Rural Payments Agency

SUCCESSFUL AND SUSTAINABLE FUTURES

Annual Report and Accounts 2021-22

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Rural Payments Agency
Annual Report and Accounts 2021-2022

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CHIEF EXECUTIVE OFFICER'S STATEMENT

Paul Caldwell

Chief Executive and Accounting Officer

8 July 2022

I am hugely proud of what the agency has achieved during a year which has been difficult for everyone. There have been many challenges, but the focus has remained on RPA's core purpose to deliver our wide portfolio and help agricultural and rural communities create a better place to live.

We have made significant advances during the first year of delivering our Five-Year Strategy and have been successful in evolving our main legacy schemes as we move towards the domestic approaches of the future. There is, of course, much more to achieve but I believe the strides we have made to date in terms of our performance and culture stand us in good stead.

During the course of 2021-22, the agency's people have worked tirelessly to successfully deliver our range of schemes. Excellent payment performance was achieved, as we continue in our ambition to improve or maintain year-on-year performance.

This is a significant achievement against the backdrop of challenging budgets, increased customer interest, the development and implementation of new schemes and the ongoing effects of the COVID-19 pandemic. RPA's people remained committed to delivering for customers despite the pandemic impacting the personal circumstances of many individuals and for that I would like to offer a heartfelt thank you to all in the agency.

As the pandemic entered its second year, RPA was again at the forefront of providing much needed support to the industry. In light of the global pressures facing supply chains worldwide the agency led on the development and delivery of a package of measures to support the pig sector. In November 2021, we launched the Slaughter Incentive Payment Scheme (SIPS) aiming to increase the throughput of pigs by contributing towards the extra costs involved in operating additional slaughter shifts at abattoirs. Private Storage Aid (PSA) was also made available to contribute towards the costs of cold storage of the product.

One of the agency's key achievements has been the successful launch of the Sustainable Farming Incentive (SFI) pilot, which when fully launched in 2022, will reward farmers for managing their land in an environmentally sustainable way. Around 900 customers from a range of farming businesses are taking part in the pilot, with the invaluable insight gained to date being used to improve future iterations of the scheme from 2022 onwards.

In November 2021, the agency launched the Farming Investment Fund (FIF), which is made up of 2 different grants. The Farming Equipment and Technology Fund (FETF) allows for farmers, foresters and horticulturists to apply for grants to buy new equipment to help to improve efficiency and help us build back greener. The Farming Transformation Fund (FTF) enables applicants to invest in their business to improve productivity, profitability and enhance environmental sustainability. Innovation and technology have a real-life impact across the farming sector, so I was delighted to be able to help unlock this potential for many farmers through the Farming Investment Fund.

The agency has continued to play a key role in delivering the Livestock Information Programme (LIP) and during the course of the year delivered the key milestone of the transfer of Scottish cattle movement reporting to the Scottish Government. This was a significant step towards the delivery of a single reporting system in England and I look forward to working with our delivery partners both in Defra and the industry as we continue to move towards world-leading standards in livestock traceability.

This year we were delighted to launch our third annual round of our people awards. These awards celebrate and recognise colleagues across the RPA who display visible leadership, are engaging people, have respectful behaviour, show inclusive leadership, have a trusted reputation, demonstrate accountability to others and are supportive. The awards ceremony was a fantastic event which reminded us that even during difficult times, it is important for us to take the time to recognise, celebrate and reward our colleagues who have been working incredibly hard over the past year.

The agency has continued to invest in its people, whether that be the many new colleagues who have joined RPA over the course of the year or those that have been with us for some time. In March we launched the new Chartered Management Degree Apprenticeship in Leadership in Environmental Sustainability for our people. We developed the programme, the first of its kind in the UK, to ensure we have the skills we will need across the RPA and the Defra group to achieve our sustainability goals and also support our customers with their environmental outcomes.

> One of the key areas we have looked to build capability is in our customer service offering.

One of the key areas we have looked to build capability is in our customer service offering, something which is of great importance as we support customers through the unprecedented changes and improvements taking place under the Agricultural Transition Plan.

Looking ahead, 2022 will again be a significant period of change for the RPA, but, with our committed workforce and support from industry partners, I am confident that we are well placed to handle the challenges ahead. I look forward to continuing to work with colleagues, customers, and partners over the next year to help create thriving businesses, sustainable economies, and an enhanced countryside.

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

Elizabeth Passey

Non-Executive Chair,
Rural Payments Agency
Management Board

8 July 2022

2021-22 has been a busy year for the sector with farmers, horticulturalists and landowners facing some of the biggest changes in their lifetimes. With current geo-political events, they are not alone in facing vast changes, but I know that for farmers, the introduction of many new agricultural schemes will have heightened the acuteness of change. The agency has been striving to help ease this transition, and will continue to focus on feedback, and striving to improve, in order to assist more effectively.

During the year that the UK hosted the UN's COP26 in Glasgow, the agency has also had the Net Zero 2050 target firmly in mind. As farmers wake each morning to check items as simple as the level of rainfall, we are daily reminded of the impacts of climate change. The agency's people are committed to supporting the UK's agricultural and rural communities in their achievement of an environmentally and economically sustainable future, and also to delivering on the targets themselves.

Towards the end of the financial year, the world has borne witness to the devastating events unfolding in Ukraine. Alongside the humanitarian and environmental disaster, the effects have been to exacerbate already rising agricultural input prices. The agency is poised to provide support as required, whether this be to ensure food security or to adapt existing plans.

Aside from the difficulties of the current environment, progress has been made in 2021-22, and I know that the agency's staff are united in doing more. I am acutely aware of the continued need for improvements; in removing the burden of forms, introducing more flexibility to the timing of deadlines, making it easier to stay in touch with the agency, as well as the criticality of the timing of cashflow in the farming calendar. These topics are foremost in our minds and the agency is striving to help address them. Our people are deeply committed and work hard to deliver vital services and all feedback received is valued and given careful consideration.

I am proud of what our people are doing to help the farming community to deliver a sustainable sector for the future. Their achievements this year, alongside their ongoing business, such as managing trader related schemes, and cattle birth, deaths and movement monitoring, include:

- In September 2021, launching and receiving 900 applications for the RPA managed pilot for the Sustainable Farming Incentive. This was significantly more than forecast, and covered over 100,000 hectares of land, representing 1% of England's farmland. Through this pilot, the agency has developed new ways of delivering agreements. Much effort has gone into ensuring they are accessible to those who don't have experience of agri-environment schemes, so that outcomes are inclusive for all. The agency is learning from pilot participants and developing effective monitoring approaches that are focussed on environmental outcomes, supporting farmers, removing penalties, and protecting public money.

- In early 2022, successfully launching the Improving Farm Productivity grants which will pay for capital items to improve nutrient management and reduce ammonia emissions - items covered by the grants include the use of robotic or autonomous equipment and systems to aid crop and livestock production, as well as the installation of slurry acidification equipment.
- The introduction of several elements of the Agricultural Transition Plan including Farming in Protected Landscapes, the Lump Sum Exit Scheme and Tree Health Grants to name a but a few.

To meet the challenges of this much expanded portfolio, the agency has embarked on a significant recruitment campaign. I would like to very warmly welcome all of those individuals who have joined the agency over the course of the year, and, of course, to thank those who may have left the agency too, on whose legacy our newcomers build.

Saturday, 16th October 2021 marked a relative milestone for the agency. It was the 20th anniversary of its formation, following the merger of the Regional Services Group of Defra and the Intervention Board in 2001. In the context of the tenure, and ups and downs, of the sector, this represents a tiny fragment of time, but not one without the agency's own existential moments.

Nonetheless, as an outward looking agency, the Rural Payments Agency aims to provide assurance and stability, and to receive feedback openly, with an intent to act to improve its service. Customers and their communities are at the heart of our actions and this 20th anniversary gave us the opportunity to reflect on how far we hope and feel this relationship has come.

The easing of COVID-19 related restrictions throughout the year allowed the agency's people to return to our offices, to realise the benefits of collaborative working, and to reconnect with our working community. The agency's Management Board's annual strategy day, which was held in February 2022, in Workington, provided a good opportunity for this. We met a range of colleagues across many different roles, and I was impressed by the empathy and in-depth knowledge of the industry. This event also enabled the Executive Team and the Board to assess the progress made against the agency's Five-Year Strategy and to create a vision for delivery of the remaining 4 years of activity.

The agency has continued to build on the engagement scores achieved in previous iterations of the People Survey. The advances made are testimony to the staff's willingness to adapt, and the efforts of the Executive Team in leading the transformation of the organisation's culture - and in making it a great place to work. We have offered an increasing number of apprenticeships in 2021-22 which provides a development opportunity for the individuals concerned and also helps grow the capability of the agency. RPA's people are passionate about the environment and have excelled in coming up with innovative ways in which to reduce the agency's carbon footprint. We are investing in our people to build a workforce which is well equipped to handle the challenges of the coming years.

There have been a number of changes to the agency's Management Board throughout the year which included Shrinivas Honap departing as Audit and Risk Assurance Committee (ARAC) Chair at the end of October 2021, and Paul Dillon-Robinson taking on the ARAC Chair role at the beginning of November 2021. Paul Dillon-Robinson had previously acted as an ARAC member and Interim Chair and has a wealth of experience in the public sector. I would like to thank Shrinivas Honap for his significant contribution throughout his tenure and wish him all the best with his future endeavours.

The Board and I would like to thank Paul Caldwell, his Executive Team, staff, customers, stakeholders, and Defra partners for the past year, and we look forward to working with all of you for the forthcoming year - an important period for the delivery of the Agricultural Transition Plan.

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

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 or the department). 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 directly from HM Treasury and made their own Basic Payment Scheme 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 both 2021-22 and 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 4 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; 2 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.

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

Our values clarify our identity and serve as a focal point for our people to ensure we enact our ambitions. Our values are to be - Visible, Engaging, Respectful, Inclusive, Trusting, Accountable and Supportive.

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 2022, 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 2021-22 continuation of service principle.

HIGHLIGHTS OF THE YEAR

LEARNING FROM CUSTOMERS TO BUILD FOR THE FUTURE

Over the past year, we've supported Defra to deliver both the Sustainable Farming Incentive (SFI) pilot and working towards the launch of SFI applications from June 2022.

SFI is the first of 3 new environmental schemes being introduced under the Agricultural Transition Plan. The other 2 schemes are Local Nature Recovery and Landscape Recovery.

SFI aims to help farmers manage land in a way that improves food production and is more environmentally sustainable. Farmers will be paid to provide public goods such as improved water quality, biodiversity, and animal health and welfare.

These public goods are essential to meeting the Defra 25 Year Environment Plan, Net Zero and animal health and welfare ambitions, alongside all our ambitions for a productive and competitive agriculture sector.

Since the SFI pilot was launched, our collective focus has been on receiving feedback from pilot farmers so we can make improvements to SFI.

We've been learning how to engage differently with farming communities, working in partnership to help build the future.

SFI has been co-designed with farmers and stakeholders, to make sure it works for them. We have listened and improved the approach to SFI to make sure farmers understand what's required, with a straightforward application process, and that it complements other available schemes.

We've designed the groups of 'actions' within each standard to avoid being prescriptive, where possible, so we're enabling farmers to succeed. How farmers do these 'actions' is up to them, so they have flexibility to make it work for their farm.

We're also taking a more supportive approach to monitoring compliance with SFI standards within agreements, to build a more positive and trusting relationship with farmers. If a farmer is having issues with delivering their agreement, we'll start by helping them get them back on track wherever possible.

We ensured our people who provide customer support were prepared to deliver SFI by providing them with improved information and guidance. Our people attended briefing sessions on the new scheme to understand how it is different for our farmers in addition to the Customer Excellence Training. This all ensured the new scheme processes are better for our people and help to provide better customer service.

Alex Hills, Sustainable Farming Incentive Pilot Delivery Manager at the RPA, said: "We held 3 SFI pilot welcome webinars for customers and stakeholders, and they were really well attended with good engagement.

"For SFI pilot farmers, we introduced a collaborative online community, and it is great to see participants sharing insight with one another."

The application window for the SFI pilot closed at the end of September 2021 and we were really pleased about the amount of interest shown by farmers and the willingness of farmers who've applied to work with us and Defra colleagues to shape the new scheme.

There was a good mix of farm types, sizes, locations, and tenures within the overall SFI pilot applicant population, and we worked hard over the past year to get SFI pilot agreement offers out to applicants, with the first SFI pilot agreements issued in October 2021 for a 1 November 2021 start.

Since offering those first SFI pilot agreements, we've continued to issue agreement offers each month, with the majority of agreements offered to the over 900 farmers who applied to the SFI pilot by the end of March 2022.

Alex added: "There have been a few applications where it took us more time to complete the processing. We were keen to maximise what we learn through the pilot, including any lessons on where we can resolve issues about the application more quickly."

The SFI pilot reached a milestone in February 2022 when we issued the first batch of quarterly payments to those SFI pilot participants whose agreements started on 1 November 2021. This was the culmination of lots of hard work across teams within the RPA and Defra's Future Farming and Countryside Programme.

We reviewed the SFI pilot payment rates earlier this year, so the payments being made reflect that. We'll continue to make these payments in quarterly instalments, towards the middle of the relevant month.

We also supported Defra colleagues with the start of wider, in-depth learning, which will continue as we launch SFI (30 June 2022), and farmers apply to enter into SFI. This will give us invaluable insight, which we can use to make continuous improvements to our delivery of SFI.

For example, SFI pilot farmers told us that they wanted to be able to apply when it made sense for them and their businesses. In response, there won't be an application submission deadline when SFI applications open on 30 June. Instead, there will be rolling applications, which means farmers can apply when it works best for them.

Farmers also told us they wanted the application process to be straightforward enough for them to complete it without having to pay someone to make sense of long documents and complicated forms. We improved the application service, made wording in agreement documents clearer. We also adapted the GOV.UK guidance approach and simplified our 'how to' guides.

We also asked SFI pilot participants to keep a journal of their thoughts and reflections at each stage, over the past year, and these will provide valuable insights into what has worked well and highlight areas we need to improve as we develop the scheme in the years ahead.

Farmers who are eligible for the Basic Payment Scheme (BPS) will be able to apply for SFI via the Rural Payments service, using their existing sign-in details. There are over 84,000 farmers in England who are eligible for BPS including tenants and upland farmers, who can apply for SFI.

BPS eligible farmers who already have an agreement under an existing agri-environment scheme, such as Countrywide Stewardship (CS) or Environmental Stewardship (ES), can apply for SFI, as long as the CS or ES actions are compatible with the actions in the standard they choose, and they won't be paid twice for a similar activity or outcome on the same area of land at the same time.

The RPA will support the rollout of SFI, along with continued engagement with our customers and partners and ensuring feedback and suggestions are shared across the Defra group.

During May and June 2022, we tested SFI through a private beta to make sure the service worked for customers and to identify improvements ahead of rolling out more widely.

The SFI scheme opened to all farmers on 30 June 2022. We are introducing new functionalities that will make it easier for farmers to apply and speed up the application process. We will be doing this in a controlled way through July 2022 to give all customers the right level of service and support.

Find out more about SFI, and what further standards and levels will be added, in the [SFI scheme information on GOV.UK]

Countryside Stewardship – Online applications

In February 2022, we introduced online applications for Countryside Stewardship Scheme Mid-Tier applications from farmers and landowners for 2023 agreements. This improves the application process making it more convenient and accessible for customers and it also furthers our Net Zero ambitions.

Rozanne Kidd, RPA's Agricultural Transition Director, said: "Applying online is much quicker than paper applications. It's also much safer because there's no risk of applications getting lost in the post and, of course for us, applying online is also a more sustainable option."

With the online CS application, we removed the requirement to request an application pack, helping customers who applied online to reduce time spent on making their application.

Countryside Stewardship Protection and Infrastructure Agreement

During the last year, we started work on the new standalone 2-year capital grant that comes under Countryside Stewardship and which allows farmers and landowners to apply for the FY2 Woodland Infrastructure capital item.

Rozanne Kidd added: "We remain committed to learning from our customers and can always do better, so we are grateful for the feedback received over the last year which is helping us improve. Publishing RPA blogs to address some frequently asked customer questions and provide more information is just one of the changes we have made.

"We saw a significant increase in Countryside Stewardship applications last year and are looking forward to this year's and seeing the benefits to our customers and the environment."

You can read our Countryside Stewardship: How to Apply guide on GOV.UK

Lump Sum Exit Scheme

We have launched the Lump Sum Exit scheme which assists farmers who want to exit the industry, to do so in a planned way that provides them with the means to make a meaningful choice about their future.

Working with industry experts, we ran the Lump Sum Exit Scheme consultation for farmers and the proposed approach to delinking payments, which resulted in 654 responses used to improve the scheme and application process.

Duncan Currie, Project Manager in the Business Transformation Directorate at the RPA, said: "We know it can be difficult for farmers who would like to retire or are considering leaving the industry to take that significant next step.

"One of the issues is the financial impact as a lack of capital can prevent them from leaving and we think the Lump Sum Exit Scheme could help them. In addition, by freeing up land, the scheme will also open opportunities for new entrants and farmers wishing to expand their businesses.

"It was great to see the level of customer engagement during the Lump Sum consultation. The responses have helped shape both the offer and payments going forward, where financial security and assistance are considered key factors for those looking to leave the industry and the support they might need."

We sent information to Basic Payment Scheme applicants to explain how they can request a forecast statement showing the lump sum amount they could receive.

Following the consultation, and subsequent work on developing a scheme, we are in a strong position to offer farmers in England who wish to exit the industry the option of applying for a lump sum payment from April 2022. Payments for the scheme are expected to begin in November 2022.

WORKING WITH CUSTOMERS TO IMPROVE THEIR EXPERIENCE OF SCHEME-BASED VISITS

A supportive partnership approach to visits by our Field Officers is paramount to us as we continue to enhance our service and as we move through agricultural transition and beyond. This is only possible through ongoing collaboration with our customers and a range of teams across RPA and Defra.

RPA conducted 6,500 visits over the past year, interacting with and supporting customers from the farming, food production and food trader sectors across England to comply with scheme controls, particularly important considering the increased flexibility we now have from leaving the European Union.

During the past year, our Field Officers have provided advice and guidance to a wide range of customers, on holdings as well as remotely, and have often gone above and beyond, supporting farmers, livestock, and landowners with their applications, and ensuring compliance.

Our Field Officer teams continue to listen and learn so we can do better for our customers, taking all feedback into consideration to ensure continuous improvement. This is so we can support our customers through agriculture transition and to focus more of their time on what they do best, farming, looking after livestock, the land and supporting the environment.

RPA conducted 6,500 visits over the past year, interacting with and supporting customers from the farming, food production and food trader sectors across England.

Improvements made included making it easier for our Field Officers to signpost our customers to information and guidance, designing a visit record checklist so our customers know what to expect from the inspection process, streamlining our Field Officer reporting system and improving the speed of post-visit and payment processing as well as supporting vulnerable customers.

We are listening and simplifying guidance for our customers when we visit.

We also introduced the use of warning letters, where there is no risk to public or animal health or damage to the environment, rather than an automatic default to a payment reduction.

The improvement work over the past year has received positive feedback from our customers and stakeholders, and we will continue the collaborative co-design work as we move towards a new outcome-driven regulatory and enforcement model.

Supporting the mental health of our farmers

Over the past year, our Field Officers went above and beyond, supporting some of our customers with their mental health wellbeing.

One of our Field Officer team organised mental health training, with We Are Farming Minds charity, so we can help identify the signs and signals of mental health struggles when meeting our customers in the farming community and to sign-post them to help and support.

Another of our Field Officers supported one of our elderly customers who had several health issues by taking the time to provide advice on his records, helping him to identify the untagged animals in his herd and working with him to improve his compliance with identification regulations.

Being part of the local communities

One of our Field Officers went above and beyond when he put out a fire in neighbouring stables whilst on an inspection visit.

Mark Gwilliam raised the alarm with a nearby farmer as nobody was on the farm where the stables were. Mark quickly filled buckets with water, dousing the fire and checked in on a nearby neighbour who also helped put the fire out, ensuring he got home safe and well.

The stables owner praised Mark for saving his stables and the surrounding woodland environment from fire damage.

Mark was presented with an RPA Celebrating our Success award. The award citation said: "Mark's actions contributed to the wider community."

Providing more help, advice and guidance

Ensuring our customers have support throughout the scheme application process is important to us.

One of our Field Officers spent significant time working with one of our customers, who had previously refused to allow us to undertake regulatory inspections, and with his new farming entrant son to enable them to understand their new scheme content, the application and compliance requirements.

As customer feedback supports our continual improvement, we were delighted to receive communication from the customer: "Thank you so much for you time. I enjoyed your visit. You gave my son a good start in his career in farming paperwork."

To further improve our ability to help our customers through the provision of advice and guidance, a Field Officer used her knowledge and expertise to develop a document to be used during field and livestock visits that signposts our customers towards helpful guidance and other information, including charity and community help group information.

Feedback to our Field Officers from our customers on the additional advice and guidance has been positive.

Inspecting around farmer schedules

We endeavour to ensure our inspections adapt to the farming schedules, working collaboratively with our customers.

A Field Officer who undertook a 'titanic' inspection of 7,444 animals liaised with the farmer and previous inspectors, so they could work collaboratively with the farmer to be on site which suited the business, including being there at 4am to coincide with the cow milking times. This also reduced the stress to the animals of reading the ear tags.

PROGRESS THROUGH PERFORMANCE: BUILDING SUCCESSFUL AND SUSTAINABLE FUTURES

Our Sustainability Journey

We are committed to becoming a sustainability-led organisation, as outlined in our Five-Year Strategy. We also support to the UK Government's Net Zero plans.

Climate change is one of society's greatest challenges. There is growing recognition of the impact of climate change on the future success of our organisation. This includes, for our agency, the physical impacts of climate change and the impacts of transitioning to a low carbon economy.

One of the focus areas of our sustainability agenda is to play our part in addressing the significant and lasting impact of climate change.

Our objectives go hand in hand with our focus on improved performance and we continue to increase our ambitions and advance our progress across this area.

Our goal is to develop and implement a long-term strategy that ensures Net Zero is embedded into all our decisions, reducing the impact of our activities, supply chain and on the environment.

We are working towards a consistent, aligned framework and strategy from the Board through to all our people across the agency as we continue to be at the forefront of operational delivery for our customers, ensuring a thriving farming and rural sector, and we continue to support our rural communities to build a better place to live whilst minimising impacts on the environment.

One of the focus areas of our sustainability agenda is to play our part in addressing the significant and lasting impact of climate change.

Furthermore, in collaboration with colleagues across the Defra group, we are progressing our Net Zero ambition.

Part of our work to reduce our energy consumption across the locations we operate from as well as continuing to reduce waste and increase recycling is aligned to the Defra-Group Strategy. (See the Sustainability Report on page 59.)

As well as innovating for a Net Zero future for ourselves, we also work with our supply chain to reduce emissions.

We recognise that all our operations have an impact on the environment, from the energy and resources we use, to technology we use to manage and process scheme payments to the waste we generate.

We continue to work with partners across the Defra group, our building management companies and suppliers look for ways to reduce energy use, water consumption and waste, emissions.

Integrating Environmental Sustainability into Our Operations

We have embraced the UK Government's Net Zero Strategy and support Defra in its group-wide climate action goals.

Our sustainability agenda is driven by our Chief Executive who has primary responsibility for delivery of our developing Net Zero Strategy. He is supported on sustainability matters by the RPA Net Zero Group which advises on our strategy with input from a wide range of stakeholders.

Our Agency Management Board and Net Zero Group provides oversight of our work and progress on Net Zero. To support this, they regularly hear about and challenge our progress.

Our Net Zero group routinely reviews data and participates in site visits and virtual meetings to engage with employees and hear their views. This feedback is an important element as it gives the Committee the chance to reflect employee perspectives into our senior management and Board discussions.

Other elements specifically set within the executive objectives are related to delivery of the next phase of the Net Zero plan.

By leveraging our sustainability agenda and Net Zero work, we will support to drive change for the RPA, the Defra group, our customers, our wider stakeholders and rural communities.

Case studies

Progress through collaboration

We established a staff Net Zero network, which consists of colleagues of all grades and from a wide variety of locations. This group meets monthly and focuses on identifying and implementing initiatives nationwide, which will in turn support our commitments to Net Zero as stated in our Five-Year Strategy.

We were represented at the United Nations Climate Change Conference – COP26 – the UK hosted in Glasgow in November 2022.

We also developed the first Chartered Degree Management Apprenticeship in Environmental Sustainability in UK Government and in the UK, in collaboration with the University of Cumbria. This further highlights our commitment to developing our people to be able to lead in environmental sustainability, ensuring environmental sustainability is part of all organisation decisions.

Supporting responsible consumption and managing environmental impacts across our operations

We are also managing our other environmental impacts too.

We only allow drivers to order plug-in vehicles under our lease car scheme, which provides vehicles to colleagues who need to do frequent travel for business purposes that cannot be done most of the time using public transport such as farming inspections in rural areas.

Additionally, as a show of our commitment towards Net Zero, we have allowed existing scheme members to change their petrol/diesel vehicle for an ultra-low emission vehicle (ULEV) before the end of their existing lease at no cost to the driver.

We are making good progress towards the Greening Government Commitment for 25% of the Government vehicle fleet to be ultra-low emission vehicles by 31 December 2022, and for 100% of the UK Government vehicle fleet to be fully zero emissions at the tailpipe by 31 December 2027.

As of 31 March 2022, of our total fleet size including vehicles on order, was 107 vehicles of which 15 are fully electric cars (14%) and 17 Plug-In Hybrids (16%). As of the end of March 2022, 23.8% of our fleet were ultra-low emission vehicles.

All future vehicles ordered under the scheme will be ultra low emission vehicles.

Thomas Simcock is one of our Environmental Stewardship claims processors based in Leeds and a member of our Net Zero Staff Network. Thomas tries to minimise his environmental impact in his professional and personal life.

"By carrying out my work as well as I can and providing a good customer service, I am enabling farmers to carry out environmentally beneficial work more effectively as part of an agri-environment scheme, and I'm improving their experience of being part of that scheme," Thomas said.

"Although, I already contribute to positive environmental outcomes through carrying out my work, I also try to reduce the environmental impact of my work in other ways.

"For example, I switch my laptop off at the wall when it's fully charged, as only charging it when necessary saves energy. I recycle as much as possible, bring my own lunch into work and travel to work by train.

"These actions may seem inconsequential on their own, but if a lot of people do them, they can have a significant cumulative impact."

CUSTOMER IMPROVEMENTS

Providing better customer service

As we move through Agricultural Transition, it has never been more important to listen to feedback from our customers to help us improve our services.

We continue to enhance our service and delivery to our customers based on feedback, making things simpler where we can.

During the last year, we have worked on further customer service enhancements as part of our ongoing customer excellence improvements to improve customer satisfaction and based on the feedback we gain from our customers. We also actively worked with Natural England and the Forestry Commission on improvements that benefits us all, and we'll continue that going forwards.

Lee Martin-White, National Operational Change Lead, Agricultural Transition, said: "It's vital we continue to improve what we do for our customers to ensure it is as easy as possible to apply for and receive rural payments."

We also continued to hone and adapt our customer research and insight work, listening better to do better and sharing our insight with the Defra group.

Striving for customer excellence

We developed and implemented new Customer Service Excellence training for the whole agency. The innovative training provides all our people, those who liaise directly with our customers and those who provide a wide range of supporting services the right tools and skills to provide high-quality customer service.

The customer excellence training will be adopted across the Defra group.

Jane Parsley, Head of Customer Operations, said: "All of our people completing the new Customer Excellence training will support us to yield impactful results in terms of our enhanced customer service performance."

Over the past year, we supported 86,491 customers with 94.4% of customers receiving at least one payment on the first day of the payments cycle.

In addition, we handled 219,826 customer interactions, successfully providing first time resolution to many.

Smarter processes

Enabling customers to sign their claims and commitments electronically, to remove the often time consuming ‘print and send’ approach, for customers and for our processors, was progressed over the past year.

The Grants Service Team has been looking at technology to enable customers to use a Qualified Electronic Signature on their online claims and contracts, rather than having to print out documents, sign them manually with a ‘wet signature’ and email them back to the RPA.

We are assessing the adoption of electronic signatures for other schemes, including the Farming Transformation Fund and Countryside Stewardship, and will continue to assess its effectiveness in helping to ensure our processes are efficient for our customers.

Mohua Bhattacharya, who works in the RPA Direct Payments Policy team, said: “We’re excited by the electronic signature development as they can help to cut back on the amount of paperwork our customers need to complete and also means we can receive signed documents back from our customers more quickly and efficiently.”

Quicker customer support

We continued to develop our Live Chat function, a new customer channel across our services, where our customer agents will provide help with guidance and general queries.

We anticipate the Live Chat will be rolled out as a pilot to customers with enquiries regarding the British Cattle Movement Service and Pet Travel soon, enabling us to assess its effectiveness and any improvements we need to make before it is envisaged to become part of our wider customer communication channels.

We also continued looking at improvements to our systems for customers who call us. This included assessing the automated phone call system which enables customers to say what help they need. They then could be offered support via a text message to guidance or the ability to speak with an advisor. Certain information is presented to the call hander to enable quicker help and support for the customer.

Our work continues on how we can continue to improve this service.

Understanding better to do better

Insight and research are essential to supporting a thriving UK rural economy. No one understands what farmers need better than farmers themselves. During the past year, we completed extensive research on the Countryside Stewardship (CS) scheme to help us understand where and how to improve in future.

We have also conducted annual surveys on our communications services, exploring what customers think about our advice and guidance; their preferred ways of contacting the RPA and their experience of using the GOV.UK website as well as our interactions on our social media channels.

Survey results from the last year showed over 3 out of 5 of our customers feel GOV.UK has improved over the last year and/or had already improved prior to last year.

We've also taken great care to make sure all key insights are shared and reviewed across the wider Defra Network, and that we coordinate our research wherever possible, to minimise the burden on rural industry.

But it is not enough to simply ask for feedback, we need to act on it.

We regularly meet with colleagues to discuss findings, advocate for our customers' needs, and help shape the schemes of tomorrow.

Improving agreements

A key piece of customer feedback we received last year was that Countryside Stewardship inspections visits sometimes felt 'rigid' or even 'punitive' in some cases, instead of focusing on the bigger picture of what the Countryside Stewardship option was designed to achieve.

Consequently, all Countryside Stewardship agreements from 2021 onwards are 'outcomes-focused'.

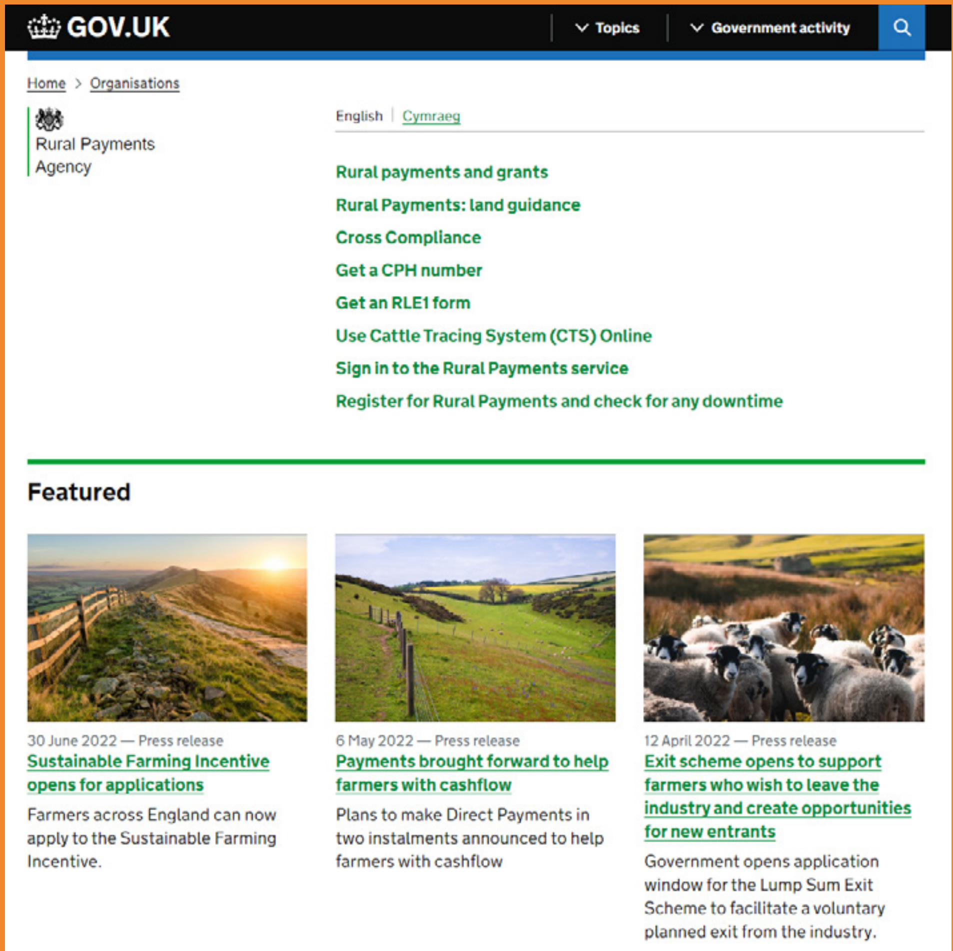
This allows us to work with farmers to deliver environmental benefits. Early response to our new Countryside Stewardship site visits has been extremely positive with many farmers reporting a much more 'collaborative and supportive' working relationship with our Field Officers.

New feedback panels

We developed our new Research and Insight Network Group, to be rolled out soon, where we will work with a panel of farmers who are willing to work with us to provide regular feedback to help us improve.

Having regular conversations with those who know their industry best, will help us to deliver more efficient, and user-friendly schemes and services in future.

We will be conducting a series of survey and focus group research exercises over the next year, reviewing a whole range of topics from the Sustainable Farming Incentive (SFI) to alternative communication channels such as text messaging. There will be lots of opportunities to get involved, so please let us know if you are interested in signing up.



Improving GOV.UK

We worked with Defra colleagues to improve the information and content for farmers and rural business on the GOV.UK website, archiving hundreds of pieces and manuals on the website pages which customers had not visited for a long time but still making them available if required.

We also conducted work to ensure the most appropriate items are displayed at the top of pages so our customers can find what they need quickly when searching GOV.UK.

We made improvements to the cattle tracing guidance on GOV.UK, publishing an improved version of the Register land you use to keep livestock page in April 2021.

There were also improvements to the Lump Sum Exit Scheme guidance, Countryside Stewardship guidance and the Farming Investment Fund guidance.

Based on what customers tell us from our helpline and queries we receive, we made and continue to make changes to GOV.UK.

This work will be ongoing as part of our continuous improvement to customer service.

Social media

We responded to more customer questions on our Twitter and Facebook accounts throughout the last year, supporting to provide quicker responses and resolutions to our customers where we can.

Over the past year, we put together more videos that feature farmers, showing their experience in real time so we can fully understand their perspective and their challenges.

We also put together some 'tutorial' videos to show our customers how to do things, including applying for schemes.

Customer feedback we received on our videos on our YouTube page has led to us making improvements to the voiceover and providing more information within the video.

Rural Payments blog

Over the past year, we have published more blogs on GOV.UK Rural Payments pages, to show the roles some of our people do across the agency to support effective and improved customer experience.

You can sign up to receive alerts when new blogs are published.

New podcast

We launched a new podcast in February 2022 to help farmers, landowners, and rural communities keep up-to-date with the latest news and announcements from RPA.

The RPA Podcast offers guidance to our customers and support with navigating agricultural transition. It features our people discussing some of the updates to RPA schemes that our customers will see throughout the year, along with issues the farming industry and rural communities face, such as wellbeing.

You can listen to The RPA Podcast on Apple and Spotify or through Buzzsprout.

James Ryan, Strategic Communications Manager, who leads on the podcast, said: "The RPA Podcast is an opportunity to engage with our customers in a new way, and we encourage farmers, landowners and partners to reach out to us with suggestions of particular topics that you'd like us to cover with our subject experts."

You can email us at External.Affairs@rpa.gov.uk

New Research and Insight Network

We led on the development of the new Defra-wide Research and Insight Network, which will enable us to share feedback we receive from customers across the Defra group and will also ensure different parts of the group don't overlap in their customer research and work.

Samantha Kadzidlo, part of the RPA's Data and Analysis Team, who has led on the setting up of the new Research and Insight Network, said: "We're really excited to be launching the Research and Insight Network Group and want our customers to help us shape it to be a space where we can really collaborate to help us to continue to improve our delivery and service to our customers."

We'd love farmers and land managers to get in touch. If you'd like more information or to sign up for the group, please contact us at RPAInsight@rpa.gov.uk

We are committed to listening to and acting on customer feedback to help us to continue to improve customer service and delivery.

LISTENING, LEARNING AND DOING BETTER

Working in partnership: Nurturing relationships that matter

Our relationships with our customers, our people and our partners are key to enabling a healthy and thriving farming and agriculture sector, supporting environmental outcomes as well as supporting the rural communities to build good places to live.

We work with a diverse group of stakeholders, listening to their views, issues, and aspirations as it is key to us understanding and maximising positive impacts for our customers, the rural communities, the wider benefits to the country, including food stability.

In everything we do, we incorporate stakeholder input and insights. This helps to identify the most important issues for us as well as our customers and partners, making it easier to not only define opportunities as well as issues but our own performance metrics we report on.

What our customers and partners consider important

Capturing, acknowledging, and listening to the issues highlighted by our customers and partners helps us to understand what they consider important as we seek to deliver improvements to our internal processes and strategic organisational priorities.

This ambition sets the framework for our engagement activity based around identifying opportunities, reducing our operational risk of delivering for our customers and delivering shared value to our agricultural and rural communities.

Over this last year, we have worked closely with Members of Parliament (MPs) to give them a better understanding of the full range of services we deliver and how we support customers, their constituents, and wider rural communities.

We held 12 Roundtable events, hosted by MPs in their local constituencies. These were attended by more than 650 farmers who got to hear updates on our operational delivery and progress on the transition to the new environmental land management schemes.

These events, led by members of our Executive Team and colleagues from Defra provided us with the opportunity to speak to farmers directly, gaining their feedback, and to understand any concerns they had. We have used this insight in our operational decision making and shared comments on policy matters with Ministers.

Minister Victoria Prentis, Minister of State for Defra, sponsored our first drop-in session for MPs in the House of Commons, which received excellent feedback. We will be holding regular events in Westminster next year, including similar drop-in sessions in the House of Lords, to ensure we continue to have constructive dialogue with our partners.

In addition, we opened the doors of our Workington and Exeter sites to the respective local MPs giving them the opportunity to see first-hand the services we provide to rural communities and to also meet with some of our colleagues who help to deliver them. Minister Victoria Prentis accompanied Mark Jenkinson MP during his tour of our Workington site.

We focus on creating supportive, inclusive, and respectful relationships with our customers, partners and rural communities so we can continue to improve our customer service.

Collaborating with our partners

As we came out of the pandemic, we returned to attending agricultural shows and conferences.

Capturing feedback from our customers and rural communities helps us to continually improve the customer experience.

Over the past year, we had over 2,000 conversations with customers attending 16 events including Cereals (June 2021), The Great Yorkshire Show (July 2021) and the Farm Business Innovation Show (November 2021) with a fuller programme for the coming year planned now COVID-19 restrictions have been lifted.

Katie Yon, Senior Stakeholder Manager and Shows and Events Lead, said: "Attending shows and conferences enables us to benefit from face-to-face interaction with a wide range of farmers, land managers and agricultural industry professionals. We answer questions, share knowledge and experience, gain customers' insight into our work and learn what is important to their local communities."

Our people across the agency have met and engaged directly with our customers, over the past year, so we can continue to learn first-hand from our customers what they believe to be important to them and rural communities, hear suggestions for improvements we can consider making and addressing concerns. This demonstrates our continued commitment to continually gaining customer insight and views as part of our ongoing customer experience enhancements, putting our customers at the heart of everything we do.

We've continued to build and maintain effective relationships with senior industry stakeholders and opinion-formers, both nationally and regionally, to explain our vision and objectives, and gain support for the delivery of our Five-Year Strategy.

We are understanding of stakeholders' objectives and concerns, responding positively to their feedback, and using their insight to inform the development and delivery of our services.

We also continued to work in partnership with many stakeholder organisations, including The Wildlife Trusts, The Royal Society for the Protection of Birds, National Farmers Union, Country Land and Business Association, Tenants Farmers Association, and The Foundation for Common Land to facilitate co-designed improvements and effective communications to support the delivery of key customer messages.

We began to identify and build relationships with new and emerging environmental stakeholders who will have a strategic impact on the work we do to support environmental sustainability going forward.

During 2021-22, we held 47 stakeholder meetings, including our regular working level stakeholder engagement group meetings, where we discussed scheme-specific issues as well as longer-term issues.

DEVELOPING OUR PEOPLE TO BETTER SUPPORT OUR CUSTOMERS

Values-led leadership in every role at every level

Our work helps agricultural and rural communities create a better place to live, and our values are at the heart of everything we do.

Our values are important because they define not what we do, but how we do it. They are weaved into every aspect of the agency and help us make decisions, implement plans and hold us accountable to each other and, importantly the customers and the communities we serve.

We make a difference, and we need to be able to talk about how even in the most challenging circumstances of the past year coming through and out of the pandemic, we have continued to be able to support our customers.

To achieve our vision, set out in our Five-Year Strategy, we need every person in the agency to understand the importance of their contribution in delivering our purpose of supporting rural communities to build good places to live, and helping a thriving farming and rural business industry as well as food stability to the nation.

Over the past year, we continued to work on developing our people to ensure continuous improvements to our customer service and support.

We integrated our people plan, forum and panel across everything we do, so it underpins all activity and governance enabling us to demonstrate the employee voice across our Five-Year Strategy.

Throughout the last year, we continued with our successful all-agency calls put in place during the pandemic, led by Chief Executive Officer Paul Caldwell and members of our senior teams.

The all-agency calls provide our people with an open forum to ask questions and share ideas for continuous improvement to our work to support ongoing improvements for our customers.

We also helped our people to be active in the communities they serve, forging relationships with community organisations, including charities, schools, colleges, and universities and with worker support organisations such as Jobcentre Plus as well as the Armed Forces.

Being recognised for our values

We continued to work tirelessly to embed our values across everything we do to ensure we can provide the best services by the best people.

We were cited in an industry leading report from the Institute of Leadership and Management (ILM) as an exemplar of best practice as an organisation who can demonstrate how they are leading through values.

We also integrated our values into our recruitment and engagement materials.

Employee awards

Our employee awards have been held for the last 3 years to recognise colleagues across the agency who have gone above and beyond by demonstrating the RPA values. In 2021 there were 180 nominations, higher than previous years.

Engaging employers and those helping people into work

We worked with employers, those who support workers, and those coming into work from the prison service and Armed Forces, to broaden our outreach and raise awareness of our work.

We recruited 39 apprentices across the England regions, across operational delivery and business administration areas, with further positions offered to apprentices up to the end of the last financial year. This supports our drive on social mobility to give opportunities to people from many different backgrounds and supports Levelling Up.

We explored, how through social value contracts, employers can signpost to resources that support additional learning opportunities, provide reciprocal volunteering opportunities, and connect places. We also enabled employers to share their practice through agricultural college hosted green skills hubs we piloted over the past year, bringing together a valuable resource that brings together the latest thinking in this challenging landscape.

Helping our Armed Forces

In July 2021, we gained the Ministry of Defence Employer Recognition Scheme Silver Award, building on the bronze award we were awarded in 2020. We have continued to keep our promise we will treat our people who are members of the Armed Forces community, fairly, and without disadvantage.

We currently have a very small reservist community employed in the agency and we'd like to encourage more.

Our work to support veterans to join the RPA, utilising their transferable skills, continued over the past year.

ARMED FORCES COVENANT

EMPLOYER RECOGNITION SCHEME

SILVER AWARD 2022

ARMED FORCES COVENANT

EMPLOYER RECOGNITION SCHEME

SILVER AWARD 2022

Proudly supporting those who serve

Partnering with our communities

We are passionate about social mobility and representing the communities we serve.

We worked across the agency to create an innovative engagement model, collaborating with colleges, apprenticeship training providers across England. Together with job support providers such as Jobcentre Plus, the Enterprise Adviser network and Skills Builder across all UK regions it operates in, to make it easier for more people to get into, get on in and get ahead in careers at the RPA.

We don't want to promote a 'job' but an exciting career that can progress in lots of different ways, across the Civil Service and potentially into the sectors we serve.

Last year, we introduced and ran 10 candidate engagement sessions, alongside our recruitment campaigns, focusing these on our entry level and apprenticeship roles to help break down barriers to entering the Civil Service.

We also held insight events with primary schools in Devon, Dorset and North Yorkshire through Skills Builder and a staff continuing professional development event with East Durham College to inform about the rural communities we serve, and the value agriculture and rural businesses brings to the country.

In addition, we ran green skills sessions with our partners and joined job fairs run by Jobcentre Plus and the Department for Work and Pensions.

Volunteering in our communities

Many of our people live in rural communities and regularly volunteer for litter picks, beach cleans and tree plantings, including 200 of our people in partnership with the Environment Agency in Cumbria.

Also, over the past year, our people volunteered for other good causes including Action Tutoring to support young pupils and with Trussell Trust Foodbanks.

Defining the future of leadership to better serve our customers

During the past 12 months, we embarked on an innovative programme to build leadership in environmental sustainability across Defra as there will be a reliance on leadership in environmental sustainability at every level, in every role, in every organisation.

To support climate action and the drive to reach Net Zero, we developed a Chartered Management Degree Apprentice (CMDA) in Environmental Sustainability Leadership in collaboration with the University of Cumbria, the first of its kind in the country.

A total of 18 people started the learning programme in the last year with more to start in the next financial year, supported by industries and businesses providing guest lectures, including Microsoft, Veolia, and the United Global Sustainable Development Group Index Institute. Guest lecture partners share their leadership challenges and enable learners to develop the essential skills required for our sustainability goals.

Tamara Finkelstein, Defra Permanent Secretary and Civil Service Apprenticeship Champion, said: "Our people, and all Civil Servants, have a huge role to play in supporting the UK to be at the forefront of driving the green agenda. This is why building the environmental sustainability leadership skills of our people is critical to ensure climate action is an organisational priority, as well as an imperative for the planet."

Paula Chapman, CMDA in Environmental Sustainability Apprentice, added: "I'm very grateful the RPA have given me this opportunity. It's really helped me gain insight into the structure of the RPA and ideas for ways we can improve things to support our environmental sustainability commitments."

University of Cumbria Vice-Chancellor, Professor Julie Mennell said: "We are excited to be working with the Rural Payments Agency to continue to develop the environmental sustainability leadership Chartered Management Apprentice Degree for the Defra group."

"I have no doubt that the students engaged in this programme will be further equipped to play their important role in achieving long lasting and positive change."

As a result of this work, Tamara Finkelstein appointed Jake McClure, RPA Organisational Capability Director, Defra group's Apprenticeship Champion.

Celebrating success

Our people in Agricultural Transition and Organisational Capability were recognised for their outstanding contributions to the Operational Delivery Profession, the biggest profession in the Civil Service supporting our customers.

With 1,116 nominations from 44 departments including 20 from the RPA, Margaret Williams who supports the Countryside Stewardship Scheme won Silver in the Cross-Government Head of Profession Award awarded by Peter Schofield, the Permanent Secretary for Work and Pensions.

Aisling Musson, Claims Senior Processing Manager, Environmental Stewardship also received a Silver Award as the Operational Delivery Profession Rising Star and Future Leader.

Jake McClure, RPA Organisational Capability Director, said: “We are proud of our people and particularly when we operate in tough conditions, coming through and out of Covid this past year. We must always remember to recognise and celebrate the achievements of our people as that also supports to constantly improve what we do for our customers.”

Rozanne Kidd, Agricultural Transition Director, added: “Our people really are a credit to the RPA and to the Operational Delivery Profession, and it’s brilliant to see them recognised.”

STaR

We were one of the first Defra organisations to help co-create and pilot the ‘Special Thanks and Recognition’ (STaR) platform last year, helping to shape the recognition categories and increasing the number of people gaining recognition for going above and beyond in their work.

A total of 1,396 of our people were recognised for going above and beyond from August 2021 to March 2022 and 2,012 of our people received e-cards, from their peers, thanking them for their outstanding work, both further aiding staff engagement and the positive impacts of that on our service to our customers.

SUPPORTING GROWTH AND INNOVATION IN FARMING AND RURAL COMMUNITIES

Over the past year, we continued to assist the farming and forestry industry to become more productive by investing in the best new technology and innovations, through a mixture of large and small grants.

In 2021-22, under Countryside Productivity Scheme we have contracted £87.5 million to 726 projects, ranging from adding value to agri food, water management and improving farm productivity.

In addition, the Countryside Productivity Small Grants Scheme provided £45 million of funding to over 7,600 projects for farmers to purchase innovative equipment to help improve technical efficiency, animal health and welfare and resource efficiency of nutrient management, with the minimum grant of £3,000 and the maximum £12,000.

The technology purchased included fruit farmers buying a fruit ripeness spectrometer, which allows them to determine produce quality and harvest timing from a convenient handheld device; dairy farmers obtaining funding for equipment that provided them with real time milk analysis, or visual image analysis of cow body condition; arable farmers utilising variable rate controllers that can change fertiliser application without manual input or monitoring devices that provide essential data on harvesting rate and crop yields with minimal effort.

In addition, the first of the UK-funded schemes was launched in October 2021. The Farming Equipment and Technology Fund application window closed in January 2022, and we issued more than 4,500 funding agreements worth over £46 million.

At the same time we launched the Water Management theme of the Farming Investment Fund, and have since launched further themes for Improving Farm Productivity and Adding Value.

Growth Programme

Under the Growth Programme, we have contracted £264 million to 1,166 projects across a range of areas within agriculture and rural business, including developing new products and facilities, investing in broadband, food processing and promoting rural tourism.

Under Countryside Productivity Scheme we have contracted £118 million to 8,271 projects to date.

Case studies

The Butchers Kitchen, Camerons Quality Butchers, Cinderford

This project provided Camerons Quality Butchers with an opportunity to access new markets, increase turnover and create new jobs, future proofing the business. The project, started last year, was to build a 2-storey building that provides space to produce deli style products such as pies, quiches, faggots, scotch eggs and pork pies.

It will give the business the opportunity to sell these new products through other local businesses who have expressed their support for this project such as farm shops, cafes and local shops. Customers can also purchase the products through Camerons Quality Butchers website and in store in their 2 existing shops.

Vegetable Grading Project, Chipping Campden

The installation of an optical grader, used to grade Brussel sprouts, picking peas, sugar snaps and green beans has been successful. The optical grader improves the consistency and quality of the graded crop, which will better meet customers specifications and requirements.

All weather ground reinforcement track, Ragley Hall, Alcester

The Growth Programme enabled Ragley Hall to install a ground reinforcement track for the use of vehicles to access the park.

Ragley ran an events calendar which was restricted due to potential damage to the historic parkland. The track also provides additional routes of ingress/egress to the park, which is needed for large capacity events. It will guarantee access for HGVs to vital parts of the park needed for events, without damaging the ground. As a result of the project, Ragley will be able to increase the number of events held within a season.

The Bantam Houses, Whittington Lodge Farm, Cheltenham

Installing cabins, overlooking a 12-acre organic orchard, gives people traveling from all parts of the world, an insight into sustainably managed wildlife habitat, and an opportunity to observe it in comfort.

This farm started in 1930 as a chicken farm but the owners transformed their farm to use regenerative farming practices. This change focused on the environment and wildlife management, working with nature rather than against it.

There are opportunities to observe rare species, attend nature walks and guided tours. They also offer the opportunity to educate visitors and grow their understanding of sustainable rural life, and its importance.

Enabling internet connectivity in rural communities

Access to faster and more reliable broadband services continues to help grow businesses and increase economic activity in rural areas. Faster broadband also helps reduce socio-economic barriers to residents.

The Marches and Gloucestershire Viable Clusters Broadband Project has used Rural Broadband Infrastructure Scheme (RBIS) funding, delivered by the Growth Programme, to provide Next Generation Access broadband infrastructure into rural areas. A total of 675 businesses and 5,806 other mainly residential premises with a total population of 11,312 have benefited from the new, faster broadband access.

Led by Herefordshire Council on behalf of partners, including Gloucestershire County Council, around 20 clusters in rural areas across Herefordshire, Gloucestershire, Shropshire and Telford and Wrekin, which were in the final 5 per cent of areas without access to faster broadband services (at least 30 megabits per second download speed), have gained access to improved broadband connectivity.

The £8.97 million of RBIS funded the installation of infrastructure such as fibre-optic cables.

Access to faster and more reliable broadband services continues to help grow businesses and increase economic activity in rural areas.

Enabling innovation in rural communities

European Innovation Partnership: The scheme was particularly aimed at projects who translated research into practice. The £1.7 million awarded went to 18 projects across the country who were using existing technology in a new and innovative way or using and testing new innovative ideas and technology.

All types of farming have benefitted from arable and livestock farms to horticulturalist, organic farms and English vineyards. For example, looking at effective solutions for pest control and weeds, developing devices for collating on farm information, improving soil management, and ways to maintain sustainable levels of production.

Case study

Living Mulches, Stockbridge Technology Centre Ltd, Selby, North Yorkshire

The Living Mulches initiative aims to develop a more sustainable means of arable production through the commercial uptake of living mulches in UK farming and came into fruition last year.

Using commercially available machinery and precision agricultural technologies, the Living Mulches project helps overcome these restrictions.

This project is demonstrating that, by employing GPS-guided strip-tilling/band-sowing techniques, living mulches can be profitable and beneficial for UK arable production. Through the European Innovation Partnership Operational Group expertise they will validate, demonstrate and disseminate living mulch compatibility with modern arable farming.

The project development has identified the possible solution as a combination approach of strip-tilling, band- sowing and strip flailing living mulches as a sustainable, environmentally beneficial and profitable alternative. Project trials at 2 sites will assess the potential benefits to soil health and effects on crop growth.

WORKING IN PARTNERSHIP

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.

PERFORMANCE OVERVIEW

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 2021	• 98.3% of claims were paid by 31 December 2021
Timely processing and payment of Trader Schemes	• 100% of Fruit & Vegetables 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 & Vegetables claims paid by 15 October 2021 • 100% of valid School Milk claims paid within 90 calendar days • 100% 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 claims processed within 30 calendar days	• 5,637 jobs had been created by 31 March 2022 (ongoing) • 88.2% 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	• 99.2% of notified cattle births, deaths and movements have been recorded within 5 working days of receipt • 99.7% of cattle passports for valid applications and online were issued within 5 working days

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

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. We strive to continually improve our performance, through trusting and empowering our people to transform our services and always put 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 Stewardship 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.

BASIC PAYMENT SCHEME (BPS)

Due to ongoing simplification measures implemented by the agency, we continue to report record payment performance. Since the start of BPS in 2015 we have improved our payment performance year-on-year, with 2021-22 being our best performance to date.

81,408 customers (96.4%) were paid £1.56 billion on the opening day of the payment window, and a record 83,063 (98.3%) by the end of December 2021. By 31 March 2022, the total number of customers paid had increased to 84,013 (99.4%) worth £1.64 billion.

Percentage of BPS payments by scheme year	2021	2020	2019	2018
End of December	**98.3%**	97.8%	95%	93%
End of March	**99.4%**	99.1%	99%	99%

A record 83,063 BPS customers (98.3%) were paid by the end of December 2021.

COUNTRYSIDE STEWARDSHIP (CS)

We took on direct responsibility for Countryside Stewardship on 1 October 2018. Since then, we have introduced measures to not only improve its administration and performance but also to make it easier for customers to apply for, including the option of online applications for Mid-Tier applicants from February 2022.

Defra still maintains management control of Countryside Stewardship for claim years up to 2020, so these payments are recorded in Defra's Annual Report and Accounts and not those of the agency. However, for claim year 2021 and onwards, management control resides with the agency. Hence all Countryside Stewardship payments for claim years 2021 and beyond have been recorded in these 2021-22 Annual Report and Accounts, see Note 5.

It is notable that in what was another challenging year for our people and the community that we serve, Countryside Stewardship received a larger number of applications than initially forecasted. To deal with this surge we undertook a large-scale recruitment exercise, followed by dedicated training and mentoring by our people.

In this last year we have seen an increase of 44.7% (4,899) in numbers of applications that we have had to process for Countryside Stewardship, reflecting the success of these measures to date.

Regarding claim payments, during the first quarter of 2021, we focussed our efforts on processing the remaining 2020 Countryside Stewardship claims to payment. Efforts then moved onto processing 2021 payments for the Countryside Stewardship claims whilst also issuing the remaining 2021 and 2022 agreement offers.

We saw a 34% (5,429) increase of claim volumes received for the 2021 Countryside Stewardship scheme year compared to 2020 where we received 15,828 claims.

COVID-19 continued to provide challenges around the ongoing changing needs of our people and our customers. Despite numerous changes in guidance and uncertainty with the pandemic, the agency has implemented a plan to support our people transitioning to a blended approach of home working and returning to the office.

The agency is now in a more resilient position for the future to adequately deal with unexpected large increases of customers applications.

Action	Scheme year	Performance by 31 March
CS Claims payments made	2018	38.3%
	2019	51.5%
	2020	95.3%
	2021	**93.8%**
CS Mid-Tier Agreements offered to Customer	2019	98.2%
	2020	96.6%
	2021	97.5%
	2022	**94.4%**
CS Higher Tier Agreements offered to Customer	2019	94.7%
	2020	95.0%
	2021	96.1%
	2022	**88.2%**

During 2021-22, we issued 17,631 of our 2021 scheme year final payments to 93.8% of eligible claims. This is a significant increase compared to 2020-21, when we issued 13,368 of our 2020 scheme year final payments to 95.3% of eligible claims. This improvement in payment performance demonstrates how resilient the agency has been to the surge in CS applications in 2021-22.

In the year we sent 8,184 (94.4%) Mid-Tier 2022 agreement offers to applicants, compared to 6,725 (97.5%) for 2020-21. Similarly, we improved our payment performance for Higher Tier 2022 agreements offers sending 760 (88.2%) to applicants, up from 512 (96.1%) for 2020-21.

From 1 April 2021, we have received 9,793 CS Capital Claims of which we have paid 8,863 equating to the value of approximately £103 million.

On average a claim was processed and paid within 28 working days from point of receipt.

Our Countryside Stewardship scheme provides over £186 million of financial reimbursement annually to farmers and landowners for work undertaken to promote environmental outcomes.

ENVIRONMENTAL STEWARDSHIP (ES)

We took on direct responsibility for Environmental Stewardship payments on 1 October 2018, and since then, we have introduced measures which were designed to make the process more efficient. Defra still maintaining management control of Countryside Stewardship, so all payments are recorded in Defra's Annual Report and Accounts and not those of the agency.

For customers with expiring agreements, we have once again offered extensions, benefitting the customer by removing the need to apply for a new scheme. There has been an increase in extensions offered on an annual basis. 5,756 extensions were offered for 2022 scheme year compared to 4,150 which were offered in the previous year.

As the appetite of the customers extending agreements has increased, along with making 2021 ES payments, the agency has also contended with this additional workload.

Action	Scheme year	Performance by 31 March
ES Advance payment	2018	47.6%
ES Final payment	2019	86.3%
ES Final payment	2020	90.4%
ES Final payment	**2021**	**84.8%**

As of the 31 March 2022, we made a total of 8,507 payments for the 2021 scheme year equating to 84.8%.

SUSTAINABLE FARMING INCENTIVE (SFI) PILOT

In 2021, the agency launched the pilot for Sustainable Farming Incentive. The scheme is one of 3 schemes being developed to encourage environmental land management. The other schemes being Local Nature Recovery and Landscape Recovery.

In spring an Expression of Interest exercise was completed and over 2,000 customers were interested in being involved in the new scheme.

Following the opening of the application window, we received over 900 applications of which 100% of all eligible applications have been processed and the customer has received an offer of a 3-year agreement, 98% of these agreements are now live.

Our Environmental Stewardship scheme provides an additional £151 million for work undertaken to promote environmental outcomes in a range of habitats.

TRADER SCHEMES

The trader team have administered 2 crisis schemes on behalf of Defra to support the struggling pig industry. These schemes are Private Storage Aid (PSA), where operators are encouraged and paid to place pork into store rather than placing on the domestic or international market. And a Slaughter Incentive Payment Scheme (SIPS) which encourages meat processors to increase slaughter processes and address the on-farm pig crisis. Both were opened on 15 November 2021 and extended with PSA closing 31 March 2022 and SIPS closing 30 June 2022. We anticipate that approximately £0.6 million will be paid to the operators who applied for both schemes.

We issued 8,501 import licences and 573 export licences within 5 working days of receipt. All licences were issued within 5 working days, exceeding the commitments set for the year of 95%. A total of 37,586 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 2021, of which 73% were completed within 100 calendar days.

100% of School Milk claims were paid within 90 calendar days. £5.7 million was paid by the School Milk scheme this year, which is slightly lower than normal due the impact of COVID-19 on the schools.

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

We provided over £39 million of financial support this year to F&V Producer Organisations covering all of the UK's overall production.

GRANT SERVICES

The 2021-22 year has seen us working towards the end of the Rural Development Programme for England (2014-20) and the launch of new domestically funded schemes as part of the Farming Investment Fund.

By the end of March 2022, almost 18,000 Rural Development Programme for England (RDPE) projects had been awarded nearly £572 million in grant funding, these projects in total represent an investment in the rural economy of over £1.3 billion. Just over £392 million in grant funding has now been paid to projects, with month-on-month payments averaging over £7 million. In total the Rural Development projects are contracted to create over 12,000 jobs, with over 5,400 already created. Rural Development for England is reported on in Defra's financial statements.

During 2021-22, we have completed the Countryside Productivity Small Grant Scheme Round 3 - with over 4,000 farm businesses supported to improve their business with over £16.1 million of claims paid. All applications for the Growth Programme Round 3 have been processed with over 430 projects being awarded over £61 million in grant funding.

The 2019 and 2020 rounds of the Farming Recovery Fund, which assisted farmers and landowners recover land from flooding events across the Midlands and Yorkshire, were closed with over 250 projects being awarded £1.9 million and paid £1.4 million over the 2 years. We are reviewing our response to emergency recovery in the agricultural sector from a policy and delivery perspective as part of future planning. These Farming Recovery Fund figures do not relate directly to expenditure reported in the agency's 2021-22 financial statements.

In the year nearly 2,683 RDPE projects were completed, generating jobs and growth in the rural economy, this leaves a further 672 RDPE projects in delivery. These projects will be managed out over the next year with the final date for claims to be submitted being 31 March 2023.

The RPA is working closely with Defra on the development of the Farming Investment Fund (FIF) schemes which will improve farm productivity while delivering environmental benefits. As set out in the Agricultural Transition Plan (ATP), 2 FIF schemes have been developed and launched in November 2021; the Farming 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 larger transformational projects. Both have been modelled on the RDPE funded Countryside Productivity Schemes, streamlining, and incorporating lessons learned to improve the applicant experience.

The FETF application window closed in January 2022, and we received over 5,500 applications requesting grants of £54 million. We issued over 4,500 agreements and claims have started coming in. The deadline for submitting claims is 31 October 2022.

Expressions of interest for the first 2 themes under FTF, Water Management (WP) and Improving Farm Productivity (IFP), have now been received via a newly developed online checker portal which closed in January 2022 for WP and March 2022 for IFP. These have been processed and over 160 Water management projects, with a value of over £24 million, have been invited to submit a full application. A further 266 IFP projects, with a value of over £41 million are in the process of being invited to full application. The deadline for WP applications is 30 June 2022 and IFP 14 September 2022.

As part of the Farming Investment Fund, we have launched:

- round one of the Farming Equipment and Technology fund
- 2 themes from the Farming Transformation fund; Water and Improving Farm Productivity

These schemes focus on:

- increased uptake of more productive farming methods
- improved overall economic and environmental performance
- improved resource efficiency to reduce costs and related carbon emissions
- improved product supply, development, and innovation

CATTLE RECORDS

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

Our British Cattle Movement Service (BCMS) achieved all key performance indicators with 99.2% of cattle births, deaths and movements completed within agreed deadlines.

The amount of non-electronic transactions has reduced by 127k 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 Sheep & Goat Ear Tag Allocation Systems was rolled out in March 2022, later this year the new system will replace the Cattle Ear Tag Allocation System. RPA will contract with Livestock Information Ltd (LI Ltd) via a service level agreement, to administer the ear tag allocation service on their behalf.

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.

REGULATORY & ADVICE SERVICE

Our programme of inspection visits is designed to meet our obligations for compliance with European Commission and UK scheme legislation, ensuring payments made by the agency are accurate, and additionally they help safeguard the environment, the public, crop health, animal welfare and livestock and food traceability.

RPA was responsible for carrying out over 7,864 inspection visits during 2021-22, across a wide range of food and farming grant and support schemes and our regulatory function areas. In addition to the inspection visits, a further 1,192 remote inspections were carried out digitally, which were processed by the agency.

Due to the ongoing challenges of the COVID-19, we have been exploring and implementing new and innovative ways, using more technology, particularly using greater remote sensing activity, enabling us to improve our efficiency and reduce impacts and burden on customers.

During 2021-2022, RPA Field Officers also supported Animal and Plant Health Agency (APHA) colleagues on some animal welfare inspections and at sites experiencing avian influenza.

We completed 100% of cattle identification inspection visits (1,504) and sheep and goat inspection visits (2,632). APHA have completed 503 of these sheep and goat inspections on our behalf, integrated with their own brucellosis testing regime, as part of the Defra Farm Visits Programme. And RPA completed 2,129 visits, all within the regulatory deadlines.

Additionally, we continued to deliver our regulatory responsibilities to the red meat sector and during 2021-2022 we carried out 327 Beef Carcase Compliance visits and 75 MTS Video Imaging Analysis visits to beef plants operating this technology, as well as 134 Pig Carcase Grading visits, 179 Deadweight Price Reporting inspections and 419 Beef Labelling Scheme inspections this year.

GEOSPATIAL INFORMATION SYSTEM

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 122,324 digitisation jobs representing 129,865 published parcels. The completion of these jobs supported the BPS, CS and ES payment targets.

We continue Proactive Land Change Detection activity with approximately 921,000 parcels checked this year to support the Land Parcel Identification System. The annual Proactive Land Change Detection activity ensures the accuracy of the land data within LPIS. The latest quality checks have been completed.

We maintain the accuracy of approximately 2.5 million land parcels covering around 9 million hectares which equates to 75% of England land captured.

CUSTOMER CONTACT CENTRE

COVID-19 has continued to present us with some significant operational impacts during this period. As we move out of this pandemic, the agency has planned to balance a phased return to our offices, whilst ensuring minimal disruption is caused to 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. We continue to develop new processes and use technology to modernise this service, giving customers more choice on how they can contact us and further improve our service to customers.

The Defra and Pet Travel Scheme helplines received 36,259 calls, answering 35,240 calls (97.2%) across the year. We answered 83.9% within the service level agreement of 80% within one minute.

The remaining helplines received 215,117 calls, answering 200,657 (93.3%) across the year. We answered 72.8% within the service level agreement of 60% within 2 minutes.

We responded to over 235,000 customer calls and to more than 183,000 items of correspondence during the year.

TRANSPARENCY OF DATA AND ACCESS TO INFORMATION

We responded to 396 requests for information this year, of which 71.7% 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 8 internal reviews and 3 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	2021-22	2020-21
Payment within 5 days	**92.7%**	75.7%
Payment within 10 days	**97.4%**	86.7%

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 2021-22.

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	2021-22	2020-21
Prior year complaints unresolved	**145**	300
New complaints received	**618**	869
Complaints resolved, withdrawn or cancelled	**735**	1,024
Complaints unresolved at 31 March	**28**	145

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	2021-22	2020-21
Prior year appeals unresolved	**69**	89
Appeals received	**93**	79
of which: customer complaint upheld	**39**	41
customer complaint partially upheld	**8**	4
RPA decision upheld	**60**	47
appeals withdrawn	**5**	7
Appeals resolved	**112**	99
Appeals unresolved at 31 March	**50**	69

Preparation of the Annual Report and Accounts

The Statement of Accounts reports the financial results for the year from 1 April 2021 to 31 March 2022. 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 (2020-21: £235,000) was incurred for the audit of the agency's accounts and is now included within the corporate overhead recharge (notional).

The Comptroller and Auditor General is also the auditor of 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 £2.2 million (2020-21: £2.4 million), see Note 3. Defra allocates running costs budgets for 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.

FINANCIAL PERFORMANCE REVIEW

The RPA normally considers its financial performance in 2 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 (Pillar 1) and EAFRD (Pillar 2) 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 2020, 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 £157.1 million are lower than the previous year (2020-21: £160.9 million). Staff costs have fallen year-on-year due to a sharp drop in agency staff to £4.3 million (2020-2021: £13.4 million) only partly offset by an increase in permanent staff £58.4 million (2020-21: £57.1 million). The agency also received £1.4 million more corporate overhead recharges (notional), from Defra in 2021-22, mostly due to an increase in estate management £9.9 million (2020-2: £8.5 million), see Note 3.

Net running costs were £154.0 million (2020-21: £156.9 million) after allowing for income. Running cost income fell to £3.1 million in 2021-22 (2020-21: £3.9 million), this consisted almost entirely of income for work on the British Cattle Movement Service on behalf of Defra of £3.0 million (2020-21: £3.8 million).

The UK government and devolved administrations in Scotland, Wales and Northern Ireland now fund directly a number of schemes which were previously funded by the European Union.

Financial position

The UK government and devolved administrations in Scotland, Wales and Northern Ireland now fund directly a number of schemes which were previously funded by the European Union. 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 2021-22 financial statements are summarised in the table below.

		Scheme payments made		Presentation within financial statements	
Scheme area	Principal schemes	On or after 16 October 2020	On or before 15 October 2020	On or after 16 October 2020	On or before 15 October 2020
New UK funded schemes	Simplified Countryside Stewardship (2021 claim year onwards), Farming Equipment and Technology Fund	100% UK funded	Not applicable	Expenditure is shown within the UK funded schemes section of note 5.	Not applicable
EU legacy Pillar 1 schemes – administered separately by devolved administrations	Basic Payment Scheme	100% UK funded (except reimbursement of Financial Discipline Mechanism amounts).	100% EU funded	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.	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.

Financial position (continued)

		Scheme payments made		Presentation within financial statements	
Scheme area	Principal schemes	On or after 16 October 2020	On or before 15 October 2020	On or after 16 October 2020	On or before 15 October 2020
EU legacy Pillar 1 schemes – administered by RPA on a UK wide basis	Fruit & Vegetables, School Milk	100% UK funded	EU funded (with some minor UK funded elements).	Expenditure is shown within the UK funded schemes section of note 5. Income from devolved administrations is shown within the UK funded section of note 5.	Expenditure and income from the EU are shown within the EU funded schemes section of note 5.
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.	

Several further new schemes are currently being administered by the agency, with spending under these schemes not expected to be recognised until the 2022-23 financial year. Those schemes are the Sustainable Farming Incentive Scheme, Slaughter Incentive Payment Scheme, Private Storage Aid Scheme (for pig meat), Lump Sum Exit Scheme, and the Farming in Protected Landscapes Programme, and the Farming Transformation Fund.

Overall payments made under schemes administered by the agency in 2021-22 were £1.8 billion (2020-21: £1.9 billion). Some £1.8 billion of these payments were funded by the UK government (2020-21: £1.9 billion). Most of this expenditure was for Basic Payment Scheme 2021 claims of £1.7 billion but also included were payments made for Countryside Stewardship 2021 of £99.8 million and Fruit & Vegetables payments totalling £39.4 million, see Note 5.

During 2021-22, the agency also made payments on new domestically funded schemes including £1.6 million paid under the Farming Equipment and Technology Fund initiative which supports the purchase of equipment, technology, and infrastructure designed to improve agricultural, forestry and horticultural productivity in a sustainable way. And £0.5 million paid out under the Farming Recovery Fund initiative which provides contributions to help farmers affected by flooding.

The agency received £7.5 million of income in 2021-22, including £4.0 million for Fruit & Vegetables and £3.0 million for School Milk, see Note 5.

Funding provided to Scotland, Wales and Northern Ireland fell in 2021-22 to £165.7 million (2020-21: £450.9 million) as the devolved administrations now fund their own Basic Payment Scheme directly. In 2020-21 the agency had funded these Basic Payment Scheme up to and including the 15 October 2020, see Note 6.

The agency also received £166.1 million from the EU to offset the devolved administration's funding requirements. The overall net scheme expenditure for the devolved administrations is therefore a surplus of £0.4 million. The agency attempts to get back all its EU funded expenditure back from the EU, so the net position relation to EU funded devolved administration's activity will mostly be incurred as a result of costs incurred in managing currency receipts from the European Commission, see Note 6.

Non-current assets of the agency have fallen by £1.7 million in the year to 31 March 2022, with a full year's depreciation and amortisation of £8.5 million being charged offset by £4.1 million of capital additions being brought in. These £4.1 million of additions were acquired from Defra (2020-21: £3.1 million), via a non-cash transfer through the General fund.

Receivables have decreased by £204.1 million compared to 31 March 2021. 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 £11.3 million compared to 31 March 2021. This is mainly due to £14.6 million of Rural Development advances now being due within one year (2020-21: £nil), partly offsetting a drop in scheme accruals of £26.9 million. This reduction in scheme accruals was in part due to the agency not reporting a Financial Discipline Mechanism funds accrual in 2021-22 (2020-21: £36.9 million), partly being offset by a larger £13.6 million accrual for 2021 Countryside Stewardship (2020-21: £1.2 million).

Payables due over one year have fallen by £108.9 million compared to 31 March 2021. The agency reported £125.2 million of over one-year Rural Development Programme advance at 31 March 2021. As mentioned above, at 31 March 2022, £14.5 million of this advance has been classified as a current liability (31 March 2021: £nil).

This reflects the expected exhaustion of EU funds for the Rural Development Programme in England, Scotland and Northern Ireland, during the next financial year, meaning that the balance relating to these nations will be utilised to fund scheme expenditure within the next financial year. A further £94.4 million of the advance has now been utilised against EC receivables in 2020-21. This leaves £16.3 million of over one-year Rural Development advances at 31 March 2022, see Note 11.

The cash balance of the agency has remained constant at £329.8 million (2020-21: £330.2 million). 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.

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 2 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 2022, these derivative contracts represent a net liability of approximately £3.4 million to the agency (2020-21: Net asset of £8.2 million). This valuation is consistent with foreign exchange movements in 2021-22 and offsets the corresponding potential losses in the value of the Euros receivable from the European Commission.

The second 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 the core Defra's departmental financial statements where the liability for these costs sits.

SUSTAINABILITY REPORT

The agency's sustainability journey is included in the Highlights of the Year. Our approach to sustainability is aligned to the Greening Government Commitments (GGCs). The Greening Government Commitments set out the actions UK government departments and their partner organisations will take to reduce their impacts on the environment in the period 2021 to 2025. This includes reducing greenhouse gas emissions, the amount of waste generated and water consumption. For 2021-22 reporting, the baseline year against which performance is measured has been updated to 2017-18.

Many of the areas covered by the GGCs are centrally managed by Defra, for example sustainable procurement and Information and Communication Technology (ICT) strategies. Defra Digital Data and Technology Services (DDTS) have a Defra group Sustainable Information Technology (IT) Strategy which is available on GOV.UK.

To minimise waste, many redundant ICT assets have been sold, or donated to Citizen's Advice and Computer Aid by Defra group. RPA supports Defra in delivering departmental sustainability aims which will be included in Defra's 2021-22 Annual Report and Accounts.

KEY PERFORMANCE INDICATORS

	Change against baseline
Greenhouse Gas Emissions	**-30%**
Water consumption	**-71%**
Percentage of waste recovered or reused	**+3.4%**

RPA has achieved improved performance against the baseline year of 2017-18, with lower greenhouse gas emissions, lower water consumption, and a higher percentage of waste recovered or reused. It is important to note that COVID-19 restrictions introduced significant changes to ways of working, and the lower levels of office occupancy and business travel have played a significant role in reducing emissions.

Greenhouse Gas Emissions		2021-22	2020-21	2019-20	2018-19	2017-18 baseline[5]
Non-financial indicators (tonnes CO_2)	Scope 1 emissions (direct)	**506.75**	216.90	494.10	613.90	716.67
	Scope 2 emissions (indirect)	**354.03**	282.20	311.80	447.40	724.50
	Scope 3 emissions (direct travel)	**300.60**	24.00	158.60	172.90	220.30
	Total emissions	**1,161.38**	523.10	964.50	1,234.20	1,661.47
	Direct carbon from buildings	**363.13**	216.90	176.01	n/a[1]	229.44
	Carbon from UK flights	**0.03**	–	4.41	n/a[1]	5.06
	Carbon from international travel	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Related energy consumption (KWh)[4]	Electricity non-renewable	**-**	–	–	–	2,060,820[2]
	Electricity renewable	**1,669,628**	1,104,185	1,219,740	1,580,250	
	Gas	**1,980,685**	1,176,011	954,337	1,089,080	1,245,754
	Biomass	**-**	–	–	–	1,182
Financial indicators (£)[4]	Electricity - expenditure	**422,910**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Gas - expenditure	**97,797**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Total expenditure in energy	**520,707**	202,374	139,083	338,259	240,052
	Carbon Reduction Commitment (CRC) licence expenditure	**Nil[3]**	Nil[3]	Nil[3]	41,369	39,389
	Expenditure on official business travel	**909,380**	605,313	1,821,130	2,099,950	2,121,107

1. *Data not captured historically. Carbon from international travel is expected to be reported from 2022-23.*
2. *Baseline 2017-18 electricity consumption was not classified as non-renewable or renewable.*
3. *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.*
4. *Oil consumption and expenditure is reported in Defra's Annual Report and Accounts.*
5. *The baseline year has been updated from 2009-10 to 2017-18.*

Waste Management		2021-22	2020-21	2019-20	2018-19	2017-18 baseline[2]
Recovered or recycled (tonnes)	Reused or recycled	**40.04**	21.24	63.45	101.18	161.37
	ICT waste recycled, reused and recovered (externally)	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Composted	**0.25**	1.80	5.61	3.46	6.09
	Incinerated with energy recovery	**17.92**	12.17	44.16	45.36	49.12
	Total recovered or reused	**58.21**	35.21	113.22	150.00	216.58
Not recovered or recycled (tonnes)	Incinerated without energy recovery	**0.72**	2.54	2.93	1.07	-
	Landfill	**0.36**	0.55	10.18	10.27	11.90
Total waste (tonnes)		**59.29**	38.30	126.33	161.34	228.48
% recovered or reused		**98.18**	91.93	89.62	92.97	94.79
Recovered or recycled (£)	Reused or recycled	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	ICT waste recycled, reused and recovered (externally)	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Composted	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Incinerated with energy recovery	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Total recovered or reused	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Not recovered or recycled (£)	Incinerated without energy recovery	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Landfill	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Total waste (£)		**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]

1. *Data not captured historically and is expected to be reported from 2022-23.*
2. *The baseline year has been updated from 2009-10 to 2017-18.*

Finite Resource Consumption	2021-22	2020-21	2019-20	2018-19	2017-18 baseline[2]
Water consumption (m^3)	**3,507**	8,758	9,778	10,778	11,983
Water supply costs (£)	**33,560**	Nil[1]	Nil[1]	45,241	47,408

1. *Water supply costs from 2019-20 onwards are reported in Defra's Annual Report and Accounts. The agency's 2021-22 water supply costs in Defra's Annual Report and Accounts are presented here for clarity.*
2. *The baseline year has been updated from 2009-10 to 2017-18.*

Other target areas		2021-22	2020-21	2019-20	2018-19	2017-18 baseline[2]
Paper usage	Reams (A4 equivalent)	**431**	n/a[1]	n/a[1]	n/a[1]	5,954
	Percentage reduction from baseline	**92.8%**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Travel – car fleet	Percentage of ultra-low emission vehicles	**23.8%**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Percentage of zero emission vehicles	**10.5%**	n/a[1]	n/a[1]	n/a[1]	n/a[1]

1. *Data not captured historically.*
2. *The baseline year has been updated from 2009-10 to 2017-18.*

Paul Caldwell
Chief Executive and Accounting Officer
8 July 2022

Rural Payments Agency

ACCOUNTABILITY REPORT

This section provides the key accountability requirements to Parliament.

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 2021-22.

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 controls are in place for the agency.

Key business at AMB meetings in 2021-22 included:

- the progress made against the Agricultural Transition Plan and the agency's readiness for administering new schemes
- the COVID-19 pandemic and the actions taken to ensure continuity of the agency's business
- reviewing the performance of schemes including Basic Payment Scheme (BPS), Countryside Stewardship (CS) and Environmental Stewardship (ES)
- providing advice on actions to increase the numbers of individuals being successfully recruited into the agency

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 AMB and the Chief Executive Officer (as Accounting Officer) on whether the agency's annual report and accounts and internal control systems are fully compliant with current legislation, standards, and best practices. ARAC also reviews the agency's approach to risk, fraud, and whistleblowing. RPA's ARAC Chair is also a member of the Defra Audit and Risk Assurance Committee.

Key business at ARAC meetings in 2021-22 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 and fraud risk management
- 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	Non-Executive Director (until 30 June 2021)	Member	1 of 1	-	-
Janet Hughes	Defra Director, Future Farming and Countryside programme	Member	3 of 6	-	-
Alison Johnson	Engagement and Operational Readiness Director	Member	6 of 6	-	-
Anne Marie Millar	Finance Director for RPA, Future Farming & EU Finances (until 19 October 2021)	Member	2 of 3	-	-
Jessie Peramal	Finance Director and Departmental Group Functional Lead for Grants (from 19 July 2021)	Member	4 of 4	-	-
Shrinivas Honap	Chair of ARAC, Non-Executive Director (until 31 October 2021)	Member	3 of 3	Chair	3 of 3
Paul Dillon-Robinson	Non-Executive Director and Chair of ARAC (from 1 November 2021)	Member	3 of 3	Chair/ Member	4 of 4
Tim Breitmeyer	Non-Executive Director (from 1 April 2021)	Member	6 of 6	Member	4 of 4
Mark Suthern	Non-Executive Director (from 1 April 2021)	Member	6 of 6	Member	3 of 4

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 2021)	End date of membership
Paul Caldwell (ET Chair)	Chief Executive Officer	-	Present
Emma Appleby	Chief Operating Officer	-	Present
Susan Boyd[1]	Customer Operations, Complaints and Appeals Director	-	Present
Peter Crewe	Compliance, Assurance and Risk Director	-	Present
Alison Johnson	Engagement and Operational Readiness Director	-	Present
Sandy Kapila	Customer Director	17 January 2022	Present
Nadia Khan[2]	Food, Farming and Biosecurity Deputy HR Director	-	Present
Rozanne Kidd	Agricultural Transition Director	1 July 2021	Present
Andy King	Regulation, Grants and Standards Director	-	Present
Jake McClure	Organisational Capability Director	-	Present
Anne Marie Millar[2]	Finance Director for RPA, Future Farming & EU Finances	-	19 October 2021
David Painter[2]	Digital, Data and Technology Services Director	-	Present
Jane Parsley	Interim Agricultural Transition Director	5 April 2021	31 July 2021
Jessie Peramal[2]	Finance Director and Departmental Group Functional Lead for Grants	19 July 2021	Present

1. *Susan Boyd's title changed from Agricultural-Transition Director during the year.*
2. *Nadia Khan, David Painter and Jessie Peramal are employees of Defra group corporate services. Anne Marie Millar was also an employee of Defra group corporate services until she left on 19 October 2021.*

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 several 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 committees.

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 regulation will be adhered to until the last of the EU subsidies have been paid in December 2023. RPA have however expressed a desire to continue with ISO 27001 certification beyond this date. 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 3 years.

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 are currently completing the annual 2022 Departmental Security Health Check submission which will assess compliance against new minimum baseline standards for physical, personnel and cyber security. This will be a joint submission covering Defra group (including RPA). RPA will be provided with the completed questionnaire to review prior to it being submitted to the Cabinet Office. Defra group Security will use this exercise to identify areas for improvement and will feed back to the RPA on progress being made.

The Security Operations Centre (SOC) continues to mature and build out their cyber monitoring capability. Notably the widespread adoption of Windows10 within RPA has led to a step change in Endpoint visibility, management, and control. A number of high-profile Critical Vulnerabilities (e.g., the Log4J code libraries) that were disclosed in year lead to urgent working parties with all of our suppliers to rapidly re-configure and patch vulnerable systems before they could be compromised.

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. At the beginning of the year the RPA CEO and the Defra Data Protection Officer (DPO) agreed that the RPA would be subject to annual reviews of compliance with data protection law, in accordance with the implementation and monitoring of the Information Commissioner Office (ICO) Accountability Framework. To support the RPA Security Risk Owner (SRO) and the Defra 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 is provided to the RPA SRO and the Defra DPO, with an end of year report provided to the RPA CEO.

When people join the RPA, the need for conformant information handling is highlighted in the induction process. This is reinforced during the annual Security and Data Protection (replaces the Responsible for Information 2018) online course provided by Civil Service Learning. The Security and Data Protection training which includes a certificate of completion is 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.

Personal data incidents

During 2021-2022, a total of 152 personal 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 reporting to the Information Commissioner's Office.

Fraud referrals

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 fraud referrals	2021-22	2020-21
Number of new fraud referrals in year	**152**	173
Number of fraud referrals closed	**157**	170
Value of:		
Detected fraud value	**£89,179**	£211,400
Detected fraud number of cases	**18**	12
Detected fraud recovered value	**£70,459**	£48,742
Detected fraud recovered number of cases	**16**	10
Prevented fraud value	**£746,440**	£95,700
Prevented fraud number of cases	**16**	14
Number of fraud cases outstanding	**119**	124

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 expenditure and income, 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.

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

At the start of the 2021-22 financial year, we initiated a full top-down review of the agency's strategic risk assessment. The intention was to have a greater degree of input from the RPA's Executive Team as a collective, building on the individual risk assessment work each Executive Director had previously provided, and to better articulate the strategic challenges the agency was facing.

The risk assessment has seen a mix of short-term risks featured as an agency level concern for a single quarter and those that have been part of the overall picture of strategic risk assessment for the duration of the financial year. Earlier in the year, shorter-term risks included work to stabilise the agency's workforce, an upgrade to the agency's customer payments IT system and significant concerns in being able to shape future accounting policies. Each of these specific items have been mitigated during the year to the extent that they are no longer specific risks featured in the current agency level risk assessment.

Other challenges have featured across the financial year include risks that reflect the transition from EU funded CAP schemes to the domestically funded Future Farming and Countryside Programme (FFCP) schemes being developed between Defra and the RPA. Risks outlining the ability to develop and deliver schemes that meet the challenges of achieving objectives in a value for money way whilst ensuring the risk of irregular payments are minimised have been a key feature. In assessing the challenges of developing new schemes, we have specifically assessed the ability to meet financial and accounting standards and sought to ensure the engagement approach between the agency and FFCP is optimised to deliver the intended outcomes.

Aside from scheme development and delivery focussed risks we have monitored the relationship between RPA and Defra group corporate service functions, seeking to recognise the impact that decisions made in these areas can have on the agency and the reliance RPA has on other areas to be able to effectively mitigate those risks.

In February 2022, Russia invaded Ukraine, giving rise to potentially increased risk for government departments. The agency assessed and continues to monitor our position against the risk of making scheme payments to sanctioned individuals. Wider consideration of associated heightened risk areas, including security measures, supply chains and people impacts have also been, and continue to be assessed. Positive assurance on both sanctions and wider risk points have been obtained to date.

The other group of risks that have been reported cover the agency's business as usual delivery, the performance of key schemes, the agency's forward-looking strategy and how we continue to improve our customer service.

Fraud risk management

The Fraud Risk Management Steering Group (FRMSG), chaired by the Agency's Fraud and Risk Management lead has acted in an advisory committee capacity to the Finance and Assurance Senior Sponsor Group. The steering group has representatives from directorates across the agency and the wider Defra group. The group has met 4 times within the reporting year to consider detection and awareness of fraud in the RPA. Fraud risk management assurance reports have been provided to ARAC during the year.

Key activities of the group have been assessing and addressing findings arising from GIAA reviews of activity where we have previously had less assurance over the management of fraud risk. This includes processes around the management of supplier bank account changes and business interest declarations.

The group have kept continual engagement with Fraud Risk Management colleagues from the FFCP and wider Defra group to ensure a sound level of understanding of forthcoming fraud risk faced by the agency. Cross government focus on Counter Fraud, through both the Cabinet Office and National Audit Office has heavily influenced the focus on Fraud and Error, both in RPA and the wider Defra group. The focus has led to the development of more aligned working between RPA, Defra Core and FFCP to increase awareness and understanding of the challenges of effectively managing and monitoring fraud and error, particularly in the development of new schemes.

The Environmental Land Management Scheme National Audit Office (NAO) report

In September 2021, the National Audit Office published their report on the Environmental Land Management Scheme (ELM). This report examined the strategic management of ELM, the delivery of the Sustainable Farming Incentive (SFI) 2022, and the delivery of the long-term benefits of the scheme.

We have engaged with the NAO in response to their ELM report recommendations and are working on detailed operational procedures against the fraud and error risks identified in the report, together with a management plan to show how the agency will achieve and assess progress against its fraud and error objectives.

Disallowance risk management

The agency supports the Defra Disallowance Strategy which, despite EU Exit continues to apply. Tactical and strategic measures, supported by the analytical evidence to calculate the financial risks, have been successfully used to significantly reduce the amount of disallowance that would otherwise have been applied.

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 Finance and Assurance Senior Sponsored 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. Note that any disallowance costs which are incurred are charged to Defra in its capacity as the managing authority for EU funded scheme expenditure.

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.

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 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.

We have also developed an action plan to address reservations raised in the European Commission's 2020 Annual Activity Report.

The agency adapted its compliance testing approach to the constraints of COVID-19 public health measures, while remaining fully engaged with both external auditors and the European Commission. The European Commission recognised the continued impact of COVID-19 restrictions on existing control activity, and the agency took advantage of regulatory derogations that allowed for reductions in on-the-spot control samples and flexibility around evidence requirements.

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.

Quarterly strategic risk sessions are held with the Executive Team in order to review and agree the agency's overarching risk priorities. 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, primarily in terms of how we are able to provide assurance that agency level risks are being managed effectively. We have implemented an approach of risk deep-dives and are undertaking further work to enhance 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 2021-22 managed within the whistleblowing process. The RPA 2021 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 continue to communicate the policy on an ongoing basis to new and existing colleagues.

Internal Audit opinion

RPA's Head of Internal Audit (HIA) provides an annual opinion based on the internal audit work completed during the year, and in line with the audit plan agreed 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 2021-22 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 ongoing disallowance risks, management of the transition from EU funding arrangements to domestic funding, and the development of alternative domestic schemes through the Future Farming and Countryside Programme. It also recognises that the RPA has maintained operations during the uncertainties of the COVID-19 emergency and move to hybrid working.

Of the 25 assurance reports delivered, 9 were advisory, real-time assurance, or follow up audits and did not carry an assurance rating. Two of the remaining 16 reviews report 'Limited' assurance.

The first related to the stabilisation activity carried out to stabilise the workforce by converting contingent workforce to permanent positions where appropriate. Although the audit identified areas where transparency and value for money could be better demonstrated, a follow-up audit within a few months confirmed that all but one action had been completed, raising the assurance level to Moderate.

The second is the Data Warehouse (DWH) Technical Audit. This highlights necessary improvements to the clarity of roles and responsibilities; identification of all data sources; and verification of the accuracy, completeness and consistency of the information in DWH.

Because of the wider reliance of future schemes on DWH, funding to address the current issues is being sought under an FFCP project created to develop the longer-term strategic solution for domestic schemes and Digital, Data and Technology Services (DDTS) do not feel able to commit to specific actions until that funding has been secured. In the meantime, the RPA has taken steps to identify an RPA service owner and bring some elements of the service in-house.

The DDTS function continues to play an essential role in managing areas such as IT systems access, key systems such as the Data Warehouse, and the maintenance and replacement of legacy IT systems, which underpin current operations as well delivery of future schemes. Follow up work on the management of legacy IT indicates that action has been taken to improve DDTS' understanding of RPA's priorities and key systems.

These include: a move to centralised governance of spend; identification of RPA's critical systems; development of a communications strategy and plan to engage with arm's length bodies; and development of a Crisis Management Plan.

Similarly, DDTS and Human Resources have a role in the processing of leavers from the organisation and retrieval of their assets, where long standing actions to address weaknesses remain dependent on a Defra joiners-movers-leavers project. The risks associated with unretrieved assets is mitigated in part by in-built controls preventing their use outside of the Defra Network but is dependent on prompt removal of leaver's IT accounts. There are indications that notification of leavers to HR can sometimes be delayed so the feasibility and benefits of additional layers of control are being considered, alongside the strengthening of access controls, where actions to strengthen the management of privileged accounts are still to be fully completed but are being closely monitored by both the executive and the HIA.

The Service Catalogues have been a positive step forward in clarifying the corporate service offering but they are not comprehensive in covering areas like the Data Warehouse. Further work is needed to build on the roles and responsibilities for activities not yet captured by the Catalogues and to confirm what sits within the business-as-usual delivery. Without that clarity it is not apparent what comes as part of the service and what is additional, which does not support proactive planning, prioritisation, and bidding for the required funds. Given the cross-cutting nature of the corporate service functions, particularly DDTS, that risks impacting the prompt addressing of issues when they are identified.

Compliance with governance codes

An informal review carried out against the NAO 'Corporate Governance in Central Government Departments: Code of Good Practice 2011 Compliance Checklist' indicated that RPA complies with the principles for an agency of our size, status and legal framework.

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 several subcommittees (with RPA being part of the Food, Farming & Biosecurity and the Environment, Rural and Marine 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 plan to undertake Board effectiveness reviews during the first half of 2022-23.

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

Managing significant challenges in 2021-22

Agricultural Transition Plan implementation

In 2021-22, RPA has continued to work in partnership with colleagues in Defra to implement the Agricultural Transition Plan. The introduction of new schemes has been successfully achieved whilst maintaining a high level of performance on CAP schemes, including those where there has been a switch from EU to domestic funding. The agency has ensured that the impact of this change has been effectively managed and continuity of service maintained for our customers.

This has been achieved through close engagement between policy development and operational delivery to ensure that the resources, IT systems and processes are in place in a timely fashion. All new schemes have been launched following detailed operational readiness reviews and the provision of assurance to the agency's Accounting Officer that appropriate controls to manage fraud and error were in place. For some schemes this has required an iterative approach to allow schemes to launch whilst the requirements needed later in their life cycle are finalised. The agency has ensured that the scale of activity has aligned with its ability to deliver and has ensured that farmers have had options to allow them to manage their businesses effectively either through moving to new schemes or extending their involvement in former CAP schemes.

The Sustainable Farming Incentive (SFI) was launched in March 2021 as a pilot with a pre-determined number of participants. The pilot was successful in securing approximately 900 farmers who will provide regular, comprehensive feedback on what is and what is not working, and build on the lessons learned from tests and trials which had previously been undertaken with farmers across England. Agreements started to be issued in October 2021 and learning activities are scheduled to take place throughout their duration which will feed into future years of the scheme.

Approximately 350 of the first quarterly payments were made during February and March 2022 which incorporated our review of the SFI pilot standards payment rates. Early roll out of the first iteration of the SFI scheme will commence in summer 2022, with a Private Beta phase beginning in May involving around 100 customers. These 'early adopters' will provide further assurance and feedback which will allow any required changes before full launch.

The piloting of Landscape Recovery also commenced during the course of the year as an opportunity for farmers and landowners to test the scheme at scale in real-world situations. When fully launched in 2024, the Landscape Recovery and Local Nature Recovery schemes will improve animal health and welfare, reduce carbon emissions, create habitats for nature recovery and facilitate landscape scale environmental changes.

In November 2021, RPA was responsible for launching the Farming Investment Fund which provides grants to farmers, horticulturists, foresters (including related contractors) so that they can invest in the things they need to improve productivity and enhance the natural environment. Under the Farming Equipment and Technology Fund element of the scheme, the agency has to date been able to approve 4,376 Grant Funding Agreements worth £48.5 million. These grants will provide investment for specific items of equipment which will improve productivity and efficiency for farming, horticultural and forestry businesses.

The agency has continued to collaborate with partners both across the Defra group and the farming industry towards delivering a single system of registration and tracing for livestock in England. During the year the agency successfully facilitated a significant step towards this single system which was the transfer of Scottish cattle movement reporting to the Scottish Government.

Coronavirus (COVID-19)

The agency has remained committed to supporting the rural economy throughout the second year of the COVID-19 pandemic. This included the launch of 2 pig meat related schemes (Slaughter Incentive Payment and Private Storage Aid) to mitigate the impacts of the export and labour issues caused by the pandemic.

Despite the majority of the workforce working from home for much of the year the agency has continued to effectively deliver its services to farmers and rural businesses. Excellent payment performance was achieved on schemes such as Basic Payment Scheme, Countryside Stewardship and Environmental Stewardship which delivered much needed funding during what has been a difficult time for the industry.

Throughout the year the agency has been taking steps to gradually transition towards blended working arrangements which combines the benefits of home and office working in a flexible way. Whilst there have been some challenges during the transition a significant amount of the agency's people are now spending a proportion of their time working in RPA's workplaces and realising the benefits that being in a collaborative office environment provides.

Resourcing

During 2021-22, RPA has recognised and continued to address the challenges of ensuring the agency is effectively resourced. Understanding and addressing future resourcing needs has been impacted by both the uncertainty of future demand as we transition towards the provision of new schemes, and the challenges faced by many employers in the external recruitment market. We have progressed our ambitions for stabilisation of the workforce, further reducing the reliance of temporary workers by offering permanent roles.

There have continued to be challenges in recruiting suitable candidates in the numbers required to be able to successfully manage the expected increase in demand resulting from the implementation of new schemes, particularly at the lower grades. We have addressed this by increasing the number of apprentices employed by the agency and looking at a range of other initiatives to attract new people. In April 2022, the Audit and Risk Assurance Committee undertook a deep-dive assessment of the agency's workforce planning risk, focussing on the challenges around recruitment and ensuring we have the right longer term workforce profile to meet the agency's need. Positive assurance was taken by the Audit and Risk Assurance Committee on the risk mitigation approach.

In May 2022, the government instructed cabinet ministers to come up with plans to reduce departmental workforces back to 2016 levels within 3 years, implying a reduction of approximately 90,000 civil service jobs. No specific details of how this would affect the agency have been announced at the time of publication of these accounts. However, since June 2022, both the department and the agency have introduced recruitment controls and withdrawn non-critical advertised vacancies. In collaboration with the department, the agency has begun looking at ways to reduce its workforce costs, whilst maintaining its service level.

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 2021-22, NCVP for 2020-21 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 on the Civil Service Commission website.

The CEO and ET are permanent civil servants. The Executive Directors are required to give 3 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 2021-22, no director (2020-21: none) had any taxable benefits 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 2021-22 relate to performance in 2020-21 and the comparative bonuses reported for 2020-21 relate to the performance in 2019-20. This is because the appraisal process does not allow sufficient time to accrue for individual bonuses relating to performance in the reporting year's financial statements.

Fair pay disclosure (audited)

Reporting bodies are required to disclose the percentage change from the previous financial year for both salary and performance pay in respect of the highest paid director and the average percentage change in respect of employees of the organisation taken as a whole.

2021-22	Salary	Bonus	Total
Annualised band of highest paid director remuneration (£000)	**105-110**	**5-10**	**110-115**
Mean employee remuneration	**£26,580**	**£231**	**£26,811**

2020-21	Salary	Bonus	Total
Annualised band of highest paid director remuneration (£000)	125-130	5-10	130-135
Mean employee remuneration	£26,218	£322	£26,540

Percentage change from previous year	Salary	Bonus	Total
Highest paid director (based on midpoint of band)	-16%	0%	-15%
Mean employee remuneration	+1%	-28%	+1%

Mean employee remuneration includes agency staff, contractors, and corporate services directors.

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

The banded remuneration of the highest-paid director in the financial year 2021-22 was £110,000-£115,000 (2020-21: £130,000-£135,000). This was 4.6 times (2020-21: 5.7) the median remuneration of the workforce, which was £24,618 (2020-21: £23,225).

In 2021-22, 2 (2020-21: 2) contractors and no permanent employees (2020-21: nil) received remuneration in excess of the highest paid director.

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.

	2021-22 25th percentile remuneration	2021-22 Median total remuneration	2021-22 75th percentile remuneration	2020-21 Median total remuneration
Highest paid director remuneration (mid-point of pay band)		**£112,500**		£132,500
All employees (excluding highest paid director) Total pay and benefits	**£21,487**	**£24,618**	**£29,179**	£23,225
All employees (excluding highest paid director) Salary component only	**£21,298**	**£24,486**	**£29,179**	
Total pay ratio	**5.2**	**4.6**	**3.9**	5.7

The median pay ratio has reduced from 2020-21. The highest paid director has changed due to the departure of the previous highest paid director. In addition, in line with the public sector pay remit guidance, on 1 July 2021 annual pay increased by £250 for staff earning less than £24,000 full time equivalent per annum and there were increases to the pay ranges at AA and National AO grades.

The banded remuneration for employees in the agency ranged from £15,000-£20,000 to £130,000-£135,000 (2020-21: £15,000-£20,000 to £130,000-£135,000). These figures exclude the Non-Executive Directors.

Remuneration (including salary) and pension entitlements (audited)

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

	2021-22					2020-21				
Name and title	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[1] (£000)	Total (£000)	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[1] (£000)	Total (£000)
Tim Breitmeyer Non-Executive Director (from 1 April 2021)	**5-10**	**-**	**-**	**-**	**5-10**	-	-	-	-	-
David Cotton Non-Executive Director (until 31 March 2021)	**-**	**-**	**-**	**-**	**-**	5-10	-	-	-	5-10
Paul Dillon-Robinson Non-Executive Director	**5-10**	**-**	**-**	**-**	**5-10**	0-5	-	-	-	0-5
David Gardner[2] Non-Executive Director (until 30 June 2021)	**0-5**	**-**	**-**	**-**	**0-5**	0-5	-	-	-	0-5
Shrinivas Honap[2] Non-Executive Director (until 31 October 2021)	**5-10**	**-**	**-**	**-**	**5-10**	15-20	-	-	-	15-20
Elizabeth Passey Non-Executive Director	**5-10**	**-**	**-**	**-**	**5-10**	5-10	-	-	-	5-10
Mark Suthern Non-Executive Director (from 1 April 2021)	**5-10**	**-**	**-**	**-**	**5-10**	-	-	-	-	-

1. *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 increases or decreases due to a transfer of pension rights.*
2. *David Gardiner's whole year equivalent salary was in the range £0 to £5,000. Shrinivas Honap's whole year equivalent salary was in the range £15,000 to £20,000.*

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

2021-22

Name and title[6]	Salary (£000)	Bonus payments[4] (£000)	Benefits in kind (to nearest £100)	Pension benefits[5] (£000)	Total (£000)
Emma Appleby Chief Operating Officer	**90-95**	**5-10**	**-**	**37**	**135-140**
Susan Boyd[1] Customer Operations, Complaints and Appeals Director	**35-40**	**5-10**	**-**	**-11**	**30-35**
Paul Caldwell Chief Executive Officer	**105-110**	**5-10**	**-**	**11**	**120-125**
Peter Crewe Compliance, Assurance and Risk Director	**70-75**	**-**	**-**	**2**	**70-75**
Alison Johnson Engagement and Operational Readiness Director	**70-75**	**-**	**-**	**9**	**80-85**
Sandy Kapila[3] Customer Director (from 17 January 2022)	**10-15**	**-**	**-**	**27**	**40-45**
Nadia Khan[2] Food, Farming and Biosecurity Deputy HR Director	**70-75**	**-**	**-**	**29**	**100-105**
Rozanne Kidd[3] Agricultural Transition Director (1 July 2021)	**50-55**	**-**	**-**	**54**	**105-110**
Andy King Regulation, Grants and Standards Director	**75-80**	**-**	**-**	**21**	**95-100**
Jake McClure Organisational Capability Director	**70-75**	**-**	**-**	**49**	**115-120**

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

Name and title[6]	Salary (£000)	Bonus payments[4] (£000)	Benefits in kind (to nearest £100)	Pension benefits[5] (£000)	Total (£000)
					2021-22
Anne Marie Millar[2] Finance Director for RPA, Future Farming & EU Finances (until 19 October 2021)	**60-65**	**-**	**-**	**41**	**100-105**
David Painter[2] Digital, Data and Technology Services Director	**70-75**	**-**	**-**	**14**	**85-90**
Jane Parsley[3] Interim Agricultural Transition Director (from 5 April 2021 until 31 July 2021)	**20-25**	**-**	**-**	**34**	**55-60**
Jessie Peramal[2] Finance Director and Departmental Group Functional Lead for Grants (from 19 July 2021)	**65-70**	**-**	**-**	**7**	**70-75**

1. *During 2021-22, Susan Boyd voluntarily reduced her hours, hence the drop in salary compared to 2020-21.*
2. *Nadia Khan, David Painter and Jessie Peramal are employees of Defra group corporate services and RPA Directors in 2021-22, as was Anne Marie Millar until 19 October 2021. Anne Marie Millar's whole year equivalent salary was in the range £120,000 to £125,000. Jessie Peramal's whole year equivalent salary is in the range £90,000 to £95,000.*
3. *Sandy Kapila's whole year salary is in the range £70,000 to £75,000. Rozanne Kidd's whole year equivalent salary is in the range £70,000 to £75,000. Jane Parsley's whole year equivalent salary was in the range £70,000 to £75,000.*
4. *Bonus payments to RPA's Board members are approved at Defra group level by the Senior Salaries Review Board and paid where exceptional performance has been clearly demonstrated. The bonuses awarded are not part of any performance related contractual obligations but reflect what Defra group deem to be a reasonable payment for this exceptional performance. Consequently, the bonuses are not awarded based on any specific formula.*
5. *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 increases or decreases due to a transfer of pension rights.*
6. *Janet Hughes is Defra Director, Future Farming and Countryside programme, and is a Defra representative on the agency Board and therefore does not require disclosure.*

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

					2020-21
Name and title	Salary (£000)	Bonus payments (£000)	Benefits in kind (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

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

1. *Nadia Khan, Anne Marie Millar, and David Painter were employees of Defra group corporate services and RPA Directors in 2020-21.*
2. *Jake McClure was appointed 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 increases or decreases due to a transfer of pension rights.*

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 2022 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31 March 2022 (£000)	CETV at 31 March 2021 (£000)	Real increase in CETV[1] (£000)	Employer contribution to partnership pension account (to nearest £100)
Emma Appleby Chief Operating Officer	**20-25**	**0-2.5**	**246**	216	**17**	-
Susan Boyd Customer Operations, Complaints and Appeals Director	**35-40 plus lump sum of 105-110**	-	**879**	846	**-15**	-
Paul Caldwell Chief Executive Officer	**50-55 plus lump sum of 120-125**	**0-2.5**	**1,122**	1,062	**-3**	-
Peter Crewe Compliance, Assurance and Risk Director	**30-35 plus lump sum of 95-100**	**0-2.5**	**813**	771	**-6**	-
Alison Johnson Engagement and Operational Readiness Director	**35-40 plus lump sum of 75-80**	**0-2.5**	**727**	688	**-1**	-
Sandy Kapila Customer Director (from 17 January 2022)	**25-30 plus lump sum of 45-50**	**0-2.5 plus lump sum of 0-2.5**	**454**	413	**16**	-
Nadia Khan Food, Farming and Biosecurity Deputy HR Director	**5-10**	**0-2.5**	**60**	41	**14**	-
Rozanne Kidd Agricultural Transition Director (1 July 2021)	**30-35 plus lump sum of 70-75**	**2.5-5 plus lump sum of 2.5-5**	**656**	581	**44**	-

Pension benefits (audited) information continued

Name and title	Accrued pension at pension age as at 31 March 2022 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31 March 2022 (£000)	CETV at 31 March 2021 (£000)	Real increase in CETV[1] (£000)	Employer contribution to partnership pension account (to nearest £100)
Andy King Regulation, Grants and Standards Director	**25-30**	**0-2.5**	**365**	337	**7**	**-**
Jake McClure Organisational Capability Director	**20-25**	**2.5-5**	**249**	213	**21**	**-**
Anne Marie Millar Finance Director for RPA, Future Farming & EU Finances (until 19 October 2021)	**5-10**	**0-2.5**	**116**	73	**37**	**-**
David Painter Digital, Data and Technology Services Director	**35-40 plus lump sum of 70-75**	**0-2.5**	**659**	620	**3**	**-**
Jane Parsley Interim Agricultural Transition Director (from 5 April 2021 until 31 July 2021)	**30-35 plus lump sum of 65-70**	**0-2.5 plus lump sum of 2.5-5**	**582**	548	**29**	**-**
Jessie Peramal Finance Director and Departmental Group Functional Lead for Grants (from 19 July 2021)	**5-10**	**0-2.5**	**92**	84	**3**	**-**

1. *The accrued pensions at 31 March 2022 represents the annual pension that individuals would be entitled to at their normal retirement date in the event they left employment with the agency on 31 March 2022. Changes in the lump sum calculation can fluctuate depending on changes in the final salary figures at the start and end of the period, which can sometimes result in a reduction in value.*

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 4 sections, 3 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. However, these members will transfer from their PCSPS legacy scheme on 1 April 2022 and will switch into alpha. 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.

Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period and this may affect the Cash Equivalent Transfer Values shown in this report – see below.

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 2 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 3 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, on 31 March 2022 that provider was Legal & General Mastertrust. 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 2 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

Staff costs and numbers are disclosed in Note 2 and audited as required by FReM 6.2.1.

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 2022	As at 31 March 2021
Pay-band 3 £120,000 to £208,100	**-**	-
Pay-band 2 £93,000 to £162,500	**1**	1
Pay-band 1 £71,000 to £117,800	**9**	6

Staff composition

We are working to define the future workforce profile that aligns with new opportunities following the UK's exit from the European Union. 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 have worked to reduce reliance on large numbers of temporary agency workers in favour of permanent roles through recruitment campaigns to stabilise the workforce. Consequently, our dependency on Agency staff has fallen significantly in the year as reflected in the table below.

Workforce profile (audited) Average full time equivalent	As at 31 March 2022	As at 31 March 2021
Permanently employed staff	**2,574**	2,178
Agency	**57**	386
Contractors	**4**	5
Total	**2,635**	2,569

Gender diversity as at 31 March 2022	Male	Female
Executive Team not including Defra employees appointed as ET members	**5**	**4**
Permanently employed staff (excluding Executive Team)	**1,090**	**1,475**
Non-Executive Directors	**3**	**1**

During 2021-22, the agency had 7 temporary secondees loaned out to Defra group (5) and other government departments (2) on short-term loans. The agency also loaned 2 temporary secondees from House of Commons (one), and City & Guild (one), (2020-21: one). The net recovery of secondment costs is reported in Note 2, under recoveries in respect of secondments.

People forum and our people plan

People Forum is a decision-making body that forms part of RPA's governance. Its purpose is to provide an inclusive and collaborative space for progressing people initiatives and engagement across the agency. All employees are welcome to contribute to People Forum.

The forum is designed to harness the energy, passion, and creativity of our people to deliver targeted, specific activities and wider initiatives designed to increase scale and reach and to change culture and attitudes.

The People Plan is a statement of the agency's ambition to make the agency an outstanding place to work. The plan promotes a culture of inclusivity, with opportunities for all, underpinned by supportive learning and development. The People Forum is designed to bring the People Plan to life and to shape the agency to be future ready through our trusted reputation.

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.

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 enable 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 is 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 people awards in 2020. These awards celebrate and recognise our people that 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 agency's now annual, people awards are hosted virtually which has improved the visibility, levelled the opportunities for all to attend and improved recognition and attendance.

We are early adopters of a new recognition platform which has allowed social and financial recognition, through the lens of our people 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 2021-22 year was 7.1 (2020-21: 5.4).

This is an increase in absence levels from 2020-21. The increase is likely due to more staff returning to the office and accurately recording absence compared to 2020-21 when the same employees were working from home. It is likely that the absenteeism figures are now returning to more usual levels.

Year to 31 March	2022	2021	2020	2019	2018	2017
Annual working days lost	**7.1**	5.4	7.5	6.2	7.6	6.1

Employee engagement

The RPA's employee engagement index in 2021 improved to 62%, up from 60% in 2020.

Engagement index	2021	2020
RPA employee engagement index	**62%**	60%
Defra employee engagement index	**67%**	63%
Civil Service benchmark employee engagement index	**66%**	66%

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 (audited)

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 2022 (£000)	Year to 31 March 2021 (£000)
Contractors	**810**	201
Agency	**4,269**	13,434
Total expenditure on temporary workforce	**5,079**	13,635

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.

Due to 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 civilservicestatistics@cabinetoffice.gov.uk in calculating its staff turnover.

For 2021-22 and 2020-21, 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 2022	Year to 31 March 2021
Leavers in the year	**257**	195
Staff at beginning of the year	**2,178**	2,239
Staff at end of the year	**2,574**	2,178
Average staff during the year	**2,376**	2,209
Staff turnover during the year	**10.8%**	8.8%

Employee relations and tribunals

There was no Civil Service Appeal Board (CSAB) closed and settled employment tribunals between 1 April 2021 and March 2022, (2020-21: one). 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 continues to be compliant with the Civil Service Commissioner's Recruitment Principles.

Pay policy

As RPA is part of the Defra departmental pay bargaining unit. Headlines for the 2022 pay award were:

- the Government has now published its annual Pay Guidance for the Civil Service
- under the guidance the pay pause that was implemented last year has ended and there will be pay rises relating to 2022, that will be made in early 2023
- departments may spend up to 2% of their total pay bill on pay rises in 2022
- Defra are exploring a pay flexibility option whereby improved pay rises are in exchange for modernising employee's terms and conditions

Exit packages (audited)

The agency offered no voluntary redundancies to employees in 2021-22 (2020-21: 2). 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 management system 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 4 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 Organisational Capability Director 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 colleagues of ethnic minorities 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 in achieving their full potential. The agency will not unlawfully discriminate against disabled people 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, providing 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 2021-22.

Trade union representative	2021-22
Number of employees who were relevant union officials	8
Full time equivalent employee number	8

Number of employees by percentage of time spent on facility time	2021-22
0%	1
1-50%	7

Percentage of pay bill spent on facility time	2021-22
Total pay bill spent on facility time (total cost of facility time ÷ total pay bill) x 100	0.04%
Total cost of facility time during the year to 31 March 2022	£31,745
Total pay bill cost during the year to 31 March 2022	£78.9m

Paid trade union activities	2021-22
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 2022 ÷ 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.

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater:

Payroll workers engaged during the year ended 31 March 2022	2021-22
Number of off-payroll workers engaged during the year ended 31 March 2022	6
of which: not subject to off-payroll legislation	-
subject to off-payroll legislation and determined as in-scope of IR35	-
subject to off-payroll legislation and determined as out-of-scope of IR35	6
Number of engagements reassessed for compliance or assurance purposes during the year	5
of which: number of engagements that saw a change to IR35 status following review	-

For all off-payroll existing engagements as of 31 March 2022, for more than £245 per day and that last for longer than 6 months:

Number of existing engagements	2021-22
Existing engagements as at 31 March 2022	**5**
of which: existed for less than one year at time of reporting	**2**
existed between one and 2 years at time of reporting	**3**
existed between 2 and 3 years at time of reporting	**-**
existed between 3 and 4 years at time of reporting	**-**
existed for 4 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 2021 and 31 March 2022:

Number of existing engagements	2021-22
Number 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.	**16**

Senior officials with significant financial responsibility are defined as all board level executives, non-executive directors and finance directors.

Expenditure costs on agency staff (audited)

Expenditure costs on agency staff in 2021-22 was £4.3 million (2020-21: £13.4 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 2021-22 (2020-21: £nil).

Expenditure costs on consultancy staff (audited)

Expenditure costs on out-sourced consultancy companies in 2021-22 was £0.4 million (2020-21: £nil). 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, most consultancy costs incurred by the agency, have been paid by Defra and recharged to the agency in the Corporate overheads recharge (notional) in Note 3 of these accounts. The agency also had consultants on the agency's own payroll in 2021-22 for £0.8 million (2020-21: £0.2 million) as reported in staff costs in Note 2.

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:

	Year to 31 March 2022		Year to 31 March 2021	
	Number of cases	Value (£000)	Number of cases	Value (£000)
Cash losses - Scheme	**3,205**	**1,394**	4,721	836
Special payments - Scheme	**219**	**456**	326	(166)
Realised exchange loss	**-**	**-**	1	3,396
Total	**3,424**	**1,850**	5,048	4,066

During the year to 31 March 2022 the agency ceased to accrue for cash losses on cases where Defra, in its capacity as the managing authority for certain schemes, recognises these losses. This resulted in a reversal of an £1.2 million cash loss accrual in the year.

The 2021-22 special payments balance includes a reversal of an ex-gratia payment relating to a retrospective claim on common land, of £333k that the RPA had previously recognised as a special payment but no longer considers to be ex-gratia.

The agency also estimates the value of undetected irregularities within UK funded schemes for which the agency has incurred material net expenditure during the year, and where the nature of those schemes is such that there is a probable risk of undetected irregularities arising.

Estimates are made by examining the results of randomly selected visits and remote sensing procedures, and extrapolating the irregularity rates found by those visits. The table below summarises most likely estimated irregularity rates and values by scheme.

	Year to 31 March 2022		Year to 31 March 2021	
	Estimated irregularity rate	Value (£m)	Estimated irregularity rate	Value (£m)
Basic Payment Scheme	**0.23%**	**3.9**	0.34%	6.3
Countryside Stewardship – Revenue[1]	**5.08%**	**2.9**	-	-
Countryside Stewardship – Capital[1]	**6.34%**	**2.7**	-	-
Other schemes subject to estimation[1,2]	**0.54%**	**-**	-	-
Overall	**0.54%**	**9.5**	0.34%	6.3

1 Net expenditure on these UK funded schemes was not material in 2020-21. Therefore, no estimates were made.

2 Other schemes included in the estimation of undetected irregularities comprise of the School Milk Scheme, Farming Equipment and Technology Fund and the Farming Recovery Fund. The value of expenditure under these schemes for the year is not material and performing a formal estimate would not be cost effective. Therefore, the agency has assumed that the overall irregularity rate within schemes which were measured can be applied to these schemes. Note that expenditure under the Fruit & Vegetables scheme has been judged by management to be materially free from irregularities due to the nature of the operation of the scheme. As such this scheme is not included within the estimates above.

The above table contains estimates based on a random sample of visits and is therefore subject to a degree of statistical uncertainty. The estimates are prepared to within a stated range of accuracy, known as confidence intervals. 95% confidence intervals are presented below.

	Year to 31 March 2022			Year to 31 March 2021		
	Central estimate (£m)	Confidence interval from (£m)	Confidence interval to (£m)	Central estimate (£m)	Confidence interval from (£m)	Confidence interval to (£m)
Basic Payment Scheme	**3.9**	**2.0**	**6.6**	6.3	3.2	9.8
Countryside Stewardship – Revenue[1]	**2.9**	**1.8**	**4.3**	-	-	-
Countryside Stewardship – Capital[1]	**2.7**	**1.3**	**4.5**	-	-	-
Other schemes subject to estimation[1,2]	**-**	**-**	**0.1**	-	-	-
Overall[3]	**9.5**	**4.9**	**17.1**	6.3	3.2	9.8

1 Net expenditure on these UK funded schemes was not material in 2020-21. Therefore, no estimates were made.

2 Other schemes included in the estimation of undetected irregularities comprise of the School Milk Scheme, Farming Equipment and Technology Fund and the Farming Recovery Fund. The value of expenditure under these schemes for the year is not material and performing a formal estimate would not be cost effective. Therefore, the agency has assumed that the overall irregularity rate within schemes which were measured can be applied to these schemes. Note that expenditure under the Fruit & Vegetables scheme has been judged by management to be materially free from irregularities due to the nature of the operation of the scheme. As such this scheme is not included within the estimates above.

3 Note that the confidence interval figure for the overall estimate is determined by a statistical process. As such the bounds of the overall confidence interval do not equate with the sum of confidence bounds for individual schemes.

Where practical to do so, the agency adjusts estimates for the effects of known and probable measurement errors. However, the figures presented are estimates, and have several limitations. For example, judgement must occasionally be employed by field officers in determining whether or not a breach of scheme rules exists, and further judgements determine whether or not this has resulted in irregular expenditure. The tables below demonstrate the effect of these potential measurement errors upon the estimated values presented. The percentage changes selected for this sensitivity analysis are judged to be representative of the possible level of measurement errors, based upon management knowledge of the operation of schemes and upon insights generated by quality control processes.

	Basic Payment Scheme	Countryside Stewardship - Revenue	Countryside Stewardship - Capital
Expenditure (£000)	1,653,709	57,125	42,646
Irregularity rate	0.23%	5.08%	6.34%
Irregularity value (£000)	3,804	2,902	2,704
Contribution to overall irregularity value	40.27%	30.72%	28.63%
Impact of a 0.1% (BPS) or 10% (CS) change in monetary value of irregularity on the overall irregularity rate	0.00%	0.02%	0.02%

For example, Countryside Stewardship Revenue spending currently contributes 30.72% of the total estimated irregularity value. If the monetary value of the estimated irregular expenditure for this scheme (currently £2,902,000) were to increase by 10% this would lead to the overall estimated irregularity rate of 0.54% increasing by 0.02% to 0.56% (equating to around a further £290,200 of irregular expenditure).

LOSSES EXCEEDING £0.3 MILLION (AUDITED)

In 2021-22, the agency identified cost of hedging and foreign exchange debts totalling £2.1 million owed to the agency by other paying agencies, that were not likely to be paid by the counterparty. These debts related to historical activities between 2015-2020. The agency took the decision to treat these as cash losses in 2021-22.

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
8 July 2022

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 for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Rural Payment Agency's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Rural Payment Agency's financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Rural Payment Agency's affairs as at 31 March 2022 and its net operating cost for the year then ended; and
- 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 (UK) (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 Rural Payments Agency 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 Rural Payment Agency'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 Rural Payment Agency'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 Rural Payments Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial 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 financial statements nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Accountability Report subject to audit 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Rural Payments Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Rural Payments Agency 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 subject to audit are not in agreement with the accounting records and returns; or

- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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 Responsibilities of the Chief Executive as Accounting Officer for the financial statements, the Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; and
- assessing the Rural Payments Agency'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 Rural Payments Agency 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Rural Payment Agency's accounting policies, key performance indicators and performance incentives.
- inquiring of management, the Rural Payment Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Rural Payment Agency'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; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Rural Payment Agency's controls relating to the Rural Payment Agency's compliance with the Government Resources and Accounts Act 2000, 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 a result of these procedures, I considered the opportunities and incentives that may exist within Rural Payment Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and scheme expenditure. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Rural Payment Agency's framework of authority as well as other legal and regulatory frameworks in which the Rural Payment Agency operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Rural Payment Agency. The key laws and regulations I considered in this context included 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.

In addition, I considered the Rural Payment Agency's estimate of the risk of fraud and error within the scheme expenditure population.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;

- enquiring of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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; and
- other audit procedures responsive to the risk of fraud in scheme expenditure.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists 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.

Other auditor's responsibilities

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 2022

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

Notes to the accounts

ACCOUNT STATEMENTS

Statement of Comprehensive Net Expenditure for the year to 31 March 2022

	Note	Year to 31 March 2022 (£000)	Year to 31 March 2022 (£000)	Year to 31 March 2021 (reclassified)[1] (£000)	Year to 31 March 2021 (reclassified)[1] (£000)
Running costs					
Staff	**2**	**84,022**		90,328	
Others	**3**	**73,039**		70,531	
		157,061		160,859	
Running costs income	**4**	**(3,055)**		(3,925)	
Net running costs			**154,006**		156,934
Scheme costs					
Rural Payments Agency					
Costs	**5**	**1,803,100**		1,935,777	
Income	**5**	**(7,520)**		(72,241)	
			1,795,580		1,863,536
Other paying agencies					
Costs	**6**	**165,714**		450,884	
Income	**6**	**(166,085)**		(450,467)	
			(371)		417
Net scheme expenditure			**1,795,209**		1,863,953
Net operating cost			**1,949,215**		2,020,887

Statement of Comprehensive Net Expenditure for the year to 31 March 2022 (continued)

		Year to 31 March 2022		Year to 31 March 2021 (reclassified)[1]	
	Note	(£000)	(£000)	(£000)	(£000)
Net operating cost			**1,949,215**		2,020,887
Other Comprehensive Net Expenditure					
Items that will not be classified subsequently in the Statement of Comprehensive Net Expenditure					
Net loss on revaluation of property, plant and equipment			**-**		14
Net gain on revaluation of intangible assets	**14**		**(2,675)**		(2,421)
Items that may be classified subsequently in the Statement of Comprehensive Net Expenditure when specific conditions are met					
Movement in hedging reserves			**-**		(1,370)
Total comprehensive net expenditure for the year			**1,946,540**		2,017,110

1. *Rural Payments Agency immaterial scheme costs in 2020-21 reclassified, see Note 5.*

The Notes on pages 116 to 152 form part of these accounts.

Statement of Financial Position as at 31 March 2022

	Note	As at 31 March 2022 (£000)	As at 31 March 2022 (£000)	As at 31 March 2021 (£000)	As at 31 March 2021 (£000)
Non-current assets					
Property, plant and equipment	**7**	**4**		12	
Intangible assets	**8**	**50,382**		52,065	
Total non-current assets			**50,386**		52,077
Current assets					
Trade receivables and other current assets	**9**	**77,549**		281,655	
Derivative assets	**13**	**15**		8,766	
Cash and cash equivalents	**10**	**329,767**		330,191	
Total current assets			**407,331**		620,612
Total assets			**457,717**		672,689
Current liabilities					
Trade payables and other current liabilities	**11**	**(84,405)**		(95,744)	
Derivative liabilities	**13**	**(3,370)**		(572)	
Provisions for liabilities and charges	**12**	**-**		(143)	
Total current liabilities			**(87,775)**		(96,459)
Total assets less current liabilities			**369,942**		576,230

Statement of Financial Position as at 31 March 2022 (continued)

		As at 31 March 2022		As at 31 March 2021	
	Note	(£000)	(£000)	(£000)	(£000)
Total assets less current liabilities			**369,942**		576,230
Non-current liabilities					
Trade payables and other liabilities	**11**	**(16,327)**		(125,235)	
Total non-current liabilities			**(16,327)**		(125,235)
Total assets less total liabilities			**353,615**		450,995
Taxpayers' equity					
General fund		**345,758**			444,461
Revaluation reserve	**14**	**7,857**			6,534
Total taxpayers' equity			**353,615**		450,995

The Notes on pages 116 to 152 form part of these accounts.

Paul Caldwell
Chief Executive and Accounting Officer
8 July 2022

Statement of Cash Flows for the year to 31 March 2022

	Note	Year to 31 March 2022 (£000)	Year to 31 March 2021 (£000)
Cash flows from operating activities			
Net operating cost		**(1,949,215)**	(2,020,887)
Adjustment for non-cash items included in other running costs	**3**	**61,217**	59,805
Movement in provisions	**12**	**(143)**	(173)
Adjustment for derivative financial instruments	**13**	**11,549**	(18,528)
Decrease in trade receivables and other current assets	**9**	**204,106**	333,125
Decrease in trade payables and other liabilities[1]	**11**	**(120,243)**	(27,090)
Net cash outflow from operating activities		**(1,792,729)**	(1,673,748)
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		**2,328,000**	2,250,000
Financing to Defra		**(385,000)**	(665,000)
Payments for Rural Development Programme for England on behalf of Defra		**(440,058)**	(534,024)
Receipts for Rural Development Programme for England on behalf of Defra		**310,723**	462,499
Disallowance transfer to Defra		**(21,360)**	(9,561)
Net cash inflow from financing activities		**1,792,305**	1,503,914
Decrease in cash and cash equivalents in the period		**(424)**	(169,847)
Cash and cash equivalents at 1 April	**10**	**330,191**	500,038
Cash and cash equivalents at 31 March	**10**	**329,767**	330,191

1. *Includes £4k of non-cash asset additions accruals reversed in 2021-22.*

The Notes on pages 116 to 152 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year to 31 March 2022

	Note	General fund (£000)	Cash flow hedging reserve (£000)	Revaluation reserve (£000)	Total taxpayers' equity (£000)
Balance at 1 April 2020		906,072	(1,370)	5,091	909,793
Net operating cost		(2,020,887)	-	-	(2,020,887)
Transfer from revaluation reserve to General fund:					
- intangible assets		964	-	(964)	-
Arising on revaluation during the year (net)		-	-	2,407	2,407
Notional charge – 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**

Statement of Changes in Taxpayers' Equity for the year to 31 March 2022 (continued)

	Note	General fund (£000)	Cash flow hedging reserve (£000)	Revaluation reserve (£000)	Total taxpayers' equity (£000)
Balance at 31 March 2021		444,461	-	6,534	450,995
Net operating cost		(1,949,215)	-	-	(1,949,215)
Transfer from revaluation reserve to General fund:					
- intangible assets	14	1,352	-	(1,352)	-
Arising on revaluation during the year (net)	14	-	-	2,675	2,675
Notional charge – corporate overhead recharge	3	52,705	-	-	52,705
Total recognised expense for year ended 31 March 2022		(1,895,158)	-	1,323	(1,893,835)
Financing by Defra		2,328,000	-	-	2,328,000
Financing to Defra		(385,000)	-	-	(385,000)
Payments for Rural Development Programme for England on behalf of Defra		(440,058)	-	-	(440,058)
Receipts for Rural Development Programme for England on behalf of Defra		310,723	-	-	310,723
Disallowance transfer to Defra		(21,360)	-	-	(21,360)
Assets transfer from Defra		4,150	-	-	4,150
Balance at 31 March 2022		345,758	-	7,857	353,615

The Notes on pages 116 to 152 form part of these accounts.

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2021-22 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 on a financial basis and are consistent with the FReM 2021-22 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 intangible assets, and certain financial assets and liabilities, where material.

1.2 Property, plant and equipment

Property, plant and equipment is recognised on a depreciated historic cost basis due to being low in value. Property, plant and equipment assets are reviewed annually for indicators of impairment. The agency has set a capitalisation threshold of £10,000. Below this threshold costs are charged directly to the Statement of Comprehensive Net Expenditure. From 1 April 2021, assets purchased as a group, each costing above £500 but totalling more than £500,000, will be capitalised. There were no such group assets purchased in 2021-22, so no material impact of this policy change in the year.

1.3 Intangible assets

Intangible assets are 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, see Note 14. Intangible assets are reviewed annually for indicators of impairment.

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). The agency has set a capitalisation threshold for software projects of £100,000 and £10,000 for software licences. From 1 April 2021, software licences assets purchased as a group, each costing above £500 but totalling more than £500,000, will be capitalised. At 31 March 2022, the agency had no capitalised software licences.

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 2021-22, 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.

Where RPA makes payments on behalf of another government body which is acting as the controlling entity, expenditure and income for such schemes will be recognised by them. Assets and liabilities relating to these schemes are reported in the agency's Statement on Financial Position along with a corresponding intra-governmental balance.

Expenditure and income relating to all other schemes is recognised in the accounts of the agency and is presented within Note 5. All expenditure in the year 2021-22 under these schemes has been solely UK Exchequer funded, and prior year expenditure was 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. Payments made up to 15 October 2020 were funded by the European Commission.

The accounting policies applying to expenditure under UK Exchequer funded schemes, and to both expenditure and income under European Commission funded schemes are described separately below.

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.

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 can 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 within the UK funded schemes section of Note 5.

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 was pre-funded by the UK Exchequer. Following receipt of reclaims from the European Commission, surplus funds were repaid to HM Treasury.

European Commission funded Basic Payment Scheme expenditure for England was recognised by the agency when it had 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 was considered reliably measurable and probable.

European Commission funded Basic Payment Scheme income for England was recognised by the agency when it was probable that it would receive a reimbursement from the European Commission for scheme expenditure incurred and the amount to be received from the European Commission was considered reliably measurable. These conditions were deemed to be met at the point that the related scheme expenditure was 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.

1.9 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. Basic Payment Scheme payments to customers in Scotland, Wales, and Northern Ireland on or after 16 October 2020 are funded directly by the other UK paying agencies. As such, no expenditure or income is recognised by the agency in respect of these transactions. Where such payments were administered on or before 15 October 2020, the payments were funded by the agency and were subsequently recovered by the agency from the European Commission.

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.

1.10 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.

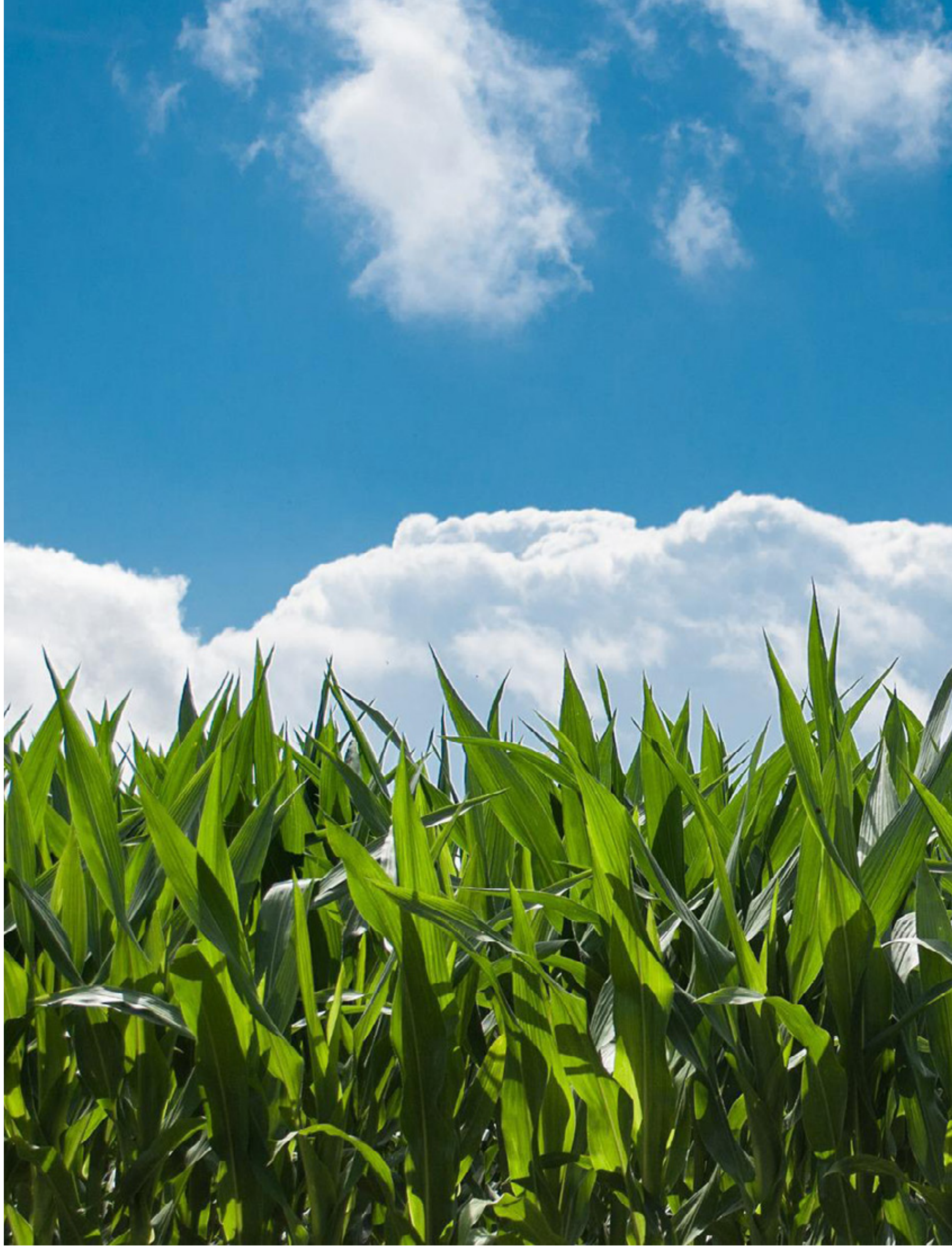
The impacts of any foreign exchange movements between the claim date and the date of actual reimbursement by the European Commission are borne by the agency and accordingly recognised within the Statement of Comprehensive Net Expenditure.

1.11 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.



1.12 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 Rural Development Programme and in accordance with respective scheme rules and regulations.

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 1.9, and 1.10. 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 1.13.

1.13 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, 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.

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.

1.14 Hedge accounting

As Basic Payment Scheme expenditure is now domestically funded by the UK, designated hedge accounting ceased on 30 November 2020. Prior to 16 October 2020, the agency elected 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.

The agency adopted IFRS 9 on 1 April 2018. In accordance with this standard, the agency elected 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 documented the economic relationship between hedging instruments and hedged items including whether changes in the cash flow of the hedging instrument were expected to offset changes in the cash flow of hedged items. The agency documented its risk management objective and strategy for undertaking these hedge transactions.

When forward contracts were used to hedge forecast transactions, the agency designated 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 were recognised in the cash flow hedge reserve within Taxpayers' Equity.

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

When option contracts were used to hedge forecast transactions, the agency designated 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 were 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 were recognised within Other Comprehensive Expenditure in the costs of hedging reserve within Taxpayers' Equity.

Amounts previously recognised in the cash flow hedge reserve and accumulated in Taxpayers' Equity were reclassified to the Statement of Comprehensive Net Expenditure in the periods when the hedged items were recognised in the Statement of Comprehensive Net Expenditure, in the same line of the Statement of Comprehensive Net Expenditure as the recognised hedged item.

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

1.15 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 is 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.

1.16 Pensions

Present and past employees of the agency are covered by the provisions of 4 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 5 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.

From 1 April 2022, all employees who remain members of the PCSPS legacy pension schemes (Classic, Classic Plus, Premium and Nuvos) will transfer to the alpha career average scheme. Their contributions towards the legacy schemes will therefore cease from 1 April 2022, and future benefits will be accrued under the rules applicable for the alpha scheme.

1.17 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.

1.18 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.

1.19 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.

1.20 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 3 and Note 4 for running costs and Note 5 and Note 6 for scheme because these notes are reflective of the information presented to senior management and relevant decision makers.

For segmental reporting during 2021-22, 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.

1.21 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. 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 £40.3 million (2020-21: £30.5 million) has been recognised, which represents management's view of the most likely amounts due to individual claimants. The amount accrued for expenditure under the Countryside Stewardship scheme has increased significantly as spending under this new UK funded scheme commenced in earnest during the 2021-22 year.

Year end accruals for UK funded scheme expenditure	As at 31 March 2022 (£000)	As at 31 March 2021 (£000)
Basic Payment Scheme	**6,583**	6,604
Fruit & Vegetables	**17,414**	19,925
School Milk	**1,526**	2,778
Countryside Stewardship	**13,598**	1,167
Farming Recovery Fund	**-**	43
Farming Equipment & Technology Fund	**1,181**	-
Total	**40,302**	30,517

1.22 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 3 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.

1.23 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.

1.24 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 1.9.

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 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.

1.25 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.

1.26 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. Only the agency's fleet lease cars are impacted by this change.

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 2022 Total (£000)	Permanently employed staff (£000)	Short term/ fixed term appointment (£000)	Year to 31 March 2021 Total (£000)
Wages and salaries	**54,706**	**3,704**	**58,410**	50,697	6,382	57,079
Social security costs	**5,225**	**291**	**5,516**	4,859	554	5,413
Other pension costs	**14,059**	**917**	**14,976**	12,681	1,658	14,339
Early retirement and early severance costs						
Expensed in the year	**9**	**-**	**9**	4	-	4
	73,999	**4,912**	**78,911**	68,241	8,594	76,835
Less recoveries in respect of secondments			**32**			(142)
Agency staff			**4,269**			13,434
Contractors			**810**			201
Total staff costs			**84,022**			90,328

No staff costs have been capitalised (2020-21: £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 2022	Year to 31 March 2021
Permanently employed staff	**2,164**	2,017
Agency	**136**	432
Contractors	**6**	2
Total	**2,306**	2,451

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 2021-22, employers' contributions of £14.8 million were payable to the PCSPS (2020-21: £14.2 million) at one of 4 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 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-22 to be paid when the members retire and not the benefits paid during this period to existing pensioners.

Employers' contributions of £203k (2020-21: £198k) were paid to the Legal & General Mastertrust 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 £7.2k (2020-21: £7.2k), 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 statement of financial position date were £17.3k (2020-21: £17.6k). 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 2022 there were no compulsory redundancies (2020-21: nil) and no voluntary redundancies (2020-21: 2).

	Year to 31 March 2022	Year to 31 March 2021	Year to 31 March 2022	Year to 31 March 2021	Year to 31 March 2022	Year to 31 March 2021	Year to 31 March 2022	Year to 31 March 2021
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	-	-	-	-	-	-	-	-
£50,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total No. of exit packages and costs	-	-	-	-	-	2	-	32

3. OTHER RUNNING COSTS

	Note	Year to 31 March 2022 (£000)	Year to 31 March 2021 (£000)
Non-cash items (including notional charges)			
Corporate overhead recharge (notional)[1]		**52,705**	51,315
Loss on disposal of non-current assets		**-**	473
Depreciation	**7**	**4**	559
Amortisation	**8**	**8,508**	7,458
		61,217	59,805
Other expenditure			
Accommodation including recharges		**28**	52
IT costs		**903**	348
Non-payroll staff costs		**1,423**	856
Communications costs		**1,742**	1,815
Non-IT professional services		**5,605**	5,294
Certification Body (NAO) grant certification fee		**2,153**	2,441
Other running costs		**(32)**	(80)
		11,822	10,726
Total		**73,039**	70,531

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 fund.

The Corporate overhead recharge (notional) comprises:

	Year to 31 March 2022 (£000)	Year to 31 March 2021 (reclassified)[1] (£000)
Estate Management costs[1]	**9,866**	8,481
Information Technology	**34,432**	34,823
Human Resources services	**2,131**	2,091
Legal services[1]	**449**	536
Communications	**593**	608
Corporate strategy[1]	**951**	292
Shared services including payroll and financial[1]	**4,048**	4,249
Auditors remuneration and expenses	**235**	235
Total	**52,705**	51,315

1. *In 2020-21 £292k of Corporate strategy costs were within Estate management costs, these costs have now been reclassified and shown separately. Similarly, £176k of 2020-21 costs previously reported as legal costs have been reclassified and are now included within Shared services including payroll and financial.*

During the year to 31 March 2022, the agency received no non-audit services from the NAO (2020-21: £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 2022 (£000)	Year to 31 March 2021 (£000)
Payroll costs	**422**	435
Other costs	**95**	119
Certification Body (NAO) grant certification fee	**2,153**	2,441
Total	**2,670**	2,995

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 2022 (£000)	Year to 31 March 2021 (£000)
British Cattle Movement Service (BCMS)	**(2,979)**	(3,849)
Other running costs income	**(76)**	(76)
Total	**(3,055)**	(3,925)

The agency also received income in 2021-22 for services it provides for the BCMS on behalf of Defra of £3.0 million (2020-21: £3.8 million).

5. SCHEMES ADMINISTERED BY THE AGENCY

	Year to 31 March 2022			Year to 31 March 2021		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (reclassified)[5] (£000)	Income (reclassified)[5] (£000)	Net (£000)
UK Funded schemes[1]						
Basic Payment Scheme[6]	**1,653,709**	**-**	**1,653,709**	1,835,009	-	1,835,009
Fruit & Vegetables	**39,355**	**(3,990)**	**35,365**	29,993	(3,238)	26,755
School Milk	**4,567**	**(3,044)**	**1,523**	5,168	(4,065)	1,103
Dairy Response Fund	**-**	**-**	**-**	1,017	-	1,017
Countryside Stewardship	**99,771**	**-**	**99,771**	1,252	-	1,252
Farming Recovery Fund	**488**	**-**	**488**	906	-	906
Farming Equipment & Technology Fund	**1,570**	**-**	**1,570**	-	-	-
Other schemes	**369**	**-**	**369**	343	(181)	162
Total UK Funded schemes	**1,799,829**	**(7,034)**	**1,792,795**	1,873,688	(7,484)	1,866,204
EU Funded schemes[2]						
Basic Payment Scheme[3]	**(1,163)**	**794**	**(369)**	32,727	(32,814)	(87)
Fruit & Vegetables	**(490)**	**443**	**(47)**	23,683	(24,357)	(674)
School Milk	**-**	**(17)**	**(17)**	943	(1,002)	(59)
Other schemes	**12**	**16**	**28**	563	(673)	(110)
Total EU Funded schemes	**(1,641)**	**1,236**	**(405)**	57,916	(58,846)	(930)

5. SCHEMES ADMINISTERED BY THE AGENCY (CONTINUED)

	Year to 31 March 2022			Year to 31 March 2021		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (reclassified)[5] (£000)	Income (reclassified)[5] (£000)	Net (£000)
Other costs						
Realised exchange (gains)/loss	**-**	**(1,589)**	**(1,589)**	3,396	-	3,396
Unrealised exchange loss/(gain)[5]	**3,706**	**-**	**3,706**	-	(5,855)	(5,855)
Cost of hedging contracts[5]	**-**	**(133)**	**(133)**	-	(56)	(56)
Other scheme related (income)/costs[4]	**1,206**	**-**	**1,206**	777	-	777
Total of other costs	**4,912**	**(1,722)**	**3,190**	4,173	(5,911)	(1,738)
Total scheme expenditure/(income)	**1,803,100**	**(7,520)**	**1,795,580**	1,935,777	(72,241)	1,863,536

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. Income in respect of UK funded schemes relates to amounts due from the devolved administrations in Scotland, Wales and Northern Ireland for schemes administered by RPA on a UK wide basis, see Note 1.8 for further details.*
2. *European Commission funding ceased on 15 October 2020. However, the agency continues to recover debts from customers in relation to scheme payments which were originally funded by the European Commission and continues to repay a proportion of the monies recovered to the European Commission. These recoveries are presented as negative expenditure.*
3. *In 2020-21, BPS income from the EU included a decrease of £0.4 million from hedging adjustments. There is no equivalent adjustment to BPS income in the current year, as designated hedge accounting activities ceased during 2020-21.*
4. *Other scheme related costs include losses, special payments, legal fees, and movements in the expected credit losses for receivables.*
5. *Unrealised exchange gains, and cost of hedging income were previously presented as negative expenditure. They have been reclassified as income to make this note clearer.*
6. *Direct payments are being phased out in England. Progressive reductions to payments began with BPS scheme year 2021 payments, which form the majority of the current year expenditure figure, and will continue until the final direct payments are made in 2027. This accounts for the reduction in BPS expenditure relative to the prior year.*

6. OTHER PAYING AGENCIES

	Year to 31 March 2022			Year to 31 March 2021		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (£000)	Income (£000)	Net (£000)
Other paying agencies[1]						
Scottish Government Rural Payments and Inspections Division	**54,093**	**(54,417)**	**(324)**	326,592	(326,254)	338
Welsh Government	**74,380**	**(74,342)**	**38**	107,636	(107,556)	80
Department of Agriculture, Environment and Rural Affairs, Northern Ireland	**37,241**	**(37,326)**	**(85)**	16,656	(16,657)	(1)
Total scheme expenditure/(income)	**165,714**	**(166,085)**	**(371)**	450,884	(450,467)	417

1. *In 2020-21 OPA income from the EU included an increase of £3.4 million from hedging adjustments. There is no equivalent adjustment to OPA income in the current year, as designated hedge accounting activities ceased during 2020-21.*

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 furniture (£000)	Total (£000)
Valuation		
At 1 April 2021	**1,046**	**1,046**
Additions	**(4)**	**(4)**
Disposals	**(171)**	**(171)**
At 31 March 2022	**871**	**871**
Depreciation		
At 1 April 2021	**1,034**	**1,034**
Charged in year	**4**	**4**
Disposals	**(171)**	**(171)**
At 31 March 2022	**867**	**867**
Net Book Value		
At 1 April 2021	12	12
At 31 March 2022	**4**	**4**
Assets Financing		
Owned	**4**	**4**
Net Book Value at 31 March 2022	**4**	**4**

Included in property, plant and equipment are assets with a historic cost of £0.9 million (31 March 2021: £1.0 million), which have been fully depreciated. These assets are still in use by the agency.

	Information technology hardware and office furniture (£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

8. INTANGIBLE ASSETS

	Information technology (£000)	Software licences (£000)	Total (£000)
Valuation			
At 1 April 2021	**162,893**	**-**	**162,893**
Additions	**4,150**	**-**	**4,150**
Disposals	**(4,955)**	**-**	**(4,955)**
Revaluations	**5,001**	**-**	**5,001**
At 31 March 2022	**167,089**	**-**	**167,089**
Amortisation			
At 1 April 2021	**110,828**	**-**	**110,828**
Charged in year	**8,508**	**-**	**8,508**
Disposals	**(4,955)**	**-**	**(4,955)**
Revaluations	**2,326**		**2,326**
At 31 March 2022	**116,707**	**-**	**116,707**
Net Book Value			
At 1 April 2021	52,065	-	52,065
At 31 March 2022	**50,382**	**-**	**50,382**
Assets Financing			
Owned	**50,382**	**-**	**50,382**
Net Book Value at 31 March 2022	**50,382**	**-**	**50,382**

During the year to 31 March 2022 there were £nil impairment losses (2020-21: £nil).

Included in intangible assets are assets with a historic cost of £36.0 million (31 March 2021: £40.6 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 Statement of Financial Position date is £42.5 million.

Included in intangible assets are software assets acquired from Defra to deliver CAP scheme payments. These intangible assets had a historic cost of £102.1 million and at 31 March 2022 a net book value of £42.2 million, with 6 years remaining amortised life ending 31 March 2028.

During the year to 31 March 2022 the agency had £4.2 million intangible assets transferred from Defra through the General fund (2020-21: £3.1 million).

8. INTANGIBLE ASSETS (CONTINUED)

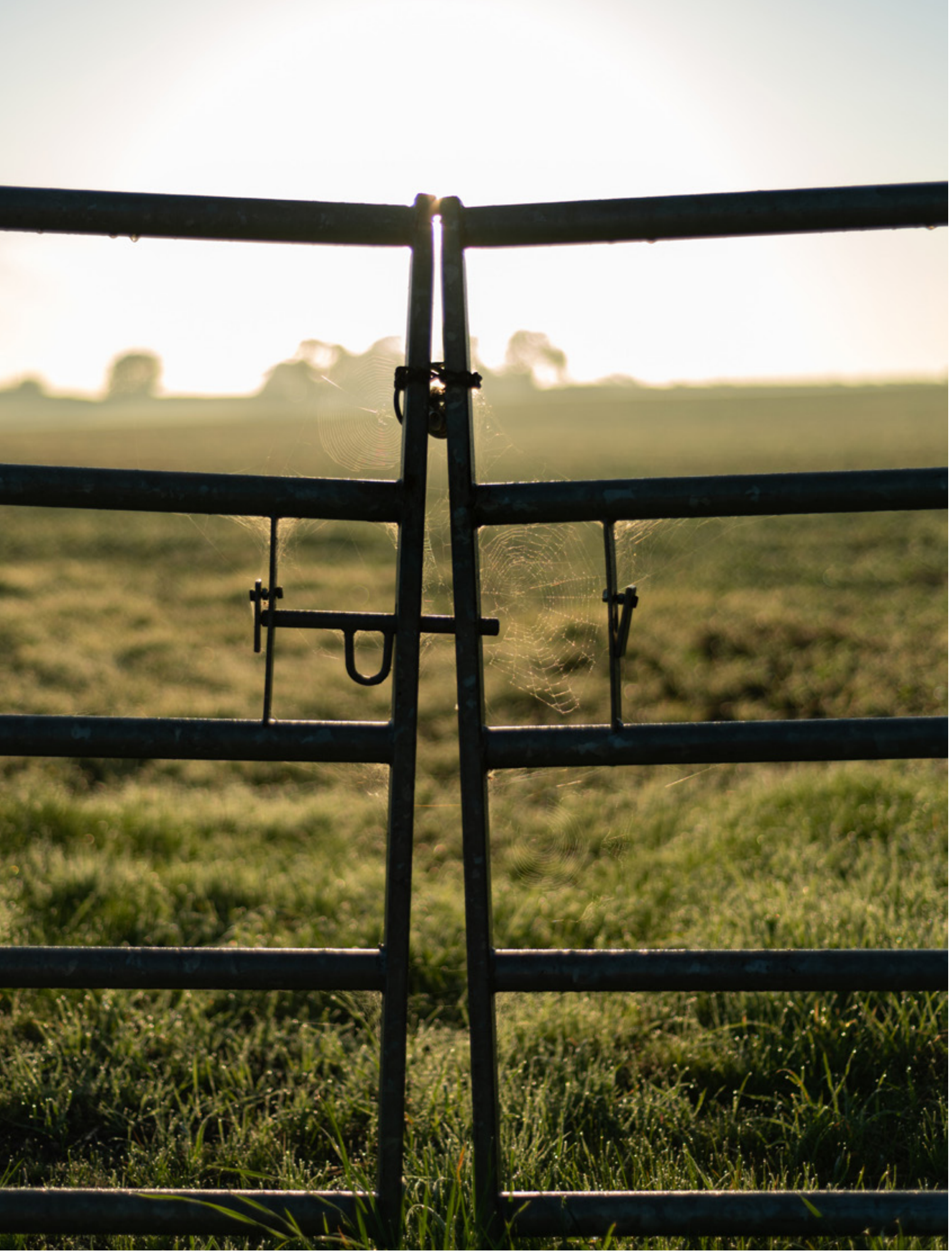
	Information technology (£000)	Software licences (£000)	Total (£000)
Valuation			
At 1 April 2020	155,315	3,120	158,435
Additions	3,083	-	3,083
Disposals	(331)	(2,947)	(3,278)
Revaluations	4,826	(173)	4,653
At 31 March 2021	162,893	-	162,893
Amortisation			
At 1 April 2020	101,112	3,110	104,222
Charged 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

9. TRADE RECEIVABLES

Amounts falling due within one year:

	31 March 2022 (£000)	31 March 2021 (£000)
Due from Defra and its agencies	**275**	152
Due from other government departments (including OPAs)	**7,031**	9,151
VAT recoverable	**918**	1,270
Total Intra-government balances	**8,224**	10,573
Trade receivables	**3,927**	4,217
Less expected credit loss for receivables	**(238)**	(804)
	3,689	3,413
Due from European Agricultural Guarantee Fund/European Agricultural Fund for Rural Development	**59,473**	249,722
Prepayments and other receivables	**6,163**	17,947
Total other receivables	**69,325**	271,082
Total receivables	**77,549**	281,655

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 2022 (£000)	31 March 2021 (£000)
Balances held at 1 April	**330,191**	500,038
Net cash outflow	**(424)**	(169,847)
Total balance	**329,767**	330,191

The following balances were held at 31 March:

	31 March 2022 (£000)	31 March 2021 (£000)
Government Banking Services	**329,767**	330,191
Total balance	**329,767**	330,191

Included within the cash held with Government Banking Services at 31 March 2022, are cash securities of £3.5 million (31 March 2021: £5.0 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 2022, the cash equivalent balance was £nil (31 March 2021: £nil).

11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year:

	31 March 2022 (£000)	31 March 2021 (£000)
Due to Defra and its agencies	**477**	122
Due to other government departments (including OPAs)	**6,838**	6,013
Other taxation and social security	**1,332**	1,327
Total Intra-government balances	**8,647**	7,462
Trade payables[1]	**9,884**	8,454
Cash securities[2]	**3,508**	4,959
Scheme accruals	**42,286**	69,214
Running cost accruals	**3,901**	4,233
Other payables	**1,633**	1,422
Advance on Rural Development Programme[3]	**14,546**	-
Total other payables	**75,758**	88,282
Total payables	**84,405**	95,744

Amounts falling due after more than one year:

	31 March 2022 (£000)	31 March 2021 (£000)
Advance on Rural Development Programme[3]	**16,327**	125,235
Total	**16,327**	125,235
Total trade payables and other liabilities	**100,732**	220,979

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.*
3. *As at 31 March 2022, £14.5 million of the advance has been classified as a current liability (31 March 2021: £nil). This reflects the expected exhaustion of EU funds for the Rural Development Programme in England, Scotland and Northern Ireland, during the next financial year, meaning that the balance relating to these nations will be utilised to fund scheme expenditure within the next financial year.*

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

12. PROVISIONS

	Scheme-related provisions (£000)	Total (£000)
Balance at 1 April 2021	**143**	**143**
Released in year	**(143)**	**(143)**
Balance at 31 March 2022	**-**	**-**

12.1 Scheme-related provision

The agency has some 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.

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 2022 (£000)	31 March 2021 (£000)
Trade receivables and other current assets	**71,464**	-	-	**71,464**	263,795
Cash and cash equivalents	**329,767**	-	-	**329,767**	330,191
Derivative instruments in designated hedge accounting relationships	-	-	-	-	-
Other derivative instruments	-	**15**	-	**15**	8,766
Sub-total of derivatives assets	-	**15**	-	**15**	8,766

Financial Liabilities

	Amortised Cost (£000)	Fair value-SOCNE[1] (£000)	Fair value-OCE[2] (£000)	31 March 2022 (£000)	31 March 2021 (£000)
Trade payables and other liabilities	**97,577**	-	-	**97,577**	217,718
Derivative instruments in designated hedge accounting relationship	-	-	-	-	-
Other derivative instruments	-	**3,370**	-	**3,370**	572
Sub-total of derivatives liabilities	-	**3,370**	-	**3,370**	572

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).*

Others:

Financial Guarantee Contracts

	31 March 2022 (£000)	31 March 2021 (£000)
Cash securities (included within both cash and trade payables above)	**3,508**	4,959
Non-cash guarantees	**452,000**	1,766,000

Cash on deposit at 31 March 2022, 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.

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.

Non-cash guarantees are assurances that the trader has provided whereby a bank, or an insurance company guarantees payment to the agency in the event that the trader fails to honour certain contractual obligations to the agency. They will become cash payments to the agency in the event these obligations are not fulfilled. Non-cash sterling guarantees totalling £233 million, and euro guarantees totalling €259 million (£219 million) were held at 31 March 2022 (£777 million and €1,161 million (£989 million) at 31 March 2021).

A change in UK legislation following the UK departure from the European Union, requires the merger of 'shelf' companies with their parent companies. This has resulted in a significant reduction in non-cash guarantees in 2021-22 (£452 million) compared to 2020-21 (£1.766 billion).

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 2022		31 March 2021	
	Assets (£000)	Liabilities (£000)	Assets (£000)	Liabilities (£000)
Euro	**183,125**	**31,378**	377,181	126,656

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 2022 (£000)	31 March 2021 (£000)	31 March 2022 (£000)	31 March 2021 (£000)
(Increase)/decrease in Net operating cost[1]	**(15,177)**	(25,053)	**15,177**	25,053
Derivative instruments				
(Increase)/decrease in Net operating cost[2]	**19,004**	27,029	**(19,004)**	(27,029)
Increase/(decrease) in Taxpayers' Equity[3]	**-**	-	**-**	-

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 2022	Hedge ratio[1] 31 March 2022	Foreign currency 31 March 2022 (€000)	Notional value 31 March 2022 (£000)	Fair value 31 March 2022 (£000)
Current derivative assets to sell euros	**0.85415**	**1:1**	**123**	**105**	**-**
Current derivative assets to buy euros	**0.83810**	**1:1**	**(1,073)**	**(900)**	**15**
Current derivative liabilities to sell euros	**0.83783**	**1:1**	**225,601**	**189,016**	**(3,370)**
Current derivative liabilities to buy euros	**-**	**-**	**-**	**-**	**-**

1. *The foreign currency forwards and options are denominated in the same currency as the highly probable future cash receipts from the European Commission (EURO), 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 quarterly euro denominated receipts in relation to the Rural Development Programme. As at 31 March 2022, 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.

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 2022 (£000)	31 March 2021 (£000)
0 to 3 months	**66,704**	92,483
3 to 12 months	**14,546**	-
1 to 5 years	**16,327**	125,235
Total	**97,577**	217,718

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 2022 (£000)	31 March 2021 (£000)
0 to 3 months	**41,373**	208,105
3 to 12 months	**30,091**	55,690
Total	**71,464**	263,795

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 2022		31 March 2021	
	Derivative liabilities (£000)	Derivative assets (£000)	Derivative liabilities (£000)	Derivative assets (£000)
0 to 3 months	**1,820**	**9**	532	9,065
3 to 6 months	**11**	**-**	-	110
Total	**1,831**	**9**	532	9,175

14. REVALUATION RESERVE

The Revaluation reserve relates to revaluation of Intangible assets (Note 8) analysed as follows:

	Intangible assets (£000)	Total (£000)
Balance at 31 March 2021	**6,534**	**6,534**
Transfer to General fund[1]	**(1,352)**	**(1,352)**
Revaluation during the year	**2,675**	**2,675**
Balance at 31 March 2022	**7,857**	**7,857**

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

15. CAPITAL COMMITMENTS

The agency had nil capital commitments as at 31 March 2022 (31 March 2021: £nil).

16. LEASE COMMITMENTS

16.1 Operating leases

Total future minimum lease payments at 31 March 2022 under operating leases are given in the table below for each of the following periods:

	31 March 2022 (£000)	31 March 2021 (£000)
Vehicles		
Not later than one year	**221**	252
Later than one year and not later than 5 years	**244**	186
Total	**465**	438

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 2022 (£000)	31 March 2021 (£000)
Buildings		
Not later than one year	**2,408**	2,421
Later than one year and not later than 5 years	**4,039**	5,696
Later than 5 years	**1,058**	1,401
Total	**7,505**	9,518

The agency has no operating lease commitments relating to land.

16.2 Finance leases

At 31 March 2022, the agency had no future minimum lease payments under non-cancellable finance leases (31 March 2021: 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 2022 (£000)	31 March 2021 (£000)
Not later than one year	**618**	586
Later than one year and not later than 5 years	**-**	9
Total	**618**	595

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 2022 (£000)	31 March 2021 (£000)
Not later than one year	**2,231**	2,089
Later than one year and not later than 5 years	**2,237**	4,183
Total	**4,468**	6,272

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 2021-22, the agency's share for occupancy is 2.5% (2020-21: 2.5%).

The agency's total commitment at 31 March 2022 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 2022 is £nil (31 March 2021: £1.5 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 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 schemes administered by the RPA. 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, though is expected to be immaterial.

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 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 Gardner was a Non-Executive Director of the agency until 30 June 2021. He was owed £1k of scheme payments from the previous financial year which were paid in April 2021. He is also a Non-Executive Director of Waldersey Farms Limited which received scheme payments of £1.1 million during the year to 31 March 2022. In addition, his son is a director of Varfell Farms Ltd who received £103k of scheme payments during the year.

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 £192k during the year to 31 March 2022.

Tim Breitmeyer joined as a Non-Executive Director of the agency on 1 April 2021. He runs a family farm, Bartlow Estate, which received scheme payments of £146k during the year to 31 March 2022.

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.

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