



House of Commons
Environment, Food and Rural
Affairs Committee

The Departmental Annual Report 2005

Fourth Report of Session 2005–06

Volume I



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Environment, Food and Rural
Affairs Committee

**The Departmental
Annual Report 2005**

Fourth Report of Session 2005–06

*Report, together with formal minutes, and lists
of oral and written evidence*

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Environment, Food and Rural Affairs Committee

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Summary

Our report provides an overview of the performance of the Department for Environment, Food and Rural Affairs (Defra), as reviewed in Defra's Departmental Report 2005. It is one of a sequence of reports into Defra's Departmental Annual Reports.

Overall, the Department has made progress this year. We welcome the improvements made by senior managers to increase integration across the Department, particularly at senior grade level, and recommend Defra now focuses particularly on improving integration at junior grade level. We are also pleased at the progress Defra has made in the past year in increasing its influence across Whitehall. In particular, we consider the sustainable delivery action plans, which other Government departments are obliged to produce by December 2005, to be a significant development, and urge Defra to ensure that performance against the targets set out in the action plans is monitored vigorously. We agree with the Permanent Secretary, however, that Defra "can never have enough clout" in this area.

We are still concerned at Defra's performance in achieving some of its Public Service Agreement (PSA) targets. In particular, we are extremely disappointed that Defra has still not been able to assess progress against its PSA target relating to rural affairs, which went 'live' on 1 April 2003. We recommend the Department start to think now—in advance of the 2007 Spending Review—of a more appropriate PSA target relating to rural affairs. It should ensure that the baseline of, and progress made in achieving, any new target can be measured appropriately.

1 Introduction

1. One of the core tasks of select committees is to scrutinise the expenditure of Government departments and to monitor their performance against Public Service Agreement (PSA) targets.¹ The Environment, Food and Rural Affairs Committee carries out this task in two ways: through inquiries into particular aspects of the work of the Department for Environment, Food and Rural Affairs (Defra); and by carrying out a short inquiry each year into the Departmental Annual Report.²

2. Defra published its Departmental Report 2005 on 16 June 2005. Helen Ghosh, the recently-appointed Permanent Secretary at the Department, accompanied by its Director-General, Environment and its Chief Operating Officer, gave oral evidence to us on 16 November 2005. Prior to the session, the Committee—with the assistance of the House of Commons Scrutiny Unit—sent a list of preliminary written questions to Defra, highlighting several of technical details in the Departmental Report. The Department's response to these preliminary questions is published as written evidence along with this report.³ After the oral evidence session we asked Defra to respond to a number of questions we did not have time to raise during the meeting. The Department's response is also published as written evidence along with this report.⁴

Involvement of stakeholders

3. This year, we slightly changed our usual approach to this inquiry. We invited seven of Defra's major stakeholders to submit written evidence outlining their views of the Departmental Report. They were asked to consider issues such as: how user-friendly the Report is as a document, and how it could be improved; how accurately the Report reflects Defra's performance in their areas of interest over the last year; and whether the financial figures provided within the Report match up to their experience of departmental expenditure. We also asked whether stakeholders were not aware of the Departmental Report, or had never made use of it.

4. Two stakeholder organisations responded to our invitation: the Country Land and Business Association and the Campaign to Protect Rural England. Both organisations focussed on aspects of Defra policy in their written evidence, rather than the Departmental Report. Their written evidence is published with this report.⁵

1 Liaison Committee, Second Report of Session 2001–02, *Select Committees: modernisation proposals*, HC 692, para 16; Modernisation Committee, First Report of Session 2001–02, *Select Committees*, HC 224-I.

2 Environment, Food and Rural Affairs Committee, Sixth Report of Session 2001–02, *The Departmental Annual Report 2002*, HC 969; Twelfth Report of Session 2002–03, *The Departmental Annual Report 2003*, HC 832; and Fifteenth Report of Session 2003–04, *The Departmental Annual Report 2004*, HC 707.

3 Ev 1

4 Ev 40

5 Ev 55 [Country Land and Business Association]; Ev 56 [Campaign to Protect Rural England].

2 Presentation of the Departmental Report

5. In our previous reports, we have commented on the presentation of the Departmental Report and recommended how it could be improved in future years. We are pleased that, on the whole, the Department's report-writers have incorporated most of our recommendations in this area. Consequently there has been a steady improvement over the past few years in the Report's readability and lay-out, which has continued this year. In particular, we recommended last year that the Department should make clear within the main commentary of the Report exactly how it has performed against each Public Service Agreement (PSA) target, using the clear assessment that had until then been relegated to an appendix.⁶ This year, such information is indeed provided in the main commentary of the Report. **We are pleased that, once again, further improvements have been made to the 'look' of the Departmental Report. Overall, the Report is more accessible and readable than in previous years, and contains a great sense of narrative in its description of how Defra's work is linked together. We commend the Department's report-writers for incorporating many of our previous recommendations relating to the presentation of the Report.**

6. However, we commented last year that the 2004 Departmental Report—at 380 pages in length—was “more than long enough”.⁷ Whilst we applauded the Department's efforts to provide additional information to its stakeholders, we recommended that Defra should be “as concise as possible” in its Departmental Report, to “strike a balance between comprehensiveness on the one hand and accessibility and readability on the other”.⁸ This year's Report—at 372 pages—is only eight pages shorter. **As was the case last year, we believe the 2005 Departmental Report—at 372 pages—is too long. We understand there is a need to deal with all aspects of the Department's work; indeed, this was one of our recommendations on the 2002 Departmental Report. Nevertheless, the Departmental Report would benefit from being more concise and selective in the information it provides. We recommend that for those policy areas deemed to be of less importance—for example, issues not directly linked to Defra's Public Service Agreement targets—the Department should provide less information in the main commentary of the Report and include more web-link references.**

7. The Departmental Report includes a 15-page chapter solely on the Forestry Commission.⁹ We understand that this is due to an agreement between Defra and the Forestry Commission. We also note that the Forestry Commission already publishes its own Annual Report and Accounts.¹⁰ Most of Defra's other affiliated bodies—such as the Environment Agency and the Rural Payments Agency—are given only two to three pages each in the Report. **We strongly recommend that in future years the Forestry Commission's report is published separately from the Departmental Report, as occurs with Defra's other affiliated bodies. We believe this would improve the user-**

6 HC (2003-04) 707, Recommendation 1.

7 HC (2003-04) 707, Recommendation 2.

8 HC (2003-04) 707, Recommendation 2.

9 Defra, *Departmental Report 2005*, pp 221-236.

10 Forestry Commission, *Annual Reports and Accounts 2003-04*, January 2005, HC 208.

friendliness of the Departmental Report, not least by making it shorter. There would still be scope for a summary account of Defra's work with the Forestry Commission, which should be sufficient.

3 Financial management

Financial forecasting

8. We have previously commented on the fact that the Comptroller and Auditor General highlighted areas of weakness in Defra's 2001–02 Resource Accounts.¹¹ The National Audit Office had concerns about the systems of budgetary control in the Department and believed weaknesses in such control had led to a significant underspend in 2001–02. In the past three years Defra has worked hard to improve its financial management practices. In written evidence the Department told us it had “continued to develop its financial management approach” in 2004–05. For example, a new “integrated financial reporting system” had been implemented at the beginning of the year.¹² **We are pleased that financial measurement has improved significantly in the past three years. We support the efforts of senior staff to improve the situation still further.**

9. However, we again identified in this year's Departmental Report a number of discrepancies in figures relating to resource plans and administration costs. For example, the Departmental Report showed total public spending costs for 2003–04 were £4,996 million—a £643 million increase on the estimate for that year provided in the 2004 Departmental Report.¹³ In its written evidence, Defra said the difference was caused by a combination of changed expected expenditure due to Common Agricultural Policy reform and delays in the anticipated receipts from the winding up of the Water Industry closed pension fund.¹⁴ We identified three other similar discrepancies and asked Defra to provide explanations in its written evidence.¹⁵ We were satisfied with all of Defra's explanations, which were reasonable and comprehensive.

10. Nevertheless, these discrepancies do indicate that Defra needs to make further improvements to its financial systems and, in particular, to its forecasting and budgeting processes. This problem is highlighted by Defra itself in its 2004–05 Resource accounts.¹⁶ The accounts state that Defra commissioned Ernst & Young to undertake a review of the Department's planning and forecasting processes, and that Defra is in the process of implementing the review's recommendations. Improvements include “embedding a more consistent and robust approach to resource allocation, enhancing forecasting and other capabilities of financial software, undertaking more rigorous reviews of underspends, and the introduction of improved monthly financial reports to the [Management] Board”.¹⁷ In

11 HC (2002-03) 832, para 7.

12 Ev 8, para 43

13 Defra, *Departmental Report 2005*, table 1, p 277; estimate provided in Defra, *Departmental Report 2004*, table 1, p 233.

14 Ev 5, paras 25 and 29

15 Ev 6, paras 30-32

16 Defra, *2004/05 Resource accounts*, HC 445

17 Defra, *2004/05 Resource accounts*, HC 445, p 18

supplementary evidence, Defra said it had made “significant progress” on all the recommendations in the Ernst & Young Review, but more work was required in some areas.¹⁸ **Although financial management in general has improved within Defra, further improvements to the Department’s forecasting and budgeting processes are required. The Department is currently attempting to improve its financial forecasting by implementing recommendations set out in the Ernst & Young review. We look forward to further updates from Defra about the impact of these changes on its financial forecasting. We further recommend that in future Departmental Reports, Defra provide a commentary explaining significant differences between one year’s estimates and the resulting outturn.**

Efficiency savings

11. The Gershon Review of Efficiency was a major component of the 2004 Spending Review.¹⁹ As a result of the review, Defra aims to achieve £610m in annual efficiencies and 2,400 staff savings by 2007–08.²⁰ £299m of the £610m target will be achieved by local government, “mostly through efficiency gains on waste services”.²¹ In its written evidence, Defra said non-delivery of these efficiencies would “add a further pressure... given that the Department has a tight budget over the spending period”. It acknowledged, however, that it had “no power” to enforce action from local government.²²

12. In oral evidence, we pursued this matter further. We asked the Permanent Secretary and accompanying Defra officials how the Department expected to meet the efficiency savings if it had no power to enforce action from local authorities. Defra’s Director-General, Environment acknowledged this was “challenging”, but told us the Department had established various initiatives to assist local authorities in reaching their targets.²³ For example, as a result of work on Defra’s Waste Strategy, a Waste Implementation Programme team had already been set up, including people “from outside Government, from the private sector and from local authorities”, to “engage directly with local authorities, particularly those which are performing less well” in meeting their efficiency saving targets.²⁴ Similarly, a “programme of direct consultancy aid” had been established by the Department to help local authorities improve their efficiency performance.²⁵ Defra’s Director-General, Environment added that the Department looked “well on track” to meet the efficiency saving figure of £299 million by 2007–08.²⁶

13. We recognise the difficulties Defra faces in meeting its efficiency saving targets, as set out in the Gershon Review, given that achievement of almost half the £610 million

18 Ev 40, para 4

19 Sir Peter Gershon, *Releasing resources to the front line: Independent Review of Public Sector Efficiency*, July 2004. Available on the Treasury Internet site at www.hm-treasury.gov.uk

20 Defra, *Departmental Report 2005*, pp 244-246.

21 Defra, *Departmental Report 2005*, p 19

22 Ev 4, paras 15 and 19

23 Q 13

24 Q 13

25 Q 13

26 Q 13

target relies on the actions of local authorities in relation to waste management. We therefore welcome Defra's recent initiatives, such as the Waste Implementation Programme, to assist local authorities in achieving their individual targets.

14. Nevertheless, Defra still has no power to oblige local authorities to make savings. We therefore remain to be convinced that this third party approach towards achieving the Department's efficiency saving target will actually work. We recommend that the Department publish a report on how it is progressing towards meeting its efficiency targets.

15. We asked about the timetable for achieving the £299 million figure in waste services efficiencies by 2007-08. The cumulative targets for each year are set out in Table 1.

Table 1: Defra's annual targets for waste services efficiencies (cumulative figures)

	2004-05	2005-06	2006-07	2007-08
Efficiency saving target (£m)	52	135	217	299

Defra's Chief Operating Officer said the Department had met its £52 million target for 2004-05.²⁷ Nevertheless, he agreed with the Chairman's comment that Defra would have to "run harder and harder as the years go by" in order to meet its other targets.²⁸ The Department was therefore introducing "interventions... around things like [Private Finance Initiative], pilot projects, targeting poor performers, best practice guidance, and so on".²⁹ He was confident that "all of those things would deliver" savings in waste services of £299 million by 2007-08.³⁰ Defra's Efficiency Technical Note provides more information on how the Department aims to meet this target.³¹ In written evidence, the Department said it had made clear to local authorities that "savings should not be achieved at the cost of front line services".³² **We congratulate Defra for meeting its first year target of £52 million in waste services efficiencies. However, the targets for the next three years are more challenging. We recommend the Department strive to maintain, and expand, its various initiatives to assist local authorities—particularly those authorities performing less well—to ensure it meets its total waste services efficiency target of £299 million by 2007-08.**

16. We have noted that the £610 million efficiency savings target includes reductions of 800 staff from the core department and 1,600 from the Rural Payments Agency. We cover the impact of these staff reductions in paragraphs 28-30 below.

27 Q 24

28 Q 27

29 Q 27

30 Q 27

31 www.defra.gov.uk/corporate/busplan/efficiencynote-0410.pdf

32 Ev 44, para 23

4 Managing Defra

Integrating Defra

17. One of our consistent concerns has been to monitor the progress of Defra towards becoming a single, integrated organisation.³³ In our inquiry into the 2004 Departmental Report, the then Permanent Secretary said that the process of integration was going “pretty well”, given the circumstances of the “unplanned merger” of the Department in 2001, but acknowledged that further work needed to be done.³⁴

18. This year, Ms Ghosh echoed the previous Permanent Secretary’s views. She said that, on the whole, Defra’s progress since 2001 had been “a real success story”.³⁵ She was happy with the level of integration achieved within the Department under her predecessor, particularly at Senior Civil Service level and key Grade 7 posts. However, she noted that more needed to be done to ensure the Department was fully integrated, particularly amongst staff at junior levels.³⁶ She was confident that forthcoming structural changes within the Department—such as the merger of rural affairs and natural environment with sustainable farming and food into a single Directorate-General—and further use of cross-departmental teams, would “help enormously to make people think holistically”.³⁷ Officials also told us that historic differences in pay between staff of the former Ministry of Agriculture, Fisheries and Food (MAFF) and the Department for Environment, Transport and the Regions (DETR) had now converged.³⁸ **We welcome the steps taken by senior managers to encourage integration in the Department. Defra has made significant progress in improving integration since 2001, particularly at senior grades, and we congratulate the previous Permanent Secretary for his contribution in achieving this. We recommend the Department continue its efforts to improve integration and now focus specifically on this work at junior staff levels.**

19. We asked the Permanent Secretary whether some of Defra’s traditional “customers”—such as farmers—might get overlooked within the integration process. She told us she had gained the impression that the Department still spent a large proportion of time with traditional “old MAFF customers” compared to some others, such as recreational users of the countryside and large environmental organisations such as RSPB and National Trust.³⁹ Nevertheless, she emphasised that “first-rate communications” with customers was the key to ensuring that no organisation felt Defra was not listening to it.⁴⁰ In the case of farmers, she said: “it is all about persuading the farming community that ... their interests and the wider sustainability of the farming, food and rural economic policy in fact is in all our

33 Environment, Food and Rural Affairs Committee, Tenth Report of 2001-02, *The Role of Defra*, HC 991; HC (2001-02) 969; HC (2002-03) 832; HC (2003-04) 707.

34 HC 2003-04) 707, Q 1

35 Q 1

36 Q 3

37 Q 3

38 Q 5

39 Q 4

40 Q 4

interests”.⁴¹ Whilst we welcome further integration of Defra’s structure and working practices, it is essential that the Department’s links with specific interest groups are not weakened as a result. We are concerned that some of Defra’s traditional “customers” might become overlooked as a result of the Department’s integration process. We remind Defra of its responsibility to ensure all its customers are fully valued and served by the Department.

Working across Government

20. Much of Defra’s work requires the co-operation of other Government departments and agencies. In our last report, we expressed concern about the Department’s ability to influence other ‘actors’ across Government.⁴² We said Defra lacked sufficient “clout” to be taken seriously by other departments in framing their key policy decisions, and recommended the Department “continue to work to increase its influence across Whitehall”.⁴³

21. This year’s Departmental Report suggests Defra is making progress in this area. Examples include Defra’s review of the Sustainable Development Strategy, published in March 2005, which obliged all Government departments to produce a “sustainable development action plan” by December 2005.⁴⁴ Sustainable development was also a cross-cutting theme in the 2004 Spending Review process and incorporated within other departments’ Public Service Agreement targets.⁴⁵

22. We questioned the Defra officials further on the issue of Defra’s ‘clout’ and particularly the Department’s aim of embedding sustainable development across Government. The Permanent Secretary believed the Department was making progress. She emphasised the importance of the sustainable delivery action plans as a “key tool” in influencing the policy decisions of other Government departments, as they would set clear “baselines and targets” and be monitored by a “strengthened” Sustainable Development Commission.⁴⁶ Her “ultimate objective”, however, was that Defra could “never have enough clout”, and this depended on it “being out there and engaged” and supplying high-quality staff to work on projects with other Government departments.⁴⁷ She told us of very positive feedback she had received from, for example, HM Treasury on this point.⁴⁸

23. We wanted to know what other progress the Department had made during the past year in extending its influence. We asked for a tangible example of Defra successfully “embedding” sustainability into the policies of another Government department, such as the Department for Education and Skills (DfES).⁴⁹ Defra’s Chief Operating Officer told us

41 Q 4

42 HC (2003-04) 707, Recommendation 8.

43 HC (2003-04) 707, Recommendation 8.

44 Defra, *Departmental Report 2005*, pp 37-38.

45 Defra, *Departmental Report 2005*, pp 37-38.

46 Q 54, Q 57

47 Q 49

48 Q 49

49 Q 55

the Department had worked “very closely” with DfES as part of its public sector food procurement initiative and, as a consequence, “the sustainability agenda around locally-sourced produce ... featured prominently within [DfES’s] guidance to schools and local authorities in respect of the provision of school meals”.⁵⁰ Defra’s Director-General, Environment added that Defra’s joint PSA targets with other departments “in themselves, provide a clout for Defra”.⁵¹ Co-ownership of the targets enabled Defra to “put pressure on those departments to deliver their part of the bargain” through a “structure of formal monitoring and reporting”.⁵² He acknowledged that Defra’s influence could sometimes be “rather slow” as there were “plenty of other players and other considerations”, but was confident that in the end “we get there”.⁵³

24. We welcome the improvements Defra has made in the past year in increasing its influence across Whitehall. In particular, we consider the sustainable delivery action plans, which other Government departments are obliged to produce by December 2005, to be a significant development. We urge Defra to ensure that performance against the targets set out in the action plans is monitored vigorously. Given the huge importance of its work on the environment, in particular, we agree with the Permanent Secretary that Defra “can never have enough clout”. We therefore recommend the Department to continue to work to increase its influence further across Whitehall.

Sustainability within Defra

25. The Departmental Report explains that Defra has been raising awareness of sustainable development amongst its own staff and how it can be incorporated into their everyday work.⁵⁴ A package of interactive tools, called *thinksustainable*, was launched internally in April 2005 and aims to “encourage people in Defra to integrate sustainable development into all they do”.⁵⁵ In October 2005 the Department also signed up to the Carbon Trust’s Management Programme, which aims to help large public and private sector organisations reduce energy use. Defra’s website states it is “the first Government department to take this step”.⁵⁶

26. We asked the Permanent Secretary to expand on Defra’s efforts in incorporating sustainable practices within the Department. She stressed it was extremely important that Defra led by example in adopting such practices:

Being “best in class” for us is one vital way in which we will influence other departments to follow our lead, across the whole policy-making as well as internal

50 Q 55

51 Q 50. Defra shares targets with the Department for Trade and Industry (PSA 2: climate change) and the Department for Transport (PSA 2: climate change (since the Spending Review 2004) and PSA 6: air quality).

52 Q 50

53 Q 50

54 Defra, *Departmental Report 2005*, p 43

55 Defra, *Departmental Report 2005*, p 43

56 *Defra signs up to the Carbon Trust’s Carbon Management Programme*, Defra news release, 26 October 2005, www.defra.gov.uk/news

management issues. We need to show that we are a step change better than other departments, to show them the way forward.⁵⁷

27. We congratulate Defra for taking the lead in implementing sustainable practices within the Department, through initiatives such as *thinksustainable* and the Carbon Trust's Management Programme. We strongly recommend it continues its endeavours to be "best in class". This not only reflects well on Defra in practicing what it preaches, but also, by setting a good example to other Government departments, increases the credibility of Defra in arguing for sustainable practices across Government.

Staffing

Staff cuts

28. We noted earlier in our report that Defra aims to meet an efficiency saving target of £610 million by 2007–08, following the Gershon Review. This target includes staff cuts of around 2,400: 800 staff from the core department and 1,600 from the Rural Payments Agency (RPA). Defra states that it is currently "on track" to meet its trajectory for staff reductions in 2004–05.⁵⁸

29. We asked the Department how it intended to maintain staff morale amidst such significant cuts. The Permanent Secretary admitted that it was not easy to "sell to staff the idea that we would be reducing numbers".⁵⁹ But she told us of a number of activities that were in operation "around communication and ... improving the quality of our leadership and management", to ensure staff were kept informed of developments. She stressed a large proportion of the reductions would be achieved by "a combination of the natural wastage levels ... and targeted programmes of early retirement", and that this message was being clearly communicated to staff.⁶⁰ Her personal commitment was "to try and engage ... and communicate with staff as clearly as possible about what the future holds for them as early as possible".⁶¹ Defra's Chief Operating Officer added that the staff efficiency savings were part of a three-year programme, which allowed for "more sensible planning and communication".⁶² He explained that the majority of cuts related to the RPA, and had been anticipated to some extent since 2000, so they had had a long lead time.⁶³

30. We understand the difficulties the Department faces in maintaining staff morale amidst significant staff cuts, so we recommend Defra maintains a high level of communication to ensure its staff are appropriately informed of ongoing developments relating to staff reductions. We will continue to monitor the impact on staffing of the Rural Payments Agency (RPA) Change Programme through the work of our rapporteurs on the RPA.

57 Q 54

58 Q 40

59 Q 40

60 Q 40

61 Q 40

62 Q 40

63 Q 40

Diversity

31. In our previous two reports on the Departmental Report we discussed the issue of staff diversity. We noted that Defra had set itself targets for the recruitment and retention of female employees, staff from ethnic minority backgrounds and those with disabilities.⁶⁴ Whilst we congratulated the Department for meeting its targets at junior grades, we urged Defra to do more in order to meet its diversity targets relating to Senior Civil Service (SCS) and Grade 6 posts.⁶⁵

32. Table 2 sets out the figures provided in this year's Departmental Report relating to the proportion of female employees, staff from ethnic minority backgrounds and those with disabilities in SCS and Grade 6 posts. The table also shows the figures for last year, and Defra's 2005 targets.

Table 2: Proportion of women, people from ethnic minority backgrounds and people with disabilities in Defra Senior Civil Service and Grade 6 posts

	Women (%)			Ethnic minority (%)			Disabled (%)		
	2004	2005	2005 target	2004	2005	2005 target	2004	2005	2005 target
Senior Civil Service	25	30	30	2	3	4	1	1	3
Grade 6	26	34	30	1	2	4	4	4	3

33. The figures show there has been considerable improvement in the last year in the proportion of female employees in senior grades. The target of 30% of female employees in SCS grades by 2005 has been met. However, the Departmental Report shows very little change in the figures for staff from ethnic minorities and people with disabilities.⁶⁶ In its supplementary written evidence, Defra told us that improvements had been made since the publication of the Departmental Report. Recent data showed the 3% target relating to people with disabilities had now been met within the core Department, and there had been "substantial progress" against the core Department's target for ethnicity.⁶⁷ Defra explained that the inclusion of staff data for the Executive Agencies had a "downward influence on the figures".⁶⁸ There was "greater under-representation of minority groups" in these organisations due to their "size, location and specialist nature which impose restrictions on the pools from which they can recruit staff".⁶⁹ The Department also said there were problems of "under-declaration", with staff failing to complete a disability or ethnicity

64 HC (2002-03) 832, para 14; HC (2003-04) 707, para 24.

65 HC (2003-04) 707, Recommendation 12.

66 Data taken from Defra, *Departmental Report 2005*, figure 49, p 271

67 Ev 46, para 39

68 Ev 46, para 39

69 Ev 46, para 39

questionnaire.⁷⁰ It told us a number of measures were being introduced to improve declaration rates, such as the introduction of self-service elements to the electronic human resources system, which would allow individuals to declare a disability “without reference to managers or Human Resources staff”.⁷¹

34. We congratulate Defra on meeting its target of 30% female employees in Senior Civil Service (SCS) level grades by 2005, and are pleased that progress has been made since the publication of the Departmental Report in improving the proportion of SCS level staff from ethnic minority groups and with disabilities. Nevertheless, we remain concerned at the under-representation of minority groups in Defra’s Executive Agencies, when compared to the core Department. We recommend Defra focuses specifically on improving the proportion of SCS level staff from these groups in its Executive Agencies.

5 Public Service Agreement targets

35. A large part of the Departmental Report is devoted to reports of progress made in relation to the Department’s Public Service Agreement (PSA) targets. Consequently we devoted a significant proportion of our questioning to Defra officials to such matters. Defra had ten PSA targets agreed as part of the 2002 Spending Review. The Departmental Report measures progress against these targets. We asked the Department about three targets of particular concern: climate change, Sites of Special Scientific Interest and rural areas.

Climate change

2002 Public Service Agreement target 2: *Improve the environment and the sustainable use of natural resources, including through the use of energy saving technologies, to help reduce greenhouse gas emissions by 12.5 per cent from 1990 levels and moving towards a 20 per cent reduction in carbon dioxide emissions by 2010.*

Joint target with the Department of Trade and Industry.

36. The Departmental Report states that Defra is “on course” to reduce greenhouse gas emissions by 12.5 per cent but “more needs to be done” to meet the domestic target of a 20 per cent reduction in carbon dioxide emissions by 2010.⁷²

37. This target was modified in the 2004 Spending Review, with the Department for Transport (DfT) included as a co-owner alongside Defra and the Department for Trade and Industry.⁷³ We asked about DfT’s contribution since becoming a co-owner of the target. Defra’s Director-General, Environment told us it was difficult to provide a precise

⁷⁰ Ev 41, para 39

⁷¹ Ev 41, para 39

⁷² Defra, *Departmental Report 2005*, p 46

⁷³ The Committee recommended this change in its report on *The Departmental Annual Report, 2004*, HC (2002-03) 707, Recommendation 14

figure on the contribution made by DfT so far, but stressed the importance of the Renewable Transport Fuels Obligation, which aimed to deliver “around a million tonnes of carbon saving by 2010”.⁷⁴ He added that Defra was currently analysing another “70-odd different policy measures” for a broad range of sectors—including transport—as part of the Climate Change Programme review.⁷⁵ He acknowledged transport was proving to be the “most problematic area” but, until the analysis was complete, the Department was “not yet at a position” to predict what contribution the sector would make.⁷⁶

38. We wanted to know whether there had been effective communication and policy co-ordination between Defra and DfT, since DfT became a co-owner of the PSA target. Defra’s Director-General, Environment told us “real engagement” had occurred between the two departments, and that Defra had “regular discussions together with [DfT] to look at ways in which they can contribute more”.⁷⁷

39. We welcome the fact that the Department for Transport (DfT) is now a co-owner of the Public Service Agreement target relating to climate change, as we have previously recommended. Defra needs to make considerable progress in order to meet its domestic target of a 20 per cent reduction in carbon dioxide emissions by 2020. Given that the transport sector is such a significant contributor to the UK’s carbon dioxide emissions, it is essential that DfT shares responsibility for achieving this target. We strongly urge Defra to continue to work closely, and constructively, with the DfT (and the Department for Trade and Industry) to find practical and effective polices to meet this joint target. We look forward to Defra updating us as to how this relationship is developing on a six monthly basis. We expect to return to this issue as part of our forthcoming inquiry into aspects of climate change policy.

Sites of special scientific interest and farmland birds

2002 Public Service Agreement target 3: Care for our natural heritage, make the countryside attractive and enjoyable for all, and preserve biological diversity by... bringing into favourable condition for 2010 95 per cent of all nationally important wildlife sites.

40. PSA target 3 aims to preserve biological diversity by “bringing into favourable condition” 95% of all sites of special scientific interest (SSSIs) by 2010. The Departmental Report states that 67.4% of SSSIs were in target condition in March 2005, an increase of

74 Q 58

75 Q 58

76 Qq 58-9

77 Q 61

4.5% from March 2004.⁷⁸ This meets Defra's 2005 target of 67%, as set out in its 'provisional trajectory' (Table 3).⁷⁹

Table 3: Defra's 'provisional trajectory' for meeting PSA target 3

Date	Percentage of SSIs in target condition
2005	67 (achieved)
2006	72
2007	78
2008	83
2009	89
2010	95

41. The Permanent Secretary told us Defra had made "very good progress" with this PSA target and she was "pretty confident" the 2010 target would be met.⁸⁰ Nevertheless, she was aware that "all sorts of external factors could hit us off course at the last moment".⁸¹ **We congratulate Defra on its progress in the past year in restoring sites of special scientific interest (SSSIs), and for meeting its 67 per cent 'trajectory' target for 2005. However, the remaining third of SSSIs will undoubtedly be more difficult. We recommend the Department publish clear proposals about how it proposes to meet each of its trajectory targets for the next five years.**

Rural affairs

2002 Public Service Agreement target 4: *Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2006, and improve the accessibility of services for rural people.*

42. PSA target 4 (2002) identifies five key services, and targets "improvements in their accessibility", namely: health, post 16-year-old education and skills, transport, access to cash and electronic access to services.⁸² As was the case last year, progress against this PSA

78 Defra, *Departmental Report 2005*, p 101

79 The trajectory sets out interim milestones to assist with the assessment and reporting of progress towards achievement of the SSSI target. It was included in this year's Departmental Report (p.101), in line with Committee Recommendation 15 in last year's report on *The Departmental Report, 2004 HC (2002-03) 707*.

80 Q 75

81 Q 76

82 Defra, *Departmental Report 2004*, p 83

target has “not yet been assessed” and the Departmental Report again accepts that it is “challenging”.⁸³

43. We asked Defra officials in oral evidence why progress against the target had still not been assessed. Defra’s Chief Operating Officer explained there was “an issue over the availability of data”, as it was produced with “a very considerable time-lag, of up to two years”.⁸⁴ He added that Defra was “doing work” to identify other measures and indicators that could provide data, because “clearly it is not satisfactory if you can only measure progress after a period in which you are supposed to have met that target”.⁸⁵ He told us:

For my part and I think others, [the time-lag in obtaining data] would call into question whether or not the actual measurement ... and ... definition of that target is very useful from a real time point of view, because there is such a lag that you cannot actually see how far you are making progress.⁸⁶

44. We questioned the credibility of setting a target in respect of which it was extremely difficult to establish not only the progress made but also a baseline from which to start measurement. The Permanent Secretary responded that it was “a fair cop”, although she added that having a target “encourages us to get the information”.⁸⁷ She told us the Department would be re-examining the PSA targets for the period beyond the current Spending Review and it was necessary to “do some pretty early thinking of, in some cases, what are perhaps more sensible measures of those targets”.⁸⁸

45. We are extremely disappointed that Defra has still not been able to assess progress against its PSA target relating to rural affairs. This is especially unsatisfactory given the target went ‘live’ on 1 April 2003. We recommend the Department start to think now—in advance of the 2007 Spending Review—of a more appropriate PSA target relating to rural affairs. It should ensure that the baseline of, and progress made in achieving, any new target can be measured appropriately.

83 Defra, *Departmental Report 2005*, p 130, p 300

84 Q 85

85 Q 86

86 Q 85

87 Qq 89-90

88 Q 90

Conclusions and recommendations

1. We are pleased that, once again, further improvements have been made to the 'look' of the Departmental Report. Overall, the Report is more accessible and readable than in previous years, and contains a great sense of narrative in its description of how Defra's work is linked together. We commend the Department's report-writers for incorporating many of our previous recommendations relating to the presentation of the Report. (Paragraph 5)
2. As was the case last year, we believe the 2005 Departmental Report—at 372 pages—is too long. We understand there is a need to deal with all aspects of the Department's work; indeed, this was one of our recommendations on the 2002 Departmental Report. Nevertheless, the Departmental Report would benefit from being more concise and selective in the information it provides. We recommend that for those policy areas deemed to be of less importance—for example, issues not directly linked to Defra's Public Service Agreement targets—the Department should provide less information in the main commentary of the Report and include more web-link references. (Paragraph 6)
3. We strongly recommend that in future years the Forestry Commission's report is published separately from the Departmental Report, as occurs with Defra's other affiliated bodies. We believe this would improve the user-friendliness of the Departmental Report, not least by making it shorter. There would still be scope for a summary account of Defra's work with the Forestry Commission, which should be sufficient. (Paragraph 7)
4. We are pleased that financial measurement has improved significantly in the past three years. We support the efforts of senior staff to improve the situation still further. (Paragraph 8)
5. Although financial management in general has improved within Defra, further improvements to the Department's forecasting and budgeting processes are required. The Department is currently attempting to improve its financial forecasting by implementing recommendations set out in the Ernst & Young review. We look forward to further updates from Defra about the impact of these changes on its financial forecasting. We further recommend that in future Departmental Reports, Defra provide a commentary explaining significant differences between one year's estimates and the resulting outturn. (Paragraph 10)
6. We recognise the difficulties Defra faces in meeting its efficiency saving targets, as set out in the Gershon Review, given that achievement of almost half the £610 million target relies on the actions of local authorities in relation to waste management. We therefore welcome Defra's recent initiatives, such as the Waste Implementation Programme, to assist local authorities in achieving their individual targets. (Paragraph 13)
7. Nevertheless, Defra still has no power to oblige local authorities to make savings. We therefore remain to be convinced that this third party approach towards achieving the Department's efficiency saving target will actually work. We recommend that the

Department publish a report on how it is progressing towards meeting its efficiency targets. (Paragraph 14)

8. We congratulate Defra for meeting its first year target of £52 million in waste services efficiencies. However, the targets for the next three years are more challenging. We recommend the Department strive to maintain, and expand, its various initiatives to assist local authorities—particularly those authorities performing less well—to ensure it meets its total waste services efficiency target of £299 million by 2007–08. (Paragraph 15)
9. We welcome the steps taken by senior managers to encourage integration in the Department. Defra has made significant progress in improving integration since 2001, particularly at senior grades, and we congratulate the previous Permanent Secretary for his contribution in achieving this. We recommend the Department continue its efforts to improve integration and now focus specifically on this work at junior staff levels. (Paragraph 18)
10. Whilst we welcome further integration of Defra’s structure and working practices, it is essential that the Department’s links with specific interest groups are not weakened as a result. We are concerned that some of Defra’s traditional “customers” might become overlooked as a result of the Department’s integration process. We remind Defra of its responsibility to ensure all its customers are fully valued and served by the Department. (Paragraph 19)
11. We welcome the improvements Defra has made in the past year in increasing its influence across Whitehall. In particular, we consider the sustainable delivery action plans, which other Government departments are obliged to produce by December 2005, to be a significant development. We urge Defra to ensure that performance against the targets set out in the action plans is monitored vigorously. Given the huge importance of its work on the environment, in particular, we agree with the Permanent Secretary that Defra “can never have enough clout”. We therefore recommend the Department to continue to work to increase its influence further across Whitehall. (Paragraph 24)
12. We congratulate Defra for taking the lead in implementing sustainable practices within the Department, through initiatives such as thinksustainable and the Carbon Trust’s Management Programme. We strongly recommend it continues its endeavours to be “best in class”. This not only reflects well on Defra in practicing what it preaches, but also, by setting a good example to other Government departments, increases the credibility of Defra in arguing for sustainable practices across Government. (Paragraph 27)
13. We understand the difficulties the Department faces in maintaining staff morale amidst significant staff cuts, so we recommend Defra maintains a high level of communication to ensure its staff are appropriately informed of ongoing developments relating to staff reductions. We will continue to monitor the impact on staffing of the Rural Payments Agency (RPA) Change Programme through the work of our rapporteurs on the RPA. (Paragraph 30)

14. We congratulate Defra on meeting its target of 30% female employees in Senior Civil Service (SCS) level grades by 2005, and are pleased that progress has been made since the publication of the Departmental Report in improving the proportion of SCS level staff from ethnic minority groups and with disabilities. Nevertheless, we remain concerned at the under-representation of minority groups in Defra's Executive Agencies, when compared to the core Department. We recommend Defra focuses specifically on improving the proportion of SCS level staff from these groups in its Executive Agencies. (Paragraph 34)
15. We welcome the fact that the Department for Transport (DfT) is now a co-owner of the Public Service Agreement target relating to climate change, as we have previously recommended. Defra needs to make considerable progress in order to meet its domestic target of a 20 per cent reduction in carbon dioxide emissions by 2020. Given that the transport sector is such a significant contributor to the UK's carbon dioxide emissions, it is essential that DfT shares responsibility for achieving this target. We strongly urge Defra to continue to work closely, and constructively, with the DfT (and the Department for Trade and Industry) to find practical and effective policies to meet this joint target. We look forward to Defra updating us as to how this relationship is developing on a six monthly basis. We expect to return to this issue as part of our forthcoming inquiry into aspects of climate change policy. (Paragraph 39)
16. We congratulate Defra on its progress in the past year in restoring sites of special scientific interest (SSSIs), and for meeting its 67 per cent 'trajectory' target for 2005. However, the remaining third of SSSIs will undoubtedly be more difficult. We recommend the Department publish clear proposals about how it proposes to meet each of its trajectory targets for the next five years. (Paragraph 41)
17. We are extremely disappointed that Defra has still not been able to assess progress against its PSA target relating to rural affairs. This is especially unsatisfactory given the target went 'live' on 1 April 2003. We recommend the Department start to think now—in advance of the 2007 Spending Review—of a more appropriate PSA target relating to rural affairs. It should ensure that the baseline of, and progress made in achieving, any new target can be measured appropriately. (Paragraph 45)

Formal Minutes

Wednesday 7 December 2005

Members present:

Mr Michael Jack, in the Chair

Mr David Drew

James Duddridge

Patrick Hall

Lynne Jones

Sir Peter Soulsby

David Taylor

Draft Report [*The Animal Welfare Bill*], proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 45 read and agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Wednesday 11 January at 2.30 p.m.]

Witnesses

15 November 2005

Page

Mrs Helen Ghosh, Permanent Secretary, Mr Bill Stow, Director-General, Environment and Mr Andrew Burchell, Chief Operating Officer, **Department for Environment, Food and Rural Affairs**

Ev 25

List of written evidence

- | | |
|---|------------------|
| 1. Department for Environment, Food and Rural Affairs | Ev 1, 40, 48, 51 |
| 2. Country Land and Business Association (CLA) | Ev 55 |
| 3. Campaign to Protect Rural England (CPRE) | Ev 56 |

Reports from the Environment, Food and Rural Affairs Committee since 2003

The following reports have been produced (Government responses in brackets):

Session 2005–06

Third Report	The Animal Welfare Bill	HC 683
Second Report	Reform of the EU Sugar Regime	HC 585-I
First Report	The future for UK fishing: Government Response	HC 532

Session 2004–05

Ninth Report	Climate Change: looking forward	HC 130-I (HC 533 05–06)
Eighth Report	Progress on the use of pesticides: the Voluntary Initiative	HC 258 (HC 534 05–06)
Seventh Report	Food information	HC 469 (HC 437 05–06)
Sixth Report	The future of UK fishing	HC 122 (HC 532 05–06)
Fifth Report	The Government's Rural Strategy and the draft Natural Environment and Rural Communities Bill	HC 408-I (Cm 6574)
Fourth Report	Waste policy and the Landfill Directive	HC 102 (Cm 6618)
Third Report	The Work of the Committee in 2004	HC 281
Second Report	Dismantling Defunct Ships in the UK: Government Reply	HC 257
First Report	The draft Animal Welfare Bill	HC 52-I (HC 385)

Session 2003–04

Nineteenth Report	Water Pricing: follow-up	HC 1186 (HC 490 04–05)
Eighteenth Report	Dismantling of Defunct Ships in the UK	HC 834 (HC 257 04–05)
Seventeenth Report	Agriculture and EU Enlargement	HC 421 (HC 221 04–05)
Sixteenth Report	Climate Change, Water Security and Flooding	HC 558 (HC 101 04–05)
Fifteenth Report	The Departmental Annual Report 2004	HC 707 (HC 100 04–05)
Fourteenth Report	Sites of Special Scientific Interest	HC 475 (HC 1255)
Thirteenth Report	Bovine TB	HC 638 (HC 1130)
Twelfth Report	Reform of the Sugar Regime	HC 550-I (HC 1129)
Eleventh Report	GM Planting Regime	HC 607 (HC 1128)
Tenth Report	Marine Environment: Government reply	HC 706
Ninth Report	Milk Pricing in the United Kingdom	HC 335 (HC 1036)
Eighth Report	Gangmasters (follow up)	HC 455 (HC 1035)
Seventh Report	Implementation of CAP Reform in the UK	HC 226-I (HC 916)
Sixth Report	Marine Environment	HC 76 (HC 706)
Fifth Report	The Food Standards Agency and Shellfish	HC 248 (HC 601)
Fourth Report	Environmental Directives	HC 103 (HC 557)
Third Report	Caught in the net: Cetacean by-catch of dolphins and porpoises off the UK coast	HC 88 (HC 540)
Second Report	Annual Report of the Committee 2003	HC 225
First Report	Water Pricing	HC 121 (HC 420)