



National Audit Office

DEPARTMENTAL OVERVIEW

The performance of the
Department for Environment,
Food & Rural Affairs 2012-13

OCTOBER 2013

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 860 staff. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of almost £1.2 billion in 2012.

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Introduction

Aim and scope of this briefing

- 1** The primary purpose of this report is to provide the Environment, Food and Rural Affairs Select Committee with a summary of the activity and performance of the Department for Environment, Food & Rural Affairs since September 2012, based primarily on published sources, including the Department's own accounts and the work of the National Audit Office (NAO).
- 2** Part One of the report focuses on the Department's activity over the past year. Part Two concentrates on NAO analyses of that activity. Part Three looks in greater detail at the Department's major projects.
- 3** The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

Part One

About the Department

The Department's responsibilities

1.1 The Department for Environment, Food & Rural Affairs (the Department) develops and implements policy on the environment, food and rural issues. The Department has responsibility for protecting biodiversity, the countryside and the marine environment, and for supporting the growth of a sustainable green economy, including rural communities, and British farming and food production.

1.2 The Department has other major responsibilities to prepare for and manage the risk from animal and plant disease, floods and other environmental emergencies. It is also responsible for negotiating European Union agricultural, marine and environmental policy on behalf of the UK.

How the Department is organised

1.3 The Department devolves delivery of the majority of its policies to its arm's-length bodies. The largest of these are the Rural Payments Agency, the Environment Agency, Natural England and the Animal Health and Veterinary Laboratories Agency.

1.4 Since the publication of the public bodies review in October 2010, the Department has made reductions in the number of funded arm's-length bodies. Since October 2012, the following bodies have been abolished:

- Commission for Rural Communities
- Agricultural Wages Board

The Department is planning to close the Agricultural Wages Committees and the Agricultural Dwelling House Advisory Committees following the passing of the Enterprise and Regulatory Reform Act 2013. Reforms are also being considered for the Advisory Committee on Pesticides, the Agricultural Land Tribunal and the Plant Varieties and Seeds Tribunal, as well as the legal obligations of two defunct bodies, Food from Britain and the Committee on Agricultural Valuation. A complete list of the Department's arm's-length bodies as at 1 April 2013 is included in Appendix One.

Where the Department spends its money

1.5 The Department delegates policy delivery to its arm's-length bodies with the Department retaining direct responsibility for supporting ministers and developing and implementing policy and legislation. Consequently, the Department provides a significant level of funding to arm's-length bodies alongside the expenditure reported against core functions.

1.6 In 2012-13, the Department provided in excess of £1.4 billion in funding to its bodies. The Rural Payments Agency is the largest component of the group, spending more than £3 billion during the year, which includes Common Agricultural Policy (CAP) allocations for the Devolved Administrations. The majority of this expenditure is funded via European Union CAP schemes rather than Parliamentary supply. A total of £737 million was paid over to the Environment Agency to fund environmental and flood protection activities.

1.7 **Figure 1** shows the Department's funding of £1 million and above to its bodies in 2012-13. Some of these bodies receive funding from the industries they support by way of levies or charges for their service, which accounts for the difference between funding and total spend shown.

Recent and planned changes to the Department's spending

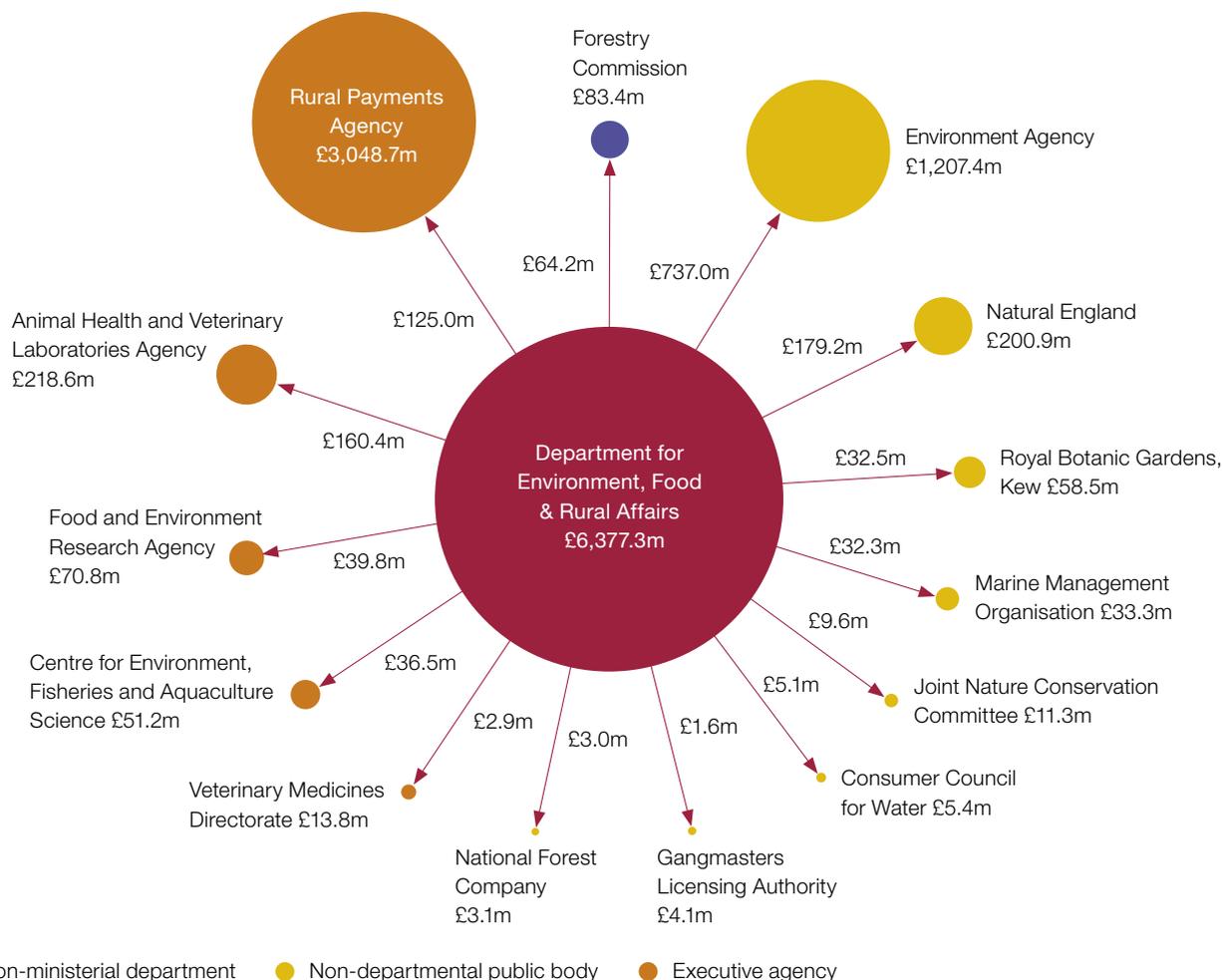
1.8 The 2010 Spending Review required the Department to make a 16.7 per cent reduction in non-capital expenditure from £2.4 billion in 2010-11 to £2.0 billion by 2014-15. The 2012 autumn statement and the March 2013 budget has further reduced this budget to £1.9 billion by 2014-15. There was also an increase to the available capital budget to £500 million in the same period.

1.9 Since the 2010 Spending Review, the Department has reported underspends against its Parliamentary estimate. In 2012-13, the Department underspent by £18.5 million (0.7 per cent), of which the non-capital underspend was £15.3 million. This compares with a total underspend in 2011-12 of £83.6 million (3.1 per cent), of which the non-capital underspend was £78.5 million.¹

¹ These figures relate to departmental expenditure limits (DEL) recorded in the Parliamentary estimate and exclude performance against annually managed expenditure (AME). DEL are planned and set at spending reviews. DEL represent the total spending limits for government departments over a fixed period of time. This is split between resource and capital budgets. AME funding is allocated government spending on programmes which are typically volatile and demand-led, and which are therefore not subject to firm multi-year limits in the same way as DEL.

Figure 1

Where the Department spent its money in 2012-13



Notes

- 1 Figures are shown in millions rounded to the nearest decimal place.
- 2 The Department's total spend includes the spending of all its arm's-length bodies (which includes EU CAP spending). In 2012-13, the Department received £2.1 billion from Parliament.
- 3 Rural Payments Agency funding reflects CAP payments including its role as a competent authority for all UK CAP payments.
- 4 The Department also sponsors the Covent Garden Market Authority, Agriculture and Horticulture Development Board and the Sea Fish Industry Authority, which are not shown in the diagram as they do not receive grant-in-aid from the Department.
- 5 The Environment Agency funding figure excludes grant-in-aid passed onto the Agency by the Department from the Welsh Government (£54.7 million).

Source: Annual report and accounts of the Department for Environment, Food & Rural Affairs and its arm's-length bodies, 2012-13

1.10 Figure 2 shows the Department's actual expenditure since 2009-10 and planned expenditure for 2013-14 and 2014-15 recorded in the last two spending reviews. Similar data for the capital budget are provided in **Figure 3**.

1.11 The Department continues to face reductions in its resource budget, and the re-profiling of expenditure in the 2013 Spending Review will require additional savings to be found in 2014-15. The increases to the capital budget are the result of more funding being made available for flood defence projects; however, these assets will require upkeep from the resource budget in future years, further increasing the pressure on the Department to implement sustainable cost saving measures in the short term.

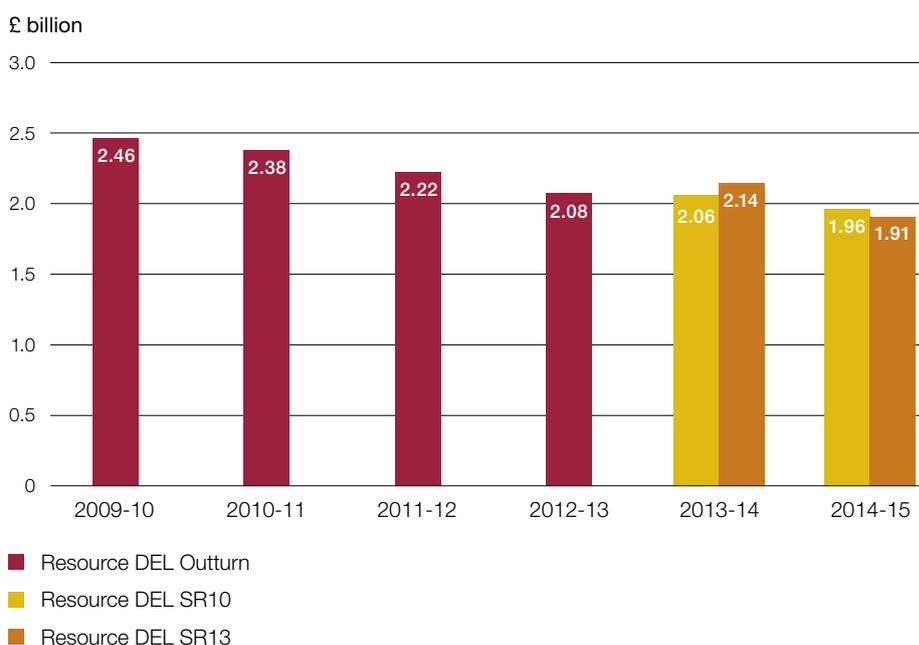
Policy and delivery: major developments in 2012-13

1.12 The Department agreed the new European Union Common Fisheries Policy during the year, resulting in a number of new measures for introduction in 2014. The main changes are:

- progressive introduction of a ban on the discarding of fish subject to quotas, so that catches must be brought ashore;
- a legally binding commitment to fish at sustainable levels with annual quotas underpinned by scientific advice; and
- decentralised decision-making, allowing member states to agree the detailed technical measures and management options appropriate to their fisheries.

Figure 2

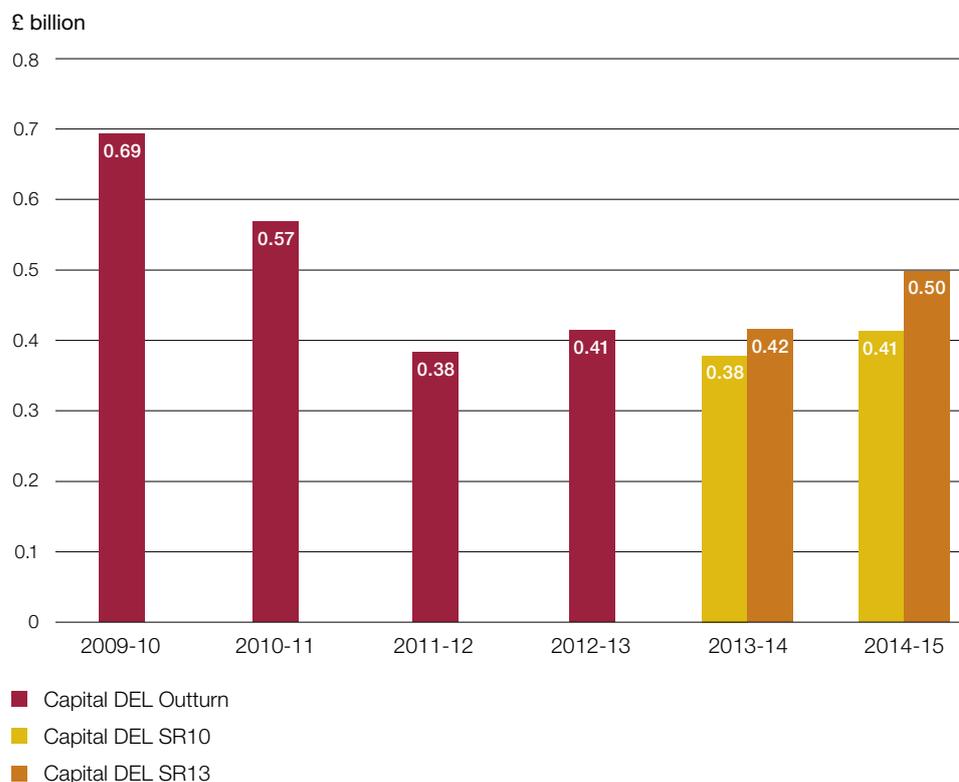
Actual/planned resource DEL allocations 2009-10 to 2014-15



Source: The Department for Environment, Food & Rural Affairs Departmental Accounts, Annual Report Core Tables

Figure 3

Actual/planned capital DEL allocations 2009-10 to 2014-15



Source: The Department for Environment, Food & Rural Affairs Departmental Accounts, Annual Report Core Tables

1.13 The *Rural Statement*² was published by the Department in September 2012, setting out the Department's commitment to rural England, focusing on growth, engagement and quality of life. Since then the Department has:

- launched a £100 million rural economic growth package, including grants of up to £25,000 through the Farming and Forestry Improvement Scheme, larger grants to rural businesses through the Rural Economy Grant and a skills and knowledge transfer package;
- established five Rural Growth Networks to support rural businesses to reach their potential and break down barriers to economic growth, providing £15 million of funding; and
- supported the Department for Culture, Media & Sport in the implementation of the rural broadband programme. This project was recently subject to an NAO value for money report³ and found to be behind schedule and lacking in market competition. The Department's £20 million Rural Community Broadband Fund was not included in that review.

² Department for Environment, Food & Rural Affairs, *Rural Statement 2012*, September 2012. Available at: www.gov.uk/government/publications/rural-statement-2012

³ Comptroller and Auditor General, *The rural broadband programme*, Session 2013-2014, HC 535, National Audit Office, July 2013.

1.14 The Department published the *Triennial review of the Environment Agency and Natural England*⁴ in June 2013. The review concluded that both organisations would continue to exist as non-departmental public bodies because stakeholders value the distinct roles and expertise provided by each organisation and complex primary legislation would be required to effect structural change. However, areas for improved efficiency via closer working were identified as both bodies share environmental objectives, stakeholders, customers and delivery partners – particularly for land management and planning functions. Both organisations are expected to provide a jointly owned action plan by autumn 2013.

1.15 Following negotiations with the Association of British Insurers, the Department and the insurance industry have agreed to a replacement scheme designed to ensure that households at risk of flooding are able to afford appropriate insurance for their properties. The proposed approach, known as Flood Re, will limit the amount that high-risk households would need to pay on the flood insurance element of their premiums. The replacement scheme is to be passed as part of the Water Bill; raising a levy of £180 million per year on insurers to fund claims from high-risk households for the next 20 years. Until the relevant legislation is passed, the existing scheme will remain in place.

1.16 Political agreement on the CAP Regulations was reached between the Council, European Parliament and the European Commission on 24 September 2013. It was based on the revised Council mandate agreed by ministers at the Agriculture Council. The package will now be voted on by the European Parliament Agriculture Committee and then in plenary. It will return to the Council for final agreement later in the autumn. The Transition Regulation will allow additional time for implementation of the new direct payments system in 2015.

The Department's digital strategy

1.17 Following the announcement in the March 2012 Budget that government would seek to deliver 'digital by default' public services, the Department published its *Digital strategy*⁵ in December 2012 setting out its response to the initiatives being led by the Government Digital Service in the Cabinet Office.⁶

1.18 The Department already delivers a number of digital services, including the Cattle Tracing System (Rural Payments Agency) and the purchasing of rod licences (Environment Agency), which together cover more than 20 million transactions per year. The challenge is to replicate this type of service across other – and often more complex – services.

4 Department for Environment, Food & Rural Affairs, *Triennial Review of the Environment Agency and Natural England*, June 2013. Available at: www.gov.uk/government/publications/triennial-review-of-the-environment-agency-ea-and-natural-england-ne

5 Department for Environment, Food & Rural Affairs, *Defra Digital Strategy 2012*, December 2012. Available at: www.gov.uk/government/publications/defra-digital-strategy-2012

6 'Digital by default' is a government aspiration that digital services are developed to be straightforward and convenient so that all those who can use digital services will choose to do so, while those who cannot are not excluded. This follows the principles of the Civil Service Reform Plan by allowing straightforward access to information and services convenient to users that are more efficient and cost-effective to develop and run.

1.19 The implementation of 'digital by default' has been prioritised for two services: the implementation of the Common Agricultural Policy Delivery Programme and the migration of the Environment Agency registration of waste carriers, brokers and dealers to new digital platforms.

1.20 The introduction of digital services poses a number of potential issues for the Department, the most prominent of which are:

- efficiency measures to reduce or remove alternative communication channels, such as telephone or written correspondence, have to be balanced against the impact on end users;
- delays in the implementation of the rural broadband scheme may significantly impact the ability of rural users to use digital services;
- EU and other legal requirements often require processes or documentation that cannot easily be replicated digitally, potentially limiting the cost savings for some services; and
- the use of third parties for 'franchise' assisted services to reduce expenditure on non-digital services poses a reputational risk for service quality and data protection.

1.21 The Department will also need to consider the governance arrangements for implementing and managing large-scale transformation of services. This is particularly relevant for EU schemes under the Common Agricultural Policy, where the implementation of policy for individual customers can be complex. The Department is planning to introduce a new CAP system for scheme year 2015, using an agile⁷ delivery methodology with multiple outsourced suppliers. Further information on this project can be found in Part Three.

Staff attitudes

1.22 The government has conducted its Civil Service People Survey annually for the past four years. The most recent survey was carried out during October 2012, with detailed results publicly available from February 2013. Continuing our practice in past briefings, we summarise here the views of the Department's staff on a number of key issues, and compare them to benchmarks for the civil service as a whole. Detailed results for all departments are reproduced at Appendix Two.

⁷ Agile software development is a group of software development methods based on iterative and incremental development, where requirements and solutions evolve through collaboration between self-organising, cross-functional teams. It promotes adaptive planning, evolutionary development and delivery, and encourages rapid and flexible response to change.

1.23 Figure 4 shows the results for the Department in two of the nine themes contained within the Civil Service People Survey, 'leadership and managing change' and 'understanding of organisational objectives and purpose'. The results of these questions show a slight fall in positive responses compared with 2011 and the Department continues to show below average results when compared with the wider civil service.

1.24 As part of the survey results, each department is given an engagement index assessing the level of staff engagement. This is determined by three key elements: the extent to which staff speak positively of the organisation; are emotionally attached and committed to it; and whether they are motivated to perform at their best. In 2012, the Department, excluding its agencies, saw a further fall in the engagement index from 52 per cent in 2011 to 50 per cent, 8 percentage points below the civil service average.

Major developments for the year ahead

1.25 The **CAP** accounts for more than 40 per cent of the entire EU budget and a significant proportion of the Department's expenditure through the Rural Payments Agency. As the conclusion of the CAP reform negotiations has been delayed, a common commencement date for the new EU proposals is no longer feasible. Transitional measures will be put in place for the year 2014, although a single Common Market Organisation and some finance and control measures will come into force in January 2014. Discussion continues with the European Commission on whether new rural development schemes will begin during 2014-15. All measures related to the new direct payments scheme are delayed until January 2015.

1.26 The Cabinet Office introduction of **cross-government shared service centres** will continue over the coming year. A decision on the shared services provider for the Department, as part of Independent Shared Service Centre 2, is expected to be made before Christmas 2013.

1.27 The Department launched the **draft bovine TB strategy** and consultation in July 2013. The consultation will conclude in September and a firm policy announcement is expected to be made later in the year. The pilot badger culls are ongoing.

1.28 Following the **discovery of horse DNA in processed beef** in January 2013, a number of inquiries have been launched within government and by the police. The results of these reports, including an NAO report on the food assurance process, are to be published in the coming year.

Figure 4

2012 Civil Service People Survey: Department for Environment, Food & Rural Affairs (excluding agencies)

Theme	Theme score (% positive) ³	Difference from 2011 survey ¹	Difference from civil service average 2012 ³
Leadership and managing change			
I feel that the Department as a whole is managed well	29	-2	-13
Senior civil servants in the Department are sufficiently visible	42	-2	-6
I believe the actions of senior civil servants are consistent with the Department's values	34	0	-8
I believe the departmental board has a clear vision for the future of the Department	22	0	-18
Overall, I have confidence in the decisions made by the Department's senior civil servants	29	+2	-11
I feel that change is managed well in the Department	19	-2	-10
When changes are made in the Department they are usually for the better	14	-2	-11
The Department keeps me informed about matters that affect me	56	0	0
I have the opportunity to contribute my views before decisions are made that affect me	31	-7	-4
I think it is safe to challenge the way things are done in the Department	37	-3	-3
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	74	-1	-10
I have a clear understanding of the Department's objectives	70	0	-9
I understand how my work contributes to the Department's objectives	75	-1	-7

Notes

- 1 All differences from previous surveys are statistically significant.
- 2 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 3 The 2012 benchmark is the median per cent positive across all organisations that participated in the 2011 Civil Service People Survey.

Source: Department for Environment, Food & Rural Affairs Survey Results 2011, 2012

Part Two

Recent NAO work on the Department

Our audit of the Department's accounts

2.1 The NAO's financial audits of government departments and associated bodies are primarily conducted to allow the Comptroller and Auditor General (C&AG) to form an opinion of the truth and fairness of the public accounts. In the course of these audits, the NAO learns a great deal about government bodies' financial management and sometimes this leads to further targeted pieces of work which examine particular issues. In this section, we look at the outcome of our most recent financial audits on the Department for Environment, Food & Rural Affairs, and its bodies (the Department) including the findings arising from UK expenditure under the Common Agricultural Policy (CAP) which we report to the European Commission.

2.2 We have qualified our opinion on the Department's accounts since 2009-10 because of two issues involving the payment of subsidies to farmers: the quantification of amounts owing to and from farmers; and payments made to farmers for certain agricultural subsidies that did not fully comply with EU regulations. In 2012-13, our opinion was qualified for the first of these issues.

2.3 The Rural Payments Agency has prioritised and made good progress in quantifying and rectifying known past overpayments and underpayments made to farmers and other claimants since the Single Payment Scheme began in 2005. However, uncertainty remains as to whether past overpayments and underpayments remain, and has therefore limited the scope of our audit opinion in respect of the completeness of these balances.

2.4 In 2011-12, the European Commission imposed financial penalties of £46 million on the Department for failing to comply in full with EU regulations on farming subsidies; these are often referred to as disallowance penalties. The disallowance penalties in 2012-13 have not been as high as expected due to administrative delays within the European Commission. Consequently, we have not qualified our audit opinion for the £20 million of disallowance penalties recorded in year as, while these are significant, they are not judged to be material to the accounts. It is likely that the level of penalties will increase again in future years, which may affect our audit opinion.

2.5 We also qualified the accounts of the Animal Health and Veterinary Laboratories Agency, on the basis that the 2011-12 comparative data for income are not supported by sufficient evidence. The income balances reported for 2012-13 are free from the issue that resulted in this qualification; consequently we are not expecting this issue to affect the 2013-14 accounts.

2.6 The Department's Governance Statement concludes that internal controls were effective during the course of the year and highlights the issues surrounding the accounts qualifications. In addition, the Department reports that:

- during the course of the year the Rural Payments Agency delivered 40 of the 43 public commitments made in their *Strategic Improvement Plan*,⁸ which was published in February 2012. The changes made as part of this process now require time to mature and further areas of improvement have been identified for action in the coming months;
- the CAP Delivery Programme (formerly the Future Options Programme) was restructured during 2012-13 and now incorporates not only the Rural Payments Agency, but also Natural England and the Forestry Commission. The programme is designed to strengthen the governance of changes arising from CAP reform and oversee the delivery of its objectives. The size and scope of the project have resulted in it being included in the Major Project Authority's Government Major Projects Portfolio. Further information on this project can be found in Part Three; and
- a number of health and safety incidents were reported by the Animal Health and Veterinary Laboratories Agency during the year, resulting in a crown censure being placed on the Agency. In response, the Agency introduced targeted training for staff and management and improved board reporting on health and safety matters.

Our audits of the Department's effectiveness and value for money

2.7 Since October 2012, the NAO has published one value-for-money report on the Department's activities, entitled *Streamlining farm oversight*.⁹ By oversight, we mean those activities government bodies undertake on-farm to check, or provide advice on, or compliance with, regulations including animal disease surveillance, pollution and compliance with the CAP.

2.8 Our report considered the progress the Department made in reducing the burden on farmers and streamlining oversight inspections. In particular, we reported on how well government:

- understands the scale, nature and proportionality of current inspection activity;
- targets it appropriately; and
- coordinates farm visits.

⁸ Rural Payments Agency, *Five-Year Plan 2012–2017*, February 2012. Available at: rpa.defra.gov.uk/rpa/index.nsf/7801c6143933bb248025713f003702eb/84b1e4d7f43c05408025799d003ac991!OpenDocument

⁹ Comptroller and Auditor General, *Streamlining Farm Oversight*, Session 2010–2012, HC 797, National Audit Office, December 2012. Available at: www.nao.org.uk/report/streamlining-farm-oversight/

2.9 We found that the Department does not routinely collect or analyse robust data on the overall number and pattern of farm visits, nor levels of compliance across its regulatory regimes. Data are not systematically brought together on levels of non-compliance nor are they used to evaluate associated risks.

2.10 We recommended that the Department:

- reviews arrangements for leading and coordinating farm oversight so it provides greater direction, focus and ownership. For substantive change to be delivered, the Department needs to achieve greater traction with oversight bodies both at national and local level;
- develops the cross-government information we have collected for this report. Information on current oversight activity and compliance levels is dispersed; it should be brought together and analysed;
- builds upon existing work to achieve stronger coordination and improved intelligence-sharing and collection; and
- in the longer term, uses the opportunities presented by formal reviews of its arm's-length bodies to rationalise and merge farm oversight activity.

2.11 A full list of publications by the NAO on the Department since April 2010 can be found in Appendix Three.

The Department in a cross-government context

2.12 In addition to our work on individual departments, the NAO increasingly looks at performance across government, in order to understand how different departments measure up on important issues. Of the cross-government reports we have published in the last year, one has included substantial coverage of the Department, entitled *Integration across government*.¹⁰ A full list of cross-government reports relevant to the Department since April 2010 can be found in Appendix Four.

2.13 Integration across government refers to the coordination of working arrangements where multiple departments or public sector organisations are involved in providing a public service or programme. Integration of public services and programmes offers government the potential for substantial cost savings and service improvements.

¹⁰ Comptroller and Auditor General, *Integration across government*, Session 2013-14, HC 1041, National Audit Office, March 2013. Available at: www.nao.org.uk/report/cabinet-office-and-hm-treasury-integration-across-government/

2.14 The report included two findings specific to the Department:

- In implementing the Single Payment Scheme, the Rural Payments Agency and the Department did not fully appreciate the risks and complexities of implementing the scheme, which consolidated 11 subsidies into one payment. To improve coordination in this area the Department has established a project to provide more integrated delivery of CAP reforms expected in 2015.
- The fragmented nature of current arrangements for farm oversight does not optimise value for money and continues to burden compliant farmers unnecessarily. Oversight bodies miss opportunities to coordinate activity and share intelligence, which would allow them to reduce any redundant activity and unnecessary cost.

2.15 We concluded that government tends to operate in a silo-based way, which can lead to poorly coordinated services or programmes. This can create inefficiencies and poor service outcomes for citizens. There is scope to improve overall value for money across government by integrating services and programmes further.

2.16 With the structured cost reductions continuing in Spending Review 2013, pursuing increased integration offers the Department a potential area for cost savings in 2013-14 and beyond.

NAO work in progress

2.17 The NAO has one study in progress on the Department.

2.18 Food Assurance: Following the discovery of horse DNA in processed beef products sold in the UK, our value-for-money study is examining how government bodies undertake checks on processed meat products at different stages of the food supply chain to assure consumers that the products they purchase are both safe to eat and that the contents match the description on the label. The report is due to be published in October 2013.

Part Three

The Department's major projects

3.1 The Department currently has four projects in the Government Major Projects Portfolio. The budgeted whole-life cost of these four projects is nearly £4 billion, with an end date of March 2024 for the longest project (**Figure 5**).

3.2 The transfer of British Waterways from a public corporation to a charity was completed successfully in August 2012 and the redevelopment of the Covent Garden Market is being undertaken by the Covent Garden Market Authority with no additional funding from the Department. The remaining two projects are more critical to the Department's policy delivery.

Figure 5

The current evaluation of the Department's major projects

Project name	Description	Budgeted whole life costs (£m)	End date	MPA RAG Rating ¹
New Waterways Charity	To move British Waterways in England and Wales from a public corporation into a new charity.	873.72	Complete	●
CAP Delivery Programme	To procure and implement a joined-up IT solution for delivery of the CAP reforms.	13.03	1 March 2015	●
Covent Garden Market Authority Redevelopment	To redevelop New Covent Garden Market, the UK's largest flower, fruit and vegetable wholesale market.	0 ²	1 December 2018	●
Thames Estuary 2100 Plan	An Environment Agency programme to procure a ten-year asset management programme of flood defence works on the tidal Thames as part of a larger plan to the year 2100.	3,082.0	31 March 2024	●

Notes

- 1 Major Projects Authority (MPA) RAG ratings are the result of a Delivery Confidence Assessment of the project at a fixed point in time, using a five-point scale, Red – Amber/Red – Amber – Amber/Green – Green; definitions of each rating can be found in the MPA Annual Report.
- 2 The redevelopment of Covent Garden Market is being funded by the release of surplus land to developers and the retention by the Covent Garden Market Authority of profits that were historically surrendered to HM Treasury. No direct funding is being provided by the Department.

Source: Major Projects Authority Annual Report 2012-13, Quarter 2, Government Major Projects Portfolio data, the Department for Environment, Food & Rural Affairs

Common Agricultural Policy Delivery Programme

3.3 Formerly the Future Options Programme, the restructured CAP Delivery Programme is the Department's response to the changes in the EU CAP which are currently being negotiated with member states. The programme includes the procurement of an IT solution to deliver and administer scheme payments, improve value for money and provide an efficient digital application service for customers. The preferred option in the outline business case received Cabinet Office and Treasury approval in January 2013.

3.4 Priorities in the project include:

- enabling collaborative work across delivery bodies, including the Rural Payments Agency, Natural England and the Forestry Commission to understand system dependencies and monitoring requirements;
- identification of the financial and human resource requirements; and
- ensuring the lessons learnt from the 2005 CAP reform implementation are well embedded.

3.5 The cost of the programme is currently estimated at approximately £155 million; however, these costs are being continuously appraised as details of the revised agricultural schemes become available and implementation costs can be assessed.

3.6 The NAO reported extensively on the first-time implementation of the CAP Single Payment Scheme between 2006 and 2009, and made a number of recommendations over the course of three reports¹¹ regarding the implementation of the programme. A successful delivery of CAP reforms should have the benefit of reducing disallowance penalties charged by the European Commission and provide an improved experience for applicants.

3.7 The Department recognises that the complexity of the programme means that there are a number of significant risks to delivery. A strong relationship between the programme team and other stakeholders is important in ensuring that the risks to delivery are adequately managed and that the Department and the Rural Payments Agency learns the lessons from the implementation of the Single Payment Scheme in 2005.

¹¹ Comptroller and Auditor General, *The delays in administering the 2005 Single Payment Scheme in England*, Session 2005-06, HC 1631, National Audit Office, October 2006; *A progress update in resolving the difficulties administering the Single Payment Scheme in England*, Session 2007-08, HC 10, National Audit Office, December 2007; and *A second progress update on the administration of the Single Payment Scheme by the Rural Payments Agency*, Session 2008-09, HC880, National Audit Office, October 2009.

Thames Estuary 2100 Plan

3.8 The Thames Estuary 2100 Plan is being managed by the Department's arm's-length body, the Environment Agency. It is intended to manage the risk of tidal flooding along the Thames to the year 2100 and beyond, protecting more than a million people and more than £200 billion of property. The plan also incorporates a number of other environmental priorities, including habitat conservation and replacement and will reflect the changing nature of our climate by providing additional protection against rising sea levels.

3.9 The first phase of the plan from 2010–2035 includes maintenance of existing defences and establishing effective floodplain management across the estuary. The first round of procurement activity in this phase is for a ten-year programme of flood defence works across the tidal Thames up to 2025 at an estimated cost of £260 million. The project team is currently evaluating and costing a number of discrete capital projects on various defences, including refurbishments and new builds to maintain the current level of flood defence. The total cost of phase one from 2010–2035 is estimated to be £1.5 billion.

3.10 The Thames Estuary 2100 Plan includes two further phases of work:

- from 2035–2050 a significant construction and improvement programme to refurbish or replace many of the existing defences along the tidal Thames at an estimated cost of £1.8 billion; and
- from 2050–2100 where an 'end of the century option' is implemented, which may include the replacement of the existing Thames barrier with a new barrier at Long Reach. The cost of this final phase is likely to be in excess of £6 billion.

Thames Tideway Tunnel

3.11 Alongside the Thames Estuary 2100 Plan, Thames Water is also undertaking a large construction project in the estuary: the Thames Tideway Tunnel. The tunnel is a major new sewer designed to reduce sewage overflows into the River Thames for the next 100 years and to help the UK meet EU water quality standards. Construction is due to begin in 2015 across 24 sites in London at an estimated cost of £1.6 billion.

Appendix One

The Department's sponsored bodies at 1 April 2013

Executive agencies

Animal Health and Veterinary Laboratories Agency
Centre for Environment, Fisheries and Aquaculture Science
Food and Environment Research Agency
Rural Payments Agency
Veterinary Medicines Directorate

Executive non-departmental public bodies

Agricultural Wages Board (now abolished)
Agricultural Wages Committees x15 (to be abolished)
Consumer Council for Water
Environment Agency
Food from Britain (now defunct/abolished)
Gangmasters Licensing Authority
Joint Nature Conservation Committee
Marine Management Organisation
National Forest Company
Natural England
Royal Botanic Gardens, Kew

Non-ministerial department

Forestry Commission
Water Services Regulation Authority (Ofwat)

Forestry Commission sponsor bodies

Forest Research (Agency)
Forest Enterprise England (Public Corporation)

Advisory non-departmental public bodies

Advisory Committee on Pesticides (to be reformed)
Advisory Committee on Releases to the Environment
Agricultural Dwelling House Advisory Committees x16 (to be abolished)
Committee on Agricultural Valuation (now defunct/abolished)
Independent Agricultural Appeals Panel
Science Advisory Council
Veterinary Products Committee

Tribunal non-departmental public bodies

Agricultural Land Tribunal (to be reformed)
Plant Varieties and Seeds Tribunal (to be reformed)

Public corporations

Covent Garden Market Authority

Levy bodies

Agriculture and Horticulture Development Board
Sea Fish Industry Authority

Other bodies

British Wool Marketing Board
Broads Authority
National Parks Authorities x9
Waste and Resources Action Programme

Source: Department for Environment, Food & Rural Affairs

Appendix Two

Results of the Civil Service People Survey 2012

	Civil service overall	Department for Business, Innovation & Skills (excluding agencies)
Question scores (% strongly agree or agree)		
Leadership and managing change		
I feel that the Department as a whole is managed well	43	39
Senior civil servants in the Department are sufficiently visible	48	51
I believe the actions of senior civil servants are consistent with the Department's values	42	40
I believe that the departmental board has a clear vision for the future of the Department	40	41
Overall, I have confidence in the decisions made by the Department's senior civil servants	39	37
I feel that change is managed well in the Department	29	26
When changes are made in the Department they are usually for the better	25	19
The Department keeps me informed about matters that affect me	56	59
I have the opportunity to contribute my views before decisions are made that affect me	36	31
I think it is safe to challenge the way things are done in the Department	40	37
Organisational objectives and purpose		
I have a clear understanding of the Department's purpose	84	81
I have a clear understanding of the Department's objectives	79	74
I understand how my work contributes to the Department's objectives	82	79

Note

1 The score for a question is the percentage of respondents who strongly agree or agree to that question.

Cabinet Office (excluding agencies)	Department for Communities and Local Government (excluding agencies)	Department for Culture, Media & Sport (excluding agencies)	Ministry of Defence (excluding agencies)	Department for Education	Department of Energy & Climate Change	Department for Environment, Food & Rural Affairs (excluding agencies)	Foreign & Commonwealth Office (excluding agencies)	Department of Health (excluding agencies)	HM Revenue & Customs (excluding agencies)	HM Treasury	Home Office (excluding agencies)	Department for International Development	Ministry of Justice (excluding agencies)	Department for Transport (excluding agencies)	Department for Work & Pensions (excluding agencies)
38	31	23	19	39	39	29	56	31	21	62	39	63	48	43	29
47	45	37	26	46	64	42	59	47	33	71	48	71	56	59	30
40	33	23	24	39	47	34	55	39	27	59	40	62	47	47	29
29	31	29	22	31	27	22	54	24	24	47	28	64	37	35	30
40	30	18	16	35	42	29	50	33	19	57	35	58	43	39	23
28	22	19	11	27	27	19	42	18	17	49	23	44	34	27	24
22	14	12	9	17	25	14	36	14	14	35	18	32	29	19	20
57	54	56	41	55	67	56	62	49	40	72	60	69	61	63	46
34	32	32	20	37	39	31	42	30	20	48	33	50	37	35	23
41	29	32	30	36	43	37	45	31	29	54	38	44	41	43	33
73	67	64	80	83	87	74	83	68	75	86	84	94	79	80	79
63	63	62	72	77	84	70	80	62	72	80	80	92	73	74	77
73	72	70	76	80	86	75	84	69	75	82	81	91	77	79	78

Appendix Three

Publications by the NAO on the Department since July 2010

Publication date	Report title	HC number	Parliamentary session
12 December 2012	Streamlining farm oversight	HC 797	2012-13
18 July 2012	Improving the delivery of animal health and welfare services through the Business Reform Programme	HC 468	2010-2012
25 November 2011	Department for Environment, Food & Rural Affairs: Financial Management Report 2011	HC 1593	2010-2012
26 October 2011	Department for Environment, Food & Rural Affairs: Departmental Overview	www.nao.org.uk/report/departmental-overview-a-summary-of-the-naos-work-on-the-department-for-environment-food-and-rural-affairs-2010-2011/	
28 October 2011	Flood Risk Management in England	HC 1521	2010-2012
22 July 2011	Managing front line delivery costs	HC 1279	2010-2012
12 July 2011	Geographic information strategy	HC 1274	2010-2012
18 February 2011	Managing the impact of changes in the value of the euro on EU funds	HC 759	2010-2012
18 October 2010	Assessing the cost to public funds of animal diseases	www.nao.org.uk/publications/1011/animal_diseases.aspx	
8 July 2010	Tackling diffuse water pollution in England	HC 188	2010-11

Appendix Four

Cross-government reports of relevance to the Department since July 2010

Publication date	Report title	HC number	Parliamentary session
18 July 2013	Charges for customer telephone lines	HC 541	2013-14
8 July 2013	The 2012-13 savings reported by the Efficiency and Reform Group	HC 126	2013-14
5 July 2013	The rural broadband programme	HC 535	2013-14
19 June 2013	Building capability in the Senior Civil Service to meet today's challenges	HC 129	2013-14
13 March 2013	Integration across government	HC 1041	2012-13
27 February 2013	Improving government procurement	HC 996	2012-13
30 January 2013	Financial sustainability of local authorities	HC 888	2012-13
16 January 2013	Planning for economic infrastructure	HC 595	2012-13
18 October 2012	Managing budgeting in government	HC 597	2012-13
2 February 2012	Cost reduction in central government: summary of progress	HC 1788	2010-2012
20 January 2012	Reorganising central government bodies	HC 1703	2010-2012
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276	2010-2012
20 March 2011	The Government Procurement Card	HC 1828	2010-2012
3 March 2011	Progress in improving financial management in government	HC 487	2010-2012

Where to find out more

The National Audit Office website is
www.nao.org.uk

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