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Environment, Food and Rural Affairs Committee

Defra performance in 2013–14

Eighth Report of Session 2014–15

Report, together with formal minutes relating to the report

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Environment, Food and Rural Affairs Committee

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1 Introduction

1. We carried out this inquiry into the performance of the Department for Environment, Food and Rural Affairs (Defra) in 2013–14 as part of our remit to examine the expenditure, administration and policy of Defra and its associated public bodies. Defra published its Annual Report and Accounts 2013–14 on 10 July 2014, which set out what the Department achieved during 2013–14 and its plans for the future, in relation to both financial statements and governance.

2. The National Audit Office (NAO) assisted our inquiry by producing an Overview of Defra's activity and performance since September 2013.[1] We also submitted written questions to Defra and held two oral evidence sessions: with the Permanent Secretary, Bronwyn Hill CBE and other officials; and with the Secretary of State, Rt Hon Elizabeth Truss MP. The evidence is published on our website.[2]

1 National Audit Office, *The performance of the Department for Environment, Food and Rural Affairs 2013–14*, November 2014

2 See Environment, Food and Rural Affairs Select Committee website: Defra performance in 2013–14

2 Expenditure and administration

Expenditure

3. The Department's total expenditure for 2013–14 was £6.252 billion, taking into account both its activities funded directly by Parliament and grants made following the receipt of money from the European Union, predominantly to fund agricultural subsidies and rural development schemes.[3] The Government budget allocated to and spent by Defra is known as the Departmental Expenditure Limit (DEL) and it is set at Spending Reviews. The table below shows Defra's final DEL expenditure (outturn) against its approved budgetary limits (estimate) in 2013–14.

£m	Estimate	Outturn	Underspend	Variance
Resource	2,001	1,951	50	-2%
Capital	493	482	11	-2%
Total	**2,494**	**2,433**	**61**	**-2%**

4. The Department has underspent its central Government funding allocation each year since the 2010 Spending Review. In 2013–14, Defra spent £2,433 million of its DEL to meet its strategic objectives which resulted in a £61 million (2 per cent) underspend compared to its budget.[4] The Department's Annual Report and Accounts 2013–14 state that the £50 million underspend against resource DEL was due to the following factors:

a) £30 million was not spent as the UK Government challenged EU disallowance penalties on 2010 and 2011 Common Agricultural Policy (CAP) scheme expenditure; and

b) £20 million was intentional underspend following approval from HM Treasury to carry the funding into 2014–15 to spend on flood prevention.[5]

Emergency spending

5. We have reported in detail on flood funding during this Parliament and pursued some of our concerns further during this inquiry. In February 2014, Defra announced an additional £130 million funding to respond to the winter floods 2013–14 (consisting of £110 million revenue and £20 million capital), which had been sourced from Defra's existing allocation. The Government Response to our Report on *Winter floods 2013–14* explained that the £130 million had been found:

3 NAO, *The performance of the Department for Environment, Food and Rural Affairs 2013–14*, November 2014, para 1.17

4 The total underspend in 2012–13 was £18.5 million (0.7%)

5 Defra, *Annual Report and Accounts 2013–14*, p54; NAO, *The performance of the Department for Environment, Food and Rural Affairs 2013–14*, November 2014, para 2.2

> Through exceptional flexibility provided by HM Treasury to transfer underspends into the current financial year, including those from ring-fenced Disallowance budgets, with the remainder coming from an internal re-prioritisation.[6]

6. We sought more clarity around the details of the "internal re-prioritisation" throughout this inquiry. Defra told us that "it is not possible to identify specific budgets that were reduced",[7] and that:

> Defra found the remaining £130m from existing resources in 2013–14 and 2014–15. £80m was found in 2013–14 and £50m in 2014–15. With Treasury agreement £50m was then transferred from 2013–14 to 2014–15. The sources of the funding are set out in the table below.[8]

£m	2013–14	2014–15
Underspend within the Disallowance ringfence	23	
Disallowance funding not utilised	30	40
Recycling of other underspends within the department	27	-
Active, in year, management of emerging underspends	-	10
Total	***80***	***50***

7. **It is unclear how the £80 million underspend in 2013–14 set out in Defra's written evidence corresponds to the £50 million underspend set out in Defra's Annual Report and Accounts for the same period. It is also unclear what the distinction is between "underspend within the disallowance ringfence" and "disallowance funding not utilised": in total these two disallowance figures are worth £53 million which does not agree with the disallowance underspend of £30 million set out in the Annual Report and Accounts. Lastly, Defra's written evidence refers to £50 million being transferred from 2013–14 to 2014–15 with Treasury approval, whereas the Annual Report and Accounts states that £20 million was transferred with Treasury approval.**

8. ***Defra must be more transparent about where emergency money such as the winter floods funding is found and what impact this has on the Department's other priorities and policy delivery. We are not aware of any reason why the Department could not identify which specific budgets were reduced, despite our repeated requests for this information. The Department must provide a clear and detailed explanation addressing each of the discrepancies we have identified with specific reference to the underlying data in the Annual Report and Accounts.***

6 Government Response to the Committee's First Report of Session 2014–15, Third Special Report of Session 2014–15, HC 701, p8

7 Defra (DEP0002) para 9

8 Defra (DEP0002) para 7

Budget adjustments

9. In common with most Departments, Defra has faced reductions in funding since 2010. The table below shows the decreases in Defra's DEL budget since 2010–11. As a result of the 2010 Spending Review, the Department was required to make a 16.7 per cent real terms reduction in resource expenditure from £2.4 billion (2010–11) to £2 billion (2014–15). The Department's resource budget is set to reduce by a further £200 million by 2015–16, roughly 10 per cent of Defra's overall resource budget.[9]

	2010–11	**2011–12**	**2012–13**	**2013–14**	**2014–15**	**2015–16**
Resource	£2.4bn	£2.2bn	£2.1bn	£2.0bn	£2.0bn	£1.8bn
Capital	£0.6bn	£0.4bn	£0.4bn	£0.5bn	£0.6bn	£0.5bn
Total	**£3bn**	**£2.6bn**	**£2.5bn**	**£2.5bn**	**£2.6bn**	**£2.3bn**

10. In our Report on the *Departmental Annual Report 2012–13* we recommended that "the Secretary of State needs to be clearer about what substantial cuts in Defra's budget will mean for policy delivery" as "administrative and efficiency savings will not represent the entire savings".[10] We are concerned that a lack of clarity remains in relation to the £200 million savings which must be found in 2015–16, particularly following confirmation from the Permanent Secretary that the Department had "not actually taken those decisions to set budgets for 2015–16" but that the cuts would "come from a variety of areas. We do have a very varied and diverse set of delivery arrangements".[11] The Department's remit is wide so there is a risk that making budget cuts across a variety of areas leads to a 'salami-slicing' approach whereby small cuts are made across the board, rather than a more strategic approach being taken. When we asked exactly where the budget cuts would fall, the Secretary of State replied:

> The whole philosophy of the Department has to be to get more for less, so we want to achieve the same outcomes on the front line.[12]

And:

> It is certainly not a case of salami-slicing; it is about focusing more on the outcomes and not doing things that do not achieve those outcomes and objectives.[13]

11. **Given the breadth of policy areas covered by the Department, coupled with the unpredictable nature of emergency events such as flooding and animal and plant health**

9 Q20

10 Environment, Food and Rural Affairs Committee, Ninth Report of Session 2013–14, *Departmental Annual Report 2012–13*, HC 741, para 9

11 Q20 and Q22

12 Q94

13 Q95

disease, it is important that a strong case is made to protect Defra's budget at the next Spending Review.

12. ***It is frustrating that our concerns about the lack of clarity surrounding pending budget reductions have not been addressed. We reiterate our previous recommendation that the Secretary of State must be clearer about where budget cuts will fall and what impact this will have on Defra's policy delivery. We understand that the Secretary of State makes decisions based on outcomes in line with Defra's priorities, but the priorities in themselves do not provide a clear guide as to where the axe will fall. Defra has not provided the clarity or detail needed to scrutinise the Department's planned expenditure or policy delivery.***

Disallowance penalties

13. Disallowance is a financial penalty imposed by the European Commission on Member States that are found to have made CAP payments inaccurately. These inaccuracies are identified only once the Commission has audited accounts, so that Defra accounts routinely show disallowance figures relating to CAP payments made several years ago. Defra may disagree with the Commission's assessments and request conciliation, so the process for agreeing levels of disallowance to be applied to the UK can be complex and take many months. Since the introduction of the 2005 CAP, Defra accounts have recognised £580 million worth of payments owed as disallowance. Of this, £407 million has been paid and £173 million remains to be paid for the period up to 2011. However, delays within the Commission mean that it has not yet assessed disallowance levels for the years 2012–14 so the amount owing may well go up.[14]

14. Defra's 2013–14 accounts were not qualified by the Comptroller and Auditor General (C&AG)—only the second time they have not been qualified owing to CAP disallowance since 2007–08.[15] Although £41.8 million of disallowance was included in the 2013–14 accounts, mainly relating to 2010–11, the C&AG did not consider this to be "material" irregular expenditure (i.e. expenditure made outside of Parliamentary intention). However, the Permanent Secretary told us there was a "significant risk" of disallowance penalties for 2012, 2013 and 2014.[16] Defra expects that penalties for the current CAP will only be fully calculated and settled by 2019–20.

15. We have criticised the performance of the Rural Payments Agency (RPA) in respect of high levels of disallowance incurred in previous years under the 2005 CAP. The C&AG notes that the problems experienced by the RPA and Defra in implementing the 2005 CAP have "undoubtedly contributed" to disallowance levels.[17] In response to this, Defra has put

14 Defra, *Annual Report and Accounts 2013–14*, p89

15 Defra, *Annual Report and Accounts 2013–14*, p89

16 Q45

17 Defra, *Annual Report and Accounts 2013–14*, p91

in place a series of measures under its new CAP Delivery Programme to prepare for implementation of the new CAP from January 2015. This includes measures to ensure effectiveness of IT systems.

16. **With the main reform provisions of the new Common Agricultural Policy scheme coming into play in 2015, Defra, the Rural Payments Agency and farmers are having to adjust to a complex set of new rules. It is therefore vital that Defra and its agencies ensure that lessons learnt from problems with payments under the previous CAP schemes are taken forward effectively so as to minimise disallowance risks in future. We welcome the CAP Delivery Programme put in place by Defra and the Rural Payments Agency to prepare for the new rules applying from 2015 but it is essential that the Department closely monitors performance and that early action is taken to rectify any problems.**

17. ***The Secretary of State and the Permanent Secretary must make it a priority to review progress and ensure that effective mechanisms, including IT systems, are in place to provide timely, accurate CAP payments to farmers.***

18. In our Report on Rural broadband and digital-only services,[18] we gave the Rural Payments Agency credit for taking a number of important steps to ensure that those with poor broadband speeds can access its new CAP application software but, given the difficulties experienced with previous CAP schemes, and in particular given the variable state of broadband access in rural areas, we reserved judgment on the effectiveness of its preparations until they had been tested in action. We also recommended that the RPA had a contingency plan in place in case the new CAP application system proved difficult for farmers with limited broadband capability to use and to enable it to respond to the software not functioning at the level required.

Staff satisfaction

19. The Civil Service People Survey 2013 was carried out at Defra in October 2013 and published in February 2014. The key indicator (known as the engagement index) determines the level of staff engagement through three key elements: the extent to which staff speak positively of the organisation; the extent to which staff are emotionally attached and committed to the organisation; and whether staff are motivated to perform at their best. Defra's overall engagement score was 52 per cent, which was an increase of 2 percentage points compared with 2012. This was 6 points below the Civil Service average of 58 per cent (compared to 8 points below the Civil Service average in 2012). When asked for her views on the most recent results, the Permanent Secretary said:

18 Environment, Food and Rural Affairs Committee, Seventh Report of Session 2014-15, *Rural broadband and digital-only services*, HC 834

> Obviously I would always like the people survey scores to be higher than they are, but I am a realist. If that is what staff think about the Department, I have to deal with that and act on it. I was pleased to see that for the core Department last year, there was a 2% improvement in the overall score. For areas where we had focused a lot of attention, like learning and development, there was a noticeable upkick, but I still think we have a lot more to do on improving our leadership of change, because we have a lot of change to do. It is not going to go away and we could get better at doing it.[19]

20. ***The Department continues to lag behind the Civil Service average and must increase its efforts to avoid another repeat of poor staff survey results.***

21. As in 2012, '*leadership and managing change*' scored particularly low at 35 per cent and still lagged 6 points behind the Civil Service average. Within '*leadership and managing change'* the following breakdown provides more detail:

Leadership and managing change	% positive	Difference from previous survey	Difference from Civil Service average
Defra keeps me informed about matters that affect me	**58%**	+2	0
I think it is safe to challenge the way things are done in Defra	**38%**	+1	0
Senior managers in Defra are sufficiently visible	**49%**	+7	-2
I believe the actions of Senior managers are consistent with Defra's values	**41%**	+7	-2
I have the opportunity to contribute my views before decisions are made that affect me	**31%**	0	-5
I feel that change is managed well in Defra	**23%**	+4	-6
Overall, I have confidence in the decisions made by Defra's senior managers	**34%**	+5	-7
I feel that Defra as a whole is managed well	**35%**	+6	-8
When changes are made in Defra they are usually for the better	**16%**	+2	-11
I believe that the board has a clear vision for the future of Defra	**28%**	+6	-14

22. The themes of '*I feel that change is managed well in Defra*' and '*When changes are made in Defra they are usually for the better*' scored particularly low at 23 per cent and 16 per cent respectively. Last year, we asked the Permanent Secretary how she was tackling issues of low morale and lack of confidence in the way that the Department manages change. She said that Defra had embarked on a number of initiatives, many focusing on learning and development. For example, it had run a campaign to remind staff that they were entitled to five days training per year: this was noted as a "priority for 2013" in the Permanent

19 Q29

Secretary's foreword to the Annual Report and Accounts 2013–14.[20] However, when we asked Defra about the uptake of this scheme, we were told that the Department "did not collect this information centrally in 2013–14".[21] The Department has confirmed that it is taking steps to measure learning and development in 2014–15 including by asking a question in the 2014 People Survey to determine how many days learning and development had been received by staff in core Defra.

23. This year, the Permanent Secretary said:

> My personal view on this is that I am not surprised because we have spent more time focusing on ministerial priorities […] I think we could do more. We have been engaging with them over the summer to say, "This is our vision of how we operate as one business," but we need to put more substance behind that, so I think there is more work to be done. It is not about Ministers; it is about us, so I take responsibility for that.[22]

24. **We welcome the initiatives introduced by Defra to address low staff satisfaction levels but we agree with the Permanent Secretary that there is more work to be done to improve the levels of staff engagement. This is not the first year that the Department's staff survey results have been disappointing and, in addition to taking responsibility, senior managers need to commit to taking action to address these results.**

25. ***When new initiatives are introduced (for example the '5-A-Year' campaign) they must be promoted and monitored to ensure that positive results are being achieved. We invite the Department to set out in its response to this Report the specific actions it is taking to address low levels of engagement in leadership and managing change and to keep us updated with the results of its monitoring of such initiatives.***

20 Defra, *Annual Report and Accounts 2013–14*, piii

21 Defra (DEP0001) para 24

22 Q34

3 Policy and delivery

Future CAP implementation

26. The RPA is the Department's highest spending agency, responsible for £3 billion of spend in 2013–14. Most of the RPA's funding came from EU CAP funds, but £336 million was directly funded by Defra. Political agreement on the CAP regulations, including funding and core scheme requirements for 2014–20, was reached between the European Council of Ministers, European Parliament and European Commission on 24 September 2013. Since then the EU has been finalising detailed scheme rules, with some details only emerging recently. Defra has published regular updates as it develops guidelines for the new English schemes.[23] We have reported in detail on the new CAP scheme in our Report on *Implementation of the Common Agricultural Policy in England 2014–20*,[24] and our Report on *Greening the Common Agricultural Policy*.[25] We pursued some of our concerns with the Secretary of State about the need for effective implementation of a complex new system. She told us that an early action in her new post had been to visit the new EU Commissioner for agriculture and rural development, Phil Hogan, to raise the need for simplification of the new CAP and for problem areas such as the three-crop rule to be addressed as a matter of urgency.[26] A number of Member States have similar concerns about the new scheme.[27]

27. **We commend Defra's diligence in updating farmers on the new CAP rules, particularly given the challenge of responding to EU developments at short notice. We also welcome the Secretary of State's engagement at an early stage with the new EU Commissioner for agriculture and rural development, demonstrating her commitment to tackling the complexity of the new scheme.**

28. ***We urge Defra to continue to press the EU through all available channels to simplify the CAP and to amend or remove perverse rules such as the three-crop rule. The Secretary of State must develop effective alliances with the other Member States which share the UK's concerns on these issues in order to achieve reform.***

23 See CAP Reform webpages

24 Environment, Food and Rural Affairs Committee, Seventh Report of Session 2013–14, *CAP Implementation 2014–2020*, HC 745

25 Environment, Food and Rural Affairs Committee, First Report of Session 2012–13, *Greening the CAP*, HC 170

26 The three-crop rule requires those wishing to qualify for full CAP payments under the basic payment scheme to grow three crops on farms over a certain size, with specific requirements about percentage cover. See Europa webpages for full details.

27 Q49

Forestry

29. We welcome the confirmation from the Secretary of State that approximately nine million trees will have been planted during this Parliament and that this will create the "highest level of woodland cover that we have had for 700 years".[28] We are reassured by Secretary of State's commitment to the public forest estate and welcome the amendment in the House of Lords to Clause 21 of the Infrastructure Bill[29] to make it completely clear that the public forest estate will remain in Government ownership and will not be sold.[30] The Forestry Commission received £51.4 million funding from Defra in 2013–14, which included £3.5 million to replace the revenue the Forestry Commission would have generated under the now-abandoned woodland sales programme.[31]

Flood and coastal erosion risk

30. During winter 2013–14, England and Wales experienced the wettest winter since at least 1766: the Environment Agency issued 155 severe flood warnings and over 7,000 properties were flooded. Over the same period, more than 1.3 million homes and businesses were successfully protected by existing flood defences.[32] The latest analysis from the Environment Agency shows that 2.4 million properties in England are at risk of flooding from rivers and the sea; about 3 million properties in England are at risk from surface water flooding; and about 600,000 properties are threatened by both.[33]

31. In 2013, the Government committed £2.3 billion of future capital funding for a six-year investment programme up to 2021. Defra subsequently published a detailed investment plan in December 2014 setting out in detail where this money will be invested.[34] The Secretary of State has announced that this funding will protect a further 300,000 properties, reduce flood risk by 5 per cent and save the economy £2.7 billion by 2021.[35] However, in order to deliver the investment programme, Defra will need to make efficiency savings of at least 10 per cent and attract external contributions (e.g. through partnership funding) of £600 million or more.

32. For the 2011–12 to 2014–15 period, Defra confirmed that £148 million in external co-funding had been provided under the partnership funding model, allowing 20,000 further homes to be protected.[36] Only £40 million of the £148 million was contributed from the

28 Q82

29 Clause 28 of Bill 154 2014–15 [as amended in Public Bill Committee] 16.01.15

30 Q81

31 Defra (DEP0002) paras 2 and 3

32 Environment Agency (XFL0025) para 1.1

33 Environment Agency, *Flood and coastal erosion risk: Long-term investment scenarios (2014)*, December 2014, p4

34 Defra, *Reducing the risks of flooding and coastal erosion: An investment plan*, December 2014

35 Defra press release, 2 December 2014

36 Defra, *Reducing the threats of flooding and coastal change*, updated 2 December 2014

private sector.[37] We have repeatedly expressed concern about the relatively small amounts of private sector funding that have been secured to date under the Partnership Funding approach. It remains unclear how the £600 million target of external funding for the next six-year investment programme will be met, even with the Autumn Statement announcement that business contributions on flood defence projects will become a deductible cost for tax purposes.

33. **We support the principle that the private sector should help to fund flood defence schemes but we are concerned that the £600 million target for external contributions to capital funding over the next six years will be difficult to meet given the relatively small amounts of private sector funding that have been secured to date.**

34. ***We invite Defra to demonstrate how the Partnership Funding model for flood defences will deliver much greater private sector funding in the future and to explain the impact on the six-year capital investment programme if the £600 million external contributions and 10 per cent efficiency savings targets are not achieved.***

35. The Government's six-year investment programme relates to capital spending only. Revenue funding has been allocated for only one year. We have received evidence that funding for maintenance is at a bare minimum and we have repeatedly called for maintenance funding to increase in line with funding for new capital schemes. We have urged Defra to draw up fully-funded plans to address the backlog of appropriate and necessary maintenance work and to accommodate the increased requirement that will be caused by the growth in numbers of capital assets. Alongside the capital investment programme, revenue funding would benefit from a six-year funding commitment to secure the certainty needed for long-term investment strategies. A recent NAO Report on *Strategic flood risk management* echoes our concerns on maintenance funding stating that:

> As of August 2014, some 1,356 asset systems with a lower benefit:cost ratio (50% of the total) are being maintained to a minimal level. Assets in the affected systems are likely to deteriorate faster as a result, potentially resulting in a lower standard of protection, as well as increasing capital replacement costs in the long term. This change also suggests that the benefits from the original capital investment in those assets will not be maximised.[38]

36. The Adaptation Sub-Committee of the Committee on Climate Change warned that only a quarter of flood defence systems would be maintained in 2014 according to

37 Oral evidence taken on 22 January, HC 991, Q7

38 NAO, *Strategic flood risk management*, HC 780, 5 November 2014, para 11

identified needs.[39] As a consequence, the Sub-Committee expects flood defences to degrade more quickly and need replacing earlier.

37. ***In line with our previous recommendation in our Report on Winter Floods 2013–14, we strongly recommend that the Government assess the possibility of a transition to a total expenditure classification for flood and coastal risk management funding to allow funding to be targeted according to identified needs and to ensure the optimal standard of protection is provided by flood defence assets.***

Biodiversity offsetting

38. In September 2013, Defra published a Green Paper on biodiversity offsetting in England. Defra defined biodiversity offsetting as a process whereby damage to habitats associated with a development at one site is compensated for by providing equivalent replacement habitats elsewhere. Six biodiversity offsetting projects were established in April 2012 for a period of two years to test the biodiversity metric developed by Defra.[40] However, few projects have been completed owing to the voluntary nature of the scheme and the relatively slow planning process. The lack of evidence has delayed progress on Defra's biodiversity offsetting proposals. The Secretary of State confirmed that she was still waiting for the report on the outcome of the biodiversity pilots and said that she would be in touch with the Committee once she had received it.[41]

39. We are aware, as the Secretary of State noted in her evidence, that there are existing biodiversity safeguards in the planning system. However, the Government's Green Paper claims that biodiversity offsetting could offer a simpler, faster way through the planning system and make it simpler to agree a development's impacts to ensure losses are properly compensated for.[42] In September 2013, the Government stated that it:

> does not want to delay the introduction of biodiversity offsetting if it can deliver more for the economy and the environment.[…] Following the Green Paper consultation the Government will develop its detailed proposals for using biodiversity offsetting and plans to set these out by the end of 2013.[43]

40. **We commend the Department for ensuring that the biodiversity offsetting pilots are fully evaluated, but we are concerned that implementation of the Department's biodiversity offsetting proposals has been significantly delayed past the end of 2013.**

39 Adaptation Sub-Committee of the Committee on Climate Change Progress Report 2014, *Managing climate risks to well-being and the economy*, p27

40 The following areas were involved in the biodiversity offsetting pilots: Essex; Nottinghamshire; Doncaster; Greater Norwich; Warwickshire; Coventry and Solihull

41 Q152 and Q155

42 Defra, *Biodiversity offsetting in England*, Green Paper, September 2013, p1

43 Government response to the Ecosystems Markets Task Force, *Realising Nature's Value*, September 2013

This suggests that implementation of the proposals may no longer be a priority for Defra before the General Election in May.

41. ***We ask Defra to set out a renewed timetable for its proposals on biodiversity offsetting to provide certainty for local communities, landowners, planning authorities and developers. We recommend that the Secretary of State announce when a clear, evidence-based policy decision on biodiversity offsetting will be made.***

Marine Conservation Zones

42. Defra is responsible for English inshore and offshore waters, including the designation of Marine Conservation Zones (MCZs) (a type of marine protected area) in those areas. The Marine and Coastal Access Act 2009 requires MCZs to be designated in order to form a network of marine protected areas that contribute to the conservation or improvement of the UK marine environment.[44] A total of 127 sites for MCZs were recommended to the Government in 2011, which would cover about 15 per cent of the waters under Defra's jurisdiction.[45]

43. In July 2013, Defra said it would not take forward all of the 127 recommended MCZs at that stage because of insufficient evidence supporting their designation, but that if new data became available that improved the evidence, they might be included in the final designation.[46] The first tranche of 27 MCZs was designated in November 2013, and Defra plans to designate two more tranches of MCZs over the next two years. In February 2014, Defra issued an update on progress, which listed 37 further sites which might be suitable candidates for the second tranche. These are only candidate sites, which will go to public consultation in 2015. The Secretary of State reassured us that MCZs "are extremely important, and we are currently working on potential new marine conservation zones".[47]

44. **Despite the Secretary of State recognising that Marine Conservation Zones are extremely important, we note that progress towards fulfilling the requirements of the Marine and Coastal Access Act 2009 and forming a network of such marine protected areas has been slow since the 127 sites were first recommended to the Government in 2011.**

45. We are also concerned that in relation to the wider marine outcomes in the Department's *Biodiversity 2020* strategy, Defra's written evidence noted an improvement of less than 2 percentage points in over 10 years: "just under 25% of English waters are now

44 Marine and Coastal Access Act 2009, section 123

45 Recommendations on MCZs were made following a project led by Natural England (who advise the Government on marine nature conservation in inshore waters) and the Joint Nature Conservation Committee (advising on offshore waters).

46 Defra, *Marine Conservation Zones: Site designations and summary of site-specific consultation responses*, November 2013

47 Q144

covered by Marine Protected Areas (up from just over 23% in 2003)".[48] When we expressed our concern to the Secretary of State she replied that:

> this really goes back to your point about marine conservation zones and making sure we are making progress on that consultation.[49]

46. ***We recommend that the Department demonstrates its commitment to protecting marine areas by implementing a more ambitious programme of designating Marine Conservation Zones. Defra must take responsibility for achieving the goals of the Marine and Coastal Access Act and take a more strategic approach to evidence gathering to ensure progress can be made within a reasonable timeframe.***

Bovine tuberculosis and badger culling

47. *Microbacterium bovis* causes bovine tuberculosis (bTB) in cattle and can also jump species and infect other mammals, including badgers, deer, goats, pigs, dogs and cats. It is a disease with public health and international trade implications and the scale of the infection makes it one of the biggest challenges that the cattle farming industry faces. Defra's aim is to achieve official bTB-free status for England by 2038.[50] In December 2011, the Government announced that it would run two pilot badger culls as a means of combating bTB in cattle. These began in autumn 2013 in designated areas of Somerset and Gloucestershire. The purpose of the pilot culls was to assess the humaneness, effectiveness and safety of controlled shooting as a method of badger control. The first round of pilots were completed in November 2013 and the second round of pilots were completed in late 2014. An Independent Expert Panel was appointed by the Government to monitor the first pilot and confirmed that the protocols used to assess the pilot culls were scientifically and statistically sound, as were the data collection and analyses carried out by the Animal Health and Veterinary Laboratories Agency. However, the Panel also concluded that, from the data provided, controlled shooting alone (or in combination with cage trapping) did not deliver the level of culling set by Government, or meet the humaneness threshold.[51]

48. The Independent Expert Panel was not used for the second round of culls. A recent Defra report confirmed that the licence conditions for the minimum number of culled badgers in the second pilot were met in Somerset, but not in Gloucestershire.[52] The Chief Veterinary Officer's advice on the outcome of the second year of the badger culls concluded that industry-led culling could, in the right circumstances, deliver the level of

48 Defra (DEP0002) para 15

49 Q148

50 Defra, *Secretary of State speech at the Oxford Farming Conference*, 7 January 2015

51 Report by Independent Expert Panel, *Pilot Badger Culls in Somerset and Gloucestershire*, 5 March 2014

52 Defra, *Summary of badger control monitoring during 2014*, page 1: 341 badgers were culled in West Somerset against a minimum number of 316; 274 badgers were culled in West Gloucestershire against a minimum number of 615.

effectiveness required to be confident of achieving disease control benefits.[53] He recommended that culling should continue in Somerset in 2015, and for at least one further year. Given the lower level of culling achieved in Gloucestershire over the last two years, he concluded that the benefits of reducing disease in cattle over the planned four-year cull might not be realised there, but that culling should continue in 2015 "provided there are reasonable grounds for confidence that it can be carried out more effectively", for example through "contractor training and assessment, improved operational planning, monitoring and delivery".[54]

49. ***We invite Defra to set out why the second year of the badger culling pilots in Gloucestershire failed to meet the licence conditions for the minimum number of badgers removed. We recommend that Defra clarifies whether it intends to continue the culling in Gloucestershire from 2015 onwards and, if so, what changes will be made to ensure its effectiveness in line with the recommendations of the Chief Veterinary Officer. We also urge the Government to continue to monitor and report on the effectiveness of the badger culling pilots.***

50. Vaccination for cattle against bTB is currently prohibited under EU law. Before a cattle vaccine could be used as part of a bTB eradication programme, the EU need to be satisfied that the proposed vaccine was safe and effective and that its use did not compromise the current testing regime. This would involve large-scale field trials. In 2013, an indicative timeline set out by the former Commissioner for Health and Consumers put 2023 as a tentative date for a vaccine to be available for general use. The Permanent Secretary confirmed that Defra has most recently been looking to design field trials to:

> make sure we get the right design, because you really only get a one-off look at this[…]we need really robust field trials to demonstrate to the Commission and other international bodies that it is safe to vaccinate cattle.[55]

51. A recent written statement from Defra confirmed that an independent report on the design of field trials of the cattle vaccine and a test to detect infected cattle among vaccinated cattle (DIVA) shows that before cattle vaccination field trials can be contemplated, a better DIVA test must be developed. Defra expects this research to take a further two years.[56]

52. ***Defra should do all it can to condense the indicative timeline set out by the Commission without compromising the collection of robust field data necessary to satisfy the relevant requirements. We urge Defra to publish its own timetable for the***

53 *Chief Veterinary Officer's advice on outcome of year 2 of the badger culls*, December 2014

54 *Chief Veterinary Officer's advice on outcome of year 2 of the badger culls*, December 2014, paras 6, 7 and 2

55 Q115 [Bronwyn Hill]

56 HC Deb, 18 December 2014, col 126WS [Commons written ministerial statement]

development and use of a cattle vaccine to reassure the public that action is being taken to combat bovine TB in this way.

Conclusions and recommendations

Expenditure and administration

1. It is unclear how the £80 million underspend in 2013–14 set out in Defra's written evidence corresponds to the £50 million underspend set out in Defra's Annual Report and Accounts for the same period. It is also unclear what the distinction is between "underspend within the disallowance ringfence" and "disallowance funding not utilised": in total these two disallowance figures are worth £53 million which does not agree with the disallowance underspend of £30 million set out in the Annual Report and Accounts. Lastly, Defra's written evidence refers to £50 million being transferred from 2013–14 to 2014–15 with Treasury approval, whereas the Annual Report and Accounts states that £20 million was transferred with Treasury approval. (Paragraph 7)

2. *The Department must be more transparent about where emergency money such as the winter floods funding is found and what impact this has on the Department's other priorities and policy delivery. We are not aware of any reason why the Department could not identify which specific budgets were reduced, despite our repeated requests for this information. The Department must provide a clear and detailed explanation addressing each of the discrepancies we have identified with specific reference to the underlying data in the Annual Report and Accounts.* (Paragraph 8)

3. Given the breadth of policy areas covered by the Department, coupled with the unpredictable nature of emergency events such as flooding and animal and plant health disease, it is important that a strong case is made to protect Defra's budget at the next Spending Review. (Paragraph 11)

4. *It is frustrating that our concerns about the lack of clarity surrounding pending budget reductions have not been addressed. We reiterate our previous recommendation that the Secretary of State must be clearer about where budget cuts will fall and what impact this will have on Defra's policy delivery. We understand that the Secretary of State makes decisions based on outcomes in line with Defra's priorities, but the priorities in themselves do not provide a clear guide as to where the axe will fall. Defra has not provided the clarity or detail needed to scrutinise the Department's planned expenditure or policy delivery.* (Paragraph 12)

5. With the main reform provisions of the new Common Agricultural Policy scheme coming into play in 2015, Defra, the Rural Payments Agency and farmers are having to adjust to a complex set of new rules. It is therefore vital that Defra and its agencies ensure that lessons learnt from problems with payments under the previous CAP schemes are taken forward effectively so as to minimise disallowance risks in future. We welcome the CAP Delivery Programme put in place by Defra and the Rural Payments Agency to prepare for the new rules applying from 2015 but it is essential that the Department closely monitors performance and that early action is taken to rectify any problems. (Paragraph 16)

6. *The Secretary of State and the Permanent Secretary must make it a priority to review progress and ensure that effective mechanisms, including IT systems, are in place to provide timely, accurate CAP payments to farmers.* (Paragraph 17)

7. In our Report on Rural broadband and digital-only services, we gave the Rural Payments Agency credit for taking a number of important steps to ensure that those with poor broadband speeds can access its new CAP application software but, given the difficulties experienced with previous CAP schemes, and in particular given the variable state of broadband access in rural areas, we reserved judgment on the effectiveness of its preparations until they had been tested in action. We also recommended that the RPA had a contingency plan in place in case the new CAP application system proved difficult for farmers with limited broadband capability to use and to enable it to respond to the software not functioning at the level required. (Paragraph 18)

8. *The Department continues to lag behind the Civil Service average and must increase its efforts to avoid another repeat of poor staff survey results.* (Paragraph 20)

9. We welcome the initiatives introduced by the Department to address low staff satisfaction levels but we agree with the Permanent Secretary that there is more work to be done to improve the levels of staff engagement. This is not the first year that Defra's staff survey results have been disappointing and, in addition to taking responsibility, senior managers need to commit to taking action to address these results. (Paragraph 24)

10. *When new initiatives are introduced (for example the '5-A-Year' campaign) they must be promoted and monitored to ensure that positive results are being achieved. We invite the Department to set out in its response to this Report the specific actions it is taking to address low levels of engagement in leadership and managing change and to keep us updated with the results of its monitoring of such initiatives.* (Paragraph 25)

Policy and delivery

11. We commend Defra's diligence in updating farmers on the new CAP rules, particularly given the challenge of responding to EU developments at short notice. We also welcome the Secretary of State's engagement at an early stage with the new EU Commissioner for agriculture and rural development, demonstrating her commitment to tackling the complexity of the new scheme. (Paragraph 27)

12. *We urge Defra to continue to press the EU through all available channels to simplify the CAP and to amend or remove perverse rules such as the three-crop rule. The Secretary of State must develop effective alliances with the other Member States which share the UK's concerns on these issues in order to achieve reform.* (Paragraph 28)

13. We support the principle that the private sector should help to fund flood defence schemes but we are concerned that the £600 million target for external contributions to capital funding over the next six years will be difficult to meet given the relatively small amounts of private sector funding that have been secured to date. (Paragraph 33)

14. *We invite Defra to demonstrate how the Partnership Funding model for flood defences will deliver much greater private sector funding in the future and to explain the impact on the six-year capital investment programme if the £600 million external contributions and 10 per cent efficiency savings targets are not achieved.* (Paragraph 34)

15. *In line with our previous recommendation in our Report on Winter Floods 2013–14, we strongly recommend that the Government assess the possibility of a transition to a total expenditure classification for flood and coastal risk management funding to allow funding to be targeted according to identified needs and to ensure the optimal standard of protection is provided by flood defence assets.* (Paragraph 37)

16. We commend the Department for ensuring that the biodiversity offsetting pilots are fully evaluated, but we are concerned that implementation of the Department's biodiversity offsetting proposals has been significantly delayed past the end of 2013. This suggests that implementation of the proposals may no longer be a priority for Defra before the General Election in May. (Paragraph 40)

17. *We ask Defra to set out a renewed timetable for its proposals on biodiversity offsetting to provide certainty for local communities, landowners, planning authorities and developers. We recommend that the Secretary of State announce when a clear, evidence-based policy decision on biodiversity offsetting will be made.* (Paragraph 41)

18. Despite the Secretary of State recognising that marine conservation zones are extremely important, we note that progress towards fulfilling the requirements of the Marine and Coastal Access Act 2009 and forming a network of such marine protected areas has been slow since the 127 sites were first recommended to the Government in 2011. (Paragraph 44)

19. *We recommend that the Department demonstrates its commitment to protecting marine areas by implementing a more ambitious programme of designating Marine Conservation Zones. Defra must take responsibility for achieving the goals of the Marine and Coastal Access Act and take a more strategic approach to evidence gathering to ensure progress can be made within a reasonable timeframe.* (Paragraph 46)

20. *We invite Defra to set out why the second year of the badger culling pilots in Gloucestershire failed to meet the licence conditions for the minimum number of badgers removed. We recommend that Defra clarifies whether it intends to continue the culling in Gloucestershire from 2015 onwards and, if so, what changes will be made to ensure its effectiveness in line with the recommendations of the Chief Veterinary Officer. We also urge the Government to continue to monitor and report on the effectiveness of the badger culling pilots.* (Paragraph 49)

21. *Defra should do all it can to condense the indicative timeline set out by the Commission without compromising the collection of robust field data necessary to satisfy the relevant requirements. We urge Defra to publish its own timetable for the development and use of a cattle vaccine to reassure the public that action is being taken to combat bovine TB in this way.* (Paragraph 52)

Formal Minutes

Wednesday 28 January 2015

Members present:

Miss Anne McIntosh, in the Chair

Richard Drax
Jim Fitzpatrick
Mrs Mary Glindon
Mrs Emma Lewell-Buck
Sheryll Murray
Neil Parish
Roger Williams

Draft Report (*Defra performance in 2013–14*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 17 read and agreed to.

Paragraph—(*Jim Fitzpatrick*)—read and agreed to (now paragraph 18).

Paragraphs 18 to 33, now paragraphs 19 to 34, read and agreed to.

Paragraph 34, now paragraph 35, read, amended, and agreed to.

Paragraphs 35 to 42, now paragraphs 36 to 43, read and agreed to.

Paragraph 43, now paragraph 44 read, amended, and agreed to.

Paragraphs 44 to 47, now paragraphs 45 to 48, read and agreed to.

Paragraph 48, now paragraph 49, read, amended, and agreed to.

Paragraphs 49 to 51, now paragraphs 50 to 52, read and agreed to.

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

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence from the Animal Welfare Group was ordered to be reported to the House for publication.

[Adjourned till Wednesday 4 February at 2.30 pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's inquiry page at www.parliament.uk/efracom.

Wednesday 19 November 2014	*Question number*
Bronwyn Hill CBE, Permanent Secretary, **Peter Unwin**, Director General, Policy Delivery Group, and **Alastair Bridges**, Finance Director, Department for Environment, Food and Rural Affairs	Q1–75
Wednesday 26 November 2014	
Rt Hon Elizabeth Truss MP, Secretary of State for Environment, Food and Rural Affairs, **Bronwyn Hill CBE**, Permanent Secretary, and **Peter Unwin**, Director General, Policy Delivery Group, Department for Environment, Food and Rural Affairs	Q76–165

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/efracom. DEP numbers are generated by the evidence processing system and so may not be complete.

1 Defra (DEP0001)
2 Defra (DEP0002)
3 Animal Welfare Group (DEP0003)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/efracom.
The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2014–15

First Report	Winter Floods	HC 240 (HC 701)
Second Report	Food security	HC 243 (HC 702)
Third Report	Appointment hearing of the Chair of Environment Agency	HC 545
Fourth Report	Waste management in England	HC 241 (HC 921)
Fifth Report	Dairy prices	HC 817
Sixth Report	Food security demand, consumption and waste	HC 703
Seventh Report	Rural broadband and digital-only services	HC 834

Session 2013–14

First Report	Draft Dangerous Dogs (Amendment) Bill	HC 95 (HC 637)
Second Report	Vaccination against bovine TB	HC 258 (HC 705)
Third Report	Managing Flood Risk	HC 330 (HC 706)
Fourth Report	Wild Animals in Circuses	HC 553 (HC 746)
Fifth Report	Food Contamination	HC 141 (HC 707)
Sixth Report	Rural Communities	HC 602 (HC 764)
Seventh Report	CAP implementation 2014–2020	HC 745 (HC 1088)
Eighth Report	Appointment of Chairman of Natural England	HC 890
Ninth Report	Departmental Annual Report 2012–13	HC 741 (HC 1283)
Tenth Report	Tree health and plant biosecurity	HC 469 (HC (Session 2014–15) 242)
Eleventh Report	Primates as pets	HC 984 (HC (Session 2014–15) 656)

Session 2012–13

First Report	Greening the Common Agricultural Policy	HC 170 (HC 654)
Second Report	The Water White Paper	HC 374 (HC 602)
Third Report	Pre-appointment hearing: Chair of the Water Services	HC 471–I &–II

	Regulation Authority (Ofwat)	
Fourth Report	Natural Environment White Paper	HC 492 (HC 653)
Fifth Report	Desinewed Meat	HC 120 (Cm 8462)
Sixth Report	Draft Water Bill	HC 674 (Cm 8643)
Seventh Report	Dog Control and Welfare	HC 575 (HC 1092)
Eighth Report	Contamination of Beef Products	HC 946 (HC 1085)

Session 2010–12

First Report	Future Flood and Water Management Legislation	HC 522 (HC 922)
Second Report	The Marine Policy Statement	HC 635
Third Report	Farming in the Uplands	HC 556 (HC 953)
Fourth Report	The draft National Policy statement (NPS) on Waste Water	HC 736
Fifth Report	The Common Agricultural Policy after 2013	HC 671 (HC 1356)
Sixth Report	Implementation of the Common Fisheries Policy: Domestic Fisheries Management	HC 858 (HC 1485)
Seventh Report	Pre-appointment hearing: Chair of Gangmasters Licensing Authority	HC 1400–I &–II
Eighth Report	EU proposals for the dairy sector and the future of the dairy industry	HC 952 (HC 1548)
Ninth Report	The Welfare of Laying Hens Directive—Implications for the egg industry	HC 830 (HC 1664)
Tenth Report	The outcome of the independent Farming Regulation Task Force	HC 1266 (HC 1669)
Eleventh Report	The draft National Policy Statement for Hazardous Waste	HC 1465 (HC (Session 2012–13) 540)
Twelfth Report	EU proposals for reform of the Common Fisheries Policy	HC 1563–I &–II (HC (Session 2012–13) 108)
First Special Report	The National Forest: Government response to the Committee's Fourth Report of Session 2009–10	HC 400
Second Special Report	Dairy Farmers of Britain: Government response to the Committee's Fifth Report of Session 2009–10	HC 401