

**Report of**

**Rural Funding Review**

**July 2004**

**'Organise government around problems, not problems around government'.**

*Prime Minister 24 February 2004*

**'Take ownership of the client'**

*Rural Regeneration Cumbria 2004*

**'There are many examples of excellent schemes to facilitate take-up of learning opportunities, often developed in spite of, rather than facilitated by, the confusing multiplicity of sources of public funding'**

*Defra Learning, Skills and Knowledge Review 2004*

**'Make the integrity of the project more important than meeting criteria. Allow more flexibility with criteria – allow funding managers to exercise more judgement'**

*South West CoRE Group 2004.*

**'...there should be no economic policy responsibility without statistical provision'**

*Christopher Allsopp Review of Statistics for Economic Policy Making – Final Report March 2004.*

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## INTRODUCTION

1. In the Government's initial response to Lord Haskins' review of rural delivery, Margaret Beckett announced an "immediate and full review of rural funding streams to provide a clearer and simpler framework for applicants." The Review of rural funding makes recommendations on how funding and accompanying advisory support can be best deployed to deliver an improved service to both customers and taxpayers.
2. The Review was conducted in close co-operation with work to shape delivery organisations and, in particular, that to establish the Integrated Agency, which will be responsible for conservation functions and funding, and on the devolution of social and economic objectives and associated funding through Regional Development Agencies and the Government Offices.
3. This report does not address Common Agricultural Policy Pillar 1 funding, but assumes that this will continue to be disbursed by the Rural Payments Agency.
4. Delivery of the Review recommendations is not, however, dependent on any particular organisational structure. It assumes that whatever form future structures take, they will include delivery arrangements that comply with agreed recommendations to improve delivery for customers and are as simple as possible. Nor does this Review address current or future levels of funding between Defra's priorities. While the possible establishment of elected regional assemblies is acknowledged, and the fact that RDAs would become accountable to them, the potential effect on delivery arrangements is not dealt with in detail in this Review.
5. Whilst many current funding schemes are delivering good quality projects, there is some confusion amongst customers and room for improvement. This needs to be addressed by:
  - Defining objectives more clearly so that customers know what results Defra and its agencies want to buy;
  - Ensuring that advisory resources are focused on providing a good service to customers, rather than being diverted into making complex systems and organisational relationships work;
  - Better targeting of delivery to make the most of the available resource;
  - Better integration between Defra, Defra-sponsored bodies and others to provide the best possible service to customers and exploit the value of better managed co-operation.

6. Many parts of Defra and its agencies are already working towards more rational and productive systems and partnerships to secure a better quality service for customers. In a number of cases the recommendations in this report are therefore able to draw on current plans for simplification.
7. The Review Team is grateful to the Review Steering and Practitioner Groups, and the many stakeholders and Defra, Defra agencies and Forestry Commission staff who have generously given their time to advise, comment and provide the necessary facts to deliver this report.

## SUMMARY

8. Review recommendations are designed to improve the quality of service to our customers and to achieve better value for money for the taxpayer:
  - We define our customers as those people who either approach us or whom we wish to target, in terms of advice and funding, because they are in need of help or can offer benefits, such as an improved environment. They include individuals (e.g. land managers or the socially disadvantaged), communities and businesses. Broadly, they need high quality help, information and an effective interface with funding organisations.
  - For the taxpayer our service needs to provide demonstrable value for money and clear outcomes. A lot of Defra-sponsored funding and advisory support procures change in the public interest - be it in the form of more successful economies in rural areas or of a quality environment. In addition, some Defra investment provides specific facilities for the general public, such as countryside access through rights of way.
9. Recommendations are designed to achieve improved quality of service for these groups by:
  - Creating simpler and more accessible systems for those people and businesses that Defra and its agencies need to support and help, without inhibiting them through unnecessary rules.
  - Improving customer support through more proactive and professional advisory services, with more decision-making devolved from Defra to its agencies and to the regional and local level to bring this closer to the customer.
  - Better investment decisions: operating a small number of funding programmes, rather than the current forest of schemes, will make resource allocation choices easier and more transparent, and priorities will be clearer to customers and the public alike.
10. The system is designed to operate within a sustainable development framework and structure funding programmes around those Defra Strategic Priorities and accompanying Public Service Agreements (see Annex 1) that are central to rural policy. These priorities are:
  - Sustainable Food and Farming
  - Sustainable Rural Communities

- Natural Resource Protection

## Summary of Recommendations

### An improved quality of service for customers

11. We want to achieve a high quality service to customers which means that:
  - There is a readily accessible and well publicised help point.
  - There is effective and timely support and information to ensure that customers are not sent from pillar to post and they understand what Defra funding is there to support them.
  - Once in contact, customers are clear whether they are eligible for funding, and if they are, funding is easier to access.
  - The right expert local agent provides the lead in supporting customers. This will be assisted by the reduction in the number of delivery agencies (through the integration of Rural Development Service, English Nature and Countryside Agency functions) but will require widest possible partnership working and collaboration at the local level.
  - Advisory staff are qualified to appropriate standards and operate to clear and public service standards.
  - Systems are simpler with processes that are quicker and easier.
12. **Recommendation 1: Simplify schemes.** Defra should simplify the current 100 or so schemes and replace them with a simplified funding framework. This should be based around three main funding programmes corresponding to the three rural priorities and accompanying Public Service Agreements. Each funding programme will have an element for the provision of grants and an element of core funding – to build capacity in organisations underpinning the delivery and service to customers (see following illustrative diagram).



13. **Recommendations 2, 3, 4, 5 and 6: Better advice, communication and information.** Defra, Defra agencies and the Forestry Commission must:

- Establish a professional and corporate information service. This will include a helpline and a corporate, internet-based guide for all funding and support services from Defra, Defra agencies, the Forestry Commission and other relevant sources.
- Strengthen and improve the quality of all advisory support. This will include working with Regional Development Agencies, Business Links and other partners, to help ensure that the service provided through the Business Links network and other partners is tailored to the needs of people in rural areas.
- Encourage local service delivery through lead local delivery agents or partnerships. These must have the right skills and understanding to prevent duplication of effort and competition between organisations, and bring clarity to customers.



- Adopt a contractual basis for funding which enables local deliverers to procure necessary support, such as project officers, for the duration of agreed programmes or projects to underpin the service provided to customers. This will avoid uncertainty about the duration of funding which creates difficulties for customers.
  - Deliver to a corporate Defra, Defra agency and Forestry Commission public service standard setting out the quality of service that customers should expect.
14. **Recommendations 7 & 8: Simplify the bureaucracy to save customers time and money, and minimise overhead costs** through:
- Standardising and simplifying application and appraisal processes and designing them on a risk assessment basis to introduce fast track procedures for modest and low risk expenditure.
  - A single IT based handling system for all Defra, Defra agency and Forestry Commission grants to accelerate process and payment times and reduce transaction costs.

**Improved value for money for the taxpayer**

15. We want to achieve effective use of finite resources to provide value for money in tackling policy priorities. The taxpayer will receive better value for money if:
- There is clarity of purpose, with funding programmes better targeted to reach those people and areas in most need of help. (This is important for customers too, because we must be clear about what we invite them to apply for); and
  - We ensure that the investment of public funding programmes delivers maximum efficiency in terms of results and the cost of delivery.
16. The following recommendations are designed to deliver this:
17. **Recommendation 9: Better define the outcomes we ask customers to deliver, through improved use and development of the available evidence.** Simplification (recommendation 1) and structuring funding programmes around the Defra Strategic Priorities and Public Service Agreements relevant to rural policy will help to bring clarity of purpose. However, this needs effective use of evidence to determine need: social, economic and environmental. A better evidence base is a key theme of Rural Strategy 2004.
18. **Recommendation 10: Better organised delivery** through:

- More clearly stated Defra objectives with accountability based on the achievement of agreed and measurable outcomes and service quality criteria.
- Regional frameworks that set out how national priorities are to be delivered in terms of regional and local outcomes, organise who leads (the lead delivery agent or partnership) and provides customer support, and are related to funding for each region and agency.
- Arrangements at national, regional and local level that ensure funding deployed by different organisations in pursuit of environmental, social, and economic aims produce sustainable development outcomes.

### **Improved objective-setting, balance of investment and performance management**

19. What do we want to achieve? Effective objective-setting must be accompanied by robust performance monitoring and management. This is crucial to underpin both accountability and a quality service for our customers. The following recommendations are designed to provide this underpinning:
20. **Recommendations 11 & 12: Improve corporate management of funding streams** through:
  - More systematic and consistent resource allocation and performance management activities carried out by or on behalf of Defra, Defra agencies and the Forestry Commission. This should include improved and consistent budget and overhead management, and mandatory evaluation of performance and customer satisfaction to agreed standards.
  - A design guide for Defra, Defra agencies and the Forestry Commission to enshrine quality of service and communication to customers, and clarity of objectives into policy development. This will also provide a yardstick to assess proposed changes in policy.

### **Resources and efficiency savings**

21. The scale of Defra originated grant funding in 2003/04 on the three rural priorities was about £430m. The amounts and distribution of funding may vary in future depending on needs and priorities, but was not the subject of this Review.
22. A number of funding streams are direct transfers of core funding to public, private or voluntary sector organisations who act as intermediaries and delivery agents. The main core funding arrangements involve something over £50m. This funding is distinctive

because it is not available to individuals or communities in the form of programme grants.

23. These significant levels of resource need to be targeted carefully, and used in conjunction with other levers, in particular the much more substantial instruments of national economic and social policy. Such instruments must work effectively for rural communities and businesses. Rural proofing<sup>1</sup> and mainstreaming, as described in Rural Strategy 2004, is essential, accompanied by audit to provide independent reporting on government performance.
24. We will develop the scope for medium term administrative savings through:
  - Simplification of schemes.
  - Standardisation of systems and increased use of IT.
  - A reduction in central administration through devolution.
25. Reductions in administration and management costs will allow a greater proportion of funding to be targeted at the front line.

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<sup>1</sup> Rural Proofing is the process by which Government ensures that all relevant policies and programmes assess and equitably reflect rural needs. It was introduced as a measure stemming from the Rural White Paper, published in November 2000.

# REVIEW OF DEFRA RURAL FUNDING

## SECTION 1: OBJECTIVES AND TERMS OF REFERENCE

1. Lord Haskins made two recommendations (31 and 32 in his report) on improving funding arrangements:

- 31: “Defra should review all rural funding streams and schemes, to achieve a more rational, transparent and comprehensible approach to the administration of financial incentives and to ensure that all new initiatives are consistent with Defra’s delivery strategy, add real value and do not duplicate”.
- 32: “Defra should review and simplify the current procedural rules connected with grants to rural businesses and communities in order to provide greater discretion in the execution and targeting of grants in a user-friendly way, consistent with state aid rules”.

2. The Terms of Reference and approach of the Review are described in Annex 8. This first stage of the Review has focused on Defra and Defra sponsored funding arrangements and their relationship to other organisations working on the same or related activities. These are most amenable to early reform.

3. This report does not therefore examine the rural dimension to Government funding mechanisms that are wholly outside Defra responsibilities, for example the local government funding formula. However, Section 7 summarises recent evidence from the Defra and Countryside Agency rural proofing programme about the extent to which mainstream Government programmes deliver equitably for rural areas.

4. The Review was briefed to:

- Simplify Defra and Defra sponsored schemes and systems to ensure that they are accessible and easy to use by customers and to recommend how the quality of service can be improved for them.
- Ensure that funding is an appropriate policy instrument and that funding arrangements effectively deliver Defra and Government priorities.
- Propose how responsibility for decisions can be devolved regionally and locally while securing necessary accountability to assure Defra that agreed policy objectives are met.
- Improve value for money.
- Outline a timetable for achieving change, including the identification of where early progress can be made.

5. The outcome should also produce a design that, as far as constraints such as EU requirements allow, provides flexibility to minimise the need to introduce new schemes as policy develops.

6. This Review covers Defra rural funding and grant programmes, including EU funding, that are:

- Delivered directly by Defra.
- Delivered by Defra agencies or the Forestry Commission.
- Other Defra funded activity, for example that channelled through the Regional Development Agencies.

7. The Review examined the relevant ingredients for success. This extends beyond funding structures. For example, a recent review of mainstream structural fund arrangements suggests that, in rural areas, delivery is inhibited by limited available capacity and skills to generate and manage projects<sup>2</sup>. Those who most easily find their way through the bureaucratic thicket may not be the most needy nor the most deserving.

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<sup>2</sup> The Effectiveness of EU Structural Funds in Addressing Defra Rural Objectives, Fraser Associates and the Rural Development Company on behalf of Defra, April 2004

## SECTION 2: WHO ARE WE TRYING TO HELP: DEFINING THE CUSTOMER

8. Our customers can be segmented into two core groups. They need a quality service but, to varying degrees, have differing requirements. They are:

- Those **people who either approach us for help, or whom we wish to target** in terms of advice and funding, to achieve environmental benefits or because evidence shows they need support. These include individuals (for example, land managers or the socially disadvantaged), communities and businesses. Broadly, they need high quality help, information and an effective interface with funding organisations.
- The **wider public** to whom our service needs to provide demonstrable value for money and a clear outcome from the investment we make on the taxpayer's behalf. A lot of Defra sponsored funding and advisory support procures change in the public interest - be this successful economies in rural areas or a quality environment. In some cases, Defra investment provides specific public facilities, such as access to the countryside through the rights of way network.

9. The broad scope of Defra objectives means that these customer groups cover a correspondingly broad range of people, businesses, organisations and interests. Section 6 details the policy framework within which funding programmes need to operate. The following identifies the main recipients of Defra or Defra sponsored funding and advice based on Defra's three rural strategic priorities:

### 2.1: Sustainable Food and Farming

10. The main customer groups are farm and food businesses, their advisors and representative organisations, supply chain businesses and those who procure outputs from farm and food businesses (including the public sector). However the customer base is changing: The number of farms and land holdings where farming is not the core business is increasing. At the same time, the number of full time farm businesses is decreasing. Out of 188,000 holdings in England, 72,800 (39%) are defined as full time agricultural businesses<sup>3</sup>.

### 2.2: Sustainable Rural Communities

11. The potential customer base is wide ranging and includes around one million businesses (over 80% of which are small and not land based or related), a rural population of around 12 million people, public, private and

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<sup>3</sup> Agriculture in the United Kingdom 2003: Department for Environment, Food and Rural Affairs, Scottish Executive Environment and Rural Affairs Department, Department for Agriculture and Rural Development (Northern Ireland) and Welsh Assembly Government, The Department for Environment, Planning and Countryside.

voluntary sector service providers, parish councils and a substantial number agents and support bodies. Policy priorities<sup>4</sup> help to focus down on who we need to help by distinguishing between:

- Addressing serious social and economic disadvantage in the minority of rural areas;
- Reaching people experiencing poverty or social exclusion within prosperous rural areas; and
- Ensuring equitable access to services.

12. Section 7 examines where Defra sponsored funding and advice is the appropriate approach in the context of the role of other public service providers. Currently, Defra sponsored community and social grant programmes reach a significant number of rural communities. For example, over three years the Countryside Agency Vital Villages programme has supported 1,188 community service grants and 280 parish transport grants<sup>5</sup>. Intermediaries, such as the voluntary sector, play a strong role in the delivery of this support.

13. Policy also aims to sustain economic success in rural areas as well as address weaknesses. The Defra sponsored interface with rural business, outside the land based sector and the food industry, is largely routed through mainstream economic levers such as those delivered by Regional Development Agencies and the Small Business Service and Business Link network. There is evidence that recognition and usage of services offered by the latter needs further improving<sup>6</sup>.

### **2.3: Natural Resource Protection**

14. Core customers are land owners and managers and their advisors. This customer base is becoming more diverse as a number of organisations, particularly in the voluntary sector and affluent private buyers, purchase land with environmental or amenity considerations as the driver. More widely, customers include national, regional and local public bodies and business as occupiers of land or influencers of land use, and therefore agents of change.

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<sup>4</sup> Defra Rural Strategy 2004, published July 2004.

<sup>5</sup> Countryside Agency Vital Villages website, May 2004. Available at [www.countryside.gov.uk/VitalVillages/Index.asp](http://www.countryside.gov.uk/VitalVillages/Index.asp)

<sup>6</sup> 'Encouraging and supporting enterprise in rural areas - report to the Small Business Service, February 2002. Professor David Smallbone, Professor David North, Dr Robert Baldock and Ignateus Ekanuem'. Available at [www.sbs.gov.uk/content/analytical/research/finalruralreport.pdf](http://www.sbs.gov.uk/content/analytical/research/finalruralreport.pdf)

## **SECTION 3: IMPROVED QUALITY OF SERVICE FOR CUSTOMERS**

### **3.1: The problem**

15. Analysis of the evidence identifies some consistent difficulties for customers. Annex 2 sets these out in more detail and refers to the relevant source material. Annex 3 details the Department for Trade and Industry's conclusions in a similar and relevant exercise for their business support services.

16. Improvements for customers must revolve around some basic, yet recurring, themes:

- Knowing where to get help and the quality of help once in contact.
- Simplifying the number of schemes and, where possible, eligibility criteria.
- Tackling frustrations arising where several – and sometimes competing - public sector sources and systems are involved in establishing match or complementary funding.
- Simplifying forms and systems.
- Improving support and communication to guide people through systems or to help them generate projects.

17. The policy basis set out in relevant Defra Strategic Priorities and Public Service Agreements (see Annex 1) present a substantial challenge. The fact that the resource to achieve these objectives is finite necessitates a targeted approach. Review recommendations identify how successful customer engagement and service can be achieved through improved advisory services that provide:

- Active and well-informed delivery to reach out to those people, businesses or communities we need to help. Waiting for them to come forward is not enough and untargeted promotion simply raises expectations that cannot or should not be satisfied.
- Clear and timely communication. People are less likely to be disenchanted if they are clear what funding aims to achieve and they understand the rules of engagement.
- Professional advisors with sufficient decision making powers to give effective guidance on the purpose of funding, likely eligibility and the application process. Customers must know in advance what they may be letting themselves in for, for example how far applications are competitive or involve significant outlay to prepare a case.



### **3.2: Improved quality of service for customers: recommendations**

#### **SIMPLIFY SCHEMES**

##### **Recommendation 1**

**Defra schemes, and overlaps and relationships with other public funding, should be simplified and reduced to three major funding programmes**

18. The proposed simplification builds on existing work across Defra and other agencies, notably the Forestry Commission, to simplify the current 100+ national, regional and local funding arrangements to a new framework around three major Defra funding programmes. Annex 4 describes these funding programmes in more detail.

19. The new funding programmes should be structured to deliver the three Defra Rural Strategic Priorities and accompanying Public Service Agreements that are central to rural policy. Each funding programme will consist of an element of grant funding (devolved to the appropriate geographical level and organisation) and an element of related core funding to build capacity in organisations that underpin delivery. They are:

- **Funding programme 1: Agriculture and Food Industry Regeneration and Development** to support the Sustainable Food and Farming Strategy and accompanying Defra Public Service Agreement 5.
- **Funding programme 2: Rural Regeneration** in support of the Defra priority to achieve Sustainable Rural Communities and the accompanying Defra Public Service Agreement 4.
- **Funding programme 3: Environmental Land Management** in support of Defra objectives to achieve Natural Resource Protection and the accompanying Defra Public Service Agreement 3.

20. This is a fundamental shift from small scale, and often narrowly focused and prescriptive, schemes to flexible, widely drawn and widely applicable funding programmes. The proposed funding programmes should have a medium term shelf life and, subject to some constraints (such as the restrictions on European Union (EU) co-financed expenditure and our EU state aid obligations), allow objectives and use to be adjusted in response to monitoring, evaluation and policy development without the need for new schemes. The current schemes would cease to exist and each new funding programme would operate under a streamlined administrative system to reduce the number and complexity of current administrative systems.

21. In a few cases, complete administrative amalgamation of current schemes is impeded by requirements, such as those imposed by the EU, that

require differentiation for accountability purposes between wholly Exchequer funded arrangements and those that are EU co-financed. Where this is the case, the funding programme should operate as a single entity with such administrative issues handled behind the scenes to avoid burdening customers or inhibiting effectiveness.

22. A few funding programmes remain outside these three core funding programmes because they have very specific purposes, such as the Aggregates Levy, which is a specific and hypothecated funding programme, and the seldom-used English Nature power to purchase land to protect designated wildlife sites.

### **BETTER CUSTOMER SUPPORT AND INFORMATION**

23. Simplification of the number of schemes and clarity on who does what should allow us to create a less confusing landscape for customers. However, a high quality service and value for money require that delivery and funding programmes:

- Reach the right people, businesses and communities.
- Are as straightforward as possible to use.
- Help customers connect to other non-Defra sources of help and advice.

24. Recommendations 2, 3 and 4 address three central dimensions to this:

- Investment in the proposed Regional Development Agencies sponsored Business Link network to improve local services for rural business, building on proposals under the Defra Learning, Skills and Knowledge Programme (recommendation 2).
- A lead local agent working within a partnership structure (recommendation 3) to ensure co-ordinated local action where delivery requires an active approach to reach out to those we need to work with and help them through the system once we have engaged them.
- A professional information service for the general enquirer and those supporting customers who need guidance on funding and sources of advice and help in navigating funding systems (both Defra and those from other relevant sources). This will link to the single rural advice channel recommended in the Defra Learning, Skills and Knowledge Review<sup>7</sup>. At present there is no consistent and corporate Defra / Defra agency source of such information. Access to accurate and up to date information on sources of funding and advice must be the bedrock of an improved service for customers (recommendation 4).

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<sup>7</sup> Learning, Skills and Knowledge Review, Defra, February 2004. Available at [www.defra.gov.uk/rural/lisk/news.htm](http://www.defra.gov.uk/rural/lisk/news.htm)

## **Recommendation 2**

### **The quality of advisory support should be strengthened and improved**

25. This recommendation contains two components:
- a. Action to improve specific support services sponsored directly by Defra, for example those deployed to deliver environmental land management advice and funding; and
  - b. Improvements to mainstream business support for rural business.
26. The two overlap but because they have different sponsorship and management arrangements they need to be treated separately.
27. Surveys of customer satisfaction consistently identify the importance of effective promotion and customer support. The England Rural Development Programme Mid Term Evaluation identifies three types of support necessary in this context:
- Encouraging change in individual customer behaviour, for example to encourage changed land management practices to improve water quality or to encourage group marketing of agricultural products. Considerable effort may be needed to engage with individuals or businesses to procure public goods or foster co-operation in a traditionally individualistic business sector. Financial incentives are not enough.
  - Promotion and sign posting to encourage participation and tell customers what help is available.
  - Support for individuals or businesses in navigating the system, including preparation of analysis such as business plans.
28. Although funding remains a key policy tool, the principle of shifting the balance of economic intervention more in favour of advisory support is consistent with the direction of mainstream Government economic policy.

#### **A. Improving Defra sponsored advisory and technical support**

29. Improving customer support requires that all frontline Defra and Defra sponsored staff should receive structured training to mandatory accreditation standards (work on this is in hand under the Learning, Skills and Knowledge Programme) and cover:
- Customer focused delivery.
  - Policy objectives and funding systems.
  - Necessary technical competencies and skills.

30. The local pool of skills is variable. Defra and Defra agencies need to develop further the necessary skills base, both within and outside their organisations. This would provide technical and, where needed for more sophisticated social and community programmes, project management support to meet customer needs as an essential element in the delivery toolkit.

31. The objective is twofold:

- To ensure that funding programmes are backed by sufficient technical support to achieve a result. The degree to which this expertise is necessary will vary, but environmental land management and community development work are examples of where funding in the absence of advisory support (be it from Defra or agencies or others) is not an answer.
- To ensure that all front line delivery, be it through Defra, Defra agencies or others, is to an acceptable standard and facilitated by the right level of technical support. This is a substantial task given a crude estimate of 2,000–3,000 Defra sponsored staff providing customer support in varying forms for funding, and more if staff working on regulatory and other dimensions of the customer relationship are included.

32. An important feature of the new approach – using flexible funding programmes rather than rigid prescription - is the necessary empowerment of advisers, be they in the field or providing the helpline, so that they are able to give customers clear and confident advice on likely eligibility. Equivocal and misleading advice is a significant criticism of the current system.

## **B. Strengthening mainstream Government support for rural business**

33. The Defra Learning Skills and Knowledge Review<sup>8</sup> identified the need for improved delivery of support to rural business. The Government Action Plan for Small Business offers a potential opportunity to ensure the accompanying recommendations are backed by action to the delivery of business advice to rural customers. Although further work is needed under the Learning Skills and Knowledge Programme to secure buy-in to the approach and develop the detailed planning, this review endorses the following action which the Learning, Skills and Knowledge Programme established as important for the effective engagement of customers and the successful deployment of Defra funding for rural business:

- **Increase Business Link capacity in rural areas** by developing the capacity of the Small Business Service / Regional Development Agencies to increase the mainstream delivery of business advice in under-

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<sup>8</sup> Learning, Skills and Knowledge Review, Defra, February 2004. Available at [www.defra.gov.uk/rural/lisk/news.htm](http://www.defra.gov.uk/rural/lisk/news.htm)

performing rural areas identified as indicator districts for Defra Public Service Agreement 4. Funding of up to £2m is available in the current year, including an element for evaluating the effectiveness of this action and disseminating good practice. This is consistent both with analysis that shows scope for improving rural business support<sup>9</sup> and with Government policy to simplify existing arrangements and focus support through the mainstream Business Link system. The planned transfer of management of the Business Link network to the Regional Development Agencies from 1 April 2005<sup>10</sup> is an opportunity to establish, with a range of partners, a better rural service.

- **In parallel to this, support the proposed Small Business Service pathfinder project in rural areas to simplify and improve access to publicly-funded business support services.** As part of the Government Action Plan for Small Business, the Small Business Service is developing a project to use Business Link operators to integrate delivery of as many of the services supplied to businesses by different Departments as is feasible. With Defra encouragement, they plan to use rural areas as the pilot base. This would provide a vehicle for testing Business Link / Defra co-operation in running the proposed Defra information service (see Recommendation 4). Although currently under development, a decision to go ahead will depend on how the operational management of Business Links (currently national) will be devolved to the Regional Development Agencies.
- **Review of the Farm Business Advice Service.** The Farm Business Advice Service is continuing in 2004/05 but with a smaller budget. Defra is currently considering the availability of business advice for farmers from April 2005. Any arrangements put in place to succeed the Farm Business Advice Service should ensure that farmers benefit from the full range of advice and support services on offer, enabling them to take a broader view of business development opportunities as the impacts of Common Agricultural Policy reform are felt. Farm businesses would also potentially benefit from the first two measures outlined above.
- **Improve the responsiveness of technical land management advice services.** Following completion of the national demonstration farms scheme pilot and its evaluation, Defra is currently exploring the scope for transferring funding programmes to regions for demonstration activities, as part of regionally planned provision of all publicly-funded land management advice services. This would directly support regional implementation plans for the Strategy for Sustainable Farming and Food.

### **Recommendation 3**

**A single agent should lead local delivery and work with customers**

<sup>9</sup> See section 2 of the Learning, Skills and Knowledge Review.

<sup>10</sup> Announced in Budget 2004

34. The process by which regional and local priorities are defined and agreed (recommendation 9), should also lead to the identification of a single organisation or partnership to provide leadership and a first line of contact for the customers who need to be engaged and supported. This process will build on existing best practice and structures and operate on a partnership basis, with the local lead acting on behalf of all interested organisations and funders, co-coordinating input and funding be it Defra or non-Defra originated. The result should be clarity for customers about who their contact is and less competition between funding and advisory bodies for customer attention.

35. The local lead may be a Defra agency. For example, it might be the Environment Agency if a local priority was to tackle diffuse pollution in a particular river catchment. Equally, it could be a Regional Development Agency, a local authority-led local strategic partnership or a specially constituted organisation, such as Rural Regeneration Cumbria, if more appropriate.

The example below illustrates how this might operate:

Farmer A's land grows a reasonable cereal crop in a good year and he produces high quality beef but his clay soils are difficult to manage. Keen on wildlife, he had noticed less fish in the River B, but business pressures allowed little time to explore why.

At a local cereal growers group meeting, he picked up a leaflet describing pollution problems in the River B, explaining that these were partly the result of certain farming practices and that grants were available to help tackle the problem. Farmer A had already created a small buffer on the river bank but noted that run off through drains and certain cultivations could be a problem too. Although interested, another Spring downpour focused his mind on how to apply the next top dressing.

The next week, Farmer A received a letter from Miss C at the Environment Agency highlighting concern at the condition of the River B and offering to discuss how he might help. Before Farmer A had thought about it, Miss C phoned him. She was keen to talk to all farmers along the River B and sounded helpful, understanding the difficult land he farmed, so he agreed to see her.

They spent an evening walking the farm. Farmer A agreed to think about change provided it didn't damage his marginal profitability. Miss C explained the potential financial help available (apparently provided by Defra) and highlighted the relevant options and payments. Miss C also suggested that they seek a business appraisal to assess the viability of change. Farmer A agreed provided it wasn't too expensive.

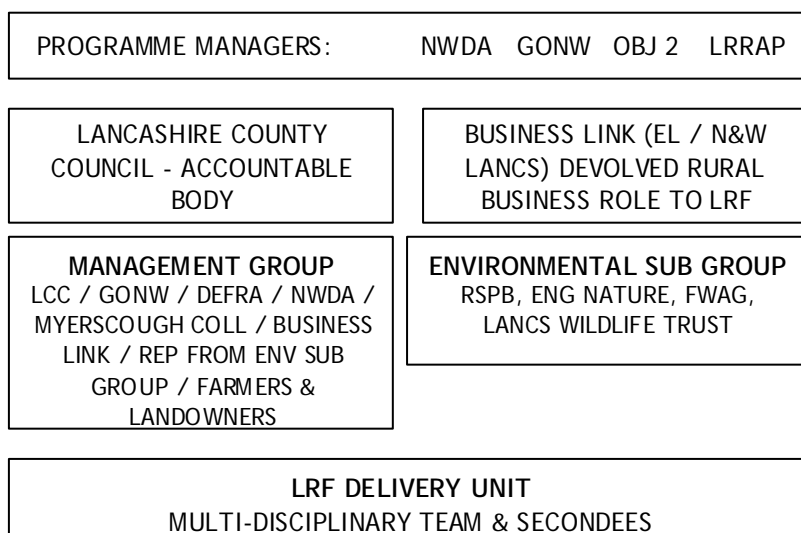
Miss C contacted Business Link and they arranged the appraisal, which proved more helpful than Farmer A had expected. The appraisal highlighted opportunities to cut overhead costs as well as confirming the viability of the available grants, offering scope to increase Farmer A's income through selling fishing rights on River B once the river had re-stocked. Miss C then guided him through an application and kept in regular touch as he worked through the changes required.

In many areas there is existing good practice that exemplifies this concept or could be built upon:

The Bowland Initiative was based upon an inclusive partnership that brought together those key stakeholders with an interest in the objectives of the project (integrating environmental and economic development in a commercially marginal but sensitive landscape) into a management board. This included farmers and landowners, land management organisations, business support agencies, the Royal Society for the Protection of Birds (RSPB), English Nature, the Farm and Wildlife Advisory Group (FWAG) and local authorities, with rural economy beacon Lancashire County Council playing the key role of accountable body.

The theme of partnership on the management team was extended into partnership within the delivery agency with the creation of a multi-disciplinary team incorporating land managers, ecologists, business advisors and conservationists, often seconded from the partner organisations.

The Objective 5b 'Bowland Initiative' has since morphed into Lancashire Rural Futures, ([www.lancshireruralfutures.co.uk](http://www.lancshireruralfutures.co.uk)) delivering a wider economic and environmental development remit across East Lancashire, funded primarily by the North West Development Agency (NWDA) and Objective 2 monies. The service is soon to be rolled out across the whole of Lancashire with additional support from the sub-regional Lancashire Rural Recovery Action Plan. The managing and delivery partnership have been re-affirmed within a structure for the new body that is illustrated below:



The relevant and inclusive nature of the management group offers an holistic approach to defining local objectives, setting targets and prioritisation, whilst at the same time creating an effective forum dedicated to integrated economic and environmental development for the county. The inclusion of regional strategic and programme management bodies (NWDA, the Government Office for the North West (GONW) and Defra) offers both continuous monitoring and evaluation but also a two way consultation process that ensures that the rural agenda, and potentially very local issues, can be incorporated into regional and national policy making.

The integration of staff from management group organisations into the delivery unit adds to the link from bottom to top and embeds the partnership philosophy within the day-to-day operation of all stakeholders.



#### **Recommendation 4**

#### **Defra, Defra agencies and the Forestry Commission should establish a professional and corporate information service**

36. Whilst a pro-active approach to customers must be the basis for a targeted rural policy, there will be individuals, businesses and communities and their advisors, who want a first point of contact for general enquiries about grants and other services.

37. This recommendation is designed to provide a better service for such customers and a knowledge management tool for all who provide advice and services to Defra customers (building on the single rural advice channel which is in hand under the Learning, Skills and Knowledge Programme). The proposal should build on current Defra helpline services to provide both a telephone and on line information service on behalf of core Defra, Defra agencies and the Forestry Commission, that:

- Covers all Defra programmes regardless of which agent or agency actually delivers the programme.
- Arranges expert advice.
- Helps applicants through the necessary procedures.
- Helps customers connect to relevant services provided by non Defra agencies and bodies: there may be an opportunity for Defra to lead development of this into a regionally tailored guide that all Government Departments sponsor.

38. The example below illustrates how aspects of this would work:

Mrs X, a farmer and a parish councillor in a remote village in the Uplandshire National Park, is keen to improve bio-diversity on her farm. She has been deterred because a viable financial package involved separate applications to Defra, several regional and local agencies and numerous bureaucrats. Additionally, no one could give her any clear indication of whether all this effort would result in successful applications.

On a recent visit to the village hall, a notice informed her that Defra had 'modernised rural delivery' and offers a helpline service. She wondered if things had improved. The parish council asked her to find out more when she agreed to seek help for a community transport project. An increasing number of elderly people in the village have problems in accessing services. The local bus service is infrequent and some villagers with cars want to help if someone can assist with the running costs.

She telephoned the Defra helpline and found it rather like a travel agent with information and access to all funding 'destinations' available. The staff (apparently 'trained and accredited') were clear and guided her to the local Rural Community Council who run a small community funding programme.

Mrs X was sufficiently pleased with the service that she also asked about the possibility of funding to better manage her moorland for wildlife. The helpline checked and confirmed this was a priority target and arranged for an expert to contact her (in this case an officer from the National Park). This time, one person arrived on the farm and, at her request, they co-ordinated a business assessment through the local Business Link then successfully guided her through a single application process keeping her informed of progress at each stage.

39. Staff providing this service will need special training and expertise which should include mandatory accreditation standards. The concept is a small number of professionals employed to be:

- Custodians of gathering and maintaining the necessary information on Defra and other relevant funding and advisory services.
- Responsible for an accompanying website.
- Guides to help people to understand and navigate their way through funding programmes and advisory services and connect people to the right source of help.

40. The internet site should be updated regularly and frequently and have a public service standard stating the frequency of updates. It should draw on best practice, such as that in local government and the private sector, and should include sign posting and link to other relevant public, private or voluntary sector sources.

41. A single web-based interface for all funding streams relating to Defra outcomes would simplify the IT-based access to funding and related advice and should be an entry point for electronic applications and associated transactions.

**Recommendation 5**

**There should be better security for funding to underpin delivery through project officers and project management**

42. Short term funding creates uncertainty and can destabilise projects through late decisions or support that does not reflect the nature or life of the project.

43. The public service standard (recommendation 6) – or an adjunct to it – should provide a guarantee of a minimum period of notice before such funding terminates. This should be commensurate with the life of the project. There are examples of Government commitments to this type of approach, for example the Voluntary Sector Compact<sup>11</sup>.

**Recommendation 6**

**All Defra, Defra Agency and Forestry Commission funding programmes should deliver to a corporate and public service standard**

44. This should clearly specify the quality and timeliness of service that customers can expect from Defra sponsored funding programmes and associated services.

45. Where Defra core funds a delivery organisation (e.g. National Parks or Rural Community Councils) the contract with Defra will require delivery of grants to be to this standard.

**SIMPLIFY SYSTEMS**

**Recommendation 7**

**Application and appraisal processes and design should be standardised and simplified on a risk assessment basis to introduce fast track procedures for modest and low risk expenditure**

46. Systems should be simplified and standardised across Defra and Defra agencies. The more consistent and familiar the process, the easier it becomes for customers, their advisors and officials alike. Further work is needed to

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<sup>11</sup> See [www.homeoffice.gsi.gov.uk/vcslo/index.html](http://www.homeoffice.gsi.gov.uk/vcslo/index.html)

assess how complete this can be, but substantial improvement should be possible as a result of recommendation 1 (simplify schemes).

47. This simplification and standardisation must include:

- Proportionate processes that ensure adequate financial control while achieving the benefits of running simple systems. (There may be lessons from current pilots under the Rural Enterprise and Vocational Training Schemes).
- Project appraisal and processing that revolves around achieving targeted outcomes and minimises the burden of process on customers.
- Creating a single application form for each funding programme. These should be available both on-line and in hard copy. The design should require vital details to be entered only once and use annexes along the lines of the current personal income tax forms.
- Ensuring that accountability for multiple funding sources is a 'back office' function that is invisible to the customer.

#### **Recommendation 8**

**There should be a single IT based electronic management system for funding all Defra, Defra agency and Forestry Commission grants to accelerate process and payment times and to reduce transaction costs**

48. The new Genesis system, currently being developed under Defra's erdpIT programme, is designed to be locationally and organisationally flexible and able to support the administration of any funding that follows the common process.

49. Standardisation provides a basis for further efficiency gains and savings beyond those planned through implementation of Genesis to manage the England Rural Development Programme. This will:

- Offer better customer choice and convenience through electronic transactions.
- Improve performance through better and easily accessed business data for routine management, policy decisions and evaluation.
- Automate routine activities.
- Enable intermediaries to perform activities on behalf of the delivery agent and ensure easy transfer of data.

50. The medium term aim must be a single IT based electronic management system for all Defra and Defra-sponsored funding

arrangements. Wherever possible this should be compatible with the systems of key partners (for example the Regional Development Agencies).

51. In the shorter term (over the next three years) pragmatism dictates a first step to maximise the interoperability of systems, rather than a move directly to one single system. For example, the Forestry Commission is introducing the new English Woodland Grant scheme in 2005 supported by a new electronic management system, Glade. This is designed to be interoperable with Genesis and the Forestry Commission is working to create a 'shared front end'.

52. The first critical steps are to deliver support for the Entry and Higher Level Environmental Stewardship Schemes through Genesis in 2005, as well as Genesis support for further England Rural Development Programme schemes in late 2005. There is potential to expand coverage by 2006/07.

## SECTION 4: IMPROVED VALUE FOR MONEY FOR THE TAXPAYER

53. Clarity of purpose is crucial if the investment of public funds is to achieve value for money in terms of outcomes. Simplifying schemes (Recommendation 1) and structuring them around the Defra Rural Strategic Priorities and Public Service Agreements will help to improve this clarity in the deployment of what is a significant, but limited, resource.

54. This is also a pre-requisite for providing a quality service. Clear objectives translate into clear messages to customers so Defra must be clear what it wants its customers to apply for.

### 4.1: The problem

55. The Review identified a number of areas for improvement in current systems which the recommendations in this section are designed to tackle:

- a) **More realistic objectives.** Communication to customers must explain the scale of the available resource and not overstate aspirations and therefore create false expectations. For example, if an investment of around £7m per year in Areas of Outstanding Natural Beauty and National Trails is to bring substantial improvement, there needs to be clarity about what results this investment can buy.
- b) **Better design** to deliver core Defra priorities and achieve productivity gains from our spend. For example, agri-environment schemes should be expressly targeted to contribute more towards the achievement of Public Service Agreement 3 and relevant policy priorities. This should build on the restructuring of existing EU funded agri-environment schemes to create an entry and higher level tier to one Environmental Stewardship funding programme and subsume existing schemes within this framework.
- c) **Better integration** with other national, regional and local delivery mechanisms and funding arrangements.
- d) **Better reflection** of regional and local differences or the geographical distribution of the problem. Policy has tended to treat rural England as a homogeneous entity rather than a diverse reality in which need is best targeted.
- e) **Less splintering** of resources into small packets which are then managed in relative isolation by discrete units within Defra or Defra agencies. There are no means to draw these together to assess overall impact or whether this is the right division of resources.
- f) **Stretching current schemes** beyond capability or resource. Simplification must align resources to core purpose and resist widening

the remit of funding programmes to accommodate issues that may be better addressed through other means.

- g) **Structured and consistent evaluation** to establish what works and to assess the quality of delivery.

## BETTER DEFINED OUTCOMES

### **Recommendation 9**

**There should be improved use of data and analysis to define objectives and outcomes that we ask customers to deliver**

56. This requires a new system with funding allocated and accountabilities set on the basis of achieving agreed outcomes. It demands an effective evidence-base to underpin the agreement and monitoring of realistic targets. Currently, national and regional outcomes and targets are often insufficiently defined and lack necessary quantification and geographic differentiation.

57. Simplification around Defra Rural Strategic Priorities and Public Service Agreement targets (see Annex 1) is not sufficient to translate Defra objectives into clear priorities for deliverers. Therefore, the Review team asked the Rural Evidence Research Centre (RERC)<sup>12</sup> to examine how far available data could help define these priorities.

58. Whilst highlighting challenges, RERC validated the viability of creating a framework to better use data to identify need in the context of Defra policy objectives. Without such a transition, it is difficult to see how Defra can achieve effective use of the resource or the necessary clarity to provide a quality service to either customers or the public.

59. RERC's preliminary analysis is at Annex 6. The approach requires agreed metrics for:

- Departmental policy goals.
- Relevant regional strategies (such as Regional Economic and Regional Spatial Strategies).
- Regional delivery frameworks for Defra Strategic Priorities (see recommendation 10).

60. The proposed framework would make use of a Geographic Information System and extend the method that underpins the new rural and urban

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<sup>12</sup> The Rural Evidence Research Centre is a consortium led by Birkbeck College, University of London to provide quantitative and qualitative research and analysis on rural issues to inform policy development and delivery.

definitions<sup>13</sup>. This is an opportunity for Defra to provide leadership and to pioneer best practice across Government. The Review team believe that this initiative would be welcomed by key stakeholders, including the Local Government Association and the Regional Development Agencies.

## EFFECTIVE PROGRAMME LEADERSHIP

<p style="text-align: center;"><b><u>Recommendation 10</u></b> <b>Accountability should be clarified and delivery devolved</b></p>
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61. Improved service for customers **and** value for money require that:
- Defra provides clarity about the policy outcomes it seeks to purchase (recommendation 9).
  - Delivery arrangements translate outcomes into clear objectives for deliverers and potential beneficiaries.
62. Defra's Delivery Strategy,<sup>14</sup> and work on the institutional arrangements for future rural delivery, suggest how to achieve this recommendation. Some of the necessary arrangements are in place in skeletal form but in summary terms would involve:
- a. **Sustainable Food and Farming (SFF)** - building on existing Regional Development Agency / Government Office plans to integrate the economic element of CAP Pillar 2, Regional Development Agency SFF Single Pot investment, learning and skills and business support delivery. The Regional Development Agencies corporate plans and, when reviewed, Regional Economic Strategies should be in accordance with delivery framework priorities. (Following referendums on elected regional assemblies later in 2004 in the North East, North West and Yorkshire and the Humber, if such assemblies are established RDAs would become accountable to them and the assemblies would play an important strategic and advisory role on rural social and economic policy).
  - b. **Sustainable Rural Communities** - building on existing regional Public Service Agreement 4 (rural) delivery plans. To be jointly led by Regional Development Agencies and Government Offices, with

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<sup>13</sup> Office for National Statistics, Defra, Countryside Agency, Welsh Assembly Government and the Office of the Deputy Prime Minister have jointly completed a project to prepare a better definition and description of 'rural' for analytic purposes.

<sup>14</sup> The Defra Delivery Strategy brings together much of the Department's work on improving delivery and on clarifying the relationship between policy and delivery. It is based on the Government's four principles of public sector reform: national standards and a clear framework for accountability; devolution and delegation to the "front line"; flexible service delivery; and more choice for the customer. It is available at [www.defra.gov.uk/corporate/delivery/policy.htm](http://www.defra.gov.uk/corporate/delivery/policy.htm)



necessary links to local authority community planning. Again, the Regional Development Agencies corporate plans and, when reviewed, Regional Economic Strategies should be in accordance with delivery framework priorities.

- c. **Natural Resource Protection** - There are no comprehensive regional delivery plans. The Review found that this absence inhibited the translation of key national policy objectives into local delivery and failed to make transparent the basis on which resource choices are made. The new Integrated Agency should work in partnership with others, including the Environment Agency, the Forestry Commission and local authorities, to create such delivery plans.

63. Delivery frameworks should focus on:

- the articulation of clear priorities for rural delivery in each region. These should be set within the national policy context, but reflect regional and sub-regional needs and opportunities in line with thinking among partners. Resource allocation by Defra and other partners should then be aligned, to the extent possible, to the priorities identified in the frameworks;
- securing greater coherence between rural policy and other regional strategies and delivery plans, including work to ensure that rural and urban strategies are mutually consistent and strengthening;
- better alignment of policy and delivery at the regional level with local priorities and actions identified by local authorities and local strategic partnerships and, where appropriate, the rural voluntary and community sector;
- opportunities for simplification of the way services are delivered to customers through improved working between delivery organisations, with associated efficiency gains.

64. In commissioning delivery frameworks, Defra should require that the process be inclusive with all appropriate interests engaged, such as local government, business or the voluntary and community sector.

65. The Review encountered differing perspectives on the extent to which regional and local discretion is appropriate in interpreting and prioritising national targets through delivery frameworks. Factors influencing this are:

- How far action is driven by local need. For example, lessons from regeneration programmes demonstrate that success depends on engaging communities in defining and delivering what is needed. In these circumstances, the national Defra Rural Public Service Agreement target (and more widely, Government floor targets for regeneration) applies, but delivery requires substantial local discretion.

- The extent to which we are procuring public benefits, and particularly those driven by national or international obligations, such as for biodiversity and water quality. In these cases, delivery needs to respond to local conditions and target those we must work with or persuade but there is less local flexibility in determining the outcome.

66. The system recommended can achieve this variable balance. Regional delivery plans and a strategic overview (see recommendation 11) provide the means to vary the balance depending on the outcome sought. The system will make more transparent how national priorities are being delivered and the inevitable trade-offs needed in deploying a limited resource that will not stretch to meet every dimension of every obligation or objective.

67. Defra should also reflect wider Government practice in the freedoms and flexibilities agenda by incentivising best practice and high performance, and taking action to address poor performance, both in planning and delivery, **and** in relation to the quality of customer management.

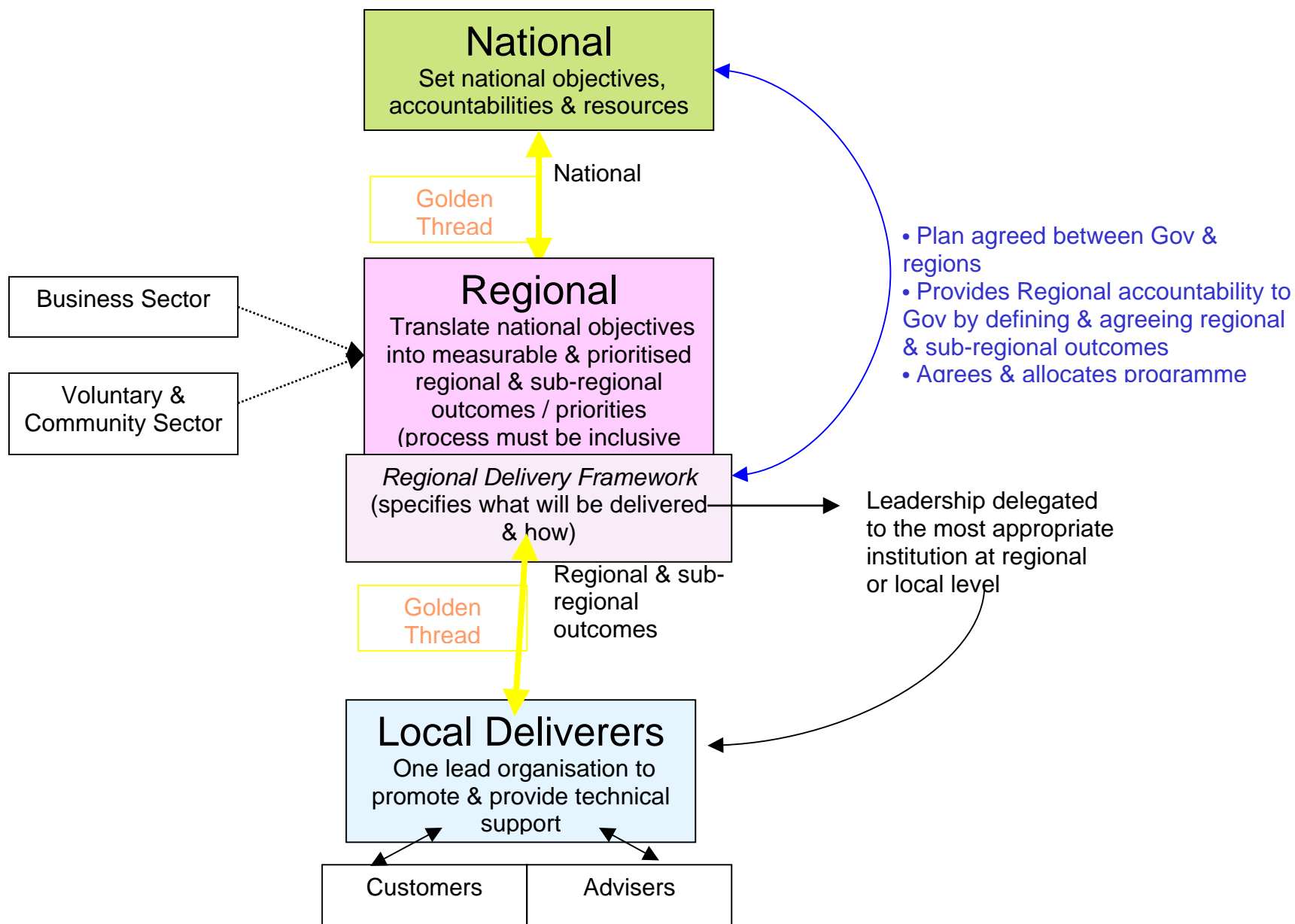
68. Rural England is not homogenous and Defra therefore believes that devolution means empowering each region to make proposals on what process it will put in place to achieve prioritisation and decision-making in relation to rural areas – the process that Lord Haskins described as Rural Priority Boards. The “Rural Priorities Board” for each region – however it is constituted and named – will need to address the following important policy principles:

- Activity and decisions should have sustainable development at their core – for example by “fit-for-purpose” reviews of regional strategies and delivery arrangements to ensure they are sustainable development-proofed;
- Activity, funding and delivery should be co-ordinated and prioritised to ensure it is best targeted where it is needed, at local level across the region;
- Delivery organisations, such as local authorities and National Park Authorities, must be full participants in the regional decision-making process;
- End customers should have a clear voice in strategic decision-making – either through strengthening the role of the Regional Rural Affairs Forums or through building on some similar institution representing rural customers;
- Key organisations with an environmental remit should be engaged in decision-making on spatial and other strategies – including by giving the new Integrated Agency and the Environment Agency a full role in the regional decision-making process;
- Rural and urban strategies should be mutually consistent and mutually strengthening; and

- Mechanisms and processes should be streamlined to free up time for getting on with delivering services and make matters simpler and easier for the customer. This includes the institutional mechanisms and also the funding programmes.

The diagram below illustrates how this system might look:

# Devolving Programme Delivery



## SECTION 5: IMPROVED PERFORMANCE MANAGEMENT

69. Effective performance monitoring and management is crucial to underpin both accountability **and** the provision of a quality service for customer groups - even though it does not have the same immediate impact on either. The following recommendations are designed to provide this underpinning:

### **Recommendation 11**

**Resource allocation decisions and performance management systems should be improved and systematic for Defra, Defra agencies and the Forestry Commission**

70. Systematic and balanced investment decisions, and consistent performance management of funding and advisory support, for Defra, Defra agencies and the Forestry Commission requires:

- Improved budget and overhead management.
- Mandatory evaluation of performance and customer satisfaction to agreed standards. This should be a senior management function. The Department for Trade and Industry review of funding for business (see annex 3) put in place steering arrangements that included business representation. Defra should consider this approach.
- Better management information with consistent standards for budget and overhead management and for monitoring performance across Defra, Defra agencies and the Forestry Commission.

### **Recommendation 12**

**There should be a design guide for Defra, Defra agencies and the Forestry Commission to guide the use of funding and to assess the effectiveness of new policy proposals that require the use of funding**

72. A simplified and rationalised funding system must be designed and maintained to the highest standards to:

- Enshrine quality of service and communication to customers.
- Provide clarity of objectives and outcomes in policy development.

- Provide a yardstick to assess proposed changes in policy on this basis.
- Ensure that value for money is defined and assessed.

73. The Review commissioned the preparation of a draft Design Guide from SQW consultants (in partnership with the Agricultural Development and Advisory Service). This work is reviewing best practice and will recommend a set of design principles and an accompanying checklist, akin to the rural proofing checklist, to appraise both proposals for new funding arrangements and proposals that seek to use funding as a policy tool, even where this is to use the existing core funding programmes set out in recommendation 1. The purpose of this design guide is to ensure that:

- Funding is the most appropriate approach.
- The policy objective is sufficiently clear with defined outcomes.
- Customer needs and service standards have been fully evaluated and taken into account.

74. The Design Guide is being informed by practitioners who design, deliver and use funding to ensure that the final product is practical and usable.

## SECTION 6: THE CHANGING ENVIRONMENT FOR CUSTOMERS

75. The Review was asked to examine how funding and accompanying advisory support can best aid delivery of the priorities set out in the Secretary of State's rural policy speech, on 4<sup>th</sup> November 2003<sup>15</sup>, which emphasised that 'One size fits all' policies for funding are not appropriate. The analysis behind these priorities is set out in more detail in:

- The Rural White Paper review<sup>16</sup> which emphasised the need for better prioritisation on policy grounds given disparities between regions, localities and individual households in social, economic and / or environmental conditions.
- Rural Strategy 2004<sup>17</sup>.

The following section summarises the way that the changes described in Rural Strategy 2004 are impacting on our customers.

76. Rural Strategy 2004 shows how rural communities and businesses – our customers - are undergoing profound change that dictate a targeted approach to funding and advice.

77. This targeted approach is necessary because change has brought improved well-being to many rural communities. However, the benefits are unevenly distributed. There are distinct, and often local, variations in environmental, social and economic conditions between and within rural areas, just as there are in urban England. Some groups, businesses, communities or areas experience economic underperformance, social disadvantage and difficulty in accessing services.

78. These changes reflect a major economic shift as most parts of rural England have become substantially less dependent on an agrarian economy. However, the agricultural industry still occupies 80% of the land area and continues to have a profound impact on the rural environment. There are particular challenges as:

- The agricultural industry shifts from a subsidised and directed sector to a market oriented industry that is less subsidy dependent. Given the importance of agriculture to the environment (which in turn brings social and economic benefits) future subsidies will be focussed on delivering public good through environmental improvements.

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<sup>15</sup> Available at [www.defra/corporate/ministers/speeches/mb031104.htm](http://www.defra/corporate/ministers/speeches/mb031104.htm)

<sup>16</sup> Defra: published January 2004. Available at [www.defra/rural/ruralwp/default.htm](http://www.defra/rural/ruralwp/default.htm)

<sup>17</sup> Defra: published July 2004. Available at [www.defra/rural/ruraldelivery/default.htm](http://www.defra/rural/ruraldelivery/default.htm)

- Those farmers, employees and others in support industries who wish to move into other industries are often constrained by lack of skills or by the lack of formal, recognised qualifications. This places a premium on assistance with knowledge and skills.

79. Also, whilst considerable progress has been made in halting past decline in environmental conditions, some landscapes, habitats and species remain vulnerable. Problems such as diffuse pollution resulting from some agricultural practices or development pressures are now commanding more attention.



## SECTION 7: THE ROLE OF DEFRA FUNDING

### 7.1: Defra policy priorities

80. The overarching Defra aim is to achieve sustainable development, which means integrating social, economic and environmental objectives. Defra's policy priorities and therefore the focus for funding - set out in the Secretary of State's speech on 4<sup>th</sup> November 2003 and Rural Strategy 2004 - flowing from this analysis of change are to:

- Deliver Sustainable Farming and Food Strategy objectives - to achieve a sustainable agricultural industry that is less dependent on subsidy, building on the opportunities presented by Common Agricultural Policy Reform.
- Tackle disadvantage by:
  - Addressing serious and structural socio-economic weaknesses in a minority of largely peripheral rural areas<sup>18</sup>.
  - Reaching those experiencing poverty or social exclusion who are less visible because they live in more prosperous rural areas.
  - Ensuring equitable access to services.
- Conserve and maintain the quality of the countryside and environment in rural areas both because it is an economic asset for local communities and because it is a national asset that is valued and enjoyed by people, be they urban or rural.

81. These priorities sit within the overarching Defra aim to achieve sustainable development and are reflected both in Defra strategic priorities (set out in more detail in Annex 1) and accompanying Public Service Agreements. These are:

- **Sustainable Food and Farming (Defra Public Service Agreement 5)** where, within a sustainability framework, the objective is to foster a more efficient sector largely by tackling the effect of distortions created by past policy and subsidy.
- **Sustainable Rural Communities (Defra Public Service Agreement 4)** where the objective combines action to address market failures to

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<sup>18</sup> Some rural areas lag in average per capita earnings by as much as 30% and display the social problems generally accompany concentrations of economic decline.

improve economic performance with action to ensure equitable access to services.

- **Natural Resource Protection (Defra Public Service Agreement 3)** where both the policy and a substantial resource is led by Defra to conserve and enhance natural resources and to create an attractive and accessible countryside.

## 7.2: The relationship between funding and other policy tools

82. Funding is just one of the range of public policy instruments. These include the provision of advice and information, regulation, taxation and stimulating competition and innovation.

83. A comprehensive examination of the relative roles and effectiveness of Government policy instruments in rural policy is unrealistic in the timescale of this Review. However, the Review did examine the following:

- a. **The dependency of funding on other instruments.** The most critical and consistent dependency is the need for high quality technical or skilled support. For example, incentives for environmental land management alone are insufficient to deliver change because many farmers and land managers need help to understand what practical changes they need to make. Current arrangements can be inconsistent in quality and effectiveness and there are questions about fitness for purpose. A supplementary issue is the consistency of this support where it is found helpful by customers. Where change takes time, it is helpful to maintain the same advisor – or at least the same calibre of advisor - and an effective transfer of customer support.
- b. **Where the relationship between funding and other instruments is unclear.** The application of environmental conditions through Cross Compliance,<sup>19</sup> under a reformed Common Agricultural Policy, and the use of environmental land management incentives under the proposed Entry Level Stewardship Scheme is an example. Careful delineation is crucial to avoid both funding and regulating for the same objective.
- c. **Existing research** to inform these conclusions.
- d. **The Government policy context:**

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<sup>19</sup> Cross Compliance is the application of conditions (relating to, amongst others, the environment, animal health and welfare and food safety) in return for receipt of subsidy: this is regarded as a form of regulation although arguably it is part a return on the 'deal' that Government, on behalf of the taxpayer, does with farmers in return for subsidy.

- Decoupling subsidies from production is a key plank of the recent reform of the Common Agricultural Policy. The accompanying introduction of Cross Compliance from 2005 has the potential to incorporate tighter controls on damaging agricultural practices and a consequent reduction in the need for funding for “preventative” elements in incentive schemes. However, there is a tension between this and the Government’s objective to reduce the burden of regulation, including agriculture as a heavily regulated sector.
  - Given the deregulatory emphasis of Government policy and the scale of impending regulation, such as the EU Water Framework Directive, it is unrealistic to envisage significant further regulation beyond this as a direct substitute for incentive schemes in the short to medium term. However, there are questions about the effectiveness of current pollution control and wildlife site protection regulations. The interface between regulation to prevent damage and incentives to achieve positive change is intellectually clear but in practice some incentives seem to address the former.
- e. **Rural Proofing** (see also 7.4): many Defra rural policy objectives rely on mainstream Government policy delivering effectively and equitably in rural areas. This is particularly so for social and economic objectives, outside food and farming, where resources for learning and skills or neighbourhood renewal dwarf those of Defra. It is also relevant to some food and farming objectives. Past treatment of agriculture as a special case (including by the European Union) has tended to isolate the sector and constrain the use of mainstream policy instruments in support.

84. Given these factors, a funding dimension to the policy ‘tool-kit’ will continue to be necessary to deliver the Government’s rural policy. There is limited opportunity to regulate or create tax breaks as a better way to deliver a particular objective in the short to medium term.

### 7.3: The function of Defra funding

85. The issues for improving performance and value added from Defra funding revolve around:

- a. **Improved targeting of need** with a shift from viewing schemes as entitlements or driven by mechanistic criteria, to selective use with more recognition that the public is largely the end customer, be this through a more accessible, high quality environment or successful local economies. Delivery of the new two tier Environmental Stewardship Scheme will be an acid test of whether Defra and its partners can influence applicants to genuinely procure added value in environmental benefits for the public.

- b. **A move away from a 'scheme per problem'** with attendant, widely varying rules and small and often expensive to deliver budgets. The shift must be to broad based flexible funding programmes, seen and used as one component in a wider delivery tool kit that includes advisory support and training. This must remove detailed prescription, within unavoidable constraints such as European Commission requirements, and create much greater operational flexibility. What looks carefully prescribed and targeted from Whitehall is often another barrier to work round for those who need to knit packages together to meet local needs.
- c. **Realism about the role of Defra funding.** At present schemes tend to be seen as **the** means of delivery rather than as a catalyst, with consequent mismatch between aspiration and achievement or resource.

86. Outside the scope of environmental land management, where Defra leads both on policy and on a substantial element of the available resource, these factors plus a constrained resource mean that Defra funding must be used:

- As a catalyst for change and innovation.
- To lever in public, private and voluntary sector resources.
- To address gaps in public policy where market failure or equity dictates action and funding represents a sensible policy response. An example might be where mainstream transport providers cannot reach small isolated groups.

87. To achieve this requires a transition from resources tied down to very specific purpose through bespoke and numerous schemes, to the creation of a smaller number of larger and more flexible funding programmes. The design must:

- Allow selective application to target the most pressing needs.
- Be responsive to local circumstances to avoid the need for frequent and often costly 'scheme' redesign or local reinvention to work around unnecessary constraints. The latter is a concern because a Defra simplification must not lead to proliferation by others.
- Provide a basis for establishing more cost effective and standardised systems to help address customer complaints about constant scheme change.

#### **7.4: Other Government programmes**

88. Two main points have come up in the course of the Review:

- Defra funding is a modest element of total public expenditure in rural areas. The difference to the rural customer would be bigger if the Review encompassed funding from other public bodies; and
- The largest public funding streams are not specifically rural, but have a substantial impact on rural areas.

89. The first point underlines that the complexity of funding is not specifically a rural problem, even though it has rural impacts. The Regional Co-ordination Unit in the Office of the Deputy Prime Minister, for example, is seeking to rationalise area-based initiatives and is exploring how to rationalise funding through future Local Area Agreements.

90. The second point is about the extent to which mainstream funding is equitably applied in rural areas. This is a concern that is central to rural proofing. The Countryside Agency's second report on rural proofing across Government<sup>20</sup> recorded that:

*“All departments have made some progress over the last year, but the extent of their progress varies considerably. Rural proofing activity has been spreading to more policy areas and in around half of departments we believe it is now applied quite routinely (e.g. Lord Chancellor's Department [sic], Defra, Department for Education and Skills)”.*

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<sup>20</sup> 'Rural Proofing in 2002/03', Countryside Agency, June 2003

## SECTION 8: BUDGETS AND OVERHEAD COSTS

91. The Review has charted programme expenditure for all funding arrangements examined.

92. Although some agencies and policy groups were able to provide accurate information quickly and easily, the Review team experienced some difficulty in establishing a clear picture for many budgets and overhead costs. Also, available figures for delivery costs tend not to discriminate between promotion, advisory support and basic transaction costs of scheme administration.

93. This is an area where performance management needs to improve and to be more consistent across Defra, Defra agencies and the Forestry Commission.

94. The Review team advocates a consistent and more discriminating means to record costs to analyse and compare operational costs across Defra and its agencies. This should distinguish between technical and advisory costs necessary to ensure that the right applicants offer the right benefits **and** transaction costs in administering programmes. The Review also recommends that the scope for efficiencies should be explored in the running of funding streams.

95. The Review team also advocate benchmarking the cost of policy delivery in the form of:

- **A maximum peak cost**, expressed as a percentage of planned expenditure, with any proposals exceeding this needing special justification and approval by national oversight arrangements (recommendation 11).
- **A delivery cost profile** over the life of the policy. Typically, new policies generate higher initial costs in promotion and advisory support to encourage participation as an enabler to successful delivery. Delivery costs should then subside over the life of the policy.

96. Further work is needed to establish benchmarks. The Review Steering Group suggested that 10% ought to be the maximum. The Hill Farm Allowance demonstrates why additional work is needed to establish reasonable benchmarks for schemes. It has very low overhead costs, but it operates in a way that is akin to a direct subsidy and is relatively undemanding. A better-targeted scheme with technical advisory support might be more desirable, but would probably be associated with higher advisory costs. The Review does not conclude that the lowest possible overheads should be adopted as benchmarks across Defra schemes, as it is possible that a reduction in overheads would reduce value for money on certain schemes.

97. Benchmarks need to challenge policy makers and delivery agents to constrain costs without arbitrary impositions that inhibit the achievement of policy goals.

98. Simplification will deliver medium term efficiency savings without compromising effective delivery. This recommendation is cautious and unquantified pending further work because significant savings arising from the introduction of new IT for the delivery of the England Rural Development Programme have been factored into the implementation of changes to the Programme from 2005 onwards.

99. The key means to achieve savings stem from:

- **Benchmarking.** The introduction of new policy objectives that require funding should aim to keep transaction costs within a target level and invoke scrutiny where proposals exceed this or programme performance fails to meet the target.
- **More extensive use of existing regional and local delivery agents.** Whilst some objectives require significant staff input from Defra or Defra agencies, more efficient partnerships and use of existing local delivery agents ought to reduce costs.
- **Simplification,** wider introduction of common IT systems and proportionality in assessing small and low risk applications.

## SECTION 9: IMPLEMENTATION

100. Detailed plans for implementation are in preparation. However, in broad terms it can be scheduled as follows:

- Communicate planned changes to beneficiaries, practitioners (e.g. delivery agents) and staff from Winter 2004.
- New arrangements start to take effect from April 2005.
- Agreed outcomes set in forward business plans for 2005/06 and on through the 2004 Departmental Budget and the Business Plan roll forward.
- Changes to take place in a phased programme during 2005/06 with all major changes substantively in place by April 2007.

101. Opportunities for early progress during 2004 and 2005 include:

- a. Working with the Small Business Service and the Regional Development Agencies on securing arrangements for improved services to rural businesses through Business Links. It is important what is agreed under the RDA tasking framework and the content of RDA corporate plans.
- b. The redeployment of Countryside Agency social and community funding, to prepare and launch a rural regeneration funding stream to be devolved to the Regional Development Agencies' single pot from April 2005.
- c. Implementation of new arrangements for funding community capacity from April 2005.
- d. The transfer of Countryside Agency funding for Sustainable Food and Farming functions to Regional Development Agencies to stimulate delivery of Sustainable Food and Farming objectives, from April 2005 onwards.
- e. The implementation of recommendations to improve information about funding and advisory support and the creation of the first stop shop service from April 2005.
- f. The process of planning and designing post-2006 Common Agricultural Policy Pillar 2 measures will begin in Autumn 2004, building on the recommendations from this Review, and will fully engage stakeholders and agencies.



102. The implementation of Common Agricultural Policy reform is a major milestone. Many of the changes recommended in this Report can be brought to fruition through full implementation of this process. The Review team do not recommend major change (beyond those agreed as a result of the England Rural Development Programme Mid Term Evaluation) during the final phase of current programmes.

## ANNEX 1: RELEVANT DEFRA STRATEGIC PRIORITIES AND PUBLIC SERVICE AGREEMENTS

Defra Public Service Agreement 1	<p><b>Sustainable Development</b>  <i>To promote sustainable development across Government and in the UK and internationally, as measured by:</i></p> <ul style="list-style-type: none"> <li>• <i>the achievement of positive trends in the Government's headline indicators of sustainable development;</i></li> <li>• <i>the UK's progress towards delivering the World Summit on Sustainable Development commitments, notably in the areas of sustainable consumption and production, chemicals, biodiversity, oceans, fisheries and agriculture; and</i></li> <li>• <i>progress towards internationally agreed commitments to tackle climate change.</i></li> </ul>
Defra Public Service Agreement 3	<p><b>Natural Resource Protection</b>  <i>Care for our natural heritage, make the countryside attractive and enjoyable for all and preserve biological diversity by:</i></p> <ul style="list-style-type: none"> <li>• <i>reversing the long-term decline in the number of farmland birds by 2020, as measured annually against underlying trends;</i></li> <li>• <i>bringing into favourable condition by 2010 95% of all nationally important wildlife sites.</i></li> </ul>
Defra Public Service Agreement 4	<p><b>Sustainable Rural Communities</b>  <i>Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2008, demonstrating progress by 2006, and improve the accessibility of services for people in rural areas.</i></p>
Defra Public Service Agreement 5	<p><b>Sustainable Food and Farming</b>  <i>Deliver more customer-focused, competitive and sustainable food and farming industries and secure further progress via CAP and WTO negotiations in reducing CAP trade-distorting support.</i></p>

## **ANNEX 2: CUSTOMER SERVICE: THE EVIDENCE**

### **Rural Delivery Review**

1. Lord Haskins' Rural Delivery Review consulted widely to establish where funding arrangements created difficulty for customers, potential customers and their advisors. Those consulted were asked to indicate the main problems in trying to access the schemes. Consultation was carried out by means of a separate questionnaire directed at stakeholders and customers, by visits to various regions across England and a number of customer focus groups.
2. The Haskins' enquiry identified a number of areas where delivery was felt to be good but also pinpointed areas where there were problems or where improvements could be made such as:

#### ***Policy makers***

- lack of understanding of customer needs
- over centralised and inflexible policy development and control
- concentration on processes rather than outcomes
- remoteness from local priorities

#### ***Procedures***

- which were too complex, repetitive and time-consuming
- which necessitated (expensive) professional specialist help

#### ***Schemes***

- which were too numerous, overlapping and confusing
- which lacked continuity
- which lacked speedy, transparent decision making

#### ***Processes***

- which failed to provide on-going advice and help
- which failed to target the truly needy

#### ***Poor communication***

- which unnecessarily raised potential customers' expectations
- which frustrated those same customers when rejected

3. Lord Haskins' **Focus Groups** confirmed these findings and also identified problems with

- lack of information on scheme availability (particularly on advice and training)
- enforcement and understanding (among customers) of regulations
- schemes where the application input outweighed the outcome
- the role, cost and ability of independent advisors

4. Suggested remedies to the problems identified included the introduction of a 'first stop shop' approach, a reduction in unnecessary regulation, a reduction in bureaucratic layers and procedures and professional accreditation of advisors.

### **Learning Skills and Knowledge Review**

5. In parallel with the Review of Rural Delivery, the Defra-led Learning Skills and Knowledge Review examined the learning needs of businesses and rural areas and any barriers to the up-take of learning opportunities, with the aim of supporting improvements in business performance. The Learning Skills Review – essentially a snapshot - found that many of the difficulties experienced by rural businesses were being addressed, but that significant obstacles remained, particularly in knowing how to access publicly-funded support services. Coupled with weak traditions of learning in some industries, these obstacles perpetuated the low skills base found in some rural areas.

6. The findings of the Review are significant for the effective use of Defra's rural funding streams. Without the relevant skills, businesses will be unable to exploit fully the opportunities offered by public funding. This is both bad for the business and bad for the taxpayer. The Review made an extensive set of recommendations intended to address these issues, which are now being developed into specific proposals for agreement and subsequent implementation. The proposals of most direct relevance to this review are outlined under Recommendation 2.

### **Other Evidence From Surveys and Evaluations**

7. This review also examined:

- Evidence from reports that considered problems for customers (such as the England Rural Development Programme Mid Term Evaluation). We are also aware of work currently being carried out by the National Audit Office which is looking at the operation of some Defra schemes and seeking to identify ways in which they, and the next phase of schemes to run from 2007 to 2013, can be improved.

- Responses to a web-based questionnaire set up specifically to inform the Review. The results are summarised below.
- Relevant elements of corporate Defra work to improve and assess customer service.

8. Whilst care is needed to sift unsubstantiated complaints and those disgruntled by a legitimate refusal from genuine complaints or widely occurring inexperience and caution in dealing with officialdom (whether user friendly or not), these also confirm or identify clear weaknesses.

9. The ***England Rural Development Programme Mid Term Evaluation*** states that “the customer facing aspects .... need to become more user friendly (fewer schemes) with the mechanics of funding sources, budgets, accounting, detailed rules and data integration, taken care of behind the scenes where possible. For example, the Vocational Training Scheme and Rural Enterprise Scheme should be merged at the customer interface”.

10. Lack of uptake and non-participation in the various agri-environment schemes was blamed on limited interest in conservation, inadequate payment rates but also application procedures which were felt to be over onerous. The evaluation concluded that simplification was needed if regional effectiveness was to be increased and sub-regional differences were important and should be more targeted.

11. The ***Department for Trade and Industry Business Support Service*** (see Annex 3) review of business support services identified the following principles for ‘marketing’ support:

- A consistent customer experience for all products, with communication in clear language that business understands.
- Business support to be presented to customers through customer-focussed themes linking with other support available.
- Marketing effectiveness to be monitored including through customer surveys.
- Products to be accessed using approved channels and all business support products to be branded DTI.
- Business Link is to be the access channel for Small and Medium Enterprises.

13. The **National Audit Office** (NAO) is analysing existing evaluations of four major schemes in England (Rural Enterprise Scheme, Processing and Marketing

Grant Scheme, Vocational Training Scheme and the Farm Business Advisory Service) and looking at examples of good practice in other countries. The NAO expect to publish their report later in the summer.

15. The evidence we collected underlines the importance of a well trained first point of contact to provide a seamless link into Defra and other relevant funding programmes to:

- a. Provide information on the availability of funding and eligibility.
- b. Guide potential applicants and their advisors through systems. The current confusion of schemes, advisors and organisations running them is challenging even for specialists let alone customers, but a simplified system will still rely on such help.
- c. Help with the interface with other Whitehall, regional and local sources outside those from Defra.
- d. Link potential applicants to professional or expert help in the initial stages of considering and drawing up a proposal for funding.

16. The evidence<sup>21</sup> also shows dissatisfaction often revolving around:

- Inflexibility<sup>22</sup>.
- Complicated and time-consuming procedures and protracted decision making processes.
- Uncertainty and lack of guidance about the likelihood of success before applicants commit to potentially onerous application processes. Failure of an application and lack of feedback on why the application was unsuccessful.
- Confused, inconsistent or poor advice.
- The imposition of the same level of bureaucracy regardless of the amount of funding requested.
- Lack of transparency about success rates for schemes.

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<sup>21</sup> Including Defra commissioned work 'Defra Customer Satisfaction' ORC Perspectives January 2004.

<sup>22</sup> This is not confined to Defra sponsored programmes: The joint Treasury, DTi & Office of the Deputy Prime Minister report 'A modern regional policy for the United Kingdom' recorded that Structural fund effectiveness - including in rural areas - was impeded by 'the lack of flexibility .....stakeholders often comment on the bureaucracy involved....particularly for small projects, the very long programming and guidance documents and the lengthy decision making process'

- Inadequate management of applicant expectations.
- The need to quickly notify applicants of application outcomes (recent Defra work recommends within 5 working days).

17. Slow turn round times for payment (rapid payment is a key element of customer satisfaction).

### **The Funding Review Website**

18. The Review website invited comments on current Defra funded schemes and how they could be improved. A total of 64 replies have been received to date. This compares with the 122 replies received in a similar exercise by Lord Haskins. Both echo similar complaints. The self selection nature of such exercises means that these are clearly not a statistically valid sample.

19. We are keeping the website open for comments on Defra funding streams which will continue to be useful both in addressing detailed problems with existing funding schemes while the review's recommendations are being implemented and also to inform that implementation process. The results so far reinforce the feedback from previous exercises mentioned above showing a clear customer desire for:

- continuity
- simplification
- flexibility

as well as

- more localised input and management
- a more professional approach to advice at all stages of the process, from application to monitoring of projects

20. These findings are consistent with evidence given to Lord Haskins and with other reviews examined. In more detail, comments revolve around the following headings.

### **Continuity**

21. A significant criticism made of current system is the *lack of continuity* in grant schemes. 30% of the responses mentioned this in one form or another. Customers are concerned not only about continuity from year to year but also in-year. Decisions on funding allocations made late in the year hamper the ability, particularly in the voluntary sector, to attract and retain staff and to carry out the work within the timescale proposed. Customers also criticised the uncertainty

caused by the annual bidding process which results in uncertainty over whether schemes will continue from year to year. There is a clear feeling that more needs to be done to be able to guarantee a long term perspective particularly where local capacity building is concerned.

### **Simplification**

22. This is also a major customer concern both to simplify the current number of schemes and the application and monitoring procedures associated with them. 23% of replies commented on this. Complicated and time consuming application and assessment procedures were seen as a major barrier to applicants. This involved not only application procedures but also the number of different schemes in operation. Eligibility criteria should be reviewed particularly in relation to the amount of funding involved.

### **Flexibility**

23. 21% of replies mentioned the need to introduce more discretionary powers to decision makers in order to make schemes more flexible. This criticism was linked to the following aspect of *devolution* of decision making but the principal complaint was the lack of discretionary powers for, for example, rolling over unused funding at the end of a year.

### **Advice**

25. 15% of the replies mentioned the need for a more professional approach to providing advice to applicants. Coupled with this was the desire to know at the earliest stage possible whether the application stood any chance of success. Some commentators also suggested the need to set up training courses to teach applicants how to manage their projects.

### **Devolution**

24. 11% of replies criticised the central nature of decision making. More attention should be given to devolving decision making to the most appropriate level where local knowledge and understanding can best be used to determine priorities. Replies from the voluntary sector argued in favour of involving the voluntary movement more in decision making.



## ANNEX 3: THE DEPARTMENT FOR TRADE AND INDUSTRY REVIEW OF BUSINESS SUPPORT SERVICES

1. During 2001, the Department for Trade and Industry reviewed stakeholder feedback on business support programmes. Consultees included businesses, their representative bodies and the public agencies that engage with them<sup>23</sup>. A number of issues emerged:

- Customers believed that the Department did not understand their needs.
- Communication with customers was untargeted.
- Businesses did not have time to work out how to use the services.
- Too many small ad hoc schemes producing low impact results.
- Evaluation failed to shape business support delivery.

2. There are parallels with Defra, but a distinction: Defra funding programmes address a more diverse (arguably too diverse) range of customers and outcomes. The Department for Trade and Industry set a simple vision: 'To deliver business support more effectively to UK companies helping to increase productivity'. The table below summarises solutions identified to achieve change:

Problem	Solution
DTI does not understand customer needs, untargeted communications, customers do not recognise DTI 'brand'.	<ul style="list-style-type: none"> <li>• Simplify the branding of business support to make it easier to understand</li> </ul>
Business does not have time to work out how to use the DTI.	<ul style="list-style-type: none"> <li>• Customers to be guided to those types of business support that are relevant to their needs</li> <li>• Create a "knowledge base" of the types of business support available (at national, regional and local levels)</li> </ul>
DTI is poor at delivery.	<ul style="list-style-type: none"> <li>• Set minimum standards to substantially improve on those that many current customers experience (whoever delivers)</li> </ul>

<sup>23</sup> Full details of this research and its conclusions are in the DTI programme library document "DTI Reviews – The Case For Change", 5<sup>th</sup> September 2001.

	<ul style="list-style-type: none"> <li>• Ensure deliverers of business support have delivery competencies and proper technology support.</li> <li>• Make business support available in ways that are more convenient to the customer</li> </ul>
The DTI is perceived as having too many small ad hoc schemes, which deliver low impact results.	<ul style="list-style-type: none"> <li>• Make a smaller number of bigger investments.</li> <li>• All new business support to be based on a small number of standard, modular, re-usable “instruments”.</li> <li>• New forms of support to be limited to those in line with DTi strategy and will require Investment Committee approval</li> </ul>
Current evaluation fails to shape strategic decisions around the portfolio of business support.	<ul style="list-style-type: none"> <li>• Business support to be targeted to improve productivity</li> <li>• A new Investment Committee to set investment priorities and balance competing demands for business support funds</li> <li>• Gather information to assess the impact of business support</li> </ul>

3. The result is a reduction from around 100 current schemes (business support products) to ten core programmes. The budget is £400 - £500 million p/a with delivery costs (including Business Link / Small Business Service) of £30 - £40 million p/a. Four benefits are targeted. These are listed below (with A & B primary objectives and C & D subsidiary). The four are:

**A. Improved business productivity** by strategic allocation of funding programmes through a new Investment Committee. This approves and monitors all business support funding using consistent, evidence based investment appraisal criteria to target Departmental Strategic Priorities and Public Service Agreements. The priorities for the new system are: *encouraging innovation* (grants for Research & Development, innovative ideas and knowledge transfer), *improving business performance* (support for encouraging best practice), *improving access to finance* (loan guarantees and enterprise capital funds for smaller firms) and *regional investment* to tackle multiple market failures in assisted areas.

# Planned Customer Experience

	Awareness	Understanding	Access	Application	Take-on	Servicing	Exit
Customer Experience	"Business Link provides easy access into Government and private sector products and services to help my business service grow"	"Easy to find the right solution appropriate to my business that I know whether I can apply for, and how to apply"	"Available through the channels that I use for business. Accessible when I need it to access it and comes forward with proactive solutions"	"Simple application process with clear requirements and specific service standards"	"Once approved I received the support swiftly and efficiently. I was also supported in making the most of the support provided"	"Simple and easy access to support when I need it"	"Concerned with the ongoing future of my business"
Components	<ul style="list-style-type: none"> <li>• Brokerage model</li> <li>• Systematic and easy to use and access</li> <li>• Clear messages</li> <li>• Proactive customer management</li> </ul>	<ul style="list-style-type: none"> <li>• Trained advisers to provide diagnostic*</li> <li>• Online diagnostic*</li> <li>• Bundled solutions</li> <li>• Data bank of services*</li> <li>• Offline systematic literature*</li> <li>• Systematic* presentation of product feature benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-channel</li> <li>• Integrated into 3<sup>rd</sup> party offers</li> <li>• Linked to NCD</li> <li>• Proactive communications approach</li> <li>• Access to product details across channels*</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that application process complies Business Link brand standards*</li> <li>• Monitoring and status of application process available to customers and intermediaries*</li> <li>• Contact point throughout*</li> <li>• Remembers data and partially completes applications</li> <li>• Standardised application process across products</li> </ul>	<ul style="list-style-type: none"> <li>□ • Back up support from Business Link (email reviews/support and training)</li> <li>□ • Customer satisfaction measurement with the process</li> <li>• Standards for take on within the products</li> </ul>	<ul style="list-style-type: none"> <li>• Customer support available via e-mail and web</li> <li>• Complaints and escalation process</li> </ul>	<ul style="list-style-type: none"> <li>• Post product review and ongoing relationship with the customer</li> </ul>

**B. Improved customer service and ease of access**, working with the Small Business Service and other delivery agents, to establish the system shown in the Planned Customer Experience diagram above. This consistent with the analysis of Defra customer needs (see Annex 2). The aim is to streamline 'product' delivery to give quicker and more consistent customer experience, easier access and reduced transaction costs. Part of the solution is to outsource as much delivery as possible to third party contractors (including Small Business Service and Business Link).

**C. Administrative savings** through simplification with fewer 'products' and more efficient processing systems. Department for Trade and Industry estimate £1m in 2003/2004, with possible reductions of £3m in 2004/2005 and £5m in 2005/2006.

**D. Better information** on the effectiveness of business support using a balanced scorecard approach with better monitoring to assess which businesses are supported (including size and life stage), customer experience, whether the support helps, how well delivery agents perform and how much money goes into each support 'product'.

4. It is too early to judge the effectiveness of the change. Most of the new programmes are in place, but key delivery agents are in flux, including the future role of the Small Business Service / Business Link network. Budget 2004 announced that the Business Link Network is to be sponsored by Regional Development Agencies in the light of continued concerns about performance.

## **ANNEX 4: THE POLICY RATIONALE FOR PROGRAMME SIMPLIFICATION**

1. Recommendation 1 proposes that current schemes can be reduced to a smaller number of core funding programmes each aligned to one of the 3 Defra Rural Strategic Priorities, with a few specific exceptions where it may be more sensible to maintain them as separate entities. This annex amplifies some of the options and issues that arise from this. The below is not a statement of policy and although real simplification of the funding framework is needed, a lot of detailed work involving practitioners is necessary.

### **Farming and Food Industry Regeneration & Development**

2. This brings together various current funding arrangements to aid delivery of Sustainable Farming and Food Strategy objectives to create a more market driven and economically sustainable sector. Whilst this must not be seen in isolation from decoupling Common Agricultural Pillar I subsidy through the Single Farm Payment, this modest resource needs better targeting to make an impact.

3. The funding programme should ensure regional and local integration of wholly state aided activity and that including EU funding.

4. The funding programme would include the economic component of new Common Agricultural Policy Pillar 2 arrangements post 2006, with Government Office / Regional Development Agency led Regional Delivery Plans for the Strategy, other State Aided Defra action and the significant non-Defra funded contribution of Regional Development Agencies and local authorities.

5. The Review Team does not recommend structural change to the current economic element of the England Rural Development Programme, beyond continuing to develop current work in better integrating decision making with other regional and local bodies concerned with rural regeneration. The change should apply to new, post 2006 Pillar 2 funding arrangements for the Common Agricultural Policy.

6. The Review Team:

- Found that, despite the efforts of many, the current economic component of the England Rural Development Programme does not integrate sufficiently with other potentially complementary funding arrangements, including those of Regional Development Agencies.
- Endorses the findings of various reviews in that funding delivers some high quality individual projects but that it is unclear that this will cumulatively amount to a coherent and measurable difference to primary - Sustainable Food and Farming Strategy - purposes.

- Recommends that the Rural Enterprise Scheme be focused on core Strategy objectives for farming and the food chain and that the creation of a rural regeneration funding programme (see below) should take responsibility for any Defra interventions in social and community objectives.
- Found that the introduction of Regional Delivery Plans is a major step forward. Plans should be regularly reviewed and updated, and should drive, and be the means to co-ordinate, all regional and sub-regional funding and business support arrangements under this heading. Delivery plans ought to include greater business engagement in subsequent iterations: there are examples of good practice already and these should be built upon.
- Acknowledges that a few cases will be national or trans-regional. Such cases must be exceptional: most can be handled regionally and it is not the role of Defra HQ to deliver grant programmes.

7. Other current funding activity, such as the Agriculture Development Scheme and the Hill Farm Allowance will also need to be reviewed and developed to fit into a simplified funding framework.

8. **Energy Crops:** while supporting sustainable farming and rural economy objectives, this is also part of the Government's wider renewable energy policy under the climate change programme. Its rationale therefore lies primarily in the Climate Change and Energy strategic priority rather than the three priorities around which we propose grouping rural support schemes. This scheme, part funded by the EU under the ERDP, is not reaching expected levels of uptake because markets for the crops have been slower to develop than was expected.

9. The Department of Trade and Industry and Carbon Trust have recently reviewed all forms of renewable energy and believe that biomass energy may be economically viable in a few years time and should be encouraged. An additional £3.5m (over 3 years) has been allocated to Defra to support supply chain measures such as equipment purchase. This complements DTI action to stimulate demand with £66m of capital grants allocated to biomass projects to stimulate the market. This action has been further supplemented by legislation to allow energy crops to be co-fired with fossil fuels in existing coal-fired power stations. Measures for further co-ordinated support are currently the subject of inter-departmental discussion.

10. The success of work to integrate supply and demand side initiatives should be reviewed after a reasonable period and coupled to a further economic assessment of how far energy crops are or could become a viable element in diversifying energy resources and achieving greater sustainability. This should

inform the extent to which new funding post 2006 is appropriate beyond meeting existing commitments, which are likely to run to 2009/10.

### **Sustainable Rural Communities**

11. This takes a mixture of current funding arrangements including funding from current Countryside Agency programmes for Vital Villages, the Defra contribution to Regional Development Agencies and others such as LEADER+ and its successor. The proposal is to integrate an agreed resource and combine it into a single rural regeneration 'funding programme' to support delivery of Defra Public Service Agreement 4 objectives, to be delivered via the RDA single pot. The purpose should be to provide leverage, address gaps and stimulate innovation where current mainstream funding programmes cannot or will not reach in the foreseeable future.

12. Long term, it is legitimate to argue that both improved productivity and equitable access to services should be the province of mainstream public regeneration and service delivery programmes and funding. In the short term, there is no evidence to suggest that such programmes will perform this function without some Defra engagement and funding as a catalyst to ensure a focus on Public Service Agreement 4 delivery.

13. The recent Department for Transport review of their Rural Bus Challenge Scheme and Rural Bus Subsidy Grant will lead to greater flexibility for these schemes in delivering demand responsive solutions other than the traditional fixed route bus service. This removes the current rationale for the Countryside Agency's transport schemes. Defra sponsored funding for Rural Transport Partnerships should cease once current commitments have run their course. This responsibility should continue to be core to local authority Local Transport Plans and their delivery.

14. However, the changes by the Department for Transport will leave some gaps where local regeneration programmes need to foster mobility and service accessibility as part of wider solutions to achieving social and economic inclusion. These may involve transport but as part of wider action and it makes sense to allow flexibility to stimulate innovative solutions by local authorities, and other local delivery bodies, in the new rural regeneration 'funding programme'.

### **Community Capacity**

16. This has potential for integration with rural regeneration. The rationale for a separate funding programme revolves around the likelihood that the Home Office will route substantial mainstream Active Communities Unit led support for the voluntary and community sector through Government Offices for the Regions.

17. If this approach is adopted, there are potential benefits from integrating Defra funded activity at Government Office level to bolster the role of the sector in service delivery (in the widest sense that includes tackling social exclusion and poverty). Defra has already taken steps to work more closely with the Active Communities Unit by co-funding a rural strand to the Government's voluntary and community sector infrastructure programme.

18. The Review team also strongly support current work to improve the professionalism of the rural element of the sector and recommend that future contracts are more clearly based on delivery of measurable outcomes.

### **Regenerating Fishing Communities**

19. The mainstream of fisheries policy is not within the remit of this Review. However, the Prime Minister's Strategy Unit examination of fisheries policy<sup>24</sup> identifies that:

'The primary way to ensure healthy fishing communities is to ensure a safe, well-managed and profitable industry, but it is also important to help smaller and vulnerable communities continue to have access to fishing opportunities which - with increased competition - may flow to larger ports and operators'.

20. The current draft Strategy Unit report also suggests that

'The UK Government (and the Devolved Administrations) should ensure that future reviews of EU State Aids/structural funds maintain opportunities to provide appropriate support to vulnerable fishing communities and that fisheries departments should actively facilitate and co-ordinate access to UK and EU support funds for transition support, diversification and industry development'

21. Many of these small communities are definably rural. Whilst Government will want to consider a response to the Prime Minister's Strategy Unit Report, post 2006, Defra funding and action for the community regeneration dimension of fisheries policy should be explicitly integrated and devolved into regional and, where appropriate, local regeneration programmes.

22. This could also be integrated into rural regeneration. The concern is to achieve leverage and maximum impact through integration with, and operating through, regional and particularly local action and investment in these communities. Defra work conducted at the time 2003 white fish conservation

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<sup>24</sup> Net benefits: A Sustainable and Profitable Future for UK Fishing, Prime Minister's Strategy Unit, March 2004

measures<sup>25</sup> were introduced indicated significant existing Regional Development Agency and Local Authority recognition and engagement in such regeneration activity. Any Defra or specific post 2006 EU cohesion funding should build on this.

### Natural Resource Protection

23 This builds on extensive Defra work to better integrate agri-environment schemes and that of the Forestry Commission to create a single core grant scheme for most Forestry funding purposes. The recommendation takes the opportunity presented by the Modernising Rural Delivery agenda and the potential creation of an Integrated Agency to go further by drawing in currently separate English Nature schemes and bring those of the Forestry Commission and Defra close enough to create one effective scheme for beneficiaries.

24. This integrates a disparate range of schemes designed to procure non-market benefits on behalf of the public into a single place. These benefits mainly cover environmental land management including bio-diversity, landscape conservation, access to the countryside and soil and water protection.

25. The result should facilitate better targeting policy priorities, including any shift in emphasis to embrace natural resource protection issues such as diffuse pollution. However, improved targeting will require effective regional delivery plans.

26. The following table illustrates why this makes sense in relation to Defra, English Nature and Countryside Agency funding:

	Expenditure
<b>Sites of Special Interests (PSA 3 Target)</b>	Agri-environment schemes = £13.4m in 2002/03 English Nature = £8.2m in 2002/03.
<b>National Parks</b>	Agri-environment schemes (ESA/CSS) = £50m in 2002/03 Defra grant in aid = £37.1m <sup>♦</sup> in 2003/4
<b>Areas of Outstanding Natural Beauty</b>	Agri-environment schemes = £25.3m in 2002/03 Countryside Agency = £7.3m for 2003/04 <sup>♦</sup>

Source Defra February 2004.

### Delivery Arrangements for Natural Resource Protection

<sup>25</sup> The Defra Rural Economies and Strategies Division conducted a rapid telephone survey to establish the broad level of existing regeneration activity.

<sup>♦</sup> Includes land management, staff costs, and other overheads



27. These arrangements comprise block transfers to support institutions that underpin local delivery arrangements and in three cases below, deliver statutory Defra or Defra agency functions. These are:

- National Parks: there are currently 8 but this will increase to 10 if the current designation of the South Downs and New Forest is ratified.
- Area of Outstanding Natural Beauty Boards or teams. The Countryside Agency currently has responsibility for managing Defra core funding for the 37 designated areas concerned. The arrangement is less formal than that for National Parks but performs a similar function.
- Statutory Rights of Way / Countryside and Rights of Way open access functions delivered through local authorities. Discretionary funding such as that for access management and National Trails should be routed through the main Environmental Land Management Programme and, for example, be better integrated with CAP funded functions for public access and environmental improvement. This must make more direct the linkage between public funding for environmental improvement and people benefiting the improvements that this investment procures on their behalf. This is an important element in improving customer benefit: the public is the end customer.
- Community Forests: a non statutory responsibility that passes from the Countryside Agency to the Forestry Commission in 2005. The Forestry Commission will need to establish how far long term core funding is needed and therefore on what basis this is to be distributed.

### **Aggregates Levy**

28. Current delivery arrangements are widely dispersed involving three government agencies and three county councils in delivering relatively modest total sums. The Review Team note that this is recognised as a need to focus funding on core purposes rather than the current, diffuse range of activity that is funded.

## ANNEX 5: CURRENT PERFORMANCE: OVERVIEW OF EVIDENCE

1. The Review Team gathered evidence through structured interviews with policy and delivery leads in Defra, Defra Agencies and Forestry Commission, discussion with stakeholders, and by reference to available evaluations and assessments of performance. Annex 8 lists the evaluations examined by the Review.
2. The quality and availability of formal evaluations varies considerably. However, a number of recent evaluations, including the England Rural Development Programme Mid Term Evaluation<sup>26</sup> provided substance to inform Review conclusions; although they generally make scant reference to relevant (and current at the time) Defra priorities or Public Service Agreements.
3. In addition:
  - The Defra Learning, Skills and Knowledge review has closely looked at the provision of advice and services;
  - There are a number of recent regional and local studies which the Review has drawn on, for example work by the South West CoRE Group<sup>27</sup>; and
  - The Review also examined Department for Trade and Industry experience in conducting a similar exercise.
4. Overall, the Review Team conclude that most current Defra and Defra Agency funding arrangements broadly align to Defra Strategic Priorities and Public Service Agreement targets. However, there is considerable scope to improve the effectiveness with which programmes:
  - Are targeted to strategic priorities.
  - Deliver sufficient outcomes to make a strategic and measurable difference.
  - Work in conjunction with or lever mainstream resources including Learning and Skills Councils (where national budgets are approximately £7 billion p/a), Business Support (where budgets are between £400 - £500 million p/a). A good example of Defra initiated action to do this better is the recently announced and jointly funded project with the

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<sup>26</sup> ADAS Consulting Limited and SQW Limited December 2003.

<sup>27</sup> Interim Report On Funding Programmes For Rural Enterprise Development: South West CoRE Business and Rural enterprise Sub-Group 2004.

Department for Works and Pensions to encourage benefit uptake amongst elderly people in rural areas.

5. Also, inflexibility in programme structure and delivery is a major inhibitor and source of dissatisfaction to customers: an issue raised in the England Rural Development Programme Mid Term Evaluation which found that ‘the way the Rural Development Regulation is structured ..... creates uncertainty about the availability of funds, complexity and unfulfilled expectations’.
6. These problems are not unique to Defra, or to rural delivery. They are a microcosm of a wider challenge for government.
7. The South West CoRE Group amplify this<sup>28</sup>: ‘It is clear that there are many areas where improvements can be achieved. Principle concerns relate to the fragmentation of the current system, a confusion of delivery strategies....’
8. A number of lessons emerge from the evidence:
  - a. The public good rationale for spending on environmental land management and forestry schemes remains valid.
  - b. Social and economic objectives, including those in the England Rural Development Programme, need to be reconsidered and refined on the basis of identified market failure or equity considerations with evidence to support specific action. The Mid Term Evaluation of the England Rural Development Programme identifies that ‘most interventions are towards those who own or work on farm and forestry holdings, but there are other social groups in rural areas, such as the elderly, who are at least as frequently disadvantaged. A programme that concentrated on people rather than land and farmers would look very different’.
  - c. Demonstrating effective economic impacts from public sector support at individual business level through grant aid and / or advisory support is patchy.
  - d. The impact of the England Rural Development Programme on agricultural commodity markets is negligible but the impact on local and niche markets is growing.
  - e. There are few negative side effects from programmes examined, but some evidence of economic displacement, for example some Rural Enterprise Scheme aided sectors, such as farmhouse bed and breakfast, through local over supply.

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<sup>28</sup> South West CoRE: Business and Rural Enterprise Group: Interim Report On Funding Programmes For rural enterprise Development 2004.

- f. Future policy design should better distinguish between:
- Genuine experiments to test new ideas where the outcome is unknown and there is no commitment to longer term action at the outset. The system must continue to allow such experiments but they must be clearly designed as such to avoid misleading potential customers; and
  - Pilots where the outcome is understood and agreed to be a priority, and it is the means of delivery that needs design and testing. Pilots should be designed with mainstreaming in mind and conducted in partnership with potential delivery agents. The Countryside Agency Vital Villages illustrates why this is necessary. Customers see this as an important aid but rapid introduction as a deliverable from the Rural White Paper precluded clarity and planning to present it as either an experiment or a pilot to be mainstreamed. Customer frustration resulted from this lack of clarity.
- g. Environmental land management programmes are seldom directly targeted to the management of resources such as soil and water. To do so on any scale will stretch the resource further and involve trade offs and choices that need to be transparent between these emerging priorities and those in the current England rural development Programme that focus is on the wildlife, landscape, historic features and public access objectives.
- h. Integration between Defra sponsored schemes, and with non-Defra funded programmes needs improvement at strategic, sub- regional, and individual beneficiary levels.
- i. Insufficient account is taken of local interests in the design and operation of schemes.
- j. The current availability, accuracy, relevance and timeliness of monitoring data are major concerns. Data systems are difficult to use and impede effective monitoring of progress against targets.

## ANNEX 6: RURAL EVIDENCE RESEARCH CENTRE REPORT

### Possible frameworks for assessing need in relation to rural funding streams: a note

By Peter Bibby, Rural Evidence Research Centre

#### Perspective

1. This note considers in outline the feasibility of developing a framework which might be used to deploy evidence to guide various programmes of rural support in accordance with 'needs' and outcomes. It should be stressed at the outset that the following remarks are based on general considerations rather than a detailed assessment of existing schemes or data. Fundamentally the framework must deploy available data to illustrate those 'issues' and 'places' that form the policy-talk of stakeholders in Defra and beyond.

2. Of necessity, the framework must be very general and extendable. It is taken as axiomatic that the identification of 'needs' must necessarily rest on the prior recognition of goals (cf Barry *Political Argument* 1963), which may be articulated with greatly varying degrees of specificity. It is assumed, moreover, that goals will be clarified over time, allowing 'needs' to be identified and potentially measured. This is considered below as a process of 'deliberative reference' where the meaning of terms crystallise as debate and implementation proceed and goals are 'unpacked'. *It is therefore assumed that a framework will develop incrementally.*

3. From such a perspective, the application of evidence demands the construction of a framework capable of identifying the various themes (eg 'limited employment opportunity', 'low skill endowment', 'loss of ancient woodland', 'poor public transport access') and corresponding geographic objects (eg 'the Marches', 'the Mersey Belt', 'the Lincolnshire Wolds') referred to in debate. The aim would be to visualise and measure (that is to say, to find the geographic *extension*), of those things of policy concern. This implies identifying a geographically varying pattern of need corresponding to particular goals. It is important to appreciate that this must involve bringing together attributes of communities, business and landscapes from very different sources and of fundamentally different sorts (eg social composition, liquidity, accessibility and land cover). It must also involve flexibility in definition of areas (rather than being tied to a set of units such as wards, parishes, or Countryside Character Areas—albeit that information may be collected from such geographic units or aggregated to them). *It is therefore assumed that data will be brought together from a wide variety of sources with a GIS at the core based on hectare cells.*

4. Significantly, while it is assumed that Defra's high level goals with respect to Rural Affairs will be unpacked over time, it is not necessarily assumed that policy making will be entirely top-down. Instead it is assumed that it may be desirable that perceptions of needs and ideas of goals may be negotiated with other agencies. An aim might be to seek convergences between the goals of different levels of government. This implies a need not only for a framework which could be used to identify and measure the terms used in policy discussion within Defra but that can also express the goals and deploy the geographic terms used by other agencies. These might include terms drawn from the range of regional policy statements to be produced including regional biodiversity statements; regional economic strategies and regional spatial strategies. *It is therefore assumed that there must be scope for the framework to accommodate such issues and geographies.*

### **From Defra's broad rural policy concerns to data requirements**

5. The remainder of this document focuses on conceptions of need arising from Defra policy. *It is assumed that the goals of Defra itself (in so far as they relate to this work) might be considered as arising from concerns to:*

- *Secure sustainable food and farming.*
- *Secure sustainable rural communities, and*
- *Protect rural environments.*

6. To become operational, these goals have to be unpacked- ie be re-written as a series of sub-goals of increasing specificity. This involves a process of 'deliberative reference' in which the meaning of particular terms is clarified as moves are made toward implementation. The time over which this re-writing may take place is not clear. Sometimes it may be appropriate to defer resolving the meaning of particular terms. Some goals might not usefully unpack at all.

7. Consider some aspects of unpacking these three top-level goals, starting with the concern for **sustainable communities**. To secure sustainable rural communities might in principle command universal approbation. 'Sustainability', however, might be thought of as a fundamentally contested concept - one where the meaning only emerges in the detail of how it is unpacked. It may frequently be appropriate to develop partial definitions capturing particular aspects of sustainability. These might include some notion of economic sustainability allied to the notion of productivity (where considerable work has been undertaken by and for Defra). It might include some notion of irreducible variations in the cost of providing services such as primary medical care and education - grounded in the geographic structure of settlement (but whose effects are differentially mediated by the differing resources of residents). A further aspect might refer to greenhouse gas emissions - again a (complex) function of the pattern of settlement (albeit that this can only be understood in the context of behavioural choices. These aspects are all partial, basically tractable and concern areas

where the RERC study team has experience. The practical issues to be resolved therefore focus on two matters. The first is the nature of the generic framework for bringing data together and the other is how goals and hence needs are to be clarified.

8. This type of generic framework would demand highly detailed measures of geographic structure. This might be approached by developing the sort of work underlying the urban and rural definitions - the highly detailed measurement of morphology and function. These measures must be supplemented by coarser geographic data providing information about the socio-economic attributes of the people. (This is considered further in para 14 below).

9. The goal of **protecting the rural environment** is perhaps more problematic. Having identified partial measures of sustainability, such as productivity or of access to services, it is possible to define ways of measuring them. It is more difficult to identify what aspects of the countryside merit protection. It is probably significant that the Countryside Quality Counts Project (CQC) now nearing completion began by making a distinction between countryside *character* and countryside *quality*, but ultimately drew back. There appears here to be a recognition that particular tracts of country represented by Character Areas, for example, have different archetypal characteristics and that quality might pragmatically be protected by maintaining these key characteristics (rather than having a set of criteria, that might apply nationally in respect of say biodiversity, woodland cover or environmental quality). This implies a generally conservative approach focussing on limiting change (at least to that set of selected characteristics associated with a particular place). It is likely that this represents a pragmatic solution to an intractable problem where unpacking goals might prove impossible. While this suggests an inevitable tendency to attempt to make places idealisations of themselves, this approach would allow for adaptive modification and could actually be applied creatively (in collaboration with RDAs/Regional Assemblies for example).

10. Following this logic, the evidence base would have to include indicators of land cover and landscape characteristics. At a minimum, this might involve drawing together the types of data already assembled for CQC and organising them as 1ha grids compatible with those used in work infrastructure underlying the Urban and Rural Definitions Project. More ambitiously, it might involve the production of land-cover budgets for particular tracts. Clearly some data are ideally suited to this such as the CEH Land Cover Map.

11. With regard to securing **sustainable food and farming**, unpacking might define sub-goals concerned firstly with farms as businesses (protecting, encouraging and restructuring the industry), secondly with the relation between farmers and others living in or visiting rural communities and thirdly with the tension between agricultural activity and protection of the rural environment. With respect to the first of these matters, the focus is likely to be on farms as

businesses irrespective of their local context. Much of the evidence will relate to individual accounts within the context of the Farm Business Survey. (Database of farms? Use of IACS information (RPA) at field level). To the extent that relation to local communities and environmental matters become problematised in the process of unpacking the goal of securing sustainable food and farming, there will be a dependence upon the June Agricultural Census to indicate the geographic distribution of particular agricultural activities. This would provide the key to locking basically placeless objectives reflected for example in the Pig Industry Restructuring Scheme into a geographic frame. (Particular difficulties arise with the June Census in respect of the allocation of returns for farms to localities, and with interpreting change over time from sample data). In order to facilitate bringing agricultural activity data alongside the demographic-economic-social data required to consider sustainable communities issues and the data required in connection with the goal of rural environmental protection, it is suggested that material from the Agricultural Censuses is assembled on hectare grids. In the longer term it might be desirable to develop a much larger body of work examining the impact of support.

### **An analytic infrastructure**

12. The emphasis of the discussion above has been on devising methods that might be used to demonstrate the geographic extension of notions of need discussed within the policy process, having regard to the fact that the areas which they talk about (eg the Mersey Belt) need not be predefined, or at a fixed geographic scale. (It should be clear from the foregoing that concern to engage with RDAs and Regional Assemblies does not imply treating regions as homogenous spaces but rather identifying variation and issues within regions). As stated above, it is assumed that potentially a geographic pattern of need corresponds to each (sub)goal. Some goals apply primarily or only to the national or supra national level (eg woodland cover).

13. The approach suggested would involve constructing a series of hectare grids, each depicting a particular attribute (eg land cover category, number of commercial postal delivery points, number of farm business offices). This would extend the approach that underlies the work sponsored by Defra on rural and urban definitions. It would also lock into and would be able to draw upon other work undertaken for other government agencies for example on private sector rent determination, rural to urban land conversion and the definition of local housing markets. Combining the attributes of individual cells would define areas meeting particular criteria (eg remote, economically underperforming with reliance on dairying). Sets of cells might be expected to indicate areas of apparent need.

14. Grids of this type might be used to bring together variables from coarser scales (eg the context measures in urban and rural definition, characterisation of field patterns, land cover) and from much smaller (eg data tied to individual



addresses allowing them to be used for a common purpose. This for example allows census data to be used probabilistically in relation to household and dwellings. Rather than treating Census data as attributes of area, it is possible to apply derived proportions (eg of households without a car) to the underlying distribution of households at hectare cell level. This provides a basis for estimating a range of need indicators. To demonstrate the significance of this distinction compare Figures 1a and 1b, and Figures 1b and 1c. Figure 1a shows the proportion of employees employed in agriculture, forestry and fishing using a conventional choropleth map of Census Output Areas. Figure 1b on the other hand uses the proportions from the Output Area data but only applies them to hectare cells with one or more residential postal delivery point. Figure 1a suggests high dependency on agriculture (etc) across large parts of the country, but Figure 1b shows that when only populated cells are displayed agricultural employment becomes almost invisible.

15. Although the emphasis above has been simply on highly flexible description (creating new grids and combinations of grids and on ways of visualizing need) analysis is never far away. The present proposals do not constitute an analytic system but define an infrastructure which would allow a range of analyses on a project by project basis. These might include detailed analyses of possible travel distances.

16. Moreover, the dynamic of rural change is largely driven from the outside. This includes not only the EU policy framework, but change within the UK urban system. Issues related to 'sustainable communities' etc cannot be grasped without assessing their relation to the non-rural economy and more generally to activity in urban areas. In the medium term, the transport implications of particular development paths for rural communities must be assessed. Similarly, access to the countryside from urban areas is important when considering the support given to National Parks, for example. Critically these linkages will become more important should Defra wish to use a framework of the type suggested here to assess spending by other parts of government.

## **Assessment**

17. In order to assess the feasibility of deploying this sort of framework to Defra's own rural affairs programmes, we have explored the possibility of identifying key 'need' measures corresponding to the goals reflected in current Defra schemes. It has been assumed that although priorities will shift, the concerns reflected in the present set of schemes should be accommodated by the framework. The attached Annex 1 indicates the broad nature of the data requirement for particular groups of schemes. Note that this is very much a 'first shot' at identifying policy drivers and data needs and requires considerable elaboration which should be undertaken jointly and in the spirit of incrementalism identified more broadly in this paper.

18. Generally it appears that measuring need with respect to the goals of these programmes information is likely to be required about:

- the distribution of the rural population (differentiated by a wide range of socio-economic data) guiding resources geared to securing sustainable rural communities (reflected at present in initiatives such as the Learning Skills and Knowledge Programme, Community Services Grant, Parish and Town Plans Grant, Rural Community Council grants, Local Heritage Initiatives, Doorstep Greens, Community Development support, Environmental Action Fund, rural workspaces provision and Leader).
- the distribution of the urban population (where access is an issue eg Community Forest, Community Woodlands support).
- the distribution of specific policy areas (such as SSSIs, National Parks, ESAS, AONBs, NNRs, nitrate sensitive areas).
- the distribution of specific land-cover types to guide support for rural environmental protection (currently reflected most particularly in relation to support for forestry and woodland, but also in concerns for moorland wildlife enhancement, and maintenance of limestone grasslands for example).
- the distribution of landscape character types to guide support for rural environmental protection having regard to typical land-cover mixes and distinctive features (concerns reflected currently in support for new woodland planting, dry stone wall construction, Hill Farm support and more generally countryside and environmental stewardship).
- the character of farm businesses - especially small farm businesses (where their geographic distribution and relation to other departmental goals may be relatively unimportant) concerns evident in support offered under the Agricultural Development Scheme, Pig Industry Restructuring Scheme, Organic Farming Scheme, Better Returns Programme of the Sheep National Envelope, Processing and Marketing Grant and Planning and Consultancy support for example.
- the nature of cropping and livestock in particular areas (largely as an adjunct to schemes where need is fundamentally farm-business driven (eg Pig Industry Restructuring Scheme).

19. Overall, scanning the range of current schemes allows a degree of cautious optimism about the possibility of developing a framework which could in some gross way capture key facets of the 'needs' associated with particular goals by using existing data creatively. Given the work that has been undertaken on small area socio-economic and settlement characteristics (in relation to Urban

and Rural Definitions for example), it is clear that much of the work in relation to sustainable rural communities could be done fairly readily. With respect to sustainable food and farming, it seems likely that the issues determining 'need' will be to a considerable extent matters relating to the farm as business wherever it occurs. Where this is not the case, it would seem appropriate to extend the grid-based approach to take data about farming activity (primarily from the Agricultural Census) and to land-cover and landscape types (drawing on the data assembled for Countryside Quality Counts for example). These latter topics are of course central to the assessment of need where goals relate to the protection of the rural environment.

### **Weaknesses and limitations**

20. It is necessary to reiterate that the above remarks rest only on a rapid scan of current schemes and a rapid scan of available data. It is not possible, for example, to make any assessment of the reliability of the data. More significantly, relatively limited attention has been devoted at this stage to the possibility of geographically varying need with respect to support for sustainable food and farming. In particular no proposals have been put forward to consider how previous expenditure might influence the need for further support. Obviously very substantial fine-grained data might be made available through the Rural Payments Agency to underpin any such analysis, but its effective use would be a vast exercise. This might be considered a development for the longer term should officers of Defra wish to pursue this. It should also be pointed out that no specific attention has been devoted at this stage to explicit assessment of biodiversity.

### **Next steps**

21 While it is encouraging that pertinent data are largely available, it is important not to underestimate the amount of work that would be required to operationalise the framework (though it is assumed that unpacking of goals would proceed alongside its development). However the process of unpacking goals and constructing indicators proceeds, it is clear that a body of supporting background work would have to be undertaken including:

- preparation of grids representing the CQC and related datasets
- developing procedures for representing June Census data in the form of grids and for interpreting differences between Censuses given sampled nature of the data
- addition of further core socio-economic data from the 2001 Census and Related sources
- clarification of other inputs eg regional strategies.

## Resources and timescales

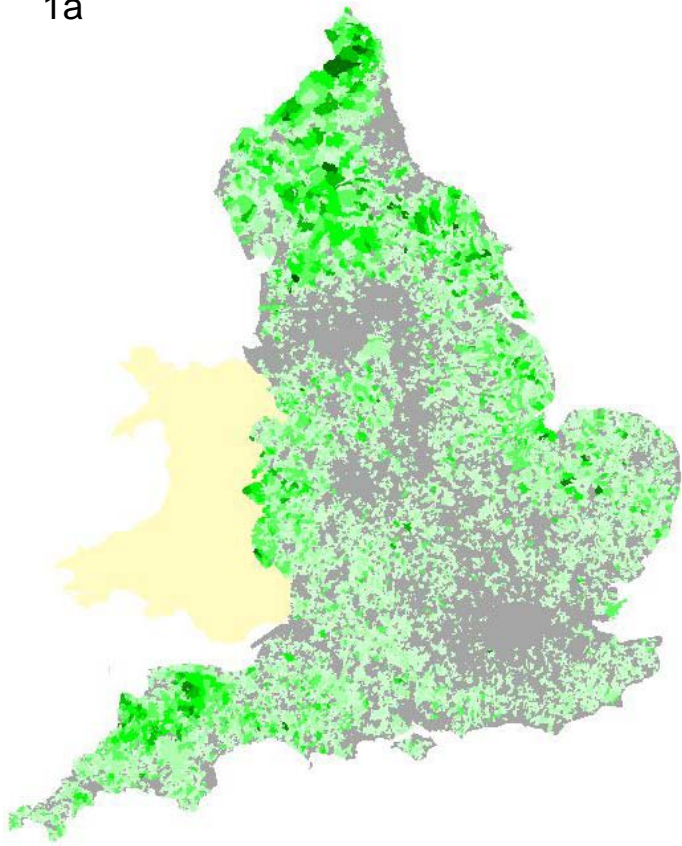
22. It is assumed here that the effort required might usefully be considered as involving two major elements. The first comprises the work involved in preparing available data of known relevance for use with a one-hectare grid. The second is the ongoing work of developing indicators as policy takes shape - drawing in new material as required. It is possible to suggest broad indicators of resource required under the first head:

- preparing landscape and land-cover datasets for use in a grid framework (4 person months)
- preparing farming activity data for use in a grid framework (including development of procedures for treating differences between June Censuses given sampled nature of the data) (1 person month)
- preparation of core socio-economic data (1 person month)

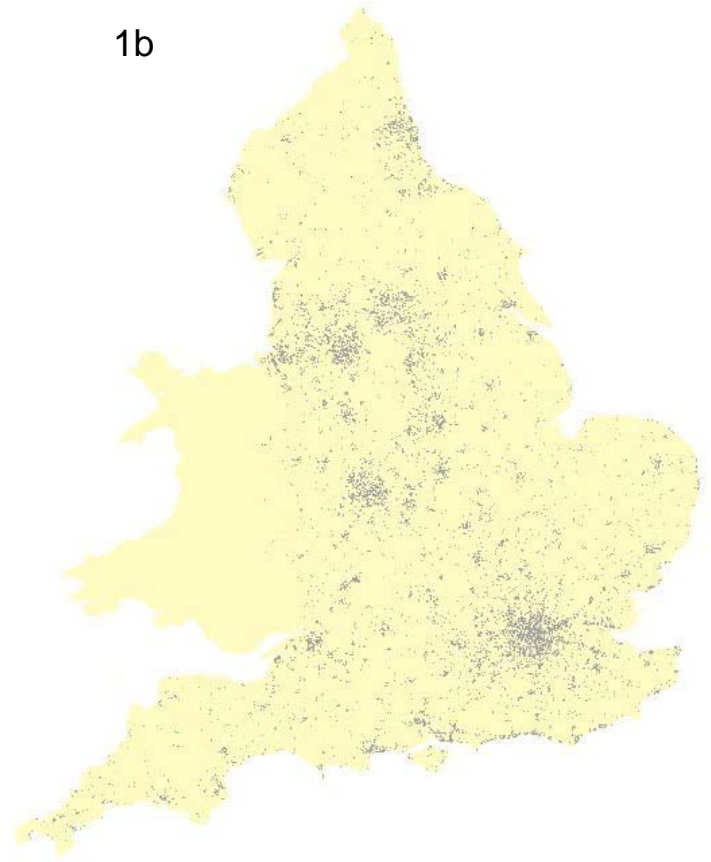
23. This suggests a requirement of 6 person months for the first element. No timescale is suggested at this stage because it would depend upon the priority to be accorded to the project. No assessment is made at this time for the ongoing second element.

Figure 1: Using Census Data

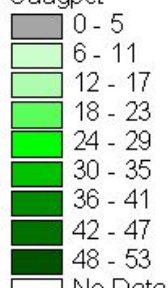
1a



1b



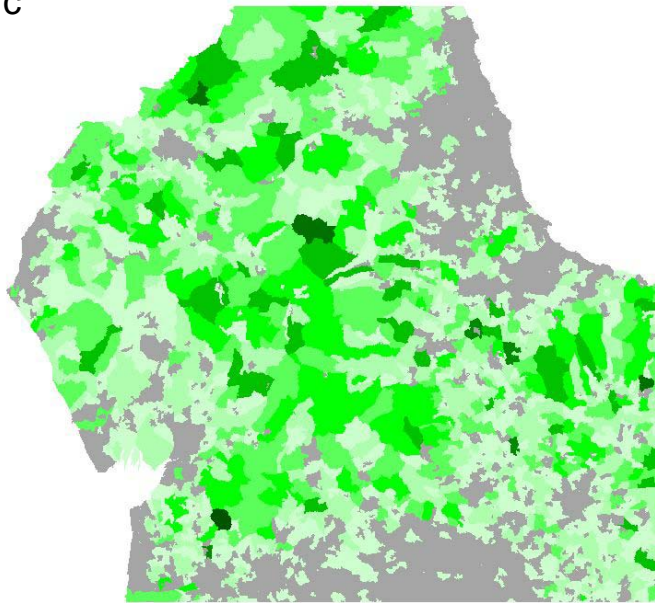
**Percentage of Employees  
in Agriculture, Forestry etc**



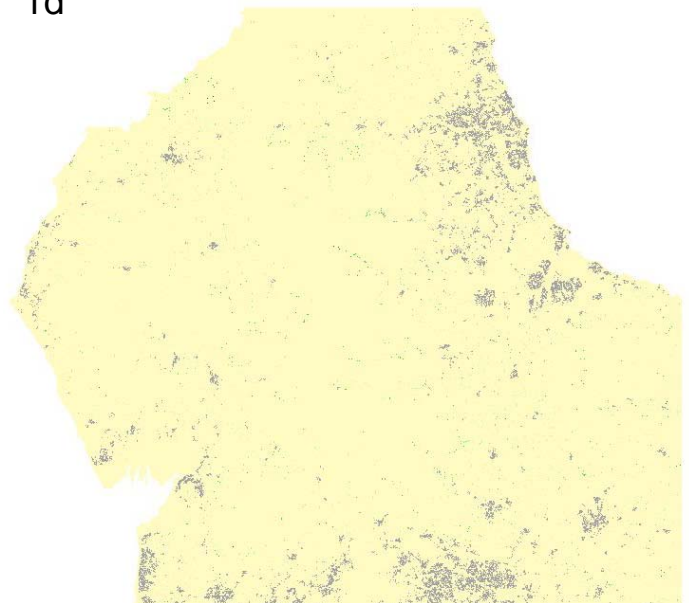
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all cells shaded

OA values:  
populated cells  
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1c



1d



## **ANNEX 7: EVALUATIONS EXAMINED BY THE REVIEW**

'Review of the Rural White Paper': Defra: January 2004.

'England Rural Development Programme Mid Term Evaluation': ADAS Consulting Limited and SQW Limited December 2003.

'Interim Report On Funding Programmes For Rural Enterprise Development': South West CoRE Business and Rural enterprise Sub-Group 2004.

'DTI Reviews – The Case For Change': 5<sup>th</sup> September 2001.

'A Review of the Business Tax System in Rural Areas: Report to Defra'. School of Business and Economics, University of Exeter in collaboration with Centre for Rural Research, University of Exeter January 2004.

'Agriculture in the United Kingdom 2003: Department for environment, Food and Rural Affairs, Scottish Executive Environment and Rural Affairs Department, Department for Agriculture and Rural Development (Northern Ireland) and Welsh Assembly Government, The Department for environment, Planning and Countryside'.

'Defra Customer Satisfaction' ORC Perspectives January 2004.

'A modern regional policy for the United Kingdom' Treasury, Department for Trade and Industry & Office of the Deputy Prime Minister 2004.

'Learning, Skills and Knowledge Review, Final Report' Defra, Skills and Rural Enterprise Division, February 2004.

## **ANNEX 8: TERMS OF REFERENCE AND SCOPE**

### **Objectives For The Review**

1. The Review is briefed to:
  - Identify how to make funding flows and grants simple to access and use by our customers.
  - Simplify Defra schemes and administrative arrangements.
  - Ensure that funding effectively targets relevant Defra and Government strategic objectives.
  - Produce clear options for action including those where early progress can be made.
  - Improve value for money.
  - Ensure that funding arrangements have effective monitoring and evaluation arrangements.
  - Chart how to devolve Defra and Defra sponsored funding programmes regionally and locally while ensuring that Defra objectives are met.

### **Approach**

2. To achieve the brief, the Review Team will adopt the following approach:
  - a. Identify and recommend how to address key areas of customer concern. Evidence was available from the Haskins Review, programme evaluations, Department of Trade and Industry experience in reviewing business support and from responses to a Review website inviting comment.
  - b. Recommend how to achieve better value for money through better definition of objectives and outcomes and improved targeting to deliver these.
  - c. Review the available evidence of current programme performance.
  - d. Establish the scale and distribution of spend, and delivery costs distinguishing where possible between administrative transaction costs and customer advice and support.

- e. Assess whether and how far current funding arrangements or schemes meet Defra and Government priorities.
- f. Establish that funding is the most appropriate means to deliver the objective. For example, whether regulation or advisory support are better alternatives.
- g. Examine policy objectives to establish how far objectives and outcomes are consistent with Defra and government priorities.
- h. Recommend options for simplification and improving the quality of service to customers.
- i. Commission a funding design guide setting out good practice as a yardstick to assess the success of simplification, guide future policy development and ensure that delivering a quality service to customers is integral to policy and programme development.
- j. Test conclusions on a practitioner group comprising Defra and Defra Agencies and on a Steering Group including external members from an economic and business background.
- k. Commission external advice and validation from the Rural Evidence Research Centre.

3. The review will map the proposed rationalisation, set principles that will apply to the design of all Defra rural funding programmes and prepare an implementation plan for delivering agreed outcomes, but will stop short of detailed redesign of individual schemes.

4. The Review will identify how funding arrangements and delivery can be made more cost effective and, in seeking to eliminate duplication, will identify administrative cost savings.

5. Initial discussion reveals a concern about possible contradictions between the necessary administrative framework to achieve strategic Defra goals, and achieving simplicity for customers and more devolved delivery. Should this arise, the review will record and recommend how the necessary balance can be achieved.

### **Guiding Principles**

6. The review will be conducted openly and objectively, with recommendations supported by evidence.



## Scope

7. The Review will address all rural funding and grant programmes including EU funding that are:

- a. Delivered directly by Defra;
- b. Delivered through or by Defra agencies or other bodies; and
- c. Other Defra funded activity, for example that channelled through Regional Development Agencies.

8. Although the plethora of such funding arrangements means that an early step in the process is to establish exactly what and how many of these exist or are planned, the Review will include:

- Sustainable Food and Farming and England Rural Development Programme funding flows: including those for farm diversification / rural development and agri-environment schemes.
- Other current or proposed discretionary or targeted agricultural funding arrangements.
- Forestry and woodland grants and incentives (drawing on evidence from current Forestry Commission work).
- Bio-diversity, for example through English Nature: whilst an element of this is identifiably urban, a substantial proportion is in rural areas and there are clear interdependencies between this and agri-environment funding.
- Wider countryside conservation and rural sustainable development programmes including National Park and Areas of Outstanding Natural Beauty.
- Economic, social and community programmes including those operated by Countryside Agency, LEADER and funding through Regional Development Agencies.
- Structural Funds (a Defra commissioned study is due to report by January 2003 which will help to inform this).
- The effect of Pillar 1 agricultural subsidy arrangements payments: the Review will examine how this funding is to be spent to form a backdrop to decisions about grant funding, although the Review will not revisit decisions about the form of Pillar 1 payments themselves.

9. The Review will establish:
  - a. Scheme budgets and targets: both historic for 2002/03 (to include an assessment of performance against targets) and projections for the 2003 – 2006 Spending review 2002 period. This will include closed schemes where funding commitments remain.
  - b. The results of existing evaluations and reviews.
  - c. Discussion with key stakeholders, staff and customers.
  - d. The delivery chain: who is involved and how funding is delivered: this will include an assessment of the complexity of such arrangements.
  - e. Rural spending by other bodies where there is potential for better or more cost effective delivery through integration or joint delivery between Defra and these bodies. Examples potentially include Home Office support for the voluntary and community sector, Local Authorities and Regional Development Agencies. The latter two fund many rural projects and programmes that are not resourced by Defra, for example Sustainable Food and Farming and rural productivity objectives.
  - f. Available good practice and experience including internationally and in other parts of national, regional and local government (for example, we should learn from the current, major DTI rationalisation of grants and incentives commissioned by the Secretary of State for Trade and Industry). Although time will preclude extended study, this may yield alternative perspectives and inform the development of the good design principles.
  - g. Whether there are overlaps between Defra funded programmes and other policy levers, for example, regulation and advice.
  - h. Any substantive legal impediments or considerations.
10. What falls outside the scope of the Review? “Mission creep” is an inherent risk for a review of this type. The primary focus should be on Defra originated or sponsored funding programmes, and where there is scope to integrate these with programmes operated by others. There is an important communication issue here: some stakeholders want a review of all rural funding including those operated by national, regional and local government and which are wholly independent of Defra.
11. The Review of necessity has to focus on what Defra can directly influence, so, for example local government funding formulae are not within the scope. However, should the Review identify particular rural delivery difficulties with other

public funding arrangements, we propose a second stage to work with the organisations leading such activity to establish whether and what can be done to improve rural delivery. Programmes falling outside the scope of the Review include:

- a. Environmental programmes where these fall outside the scope of those set out above: for example, it is outside the remit to address waste management because this is a national issue, even if delivery impacts on rural areas and communities.
- b. Regulatory arrangements beyond establishing the relative roles of regulation and funding and any overlaps with current schemes.

### **Timetable**

12. The Review must inform and contribute to the other strands of the Modernising Rural Delivery Programme and is a priority for the Secretary of State. It must be brisk to provide Ministers with sufficient time to consider recommendations and examine them in the context of wider work on Modernising Rural Delivery.

### **Governance**

13. The Review will be led by a small in-house team based in Land Management and Rural Development Directorate. Consultants will support the team as necessary, for example in data gathering.

14. The Review will fit within the governance arrangements for the Modernising Rural Delivery Programme to ensure proper integration.

15. Detailed steering should be through a small group that includes:

- Jane Brown (Defra Director, Land Management and Rural Development) as Chair.

External members:

- Rosemary Radcliffe (Member of the Sustainable Food and Farming Strategy Implementation Group)
- Judith Barker (East of England Development Agency)
- Dr Dieter Helm (Director, New College, Oxford University)
- Professor Peter Midmore (Professor of Applied Economics, Aberystwyth University)
- John Varley (Estates Director, Clinton Devon Estate)
- Brendan Bailey (HM Treasury)
- Graham Norbury (lead Government Office Rural Director)

Defra members:

- John Robbs (Director, Food Industry and Crops)
- John Mills (Director, Rural Policy)
- Oona Muirhead (Director, Modernising Rural Delivery Programme)
- Andrew Burchell (Director, Finance, Planning and Resources)
- Tim Allen (Head of Rural Funding Review)

16. Secretariat functions to be provided by the Review team.

17. As lead Minister, Alun Michael will meet regularly with the Review team to consider progress.

18. The England Rural Development Programme Ministerial Board will receive regular progress reports.

### **Engaging with Customers, Defra Staff, Delivery Agencies and Stakeholders**

19. Effective but manageable communication throughout the Review period is essential given the scope and potentially far reaching nature of the outcome. An outline of proposed arrangements is set out below. Creative use of intranet and Internet is a crucial strand in reaching and engaging a wide number of people.

### **Customers / Stakeholders**

20. Time – and the fact that Lord Haskins drew on a wide spectrum of views – means we need to use existing forums rather than embark on a further major consultative exercise: particular groups include National and Regional Rural Affairs Forums. This will include an initial communication from Alun Michael inviting input on where Forums see scope for improvement.

21. We will also establish and publicise an Internet site to disseminate information about the Review and crucially, encourage dialogue and views.

22. In addition, we propose to identify a key direct customer group who will test emerging conclusions including through seminars in late February / early March 2004. We will use this group as a sounding board.

### **Staff**

23. The review team will brief key staff at the outset and will establish the necessary working relations with them. To ensure wider engagement, we will:

- Run two possibly three seminars before drawing emerging conclusions; and

- Set up a dedicated intranet site to provide information on progress and to encourage input and discussion widely across Defra.

## **Delivery Agencies**

24. Brian Bender wrote to the Chief Executives of the agencies asking if they have individuals who could contribute to this work. Countryside Agency and English Nature have expressed an interest and identified a person who has expertise in this area.

25. The review team will contact Agencies and key delivery organisations to establish this network of contacts as conduits for information exchange and communication and invite them to identify where they see scope for improvement.

26. The Agencies and organisations involved are:

- Countryside Agency
- English Nature
- Rural Development Service
- Forestry Commission (England)
- Environment Agency
- Rural Payments Agency
- National Parks
- Area of Outstanding Natural Beauty teams (generally lodged within a local government framework).
- Regional Development Agencies
- Government Offices for the Regions

27. We will also establish a similar arrangement with the Local Government Association who will take a close interest in this Review.

28. Beyond this there are other public agencies who straddle the stakeholder / interested agency line and we will make contact with them on this basis, particularly the Small Business Service and the Learning and Skills Council.

29. We propose to test emerging conclusions with delivery agencies through a seminar in late February.

## ANNEX 9: LIST OF RECOMMENDATIONS

1. Defra schemes, and overlaps and relationships with other public funding, should be **simplified and reduced** to three major funding programmes.
2. The quality of **advisory support** should be strengthened and improved.
3. A **single agent** should lead local delivery and work with customers.
4. Defra, Defra agencies and the Forestry Commission should establish a professional and corporate **information service**.
5. There should be better **security for funding** to underpin delivery through project officers and project management.
6. All Defra, Defra Agency and Forestry Commission funding programmes should deliver to a corporate and public **service standard**.
7. Application and appraisal processes and design should be **standardised** and simplified on a **risk assessment basis** to introduce fast track procedures for modest and low risk expenditure.
8. There should be a **single IT based electronic management system** for funding all Defra, Defra agency and Forestry Commission grants to accelerate process and payment times and to reduce transaction costs.
9. There should be improved use of data and analysis to define **objectives and outcomes** that we ask customers to deliver.
10. **Accountability** should be clarified and delivery devolved.
11. **Resource allocation** decisions and **performance management** systems should be improved and systematic for Defra, Defra agencies and the Forestry Commission.
12. There should be a **design guide** for Defra, Defra agencies and the Forestry Commission to guide the use of funding and to assess the effectiveness of new policy proposals that require the use of funding.