

The Government believes that economic, social and environmental progress must go hand in hand. This Spending Review provides for the Department for Environment, Food and Rural Affairs (Defra) to build on progress made to date:

- programmes to support improvements in business resource efficiency will be rolled out, funded from the recycling of landfill tax revenues;
- total spending on the local authority Waste Management Performance Reward Grant will be £20 million higher in 2007-08 than the £90 million previously announced to help raise local authority waste performance;
- Private Finance Initiative (PFI) credits for investment in value for money waste disposal facilities will be £155 million higher in 2007-08 than in 2004-05 to further encourage a shift away from landfill; and
- total spending on the Warm Front Programme will be £95 million higher in 2007-08 than in 2004-05 to improve the energy efficiency of homes and reduce fuel poverty.

Over the 2004 Spending Review period Defra will:

- take further action to tackle climate change and make progress towards the domestic target of reducing carbon dioxide emissions by 20 per cent by 2010. Climate change will be a key theme of the UK's EU and G8 Presidencies in 2005;
- continue to raise standards of flood and coastal defence, focusing on areas most at risk; and
- implement agreed reforms to the Common Agricultural Policy, drive forward further reform, and take forward modernisation of rural delivery following the Haskins review.

In pursuing these goals, Defra will be taking forward a significant efficiency programme, making efficiency gains of at least £610 million by 2007-08 which will release resources to take forward priorities.

DELIVERING SUSTAINABLE DEVELOPMENT

17.1 The Department for Environment, Food and Rural Affairs (Defra) brings together responsibility for the environment, farming, food production and rural policy under the overall aim of sustainable development. Defra's budget is growing by an average 2.7 per cent a year in real terms over the 2002 Spending Review period. The 2004 Spending Review locks in these additional resources and Defra's budget will continue to grow by 1.2 per cent a year in real terms. Defra will use these resources alongside funding released through efficiencies to promote sustainable development and deliver environmental priorities, while continuing to implement major reform of its executive agencies and other bodies to improve services to its customers.

Protecting the Environment

Climate change 17.2 In this Spending Review the Government is taking steps to tackle climate change and promote sustainable consumption and production. The UK has already made progress in reducing carbon emissions from all sectors of the economy but climate change remains one of the biggest global threats to sustainable development. Tackling global climate change requires co-operative multilateral action, based on a proper understanding of the risks of

inaction. The UK will therefore be making climate change a central theme of its EU and G8 Presidencies in 2005. **In addition, recognising the contribution of the transport sector to greenhouse gas emissions, the Department for Transport will share the joint climate change PSA target with Defra and the Department of Trade and Industry (DTI).**

Box 17.1: Key Public Service Agreement (PSA) targets

Defra's PSA set has been updated, with revised targets to:

- **progress delivery of the UK's World Summit on Sustainable Development commitments and internationally agreed commitments to tackle climate change, reflecting the fact that sustainable development goes beyond national boundaries;**
- **reduce greenhouse gas emissions, where the target will now be shared with the Department for Transport, reflecting the transport sector's contribution to greenhouse gas emissions;**
- **reduce trade-distorting agricultural support, recognising the importance of this for our own and developing countries' economies;**
- **enable at least 25 per cent of household waste to be recycled or composted by 2005-06, with further improvements by 2008;**
- **eliminate fuel poverty in vulnerable households in England by 2010, in line with the Government's Fuel Poverty Strategy objective; and**
- **target more comprehensively major animal health and welfare threats, placing an emphasis on risk sharing with the farming industry.**

Support for business resource efficiency

17.3 Efficient use of resources and effective management of waste are essential for an environmentally sustainable economy. The Energy White Paper¹ identified the need for a step change in energy efficiency to achieve the Government's energy policy goals. There is also a need to remove barriers to realising the economic benefit that can be derived from the minimisation, re-use and recycling of resources. Budget 2003 announced that the standard rate of landfill tax will be increased by £3 a tonne in 2005-06 and by at least £3 per tonne in the years thereafter, on the way to a medium to long-term rate of £35 a tonne. It also announced that these increases in landfill taxes will be revenue neutral to business as a whole. In line with this commitment, **the revenues, rising to £146 million a year in England by 2007-08, will be used to support business in improving resource efficiency. This will include support that specifically targets waste minimisation and diversion of waste from landfill as well as resource efficiency more generally. Up to £20 million a year by 2007-08 of these resources will be used to co-fund the DTI led Technology Strategy to support research and development aimed at waste minimisation and energy efficiency and at least £40 million a year by 2007-08 will be used to expand the Carbon Trust's programmes supporting business in improving energy efficiency.** In introducing these new programmes Defra will establish a customer focused delivery structure. The Government will also consult on a new enhanced capital allowance scheme for waste and associated resource efficiency technologies.

Support for local authority waste management performance

17.4 Local authorities have a crucial role to play in meeting the challenge of delivering more environmentally sustainable waste management practices. Chapter 11 sets out the additional resources that Spending Review 2004 provides for local authorities and the efficiency gains that will be delivered. The additional funding for the Environment, Protective and Cultural Services (EPCS) block grant includes provision to ensure that the increases in landfill tax are revenue neutral to local authorities as a whole in 2006-07 and 2007-08.

¹Energy White Paper: *Our energy future – creating a low carbon economy*, Department of Trade and Industry, February 2003.

Recycling of the revenues in 2005-06 will be carried out in the autumn, as part of the local government revenue settlement. By 2007-08 Defra will help local authorities to deliver around £300 million worth of efficiency gains on waste services mainly by more effective joint working, promoting best practice, and standardisation of procurement operations. **This Spending Review provides additional resources for the local authority Waste Management Performance Reward Grant, which will be introduced in 2005-06, so that by 2007-08 total spending will be £20 million higher than the £90 million previously announced to help local authorities to achieve a step change in their waste management. Private Finance Initiative (PFI) credits for investment in value for money waste disposal facilities will be £155 million higher in 2007-08 than in 2004-05.** Together with the Landfill Allowance Trading Scheme, which will operate from 2005-06, and continued targeted support for local authorities through Defra's Waste Implementation Programme (WIP) these additional resources will further support a shift towards sustainable waste management.

Box 17.2 Better Regulation

Defra's Regulation Task Force reported in April 2004 and highlighted the need for:

- **strategic objectives;**
- **appropriate streamlined institutions;**
- **creativity in considering regulatory instruments;**
- **pro-active engagement with customers; and**
- **improved skills and systems within Defra; including a stronger central regulatory focus and a robust "challenge" process.**

To take these recommendations forward Defra will develop a charging and regulation strategy for the food and farming industries along with a three-year strategic plan for implementation of all proposals with a regulatory impact. All regulatory proposals will be accompanied by a Regulatory Impact Assessment agreed with the Cabinet Office.

Flood and coastal defence 17.5 The Government continues to recognise the importance of flood management, and will carry forward the significant increases in funding allocated in Spending Review 2002. This will allow Defra and the Environment Agency to continue to improve standards of protection from flooding and coastal erosion, focusing on areas most at risk. The Government will in this Spending Review period develop a more sustainable flood management policy, in order to address the future challenges associated with climate change. The Government is planning to launch a consultation on a new flood management strategy, which will also include a consultation on alternative funding mechanisms for flood and coastal defence.

Fuel poverty 17.6 The Government's Fuel Poverty Strategy sets out our commitment to ending fuel poverty for vulnerable households by 2010. The latest estimates from this year's Fuel Poverty Strategy Annual Progress Report² indicate that in 2002 there were 1.4 million fuel poor households in England of which 1.2 million were vulnerable. As a result of this Spending Review **total spending on the Warm Front Programme will be £95 million higher in 2007-08 than in 2004-05 to ensure further progress towards the 2010 target.** Warm Front resources will be better targeted on the genuinely fuel poor, including through reviewing the eligibility criteria and examining whether the energy efficiency of the home should be taken into account in deciding which measures should be installed.

²The UK Fuel Poverty Strategy 2nd Annual Progress Report, Defra, April 2004.

Box 17.3: Efficiency**Agreed target**

Defra and its core agencies and sponsored bodies will realise total annual efficiency gains of at least £610 million by 2007-08, of which at least half will be cashable, releasing resources to front-line activities.

Implementation plan

As part of this programme of efficiency gains Defra plans, by 2007-08, to:

- achieve a total reduction of 2,400 civil service posts and be on course to have relocated 390 posts out of London and the South East, and come forward by March 2005 with further proposals for relocation;
- deliver step-change improvements to the way CAP schemes are administered, through the Rural Payments Agency change programme, delivering £52 million in efficiencies;
- rationalise delivery functions following the Haskins Review, realising efficiency gains of £13 million through the Modernising Rural Delivery Plan and £30 million through the England Rural Development ICT Programme;
- realise across-the-board efficiency gains of £73 million in the Environment Agency (EA) under the EA Efficiency Programme, by generating efficiencies in flood defence provision, placing a greater emphasis on the provision of online services, and by making back-office improvements within the EA itself;
- streamline policy-making and rationalise Defra back office functions to deliver around £84 million of efficiencies;
- deliver efficiency gains of around £33 million in improved procurement, largely through ICT system improvements for commercial contracting; and
- work with local authorities to deliver around £300 million of efficiency gains on waste services.

Delivery Reforms**Modernising Rural Delivery**

17.7 In 2003 Lord Haskins was invited to undertake an independent review of rural delivery.³ His report advocated a separation of rural policy making and its delivery, a rationalisation of delivery bodies and the devolution of delivery. The Government welcomed the Report and in response announced that an integrated agency bringing together elements of the work of English Nature, the Countryside Agency and the Rural Development Service would be established. The Government is considering how to achieve alignment of the Forestry Commission with the new integrated agency. Consistent with these reforms resources are being devolved to the Regional Development Agencies to deliver rural socio-economic objectives.

Sustainable Food and Farming and CAP reform

17.8 The 2002 Spending Review announced investment in sustainable food and farming totalling over £500 million and since then good progress has been made. Reforms to the EU Common Agricultural Policy (CAP) agreed in June 2003 and April 2004 largely decouple the link between subsidies and production for many important sectors and make receipt of the Single Farm Payment dependent on meeting minimum environmental standards. These achievements will be built on over the Spending Review 2004 period with, for example, the roll out of the entry-level environmental stewardship scheme across England in 2005. The Government will press the EU to continue to take steps to tackle trade-distorting domestic support and to agree to further significant agricultural reform so that border protection is substantially reduced and export subsidies are no longer an issue for world trade by 2010, and to reduce all agricultural tariff peaks towards the maximum level for non-agricultural products.

³Rural Delivery Review – A report on the delivery of government policies in rural England, Christopher Haskins October 2003.

Table 17.1: Key figures

	£ million			
	2004-05	2005-06	2006-07	2007-08
Department for Environment, Food and Rural Affairs				
Resource Budget	3,024	3,140	3,295	3,401
<i>Of which Administration Budget</i>	299	317	307	297
Capital Budget	329	339	339	339
Total Departmental Expenditure Limit¹	3,153	3,272	3,427	3,533

¹ Full resource budgeting basis, net of depreciation.

