶ | 245 | 174 | 144 | 209 | 194 | 229 |
| | Casuals ¹ | 284 | 1,110 ⁶ | 925 | 642 | 775 | 1,004 | 670 | 369 |
| | TOTAL | 7,319 | 9,857 | 11,204 | 10,948 | 10,651 | 10,539 | 9,468 | 9,344 |
| Veterinary Laboratories Agency (Net Control Area) | CS FTEs | 1,127 | 1,160 | 1,244 | 1,303 | 1,244 | 1,210 | 1,226 | 1,210 |
| | Overtime | 22 | 77 | 26 | 25 | 35 | 35 | 34 | 34 |
| | Casuals ¹ | 28 | 20 | 36 | 32 | 17 | 20 | 24 | 20 |
| | TOTAL | 1,177 | 1,257 | 1,306 | 1,360 | 1,296 | 1,265 | 1,284 | 1,264 |
| ADAS / Farming and Rural Conservation Agency (Net Control Area) | CS FTEs | 670 | — | — | — | — | — | — | — |
| | Overtime | 6 | — | — | — | — | — | — | — |
| | Casuals ¹ | 76 | — | — | — | — | — | — | — |
| | TOTAL | 752 | — | — | — | — | — | — | — |
| Central Science Laboratory (Net Control Area) | CS FTEs | 594 | 598 | 642 | 646 | 644 | 635 | 628 | 632 |
| | Overtime | 4 | 32 | 8 | 8 | 8 | 8 | 8 | 8 |
| | Casuals ¹ | 36 | 40 | 47 | 32 | 41 | 44 | 52 | 53 |
| | TOTAL | 634 | 670 | 697 | 686 | 693 | 687 | 688 | 693 |
| Veterinary Medicines Directorate (Net Control Area) | CS FTEs | 126 | 110 | 116 | 124 | 125 | 128 | 136 | 144 |
| | Overtime | 1 | 1 | 1 | 1 | — | 1 | 1 | — |
| | Casuals ¹ | 1 | — | — | — | — | — | — | — |
| | TOTAL | 128 | 111 | 117 | 125 | 125 | 129 | 137 | 144 |
| Cefas (Net Control Area)⁴ | CS FTEs | 497 | 505 | 514 | 521 | 515 | 504 | 533 | 511 |
| | Overtime | 21 | 21 | 15 | 12 | 12 | 13 | 12 | 12 |
| | Casuals ¹ | 40 | 15 | 7 | 7 | 2 | 5 | 1 | 1 |
| | TOTAL | 558 | 541 | 536 | 540 | 529 | 522 | 546 | 524 |
| Pesticide Safety Directorate (Net Control Area)⁸ | CS FTEs | — | — | — | — | 182 | 191 | 181 | 182 |
| | Overtime | — | — | — | — | — | 1 | — | — |
| | Casuals ¹ | — | — | — | — | 8 | 7 | 7 | — |
| | TOTAL | — | — | — | — | 190 | 199 | 188 | 182 |
| Total Defra | | 10,568 | 12,436 | 13,860 | 13,659 | 13,484 | 13,341 | 12,311 | 12,151 |

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, renamed Animal Health on 1 April 2007), 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 Defra was created on 8 June 2001 from MAFF and approximately 650 staff from the Department of Environment, Transport and the Regions (DETR).

⁶ Includes FMD related work.

⁷ The IBEA was abolished on 15 November 2001 and its functions were taken over by the Rural Payments Agency (RPA).

⁸ PSD became a Net Control Agency from 1 April 2004.

⁹ The Rural Development Service (RDS) transferred from Defra to Natural England on 1 October 2006.

Tables 7, 8, 9 – Regional tables

There is a slight change in the regional tables from those tables published in last year's report. This is due to the non-identifiable expenditure being apportioned across the regions. This has occurred over all years.

Below is some explanatory text to accompany these tables:

- Tables 7, 8 and 9 show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2007. The figures were taken from the HM Treasury public spending database in December 2006 and the regional distributions were completed in January and February 2007. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.
- The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure of Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.
- TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2007.

- 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.
- 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 Department’s area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
- The functional analyses of spending in Table 9 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter 9 of PESA 2007. These are not the same as the strategic priorities shown elsewhere in the report.

Table 7 Environment, Food and Rural Affairs identifiable expenditure on services, by country and region

| | £ million | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| | 2001-02 Outturn | 2002-03 Outturn | 2003-04 Outturn | 2004-05 Outturn | 2005-06 Outturn | 2006-07 Plans | 2007-08 Plans |
| North East | 421.4 | 286.7 | 301.7 | 293.0 | 330.5 | 321.0 | 453.3 |
| North West | 803.7 | 645.0 | 585.8 | 603.6 | 827.7 | 935.2 | 955.0 |
| Yorkshire and Humberside | 973.9 | 742.0 | 576.4 | 698.9 | 685.2 | 597.7 | 600.2 |
| East Midlands | 608.7 | 468.1 | 498.5 | 532.6 | 524.3 | 472.9 | 482.8 |
| West Midlands | 633.7 | 423.8 | 452.6 | 465.1 | 580.9 | 539.8 | 554.3 |
| Eastern | 658.1 | 495.2 | 536.8 | 622.0 | 567.4 | 510.4 | 485.0 |
| London | 260.9 | 340.0 | 396.1 | 443.7 | 421.9 | 346.9 | 349.4 |
| South East | 634.6 | 511.7 | 571.0 | 738.2 | 676.4 | 665.1 | 686.1 |
| South West | 1250.3 | 944.5 | 895.6 | 901.4 | 1196.0 | 1174.8 | 1124.1 |
| Total England | 6245.3 | 4857.0 | 4814.5 | 5298.5 | 5810.3 | 5563.8 | 5690.2 |
| Scotland | — | — | — | — | — | — | — |
| Wales | — | — | — | — | — | — | — |
| Northern Ireland | — | — | — | — | — | — | — |
| Total UK identifiable expenditure | 6245.3 | 4857.0 | 4814.5 | 5298.5 | 5810.3 | 5563.8 | 5690.2 |
| Outside UK | — | — | — | — | — | — | — |
| Total identifiable expenditure | 6245.3 | 4857.0 | 4814.5 | 5298.5 | 5810.3 | 5563.8 | 5690.2 |
| Non-identifiable expenditure | — | — | — | — | — | 194.8 | 195.2 |
| Total expenditure on services | 6245.3 | 4857.0 | 4814.5 | 5298.5 | 5810.3 | 5758.6 | 5885.4 |

Table 8 Environment, Food and Rural Affairs identifiable expenditure on services, by country and region, per head

| | £'s per head | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| | 2001-02 Outturn | 2002-03 Outturn | 2003-04 Outturn | 2004-05 Outturn | 2005-06 Outturn | 2006-07 Plans | 2007-08 Plans |
| North East | 165.9 | 113.0 | 118.8 | 115.1 | 129.2 | 125.7 | 177.3 |
| North West | 118.7 | 95.1 | 86.1 | 88.4 | 120.9 | 136.1 | 138.6 |
| Yorkshire and Humberside | 195.7 | 148.6 | 115.1 | 138.7 | 135.3 | 117.1 | 116.9 |
| East Midlands | 145.3 | 110.8 | 117.2 | 124.4 | 121.7 | 109.1 | 110.7 |
| West Midlands | 120.0 | 79.9 | 85.1 | 87.2 | 108.3 | 100.5 | 102.8 |
| Eastern | 121.9 | 91.3 | 98.3 | 113.3 | 102.4 | 91.7 | 86.6 |
| London | 35.6 | 46.1 | 53.6 | 59.7 | 56.1 | 45.7 | 45.7 |
| South East | 79.1 | 63.6 | 70.7 | 91.0 | 82.8 | 81.1 | 83.2 |
| South West | 252.9 | 190.1 | 179.1 | 178.9 | 236.0 | 229.8 | 218.4 |
| Total England | 126.3 | 97.8 | 96.6 | 105.8 | 115.2 | 109.7 | 111.6 |
| Scotland | — | — | — | — | — | — | — |
| Wales | — | — | — | — | — | — | — |
| Northern Ireland | — | — | — | — | — | — | — |
| Total UK identifiable expenditure | 105.6 | 81.9 | 80.8 | 88.6 | 96.5 | 91.9 | 93.6 |

Table 9 Environment, Food and Rural Affairs identifiable expenditure on services by function, country and region, for 2005-06 (£ million)

| | North East | North West | Yorkshire and Humberside | East Midlands | West Midlands | Eastern | London |
|--|--------------|--------------|--------------------------|---------------|---------------|--------------|--------------|
| Environment, Food and Rural Affairs | | | | | | | |
| Enterprise and economic development | | | | | | | |
| Economic development and trade | 9.6 | 15.1 | 11.6 | 6.4 | 11.4 | 5.2 | — |
| Total Enterprise and economic development | 9.6 | 15.1 | 11.6 | 6.4 | 11.4 | 5.2 | — |
| Agriculture, fisheries and forestry | | | | | | | |
| Forestry | 107.5 | 212.2 | 252.7 | 246.3 | 228.3 | 241.4 | 61.3 |
| Market support under CAP | 17.0 | 106.1 | 46.2 | 33.4 | 34.6 | 28.9 | 33.1 |
| Other agriculture food fisheries policy | 80.5 | 139.4 | 185.9 | 132.2 | 172.1 | 166.2 | 188.7 |
| Total Agriculture, fisheries and forestry | 205.0 | 457.7 | 484.8 | 411.9 | 435.0 | 436.5 | 283.1 |
| Environment protection | | | | | | | |
| Environmental protection | 115.7 | 354.2 | 188.4 | 105.6 | 134.1 | 125.3 | 138.1 |
| Total Environment protection | 115.7 | 354.2 | 188.4 | 105.6 | 134.1 | 125.3 | 138.1 |
| Housing and Community amenities | | | | | | | |
| Other housing and community services | 0.2 | 0.5 | 0.4 | 0.3 | 0.4 | 0.4 | 0.6 |
| Total Housing and Community amenities | 0.2 | 0.5 | 0.4 | 0.3 | 0.4 | 0.4 | 0.6 |
| Total Education and training | | | | | | | |
| Primary schools | — | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |
| Total Housing and Community amenities | — | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |
| Total for Environment, Food and Rural Affairs | 330.5 | 827.6 | 685.3 | 524.3 | 581.0 | 567.4 | 421.9 |

Table 9 Environment, Food and Rural Affairs identifiable expenditure on services by function, country and region, for 2005-06 (£ million) (continued)

| South East | South West | England | Scotland | Wales | Northern Ireland | UK Identifiable expenditure | Outside UK | Total Identifiable expenditure | Not Identifiable | Totals |
|--|---------------|---------------|----------|-------|------------------|-----------------------------|------------|--------------------------------|------------------|---------------|
| Environment, Food and Rural Affairs | | | | | | | | | | |
| Enterprise and economic development | | | | | | | | | | |
| 6.7 | 6.0 | 72.0 | — | — | — | 72.0 | — | 72.0 | — | 72.0 |
| 6.7 | 6.0 | 72.0 | — | — | — | 72.0 | — | 72.0 | — | 72.0 |
| Agriculture, fisheries and forestry | | | | | | | | | | |
| 278.0 | 464.5 | 2092.2 | — | — | — | 2092.2 | — | 2092.2 | — | 2092.2 |
| 53.2 | 126.7 | 479.2 | — | — | — | 479.2 | — | 479.2 | — | 479.2 |
| 165.5 | 302.8 | 1533.3 | — | — | — | 1533.3 | — | 1533.3 | — | 1533.3 |
| 496.7 | 894.0 | 4104.7 | — | — | — | 4104.7 | — | 4104.7 | — | 4104.7 |
| Environment protection | | | | | | | | | | |
| 172.4 | 295.6 | 1629.4 | — | — | — | 1629.4 | — | 1629.4 | — | 1629.4 |
| 172.4 | 295.6 | 1629.4 | — | — | — | 1629.4 | — | 1629.4 | — | 1629.4 |
| Housing and Community amenities | | | | | | | | | | |
| 0.6 | 0.4 | 3.8 | — | — | — | 3.8 | — | 3.8 | — | 3.8 |
| 0.6 | 0.4 | 3.8 | — | — | — | 3.8 | — | 3.8 | — | 3.8 |
| Education and training | | | | | | | | | | |
| — | — | 0.5 | — | — | — | 0.5 | — | 0.5 | — | 0.5 |
| — | — | 0.5 | — | — | — | 0.5 | — | 0.5 | — | 0.5 |
| 676.4 | 1196.0 | 5810.4 | — | — | — | 5810.4 | — | 5810.4 | — | 5810.4 |

Appendices



Summary of progress against Spending Review 2004 Public Service Agreement targets

| Target | Performance |
|---|--|
| <p>1. To promote sustainable development across Government and in the UK and internationally, as measured by:</p> <ul style="list-style-type: none"> • 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. | <p>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.</p> <p>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 <i>UK Sustainable Development Framework</i> 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.</p> |
| <p>2. To reduce greenhouse gas emissions to twelve point five 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 (DTI) Department for Transport (DfT).</p> | <p>The Department is on course to achieve its Kyoto commitments, but more needs to be done to meet our carbon dioxide target.</p> |

| Target | Performance |
|--|---|
| <p>3. Care for our natural heritage, make the countryside attractive and enjoyable for all and preserve biological diversity by:</p> <ul style="list-style-type: none"> • 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. | <p>Farmland birds. <i>On Course</i>: 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.</p> <p>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.</p> <p>Sites of Special Scientific Interest. <i>Slippage</i>. The accurate baseline for this target was established in March 2003 as 56.9 per cent of the total area of SSSI's in target condition. The trajectory milestone of 78 per cent was not achieved, resulting in the assessment of slippage.</p> |
| <p>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.</p> | <p><i>Slippage</i>. Data is now available for both the baseline (1999-2003) and two data points (up to 2004-05) to measure against the baseline. Initial results show that there has been a reduction in the productivity gap, although this is not statistically significant at the 95 per cent significance level. A third data point (2005-06) will be available in spring 2008. Statistically robust evidence of reduction in the productivity gap will not be available until a third data point is used in the analysis.</p> <p>The introduction of the intermediary indicators will contribute towards the assessment of how Defra is contributing towards reducing the productivity gap.</p> |

| Target | Performance |
|--|--|
| <p>5. Deliver more customer-focused, competitive and sustainable farming and food industries and secure further progress via CAP and WTO negotiations in reducing CAP trade-distorting support.</p> | <p>Overall on course. Likelihood of delivery is heavily dependent on our ability to deliver a long-term change in behaviour in the food and farming industry and to demonstrate when our outcomes have been achieved.</p> <p>The SFFS programme remains the mechanism for delivery of PSA 5. The SFFS was reviewed in 2006 as part of the Defra Strategy Refresh. The refresh concluded that the SFFS approach is still valid, but that new priorities have arisen within it. The Secretary of State announced the refreshed priorities at the Oxford Farming Conference in January 2007.</p> <p>Implementation of the 2003 CAP reforms continued in 2006-07. Progress was also made on a number of new sectoral reforms. In March 2007, (after much negotiation) the Voluntary Modulation Regulation was adopted. As a result, UK regions will be able to expand their rural development programmes.</p> |
| <p>6. To enable at least 25 per cent of household waste to be recycled or composted by 2005-06, with further improvement by 2008.</p> | <p>On course. In 2005-06 26.7 per cent of household waste was composted or recycled in England. This is a 4.2 per centage point increase over 2004-05 figures and means Defra has met the first part of the target.</p> <p>To ensure that further improvement is made, in 2007-08 all local authorities must at least equal their 2005-06 targets and meet the minimum level of 20 per cent. This should help the poorest performers to close the gap with the better performers and raise the national performance significantly towards 30 per cent.</p> |

| Target | Performance |
|---|--|
| <p>7. Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy Objective. <i>Joint target with DTI.</i></p> | <p><i>Slippage.</i> Latest figures published in June 2006 indicated that the number of vulnerable households in fuel poverty in England in 2004 had held steady at one million households, down from 4 million in 1996. However, indications are that the unprecedented rises in energy prices may have increased the number of vulnerable households in fuel poverty by one million households between 2004 and 2006.</p> <p>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 <i>Warm Front Scheme</i> to target and assist those households most in need.</p> <p>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 seeking to meet this Public Service Agreement target.</p> |
| <p>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. <i>Joint target with Department for Transport.</i></p> | <p><i>On course.</i> Monitoring data shows Defra continued to meet the first targets for benzene, 1,3-butadiene, carbon monoxide and lead pollutants in the Public Service Agreement target and <i>Air Quality Strategy</i> in 2006. We are meeting objectives for all air pollutants in most parts of the UK. We are broadly on course to meet the remaining objectives but more will be needed to achieve those for nitrogen dioxide NO₂ and PM₁₀ in all parts of the country.</p> |

| Target | Performance |
|--|---|
| <p>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:</p> <ul style="list-style-type: none"> • a reduction of 40 per cent in the prevalence of scrapie infection (from 0.33 per cent to 0.20 per cent) by 2010; • a reduction in the number of cases of BSE detected by both passive and active surveillance to less than 60 in 2006, with the disease being eradicated by 2010; and • a reduction in the spread of Bovine TB to new parishes to below the incremental trend of 17.5 confirmed new incidents per annum by the end of 2008. | <p>Scrapie: <i>Slippage</i>: Moves to introduce EU-wide compulsory breeding programmes for scrapie resistance were abandoned in early 2006. Consequently, a review of the existing GB-wide Ram Genotyping Scheme was carried out. This recommended that two options for the future of the scheme (closure and a cost-shared animal health scheme) be put for public consultation. The consultation is due to be launched early in the summer of 2007.</p> <p>BSE: <i>Slippage</i> in relation to the 2006 target. The epidemic continues to show a steady decline but the number of BSE cases in 2006 slightly exceeded the 60 case target. There were 104 BSE cases in Great Britain in 2006 of which 87 were born before August 1996.</p> <p>BSE cases in Great Britain declined by 47 per cent between 2002 and 2003; by 44 per cent between 2003 and 2004; by 34 per cent between 2004 and 2005; and by 49 per cent between 2005 and 2006.</p> <p>Bovine TB: <i>On course</i>. At the end of 2006 approximately 3.5 per cent of British herds were under Bovine TB restriction due to a Bovine TB incident. Over 93 per cent of British herds were officially Bovine TB free at the end of 2006.</p> |

Health and Safety in Defra

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 our activities. During 2006, we continued to improve our performance and worked with other government departments and stakeholders to ensure that our policies and arrangements are in keeping with best practice. We have:

- reviewed and updated our fire audit arrangements to incorporate changes introduced by the Fire Safety (Regulatory Reform) Order 2004;
- withdrawn all smoking facilities within our buildings from December 2006 – the move has been received positively and is helping to create a clean air environment within our workplaces;
- reviewed and updated the health and safety arrangements in the our Disease Control Contingency Plan;
- reviewed arrangements for driving safely and safe management of fleet car drivers; and,
- audited health and safety arrangements using the Health and Safety Executive's Corporate Health and Safety Performance Indicator tool.

Accidents, work-related ill health and near misses, including dangerous incidents, and verbal abuse/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. During 2006, we had had no fatality or dangerous occurrence as defined under the Reporting of injuries, Diseases and Dangerous Occurrences Regulations 1996 (RIDDOR), nor been served with any health and safety enforcement notice or convicted of any breach of health and safety law. The number of accidents is set out in table below,

Figure 45: Health and Safety incidents: 1 January – 31 December 2006

| Type of Incident | No of Reports |
|---|---------------|
| Fatal injuries | 0 |
| Major injuries | 1 |
| Dangerous occurrences | 0 |
| Over 3 day injuries | 3 |
| Minor injuries | 36 |
| Near misses, (including verbal abuse) | 10 |
| Incidents of violence/aggression/verbal abuse | 3 |
| Road traffic accidents | 2 |
| Ill health cases | 18 |
| Total | 73 |

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