



House of Commons  
Environment, Food and Rural  
Affairs Committee

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# The Departmental Annual Report 2003: Government Reply to the Committee's Report

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## The Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

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### Committee staff

The current staff of the Committee are Gavin Devine (Clerk), Fiona McClean (Second Clerk), Jonathan Little and Dr Kate Trumper (Committee Specialists), Mark Oxborough and Louise Combs (Committee Assistants), and Anne Woolhouse (Secretary).

### Contacts

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# THIRTEENTH SPECIAL REPORT

The Environment, Food and Rural Affairs Committee reported to the House on *The Departmental Annual Report 2003* in its Report of Session 2002–03, published on 23 July 2003 as HC 832. The Government's Reply to the Report was received on 23 September 2003.

## Government response

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### Introduction

This is the Government's response to the Environment, Food and Rural Affairs Committee's Report (HC 832) on the Departmental Annual Report 2002-03 for the Department for Environment, Food and Rural Affairs.

The Department takes the Committee's comments seriously and will take them into account when drafting the next Departmental Annual Report.

### Response to Specific Recommendations

- 1. We are pleased to note that the 2003 Report represents a great improvement on last year's poor start for the new Department. (Paragraph 4).**

The Department is pleased to note the Committee's conclusion that this year's Departmental Report was much improved and intends to build on the best elements of this year's report at the same time noting the Committee's recommendations for future improvements.

- 2. We recommend that future departmental reports are arranged to provide a coherent commentary of performance against each of Defra's objectives, and highlight any key financial data relating to each objective. In addition we recommend that the Department review the quality control procedures used in the compilation of the report to ensure that the level and form of reporting is consistent throughout. (Paragraph 6).**

The Department accepts the Committee's recommendation that future Reports should provide a coherent commentary of performance against each of Defra's objectives. We intend to test this approach in this year's Autumn Performance Report, which provides an update of progress against our Public Service Agreement targets since the Departmental Report's publication.

Although this year's report contains more concrete financial information the Department will endeavour to improve the way that expenditure against particular objectives and programmes is shown in future Departmental Reports.

The Departmental Report is already subject to quality review procedures, but the Department accepts the Committee's recommendation that these should be reviewed. In fact the Department had already committed itself to carrying out a review in the guise of a 'lessons learnt' exercise. This review should enable the Department to produce a 'more polished' product in the guise of the 2004 Departmental Report.

**3. We warmly welcome the steps the Department is taking to match its policy priorities with appropriate resources and to develop its ability to respond to changes in priority. We expect there to be sufficient improvement in Defra's financial management to enable the Comptroller and Auditor General to issue a clear audit opinion in 2002-03 and beyond. We urge the Department to continue to attach a high priority to improving its financial management systems in order efficiently and effectively to deliver policy and programmes and ensure proper accountability to Parliament. (Paragraph 7).**

Defra is currently investing significant effort in order to improve management of financial resources. Funding has been set aside from the Developing Defra programme to ensure that systems and processes are aligned to meet the current and future reporting requirements of the Department. At the same time a development programme has been put in place to ensure that managers and staff with finance or budgetary responsibilities have the skills necessary to allow them to meet the challenges of Resource Accounting and Budgeting.

Improvements are already evident although the programme itself is not expected to finish before March 2006. In-year reporting has been strengthened with resource-based reports now being produced on a monthly basis. This will help provide managers with the information necessary to take informed financial decisions; and in particular to ensure that funding can be made available to meet emerging pressures or new priorities. Over the longer term we plan to take a more fundamental review of internal financial reporting so that it can properly support moves to strengthen programme and project management.

Securing an unqualified audit opinion on the Department's resource accounts remains a high priority. For 2001-02 the accounts were qualified as a result of two legacy issues:

- the reporting of payments associated with the 2001 Foot and Mouth disease outbreak; and
- the absence of figures for 2000-01 that would have shown the costs of the activities that were brought together with the creation of Defra in June 2001.

However the Comptroller and Auditor General's qualification of the accounts did not extend to the closing balance sheet. This gives the Department a good starting point from which to produce technically unqualified accounts for 2002-03 and beyond.

- 4. We welcome the results of the Joint Strategic Review and concur with the choice of key areas for the Department to focus on in its Developing Defra Programme. The programme is rightly very ambitious and has many components. We therefore ask the Department to keep us regularly updated about the programme's progress and what mechanisms are in place to measure its effectiveness. (Paragraph 8).**

We are pleased that the Committee takes such a positive view of the Developing Defra Programme. We agree that it is important for the Department to keep the Committee updated on progress on this key programme and we welcome the opportunity to follow up on the presentation made by key members of the programme team back in April. The Programme Director Francesca Okosi will make the necessary arrangements with the committee to ensure such an update takes place during the autumn.

In terms of the mechanisms which the Department will use for measuring effectiveness of the programme, we will be using our Corporate Balanced Scorecard<sup>1</sup> to track key indicators of effectiveness of the programme, based around the critical success criteria we have already identified for the programme in terms of its impact on delivery, staff, stakeholders and customers. The programme's new Governance arrangements will also allow the Change Programme Steering Group to act as an important 'sounding board' of key external stakeholder perceptions of the programme, through its attendance by Number 10, HMT and Cabinet Office colleagues.

- 5. Where delivery of policies or targets relies substantially on bodies outside the Defra family, we recommend that future Departmental Reports present a brief description of how Defra ensures that those bodies deliver effectively and where the lines of accountability lie. (Paragraph 10).**

Defra's ability to work with other bodies is of great importance in enabling the department to achieve our Public Service Agreement targets and deliver a quality service to the public.

An important area of activity for the 2004 Spending Review will involve the alignment of target setting with other government departments, agencies and other delivery agents so that all organisations are able to co-ordinate effort toward achieving aligned outcomes. In line with greater recognition of the importance of others to Defra's successful delivery of targets, the Department has made good progress in defining

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<sup>1</sup> The 'Balanced Scorecard' is an agreed set of measures and targets that provide managers with a comprehensive but timely view of an organisation's progress to delivering its strategic objectives.

delivery chains and the activities required to support those mechanisms. Reports on this work will be included in future departmental reports.

**6. We congratulate the Department on its reaccreditation as an Investor in People. Nevertheless there is still some work for it to do to bring about the cultural changes required for it to become the adaptable and forward-looking department it needs to be to deliver its objectives. (Paragraph 11).**

In gaining IiP reaccreditation, the lead external assessor Mr Bill Donnelly concluded in his corporate report:

“Whilst for a few, there remain doubts and inconsistencies, for most Defra employees it is becoming increasingly true that the future holds a positive and valued experience at work, and a career potential for those for whom that is meaningful.”

Defra is one of the few Departments in Whitehall to retain IiP and the first to formally accredit their internal reviewers. By using IiP internal reviewers in Defra we are ensuring that IiP principles are being thoroughly embedded in the culture.

Defra is working towards being an adaptable and forward thinking department by:

- bridging the gap between actual and desired culture in Defra by analysing existing culture, defining the desired culture and recommending actions required to bring it about and fill the ‘gap’;
- encouraging and supporting business areas to help them adapt the way they do their work to make them more efficient;
- working with four “beacon” areas<sup>2</sup> in Defra to enable them to become exemplars of change so that their learning can be shared and spread throughout the department;
- setting up and administering a Challenge Fund to encourage all business areas to improve the way they do business by challenging, supporting and resourcing people to dare to do their work differently and take on innovative work that normally would not be done as part of their business plans;
- enhancing Defra’s leadership and decision making capability to enable senior managers to act as role models for the rest of Defra who will lead the way the

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<sup>2</sup> The 4 Beacon areas are: Animal Health and Welfare Strategy, Waste Strategy, Sustainable Food and Farming Strategy and Rural Economies and Communities Directorate.

Department develops to ensure we deliver our objectives in a forward thinking and adaptable way;

- recognising and rewarding excellence in team performance through a new Team Award Scheme to commence in 2004-05; and
  - using staff surveys and the Balanced Scorecard to measure how quickly we are changing to the culture we desire and to measure the extent to which Defra is forward thinking, able to take measured risks and learn from mistakes.
- 7. We are concerned that there appears to be a shortage of staff within Defra with the necessary skills to develop policy across the Department's broad portfolio and to manage the volume of policy and legislation stemming from the European Union. We are encouraged that the Department seems to recognise this as an area that needs attention and we recommend that it address any shortfall in capacity as a matter of urgency. (Paragraph 13) .**

A major part of Defra's Pay and Workforce Strategy 2003-06 concentrates on addressing the skills required to meet the Department's broad portfolio. A Learning and Development Plan has been produced which focuses on these skills.

Programmes which have been designed to enhance skills are:

### **Leadership**

The Department ran a Sustaining Leadership Programme for members of the Senior Civil Service during 2001 and 2002 and has followed this up with its Senior Managers Leadership and Development Programme (SMLDP) which addresses leadership issues for the members of the Senior Civil Service and staff at Grade 6 and 7. It assesses leadership skills and provides an action plan to improve skills where necessary. This dovetails with active career management of members of the Senior Civil Service and other grades who will be critical to the successful delivery of the Department's objectives.

Below this level, management development has been reviewed and compulsory development and training for Senior Executive, Higher Executive and Executive Officers have been put in place. Strategic management workshops have already been held to rectify weaknesses identified in the Joint Strategic Review of the Department, which reported in the summer of 2002.

### **Strategy Skills**

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## **Programme and Project Management**

A PPM Centre of Excellence has been established in the Department in line with the recommendations made by the Office of Government and Commerce (OGC). Programme and Project Management (PPM) procedures will be used extensively for key programmes and projects and a detailed analysis of learning and development needs is currently being carried out as part of the Centre of Excellence's improvement plan aimed at embedding PPM in the Department and improving programme management and wider delivery capability.

## **Better Policy-Making and Delivery**

Development and training opportunities have been specifically identified in the Learning and Development Plan. Furthermore, a training package is in the process of being finalised following a successful pilot involving a number of policy divisions from across the Department. The training is aimed at embedding the 9 principles of modern policy-making as identified in the Cabinet Office report 'Professional Policy-making for the Twenty First Century' published in 1999. It also follows-up on the findings of last year's Defra/OPSR Joint Strategic Review which noted that policies should be more strategic, outcome focussed, joined-up and based on sound evidence. We plan to roll out the training package in the autumn.

In addition to the training package, policy-makers are supported by an on-line better policy toolkit bringing together tools, techniques and guidance on policy-making into one easy to use website.

## **Customer Focus and Service Delivery**

Targeted local training initiatives have been developed for those areas such as the State Veterinary Service and the Rural Development Service which deliver services to external customers. Lessons learnt from these initiatives will inform the design of learning and development across a wider section of Defra.

## **Influencing and Partnering Skills**

Improving Defra's influencing and partnering skills is a longer term goal reflected in our Learning and Development Strategy. Current skills levels are being tested as part of the Senior Managers Leadership and Development Programme. Analysis and design of specific training has been built into Defra's Learning and Development Plans.

## **Contract Management**

It is recognised that as more delivery is moved away from Defra to external partners, these skills will be needed and it is reflected in the Learning and Development Strategy.

## **Financial Management and Business Planning**

The Finance Planning and Resource Directorate have put in place a targeted training plan for managers with budgetary and key financial responsibilities.

## **IT Skills**

As new systems are introduced the volume of re-skilling amongst staff will increase. The Department will work with its external IT provider to ensure that this is met.

## **Professional and Specialist Development**

There are comprehensive development and training programmes for professional and specialist staff in the Department.

## **Interchange Strategy**

The Interchange Strategy has always included secondments to partner countries in the European Union (EU) and EU Institutions. The Strategy is being widened to reflect the need for relationship management and delivery skills. More interchanges will be arranged with our delivery partners who contribute to the delivery of Defra's PSA targets.

## **Defra's Competence Framework**

Defra's competence framework which is used to assess individual staff performance, has been designed to reflect the competencies and skills needed in today's civil service.

The Department will continue to monitor the skills needed to deliver the Department's programmes and will amend its Pay and Workforce, and Learning and Development Plans as necessary.

**8. Numbers of women at senior levels in particular seem unnaturally low. We are pleased that Defra is taking steps to ensure that recruitment and reward systems within the Department are fair and offer opportunities to benefit both the individual and the corporate capacity of the Department. (Paragraph 14).**

The Department takes its commitment to diversity and to tackling under representation of particular groups very seriously. We note the Committee's comments with regard to the numbers of women at senior levels and Defra's recruitment and reward systems.

The Department is determined to see an improvement in the number of women at senior levels. The position, and measures to ensure improvement, is under active review and will be considered by the Management Board this autumn.

- 9. PSA targets are only helpful for Parliament's scrutiny of Government if they relate to measurable, attributable outcomes. This is not the case for many of Defra's targets and we recommend that Defra move towards PSA targets that are more readily auditable. Departmental aspirations, such as a reduction in the cost of the CAP or improvements in rural productivity, should be articulated elsewhere. (Paragraph 15).**

The process of developing PSA targets for a complex remit such as Defra's means that in some cases a degree of generalisation is needed to allow sufficient scope to cover a range of outcomes. However, the details of Defra's PSA targets are clearly defined together with definitions of the scope and measurement processes in the PSA Technical Notes which are available electronically on:

<http://www.defra.gov.uk/corporate/busplan/sda/technotespsa0306.pdf>

Further clarity as to the outcomes that are being targeted can be found in Defra's supporting Service Delivery Agreement targets which can be viewed at:

<http://www.defra.gov.uk/corporate/busplan/sda/sda0306.pdf>

Defra's 2002 PSA targets were decided upon after a process of consultation and negotiation with Ministers, Defra's Management Board, and all business areas. Final decisions on the selection and number of these targets were agreed with HM Treasury. We will follow a similar process for the forthcoming 2004 Spending Review where we will review all existing PSA Targets and have detailed discussion over which we wish to drop, retain, amend, and smarten. Defra will continue to try to improve and smarten its targets wherever possible.

- 10. Defra recognises the flaws in its current fuel poverty target; we urge the Department to ensure that the targets it sets itself are a true reflection of what it intends to achieve. (Paragraph 17).**

The UK Fuel Poverty Strategy sets targets for eradicating fuel poverty in England by 2010 for vulnerable and 2016 for non-vulnerable households.

As part of the next Spending Round we will be looking at the development of a target, with a number of other Government Departments, to report on progress being made in eradicating fuel poverty.

- 11. We endorse the move to restrict the number of PSA targets for each Department, but it is essential that the Department strikes a balance internally between the need to deliver a range of programmes and policy objectives and the very public commitments made in key areas through the PSA. Equally this balance must be translated into the presentation of performance within the Departmental Report. We recommend that next year's report provide a full account of Defra's**

**performance against each objective, and that where there are no explicit PSA targets for key areas of activity Defra describe its progress against internal targets. (Paragraph 18)**

The Department agrees with the Committee's view about the need to achieve the right balance and notes the Committee's recommendation. The development of the SR2002 PSA targets demanded a degree of prioritisation to define the ten targets most suited to inclusion in the agreement. The result contains a mix of targets rolled over from the 2000 Spending Review Public Service Agreement, some improved or more challenging targets, and some new areas for targeted activity.

The ten targets in the final Public Service Agreement do not cover all of Defra's activities. This is because the development of a Public Service Agreement necessarily involves a degree of prioritisation and emphasis on top outcomes within the context of a limited number of targets.

Defra has a range of lower level Service Delivery Agreement targets which underpin our Public Service Agreement targets or support the achievement of other key outcomes. Where practicable the Department will report progress against these targets where there are no explicit Public Service Agreement targets for key areas of activity.

**12. Particular attention should be paid by the Department when reporting that performance has not met set targets. Future reports should contain some commentary about what the Department is doing to bring performance back on track. (Paragraph 19)**

The Department accepts this recommendation. Future guidance on developing the report will stipulate that progress against Public Service Agreement targets should outline whether the Department is on course (or not) to meet the target, and if we are not on course how we intend to remedy the situation. Ensuring that this information is included will form one part of our revised quality control procedures for developing future Departmental Reports.

**13. We recommend that the Departmental Report provide more information about how joint targets are to be delivered and how the performance of each department will be measured. (Paragraph 20).**

The growing recognition of the need to develop and work in partnership to deliver 'real world' outcomes is increasingly shaping how Defra plans its business and this will be reflected in future reports.

The Departmental Report includes examples of where Defra works in partnership with OGDs to deliver its joint targets. Of prime importance are Defra's joint PSA targets which are PSA 2 on Climate Change (shared with DTI) and PSA 8 on Air Quality (which we share with DfT).

In the context of joined-up service delivery across government, Defra expects to be able to produce much more detailed information about the delivery chains it relies on to achieve targets and how the department seeks to exert influence along those chains in future publications. This will also include consideration of how success can be monitored and measured.

Department for Environment, Food and Rural Affairs  
23 September 2003