Rural Payments Agency

SUCCESSFUL AND SUSTAINABLE FUTURES

Annual Report and Accounts 2020-21

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Rural Payments Agency
Annual Report and Accounts 2020-2021

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CHIEF EXECUTIVE OFFICER'S STATEMENT

Paul Caldwell
Chief Executive and Accounting Officer

13 July 2021

This past year has been difficult for everyone. RPA is no exception to that. The challenges posed by the pandemic have affected our people and our customers in unforeseen ways. The service we have been able to provide and our payment performance have been tested and successfully delivered when and where they were most needed.

Despite this year's challenges, the tenacity, expertise and dedication of our people have continued to provide excellent delivery across our wide portfolio of services to support the agricultural sector and rural communities. Their actions demonstrated, once again, the commitment of the RPA. I would like to record my heartfelt thanks to everyone in the agency for their efforts.

I would also like to thank our industry partners who, by working in collaboration with us and providing their insight, have helped ensure our customers were able to access the information they required and be supported in the way they needed it.

Together we also ensured provision of dedicated and bespoke support for the most vulnerable in the farming community.

Coronavirus (COVID-19) gave rise to huge challenges in the industry and the rural communities we serve, heavily increasing demand on the sector to deliver food to our nation. Throughout this, our people responded to deliver support through payments, offering advice and innovative means to reach people; doing their bit to support our community whilst overcoming their own domestic challenges. This has helped the sector at a time of crisis and, critically, ensured our fastest-ever delivery of over £1.8 billion of funding direct to our customers.

Recognised by the National Audit Office as one of the key COVID-19 interventions within the Defra group, we led on the development and delivery of the Dairy Response Fund. We also launched a third round of the Farming Recovery Fund, moving to an online portal to offer an enhanced customer experience for those farmers affected by severe flooding. This was also recognised as a critical intervention.

Working together with our industry partners, we co-designed innovative processes, provided ongoing guidance and bespoke customer support to deliver a successful application period, through which our customers were able to submit their applications on time. At the same time, we have generated more interest in, and increased the take-up of, countryside stewardship applications to greater levels than have been seen before.

Additional contingency intervention preparations were, thankfully, not required. However, they remain in place to support the agricultural sector if further challenges arise.

We continue to remain focussed on our core purpose – helping the agricultural sector and rural communities to create a better place to live. Our year on year improvement in our delivery of payments as early as possible in the window can be seen in the Performance Analysis section below.

Our industry partners acknowledged our payment performance during 2020-21, and our customers report high levels of satisfaction in our customer service delivery survey. However, we recognise there is more to do to support our customers, and improvements are needed to enhance our customers' experience.

Our new 5 year strategy, published in February 2021, sets out our ambitions for the next five years. I very much value the contribution and continued commitment from the sector to work with us whilst we deliver the outcomes, which will have real benefits and impact to those we serve. These benefits include supporting agriculture through a period of change, enabling innovation and facilitating community activity to deliver growth, improvement to the natural environment and environmental sustainability.

Our investment in digital capability continues, making it easier for customers to access and use our services, including submitting claims online. In addition to our internationally acclaimed land management system, we have invested in the Rural Payments Service making it easier for customers to navigate and apply for schemes. Our existing British Cattle Movement Service (BCMS) is highly regarded by our customers and we continue to provide our expertise in this area and into the ongoing development of the Livestock Information Programme, helping develop world-leading standards of livestock traceability and subsequent food assurance for the UK. We have also launched new pilot innovations within our customer call centre making it easier for customers to contact us and to deal with the issues they raise. Early evaluation of these new customer support processes is showing success and we will be looking to embed them into our service offer in future.

"We are committed to meeting the government's ambitious Net Zero carbon targets."

Investment in our people continues. Our people are passionate about what we do and the impact we have on people's lives. Many of them live in farming and rural communities. I am committed to ensuring our people are engaged, motivated and empowered to keep on performing, whilst being given opportunities to develop, to hone and further their careers, accessing the occupational professional development relevant to their role – in particular the Operational Delivery Profession.

Our VERITAS awards are now in their second year and we saw some truly outstanding contributions. I am extremely encouraged by our People Strategy and an inclusive approach which was recognised and evidenced by our people with much improved feedback on our engagement in a very challenging year.

By far the biggest development for our customers will be the Agricultural Transition plan as we move from the Common Agricultural Policy (CAP) to new domestic schemes preparing for the future and implementing Defra's 25 Environment plan. In RPA, we are at the heart of this opportunity. We are helping Defra deliver its Environmental Land Management plans for the future. We have started work on the Environmental Land Management pilot and are working closely with them on delivery of the new Sustainable Farming Initiative for 2022. The Executive Team and I remain committed to and look forward to supporting and enabling our customers and industry partners to take the first steps forward as the agricultural sector responds to life outside of the CAP.

NON-EXECUTIVE CHAIR OF THE AGENCY MANAGEMENT BOARD'S STATEMENT

Elizabeth Passey

Non-Executive Chair,
Rural Payments Agency
Management Board

13 July 2021

In a year of unprecedented challenge for people across the United Kingdom, in which the pandemic played no small part, our agriculture sector and rural communities were called upon to deliver much-needed food security. They did this with huge dedication and innovation.

The RPA worked hard to provide critical support to the sector, support which played a part in enabling the sector to deliver. In doing so it demonstrated its commitment and reliability by delivering funding and support when, and where, it mattered most. Whilst there is always more that can be done, the response to the challenges by communities and RPA alike has been overwhelming.

On behalf of the Agency Management Board, I would like to express sincere thanks to Paul Caldwell, the RPA Chief Executive, his Executive Team, to everyone throughout the RPA, and to all our partners in the agricultural sector and rural communities for their outstanding work and service delivery during this period.

As well as an increased food demand, COVID-19 gave rise to other big industry and rural challenges. The financial impacts of the initial drop in trade prices, and the loss of tourism income for those who had diversified (some through rural development grants), put many in a position of financial uncertainty. Coupled with EU exit trading complexities and uncertainties, and climate concerns, this led to fluctuations in market confidence which also exacerbated the situation.

It is appropriate to highlight the swift response of the RPA and its engagement with Defra and our industry partners.

- For trading, the RPA ensured appropriate emergency intervention contingencies were in place to provide market assurance.
- For schemes, extending the application deadline and providing bespoke customer service interventions were implemented to secure a successful customer application period.

Critically, despite the reduced processing window and at the time when it was most needed, the RPA delivered to the industry its best-ever payment performance under the Basic Payment Scheme since the scheme opened in 2015.

Paying almost 98% of claims during December meant over £1.8 billion was distributed to the rural economy in 2020-21. Improvements were also seen across the Countryside and Environmental Stewardship schemes. These commendable results have been recognised by customers and industry partners across the sector.

RPA people are flourishing through development programmes that have been introduced, resulting in an engaged and motivated workforce who reliably deliver.

The agency's People agenda is having a demonstrable impact. This focusses on offering more for, and bringing out the best in, every person across the agency which you can read more about within the Staff Report below.

RPA people responses in the annual Civil Service people survey show how much 'people engagement' and 'job satisfaction' have improved; with some of the highest results in the wider Civil Service. The VERITAS awards, which reflect and promote the agency values, celebrate significant individual contributions.

This illustrates not only the dedication and hard work of individuals within RPA, but the level of cultural change achieved under the current leadership. The board and I recognise how vital it is to continue to get the best from our people, as we call upon them to support us in the challenges ahead, and we look forward to further progress being made year on year.

As the nation recovers, we rebuild from the impacts of the pandemic and from EU exit, and the sector addresses climate concerns, the industry will develop new markets and deliver new innovations. As we take on more domestic responsibility for delivering the nation's programme of agricultural and farming reform, environmental policies and schemes, the RPA will play its role at the heart of supporting the rural economy through the recovery, transition and beyond.

"'People engagement' and 'job satisfaction' have improved; with some of the highest results in the wider Civil Service."

There have been several recent changes to the Non-Executive membership of the Agency Management Board and I would like to extend my thanks to David Cotton and David Gardner who recently came to the end of their permitted tenure as members.

I would also like to thank Paul Dillon-Robinson, Audit and Risk Assurance Committee (ARAC) member, for his period as interim Non-Executive Director, in advance of the appointment of Shrinivas Honap as the new ARAC Chair to whom a warm welcome was extended earlier in the year. I would also like to welcome our most recent new members Mark Suthern and Tim Breitmeyer both of whom bring a wealth and breadth of additional agricultural and rural experience. My own ongoing commitment to the rural and farming sectors, and to the RPA, continues with the recent extension of my tenure as board chair.

The RPA has made huge strides but recognises there is always more to do both strategically, and in the customer service offered to our farmers and rural communities. The 5 year strategy sets out an ambition and commitment to ensure the sector rebuilds, navigates through agricultural transition and grows sustainably.

It has a continued focus on achieving outcomes for those living and working in agricultural sector and rural communities, and those whom these serve. It also builds on the continuing development of the agency itself, as it evolves alongside the agricultural sector and rural communities with which it works and serves.

The board and I look forward to playing our part in a governance framework that is future-ready and able to meet those challenges. We look forward to continuing our work with Paul Caldwell and his Executive Team, along with industry partners and customers, as the RPA responds to support the UK's agricultural sector and rural communities in their achievement of an environmentally-and economically-sustainable future, providing great places to live and work, and food for our nation.

Rural Payments Agency

PERFORMANCE REPORT

This section should help you understand the objectives, challenges and achievements of the Rural Payments Agency during the year

» Our purpose and our people

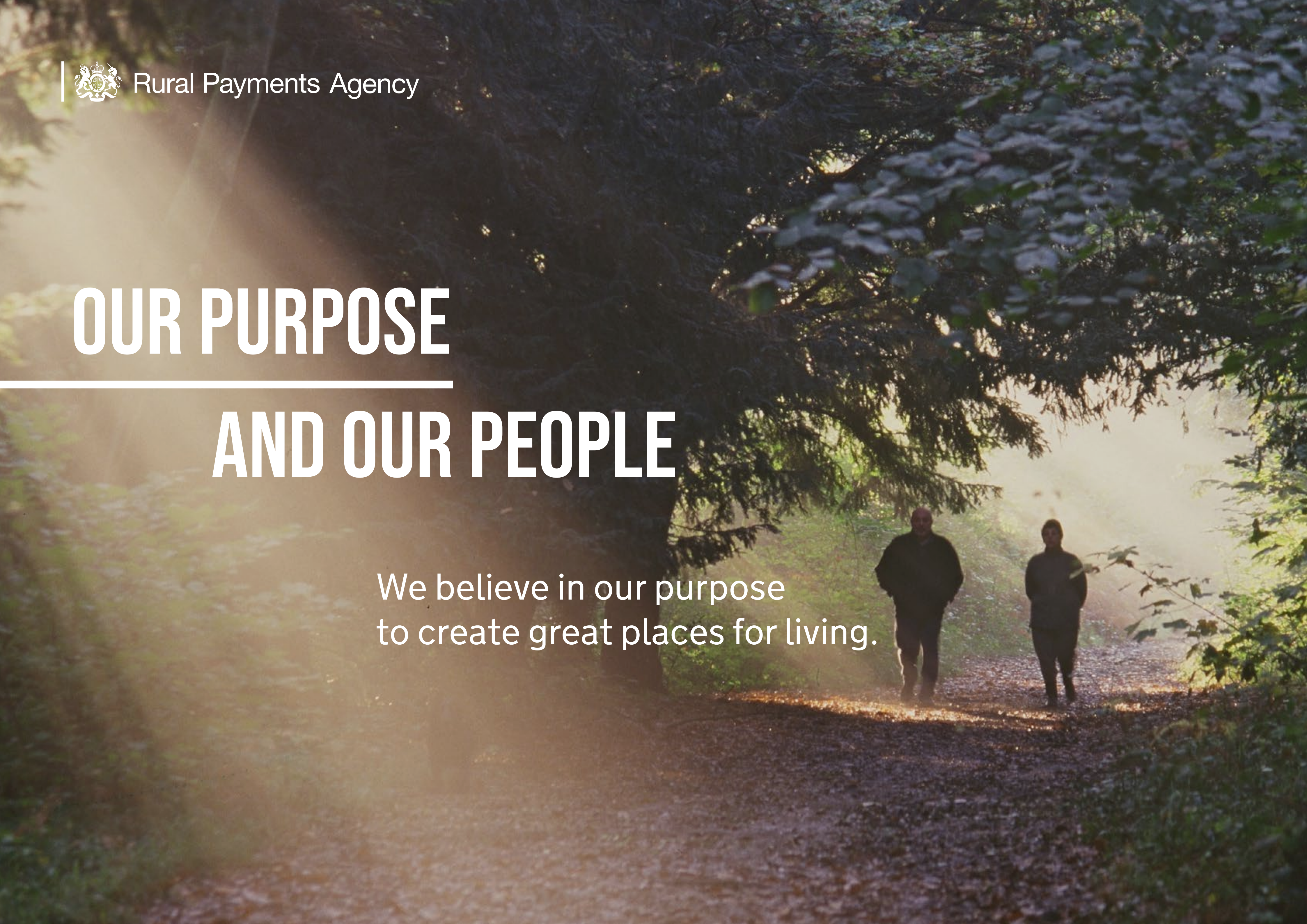
» Making impact that matters

» Working in partnership

» Doing better

» Shaping futures together

» Financial review



Rural Payments Agency

OUR PURPOSE AND OUR PEOPLE

We believe in our purpose to create great places for living.

WHO WE ARE

The Rural Payments Agency (RPA or the agency) is an executive agency of the Department for Environment, Food and Rural Affairs (Defra). The agency was originally established in October 2001 as an accredited European Union (EU) Paying Agency and as such operates according to the accreditation requirements set out in Commission Regulation (EU) No 907/2014 and Council Regulation (EU) No 1306/2013. As the only accredited paying agency in England, we have responsibility for making direct aid and rural development payments to farmers in England.

As a result of the UK's exit from the European Union, the Scottish Government, Welsh Government and Department of Agriculture, Environment and Rural Affairs Northern Ireland have received funding direct from HM Treasury and made their own Basic Payment Schemes payments from 16 October 2020 onwards. Prior to this date the Rural Payments Agency funded these payments and subsequently recovered the expenditure from the European Commission. The agency does however continue to provide funding to these other paying agencies to allow them to make payments under EU funded Pillar 2 schemes, see Note 6. The agency subsequently recovers these payments from the European Commission.

From the 16 October 2020 onwards, the agency no longer receives reimbursement from the European Commission in respect of the Basic Payment Scheme and several other smaller schemes such as the Fruit & Vegetables scheme and School Milk scheme. Consequently, the agency's income as reported in Note 5 has reduced considerably in 2020-21.

The agency also has responsibility for livestock identification and traceability services within Great Britain.

OUR PURPOSE

The Defra Strategy sets out a shared vision and a set of strategic objectives for the Defra group. It is intended to provide employees across the Defra group (including non-ministerial departments, executive agencies, non-departmental and other public bodies) with a clear vision, direction and shared framework. Actions to achieve the strategic objectives are described in more detail in Defra's Single Departmental Plan. The strategy provides a clear unifying framework for how we will design and deliver our goals, track delivery and measure success across the whole of Defra. At the heart of the strategy is our shared vision for the Defra group **'creating a great place for living'**.

The goals are focused on four categories which explain our ambitious, long term aims and the positive differences we will make to the UK. They include a single objective that covers all work to deliver a smooth exit from the EU, two impact objectives built around the work to deliver priority environmental outcomes and an organisational objective that shows how Defra group should operate in order to deliver its outcomes.

The RPA is working closely with Defra on the development of Farming Investment Fund (FIF) and Projects to Accelerate Adoption (PAA) schemes to improve farm productivity while delivering environmental benefits.

Our vision, purpose and ambition

Our vision is what we want to happen - as part of the Defra group we are here to seize opportunities to shape our future and help make our country a great place for living. Our purpose is **'helping agricultural and rural communities to create a better place to live'**. Our schemes and products provide support and our services are focused on helping economic growth in the food and farming industry.

OUR PEOPLE

Our people work alongside partner organisations as part of Defra's Food, Farming and Biosecurity system to deliver for our customers and stakeholders.

VERITAS helps us to deliver our purpose, feel pride in our agency, confidence in supporting our customers and enables us to work together towards our vision and shaping our future. Our values help us set our direction, engage people and deliver results. They are Visible, Engaging, Respectful, Inclusive, Trusting, Accountable and Supportive.

ADAPTING TO CHANGE

COVID-19 has presented us with some significant operational impacts during this period. We very quickly moved to almost 100% homeworking and dealt with many changing circumstances that have affected our people as well as our customers. We have also developed and implemented new processes to allow customers greater flexibility on how to send information to us during these challenging times.

The Defra and Pet Travel Scheme helplines received 29,000 calls, answering 28,426 calls (98.0%) across the year. We answered 90.4% within the service level agreement of 80% within one minute.

The remaining helplines received 258,167 calls, answering 220,413 (85.4%) across the year, 55.2% of which were answered within two minutes.

It is essential we stay connected to our values to continue to deliver our purpose, support our people and achieve our vision.

GOING CONCERN STATEMENT

The financial statements are prepared on a going concern basis. The agency is the only Common Agricultural Policy (CAP) accredited paying agency in England and as such plays an important role in delivering significant funds to the rural economy and enhancing environmental outcomes. Now that the UK has left the EU, the UK government has committed to maintaining funding to the agricultural sector to match that which it would have received under Pillar 1 of the CAP for 2021, as well as confirming that all multi-year projects agreed by the government before November 2016 will remain fully funded even when these projects continue beyond the UK's departure from the EU, at the end of 2020.

In assessing its ability to continue as a going concern, the agency has considered the potential implications of COVID-19 and the measures taken to control it. There are no material uncertainties affecting the agency's ability to continue as a going concern.

The agency expects to continue to deliver agricultural support payments in line with Defra strategy and government commitments; hence the agency considers the going concern basis to be appropriate and consistent with the FReM 2020-21 continuation of service principle.

Our services are focused on helping economic growth in the food and farming industry.

Rural Payments Agency

MAKING IMPACT THAT MATTERS

We support our agricultural and rural communities to be sustainable and thrive.

WE MAINTAIN STANDARDS

Our Rural Development Programme focuses on ensuring we maintain the highest standards of:

- animal health and welfare
- food quality and
- environmental outcomes

We maintain the accuracy of approximately 2.5 million land parcels covering around 9 million hectares which equates to 93% of all rural land in England.

WE PROTECT OUR ENVIRONMENT

Our Environmental Stewardship scheme provides an additional £170 million for work undertaken to promote environmental outcomes in a range of habitats.

Our Countryside Stewardship scheme provides over £129 million of financial reimbursement annually to farmers and landowners for work undertaken to promote environmental outcomes.

WE SUPPORT COMMUNITIES

We provide over £38 million of financial support each year to Fruit & Vegetables Producer Organisations covering all of the UK's overall production.

We trace animals to protect consumers by making sure that products in the human food chain are safe. Tracing animals helps to control and eradicate bovine diseases such as Bovine Tuberculosis, Bovine Viral Diarrhoea and foot and mouth diseases.

We help over 14,500 schools across Great Britain to provide subsidised milk, yoghurt and yoghurt products to their pupils.

The Food, Farming and Countryside Commission's Cumbria Inquiry has been working with the University of Cumbria and the RPA to help codesign a new Chartered Management Degree Apprenticeship route focusing on Environmental Sustainability. This innovative approach was suggested by the RPA as an alternative to graduate recruitment and a way to grow the skills of the future, potentially focusing on attracting people from lower socio-economic backgrounds from our communities into roles in our sector.

We will be convening local/regional organisations to design placement opportunities to support delivery of the range of skills needed to understand and work across the land-based sector where we have many exciting opportunities and conversations to be had – it's great to see the RPA leading the way here, looking at widening participation not only within Defra group but also for their customers and stakeholders.

Hannah Field – Cumbria Inquiry Co-ordinator, Food, Farming and Countryside Commission.

Paul Armstrong – Head of Apprenticeship Unit, University of Cumbria.

GROWTH PROGRAMME

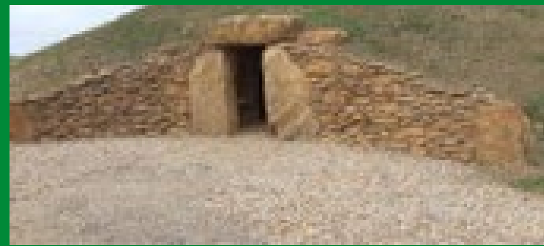
Our growth programme has supported communities create new opportunities to raise revenue, support charitable aims, help farms diversify and create new employment opportunities throughout 2020-21. Here are a few examples of projects we've funded through the programme.

Pulborough nature trail

We supported rural businesses in Pulborough through the creation of a nature trail from Pulborough railway station, through the village centre, to the RSPB nature reserve at Pulborough Brooks. The trail is designed to be imaginative, artistic and attractive, incorporating new play facilities and improved visitor facilities at the nature reserve as well as improvements to the public footpath to ensure a year round trail. The trail is designed to increase footfall through Pulborough village, benefitting local businesses and increase the potential for day visits to become overnight stays.

Mid-England Barrow farm diversification project

We supported Mid-England Barrow through a farm diversification project to utilise a small field on the periphery of cattle pastures and environmental stewardship land. The project involved the construction of a memorial round barrow, to be used as a final resting place for cremated human remains, together with the creation of an adjacent small hospitality facility for services of remembrance and life celebration. The beneficiaries of this project will not just be the families that use the facility for storing the ashes of loved ones in a peaceful and rural setting, but also local support services such as funeral directors, catering companies, florists and urn suppliers.



Staffordshire Wildlife Trust site

We supported Staffordshire Wildlife Trust a leading nature conservation charity in the county improve their Wildlife Trust site at Wolseley Bridge, one of few free to access sites in Staffordshire. The project involved building work to adapt an existing building to create a visitor centre with improved access, reception, retail area, kitchen facilities and 60-cover cafe, with access to walks and views of the wildlife site. With the site being free to access and car parking on a voluntary contribution basis, this project increases the appeal of the site to visitors and assists the charity in raising revenues to help sustain its charitable aims.

Rural Payments Agency

WORKING IN PARTNERSHIP

We are committed to working together to support our communities through change.

PERFORMANCE OVERVIEW

Our ambition is to help create thriving businesses, economies and environments and ensure sustainability in our rural communities. We understand the value of balancing the needs of farming, food and the environment and continue to improve our performance, year on year, through trusting and empowering our people to transform our services putting our customers at the centre of what we do.

Objective	Key performance indicator	What RPA did
Timely processing and payment of the Basic Payment Scheme	• To issue as many payments as promptly as possible from 1 December 2020	• 97.8% of claims were paid by 31 December 2020
Timely processing and payment of Trader Schemes	• 100% of Fruit & Vegetable claims paid by 15 October the following year • 100% of valid School Milk claims paid within 90 calendar days • At least 95% of applications for import and export licences processed within 5 workings days	✓ 100% of Fruit & Vegetable claims paid by 15 October 2020 ✓ 100% of valid School Milk claims paid within 90 calendar days ✓ 99.9% of import and export licences processed within 5 working days
Timely processing and payment of Rural Development Programme Schemes	• Create 8,100 jobs by end of 2023 from 2014-2020 Rural Development Programme Schemes • 95% of applications appraised within 60 calendar days • 95% of claims processed within 30 calendar days	• 4,447 jobs had been created by 31 March 2021 (ongoing) • 93.2% of applications were appraised within 60 calendar days (100% on-line receipt method) ✓ 98% of claims were processed within 30 calendar days
Maintain accurate records of cattle in Great Britain	• 96% of notified cattle births, deaths and movements recorded within 5 working days of receipt • To issue 96% of cattle passports for valid applications and online within 5 working days	✓ Over 99% of notified cattle births, deaths and movements have been recorded within 5 working days of receipt ✓ 99.6% of cattle passports were issued within 5 working days

Key business performance indicators are regularly reviewed and updated from previous years.

Rural Payments Agency

DOING BETTER

We want to make it easier and simpler to work with our agency.

PERFORMANCE ANALYSIS

Our ambition is to help create thriving businesses, economies and environments and ensure sustainability in our rural communities. We understand the value of balancing the needs of farming, food and the environment and continue to improve our performance, year on year, through trusting and empowering our people to transform our services putting our customers at the centre of our focus. The Governance Statement elaborates on risks: risk overview, fraud risk and disallowance risk.

We have embarked on a major programme of change to improve and simplify the CAP schemes (having previously focused on the Basic Payment Scheme), this has been particularly focused on Countryside and Environmental Stewardship over the last year. This has delivered better customer experience and outcomes, streamlined business performance and created opportunities to become more flexible and responsive in how RPA provides its services. The transformation work will continue to evolve going forward and be closely aligned as we begin the transition from these existing schemes to new schemes.

A record 82,541 BPS customers (97.8%) were paid by the end of December 2020.

BASIC PAYMENT SCHEME (BPS)

Payment performance in respect of the Basic Payment Scheme has significantly improved, as a result of a number of simplification measures implemented by the agency, since its introduction in 2015.

80,464 customers (95.3%) were paid £1.67 billion on the opening day of the payment window, and a record 82,541 (97.8%) by the end of December 2020. Thus meeting a key agency performance indicator. By 31 March 2021 the total had increased to 83,716 (99.1%) worth £1.81 billion which meant that we had also achieved our end of June 2021 EU regulatory target.

Percentage of BPS payments by scheme year	2020	2019	2018
End of December	**97.8%**	95%	93%
End of March	**99.1%**	99%	99%

COUNTRYSIDE STEWARDSHIP (CS)

We took on direct responsibility for Countryside Stewardship on 1 October 2018 and since then, we have introduced a number of measures to not only improve its administration and performance but also to make it easier for customers to apply for.

During 2020, we focussed our efforts on completing both 2019 and 2020 final payments for the CS scheme whilst also issuing the remaining 2020 and all 2021 agreements.

Its notable that in what was a challenging year for our people and the community that we serve, RPA has managed to achieve its best performance in the round on Countryside Stewardship.

COVID-19 brought to us the dual challenge of the ongoing changing needs of our people and our customers.

Despite the challenges our people were facing, many adapting to working from home for the first time, they continued to support our CS customers, who had to continue their activities despite the adversity of the pandemic.

Despite the speed and scale of ongoing change, our teams remained focused on our customer needs and ensuring their ability to deliver.

We extended claim and application deadlines to allow customers time to adapt to the new environment and still have access to CS.

Furthermore, we adapted our processes as customer concerns were raised, allowing extensions to claim periods and allowed more customers to send claim supporting documents and information via email so we could maintain a good level of service.

Action	Scheme year	Performance as at 31 March 2021
CS Claims Final payment completed	2017	99.9%
	2018	99.7%
	2019	99.3%
	2020	**95.3%**
CS Agreements issued to Customer Mid-Tier	2019	99.9%
	2020	99.9%
	2021	**97.5%**
CS Agreements issued to Customer Higher Tier	2019	94.7%
	2020	99.8%
	2021	**96.1%**

By the end of the financial year, we had issued 13,368 of our 2020 scheme year payments to 95.3% of eligible claims. This is a significant improvement on payments made by the equivalent time last year when we paid 51.5% of eligible claims, worth £29.9 million.

As of 31 March 2021, 6,725 (97.5%) of Mid-Tier 2021 agreement offers and 512 (96.1%) of Higher Tier 2021 agreement offers had been sent to applicants.

ENVIRONMENTAL STEWARDSHIP (ES)

We took on direct responsibility for Environmental Stewardship on 1 October 2018 and since then, we have introduced a number of measures which are designed to make significant improvements to its administration and performance.

Action	Scheme year	Performance as at 31 March 2021
ES Advance payment	2017	99.89%
ES Final payment	2017	99.95%
ES Advance payment	2018	99.88%
ES Final payment	2018	99.88%
ES Final payment	2019	99.68%
ES Final payment	**2020**	**90.37%**

To help customers with their cash flow we issued £7.7 million of bridging payments in 2020 to 551 customers.

The 2020 ES claims campaign closed with over 97% of forms being returned and payments for the 2020 scheme year equating to 90.37% were made. In 2020-21 the total final payments for the 2019 Scheme year increased from 86.3% at 31 March 2020 to 99.68% at 31 March 2021.

The agency has therefore seen a significant improvement in final payments year on year with 90.37% of ES 2020 payments being paid by 31 March 2021 compared to 86.3% of ES 2019 payments being paid at 31 March 2020.

TRADER SCHEMES

This year we've helped numerous customers navigate their way through the end of the Transition Period, enabling them to continue importing and exporting critical goods across the world, as well as growing fruit and vegetables.

We issued 36,576 import licences and 813 export licences within five working days of receipt: 99.9% of all licences were issued within five working days, exceeding the commitments set for the year. A total of 37,257 individual Certificates of Free Sale were issued.

We also paid Fruit & Vegetables Producer Organisations 100% of their annual claims by the regulatory deadline of 15 October 2020, of which 52% were completed within 100 calendar days.

100% of School Milk claims were paid within 90 calendar days.

The dairy industry faced huge challenges due to COVID-19 restrictions and in order to support dairy farmers we quickly responded by setting up the Dairy Response Fund. We received 132 eligible applications paying £1.02 million.

To support our customers through the agricultural transition, we have improved and simplified our schemes.

RURAL DEVELOPMENT PROGRAMME

Our Rural Development programme is providing grants to deliver increased farm productivity, improved rural services, tourism, culture and heritage infrastructure, create jobs, and stimulate economic growth.

By the end of March 2021 over 14,600 projects had been awarded nearly £520 million in grant funding, these projects in total represent an investment in the rural economy of over £1.13 billion. This leaves around £30 million of funding to award by the end of the programme the third and final round of the Growth Programme. Just under £344 million in grant funding has now been paid to projects - with month on month payments averaging nearly £10 million. In total the Rural Development projects are contracted to create over 11,200 jobs, with over 4,400 already created. The target for job creation has been increased with the EU following a programme modification to 8,100.

During the last year The Rural Development Team have completed the Countryside Productivity Small Grant scheme round 2 – with over 2,600 farm business supported to improve their business. These businesses benefitted from streamlined processes using a specially developed on-line application portal. Some claims were delayed due to supply issues caused by the COVID-19 pandemic. A third round has been launched with over 3,500 businesses awarded over £20 million in grant funding. To date nearly 500 businesses have already completed their projects, having been paid over £2.5 million in grant funding, and are benefiting from the investment.

The final applications of the Growth Programme Round 3 have been received, with the team expecting to reach decisions on the remaining applications by the end of June 2021. To date 225 projects have been awarded nearly £44 million in grant funding. Operating control weaknesses were identified within the Countryside Productivity Small Grant scheme payment process. Whilst this grant scheme is now closed, the control improvements identified have been carried over to the Growth Programme.

Rural Development launched a series of Farming Recovery Fund schemes to assist farmers and landowners recover land from flooding events across the Midlands and Yorkshire. Latterly an on-line portal was deployed to assist the application process. Over 300 applications were received with 233 businesses assisted.

In the year nearly 3,400 projects were completed, generating jobs and growth in the rural economy, this leaves a further 3,800 projects in delivery (Growth Programme, Countryside Productivity, Farming Recovery Fund and LEADER) and the remaining new Growth Programme projects being contracted. These projects will be managed out over the next two years approximately.

The RPA is working closely with Defra on the development of Farming Investment Fund (FIF) and Projects to Accelerate Adoption (PAA) schemes to improve farm productivity while delivering environmental benefits. As set out in the Agricultural Transition Plan (ATP), two FIF schemes are being developed; the Farm Equipment and Technology Fund (FETF) for grants of up to £25,000 towards the cost of specific equipment via an online application portal, and the Farming Transformation Fund (FTF) for transformational projects. Both will be modelled on the RDPE funded Countryside Productivity Schemes, streamlining and incorporating lessons learned to improve the applicant experience, and will be launched in Autumn 2021.

CATTLE RECORDS

We maintain an online database to report births, deaths and movements of all bovine animals in Great Britain.

Our British Cattle Movement Service (BCMS) achieved all key performance indicators with 99.1% of cattle births, deaths, and movements completed within agreed deadlines.

The amount of non-electronic transactions has reduced by 93,105 from the previous year and we continue to promote online reporting as the preferred route, especially during the disruption caused by the COVID-19 outbreak.

Our people working in BCMS continue to provide subject matter expert input for the replacement livestock systems for Great Britain. This includes planning for the managed disaggregation of the current service and transition to the new successor services.

The replacement for the current Ear Tag Allocation Systems is due to be rolled out in Autumn 2021, at which point Livestock Information Limited (LI Ltd) a subsidiary of Agriculture and Horticulture Development Board, will take over the activity. RPA will contract with LI Ltd via a service level agreement to administer the ear tag allocation service on behalf of LI Ltd.

We have continued to work in partnership with the Food Standards Agency, to achieve the most cost-efficient ways to dispose of and destroy the cattle passports from the largest slaughterhouses in England and Wales.

GEOSPATIAL INFORMATION SYSTEM

All of our land based schemes are underpinned by our online Land Parcel Identification System (LPIS) which is responsible for delivering accurate mapping data, improved functionality and faster processing for customers in England.

We have completed 102,589 digitisation jobs representing 121,562 published parcels. The completion of these jobs supported the BPS, CS and ES payment targets. We continue proactive Land Change Detection activity with approximately 900,000 parcels checked this year to support the Land Parcel Identification System plan.

Transparency of data and access to information

We responded to 396 requests for information this year, of which 71.71% were within the agreed deadlines. These cases involved requests for information under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, and the General Data Protection Regulations (GDPR)/Data Protection Act 2018.

We also received eight internal reviews and three Information Commissioner's Office complaints. An additional 211 routine business requests were managed by our Information Rights team.

In line with requirements all spend on government procurement cards, expenditure with all RPA suppliers greater than £25,000 per transaction and a complete procurement spend analysis is reported on the central government website.

Supplier payment statistics	2020-21	2019-20
Payment within 5 days	**75.7%**	60.1%
Payment within 10 days	**86.7%**	100%

COMPLIANCE

Our programme of inspections is designed to help safeguard the environment, the public, crop health, animal welfare and meet our obligations for using European Commission and UK money.

RPA carried out over 7,900 inspections during 2020-21, across a wide range of schemes.

Currently, inspection selections are made on the basis of risk, intelligence and include a random control sample to ensure the effectiveness of the risk criteria. The inspections include site visits and use of technology and largely focus on the customers' compliance with scheme rules, which include the underpinning EU and domestic legislation. If non-compliance is identified, both on livestock and land based schemes, it is evaluated and a commensurate financial penalty is applied if the customer or beneficiary is receiving grant aid. If non-compliance is found on a livestock identification inspection, additional measures are introduced that impact on the ability of the customer to move or trade the animal(s).

Additionally, if environmental or animal welfare issues are identified that are outside the scope of RPA's Inspection and Enforcement remit, we share data with other agencies that have the appropriate enforcement powers. During 2020, RPA inspectors also supported Animal and Plant Health Agency (APHA) colleagues on a number of animal welfare inspections and at sites experiencing Avian influenza.

Work is underway to refresh the current risk-based inspection selection strategy to direct outcomes towards changing governmental priorities. This change in approach includes a new, more proportionate and customer centric approach to cross compliance and an opportunity to provide even more advice and guidance in the future.

We completed 100% of Cattle Identification inspections (1,479) and Sheep and Goat inspections 1,828 within the regulatory deadlines. In addition, as a delegated agent of RPA, APHA colleagues completed 202 combined sheep and goat inspections as part of the Defra Farm Visits Programme.

During 2020 we carried out 256 BCC/SSO inspections, 55 MTS Video Imaging Analysis inspections, 102 Pig Carcase Grading inspections, 60 Pig Deadweight Price Reporting and 74 Beef Deadweight Price Reporting inspections.

We continue to meet our obligations on Meat Technical Schemes, with the agency carrying out 267 Beef Labelling initial inspections this year.

COMPLAINTS

The number of complaints received over the last year has decreased, which is a reflection of ongoing work to improve our processes and get more decisions right first time. The majority of incoming complaints were from Basic Payment Scheme or Countryside Stewardship customers, making up 78% of the total. We have resolved more complaints than were received during this period, focussing our efforts on clearing older cases as well as dealing with new cases as quickly as possible.

Complaints handled by RPA	2020-21	2019-20
Prior year complaints unresolved	**300**	389
New complaints received	**869**	1,342
Complaints resolved, withdrawn or cancelled	**1,024**	1,431
Complaints unresolved at 31 March	**145**	300

ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

We will not accept any level of fraud or corruption. All RPA staff must follow the relevant RPA Conduct and Propriety policy, the civil service code and all other relevant procedures and policies.

All cases of suspected fraud, bribery and corruption are thoroughly investigated and dealt with appropriately. RPA is committed to protecting public resources, revenue, property, information and other assets from any attempt, either by members of the public, grant applicants, contractors, sub-contractors or its own employees, to gain, by deceit, any financial or other benefits.

Our Fraud Risk Management Strategy is aligned to the Defra group Counter Fraud Strategy and anti-bribery and corruption policy. These apply to all RPA staff whether permanent, part-time, fixed term or contingent workers.

APPEALS

79 appeals against decisions made by RPA were received in 2020-21. Of these, 75% related to decisions RPA made on Countryside Stewardship and Environmental Stewardship schemes. The number of appeals resolved in the year has increased from 51 to 99. Of the appeals resolved in 2020-21, 52% were upheld or partially upheld in favour of RPA.

Appellants are able to submit an appeal to RPA at any time following an unsuccessful complaint. The grounds of each appeal are considered by our Appeals and Policy Teams before being sent to an Independent Agricultural Appeals Panel (IAAP). For each appeal, the IAAP consider whether RPA have correctly followed the scheme rules, policies and legislation in their implementation of the subsidy schemes. The panel make a recommendation to a Defra Minister, who makes the final decision on each appeal.

Independent Agricultural Appeals Panel appeals handled	2020-21	2019-20
Prior year appeals unresolved	**89**	46
Appeals received	**79**	94
of which: customer complaint upheld	**41**	23
customer complaint partially upheld	**4**	6
RPA decision upheld	**47**	15
appeals withdrawn	**7**	7
Appeals resolved	**99**	51
Appeals unresolved at 31 March	**69**	89

HUMAN RIGHTS DISCLOSURE

The agency has an obligation to ensure that all its actions respect the human rights of those who work for the agency, and for whom they provide services. There has not been any litigation against the agency alleging a breach of the Human Rights Act 1998 during 2020-21.

Rural Payments Agency

SHAPING FUTURES TOGETHER

We want to build a successful sustainable future for the next generation.

SUSTAINABILITY REPORT

In 2019 the Government passed laws to commit to bringing all greenhouse gas emissions to net zero by 2050.

Net zero means any emissions would be balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage. RPA is leading by example and setting ambitious targets to meet the government commitment of carbon neutrality as soon as possible and certainly no later than 2050.

INTERNAL TO RPA

We have launched an internal campaign to reduce our carbon emissions and improve our sustainability. Our efforts are led and monitored by our people, supported by the Executive Team harnessing the passion that our people have for the environment.

Our net zero action plan includes:

- embedding net zero in our criteria for all our decisions
- promoting sustainable travel methods for example, cycling and walking
- stopping all domestic flights for business on mainland GB, except in case of emergency
- working with our colleagues who supply our Corporate Services to encourage and support them as they also take action to tackle net zero
- influencing the Defra Sustainability Strategy
- reviewing our supplier contracts to ensure they are supportive of our net zero aims
- increasing recycling in offices

EXTERNAL TO RPA

We will use our reputation and influence to support the sectors we serve to reach net zero emissions by 2050. We will achieve this by working alongside policy makers to design schemes with net zero ambitions at their heart.

The Greening Government Commitments: Defra's performance report (GGC), published in April 2021, outlines the departments commitment to improving and protecting the environment, farming and fishing industries. The agency will work closely with Defra to ensure the ambitions set out in this report are achieved as well as those in the Defra's 25 Year environmental plan. Full details on group biodiversity action planning, rural proofing, and sustainable procurement are disclosed within the GGC report.

The RPA is committed to continuous improvement against sustainability targets. The total greenhouse gas emissions have decreased to a new low of 523.1 tonnes of carbon dioxide, a reduction of 91.9 % from the baseline data in 2009-10.

Greenhouse Gas Emissions		2020-21	2019-20	2018-19	2017-18	2009-10 baseline
Non-financial indicators (tonnes CO_2)	Scope 1 emissions (direct)	**216.9**	494.1	613.9	718.6	1,020.2
	Scope 2 emissions (indirect)	**282.2**	311.8	447.4	776.5	3,981.9
	Scope 3 emissions (direct travel)	**24.0**	158.6	172.9	169.9	1,419.3
	Total emissions	**523.1**	964.5	1,234.2	1,665.0	6,421.4
Related energy consumption (KWh)	Electricity non-renewable	**-**	-	-	-	7,590,268
	Electricity renewable	**1,104,185**	1,219,740	1,580,250	2,065,482	-
	Gas	**1,176,011**	954,337	1,089,080	1,255,188	5,556,447
Financial indicators (£)	Expenditure in energy	**202,374**	139,083	338,259	240,052	1,174,738
	Carbon Reduction Commitment (CRC) licence expenditure	**Nil[1]**	Nil[1]	41,369	39,389	Nil[1]
	Expenditure on official business travel	**605,313**	1,821,130	2,099,950	2,121,107	2,268,130

1. There was no CRC licence fee in the baseline year of 2009-10, and from 2019-20 licences are reported in Defra's Annual Report and Accounts.

Waste Management		2020-21	2019-20	2018-19	2017-18	2009-10 baseline
Recovered or recycled (tonnes)	Reused or recycled	**21.24**	63.45	101.18	157.95	428.10
	Composted	**1.80**	5.61	3.46	6.08	1.98
	Incinerated with energy recovery	**12.17**	44.16	45.36	49.72	28.26
	Total recovered or reused	**35.21**	113.22	150.00	213.75	458.34
Not recovered or recycled (tonnes)	Incinerated without energy recovery	**2.54**	2.93	1.07	0.24	0.04
	Landfill	**0.55**	10.18	10.27	7.83	159.82
Total waste (tonnes)		**38.30**	126.33	161.34	221.82	618.20
% recovered or reused		**91.93**	89.62	92.97	96.36	74.14

Finite Resource Consumption	2020-21	2019-20	2018-19	2017-18	2009-10 baseline
Water consumption (m^3)	**8,758**	9,778	10,778	11,420	16,248
Water supply costs (£)	**Nil**[1]	Nil[1]	45,241	47,408	77,490

1. Water supply costs for 2019-20 onwards are reported in Defra's Annual Report and Accounts.

Paul Caldwell
Chief Executive and Accounting Officer
13 July 2021

Rural Payments Agency

FINANCIAL REVIEW

We paid out over £1.8 billion in the past year to support a thriving farming and food sector.

Preparation of the Annual Report and Accounts

The Statement of Accounts reports the financial results for the year from 1 April 2020 to 31 March 2021. It is prepared in accordance with Section 7(2) of the Government Resources and Accounts Act 2000, the Accounts Direction issued by HM Treasury and the Financial Reporting Manual (FReM) published by HM Treasury.

Auditor

The annual accounts have been audited by the Comptroller and Auditor General who is appointed under the Government Resources and Accounts Act 2000. A notional cost of £235,000 (2019-20: £235,000) was incurred for the audit of the agency's accounts and is now included within the notional corporate overhead recharge.

The Comptroller and Auditor General is also the auditor of the RPA's Statement of Accounts for the European Agriculture Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) which have a financial year ending 15 October. The cash cost for the audit of these funds, for transactions for the UK, was £2.4 million (2019-20: £3.1 million), see Note 3. Defra allocates running costs budgets for EAGF and EAFRD audits to the UK Co-ordinating Body an independent body that uses the agency's finance system to record these costs.

The auditor has not conducted any non-audit work for the agency.

As a result of the UK's exit from the European Union, a number of schemes which were previously funded by the EU are now funded directly by the UK government.

FINANCIAL PERFORMANCE REVIEW

The RPA normally considers its financial performance in two categories; running costs representing monies needed to provide the service required of the agency by Defra and scheme costs related to the funds the RPA administers.

The agency's running costs are funded by Defra. Payments under EAGF and EAFRD schemes were initially funded by the UK Exchequer, with subsequent reimbursement sought from the European Commission for scheme payments prior to the 16 of October 2020. From the 16 of October all Pillar 1 schemes are UK funded and it is only Pillar 2 payments that the European Commission will continue to fund until the end of their programmes. When the agency is in the position of having surplus cash funds these are repaid to the UK Exchequer, net of short-term funding requirements.

Gross running costs this year of £160.9 million are 10.3% lower than the previous year (2019-20: £179.3 million). Staff costs have remained constant year on year so the reduction is mostly due to reduced running costs. The decision to extend the life of CAPD non-current assets meant that the amortisation charge of £7.5 million in 2020-21, was 55.2% or £9.2 million lower than the previous year (2019-20: £16.7 million). The agency also received £5.6 million less corporate overhead recharges from Defra in 2020-21, notably from reductions in estate management recharges of £2 million and information technology recharges of £2.5 million.

Net running costs were £156.9 million (2019-20: £155.6 million) after allowing for income. The agency did not receive receipts from the Rural Development Programme for England Technical Assistance fund (RDPE TA) in 2020-21 (2019-20: £20 million). Consequently, running cost income fell to £3.9 million in 2020-21 (2019-20: £23.7 million), and consisted almost entirely of income for work on the British Cattle Movement Service on behalf of Defra of £3.8 million (2019-20: £3.6 million).

Financial position

As a result of the UK's exit from the European Union a number of schemes which were previously funded by the EU are now funded directly by the UK government and devolved administrations in Scotland, Wales and Northern Ireland. For these schemes, EU funding ceased at the end of the EU's agricultural funding year on 15 October 2020. The principal schemes involved, and their presentation within these 2020-21 financial statements are summarised in the table below.

		Scheme payments made		Presentation within financial statements	
Scheme area	Principal schemes	On or before 15 October 2020	On or after 16 October 2020	On or before 15 October 2020	On or after 16 October 2020
EU legacy Pillar 1 schemes – administered separately by devolved administrations	Basic Payment Scheme	100% EU funded	100% UK funded (except reimbursement of Financial Discipline Mechanism amounts)	For claims paid by RPA, expenditure and income from the EU are shown within the EU funded schemes section of note 5 Funding provided to devolved administrations and income from the EU are shown within note 6	For claims paid by RPA, expenditure is shown within the UK funded schemes section of note 5. There is no corresponding income Devolved administrations fund their BPS schemes directly. Hence no income or expenditure is reported within RPA's financial statements
EU legacy Pillar 1 schemes – administered by RPA on a UK wide basis	Fruit & Vegetables, School Milk	EU funded (with some minor UK funded elements)	100% UK funded	Expenditure and income from the EU are shown within the EU funded schemes section of note 5	Expenditure is shown within the UK funded schemes section of note 5 Income from devolved administrations (when RPA pays a claimant on their behalf) is shown within the UK funded section of note 5

Scheme area	Principal schemes	Scheme payments made: On or before 15 October 2020	Scheme payments made: On or after 16 October 2020	Presentation within financial statements: On or before 15 October 2020	Presentation within financial statements: On or after 16 October 2020
EU legacy Pillar 2 schemes	Countryside Stewardship, Environmental Stewardship	Unchanged – either 100% EU funded, or EU and UK co-financed		Unchanged – for claims paid by RPA, expenditure and income from the EU are reflected within Defra's accounts as Defra is the managing authority for these schemes. Hence no income or expenditure is reported within RPA's financial statements Funding provided to devolved administrations and income from the EU are shown within note 6	
New UK funded schemes	Simplified Countryside Stewardship (2021 claim year onwards)	Not applicable	100% UK funded	Not applicable	Expenditure is shown within the UK funded schemes section of note 5

Overall payments made under schemes administered by the agency in 2020-21 were £1.93 billion (2019-20: £1.95 billion). Some £1.87 billion of these payments were funded by the UK government, whilst £0.06 billion were funded by the EU (2019-20: £nil UK funded, £1.95 billion EU funded).

As a result of the UK's exit from the European Union, the 2020 Basic Payment Scheme became UK funded with effect for payments made from 16 October 2020 onwards. Accordingly, funds provided to Scotland, Wales, Northern Ireland during the year fell to £0.45 billion (2019-20: £1.33 billion), as the devolved administrations now fund their BPS schemes directly.

For those schemes which remain EU funded, income received from the EU closely correlates with expenditure for each agency. This means that the net position in relation to EU funded scheme activity will mostly arise as a result of costs incurred in managing the foreign currency receipts from the European Commission.

Overall net scheme expenditure for the current year is £1.86 billion; this compares to net scheme expenditure in 2019-20 of £0.07 billion. The large increase in net scheme expenditure is primarily due to the cessation of EU funding caused by the United Kingdom's decision to exit the European Union.

RPA has operated a foreign exchange hedging strategy for a number of years which has successfully mitigated its exposure to exchange rate volatility on the reimbursement of CAP expenditure from the European Commission. The strategy has continued to be employed in respect of those schemes which remain funded by the European Commission.

Non-current assets of the agency have fallen by £3 million in the year to 31 March 2021, with a full year's depreciation and amortisation of £8 million being charged offset by £3 million of capital additions being brought in. These £3 million of additions were acquired from Defra (2019-20: £4.9 million), via a non-cash transfer through general reserves. During the year the decision was made to use existing CAP scheme paying assets for the delivery of UK future funding scheme payments. These assets had their useful life extended to 31 March 2028 resulting in a reduction of amortisation on these assets in 2020-21 of £10.4 million.

Receivables have decreased by £333 million (54%) compared to 31 March 2020. This is largely due to a decrease in monies due from the European Commission, as a result of many schemes having ceased to be funded by the European Commission following the UK's exit from the EU.

Payables due within one year have decreased by £22 million (19%) compared to 31 March 2020. This is mainly due to an increase in scheme accruals of £40.6 million, offset by a decrease in amounts owed to other government departments and OPAs of £58.4 million. Both of these movements are as a result of the UK's exit from the EU, with scheme accruals having increased due to earlier recognition of UK funded scheme expenditure, and amounts payable to OPAs decreasing as a result of the Basic Payment Scheme for customers outside of England now being funded directly by the devolved administrations. Details of changes in expenditure recognition points are presented in Notes 1.8 and 1.10.

The cash balance of the agency has decreased to £330.2 million at 31 March 2021, compared to an £500.0 million cash balance at 31 March 2020. The cash balance maintained by the agency is sufficient to meet the immediate funding needs of the agency, and OPAs in respect of EU funded schemes where the agency acts as the UK funding body. This reduction largely reflects the movement to direct funding of the Basic Payment Scheme by the devolved administrations, which reduces the need for RPA to hold cash to fund them.

Financial risk

The agency is not exposed to any significant financial risks in administering UK funded scheme payments. In respect of EU funded scheme payments, the agency is exposed to two significant financial risks.

The first is a foreign exchange risk since scheme payments are predominantly made in sterling with reimbursements from the European Commission being received in euros. Consequently, any differential between the prevailing exchange rate when reimbursement is received, and the scheme exchange rates fixed by the European Commission, will result in an exchange gain or loss for the agency.

To mitigate this risk, the agency enters into forward foreign exchange contracts for the EU funded UK Rural Development Programmes. As at 31 March 2021, these derivative contracts represent a net asset of approximately £8.2 million to the agency. This valuation is consistent with foreign exchange movements in 2020-21 and off-sets the corresponding potential losses in the value of the Euros receivable from the European Commission.

The second significant risk relates to the potential that the European Commission may retrospectively choose not to reimburse the agency for payments the agency makes should there have been deemed to be any infringements in scheme regulations. Such disallowances represent a high risk to the agency due to the complexity and extent of scheme regulations. This risk is expected to remain for several years whilst the agency continues to operate EU funded Pillar 2 schemes. Where schemes have now become UK funded, the European Commission will continue to audit and assess EU funded expenditure in prior years. Management of this risk is described in the Governance Statement with any costs incurred accounted for in Defra's departmental financial statements, where the liability for these costs sits.

Rural Payments Agency

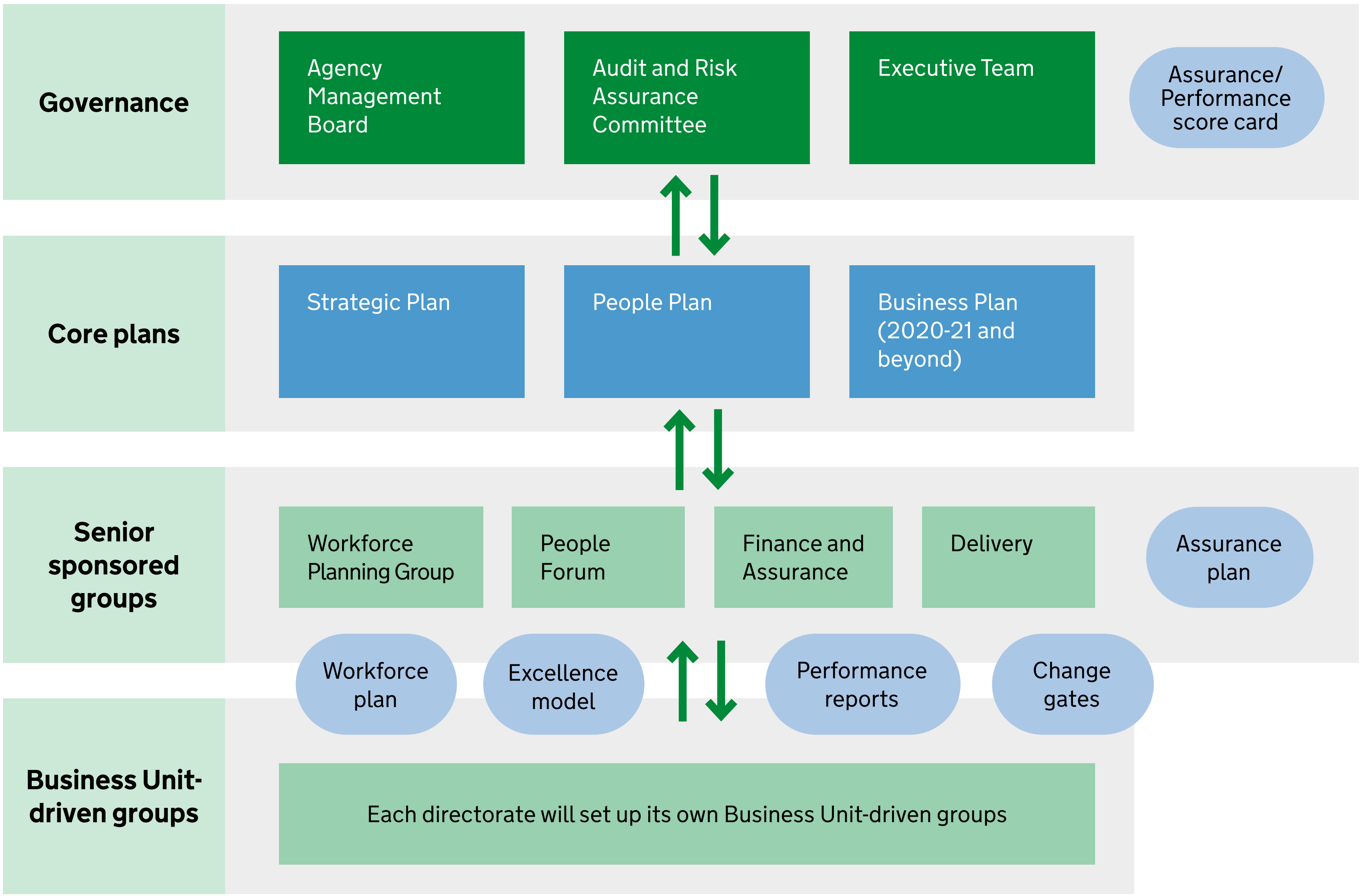
ACCOUNTABILITY REPORT

This section provides the key accountability requirements to Parliament

- Corporate governance
- Statement of Accounting Officer’s responsibilities
- Remuneration and staff
- Parliamentary accountability and audit

GOVERNANCE MODEL

key: Governance groups | Core products | Supporting groups | Supporting products



CORPORATE GOVERNANCE

PURPOSE

This section describes the governance, risk management and internal control arrangements for the agency and how our processes have evolved in response to a changing business environment and set of risks over 2020-21.

DIRECTOR'S REPORT

Governance framework

Defra's Secretary of State has overall responsibility for RPA and is accountable to Parliament for all matters concerning the agency. Ministerial responsibility for the agency has been assigned to the Parliamentary Under-Secretary of State.

Tamara Finkelstein, Defra's Permanent Secretary, is the Principal Accounting Officer and principal adviser to the Secretary of State on matters affecting Defra as a whole, including resource allocations across the department and is responsible for ensuring a high standard of financial management.

The Chief Executive Officer (CEO), Paul Caldwell, is designated the agency's Accounting Officer by the Principal Accounting Officer. He must be satisfied that the agency has adequate risk management, financial systems and procedures in place to support the efficient and economical conduct of its business, safeguards financial propriety, regularity and reputation and ensures business continuity. The CEO is line managed by the Director General for the Food, Farming and Biosecurity system, David Kennedy.

Significant business interests

Details of company directorships and other significant interests held by directors of the agency, which may conflict with their management responsibilities, are disclosed in Note 19 of the financial statements.

The Agency Management Board

Chaired by a Non-Executive Director, the Agency Management Board (AMB) is responsible for strategic oversight of the agency's performance, advising and challenging the CEO, and escalating issues to Defra and ministers as appropriate. It provides leadership in the delivery of statutory corporate and business responsibilities, ensures that risks are effectively identified and managed, encourages improvements in performance across the agency and ensures effective governance and control is in place for the agency.

Key business at AMB meetings in 2020-21 included:

- review and agreement of the agency's 5 year strategy
- the COVID-19 pandemic and the actions taken to ensure continuity of the agency's business
- the progress of the Future Farming and Countryside Programme and the agency's readiness for administering future schemes
- contributing to the development of a strategy to improve the agency's presence on social media
- reviewing the performance of schemes including Basic Payment Scheme (BPS), Countryside Stewardship (CS) and Environment Stewardship (ES)
- providing advice on actions to improve employee engagement and evolve the organisation's culture

The Audit and Risk Assurance Committee

Chaired by a Non-Executive Director, who is also a member of AMB, the Audit and Risk Assurance Committee (ARAC) is responsible for advising both the board and Chief Executive Officer (as Accounting Officer) on whether the agency's accounts delivery and internal control systems have operated in full compliance with current legislation, standards and best practices. ARAC also reviews the agency's approach to risk, fraud and whistleblowing complaints. RPA's ARAC Chair is also a member of the Defra Audit and Risk Assurance Committee.

Key business at ARAC meetings in 2020-21 included:

- review of the agency's Annual Report and Accounts for compliance with current legislation and appropriate standards
- regular reviews of the agency's approach to risk, fraud risk management and whistleblowing
- regular reviews of progress against the Government Internal Audit Agency (GIAA) annual audit plan and outcomes of audit work undertaken
- contributing to the development of an integrated risk and assurance approach

Membership and Attendance		AMB		ARAC	
Name	Title	Attendee	Meetings attended	Attendee	Meetings attended
Elizabeth Passey	Chair of AMB, Non-Executive Director	Chair	6 of 6	-	-
Paul Caldwell	Chief Executive Officer	Member	6 of 6	-	-
Peter Crewe	Compliance, Assurance and Risk Director	Member	6 of 6	-	-
David Gardner[1]	Non-Executive Director	Member	6 of 6	-	-
Janet Hughes	Defra Director, Future Farming and Countryside programme (from 8 June 2020)	Member	3 of 5	-	-
Alison Johnson	Engagement and Operational Readiness Director	Member	6 of 6	-	-
Anne Marie Millar	Finance Director for RPA, Future Farming & EU Finances	Member	6 of 6	-	-
Gordon Woods	Acting Defra Director, Future Farming and Countryside programme (from 1 March 2020 until 7 June 2020)	Member	1 of 1	-	-
Shrinivas Honap	Chair of ARAC, Non-Executive Director	Member	6 of 6	Chair	4 of 4
David Cotton[2]	Non-Executive Director (until 31 March 2021)	Member	6 of 6	Member	4 of 4
Paul Dillon-Robinson	Non-Executive Director	-	-	Member	4 of 4

1. David Gardner will come to the end of his permitted tenure as a Non-Executive Director on 30 June 2021.

2. David Cotton was a Non-Executive Director until 31 March 2021. On the 1 April 2021 Mark Suthern and Tim Breitmeyer joined ARAC as Non-Executive Directors.

The Executive Team

The RPA is headed by the CEO and a team of executive directors, these individuals form the Executive Team (ET) that sets the strategy and direction for the agency and has the overall authority to run the agency on a day-to-day basis. ET membership throughout the year is listed below:

Name	Title	Start date of membership (if not in post at 1 Apr 2020)	End date of membership
Paul Caldwell (ET Chair)	Chief Executive Officer	-	Present
Emma Appleby[1]	Chief Operating Officer	-	Present
Susan Boyd	Agricultural-Transition Director	-	Present
Peter Crewe	Compliance, Assurance and Risk Director	-	Present
Alison Johnson	Engagement and Operational Readiness Director	-	Present
Nadia Khan[2]	Food, Farming and Biosecurity Deputy HR Director	-	Present
Andy King[3]	Regulation, Grants and Standards Director	-	Present
Jake McClure	Organisational Capability Director	1 March 2021	Present
Anne Marie Millar[2]	Finance Director for RPA, Future Farming & EU Finances	-	Present
David Painter[2]	Digital, Data and Technology Services Director	-	Present

1. Emma Appleby's title changed from Business Transformation Director during the year.
2. Nadia Khan, Anne Marie Millar and David Painter are employees of Defra group corporate services.
3. Andy King's title changed from Land and Management Services Director during the year.

Relationship with Defra

Defra's Executive Committee (ExCo), is responsible for overseeing the strategic direction and performance of the Defra group. Responsibilities for decisions which affect more than one organisation, or set a precedent for the future, ultimately lie with ExCo. ExCo is supported by a number of key subcommittees and subcommittee members which include CEOs of relevant delivery bodies and Defra directors.

At Defra group level, activity is managed through outcome focused systems. These bring together all the delivery bodies involved in service delivery in their respective systems. They focus on ensuring delivery of outcomes, joining up policy development and operations and planning and prioritisation to ensure that we provide the best possible service to our customers and value to the taxpayer. The RPA is a delivery body within the Food, Farming and Biosecurity system and the Environment, Rural and Marine system and is represented on both systems boards.

RPA has provided wide ranging support and capability to various cross Defra programmes and strategic initiatives in support of Defra's 25 Year Plan including Future Farming and Countryside Programme. We continue to demonstrate a shared commitment to the achievement of DEFRA's strategic ambitions and stand ready to evolve and build on our current involvement.

Security, information risk and fraud

Compliance to Information security ISO/IEC 27001:2013 is audited annually by the British Standards Institution (BSI). This is a requirement under Commission Regulation 885/2006, and there is an expectation that this will also be a requirement under future UK legislation. Defra group security conducts compliance reviews of the RPA, suppliers and delegated bodies to ensure assurance of alignment to ISO/IEC 27002:2013. Under Commission Regulation 907/2014 there was a requirement to be certified to ISO/IEC 27001:2013 from 16 October 2016.

The Security Unit achieved ISO/IEC 27001:2013 Certification for the agency in August 2015 and recertification in August 2018 and has successfully supported continuous assessments visits completed in subsequent years. In addition, Defra group Security have completed the re-scoping of the RPA's ISO27001 certificate which now includes Worcester and Crewe sites in addition to Reading, Exeter, York, Newcastle, Carlisle and Workington. The BSI's ISO 27001 recertification audit of RPA concluded successfully in May 2021 with the audit recommendation that the agency is recertified for a further three years.

The departmental context for security and information assurance has changed over the past 12 months due to the new home working arrangements that have been adopted in the wake of COVID-19. This created a fast-moving environment that required the enacting of our business continuity plans and the standing up of the Emergency Operations Centre (EOC).

Throughout the year work has continued to support compliance with new data protection legislation, including identifying risks to personal data and strengthening systems and procedures for managing them. A senior civil service level Senior Security Advisor (SSA) has been appointed to lead on physical, personnel and cyber security across the Defra group, including RPA. The SSA is responsible for managing security risks, providing assurance and advice on security issues, and advising the Permanent Secretary, Executive Team and the Audit and Risk Assurance Committee on the continued effectiveness of controls.

Defra group Security managed the annual 2020 Departmental Security Health Check submission which assessed compliance against new minimum baseline standards for physical, personnel and cyber security. This was a joint submission that covered the Defra group (including RPA) with 14 improvement opportunities identified and currently being worked. These include improvements to the Joiners Movers and Leavers process and a new policy for social media accounts.

In cyber security, progress has also been made in establishing the Security Operations Centre (SOC) which provides oversight and protective monitoring across DDTS UnITy suppliers and to ensure that cyber security risks are proactively managed. All UnITy suppliers are required to maintain comprehensive security management plans to report incidents and events centrally.

RPA also continues to be actively engaged with the Transforming Government Security programme, initiated by Cabinet Office to address common security risks in a joined-up way across government. RPA now utilises a security vetting service from the Cluster 2 Security Unit, led by the Home Office, and will adopt further services over the coming year.

Information handling

The RPA operates a multidisciplinary governance structure to ensure that personal data is processed in conformity with the law and HM Government information management standards.

To support the RPA Security Risk Owner (SRO) and the Defra Data Protection Officer (DPO), the RPA Data Protection Assurance Manager, Defra Security, Business Continuity, Data Integrity and Governance and the Information Rights Team serve as a focal point for the information asset owners to obtain guidance on the effective management of information risk within the defined risk tolerance. The information asset owners are locally accountable for compliance and managing risk, but more complex issues would be referred to the Information Governance Business Unit Group and as need be escalated to the Finance and Assurance Senior Sponsorship Group. Throughout the process periodic briefing would be provided to the RPA SRO and the Defra DPO.

When people join the RPA the need for conformant information handling is highlighted in the induction process. This is reinforced during the annual Responsible for Information on-line course provided by Civil Service Learning. Responsible for Information acts as a mandatory certification for agency people to demonstrate they remain competent in personal data processing. The Data Protection Assurance Manager also provides role-based training for the information asset owners.

During the financial year 2020-2021, a total of 163 suspected data breach incidents were reported for investigation in relation to United Kingdom General Data Protection Regulation (UK GDPR) compliance. None were deemed to have fulfilled the criteria for onward reporting to the Information Commissioner's Office.

Personal data incidents

One complaint was received from the Information Commissioner's Office and investigated by the staff of the Data Protection Assurance Manager.

External fraud

External fraud referrals are assessed by the RPA Fraud Referral team to consider whether a potential fraud has occurred. The agency takes appropriate recovery action on cases if the recommendation is made to recover funds.

RPA external fraud	2020-21	2019-20
Number of new external fraud referrals in year	**173**	203
Number of external fraud referrals closed	**170**	142
Value of:		
Detected fraud value	**£211,400**	£128,840 & €2,796
Detected fraud number of cases	**12**	15
Detected fraud recovered value	**£48,742**	£111,295
Detected fraud recovered number of cases	**10**	11
Prevented fraud value	**£95,700**	£3,069,977 & €6,446
Prevented fraud number of cases	**14**	10
Number of external fraud cases outstanding	**124**	121

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the RPA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the RPA and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed
- disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis

The Accounting Officer has taken all the steps necessary to familiarise himself with any relevant audit information and to establish that the agency's auditor is aware of that information. As far as he is aware, there is no relevant audit information of which the agency's auditor has no knowledge.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Permanent Secretary, appointed Paul Caldwell, the agency Chief Executive Officer, as Accounting Officer of the RPA. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the RPA's assets, as set out in Managing Public Money published by HM Treasury.

GOVERNANCE STATEMENT

As Accounting Officer, I am responsible for maintaining a robust system of internal control that supports the achievement of the agency's policies, aims and objectives, while safeguarding public funds and agency assets. This is in accordance with the responsibilities assigned in the HM Treasury publication; Managing Public Money.

Governance framework

Defra's Executive Committee is chaired by the Permanent Secretary and comprises of the Defra Directors General, along with the Group Directors for Strategy, Finance, HR and Communications and the Chief Executive Officer of the Environment Agency. The committee provides a strategic steer, makes decisions where appropriate on cross-network issues, reviews plans and progress on improving Defra's capacity and capability for the future, and oversees cross departmental initiatives to inform strategic decisions by ministers on their priorities and spending plans. See the Director's report, where Board Committee reports have been disclosed.

RPA's Agency Management Board (AMB) is responsible for ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. As part of this the AMB is required to set up an Audit and Risk Assurance Committee (ARAC) chaired by an independent Non-Executive member to provide independent advice and ensure that this committee provides assurance on risk. AMB is expected to assure itself of the effectiveness of the internal control and risk management systems.

The Audit and Risk Assurance Committee is responsible for advising both the AMB and CEO as Accounting Officer on all matters relating to strategic processes for risk and control, the governance statement, accounting policies, the annual report and accounts, assurance of internal and external audits (including work conducted by the Certification Body) and anti-fraud policies. The ARAC Chair is also a member of Defra's Audit and Risk Assurance Committee.

The RPA is headed by the CEO and a team of executive directors who collectively form the Executive Team that sets the direction for the agency and has the overall authority to run the agency on a day-today basis.

Internal controls

Risk overview

During the 2020-21 financial year, we have recognised, reported and sought assurance on a range of short, medium and long term risks across the ongoing challenges of immediate term business as usual delivery, medium term impacts of exiting the EU and forward looking aspects preparing for the delivery of future schemes.

The start of the year brought immediate operational challenges in maintaining business performance whilst responding to the COVID-19 pandemic, we were able to quickly and effectively establish an overwhelming majority of people working from home, continuing to support operational priorities. Whilst adapting to revised working arrangements, other in-year risks included the continued performance of scheme payments, budget management and preparations for the 2021 Spending Review.

The impending exit from the EU saw a range of work to mitigate risks and uncertainties associated with financial management impacts and the potential for exceptional ready to use intervention schemes being set-up in response.

The agency's relationship with the Department, specifically with Corporate Service functions, places a heavy reliance on services provided that are not the direct responsibility of the Accounting Officer. The agency has continued to closely engage with and seek assurance from each Corporate Service function and are engaging with the Corporate Services Board in a Corporate Service Transformation Programme reset for the coming year in order to achieve more assurance over the services provided.

Key improvements have already been realised, particularly in the delivery of IT support and provision of new hardware and software technology during a period of exceptionally high national demand for such items. Further work continues on significant IT, security and access control related risks where the agency, through the Audit and Risk Assurance Committee, have sought further clarifications over mitigation plans and associated timescales for those mitigations.

Longer term risks have primarily focussed on preparations for forthcoming Future Farming and Countryside Programme schemes. This has considered a number of factors including future scheme design and control, financial management and accounting, systems use and technical architecture preparations. Other longer-term risks recognised have included the progression of the Livestock Information Programme (LIP) and recognition of the Net Zero 2050 challenge.

Fraud risk management

The Fraud Risk Management Steering Group (FRMSG), chaired by the Finance Director for the agency has acted in an advisory committee capacity to the Executive Team and the CEO in his role as Accounting Officer. The steering group has representatives from directorates across the agency and the wider Defra group. The group has met seven times within the reporting year to consider detection and awareness of fraud in the RPA.

Fraud risk management assurance reports have been provided to the ARAC during the course of the year. Key activities of the group have focussed on include assuring appropriate management and mitigation of fraud risks associated with COVID-19 working arrangements and the COVID-19 Dairy Response Fund, ongoing assurances on Fraud Referral arrangements, Roles based access controls and engagement with the Future Farming and Countryside Programme in assessing the risk of fraud in future schemes.

Disallowance risk management

Disallowance risks are regularly reviewed with updated forecasts, advice and progress reports provided to the department's Disallowance Strategy governance groups. Adherence with the Strategy is monitored through the agency's Compliance and Assurance Sub-Group, and more recently the Finance and Assurance Senior Sponsor Group. Quarterly reports on the risk of disallowance are also presented to the ARAC to ensure visibility of the potential financial exposure and the impact of the agency's mitigation.

The Executive Team considers any significant disallowance risk and any proposals for business changes are considered from a disallowance risk point of view as part of formal governance before implementation can be agreed.

The agency has established working groups to develop proportionate measures for improving control deficiencies, taking account of the risk of further irregular expenditure. This will include consideration of risks arising from the Emphasis of Matter affecting European Commission funded scheme expenditure. In order to reduce the current disallowance exposure, the relevant findings will be discussed with the European Commission later in 2021.

The agency works closely with the UK Co-ordinating Body, devolved administrations and delivery partners (Natural England, Forestry Commission, and the Environment Agency) to identify and mitigate potential causes of disallowance.

We also engage proactively and constructively with the external auditors, European Commission and European Court of Auditors to ensure that any adverse audit findings are understood with a view to minimising any associated disallowance.

In response to COVID-19 the agency effectively adapted its approach to managing the audit process, and successfully participated in external audits and bilateral discussions remotely. The European Commission recognised the impact of COVID-19 restrictions on existing control activity and the agency took advantage, where applicable, of regulatory derogations that allowed for reductions in On-the-Spot control samples and flexibility around evidence requirements.

The agency supports the Defra Disallowance Strategy and responded to the changes resulting from EU exit, with a particular focus towards tactical activity and the use of analytical evidence to calculate the financial risks associated with audit observations. This approach has seen the agency be successful in reducing amounts of disallowance proposed.

Effectiveness of risk management

The Executive Team holds responsibility for the management of the most significant risks the agency faces. Each agency level risk identified is owned by one of the Executive Team. There is an overarching risk management process for escalation of risks. Operational risks have been managed on a tactical level in order to meet delivery objectives. Risk assurance sessions are held at each ARAC meeting who in turn report on key risks to the Agency Management Board. External risk escalations to the department are made through the Defra System Committees as required.

The Audit and Risk Assurance Committee have challenged and supported the ongoing development of risk management through the reporting that is presented to each ARAC meeting, both in terms of providing assurance for existing risks and moving towards the development of an integrated risk and assurance management framework. Further work is required to develop and enhance the efficacy of this approach.

Effectiveness of whistleblowing arrangements

The department encourages employees to use the whistleblowing procedures to raise concerns about past, present or imminent conduct within the Defra group or conflicts with the Civil Service Code. The department implemented the Civil Service Employee Policy in January 2013 across Defra and its executive agencies (including RPA) and updated the policy in December 2016.

There were no reported cases during the financial year 2020-21 managed within the whistleblowing process. The RPA 2020 People Survey results indicate that RPA people are extremely confident that when raising a concern that the process is effective, and that the agency will communicate the policy on an ongoing basis.

Internal Audit opinion

RPA's Head of Internal Audit provides an annual opinion based on the internal audit work completed during the year, and in line with the audit plan agreed with the with the Executive Team and with RPA's Audit and Risk Assurance Committee (ARAC). All changes to the plan during the year were evaluated against RPA's key risks to ensure sufficient coverage was maintained to inform her opinion.

Her Moderate opinion for 2020-21 reflects that whilst there are areas that could be improved, RPA's frameworks for governance, risk management and control are largely operating effectively in delivering RPA's objectives and in administering the payment schemes for which it is responsible.

This includes management of associated disallowance risks and of the transition from EU funding arrangements to domestic funding and the development of alternatives through the Future Farming and Countryside Programme (FFCP).

It also recognises that the RPA maintained operations during the COVID-19 emergency by promptly evoking business continuity arrangements and engaging effectively and proactively with Internal Audit to help assure changes to processes and working practices.

Of the 30 assurance reports delivered, three were advisory and did not carry an assurance rating. Three of the remaining 27 reviews reported an assurance that was Moderate. These related to:

- the implementation of intervention and private storage activity for butter and cheese during COVID-19, which was a timebound activity but the framework for which will inform the operation of similar intervention activities in the future if they become necessary
- management of non-scheme supplier bank account changes (managed by Defra group commercial team), where no bank changes had been affected by the weaknesses identified but where improvements are being agreed for the processing of future requests
- the management of end user computing applications, where immediate action was taken to address the most prominent risk, relating to the storing and sharing of information

Alongside the specific audit work, follow-up work and overdue management actions from previous audits, further highlighted the dependency on Corporate Services for addressing some of the identified weaknesses in cross-cutting processes.

In particular, the Digital, Data and Technology Services (DDTS) function has an essential role in managing areas such as IT systems access and the maintenance and replacement of legacy IT systems, which underpin current operations as well as the development and delivery of future schemes. Substantial work is required to resolve the current technical debt, and this relies on clarity about RPA's technical priorities and the relative impacts of associated risks.

Similarly, DDTS and Human Resources have a role in the processing of leavers from the organisation and retrieval of their assets, where little progress was made in 2020-21 in addressing necessary improvements.

Given the longstanding nature of some of the actions in these areas, there is an obvious need for them to be given urgent priority in 2021-22 by the respective Corporate Service functions.

There is some reliance on appropriate funding being made available to enable the functions to prioritise accordingly and failure to make that provision risks causing operational issues for the RPA.

Compliance with governance codes

An informal review carried out against the 'Corporate governance code for central government departments 2017' www.gov.uk, indicated that RPA complies with the principles for an agency of our size, status and legal framework. The agency follows HM Treasury's Corporate governance in central departments: code of good practice.

Effectiveness of governance arrangements

Governance arrangements are effective and proportionate given the level of activity currently being undertaken by the agency.

Defra's Executive Committee (ExCo) is supported by a number of sub-committees (with RPA being part of the Food, Farming & Biosecurity and the Natural Environment and Rural systems) whose focus is on ensuring delivery of outcomes, joining up policy development and operations to ensure the department is providing the best possible service to customers. RPA has representatives at both systems committees.

Framework document

RPA's framework document, setting out the broad framework within which the agency operates is on the GOV.UK website.

Effectiveness of board performance

Regular meetings with the Chair of the Agency Management Board have occurred to keep her informed of what is happening across the agency and to discuss the effectiveness of the board. Both the Agency Management Board and the Audit and Risk Assurance Committee have carried out reviews and the results indicate that both the board and committee were operating effectively.

Both the board and the committee have confirmed that the quality of the information and data it receives is sufficient to inform its decisions and opinions.

Managing significant challenges in 2020-21

Future Farming and Countryside Programme

2021 has seen the start of a seven-year transition away from EU-based rules and towards a system in which farmers are paid to improve the environment, animal health and welfare, and reduce carbon emissions. RPA will be at the forefront of this change in agricultural policy and has been supporting the opening of applications for the Sustainable Farming Incentive pilot (SFI) which is due to launch in late 2021.

The SFI pilot is expected to involve several hundred farmers over a three-year period and will build on the lessons learned from the live tests and trials being carried out by farmers across England to assess how the fundamental building blocks of the scheme will work on the ground.

The agency will be working closely with partners across the Defra group to ensure that insight from the pilot will be fed into the new scheme development to ensure the new scheme delivers for our farmers and land managers, as well as delivering greener, cleaner landscapes and reversing the decline of some of our most cherished species.

The agency is also working closely with Defra on the Sustainable Farming Incentive as it develops beyond the pilot, and the Landscape Recovery and Local Nature Recovery Schemes delivering landscape and ecosystem recovery and local environmental priorities respectively, as well as on the evolution of grants.

The changes ahead will require farmers to make significant business decisions to determine their futures. RPA have been working with industry partners to support farmers through this period of change, enabling innovation and facilitating community activity to help them deliver growth, improvement to the natural environment and environmental sustainability.

Coronavirus (COVID-19)

The agency has remained committed to supporting the rural economy throughout the pandemic. Our industry partners have praised the agency for delivering prompt payments in difficult circumstances and remaining customer focussed despite the majority of the agency's workforce working from home during the year.

In support of our vulnerable customers including those isolating or having difficulty securing support to complete their submissions, we extended the scheme claims and application deadline for land-based schemes to 15 June 2020.

We then delivered record performance levels in terms of the numbers of customers receiving their payments within the first month of the payment window despite the reduced processing time available as a consequence of the extended deadline.

We worked with the Farming Charities and other industry partners to provide dedicated bespoke support to vulnerable customers to help them ensure their claims and applications were submitted on time.

In addition, we successfully administered the Dairy Response Fund which provided grants of up to £10,000 to help dairy farmers facing financial difficulties due to the outbreak and closure of hospitality to sustain their business and maintain animal welfare.

In record time we facilitated the ability for the majority of RPA's workforce to work from home right from the start of the outbreak in March 2020. For those required to work outside of the home for business-critical reasons, COVID-19 secure guidance has been followed to ensure their health and safety.

Key support, including the purchase of external online mental health resource for every member of staff plus various in house all agency calls led by senior leaders, innovative social calls and various ad hoc team activities have been in place to provide personal and wellbeing support for all staff during the pandemic.

Stabilisation of workforce

During 2020-21 a significant amount of work has been undertaken to stabilise the agency's workforce which for a number of years has operated with a high level of contingency workers and temporary promotions. The requirement for a stable workforce is recognised to be critical to the success of RPA achieving its ambitions and has been put at the heart of the agency's current and future plans.

The activities undertaken have resulted in a considerable reduction in the numbers of staff in temporary roles, providing stability to both the agency and the individuals concerned. The work is scheduled to continue into 2021-22 where there are plans to offer further permanent roles as well as apprenticeship opportunities.

Changes on the horizon

Delivery of Corporate Service functions and ongoing developments around IT, security, access controls and new systems and processes such as the Livestock Information Programme (LIP) are on our radar and we are engaged in the developing programmes to capture and manage the associated requirements and risks in support of smooth delivery. Our programme in support of the Net Zero 2050 challenge has commenced and overall, any long-term risks arising from future programmes will continue to be monitored to ensure appropriate mitigations are in place.

REMUNERATION AND STAFF

PURPOSE

The staff and remuneration report provides information on people in the agency and sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors. It also provides details on remuneration and staff that Parliament and others see as important to accountability, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No.1981 and amended by HM Treasury's Financial Reporting Manual.

REMUNERATION REPORT

Although costs for the CEO and the members of ET are included in the RPA's annual accounts, they are formally employed by Defra. The framework for remunerating the CEO and ET, as for all Senior Civil Servants (SCS), is set by the Prime Minister following independent advice from the Senior Salaries Review Body. Further details about this body can be found at www.ome.uk.com.

The Cabinet Office advises Defra in March or April each year of the government's response to the Senior Salaries Review Body's recommendations and produces guidance for departments to follow. Defra develops its SCS pay strategy within this Cabinet Office framework, ensuring that the overall pay awards are within the cost ceiling allowed.

Consolidated pay and non-pensionable, performance related pay awards for members of ET are based on their performance assessed relative to all others in their peer group within Defra.

Consolidated awards generally differ depending on the level of performance and the relative position of each person in their pay range. Members of the SCS are eligible to be considered for individual levels of bonus as non-pensionable, non-consolidated variable pay (NCVP). NCVP is performance related and is paid in arrears in the financial year after that in which it was earned.

During 2020-21, NCVP for 2019-20 performance bonuses was paid to approximately 25% of the SCS and was capped at £10,000. NCVP values, informed by each individual's appraisal grade were paid within Cabinet Office guidelines. The table of salary and non-cash benefits shown in this report includes NCVP paid to the CEO, ET and Non-Executive Directors.

Departments also have discretion to make in-year non-consolidated award payments to recognise outstanding contribution for up to 40% of SCS staff. These are limited under Cabinet Office guidance to a maximum of £5,000.

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Further information about the Civil Service Commission can be found at on the Civil Service Commission website.

The CEO and ET are permanent civil servants. The executive directors are required to give three months' notice under the terms of their contracts. Our Non-Executive Directors are appointed on fixed term contracts with a notice period of one month.

The employment of the CEO and members of ET may be terminated in accordance with normal civil service procedures. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Compensation for loss of office (audited)

No compensation amounts were paid to executive directors during the year. Compensation for leave not taken, where appropriate, is included within the salary figures in the remuneration table.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the agency and thus recorded in these accounts.

Benefits in kind (audited)

The monetary value of benefits in kind covers any benefits provided by the agency and treated by HM Revenue and Customs as a taxable emolument. In 2020-21 no director (2019-20: none) had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code.

Bonuses (audited)

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2020-21 relate to performance in 2019-20 and the comparative bonuses reported for 2019-20 relate to the performance in 2018-19.

Pay multiples (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

Total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2020-21	2019-20
Annualised band of highest paid director remuneration (£'000)	**130-135**	130-135
Median total remuneration (£)	**23,225**	21,749
Ratio	**5.7**	6.1

In 2020-21, two (2019-20: nil) contractors received remuneration in excess of the highest-paid director. The banded remuneration for employees in the agency ranged from £15,000-£20,000 to £130,000-£135,000 (2019-20: £15,000-£20,000 to £130,000-£135,000). These figures exclude the Non-Executive Directors.

Median remuneration has increased due to a reduction in agency staff and a change of overall grade mix at RPA.

Remuneration (including salary) and pension entitlements (audited)

The remuneration and the pension interests of the Non-Executive Directors and the Directors of the agency are detailed in the following tables:

	2020 -21					2019-20				
Name and title	Salary (£000)	Bonus payments (£000)	Benefits in kind (£000, to nearest £100)	Pension benefits[3] (£000)	Total (£000)	Salary (£000)	Bonus payments (£000)	Benefits in kind (£000, to nearest £100)	Pension benefits (£000)	Total (£000)
David Cotton Non-Executive Director (to 31 March 2021)	**5-10**	-	-	-	**5-10**	5-10	-	-	-	5-10
Paul Dillon-Robinson Non-Executive Director	**0-5**	-	-	-	**0-5**	10-15	-	-	-	10-15
David Gardner Non-Executive Director	**0-5**	-	-	-	**0-5**	0-5	-	-	-	0-5
Shrinivas Honap Non-Executive Director (from 1 April 2020)	**15-20**	-	-	-	**15-20**	-	-	-	-	-
Stephen Park[1] Non-Executive Director (to 14 April 2019)	-	-	-	-	-	0-5	-	-	-	0-5
Elizabeth Passey Non-Executive Director	**5-10**	-	-	-	**5-10**	5-10	-	-	-	5-10
Nigel Reader[2] Independent Member of ARAC (to 29 February 2020)	-	-	-	-	-	0-5	-	-	-	0-5

1. Stephen Park's whole year equivalent salary for 2019-20 would be in the range £15,000 to £20,000.
2. Nigel Reader's whole year equivalent salary for 2019-20 would be in the range £0 to £5,000.
3. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Remuneration (including salary) and pension entitlements (audited) continued

2020 -21

Name and title	Salary (£000)	Bonus payments (£000)	Benefits in kind (£000, to nearest £100)	Pension benefits[3] (£000)	Total (£000)
Emma Appleby Chief Operating Officer	**90-95**	**10-15**	-	**37**	**140-145**
Susan Boyd Agricultural-Transitions Director	**70-75**	-	-	**45**	**115-120**
Paul Caldwell Chief Executive Officer	**105-110**	**5-10**	-	**82**	**195-200**
Peter Crewe Compliance, Assurance and Risk Director	**70-75**	**0-5**	-	**15**	**85-90**
Alison Johnson Engagement and Operational Readiness Director	**70-75**	**0-5**	-	**30**	**100-105**
Nadia Khan[1] Food, Farming and Biosecurity Deputy HR Director	**70-75**	-	-	**29**	**100-105**
Andy King Regulation, Grants and Standards Director	**75-80**	-	-	**34**	**110-115**
Jake McClure[2] Organisational Capability Director (from 1 March 2021)	**5-10**	**0-5**	-	**2**	**5-10**
Anne Marie Millar[1] Finance Director for RPA, Future Farming & EU Finances	**125-130**	**5-10**	-	**22**	**155-160**
David Painter[1] Digital, Data and Technology Services Director	**75-80**	-	-	**37**	**110-115**

1. Nadia Khan, Anne Marie Millar, and David Painter are employees of Defra group Corporate Services and RPA Directors.
2. Jake McClure was appointed Interim Organisational Capability Director from 1 March 2021. His whole year equivalent salary was in the range £70,000 to £75,000.
3. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Remuneration (including salary) and pension entitlements (audited) continued

2019-20

Name and title	Salary (£000)	Bonus payments (£000)	Benefits in kind (£000, to nearest £100)	Pension benefits (£000)	Total (£000)
Emma Appleby Business Transformation Director	90-95	10-15	-	37	140-145
Susan Boyd Agricultural-Transitions Director	70-75	-	-	34	105-110
Paul Caldwell Chief Executive Officer	105-110	10-15	-	70	185-190
Peter Crewe Compliance, Assurance and Risk Director	70-75	0-5	-	78	150-155
Alison Johnson Engagement and Operational Readiness Director	70-75	0-5	-	36	105-110
Nadia Khan[1] Food, Farming and Biosecurity Deputy HR Director (from 1 June 2019)	60-65	-	-	24	80-85
Andy King Land Management Services Director	75-80	-	-	35	110-115
Anne Marie Millar[1] Finance Director for RPA Future Farming & EU Finances	130-135	-	-	46	175-180
Catriona Morton[2] Environmental Stewardship Operations Director (to 30 April 2019)	5-10	-	-	24	25-30
David Painter[1] Digital, Data and Technology Services Director	70-75	0-5	-	60	130-135
Alison Webster[3] Strategy and Policy Director (to 20 March 2020)	100-105	-	-	32	130-135

1. Nadia Khan, Anne Marie Millar, and David Painter are employees of Defra group Corporate Services and RPA Directors. Nadia Khan's whole year equivalent salary would be in the range £70,000 to £75,000.
2. Catriona Morton's whole year equivalent salary would be in the range £65,000 to £70,000.
3. Alison Webster's whole year equivalent salary would be in the range £105,000 to £110,000.

Pension benefits (audited) information

Non-Executive Directors are not entitled to a pension so are not included within the following table.

Name and title	Accrued pension at pension age as at 31 March 2021 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31 March 2021 (£000)	CETV at 31 March 2020 (£000)	Real increase in CETV (£000)	Employer contribution to partnership pension account (£000, to nearest £100)
Emma Appleby Chief Operating Officer	**15-20**	**0-2.5**	**216**	185	**16**	-
Susan Boyd Agricultural-Transitional Director	**35-40 plus lump sum of 105-110**	**0-2.5 plus lump sum of 0-2.5**	**847**	784	**35**	-
Paul Caldwell Chief Executive Officer	**50-55 plus lump sum of 120-125**	**2.5-5 plus lump sum of 5-7.5**	**1,062**	962	**65**	-
Peter Crewe Compliance, Assurance and Risk Director	**30-35 plus lump sum of 95-100**	**0-2.5 plus lump sum of 2.5-5**	**771**	729	**16**	-
Alison Johnson Engagement and Operational Readiness Director	**35-40 plus lump sum of 75-80**	**0-2.5 plus lump sum of 0-2.5**	**688**	646	**18**	-
Nadia Khan Food, Farming and Biosecurity Deputy HR Director	**0-5**	**0-2.5**	**41**	21	**15**	-
Andy King Regulation, Grants and Standards Director	**25-30**	**0-2.5**	**337**	306	**16**	-
Jake McClure Organisational Capability Director (from 1 March 2021)	**15-20**	**0-2.5**	**213**	212	**-**	-
Anne Marie Millar Finance Director for RPA, Future Farming & EU Finances	**0-5**	**0-2.5**	**73**	37	**19**	-
David Painter Digital, Data and Technology Services Director	**30-35 plus lump sum of 70-75**	**0-2.5 plus lump sum of 0-2.5**	**620**	575	**23**	-

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced; the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service, joined alpha.

Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections; three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS remained in the PCSPS after 1 April 2015 if they were within 10 years of their normal pension age on 1 April 2012. Those who on 1 April 2012 were between 10 years and 13 years and 5 months from their normal pension will switch into alpha sometime between 1 June 2015 and 1 February 2022.

All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.60% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service.

Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership.

At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8.00% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers, at 31 March 2021 that provider was Legal & General.

The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate.

Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Further details about the civil service pension scheme arrangements can be found on the Civil Service website.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

STAFF REPORT (AUDITED)

Staff costs and numbers are disclosed in Note 2.

Senior staff by pay-band

The table below provides the number of Senior Civil Servants or equivalent within the agency by pay-band, the table doesn't include the Directors that are Defra employees.

Senior Civil Servants by pay-band	As at 31 March 2021	As at 31 March 2020
Pay-band 3	**-**	-
Pay-band 2	**1**	1
Pay-band 1	**6**	5

Staff composition

We are working to define the future workforce needs aligned with new opportunities following the UK's exit from the EU. We use a blended approach to resourcing utilising a mix of permanent, fixed term and temporary agency workers to balance resources and delivery against peaks and troughs in workload. We are working to reduce reliance of large numbers of temporary agency workers in favour of permanent management roles through large scale recruitment campaigns to stabilise the workforce including a blend of early talent and lifelong learning.

Workforce profile	As at 31 March 2021	As at 31 March 2020
Permanently employed staff	**2,178**	2,239
Agency	**386**	499
Contractors	**5**	-
Total	**2,569**	2,738

Gender diversity as at 31 March 2021	Male	Female
Executive Team not including Defra employees appointed as ET members	**4**	**3**
Permanently employed staff (excluding Executive Team)	**935**	**1,236**
Non-Executive Directors	**4**	**1**

During 2020-21, the agency had nine staff loaned out to Defra (seven) and other government departments (two) on short-term loans. The recovery of their salary costs is reported in Note 2, under recoveries in respect of secondments. The agency did not hire from Defra, or other government departments during 2020-21.

Developing the workforce

We will ensure the agency is well positioned for opportunities arising from the 25 Year Environmental Plan and Agricultural Transition through growing our organisational capability. Our people plan will support exceptional customer service and our values will make RPA an outstanding place to work.

- We want to have visible, supportive and authentic leadership
- We want to engage with both our customers our people
- We want to have respectful behaviours for a healthy workplace
- We want to promote a culture of inclusivity, providing opportunities for all
- We want to shape our agency to be future ready through our trusted reputation
- We want to support and develop our people and be accountable to each other and the communities we serve
- We will ensure everything is underpinned by supportive Learning and Development

People forum and our people plan

We have met the challenges of a complex, rapidly changing world and being able to respond at speed to the issues posed by COVID-19 through our agency's people forum and plan. We harnessed the energy, passion and creativity of our people to deliver targeted, specific activities focused on individuals and wider initiatives designed to increase scale and reach and to change culture and attitudes.

Develop our learning and development strategy

We continue to develop our learning and development strategy and framework as we have now brought our learning and development budget back in-house from Defra. Our framework comprises of leadership and management, profession specific and technical training and is underpinned by our values – to be visible, engaging, respectful, inclusive, trusted, accountable and supportive. It is supported by a system holding all our learning, training and development information.

Developing our professional capability as operational delivery experts

We enabled our people to join and benefit from the largest of all the Civil Service Professions with 250,000 members across all government departments, through a new Operational Delivery Profession strategy. Our CEO was also appointed Head of Profession for Operational Delivery for the whole of the Defra group.

This offers our people training and development programmes, career pathways, networking opportunities and a real sense of belonging. We have the following objectives for our people who are part of this community and will continue to grow this work in future years:

- build a thriving community of practice, recognised and respected for its vital role in public service delivery
- create a dynamic workforce who are future-ready, by helping our people develop, progress and feel part of a community
- instil a sense of pride and passion amongst our people, ensuring they feel valued for their work
- inspire full commitment from our people to furthering their own skills
- ensure our people are passionate about the people we serve and always have the desire to do better and be better, throughout their careers
- enhance our customer experience expertise across our agency so that we deliver the best services
- celebrate the impact we have and reward exceptional delivery

Design a collective agreement to meet our changing workforce needs

We show our commitment to making the agency an inclusive place to work, where everyone is encouraged and supported to realise their full potential through ensuring that our workforce is well managed and affordable, and considering resourcing and deployment at an agency level.

Celebrating our success

We launched our first RPA VERITAS awards in 2020. These awards celebrate and recognise our people, who are Visible, Engaging, Respectful, Inclusive, Trusting, Accountable, and Supportive and who deliver with collaboration and innovation.

The award scheme has been used throughout the year to recognise and reward in-year achievements of RPA people who have gone above and beyond their normal duties to support successful delivery of business objectives.

The second RPA VERITAS awards took place in March 2021. The 2021 awards received 120 nominations and has now become an integral part of the culture of celebrating the success of our people in the RPA. Hosting the awards virtually has arguably increased visibility, levelled the opportunities for all to attend and improved recognition and attendance.

We will be early adopters of a new recognition platform which will allow social and financial recognition, through the lens of our VERITAS values whilst streamlining our approach to 'Celebrating our success' and continuing to build on our culture.

Attendance management

The RPA's annual working days lost figure for the 2020-21 year was 5.4 (2019-20: 7.5).

This is a considerable reduction in absence levels from the previous year of 7.5 annual working days lost. We cannot underestimate the impact of the new ways of working during the pandemic on the reduction in absence levels with most of the agency's employees working from home from in 2020-21.

Year to 31 March	2021	2020	2019	2018	2017	2016
Annual working days lost	**5.4**	7.5	6.2	7.6	6.1	6.9

VERITAS has become an integral part of the culture of celebrating the success of our people.

Employee engagement

The RPA's engagement index in 2020 improved to 60%, up from 50% in 2019.

Engagement index	2020	2019
RPA engagement index	**60%**	50%
Defra engagement index	**63%**	63%
Civil Service benchmark engagement index	**66%**	63%

We recognise the need to continually improve people engagement through our staff engagement survey results and comments, so are embracing new ways of gathering feedback and views. We have increased engagement through the pandemic through regular CEO and Executive Team all-agency calls, using interactive easy-to-use question and answer and polling software applications, which have become an integral part of staff engagement with RPA's senior team and workforce. We will continue to track impact and engagement activity through our people plan.

Expenditure on contractors and agency workforce

The agency is committed to using permanent staff when possible but the nature of our operations means we also require the expertise of temporary contractors and an agency workforce, see Note 2.

The table below demonstrates that our temporary workforce costs have dropped considerably year on year:

Expenditure on temporary workforce	Year to 31 March 2021 (£000)	Year to 31 March 2020 (£000)
Contractors	**201**	364
Agency	**13,434**	20,818
Total expenditure on temporary workforce	**13,635**	21,182

Health, safety and wellbeing

The agency's Health, Safety and Wellbeing Unit (HSWU) role is to plan, introduce, monitor and review the protective and preventative measures that the RPA follow to ensure all employees are safe at work and in good mental health and that the agency is legislatively compliant.

The unit works with all people from all areas of the business to minimise operational risks, losses, occupational health cases, accidents and injuries. The HSWU will arrange risk assessments to identify any situation that poses a level of threat to life, health, agency property or the environment. The unit works closely with the Defra estates division whose role is to ensure that the buildings used by the agency are fit for purpose and safe to work in.

As a result of COVID-19 the HSWU issued in April 2020 updated guidance for the health and safety of homeworkers, the agency will continue to offer remote workstation assessments for those employees that request them.

Staff turnover

The agency uses Department Turnover (staff leaving the Civil Service or a particular department) as defined by the Cabinet Office in calculating its staff turnover.

For 2021-20 and 2019-20, the agency's turnover is calculated as the number of leavers within the year divided by the average of staff in post over the period. The average staff in post is calculated as the average of headcount at the start and end of the year.

Leavers include retirements, death in service, end of appointments, as well as dismissals and resignations and leavers under compulsory and voluntary redundancies.

Headcount Permanent staff, short and fixed term appointments	Year to 31 March 2021	Year to 31 March 2020
Leavers in the year	**195**	135
Staff at beginning of year	**2,239**	1,837
Staff at end of year	**2,178**	2,239
Average staff during year	**2,209**	2,038
Staff turnover during the year	**8.8%**	6.6%

Employee relations and tribunals

There was one Civil Service Appeal Board closed and settled employment tribunal between 1 April 2020 and 31 March 2021. The trade union engagement framework was introduced in April 2014 and is now firmly embedded within the Agency. Facility time used by the trade union representatives has been within the maximum introduced by the Cabinet Office in 2013.

Employment issues and recruitment practice

We have continued to recruit during this challenging period and have reduced our time to hire through successful adaptation of our recruitment processes, introducing of video interviews and pre-recorded interviews. We continue our workforce stabilisation through large recruitment campaigns, utilising a range of resourcing options including fixed term appointments, apprenticeships and permanent recruitment.

Defra HR continues to provide an expert service to RPA, managing vacancies throughout their life cycle from inception to realisation and provide full administrative functions for resourcing. This has ensured that the RPA remain has remained compliant with the Civil Service Commissioner's Recruitment Principles at all times.

Pay policy

As RPA is part of the Defra departmental pay bargaining unit. Headlines for the 2021 pay award were:

- as per the Chancellors announcement in November 2020 as part of the Spending Review 2020 there will be a temporary pause on pay rises for most public sector workforces in 2021-22, including the Civil Service. The only exception will be for those below the lower earning threshold
- there will be no increase to basic pay, other than for those staff below a lower earnings threshold
- the lower earning threshold is set at £24,000. Staff earning less than this amount annually will be in scope for a salary uplift
- year end (non-consolidated) performance bonuses can be paid this year

Exit packages (audited)

The agency offered voluntary redundancy to two employees in 2020-21 who left in the year. Exit packages are reported in staff costs in Note 2.3 of these accounts.

Diversity issues

We continue to work to ensure RPA has a diverse and inclusive culture where everyone feels they belong and are valued. Our commitment to providing opportunities for all, attracting, and developing diverse and motivated people, focusing on strengths, is tracked through our People Plan.

A socio-mobility survey was launched across Defra group in 2019 in order to gather data to underpin the approach to improving socio-mobility. In March 2020, new socio-economic background questions were added to the people portal. These questions help to establish the backgrounds of employees, so that we can see overall how inclusive we are of people who come from lower socio-economic backgrounds. As a result, RPA launched a Social Mobility Strategy which is going to be adopted across the whole of Defra group on the recommendation of the Defra group Social Mobility Board.

We remain part of the Defra group Equality, Diversity and Inclusion Strategy to ensure positive action is taken on four key themes where people feel respected, valued, supported and engaged. We have supported the cross-government activities for 2021, including: Celebration of civil partnerships, Celebration of Transgender Day, World Autism Awareness Week, World Hearing Day, Holocaust Memorial Day and International Women's Day.

We have an Inclusion Leadership Group and groups representing all of the protected characteristics and the actions from these groups feed into a central dashboard which is being created by the Group Equality Diversity Inclusion (EDI) team. The leads for these groups also represent RPA at the Defra boards and from a governance perspective, our Director of Organisational Capability represents the RPA at the Defra group Inclusion Leadership Group (he is also the deputy chair). This group is a sub-committee of ExCo.

Equal treatment in employment and occupation

We are working closely with cross-government initiatives to attract and encourage applicants from much wider, diverse groups such as care leavers, ex-offenders and ex-military. This scheme enables those from specified groups who meet "basic" minimum selection criteria to have guaranteed interviews for junior roles within the Civil Service.

RPA, as part of Defra, continues to work with a range of staff networks that support equal treatment in employment and occupation. Project Race, developed in 2019, is one of these networks. It aims to improve outcomes for Black, Asian and Minority Ethnic colleagues in relation to representation, performance management and engagement.

In support of equal treatment in recruitment, the agency continues to use the Civil Service Guaranteed Interview Scheme for those people informing us of a disability or health condition. The agency also follows the 'blind' application process to ensure that diversity information is not disclosed to vacancy holders/interviewers at any time during the application process and therefore avoid unconscious bias entering into the recruitment process. Interview panels are trained in aspects of 'Unconscious Bias' and its impact on decision making.

The agency induction packs direct people to EDI support and support networks. Workplace adjustment passports, workstation assessments and occupational health referrals are all fully utilised by staff and managers.

The agency does everything possible to encourage and support its disabled employees. We are committed to giving disabled employees the same opportunities to develop and progress as non-disabled employees, making sure there are no barriers to our disabled employees achieving their full potential. The agency will not unlawfully discriminate against the disabled in any aspect of employment including the recruitment process, training, and promotional and career development opportunities.

Trade union relationships

Working relationships with the trade union have remained positive and constructive, giving valuable input and support into initiatives throughout the year.

Facility time publication requirements

In accordance with the requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017, the following tables summarise trade union officials of employees and facility time usage during the year 2020-21.

Trade union representative	2020-21
Number of employees who were relevant union officials	**8**
Full time equivalent employee number	**7.8**

Number of employees by percentage of time spent on facility time	2020-21
0%	**5**
1-50%	**3**

	2020-21
Percentage of pay bill spent on facility time Total pay bill spent on facility time (total cost of facility time ÷ total pay bill) x 100	**0.005%**
Total cost of facility time during the year to 31 March 2021	**£3,597**
Total pay bill cost during the year to 31 March 2021	**£76.8m**

Paid trade union activities	2020-21
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by trade union representatives during the year to 31 March 2021 ÷ total paid facility time hours) x 100	**0%**

Off-payroll appointments

In line with the recommendations of a review of Tax Arrangements of Public Sector Appointees published by HM Treasury in May 2012 the RPA put in place controls to ensure its non-payroll people earning greater than £245 per day are contractually obliged to assure the agency that they are meeting their tax obligations. Monitoring continues to take place with regular reports being supplied to Defra.

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months:

Number of new engagements		2020-21
No. of off-payroll workers engaged during the year ended 31 March 2021		**5**
of which:	no. assessed as in scope of IR35	**-**
	no. assessed as out-of-scope of IR35	**5**
	no. of engagements reassessed for compliance or assurance purposes during the year	**5**
of which:	no. of engagements that saw a change to IF35 status following review	**-**
	no. of engagements where the status was disputed under provision of the off-payroll legislation	**-**
of which:	no. of engagements that saw a change to IF35 status following review	**-**

For all off-payroll engagements as of 31 March 2021, for more than £245 per day and that last for longer than six months:

Number of existing engagements	2020-21
Existing engagements as at 31 March 2021	-
of which: existed for less than one year at time of reporting	-
existed between one and two years at time of reporting	-
existed between two and three years at time of reporting	-
existed between three and four years at time of reporting	-
existed for four or more years at time of reporting	-

For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021:

Number of existing engagements	2020-21
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Total no. of individuals on payroll and off-payroll engagements that have been deemed board members, and/or, senior officials with significant financial responsibility, during the financial year.	**15**

Expenditure costs on out-sourced agency staff in 2020-21 was £13.4 million (2019-20: £20.8 million) as reported in staff costs in Note 2.1 of these accounts. These staff were typically lower grade individuals used on a short-term temporary basis to process BPS payments and provide cover for some business as usual tasks. There were no furloughed costs paid to agency staff in 2020-21 (2019-20: £nil).

Expenditure costs on consultancy in 2020-21 was £0.2 million (2019-20: £0.4 million). These costs have been incurred directly by the agency, and are categorised by their nature within IT costs and Non-IT professional services in Note 3 of these accounts. Since 1 April 2017, the majority of consultancy costs incurred by the agency, have been paid by Defra and recharged to the agency in the notional corporate overheads recharge in Note 3 of these accounts.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT

PURPOSE

This section describes how the agency meets key accountability requirements to Parliament.

REGULARITY OF EXPENDITURE (AUDITED)

The agency reports losses and special payments:

	31 March 2021		31 March 2020	
	No. of cases	Value (£000)	No. of cases	Value (£000)
Cash losses - Scheme	**4,721**	**836**	476	1,135
Cash losses - Administration	**-**	**-**	1	1
Claims waived or abandoned	**-**	**-**	5	39
Special payments - Scheme	**326**	**(166)**	380	1,009
Realised exchange loss	**1**	**3,396**	1	2
Total	**5,048**	**4,066**	863	2,186

The agency also estimates the value of undetected irregularities within Basic Payment Scheme expenditure. For the year to 31 March 2021, the agency estimates that undetected irregularities amount to £6.3 million, or approximately 0.34% of total Basic Payment Scheme expenditure.

The agency uses a statistical process to determine these estimates, which is based upon the results of claims randomly selected for inspection.

The estimates are made to a 95% confidence interval. For the year to 31 March 2021 the total value of undetected irregularities lies within a range from £3.2 million to £9.8 million (or 0.17% to 0.52% of total Basic Payment Scheme expenditure).

LOSSES EXCEEDING £0.3 MILLION (AUDITED)

An accrual of £0.37 million has been recorded in the year to 31 March 2021 in relation to payments to be made to Single Payment Scheme and Basic Payment Scheme customers to settle retrospective claims on common land.

FEES AND CHARGES (AUDITED)

The agency has no material income fees and charges.

REMOTE CONTINGENT LIABILITIES (AUDITED)

The agency has no remote contingent liabilities that are required to be reported to Parliament under Managing Public Money.

LONG TERM EXPENDITURE TRENDS

A detailed commentary on current and prior year performance is included within the Performance Analysis section.

Paul Caldwell
Chief Executive and Accounting Officer
13 July 2021

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Rural Payments Agency (RPA) for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the RPA's affairs as at 31 March 2021 and of the RPA's net operating cost for the year then ended
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the RPA in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the RPA's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the RPA's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Chief Executive as Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the RPA is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Chief Executive as Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I report by exception

In the light of the knowledge and understanding of the RPA and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance

Responsibilities of the Chief Executive as Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error
- assessing the RPA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by the RPA will not continue to be provided in the future

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the RPA's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the RPA's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the RPA's controls relating to EU rules and regulations in relation to EU funded scheme expenditure, and where those laws have been transcribed into UK law following EU exit, Government Resources and Accounts Act 2000 and Managing Public Money
- discussing among the engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and the regularity of scheme expenditure

- obtaining an understanding of the RPA's framework of authority as well as other legal and regulatory frameworks that the RPA operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the RPA. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, EU rules and regulations in relation to EU funded scheme expenditure, and where those laws have been transcribed into UK law following EU exit, and employment, taxation and pensions legislation; and

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims
- reading minutes of meetings of those charged with governance and the board
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
13 July 2021

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Rural Payments Agency

FINANCIAL STATEMENTS

This section provides financial statements of the reportable activities of the Rural Payments Agency during the year

ACCOUNT STATEMENTS

Statement of Comprehensive Net Expenditure for the Year to 31 March 2021

	Note	Year to 31 March 2021 (£000)	Year to 31 March 2021 (£000)	Year to 31 March 2020 (£000)	Year to 31 March 2020 (£000)
Running costs					
Staff	**2**	**90,328**		90,112	
Others	**3**	**70,531**		89,186	
		160,859		179,298	
Running costs income	**4**	**(3,925)**		(23,650)	
Net running costs			**156,934**		155,648
Scheme costs					
Rural Payments Agency					
Costs	**5**	**1,929,862**		1,954,502	
Income	**5**	**(66,326)**		(1,881,415)	
			1,863,536		73,087
Other paying agencies					
Costs	**6**	**450,884**		1,330,974	
Income	**6**	**(450,467)**		(1,332,290)	
			417		(1,316)
Net scheme expenditure			**1,863,953**		71,771
Net operating cost			**2,020,887**		227,419
Other Comprehensive Net Expenditure					
Items that will not be classified subsequently in the Statement of Comprehensive Net Expenditure					
Net loss/(gain) on revaluation of property, plant and equipment	**14**		**14**		(7)
Net gain on revaluation of intangible assets	**14**		**(2,421)**		(2,297)
Items that maybe classified subsequently in the Statement of Comprehensive Net Expenditure when specific conditions are met					
Movement in hedging reserves	**13.10**		**(1,370)**		7,812
Total comprehensive net expenditure for the year			**2,017,110**		232,927

The Notes on pages 78 to 114 form part of these accounts.

Statement of Financial Position as at 31 March 2021

	Note	As at 31 March 2021 (£000)	As at 31 March 2021 (£000)	As at 31 March 2020 (£000)	As at 31 March 2020 (£000)
Non-current assets					
Property, plant and equipment	**7**	**12**		851	
Intangible assets	**8**	**52,065**		54,213	
Total non-current assets			**52,077**		55,064
Current assets					
Trade receivables and other current assets	**9**	**281,655**		614,780	
Derivative assets	**13**	**8,766**		1,462	
Cash and cash equivalents	**10**	**330,191**		500,038	
Total current assets			**620,612**		1,116,280
Total assets			**672,689**		1,171,344
Current liabilities					
Trade payables and other current liabilities	**11**	**(95,744)**		(117,787)	
Derivative liabilities	**13**	**(572)**		(13,166)	
Provisions for liabilities and charges	**12**	**(143)**		(316)	
Total current liabilities			**(96,459)**		(131,269)
Total assets less current liabilities			**576,230**		1,040,075

Statement of Financial Position as at 31 March 2021 (continued)

		As at 31 March 2021		As at 31 March 2020	
	Note	(£000)	(£000)	(£000)	(£000)
Non-current liabilities					
Trade payables and other liabilities	**11**	**(125,235)**		(130,282)	
Total non-current liabilities			**(125,235)**		(130,282)
Total assets less total liabilities			**450,995**		909,793
Taxpayers' equity					
General fund			**444,461**		906,072
Cash flow hedging reserve	**13**		**-**		(1,370)
Revaluation reserve	**14**		**6,534**		5,091
Total taxpayers' equity			**450,995**		909,793

The Notes on pages 78 to 114 form part of these accounts.

Paul Caldwell
Chief Executive and Accounting Officer
13 July 2021

Statement of Cash Flows for the Year to 31 March 2021

	Note	Year to 31 March 2021 (£000)	Year to 31 March 2020 (£000)
Cash flows from operating activities			
Net operating cost		**(2,020,887)**	(227,419)
Adjustment for non-cash items included in other running costs	**3**	**59,805**	74,164
Movement in provisions	**12**	**(173)**	(52)
Adjustment for derivative financial instruments	**13**	**(18,528)**	24,241
Decrease in inventories		**-**	342
Decrease/(increase) in trade receivables and other current assets	**9**	**333,125**	(118,793)
(Decrease)/increase in trade payables and other liabilities	**11**	**(27,090)**	65,336
Net cash outflow from operating activities		**(1,673,748)**	(182,181)
Cash flows from investing activities			
Purchase of property plant and equipment	**7**	**(13)**	-
Net cash outflow from investing activities		**(13)**	-
Cash flows from financing activities			
Financing by Defra		**2,250,000**	2,360,000
Financing to Defra		**(665,000)**	(2,050,000)
Payments for Rural Development Programme for England on behalf of Defra		**(534,024)**	(656,354)
Receipts for Rural Development Programme for England on behalf of Defra		**462,499**	543,133
Disallowance transfer to Defra		**(9,561)**	(14,155)
Net cash inflow from financing activities		**1,503,914**	182,624
(Decrease)/increase in cash and cash equivalents in the period		**(169,847)**	443
Cash and cash equivalents at 1 April	**10**	**500,038**	499,595
Cash and cash equivalents at 31 March	**10**	**330,191**	500,038

The Notes on pages 78 to 114 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year to 31 March 2021

	Note	General fund (£000)	Cash flow hedging reserve (£000)	Revaluation reserve (£000)	Total taxpayers' equity (£000)
Balance at 1 April 2019		**887,303**	**6,442**	**4,493**	**898,238**
Net operating cost		(227,419)	-	-	(227,419)
Transfer from revaluation reserve to General fund:					
- property, plant and equipment	14	9	-	(9)	-
- intangible assets	14	1,697	-	(1,697)	-
Arising on revaluation during the year (net)		-	-	2,304	2,304
Notional charges – corporate overhead recharge	3	56,920	-	-	56,920
Gains on Cash flow hedges	13	-	89,323	-	89,323
Transfer to SOCNE on Cash flow hedges	13	-	(95,811)	-	(95,811)
Changes in fair value of the time value of options and forward elements of forward contracts for transaction related hedge items, not subject to basis adjustments	13	-	(1,324)	-	(1,324)
Total recognised expense for year ended 31 March 2020		**(168,793)**	**(7,812)**	**598**	**(176,007)**
Financing by Defra		2,360,000	-	-	2,360,000
Financing to Defra		(2,050,000)	-	-	(2,050,000)
Payments for Rural Development Programme for England on behalf of Defra		(656,354)	-	-	(656,354)
Receipts for Rural Development Programme for England on behalf of Defra		543,133	-	-	543,133
Disallowance transfer to Defra		(14,155)	-	-	(14,155)
Assets transfer from Defra		4,938	-	-	4,938
Balance at 31 March 2020		**906,072**	**(1,370)**	**5,091**	**909,793**

Statement of Changes in Taxpayers' Equity for the Year to 31 March 2021 (continued)

	Note	General fund (£000)	Cash flow hedging reserve (£000)	Revaluation reserve (£000)	Total taxpayers' equity (£000)
Net operating cost		(2,020,887)	-	-	(2,020,887)
Transfer from revaluation reserve to General fund:					
- intangible assets	14	964	-	(964)	-
Arising on revaluation during the year (net)	14	-	-	2,407	2,407
Notional charges – corporate overhead recharge	3	51,315	-	-	51,315
Losses on Cash flow hedges	13	-	(336)	-	(336)
Transfer to SOCNE on Cash flow hedges	13	-	1,501	-	1,501
Changes in fair value of the time value of options and forward elements of forward contracts for transaction related hedge items, not subject to basis adjustments	13	-	205	-	205
Total recognised expense for year ended 31 March 2021		**(1,968,608)**	**1,370**	**1,443**	**(1,965,795)**
Financing by Defra		2,250,000	-	-	2,250,000
Financing to Defra		(665,000)	-	-	(665,000)
Payments for Rural Development Programme for England on behalf of Defra		(534,024)	-	-	(534,024)
Receipts for Rural Development Programme for England on behalf of Defra		462,499	-	-	462,499
Disallowance transfer to Defra		(9,561)	-	-	(9,561)
Assets transfer from Defra		3,083	-	-	3,083
Balance at 31 March 2021		**444,461**	**-**	**6,534**	**450,995**

The Notes on pages 78 to 114 form part of these accounts.

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2020-21 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted for the public sector. Where the FReM allows a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the agency for the purpose of giving a true and fair view has been selected. They have been applied consistently in the current and preceding year in dealing with items considered material in relation to the accounts.

The financial statements are prepared on a going concern basis both on a financial basis and consistent with the FReM 2020-21 continued provision of service basis.

1.1 Accounting convention

These accounts have been prepared under the historic cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets, inventories, and certain financial assets and liabilities, where material.

1.2 Property, plant and equipment

Property, plant and equipment is recognised at fair value, with depreciated historic cost as modified by annual revaluations (as at the Statement of Financial Position date) using appropriate price indices issued by UK Office of National Statistics, used as a proxy for fair value for all assets. The unrealised element is credited/debited to the Revaluation Reserve as shown in the Statement of Changes in Taxpayers' Equity.

Property, plant and equipment assets are reviewed annually for indicators of impairment. From 1 April 2020, the agency has set a capitalisation threshold of £10,000 (2019-20: £2,000). The impact of this policy change is immaterial. The cost of individual items, below the £10,000 threshold are charged directly to the Statement of Comprehensive Net Expenditure.

1.3 Intangible assets

Intangible assets are recognised on the same basis as property, plant and equipment, see Note 1.2. Intangible assets comprise internally developed applications and bespoke IT software projects, licences and packages developed by third parties. Software projects being developed are capitalised as development expenditure and treated as capital expenditure (but not amortised or revalued until the software is fully developed and brought into use).

From 1 April 2020, the agency has set a capitalisation threshold for software projects of £100,000 and £10,000 (2019-20: £2,000) for software licences. The impact of this policy change is immaterial.

1.4 Depreciation and amortisation

Depreciation and amortisation are provided at rates estimated to write off the valuation of property, plant and equipment, and intangibles on a straight line basis, over the estimated useful life of the asset, taking into account residual value (if it applies). Assets are depreciated/amortised from the month after they are available for use.

Estimated useful lives at initial recognition are normally in the following ranges:

Depreciation

IT hardware	
• Laptops, printers and similar equipment	3 years
• Communications	5 years
• Servers	Up to 7 years
Office machinery	5 years
Others	5 to 25 years

Amortisation

IT software[1]	5 to 7 years
IT licences	Up to 7 years

1. All IT software assets capitalised to deliver CAP scheme payments have been amortised over the period ending 31 March 2028, see Note 8. These CAP assets therefore no longer sit within the stated useful expected life range for software stated above.

1.5 Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount.

In line with an adaption in the FReM, any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential should be recognised in full as an impairment loss in the Statement of Comprehensive Net Expenditure. However, to align the balance in the Revaluation Reserve with that which would have resulted through strict application of IAS 36, an amount up to the value of the impairment is transferred to the General Fund for the individual asset concerned.

Downward revaluations, resulting from changes in market value, only result in impairment where the asset is revalued below its historic cost carrying amount. In these cases the accounting treatment is as for any other impairment, with amounts being first set against any accumulated balance in the revaluation reserve, and any amount in addition to this being recognised and recorded in the Statement of Comprehensive Net Expenditure.

1.6 Leased assets

All leases are assessed using the criteria in IAS 17. The determination of a lease is based upon the substance of that arrangement, whether the arrangement is dependent upon the use of a specific asset and conveys the right to use that asset. Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the agency. All other leases are classified as operating leases.

Rental costs arising under operating leases are charged to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

1.7 Defra properties occupied by the agency

For 2020-21, the full cost of occupation of buildings that are either owned or leased by Defra is reflected within the Statement of Comprehensive Net Expenditure as part of 'Corporate overhead recharge (notional)', see Note 3. The costs are determined by Defra based on proportionate occupation of the properties and include rates, utilities, management overheads, and associated capital charges. For Defra leasehold properties this also includes rental costs.

The Defra Management Committee estates strategy states that the default position is that lease breaks are exercised. Defra undertakes a detailed annual review on the material lease exits to confirm this judgement holds true. This has the implication of recognising the lease commitment (and any depreciation) to the lease break date. If however, the evidence suggests that it is unlikely individual lease breaks will be exercised, the commitment is assumed to be until the end of the lease.

1.8 Agency scheme expenditure and income

Defra core accounts recognise the expenditure and income for schemes over which it acts as Managing Authority, thereby demonstrating control of policy and prioritisation of spend.

Payments made by the agency on such schemes (e.g. rural development expenditure under the Rural Development Programme for England) are reported in the agency accounts as movements through the General Fund.

Expenditure and income relating to all other schemes are recognised in the accounts of the agency, and is presented within Note 5. As a result of the UK's exit from the European Union, all expenditure under these schemes became solely UK Exchequer funded for payments made from 16 October 2020 onwards, with the exception of the reimbursement of Financial Discipline Mechanism funds relating to prior scheme years.

This change in funding model has caused the agency to reassess its policy for the recognition of scheme expenditure where there is no longer funding by the European Commission. The accounting policies applying to both expenditure and income under European Commission funded schemes, and expenditure under UK Exchequer funded schemes, are described separately below.

European Commission funded schemes

The European Commission funded scheme expenditure where payments to customers were made on or before 15 October 2020, or where the expenditure relates to the reimbursement of Financial Discipline Mechanism funds deducted from earlier years' scheme expenditure.

European Commission funded scheme expenditure is pre-funded by the UK Exchequer. Following receipt of reclaims from the European Commission, surplus funds are repaid to HM Treasury.

European Commission funded Basic Payment Scheme expenditure for England is recognised by the agency when it has a present obligation to make payments to the claimants as a result of completion of substantive processes to validate each claim against European Commission rules for the schemes, and when the amount payable to each claimant is considered reliably measurable and probable.

European Commission funded Basic Payment Scheme income for England is recognised by the agency when it is probable that it will receive a reimbursement from the European Commission for scheme expenditure incurred and the amount to be received from the European Commission is considered reliably measurable.

These conditions are deemed to be met at the point that the related scheme expenditure is recognised, that is, upon completion of all substantive processes to validate and reliably measure each claim.

For all other European Agricultural Guarantee Fund schemes administered by the agency an accrual point has been established according to the applicable scheme rules and regulations.

When a present obligation for payment is identified to fall on or before the Statement of Financial Position date, it is shown as a payable in the current year's financial statements with a corresponding European Commission receivable.

Similarly, any element paid in advance of these accrual points is treated as a prepayment.

The impact of any foreign exchange movements between claim date and the date of actual reimbursement by the European Commission are borne by the agency and accordingly recognised within the Statement of Comprehensive Net Expenditure.

UK Exchequer funded schemes

With the exception of the reimbursement of Financial Discipline Mechanism funds deducted from earlier years' scheme expenditure, payments made to customers on or after 16 October 2020 are funded directly by the UK Exchequer.

The agency has reassessed the points at which it recognises expenditure under such schemes. The lack of income from these schemes means it is no longer appropriate to align expenditure with related income recognition points, as was the case under European Commission funded schemes.

For all UK Exchequer funded schemes, expenditure is recognised by the agency when both of the following criteria are judged to be met:

a) the customer has fulfilled their performance obligations in line with the applicable scheme rules and regulations; and

b) the value of the claim is able to be reliably estimated by the agency.

This commonly results in expenditure being recognised on receipt of claims from customers. However expenditure may be recognised later when claims are received in advance of other underlying performance obligations being completed by the customer.

RPA administers several schemes for all UK claimants. Principally these schemes comprise of the Fruit & Vegetables scheme and School Milk scheme. Where RPA makes payments to claimants outside of England these amounts are reclaimed from the associated devolved administrations in Scotland, Wales and Northern Ireland. This income is recognised by the agency when it is probable that it will receive a reimbursement from the devolved administration for scheme expenditure incurred and the amount to be received is considered reliably measurable.

These conditions are deemed to be met at the point that the related scheme expenditure is recognised. The income is presented with the UK funded schemes section of Note 5.

1.9 Accounting for sugar levies

In accordance with European Commission regulations, the agency collects and surrenders both Sugar and Isoglucose production charges and other charges to fund the restructuring of the sugar regime. Sugar restructuring receipts are remitted directly to the European Commission through the monthly reimbursement process.

In accordance with section 11.3 of the 2020-21 FReM, the agency has excluded revenue collected from sugar production charges from the financial statements. All related expenditure, assets and liabilities have also been excluded. The agency does not consider these amounts to be material to the entity for either the current or prior year accounting period and separate trust statements have not been prepared. The amounts excluded are disclosed in Note 21 of these financial statements.

1.10 Other UK paying agencies expenditure and income

Other UK paying agencies have continued to administer payments to customers throughout the year under the European Agricultural Fund for Rural Development. These payments are funded by the agency and are subsequently recovered by the agency from the European Commission.

Other UK paying agencies also administered Basic Payment Scheme payments to customers under the European Agricultural Guarantee Fund. Where such payments were made on or before 15 October 2020, the payments were funded by the agency and were subsequently recovered by the agency from the European Commission.

Basic Payment Scheme payments to customers in Scotland, Wales and Northern Ireland on or after 16 October 2020 are funded directly by the other paying agencies. As such, no expenditure or income is recognised by the agency in respect of these transactions.

Scheme expenditure in relation to funding provided by the agency is recognised when the agency has a present obligation to fund a payment to the other UK paying agencies and the amount payable is considered reliably measurable and probable. These conditions are deemed to be met upon the receipt of a funding request from the other UK paying agencies, adjusted for any over or underfunding to the paying agencies calculated at period end. Funds provided to other paying agencies in advance of these points are treated as prepayments. As accredited paying agencies, other UK paying agencies are responsible for the regularity and propriety of payments issued to their ultimate beneficiaries.

Scheme income in relation to funding provided to the other UK paying agencies is recognised by the agency when it is probable that it will receive reimbursement from the European Commission for scheme expenditure incurred and the amount to be received from the European Commission is considered reliably measurable. These conditions are deemed to be met at the point that the related scheme expenditure is recognised.

All expenditure and income related to the funding of other UK paying agencies is presented in Note 6. The impact of any foreign exchange movements between the claim date and the date of actual reimbursement by the European Commission are borne by the agency and accordingly recognised in the Statement of Comprehensive Net Expenditure.

1.11 European Commission funding of schemes administered by the agency

Rural development expenditure under the RDPE is managed by the agency on behalf of Defra. Accordingly, scheme income and expenditure are reported in Defra's resource accounts with transfers reported as movements through the General Fund.

The impacts of any foreign exchange movements between the claim date and the date of actual reimbursement by the European Commission are borne by the agency and accordingly recognised within the Statement of Comprehensive Net Expenditure.

1.12 Value Added Tax (VAT)

Defra and its executive agencies share a single VAT registration. Most activities relating to the group are outside the scope of VAT.

As a result, input tax cannot generally be recovered. However, under an HM Treasury concession applying to government departments, limited input VAT recovery may be possible on certain specified contracted out services attributable to those activities. For those limited activities where output VAT is charged, directly attributable input VAT can be recovered under the normal rules.

In all instances, where output tax is charged, and input tax is recoverable, amounts are stated net of VAT. Where input tax cannot be recovered, amounts are stated inclusive of VAT.

1.13 Foreign currency transactions

The functional and presentational currency of the agency is sterling.

The agency receives reimbursements from the European Commission in euros for funds administered by the agency and other UK paying agencies in relation to the Basic Payment Scheme, the Rural Development Programme and Trader Schemes in accordance with respective scheme rules and regulations.

Furthermore, the agency makes a portion of payments under the Basic Payment Scheme in euros to farmers, and funds other UK paying agencies in sterling and euros.

These foreign currency transactions are recognised as scheme expenditure and scheme income at the rates of exchange prevailing on the dates of recognition of those transactions as described in Notes 1.8, 1.10 and 1.11. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in the Statement of Comprehensive Net Expenditure in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks, see Note 1.14 and Note 1.15.

1.14 Derivative financial instruments

The agency enters into a variety of foreign exchange forward and option contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 13.

Note that, despite a number of schemes ceasing to be EU funded during the year, the agency continues to be exposed to foreign exchange risk in respect of schemes which the agency administers on behalf of Defra, and which continue to be funded by the EU (e.g. in respect of schemes forming part of the Rural Development Programme for England).

The agency also continues to fund the devolved authorities for equivalent rural development programmes and continues to manage the resulting foreign exchange risk which arises on the ongoing reimbursement of CAP expenditure. Therefore the agency continues to hold derivative contracts to mitigate this exposure.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period date. The resulting gain or loss is recognised in the Statement of Comprehensive Net Expenditure immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Net Expenditure depends on the nature of the hedge relationship.

The agency designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset or current liability if the remaining maturity of the instrument is less than 12 months, or is greater than 12 months but is expected to be realised or settled within 12 months. The agency does not enter into derivative arrangements for speculative purposes.

1.15 Hedge accounting

In accordance with IFRS9, the agency elects to designate certain foreign currency derivatives as cash flow hedges of the euro denominated receipts from the European Commission in relation to the Basic Payment Scheme.

At inception of the hedge relationship, the agency documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flow of the hedging instrument are expected to offset changes in the cash flow of hedged items. The agency documents its risk management objective and strategy for undertaking its hedge transactions.

When forward contracts are used to hedge forecast transactions, the agency designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within Taxpayers' Equity.

The change in the forward element of the contract that relates to the hedged item is recognised within Other Comprehensive Expenditure in the costs of hedging reserve within Taxpayers' Equity.

When option contracts are used to hedge forecast transactions, the agency designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within Taxpayers' Equity.

The changes in the time value of the options that relate to the hedged item are recognised within Other Comprehensive Expenditure in the costs of hedging reserve within Taxpayers' Equity.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in Taxpayers' Equity at that time remains in Taxpayers' Equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur the cumulative gain or loss and deferred costs of hedging that were reported in Taxpayers' Equity are recognised immediately in the Statement of Comprehensive Net Expenditure.

1.16 Trade receivables

Trade and other receivables primarily represent amounts expected from the EC, other government agencies, and customers under various schemes administered by the agency. Trade and other receivables are classified under IAS 32 Financial Instruments as financial assets.

The business model of the agency is to collect payments of principal, and interest where applicable, from its debtors. In general the largest receivables owed to the agency, tend to be public sector entities or the EC in respect of money owed for schemes processed, to which no real prospect of default applies.

The agency has no non-current receivables or any receivables where a financing component has been applied. Therefore the agency recognised its receivables at fair value, and holds them at amortised cost which for receivables with no financing component, is the invoiced amount, less provision for expected credit losses.

Expected credit losses

The agency has reviewed receivable balances against the creditworthiness of the related customers. For those customers that are not other government agencies or the EU, the agency has policies and procedures in place to ensure credit risk is kept to a minimum. These include netting receivable balances owed to the agency against scheme payments the agency are obliged to make to those customers, contacting customers with overdue receivable balances by letter, phone and e-mail, and in some cases offering them sensible repayment terms to recover sums owed. The agency is therefore not exposed to material credit risk.

Because receivables are short term in nature with no financing component, the simplified model has been applied in which the loss allowance is equal to lifetime expected credit losses. Credit losses are recognised in the Statement of Comprehensive Net Expenditure and measured as the present values of the differences between the contractual cash flow, and the estimated future cash flow.

The estimated future cash flows are determined after considering, amongst other things, the impact of agreed payment plans with customers, amounts expected to be recovered through interception (the process of offsetting a customer's receivables against a future scheme payment) and historic collection data for customers who have left the scheme.

1.17 Pensions

Present and past employees of the agency are covered by the provisions of four separate defined benefit schemes called Principal Civil Service Pension Schemes (PCSPS), and from 1 April 2015 a career average basis scheme called alpha, which are described in Note 2.2. The agency recognises the expected cost of these pension schemes on a systematic and rational basis over the period during which it benefits from employees' services by payment to the five pension schemes calculated on an accruing basis. Liability for future benefits is a charge on the pension schemes on an accruing basis. The agency does not make contributions to any other pension scheme.

1.18 Provisions

Provisions are recognised when the agency has a legal or constructive present obligation as a result of a past event, it is probable that the agency will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received and the amount of the reimbursement can be measured reliably.

1.19 Early departure costs

The agency is required to meet the additional costs of benefits before normal retirement age in respect of employees who retire under early severance and early retirement schemes. The agency provides for this when a formal letter has been issued to the employee giving a leaving date and severance terms.

1.20 Contingent liabilities

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the entity; or a present obligation that arises from past events but is not recognised because (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

In addition to contingent liabilities disclosed in accordance with IAS 37, the agency discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.21 Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the agency that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The agency has identified the Chief Executive Officer as the Chief Operating Decision Maker.

The required granular information is disclosed in the accounts in Note 5 and Note 6 for scheme, and Note 3 and Note 4 for running costs, because these notes are reflective of the information presented to senior management and relevant decision makers.

For segmental reporting during 2020-21, Defra uses major areas of spend as reported monthly to the Defra Management Committee. The agency represents one of these discrete areas of spend. As in previous years, the Chief Executive Officer continued to review and monitor the agency's operational and financial performance at this aggregated level as presented in Defra's financial statements.

1.22 Critical accounting judgements and key sources of estimation uncertainty

The Chief Executive Officer, in his capacity as Accounting Officer, uses judgement in making estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the accounting period in which the estimate is revised, and if the revision also affects future periods in these periods as well. In reviewing these estimates we consider the extent to which these could possibly vary and whether such a variation could indicate the need for a material adjustment to the accounts.

There is nothing in the current review to indicate that a variation of a material amount could arise.

The following are the critical judgements, which the Chief Executive Officer, in his capacity as Accounting Officer, has made in the process of applying the agency's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

a. Recoverability and useful lives of intangible assets:

In capitalising internally developed applications and bespoke IT software projects and licences and packages developed by third parties, the Chief Executive Officer, in his capacity as Accounting Officer, makes judgements and estimates when assessing whether the costs incurred meet the criteria for capitalisation in the accounting standards, whether the capitalised software will continue to provide sufficient benefit to the agency to support its carrying amount, and whether the useful life of the existing capitalised, internally generated intangible assets remains appropriate.

Key factors driving useful life and impairment assessments include estimates of the expected future life span of the current schemes administered by the agency and the expected use of some or all of the current functionalities of the current capitalised intangible assets in pilots and succession schemes.

b. Expected credit loss:

The Chief Executive Officer, in his capacity as Accounting Officer, periodically assesses the recoverability of trade receivables and in line with IFRS 9, recognises an expected credit loss for those receivables for which partial or full recovery is not probable. In making this assessment the factors considered include the credit quality of the customer, the ageing of the receivables, historical trends on recovery, the opportunity to recover through interception against future payments, and the ability to agree a payment plan with the customer involved.

c. Additional (post payment) claim amounts:

In preparing the accounts an assessment is made of the extent to which adjustments are likely to be needed in relation to claims already paid where potential issues have been identified post payment.

This may result in additional payments or recoveries being required, and therefore management estimates are needed to assess additional amounts which might need to be recognised. In assessing the value of these future payments the RPA considers queries raised by the recipients of claim payments; the underlying accuracy of data supporting the claim; the input and processing of claims, their compliance with scheme rules and the application of any penalties or adjustments. Management also identifies the claim populations displaying similar characteristics to those individual claims found to be affected by system or data issues, so as to assess any additional liabilities to be included.

An accrual of £1.4 million (2019-20: £4.2 million) has been recognised, which represents management's view of the most likely additional amounts due to individual Basic Payment Scheme claimants. In 2019 -20 all such payments were expected to be funded through the European Commission, and consequently a receivable balance of the same value as the accrued amount was recognised in accordance with RPA's accounting policies. All such estimated expenditure in the current year is expected to be UK funded, and as such no receivable balance has been recognised.

d. Estimated amounts for claims not yet paid

In line with the policy set out in Note 1.8, RPA typically recognises UK funded scheme expenditure upon the receipt of claims (or later if the claimant has other obligations to fulfil). This is prior to claims being fully checked and validated by RPA. In preparing the accounts RPA makes an estimate of the actual amounts which are likely be paid in order to settle the claims received.

An accrual of £30.5 million (2019-20: £0.3 million) has been recognised, which represents management's view of the most likely amounts due to individual claimants. In 2019-20 the majority of scheme payments were EU funded, and therefore expenditure was recognised only upon completion of substantive processes to validate each claim against European Commission rules for the schemes, which was usually immediately prior to payment.

Year end accruals for UK funded scheme expenditure	As at 31 March 2021 (£000)	As at 31 March 2020 (£000)
Basic Payment Scheme	**6,604**	-
Fruit & Vegetables	**19,925**	278
School Milk	**2,778**	2
Countryside Stewardship	**1,167**	-
Farming Recovery fund	**43**	-
Total	**30,517**	280

1.23 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Bank overdraft amounts are included within trade and other payables in the Statement of Financial Position.

1.24 General Fund

The General Fund represents the total assets less liabilities of the agency, to the extent that the total is not represented by other reserves. Financing by Defra is credited to the General Fund. When the agency makes repayments of financing to Defra these are debited to the General Fund.

1.25 Financial penalties

The agency receives income through reimbursement of scheme expenditure from the European Commission. This includes reimbursements of payments made by other UK paying agencies, see Note 1.10.

The European Commission may apply financial penalties to any of the paying agencies if they consider there to be infringement of scheme regulations.

These penalties, referred to as "financial corrections" or "disallowance", are typically deducted retrospectively from reimbursements. Due to the time taken for the European Commission to assess possible penalties, corrections may continue to arise for a number of years after the UK's exit from the European Union.

Financial penalties attributable to schemes administered by the agency are recognised as a loss in the Statement of Comprehensive Net Expenditure of the department, not within the agency's accounts. The shortfall in reimbursement is shown as a funding transfer through the agency's Statement of Changes in Taxpayers' Equity when the reimbursement takes place.

Financial penalties attributable to the RDPE are also recognised as a loss by the department, not the agency. These are accounted for in the same way as penalties relating to schemes administered by the agency.

Financial penalties attributable to schemes administered by other UK paying agencies are charged to those agencies at the point the European Commission deduct it from their reimbursement. These have no impact on the expenditure or income reported by the agency.

1.26 Corporate overhead recharges (notional)

Defra Corporate overhead services costs, comprising charges for legal, HR, IT, estates, procurement and shared services including payroll and financials, are recognised by the agency as notional charges, with the core department recording the associated credit. The agency still benefits from the use of these Corporate Services but the full budgets are retained by Defra in order to procure and manage the services more efficiently and effectively.

The annual non-cash charges for these services are instead issued to the agency for inclusion in the agency statutory accounts to ensure a true and fair view of costs is presented. A corresponding credit in the Defra accounts ensures that there is no duplication on consolidation.

1.27 Adoption of new and revised standards

The following reporting standard was due to become effective for reporting periods from 1 April 2020:

IFRS 16 Leases

This requires entities to recognise the cumulative effects of initially applying IFRS 16 at the date of initial application as an adjustment to the opening balances of Taxpayers' Equity. However the Financial Reporting Advisory Board announced in December 2020 the decision to defer the implementation of IFRS 16 in central government to 1 April 2022, due to the pressure government bodies were under responding to the COVID-19 crisis.

The first set of accounts likely to include the use of the standard are 2022-23. The agency does not envisage material adjustment to the financial statements following the introduction of this standard as most of the agency's operating leases are held and recorded by Defra.

The following reporting standard will become effective for accounting periods after 1 January 2023:

IFRS 17 Insurance Contracts

This specifies the requirements for the accounting for insurance contracts. The first set of accounts likely to include the use of the standard are 2023-24. The current activities of the RPA do not include activities which would be classed as providing insurance. As such, no material impact is expected from the implementation of this standard.

2. STAFF NUMBERS AND RELATED COSTS

2.1 Staff costs comprise:

	Permanently employed staff (£000)	Short term/ fixed term appointment (£000)	Year to 31 March 2021 Total (£000)	Permanently employed staff (£000)	Short term/ fixed term appointment (£000)	Year to 31 March 2020 Total (£000)
Wages and salaries	**50,697**	**6,382**	**57,079**	49,269	1,789	51,058
Social security costs	**4,859**	**554**	**5,413**	4,830	123	4,953
Other pension costs	**12,681**	**1,658**	**14,339**	12,512	371	12,883
Early retirement and early severance costs						
Expensed in the year	**4**	**-**	**4**	281	-	281
	68,241	**8,594**	**76,835**	66,892	2,283	69,175
Less recoveries in respect of secondments			**(142)**			(245)
Agency staff			**13,434**			20,818
Contractors			**201**			364
Total staff costs			**90,328**			90,112

No staff costs have been capitalised (2019-20: £nil).

Average number of persons employed

The average number of full-time equivalent persons employed (including senior management and agency staff) during the year was as follows:

	Year to 31 March 2021	Year to 31 March 2020
Permanently employed staff	**2,017**	1,783
Agency	**432**	765
Contractors	**2**	3
Total	**2,451**	2,551

Individual contractors engaged to fill temporary or permanent vacancies, or provide additional resource are included within staff costs in Note 2.1. Where firms have been engaged to provide services, they are not considered to be employees and are excluded from staff costs in Note 2.1 and are reflected within Non-IT professional services in Note 3.

2.2 Pension schemes

For 2020-21, employers' contributions of £14.2 million were payable to the PCSPS (2019-20: £12.7 million) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the members retire and not the benefits paid during this period to existing pensioners.

Employers' contributions of £198,000 (2019-20: £160,000) were paid to the Legal & General stakeholder pension provider. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £7,200 (2019-20: £5,700), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £17,600 (2019-20: £16,700). There were no prepaid contributions at that date.

2.3 Reporting of Civil Service and other compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Where the agency has agreed early retirements, the additional costs are met by the agency and not by the civil service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

During the year to 31 March 2021 there were no compulsory redundancies (2019-20: nil) and two voluntary redundancies (2019-20: three).

	Year to 31 March 2021	Year to 31 March 2020	Year to 31 March 2021	Year to 31 March 2020	Year to 31 March 2021	Year to 31 March 2020	Year to 31 March 2021	Year to 31 March 2020
Exit packages cost band	Number of compulsory departures		Value of compulsory departures (£000)		Number of other departures		Value of other departures (£000)	
Up to £10,000	**-**	-	**-**	-	**1**	-	**9**	-
£10,001 - £25,000	**-**	-	**-**	-	**1**	-	**23**	-
£25,001 - £50,000	**-**	-	**-**	-	**-**	1	**-**	47
£50,001 - £100,000	**-**	-	**-**	-	**-**	1	**-**	92
£100,001 - £150,000	**-**	-	**-**	-	**-**	1	**-**	100
Total No. of exit packages and costs	**-**	-	**-**	-	**2**	3	**32**	239

3. OTHER RUNNING COSTS

	Note	Year to 31 March 2021 (£000)	Year to 31 March 2020 (£000)
Non-cash items (including notional charges)			
Corporate overhead recharge (notional)[1]		**51,315**	56,920
Loss on disposal of non-current assets		**473**	-
Depreciation	**7**	**559**	582
Amortisation	**8**	**7,458**	16,662
		59,805	74,164
Other expenditure			
Accommodation including recharges		**52**	79
IT costs		**348**	201
Non-payroll staff costs		**856**	2,625
Communications costs		**1,815**	2,206
Non-IT professional services		**5,294**	6,601
Certification Body (NAO) grant certification fee		**2,441**	3,144
Other running costs		**(80)**	166
		10,726	15,022
Total		**70,531**	89,186

1. Services and facilities provided by Defra.

The agency does not directly meet the costs of certain services that are provided centrally by Defra. These services are agreed and managed through service level agreements between the agency and Defra.

The agency reports these notional recharges to accurately reflect the true costs of operations, with a matching credit recorded in the general funds.

The Corporate overhead recharge (notional) comprises:

	Year to 31 March 2021 (£000)	Year to 31 March 2020 (£000)
Estate Management costs	**8,773**	10,753
Information Technology	**34,823**	37,295
Human Resources services	**2,091**	2,590
Legal services	**712**	655
Communications	**608**	652
Shared services including payroll and financial	**4,073**	4,740
Auditors remuneration and expenses	**235**	235
Total	**51,315**	56,920

During the year to 31 March 2021, the agency received no non-audit services from the NAO (2019-20: £nil).

Included in Notes 2 and 3 are the costs associated with the Co-ordinating Body which are summarised in the following table:

	Year to 31 March 2021 (£000)	Year to 31 March 2020 (£000)
Payroll costs	**435**	502
Other costs	**119**	135
Certification Body (NAO) grant certification fee	**2,441**	3,144
Total	**2,995**	3,781

The Co-ordinating Body is an independent body, whose function is to ensure that all paying agencies maintain their accreditation status and effectively administer CAP.

4. RUNNING COSTS INCOME

	Year to 31 March 2021 (£000)	Year to 31 March 2020 (£000)
Rural Development Programme for England Technical Assistance	**-**	(19,970)
British Cattle Movement Service (BCMS)	**(3,849)**	(3,600)
Other running costs income	**(76)**	(80)
Total	**(3,925)**	(23,650)

During the year to 31 March 2021, the agency claimed no income from the 2007-13 Rural Development Programme for England Technical Assistance (RDPE TA) fund (2019-20: £20.0 million) as 2019-20 was the last year the European Commission funded the technical assistance programme.

The agency also received income in 2020-21 for services it provides for the BCMS on behalf of Defra of £3.8 million (2019-20: £3.6 million).

5. SCHEMES ADMINISTERED BY THE AGENCY

	Year to 31 March 2021			Year to 31 March 2020 Re-presented[4]		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (£000)	Income (£000)	Net (£000)
UK Funded schemes[1]						
Basic Payment Scheme[1]	**1,835,009**	**-**	**1,835,009**	-	-	-
Fruit & Vegetables	**29,993**	**(3,238)**	**26,755**	-	-	-
School Milk	**5,168**	**(4,065)**	**1,103**	-	-	-
Dairy Response fund	**1,017**	**-**	**1,017**	-	-	-
Countryside Stewardship	**1,252**	**-**	**1,252**	-	-	-
Farming Recovery fund	**906**	**-**	**906**	5	-	5
Other Schemes	**343**	**(181)**	**162**	-	-	-
Total UK Funded schemes	**1,873,688**	**(7,484)**	**1,866,204**	5	-	5
EU Funded schemes[1]						
Basic Payment Scheme[2]	**32,727**	**(32,814)**	**(87)**	1,844,173	(1,844,224)	(51)
Fruit & Vegetables	**23,683**	**(24,357)**	**(674)**	31,731	(31,326)	405
School Milk	**943**	**(1,002)**	**(59)**	3,392	(3,196)	196
Other Schemes	**563**	**(673)**	**(110)**	4,000	(2,553)	1,447
Total EU Funded schemes	**57,916**	**(58,846)**	**(930)**	1,883,296	(1,881,299)	1,997

5. SCHEMES ADMINISTERED BY THE AGENCY (CONTINUED)

	Year to 31 March 2021			Year to 31 March 2020 Re-presented[4]		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (£000)	Income (£000)	Net (£000)
Other costs						
Realised exchange loss	**3,396**	**-**	**3,396**	2	-	2
Unrealised exchange (gain)/loss	**(5,855)**	**-**	**(5,855)**	5,102	-	5,102
Cost of hedging contracts	**(56)**	**-**	**(56)**	64,617	-	64,617
Other scheme related costs[3]	**773**	**-**	**773**	1,480	-	1,480
Other scheme related income	**-**	**4**	**4**	-	(116)	(116)
Total of other costs	**(1,742)**	**4**	**(1,738)**	71,201	(116)	71,085
Total scheme expenditure/(income)	**1,929,862**	**(66,326)**	**1,863,536**	1,954,502	(1,881,415)	73,087

1. UK funded scheme expenditure relates to amounts paid to customers on or after 16 October 2020, for which there is no European Commission funding as a result of the UK's exit from the European Union. European Union funded scheme expenditure and income relates to payments made under the same schemes prior to 16 October 2020, or where the European Commission has agreed to fund expenditure.

2. BPS income includes a decrease of £0.4 million (2019-20: increase of £71.9 million) resulting from foreign exchange hedging transactions, see Note 13.

3. Other scheme related costs include losses, special payments, legal fees and movements in the expected credit losses for receivables.

4. Expenditure descriptions have been altered to improve the clarity of the note. School Milk scheme expenditure and income were previously presented within Other schemes.

6. OTHER PAYING AGENCIES

	Year to 31 March 2021			Year to 31 March 2020		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (£000)	Income (£000)	Net (£000)
Other paying agencies[1]						
Scottish Government Rural Payments and Inspections Division	**326,592**	**(326,254)**	**338**	728,451	(729,663)	(1,212)
Welsh Government	**107,636**	**(107,556)**	**80**	292,703	(292,707)	(4)
Department of Agriculture, Environment and Rural Affairs, Northern Ireland	**16,656**	**(16,657)**	**(1)**	309,820	(309,920)	(100)
Total scheme expenditure/(income)	**450,884**	**(450,467)**	**417**	1,330,974	(1,332,290)	(1,316)

1. OPAs income includes an increase of £3.4 million (2019-20: increase of £23.0 million) resulting from foreign exchange hedging transactions, see Note 13.

The agency is required to provide funding to other paying agencies in order to allow them to make payments under EU funded schemes. The associated income claimed from the European Commission, is presented alongside the funding provided. BPS expenditure paid after 15 October 2020 is funded directly by the relevant devolved administration, and as such no expenditure or income is presented within the agency's accounts. This is the cause of the significant decrease in both funding and income year on year.

7. PROPERTY, PLANT AND EQUIPMENT

	Information technology hardware and office machinery (£000)	Total (£000)
Valuation		
At 1 April 2020	**5,787**	**5,787**
Additions	**13**	**13**
Disposals	**(4,537)**	**(4,537)**
Revaluations	**(217)**	**(217)**
At 31 March 2021	**1,046**	**1,046**
Depreciation		
At 1 April 2020	**4,936**	**4,936**
Charged in year	**559**	**559**
Disposals	**(4,258)**	**(4,258)**
Revaluations	**(203)**	**(203)**
At 31 March 2021	**1,034**	**1,034**
Net Book Value		
At 1 April 2020	851	851
At 31 March 2021	**12**	**12**
Assets Financing		
Owned	**12**	**12**
Net Book Value at 31 March 2021	**12**	**12**

Included in property, plant and equipment are assets with a historic cost of £1.0 million (31 March 2020: £3.4 million), which have been fully depreciated. These assets are still in use by the agency.

	Information technology hardware and office machinery (£000)	Total (£000)
Valuation		
At 1 April 2019	6,128	6,128
Disposals	(334)	(334)
Revaluations	(7)	(7)
At 31 March 2020	5,787	5,787
Depreciation		
At 1 April 2019	4,702	4,702
Charged in year	582	582
Disposals	(334)	(334)
Revaluations	(14)	(14)
At 31 March 2020	4,936	4,936
Net Book Value		
At 1 April 2019	1,426	1,426
At 31 March 2020	851	851
Assets Financing		
Owned	851	851
Net Book Value at 31 March 2020	851	851

8. INTANGIBLE ASSETS

	Information technology (£000)	Software licences (£000)	Total (£000)
Valuation			
At 1 April 2020	**155,315**	**3,120**	**158,435**
Additions	**3,083**	**-**	**3,083**
Disposals	**(331)**	**(2,947)**	**(3,278)**
Revaluations	**4,826**	**(173)**	**4,653**
At 31 March 2021	**162,893**	**-**	**162,893**
Amortisation			
At 1 April 2020	**101,112**	**3,110**	**104,222**
Charged in year	**7,456**	**2**	**7,458**
Disposals	**(145)**	**(2,939)**	**(3,084)**
Revaluations	**2,405**	**(173)**	**2,232**
At 31 March 2021	**110,828**	**-**	**110,828**
Net Book Value			
At 1 April 2020	54,203	10	54,213
At 31 March 2021	**52,065**	**-**	**52,065**
Assets Financing			
Owned	**52,065**	**-**	**52,065**
Net Book Value at 31 March 2021	**52,065**	**-**	**52,065**

During the year to 31 March 2021 there were £nil impairment losses (2019-20: £nil).

Included in intangible assets are assets with a historic cost of £40.6 million (31 March 2020: £43.5 million) which have been fully amortised. These assets are still in use by the agency.

The historic cost net book value for intangible assets as at the balance sheet date is £45.5 million.

During 2020-21 the decision was made to use existing CAP scheme payment assets for delivery of UK funded future farming scheme payments. This has resulted in CAP scheme payment assets with a net book value of £53.0 million at 1 April 2020, having their useful life extended to 31 March 2028. This has resulted in a reduction in amortisation on these assets in 2020-21 of £10.4 million.

During the year to 31 March 2021 the agency had £3.1 million intangible assets transferred from Defra through reserves (2019-20: £4.9 million).

8. INTANGIBLE ASSETS (CONTINUED)

	Information technology (£000)	Software licences (£000)	Total (£000)
Valuation			
At 1 April 2019	149,230	3,119	152,349
Additions	4,938	-	4,938
Disposals	(2,135)	-	(2,135)
Revaluations	3,282	1	3,283
At 31 March 2020	155,315	3,120	158,435
Amortisation			
At 1 April 2019	85,605	3,104	88,709
Charged in year	16,657	5	16,662
Disposals	(2,135)	-	(2,135)
Revaluations	985	1	986
At 31 March 2020	101,112	3,110	104,222
Net Book Value			
At 1 April 2019	63,625	15	63,640
At 31 March 2020	54,203	10	54,213
Assets Financing			
Owned	54,203	10	54,213
Net Book Value at 31 March 2020	54,203	10	54,213

9. TRADE RECEIVABLES

Amounts falling due within one year:

	31 March 2021 (£000)	31 March 2020 (£000)
Due from Defra and its agencies	**152**	345
Due from other government departments (including OPAs)	**9,151**	7,842
VAT recoverable	**1,270**	1,000
Total Intra-government balances	**10,573**	9,187
Trade receivables	**4,217**	4,879
Less expected credit loss for receivables	**(804)**	(912)
	3,413	3,967
Due from European Agricultural Guarantee Fund/European Agricultural Fund for Rural Development	**249,722**	600,896
Prepayments and other receivables	**17,947**	730
Total other receivables	**271,082**	605,593
Total receivables	**281,655**	614,780

The credit period for trade receivables invoices is nil except in those instances where an agreement is reached between the agency and the customer to allow for recovery through the interception of future payments or extended repayment terms are agreed. The agency has an ability to charge interest on overdue scheme balances.

10. CASH AND CASH EQUIVALENTS

	31 March 2021 (£000)	31 March 2020 (£000)
Balances held at 1 April	**500,038**	499,595
Net cash (outflow)/inflow	**(169,847)**	443
Total balance	**330,191**	500,038

The following balances were held at 31 March:

	31 March 2021 (£000)	31 March 2020 (£000)
Government Banking Services	**330,191**	500,038
Total balance	**330,191**	500,038

Included within the cash held with Government Banking Services at 31 March 2021, are cash securities of £5.0 million (31 March 2020: £2.4 million) received from import and export traders and held by the agency within a public bank account. These are payments made to the agency to ensure these traders comply with the obligations associated with the import and export licences they have been issued. If a trader does not meet these obligations, they may forfeit these cash securities with the cash being retained by the agency.

At 31 March 2021 the cash equivalent balance was £nil (31 March 2020: £nil).

11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year:

	31 March 2021 (£000)	31 March 2020 (£000)
Due to Defra and its agencies	**122**	737
Due to other government departments (including OPAs)	**6,013**	64,454
Other taxation and social security	**1,327**	1,260
Total Intra-government balances	**7,462**	66,451
Trade payables[1]	**8,454**	14,038
Cash securities[2]	**4,959**	2,392
Scheme accruals	**69,214**	28,573
Running cost accruals	**4,233**	4,893
Other payables	**1,422**	1,440
Total other payables	**88,282**	51,336
Total payables	**95,744**	117,787

1. Trade payables principally comprise amounts outstanding for claims to be paid to customers.

2. Traders wishing to undertake certain transactions under European Commission regulations are required to guarantee completion of the transaction by lodging a security with the agency. The security may be forfeited (in whole or in part) if the undertaking is not completely fulfilled. The security received is included within cash; see Note 10, with the corresponding liability with the trader shown above.

Amounts falling due after more than one year:

	31 March 2021 (£000)	31 March 2020 (£000)
Advances on Rural Development Programmes	**125,235**	130,282
Total	**125,235**	130,282
Total trade payables and other liabilities	**220,979**	248,069

The agency considers that the carrying amount of trade and other payables approximates to their fair value.

As at 31 March 2021, the agency considers that the fair value of the advances received on Rural Development Programmes for Defra and OPAs is £125.2 million (31 March 2020: £130.3 million).

12. PROVISIONS

12.1 Running cost provision

Running cost provisions include the early retirement and severance costs of former employees and other provisions and were fully paid by the end of April 2020.

12.2 Scheme related provision

The agency has a number of cases where customers have challenged its decisions regarding their claim eligibility for scheme payments. This has been reviewed on a case by case basis, with provisions made where the agency considers payment to be probable and can be measured reliably.

	Running cost provisions (£000)	Scheme related provisions (£000)	Total (£000)
Balance at 1 April 2020	**89**	**227**	**316**
Provided for in year	-	**143**	**143**
Released in year	-	**(227)**	**(227)**
Utilised	**(89)**	-	**(89)**
Balance at 31 March 2021	-	**143**	**143**
Analysed as			
Current	-	**143**	**143**
Balance at 31 March 2021	-	**143**	**143**
Analysis of expected timing of discounted flows			
No later than one year	-	**143**	**143**
Balance at 31 March 2021	-	**143**	**143**

13. FINANCIAL INSTRUMENTS

13.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of expenditure and income) for each class of financial asset and financial liability are disclosed in Note 1.

Categories of financial instruments:

Financial Assets

	Amortised Cost (£000)	Fair value-SOCNE[1] (£000)	Fair value-OCE[2] (£000)	31 March 2021 (£000)	31 March 2020 (£000)
Trade receivables and other current assets	**263,795**	-	-	**263,795**	614,139
Cash and cash equivalents	**330,191**	-	-	**330,191**	500,038
Derivative instruments in designated hedge accounting relationships	-	-	-	-	695
Other derivative instruments	-	**8,766**	-	**8,766**	767
Sub-total of derivatives assets	-	**8,766**	-	**8,766**	1,462

Financial Liabilities

	Amortised Cost (£000)	Fair value-SOCNE[1] (£000)	Fair value-OCE[2] (£000)	31 March 2021 (£000)	31 March 2020 (£000)
Trade payables and other liabilities	**217,718**	-	-	**217,718**	245,743
Derivative instruments in designated hedge accounting relationship	-	-	-	-	3,043
Other derivative instruments	-	**572**	-	**572**	10,123
Sub-total of derivatives liabilities	-	**572**	-	**572**	13,166

Others:

Financial Guarantee Contracts

	31 March 2021 (£000)	31 March 2020 (£000)
Cash securities (included within both cash and trade payables above)	**4,959**	2,392
Non-cash guarantees	**1,766,000**	2,514,000

1. Other derivative instruments not designated for hedging are measured at Fair Value through the Statement of Comprehensive Net Expenditure (SOCNE).

2. Derivative instruments in designated hedge accounting relationships are measured at Fair Value through Other Comprehensive Expenditure (OCE).

Cash on deposit at 31 March 2021 consists of money lodged with Government Banking Services and Commercial Banks.

The sterling denominated accounts held within Government Banking Services are not subject to an interest rate charge while the euro denominated accounts held were subject to an interest rate charge of 0.65% from 18 September 2019 onwards (0.55% until 17 September 2019).

Cash securities are provided by certain traders see Note 11. No interest is paid to traders on cash balances lodged with the agency as security.

Securities may also be in the form of a non-cash guarantee by a bank or an insurance company acceptable to the agency. Sterling guarantees totalling £777 million and euro guarantees totalling €1,161 million (£989 million) were held at 31 March 2021 (£412 million and €2,372 million (£2,102 million) at 31 March 2020).

13.2 Financial risk management policies

The agency's treasury operations are managed in accordance with the framework document agreed with Defra and HM Treasury. The framework document sets out the governance arrangements in respect of the agency's hedge strategy, the review and selection of hedge service providers, the execution of contracts, hedge accounting, the valuation of derivatives, the process for settlement of derivatives and external reporting.

13.3 Market risks

The agency's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The agency enters into forward foreign exchange contracts to manage its exposure to foreign currency risk relating to euro denominated receipts from the European Commission for the Basic Payment Scheme and Rural Development Programme scheme expenditure (including Scotland, Wales and Northern Ireland).

From January 2003, in accordance with Commission Regulation (EC) No.1997/2002 (as amended), non-Eurozone member states, such as the UK, are reimbursed by the European Commission in euros. However, the majority of distributions by the agency are transacted in sterling, which creates an exposure to gains or losses from fluctuations in foreign exchange rates between the euro and sterling. The agency has managed its exposure to this risk through the purchase of forward foreign currency contracts.

13.4 Foreign currency denominated monetary assets and monetary liabilities

The carrying amounts of the agency's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	31 March 2021		31 March 2020	
	Assets (£000)	Liabilities (£000)	Assets (£000)	Liabilities (£000)
Euro	**377,182**	**126,656**	749,867	132,097

13.5 Sensitivity analysis

The following table details the agency's sensitivity to a 10% increase and decrease in sterling against the euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 10% change in foreign currency rates.

For net operating costs a positive number indicates a decrease in net operating costs whereas a negative number indicates an increase in net operating cost. For Taxpayers' Equity a positive number indicates an increase in Taxpayers' Equity whereas a negative number indicates a decrease in Taxpayers' Equity.

	Impact of movement in Euro/Sterling rate Sterling appreciates by 10%		Impact of movement in Euro/Sterling rate Sterling depreciates by 10%	
	31 March 2021 (£000)	31 March 2020 (£000)	31 March 2021 (£000)	31 March 2020 (£000)
(Increase)/decrease in Net operating cost[1]	**(25,053)**	(61,777)	**25,053**	61,777
Derivative instruments				
(Increase)/decrease in Net operating cost[2]	**27,029**	24,876	**(27,029)**	(24,876)
Increase/(decrease) in Taxpayers' Equity[3]	**-**	49,443	**-**	(49,443)

1. This is attributable to the exposure outstanding on euro receivables and payables in the agency at the Statement of Financial Position date.
2. This is the result of the changes in fair value of derivative instruments held for trading not in designated hedging arrangements.
3. This is the result of the changes in fair value of derivative instruments designated as cash flow hedges.

Outstanding foreign currency contracts:

	Average Euro: Sterling exchange rate 31 March 2021	Hedge ratio[1] 31 March 2021	Foreign currency 31 March 2021 (€000)	Notional value 31 March 2021 (£000)	Fair value 31 March 2021 (£000)
Current derivative assets to sell euros	**0.88487**	**1:1**	**276,543**	**244,705**	**8,766**
Current derivative assets to buy euros	**0.00000**	**1:1**	**-**	**-**	**-**
Current derivative liabilities to sell euros	**0.85378**	**1:1**	**65,356**	**55,800**	**(66)**
Current derivative liabilities to buy euros	**0.87366**	**1:1**	**(24,687)**	**(21,568)**	**(506)**

1.The foreign currency forwards and options are denominated in the same currency as the highly probable future cash receipts from the European Commission (EUR), therefore the hedge ratio is 1:1.

No hedge ineffectiveness was recognised during the period, and no future ineffectiveness is expected. However possible sources of hedge ineffectiveness have been identified as:

- the credit risk of both the European Commission and the derivative counterparty, and
- the risk that forecast future euro denominated reimbursements of expenditure may not occur

During the year the agency entered into derivative exchange contracts to hedge the monthly euro denominated receipts in relation to the Basic Payment Scheme. As at 31 March 2021, the aggregate amount of gains under derivative foreign exchange contracts deferred to the cash flow hedge reserve relating to the exposure on these anticipated future receipts is £nil (31 March 2020: £1.2 million).

It is anticipated that the funds will be received during 2020-21, at which time the amount deferred in equity will be reclassified to the Statement of Comprehensive Net Expenditure.

The agency also entered into forward exchange contracts to hedge the quarterly euro denominated receipts in relation to the Rural Development Programmes. As at 31 March 2021, there are no gains or losses deferred to the cash flow hedge reserve in respect of Rural Development Programme contracts.

The fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. They represent Level 2 fair value measurements which are those derived from inputs, other than quoted prices, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

13.6 Own credit risk and counterparty credit risk

As the agency is a UK Government entity, the own credit risk for the agency is not significant. All derivative contracts are with a stable international bank, therefore the fair value of the counterparty credit risk is also limited.

Net loss on cash flow hedges transferred from Taxpayers' Equity to the Statement of Comprehensive Net Expenditure are as follows:

	Year to 31 March 2021 (£000)
Agency - scheme income	**(355)**
Other paying agencies - scheme income	**3,444**
Loss - scheme expenditure	**(4,590)**
Total transferred to the Statement of Comprehensive Net Expenditure	**(1,501)**

Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the agency. As part of its procedures the agency periodically reviews the counterparty credit risk.

Trade receivables consist of a large number of unrelated customers with differing credit qualities, which serves to diversify the agency's credit risk. An ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

13.7 Liquidity risks

The agency is funded by HM Treasury through Defra. The agency has maintained liquidity, wherever possible, through timely submission of funding claims to the European Commission.

The agency does not undertake the borrowing of funds other than from HM Treasury. Such borrowing, arising from short term in-year fluctuations in expenditure, if required, would be affected by the agency drawing monies from HM Treasury's Contingencies Fund. This facility is the subject of a formal standing arrangement agreed by HM Treasury. Drawings are normally repayable within the year.

13.8 Liquidity tables

The following tables detail the agency's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the agency can be required to pay. The table includes both interest and principal cash flows.

Non-interest bearing as follows:

	31 March 2021 (£000)	31 March 2020 (£000)
Zero - three months	**92,483**	115,461
One - five years	**125,235**	130,282
Total	**217,718**	245,743

The following table details the agency's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

The inclusion of information on non-derivative financial assets is necessary to understand the agency's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Non-interest bearing as follows:

	31 March 2021 (£000)	31 March 2020 (£000)
Zero - three months	**208,105**	543,613
Three - twelve months	**55,690**	70,526
Total	**263,795**	614,139

13.9 Gross settled foreign exchange forward contracts

The following table details the agency's liquidity for its undiscounted derivative financial instruments. All derivatives used for hedging purposes are shown by maturity based on their contractual undiscounted gross cash flows.

	31 March 2021		31 March 2020	
	Derivative liabilities (£000)	Derivative assets (£000)	Derivative liabilities (£000)	Derivative assets (£000)
Zero - three months	**532**	**9,065**	10,397	3,608
Three - six months	**-**	**110**	-	204
Total	**532**	**9,175**	10,397	3,812

13.10 Hedging reserves

The following table gives details of movements in the agency's hedging reserves.

	Cash flow hedge reserve (£000)	Deferred cost of hedging reserve (£000)	Total cost of hedging reserve (£000)
Balance as at 1 April 2020	**1,165**	**205**	**1,370**
Loss on cash flow hedges	**336**	-	**336**
Transfer to Statement of Comprehensive Net Expenditure on cash flow hedges	**(1,501)**	-	**(1,501)**
Changes in fair values of the time value of options and forward elements of forward contracts in relation to transaction related hedged items, not subject to basis adjustments	-	**(205)**	**(205)**
Balance at 31 March 2021	-	-	-

The deferred cost of hedging reserve includes the effects of the following:

- changes in fair value of the time value of options when only the intrinsic value of the option is designated as the hedging instrument;
- changes in the fair value of the forward element of a forward contract when only the change in the value of the spot element of the forward contract is designated as the hedging instruments; and
- changes in fair value of the foreign currency basis spread of a financial instrument when the foreign currency basis spread of a financial instrument is excluded from the designation of that financial instrument as the hedging instrument

The changes in fair value of the time value of option, forward element of a forward contract and currency basis of a financial instrument, in relation to a transaction related hedged item accumulated in the deferred cost of hedging reserve are reclassified to the Statement of Comprehensive Net Expenditure only when the hedged transaction affects the Statement of Comprehensive Net Expenditure.

14. REVALUATION RESERVE

The revaluation reserve relates to revaluation of Property, plant and equipment (Note 7), and Intangible assets (Note 8) analysed as follows:

	Property, plant and equipment (£000)	Intangible assets (£000)	Total (£000)
Balance at 31 March 2020	**14**	**5,077**	**5,091**
Revaluation during the year	**(14)**	**2,421**	**2,407**
Transfer to General Fund[1]	-	**(964)**	**(964)**
Balance at 31 March 2021	-	**6,534**	**6,534**

1. The transfer to the General Fund reflects the difference between the depreciation or amortisation charge based on the revalued carrying amount of the asset and the depreciation or amortisation charge based on the original cost.

15. CAPITAL COMMITMENTS

The agency had nil capital commitments as at 31 March 2021 (31 March 2020: £nil).

16. LEASE COMMITMENTS

16.1 Operating leases

Total future minimum lease payments at 31 March 2021 under operating leases are given in the table below for each of the following periods:

	31 March 2021 (£000)	31 March 2020 (£000)
Vehicles		
Not later than one year	**252**	279
Later than one year and not later than five years	**186**	450
Total	**438**	729

The following commitments relate to the proportion of the occupation of Defra leasehold properties. These arrangements between the agency and Defra reflect a future commitment to reimburse Defra for the underlying rentals paid to landlords for the provision of leasehold accommodation.

	31 March 2021 (£000)	31 March 2020 (£000)
Land		
Later than five years	-	3
Total	-	3
Buildings		
Not later than one year	**2,421**	1,750
Later than one year and not later than five years	**5,696**	5,416
Later than five years	**1,401**	2,386
Total	**9,518**	9,552

16.2 Finance leases

At 31 March 2021, the agency had no future minimum lease payments under non-cancellable finance leases (31 March 2020: none).

17. OTHER FINANCIAL COMMITMENTS

The agency has entered into non-cancellable contracts (which are not leases or Private Finance Initiative contracts). The payments to which the agency is committed are as follows:

	31 March 2021 (£000)	31 March 2020 (£000)
Not later than one year	**586**	725
Later than one year and not later than five years	**9**	-
Total	**595**	725

The following commitments relate to facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra.

	31 March 2021 (£000)	31 March 2020 (£000)
Not later than one year	**2,089**	2,270
Later than one year and not later than five years	**4,183**	6,817
Total	**6,272**	9,087

Private Finance Initiative (PFI) commitments

An off-Statement of Financial Position PFI contract was signed by the Department in February 2001. The scheme involved the grant of a 129-year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. Break points in the lease exist at the 15, 20 and 25-year points. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset.

Defra hold the lease at the office building and occupy 3.9% of the space. The remainder of the space is recharged out to a mix of arm's length bodies and other government departments according to their percentage occupancy. In 2020-21 the agency's share for occupancy is 2.5% (2019-20: 15.6%).

The agency's total commitment at 31 March 2021 is £0.1 million.

Defra freehold properties

The estimated value of non-specialised freehold property owned by Defra but occupied by the agency at 31 March 2021 is £1.5 million (31 March 2020: £4.0 million). There are no rental costs on Defra freehold properties.

18. CONTINGENT ASSETS AND CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

18.1 Contingent assets

The agency has no contingent assets.

18.2 Contingent liabilities

The agency has the following material contingent liabilities where the possibility of an outflow in settlement is not considered to be remote:

The European Commission can apply financial corrections if Defra (through the agency) does not comply with European Commission regulations for payments funded by the European Agricultural Guarantee Fund. Any amounts disallowed (and hence funded by Defra instead) will depend on the assessed severity of the breach of regulations and on subsequent clarification negotiations with the European Commission in accordance with the European Commission's clearance of accounts procedure. There is an ongoing potential liability in respect of financial corrections which is unquantifiable.

All financial corrections are funded by Defra, and the contingent liabilities for these are reported in Defra accounts and not those of the agency.

The agency is currently in receipt of appeals from scheme claimants against the non-payment of claims covering BPS, Single Payments Scheme and trader related schemes. If the appeals are successful, they could either result in a liability for EU or Exchequer funded payments. The amount of any such potential liability is unquantifiable.

No contingent liability is disclosed in the 2020-21 Annual Report and Accounts due to the improved claims payment performance and consequent reduced uncertainty over additional claims amounts.

19. RELATED PARTY TRANSACTIONS

The agency, as an executive agency of Defra, has transactions with both core Defra and the following agency:

- Animal and Plant Health Agency

The agency also had transactions with the following non-departmental public bodies which are also linked to Defra:

- Agriculture and Horticulture Development Board and its subsidiary Livestock Information Limited
- Environment Agency
- Natural England

The agency also had transactions with the following non-ministerial government department accountable to Parliament through the Secretary of State for Health and Social Care:

- Food Standards Agency

A significant proportion of CAP expenditure made by other paying agencies through the operation of market support schemes is funded by the agency. These funding transactions have been with:

- Scottish Government Rural Payments and Inspections Division
- Welsh Government (formerly Welsh Assembly Government)
- Department of Agriculture, Environment and Rural Affairs, Northern Ireland

Disclosure of employment

David Cotton was a Non-Executive Director of the agency until 31 March 2021. He is a partner of HE Cotton & Son which received scheme payments of £58,000 during the year to 31 March 2021. He is also a director of Kingshill Farming Company Ltd which received scheme payments of £69,000 during the year to 31 March 2021.

David Gardner is a Non-Executive Director of the agency. He was owed scheme payments of £1,000 during the year to 31 March 2021 which were paid in April 2021. He is also a Non-Executive Director of Waldersey Farms Limited which received scheme payments of £1.3 million during the year to 31 March 2021.

Elizabeth Passey is a Non-Executive Director of the agency. She is also a trustee of The Wye and Usk Foundation (charity) which received scheme payments of £350,000 during the year to 31 March 2021.

These transactions were undertaken in the normal course of business and all transactions were at arm's length. These Non-Executive Directors also receive salaries as shown in the Remuneration Report.

20. EVENTS AFTER THE REPORTING PERIOD

These accounts have been authorised for issue by the Accounting Officer on the date the Comptroller and Auditor General's audit certificate and report was signed.

21. SUGAR PRODUCTION CHARGES RECORDED IN THE AGENCY FINANCIAL STATEMENTS

In accordance with section 11.3 of the 2020-21 FReM, sugar production charges collected on behalf of the European Commission, including related income, expenditure, penalties, assets and liabilities are excluded from the financial statements of the agency apart from appropriations of net revenue which the agency is entitled to record as revenue in the Statement of Comprehensive Net Expenditure.

The agency collected no production charges in 2020-21 (2019-20: £nil).

The following losses have been included in the financial statements of the agency in the financial year, as a result of incorrect sugar levies being applied and charged to producers for periods 1999-00 and 2000-01.

	Year to 31 March 2021 (£000)	Year to 31 March 2020 (£000)
Liability for losses from claims for over-charges in previous years	-	2,842
Liability for settlement of claims for over-charges in previous years	-	(1,280)
Total losses incurred in year	-	1,562

In April 2019, the agency paid £2.8 million to beet growers to offset losses for over-charges in 1999-00 and 2000-01. These losses are included within the EU funded Other Scheme expenditure on Note 5 of the financial statements for 2019-20.

In July 2019, the agency collected £1.3 million from the European Commission to offset these losses, and this amount has been included within EU funded Other Scheme income in Note 5 of the financial statement for 2019-20.

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IMAGE CREDITS

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