Department
for Environment
Food & Rural Affairs

Annual Report and Accounts
2019–20

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HC 1016

Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2019–20

(For the year ended 31 March 2020)

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Chapter 1 – Overview

Foreword by the Permanent Secretary of the Department for Environment, Food and Rural Affairs

Tamara Finkelstein

I take great pride in what Defra group has achieved this year. We have made significant progress on safeguarding our natural environment for future generations, whilst maintaining the high standards of preparedness for EU exit and the end to the transition period, as well as remaining resilient in the face of major new challenges including COVID-19. We have supported businesses and individuals through the hardships they have faced as a result of the pandemic, and we remain well prepared to realise the opportunities for food and farming that EU exit brings. Our achievements are down to the dedication of our hardworking, highly capable staff across the Defra group who continually impress me with their professionalism.

This year the department has also undergone significant ministerial change. We welcomed George Eustice as our Secretary of State, and Rebecca Pow, Victoria Prentis, Lord Goldsmith and Lord Gardiner as the ministerial team following the December General Election. We are committed to supporting them to deliver their ambitious agenda.

Throughout the year we have made vital steps in delivering on our aim to leave the environment in a better state for the next generation. We published the first 25 Year Environment Plan progress report which confirmed 90 percent of the plan's actions have been delivered or are being progressed. We introduced our ground-breaking Environment Bill which sets out a domestic framework for environmental governance and legally binding long-term targets. We are also driving change in tree planting, peatland restoration and nature recovery including through the £640 million Nature for Climate Fund and the £50 million Woodland Carbon Guarantee.

We have made considerable progress on marine conservation. We published an independent review into Highly Protected Marine Areas and created 41 new Marine Conservation Zones, as well as publishing an updated Marine Strategy showing progress towards good environmental status.

Work has continued to improve air quality. We have announced that measures will be introduced from 2021 to prohibit sales of the most polluting domestic fuels; and, working with local authorities, made progress on delivering the £3.8 billion clean air programme to tackle poor air quality. In addition, progress has been made towards the Government's Resources and Waste Strategy commitments to reduce plastic waste and encourage responsible waste management.

On food, farming and fisheries, we are seizing the opportunities offered by EU exit. We have reintroduced the Agriculture Bill, now the Agriculture Act, and are introducing an ambitious new environmental land management scheme which will allow us to reward the farmers and land managers who protect our environment. We introduced the Fisheries Bill, now the Fisheries Act, which will provide the powers needed to manage our fisheries in a responsive and responsible way as an independent coastal State outside of the EU.

In addition to delivering on our ambitious reform agenda, we have responded effectively to significant flooding through late 2019 and early 2020 across England, most notably in Yorkshire and the Humber, the Midlands, South West England and the Severn Valley area. Defra teams also responded to the potential collapse of the Todbrook Reservoir spillway following heavy rain in August 2019, threatening the Town of Whaley Bridge.

I want to thank staff for what we have achieved in response to the COVID-19 pandemic. We delivered over one million food parcels to vulnerable people, we worked with the sector to keep food and water supplies flowing and waste services functioning, provided vital support to sectors and maintained protection against pollution and other natural threats. This was achieved through a rapid redeployment of resilience expertise across the Defra group, and all whilst staff themselves were living through the pandemic and adapting to the new working challenges that it brought. Defra group will continue to play a crucial role in the economic and broader recovery from the COVID-19 crisis in the coming year. As a result of the challenges associated with completing audit work over this period, and issues arising from the audit, the publication of this Annual Report and Accounts was delayed. We have made some progress in our financial management and leadership this year, but further work is needed and planned.

As we look forward, Defra group's ambitious plans for the future are more important than ever to deliver a fair, green, resilient recovery. We will deliver a successful transition period and seize the opportunities of leaving the EU. We will continue to build on our work to tackle climate change and pass on to the next generation an enhanced natural environment, and lead the world in food, farming and fisheries with a more sustainable model of food production, and robust protection and promotion of animal welfare. I continue to be proud of Defra's achievements and resilience, and I am confident we will continue to be an ambitious, professional, outward looking and inclusive organisation that gets things done in the year to come.

Non-Executive Directors' Report

2019–20 was a year of change and challenge for the Defra group. As well as advancing an ambitious environmental agenda, it introduced legislation and delivery programmes are being put in place that will support the food, farming and fisheries industries through and beyond the UK's departure from the EU.

At the same time, the group responded to natural emergencies and maintained important services for customers. The end of the reporting period, and the months since, brought the added challenge of the COVID-19 pandemic, where the Defra group has played a central role in the government response.

The Defra Board (the Board) itself also experienced changes. During the reporting period, it was led by three Secretaries of State, with new appointments to both the ministerial and executive teams. The non-executive team remained the same throughout, providing continuity. The Board met four times in 2019–20 and focused on the delivery challenges and risks of preparations for the UK's departure from the EU, Future Farming, Environmental Land Management, Net Zero and COP26.

As well as board and committee meetings, individual non-executive board members have supported Defra group's priorities in range of ways. Ben Goldsmith has provided advice and insight on the implementation of a wide range of environmental policies. Lizzie Noel has chaired the Rural Affairs Board which monitors policy across government on issues affecting our rural economy and communities and is due to publish its first annual report. Elizabeth Buchanan has brought valuable insight on the challenges farmers may face as the Future Farming programme and changes to payments to farmers are implemented. The Audit and Risk Assurance committee, chaired by Colin Day, provided active challenge on matters within its remit – with a particular focus on financial management issues. I continued to provide independent challenge on preparations for EU exit.

Together, we have started to explore with the chairs of Defra group's arm's-length bodies how we can really make the most of our group-wide network of non-executive expertise.

In my role as independent lead, I also published Part One of the National Food Strategy. This set out urgent recommendations to support this country through the turbulence caused by the COVID-19 pandemic, and to prepare for the end of the EU exit transition period.

Looking ahead, this year will continue to be challenging for the Defra group. We will need to take on significant new responsibilities from the EU, deliver an ambitious programme of farming reform and ensure that we manage the end of the transition period and the food systems' response to COVID-19 carefully.

The non-executive team and I want to thank staff across the Defra group for the high levels of commitment, creativity and resilience they have shown over this period. It has not been an easy time and they have responded to it with vigour. We look forward to continuing to support them in delivering Defra's ambitions to support and enable a strong, green, recovery.

Henry Dimbleby
Lead Non-Executive Director

Overview

This chapter provides a concise description of the department, our purpose, and the key risks that we face in achieving our objectives.

Our Structure

Defra is a ministerial department that is supported by and works collaboratively with over 30 public bodies. Together we are the Defra group.

The department is overseen by the Secretary of State for Environment, Food and Rural Affairs who is accountable to Parliament. He is supported by junior ministers from the House of Commons and two Lords ministers. The Permanent Secretary has responsibility for managing the department and safeguarding public funds provided under the Defra Estimate.

An overview of the department's governance structure including the Defra Board and the three committees which support it is set out in Chapter 4.

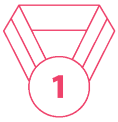
Our Strategy

In March 2020, we refreshed our strategy to better reflect the challenges that lie ahead. These will be reviewed in light of the additional pressures of COVID-19. We continue to have four principal objectives:

Objective 1: Trade and International
We will deliver a successful transition from the European Union over 2020 by negotiating and preparing for new ambitious regulatory and trading arrangements within the UK, with the EU and the rest of the world.

Objective 2: Environment and climate
We will tackle climate change and pass on to the next generation a natural environment protected and enhanced for the future.

Objective 3: Agriculture, food and fisheries
We will lead the world in food, farming and fisheries with a sustainable model of food production, and robust protection and promotion of animal welfare.



Objective 4: Organisational capability and development
We will be a more ambitious, professional, outward-looking and inclusive organisation which is focused on getting things done.

Our 25 Year Environment Plan

We have continued to put the levers in place that will help us secure lasting change for the environment. We introduced our Environment Bill to Parliament which, along with our strengthened Agriculture and Fisheries Bills, now Acts of Parliament, sets a new legal foundation for government action to improve the environment. We also became the first major economy to legislate for net zero greenhouse emissions. Underlining our commitment to achieving this target, we launched a consultation on bringing forward the end to the sale of new petrol and diesel vehicles (including hybrids for the first time) to 2035, or earlier if a faster transition appears feasible.

Overall, there is much more to do, both in our country, and with international partners, to halt and reverse the decline of nature and address climate change. These global challenges are inextricably linked, for it will be impossible to improve nature without stabilising the climate. Similarly, we cannot avert climate change, or build resilience to its impacts, without restoring nature.

Recently, COVID-19 has had a profound and sudden impact across this country and the rest of the world. As we prepare for recovery from the crisis, we will pursue a rebuilding of our economy and society in ways that are green, just and inclusive. The government's environmental programme will play its full part in securing a sustainable and resilient recovery. At the same time, this will ensure that we also recover our precious natural environment and diverse ecosystems.

We are due to host the next United Nations climate change summit, COP26, in 2021. This bears testament to our global credentials as an ambitious and effective leader on climate change. The summit has been postponed to 2021 due to COVID-19, and we will work with partners to consider the contribution of the conference to planning for sustainable recovery and renewal.

EU Exit

The United Kingdom formally left the European Union on 31 January 2020, moving into what is known as a transition period until 31 December 2020. The transition period allows the United Kingdom and the European Union time to negotiate new arrangements for the future relationship. During the transition period pre-existing arrangements for business, trade and travel are maintained.

A significant proportion of Defra group's work is framed by legislation inherited from the EU (a quarter of EU laws applied to sectors for which we are responsible). We also administered more than £3 billion of EU funding - more than 70 percent of the EU funding allocated to the UK government was to support farming, fisheries and environmental projects.

Defra has seized the opportunity of the UK's exit from the EU to continue to build on its long-term commitment to leaving the environment in a better state than we found it. We are taking a critical look at how we manage and frame our agricultural and fisheries polices better supporting our farmers and fishing industry while continuing to build a healthy, long-term, environmentally responsible approach to our land and waters. We have ambitious plans to reform our agricultural and land management, replacing the EU Common Agricultural Policy (CAP) with a series of targeted schemes to support farmers and land managers as they maintain and enhance the environment, improve health and welfare of the livestock they manage and invest in the productivity and resilience of their businesses. We want to support our fishing industry through preserving access to UK waters, with our marine life sustainably managed for the future. We will control our own environmental protection measures and oversight. Most importantly, through this period and beyond we are working with delivery partners and business to support readiness and operability as we move out of the transition period.

Risks affecting delivery of our objectives

Defra group has managed a wide range of risks to the achievement of our strategic objectives over the course of the financial year. These include corporate risks of the type that affect many large organisations, such as: security incidents or failure of key suppliers; strategic and financial risks; and specific risks associated with the delivery of both Defra group's core business and change programmes.

Overall, and for the major part of the financial year, the profile of Defra group's principal risks was relatively stable, as a result of planned mitigations being delivered. Risk relating to the immediate impact of the UK's departure from the EU decreased as a result of effective preparation in the period to 31 January 2020.

Towards and following the end of the 2019–20 financial year, Defra group's risk profile was significantly affected by the impact of the COVID-19 pandemic. More detail on management of our principal risks is given in Chapter 2.

Our performance summary

Chapter 2 describes our group performance framework and sets out how we performed in delivering the key outcomes in our 2019–20 Single Departmental Plan.

In summary, Defra group maintained a positive level of performance across these outcomes alongside the challenges of preparing to leave the EU, winter storms and associated flooding and, later in the financial year, the onset of COVID-19. While the latter had little impact on delivery of our key outcomes in 2019–20, we expect that the ongoing effects of the pandemic, and decisions we make in response to it, are likely to have a more significant effect on our performance in the 2020–21 year. We are reviewing delivery plans for the coming year, in particular to identify projects that can be developed and accelerated to support the government in delivering a successful recovery.

Key successes included:

- Protected over 128,000 properties from flooding during the winter storms and flood events, while increasing flood protection for a further 48,739 households.
- Substantial completion of the Blue Belt of marine protected areas.
- Supporting the increasing value of British food and drink exported.
- Bringing our Environment Bill before Parliament.

Areas for improvement included:

- More work needed to improve air quality.
- Further action needed to control the spread of bovine TB to ensure we can hit our long-term target.

- Increase in household waste recycling rates remain below target levels.
- Delivering on our long-term ambition to create and nurture a diverse workforce.

More information about reasons for underperformance and actions being taken to remedy this can be found under the relevant indicator in Chapter 2.

Chapter 2 – Performance Analysis

Defra's annual Single Departmental Plan (SDP), published in June 2019, sets out how we will organise our work to deliver the commitments we have made. The SDP is underpinned by a more detailed business plan and performance framework for the whole Defra group.

Both the SDP and performance framework are closely aligned with the Defra group strategy, the strategy is a high-level roadmap which sets the priorities and direction for Defra. A review of our strategy took place in March 2020 in order to incorporate the priorities of the new government. This had the effect of refining our four objectives into the ones described in the previous chapter. The refreshed objectives will be further reviewed in light of the additional pressures of COVID-19.

Here, we set out the key achievements, and where appropriate, red, amber or green ratings, in relation to the performance indicators and priority outcomes in the SDP. These are organised by the four strategic objectives that we were working towards in 2019–20:

- Objective 1: Deliver a safe and ambitious departure from the EU, setting global standards in protecting and harnessing value from the natural environment.
- Objective 2: Pass on to the next generation a natural environment protected and enhanced for the future.
- Objective 3: Lead the world in food and farming with a sustainable model of food production.
- Objective 4: Become an outstanding organisation focused on making a difference, with world class delivery capability.

We are continuing to refine our performance framework so that it clarifies the line of sight between the strategic, longer-term outcomes we set out in our plans and strategies and the performance measures that we use at delivery and operational level.

Performance against the key indicators in the plan is reported quarterly to Executive Committee (ExCo) and Defra Board. In addition, we are now reporting monthly against a set of building block indicators: this is intended to provide ExCo with assurance that key delivery activities are being managed effectively, so that where we identify risks to future performance these are managed and tackled early.

We are continuing our work to improve our performance framework by moving to an integrated reporting rhythm that brings together operational activity and risk, quarterly outcome monitoring, and progress in delivering our priority portfolios and programmes.

Summary of performance against published KPIs

Strategic Objective 1: Deliver a safe and ambitious departure from the EU, setting global standards in protecting and harnessing value from the natural environment.

Amber: EU exit delivery projects

Strategic Objective 2: Pass on to the next generation a natural environment protected and enhanced for the future.

Green: Bathing Water	**Green: Marine Protected Areas**	**Green: Rural Productivity**	**Green: Flood Protection**	**Green: Incident Response**
Amber: Rivers, lakes and coastal waters enhanced	**Amber: Trees Planted**	**Amber: Air Quality (emissions)**	**Amber: Pollution incidents**	**Red: Household waste**
Red: illegal waste sites				

Strategic Objective 3: Lead the world in food and farming with a sustainable model of food production.

Green: Basic Payment Scheme	**Green: Food and Drink Exports**	**Green: Antibiotic Use**	**Amber: Bovine TB**	**Red: Health certificates**

Strategic Objective 4: Become an outstanding organisation focused on making a difference, with world class delivery capability.

Red: MPs Correspondence	**Red: Apprenticeships**	**Amber: BAME staff**	**Amber: Senior Civil Servants' gender**	**Green: Disability declaration rates**

Key to RAG rating for relevant performance indicators:

Green: performance on target	Ratings are shown for each of the indicators under the relevant strategic objective, based on thresholds set for each performance target and agreed at director general level.
Amber: target narrowly missed	
Red: target significantly missed	

Performance by Strategic Objective

Strategic Objective 1: Deliver a safe and ambitious departure from the EU, setting global standards in protecting and harnessing value from the natural environment.

Defra group's overarching priority was the delivery of a safe and ambitious exit from the EU, ensuring our delivery partners were ready for the move into the transition period and beyond. Following the UK's exit from the EU, we have reprofiled our Europe and Trade delivery portfolio for the transition period. This is, inevitably, a more focussed portfolio of eight programmes, delivering 30+ projects, a reduction from the 53 projects we had previously worked on to help prepare the department and its partners.

We continue to push an ambitious delivery agenda, aligned with our longer-term goals under the 25 Year Environmental Plan, which cut across our whole agenda, including:

Animal and plant health

We are making sure we have comprehensive biosecurity policies in place and continue to ensure we protect and manage animal and plant health. This includes controlling the import of animals and animal products and plants, regulating veterinary medicines, and enabling individuals to travel with their pets.

Environmental regulations

We will continue to maintain and promote the highest standards of protection for our environment. We want to ensure EU exit has no adverse effects on the environment. We are actively managing the regulation of chemicals and pesticides, the protection of habitats and species, air quality, and upholding the Convention on International Trade in Endangered Species of Wild Fauna and Flora. We will also create a new, independent statutory body, the Office for Environmental Protection (OEP), with the principal objective of contributing to environmental protection and the improvement of the natural environment.

Farming

As the UK leaves the Common Agricultural Policy, we are moving away from a system where farmers and land managers receive government subsidies, to one where public money pays for public goods. This will reward farmers and land managers for contributing to the environmental outcomes set out in the 25 Year Environmental Plan and will be underpinned by policies for sustainable, productive farming and including a new Environmental Land Management system and an effective regulatory framework, which will allow the UK to build its own independent agricultural and environmental system outside the EU.

Fisheries

By leaving the Common Fisheries Policy, the UK will be shaping its independent fisheries policies through the Fisheries Bill, now Fisheries Act (24 November 2020). We will continue to support our fishing industries, preserving access to our waters, delivering on potential changes required for importing and exporting of fish (catch certificates) and marine control and enforcement, as well as future fisheries management and agreements.

Food standards

We are committed to ensure the safety of food available in the UK is not compromised. We will ensure that UK producers can continue to access markets and consumers have access to affordable foodstuff. We are also ensuring that much-loved British products such as Cornish pasties, Hereford cider and Stilton blue cheese retain protected status.

Other Government Departments

We are also supporting work led by other government departments, such as helping develop our new relationship with the World Trade Organisation and looking at tariff operations.

Our aims were to…	In 2019–20 we…
Lead negotiations on the Future Economic Partnership with the European Union on agriculture, food, fisheries and environmental matters	Took an active role in the negotiating process for the EU Withdrawal Agreement and our new relationship with the EU. Collaborated and consulted with our sectors in ensuring we prioritised sectoral and environmental considerations both in the negotiations and in the legislative preparations. Negotiating objectives for Defra sectors published as part of 'Our approach to the Future Relationship with the EU' document (Feb 2020).
Coordinate Defra group's position and input into non-EU UK trade negotiations	Held international negotiations around trade arrangements, fisheries, food and many other sectors. Contributed to development of the political declarations. Played a leading role in successfully concluding and signing trade continuity agreements with 48 countries by 31 January 2020. These accounted for £110 billion of UK trade in 2018, representing 74 percent of the trade with countries with whom we were seeking trade continuity arrangements. Established the UK's independent status as an active member at the WTO, including laying the UK's independent Goods Schedule which sets out among other things the maximum tariffs we will set. 279 of the UK's 287 international agreements were ready to enter into force in our status as an independent country by 31 October 2019.

Our aims were to…	In 2019–20 we…
Engage and build relationships with devolved administrations, Crown Dependencies and Overseas Territories	Recognised the essential rich involvement of the devolved administrations through ongoing debate, regular senior official and ministerial meetings, and formal consent arrangements. Provided ministers and policy teams with high quality constitutional and handling advice.
Support a smooth exit by ensuring that we have a functioning legal framework, supporting the passage of the Withdrawal Agreement Bill	Helped to develop primary and secondary legislation, including 122 Statutory Instruments, the highest number of any government department. Contributed to the EU (Withdrawal) Bill, to achieve a smooth exit and longer-term end state.
Manage the delivery of all projects across our EU exit portfolio, coordinate and support the work of the cross-cutting workstreams, and undertake readiness assessments for Defra group and Local Authorities	Built new delivery systems to enable a smooth and orderly exit and put in place robust governance arrangements for EU exit planning and delivery. Created a portfolio, programme and project structure allowing us to track delivery and readiness. Created opportunities for stakeholder involvement in law making and planning through panels and reading rooms. Worked effectively with the EFRA committee and the centre of government in communicating progress, managing challenge and support.

Our achievements in order to secure an orderly exit from the EU have included:

- 122 statutory instruments made.
- Made progress on a portfolio of 53 EU exit related projects. The performance indicator associated with this progress was rated amber.
- Creating brand new digital systems and services.
- Setting up our Emergency and Operations centres as well as public call centres.
- Engaging extensively with businesses and the public.

Strategic Objective 2: Pass on to the next generation a natural environment protected and enhanced for the future.

Defra is committed to the goal of being the first generation to leave the natural environment of England in a better state than we found it. This means ensuring that the nation is protected against environmental pressures, with government leading the way and everyone playing their part.

Our 25 Year Environment Plan is a living blueprint for the environment covering the next quarter of a century. It is an ambitious project and will continue to evolve and be updated as our policies develop and exceed the original actions set out in 2018. On 31 January 2020, the United Kingdom left the European Union, which gives us an opportunity to set our own ambitions for protecting our environment. The Environment Bill sets out ambitious commitments on waste, air quality, water and biodiversity. The Bill will transform our environmental governance by creating a new system tailored specifically to the UK.

A new, independent statutory body, the Office for Environmental Protection (OEP) will be established with the principal objective of contributing to environmental protection and the improvement of the natural environment. It will provide the necessary legal authority to implement long-term environmental governance. The OEP will provide scrutiny and advice on the implementation of environmental law. It will also monitor and report on progress against Environmental Improvement Plans and targets. The OEP will be able to receive and investigate complaints on alleged serious breaches of environmental law by public authorities. It will also be able to take legal action in serious cases if necessary, as a last resort.

To deliver the 25 YEP successfully, we are putting in place more detailed plans under individual goals:

- the Clean Air Strategy, which sets out how we intend to cut air pollution and the costs of it to public health, the environment and our economy.

- the Resources and Waste Strategy, which sets out how we intend to reduce resource use and move towards a circular economy.

- The England Peat Strategy will create and deliver a new ambitious framework for peat restoration in England. It will set out a holistic plan for the management, protection and restoration of our upland and lowland peatlands so that they deliver benefits for climate and nature. We intend to publish the strategy later this year.

- The England Tree Strategy will set out policy priorities to deliver our ambitious tree planting programme. It will focus on expanding, protecting and improving our woodlands, and how trees and woodlands can connect people to nature, support the economy, combat climate change and recover biodiversity.

- The Nature Strategy will set out our action to conserve and enhance biodiversity on land and in our freshwaters and marine environment, in England. The UK is committed to playing a leading role in developing an ambitious framework of international targets under the Convention of Biological Diversity (CBD). The Nature Strategy will set out how we will implement this framework in England, alongside action towards our goals for nature in the 25YEP. The Nature Strategy will be clearly linked to other strategies, including those for

Trees, Peat and Pollinators, and will provide the over-arching narrative on how we are implementing our global commitments on biodiversity and climate change in England.

- In July 2020 we published a Policy Statement setting out our long-term ambition to create a nation more resilient to future flood and coastal erosion risk and the Environment Agency published an updated National Flood and Coastal Erosion Risk Management Strategy.

- The government's Policy Statement sets out five ambitious policies and over 40 supporting actions which will accelerate progress to better protect and better prepare the country against flooding and coastal erosion in the face of more frequent extreme weather as a result of climate change.

In the last 12 months we have taken many significant steps forward. We introduced our Environment Bill to Parliament which puts environmental ambition at the heart of government.

The Environment Bill creates a series of new monitoring and reporting requirements. Once the Bill becomes law, the government will be required to prepare an Environmental Improvement Plan, which sets out the steps it intends to take to improve the natural environment.

The ten goals we set in 2018 for environmental improvement are long term, and this annual report can only provide a snapshot of progress. Our first report focused on the beginning of the journey towards improving the environment in a generation. Much of our effort then was focused on laying the foundations for delivery and establishing more detailed plans for individual goals, such as our Clean Air Strategy.

In this year's report we can reflect on progress in these areas, but also on the process for setting new environmental targets and deadlines for environmental improvement, and an ongoing programme of work to hardwire our environmental ambition into legislation.

Reporting on progress against outcomes is challenging, partly because there is a lag in what the evidence tells us after policies are put in place, but also due to some of the indicators in our framework requiring further development before they are ready to be reported on.

We remain committed to developing the full set of indicators which will enable us to ensure our policies are driving the right outcomes. The available indicator trends are starting to show which parts of our natural environment are under strain and where there are green shoots of improvement. For instance:

- Air quality has significantly improved in recent decades, with many pollutant levels falling greatly in England. However, more work is required to bring down levels of fine particulate matter, the pollutant with the highest impact on human heath, as well as roadside concentrations of nitrogen dioxide.

- Abstraction licence reform is helping to reduce the pressure on our surface and groundwater supplies, however, more needs to be done to ensure our supplies are resilient to the growing impacts of climate change and population growth. A step change is required to improve the quality of our water environment where progress is slow.

- Globally, biodiversity is being lost at an unprecedented rate and in the UK many important species groups show long-term declines in abundance and distribution. However, some individual species have started to recover including the greater horseshoe bat, chough and bittern.

- Greenhouse gas emissions have consistently fallen over the last six years, and the UK has decarbonised its economy faster than any G20 country since the start of the 21st century. To meet our net zero target, we will need to do redouble our efforts, including rapidly scaling up peatland restoration and afforestation measures.

- Material consumption is increasing in England, which is strongly linked to carbon emissions. Waste generation has also increased and although household recycling rates have quadrupled since the turn of the millennium, they have remained below target levels in recent years.

- Measuring outcomes: in May 2019 we published the 25 YEP Outcome Indicator Framework alongside the first 25 YEP progress report. The framework contains 66 indicators which collectively will describe environmental change as it relates to the 10 goals in the 25 YEP. The outcome indicator framework is designed to be flexible, to allow users to select indicators which support the use of the natural capital conceptual framework, identify pressures acting upon natural capital assets, assess the condition of assets, and highlight the services and/or benefits that are provided by natural capital. Trends for 27 of the 66 indicators were published in the 2019 framework document. Further trend information will be included in future years as the indicators are developed and become available.

Our aims were …	In 2019–20 we…
Clean air	Announced the measures that would be introduced from 2021 to prohibit sales of the most polluting domestic fuels. Introduced a comprehensive package of measures through our ground-breaking new Environment Bill to lay the foundations for setting an ambitious, legally binding target to reduce fine particulate matter and ensure that local authorities have a clear and robust framework for tackling air pollution. Awarded £2.2 million in grants to local authorities to support 16 innovative projects to improve air quality. Made progress on delivering the joint Defra and Department for Transport (DfT) clean air programme to tackle poor air quality as part of our wider £3.8 billion investment in cleaner road transport, working closely with local authorities.
Clean and plentiful water	Continued to reform abstraction management, making improvements to protect the environment and ensure that

Our aims were …	In 2019–20 we…
	water is available for those who need it. Improved the quality of bathing waters such that 98.3 percent of our beaches passed the minimum standards.
Thriving plants and wildlife	Supported the new planting of trees on 1,956 hectares of land and maintained 59 percent of woodland in active management. Reduced the number of tree health incidents by both mitigating risks and containing outbreaks. Safeguarded our forests and woodlands by kick-starting the creation of a Northern Forest. Substantially completed the Blue Belt of Marine Protected Areas in 2019. We designated the third tranche of 41 new Marine Conservation Zones, expanding the UK's Blue Belt by 12,000km^2 of marine habitat in UK waters. Launched an independent review, chaired by Richard Benyon, to explore whether and how to introduce Highly Protected Marine Areas in our waters. Continued diplomatic efforts to ensure that the 30by30 target (to protect 30 percent of the ocean by 2030) is adopted in the post-2020 Global Biodiversity Framework under the Convention on Biological Diversity in 2021. Delivered actions in the GB Invasive Non-native Species Strategy and strengthened invasive species legislation. We put in place the Invasive Alien Species (Enforcement and Permitting) Order 2019, which gives us effective tools for tackling listed invasive non-native species of special concern.
Reducing risk of harm from environmental hazards	Protected over 128,000 properties from flooding during the winter storms and flood events. Trialled and tested how nature-based solutions such as creating wetlands can be used to help reduce the risk of flooding. This has been successfully completed as part of Leeds Flood Alleviation Scheme, using natural flood management techniques to help protect the people of

Our aims were …	In 2019–20 we…
	Leeds and those living near the River Aire from the risk of flooding. Worked with water companies to improve resilience of water supplies to drought in England and published a National Framework for water resources to help improve the resilience of water supplies, while enhancing the environment.
Using resources from nature more sustainably and efficiently	Increased 36 out of 54 fish stocks of interest to UK which were fished at maximum sustainable yield (MSY) levels, an increase on the previous year. Secured enhanced rules at the Agriculture and Fisheries Council negotiations on sustainable fishing practices, such as changing net sizes, which will help vulnerable cod stocks recover. Continued to work with the scallop industry to consider ideas put forward for better Scallop management. We have also worked with industry and the Sea Fish Industry Authority to establish new groups to consider broader shellfish management and how we can better manage inshore fisheries.
Enhancing beauty, heritage and engagement with the natural environment	Promoted the Year of Green Action 2019, to connect people with nature, and show how we can all take positive action to improve our environment. Worked alongside partners in the Children and Nature programme with 142 schools in disadvantaged areas to provide outdoor learning opportunities for pupils to be close to nature and benefit their health and wellbeing. The expansion of the care farming offer has brought farmers and health professionals together with a common purpose of providing therapeutic, mental health, social and educational care services. Published the Monitor of Engagement in the Natural Environment (Natural England), showing that more people, across all parts of the population, are visiting nature than any time since the survey began in 2009. However, older people, people from Black, Asian and minority ethnic (BAME) backgrounds, and those people living in the most

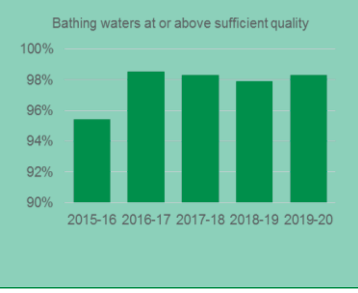
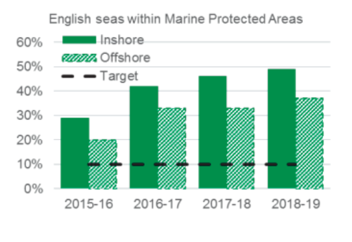
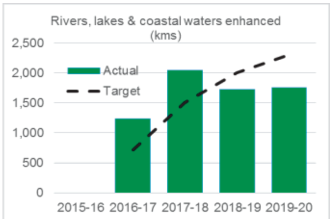
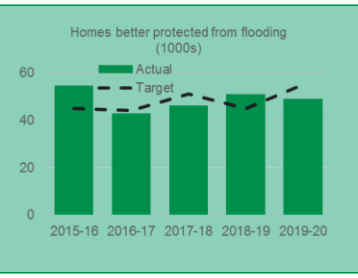
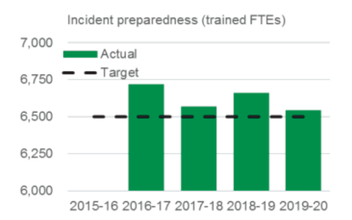
Our aims were …	In 2019–20 we…
	deprived areas of England are less likely to spend time in nature than the average for the English population. Welcomed the findings of the independent Landscapes Review which made a series of proposals aiming to make England's designated landscapes greener, more beautiful and open to everyone.
Mitigating and adapting to climate change	Continued to work across government to implement actions under the second National Adaptation Programme (2018-2023), to address the risks and opportunities posed by a changing climate. Announced £50 million for a new Woodland Carbon Guarantee and a £640 million Nature for Climate Fund to drive a step change in tree planting, peatland restoration and nature recovery. We have continued to lead government's action on domestic climate change adaptation, to ensure that all departments are factoring the risks of climate change into their plans and activities. Specifically, we have: • Continued to implement actions under the second National Adaptation Programme (2018-2023), working with teams within Defra group, across government, and with other stakeholders such as local government groups and businesses. • Responded to the Committee on Climate Change (CCC) Adaptation Sub-Committee's 2019 report to Parliament on progress in preparing for climate change, in which it makes a number of recommendations to government. • Updated the 2018 UK Climate Projections with new local-scale projections, in conjunction with the Met Office. These are the first national climate projections in the world to provide locally relevant climate change information on a similar resolution to that of weather forecast models (2.2km). • Worked closely with the Department for International

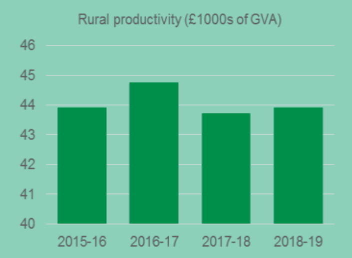
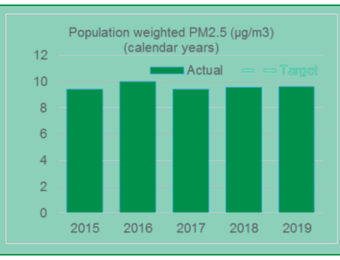
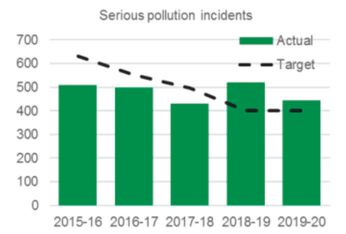
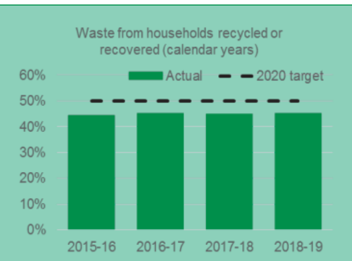
Our aims were …	In 2019–20 we…
	Development (DFID) to launch an adaptation and resilience Call for Action at the United Nations Climate Action Summit in September 2019. • Supported key national stakeholders reporting under the third round of the 'Adaptation Reporting Power' including supporting the use of climate evidence tools. Over 90 organisations have committed to report by the end of 2021 on actions they are taking to strengthen preparedness for climate change risks. This includes bodies responsible for water, energy, transport, environment, heritage, health and finance. • Continued to work with the CCC Adaptation Sub-Committee in preparing an Evidence Review to support delivery of the next Climate Change Risk Assessment, due in 2022, building on the previous assessment of the UK's climate risks and opportunities. • Worked in partnership with the Association of Directors of Environment, Economy, Planning and Transport and the Local Adaptation Advisory Panel to produce a guide on adaptation for local government. • Reported on key national policies in adapting to climate change, as part of the UK's Voluntary National Review on the UN Sustainable Development Goals, and under the EU's adaptation reporting mechanism. We continued to work with policy counterparts under the British Irish Council's dedicated working group on adaptation.
Minimising waste	Sought out and closed over 200 illegal waste sites and continued to develop measures to increase recycling rates and reduce waste sent to landfill. Consulted on the major waste reforms (packaging waste producer responsibility, deposit return scheme for drink containers and consistency in waste collections) set out in the Resources and Waste Strategy and published a government response for each. Together these measures will help to increase recycling rates and incentivise

Our aims were …	In 2019–20 we…
	producers to design packaging with recyclability in mind. Launched £15 million food redistribution projects to help tackle food surplus and waste. Set out plans to ban plastic straws, cotton buds and stirrers, extending the 5p plastic bag charge and proposing a tax on plastic packaging with less than 30 percent recycled content. Published a call for evidence on standards for bio-based, biodegradable and compostable plastics, and continued to support the world-leading UK Plastics Pact. Cracked down on plastic waste through UK international leadership, specifically in the Commonwealth where 31 of 54 countries have now signed up to the Commonwealth Clean Ocean Alliance to take steps to eliminate avoidable single-use plastics, reduce single use plastic carrier bags by 2021 and implement a ban on microbeads in rinse-off personal care products by 2021.
Managing exposure to chemicals	Initiated work to support the development of a chemical strategy. This included engaging with stakeholders (industry, academia and non-governmental organisations) to help shape the vision and scope of the strategy. Launched our new Prioritisation and Early Warning System (PEWS) to identify emerging chemical issues across water, air and soil. Took forward the programme of work to consider the impacts of hazardous chemicals in products.
Encourage thriving rural economies and communities	Agreed an additional £4.5 million funding for the rural broadband scheme in April 2019. This brought total funding available up to £79.5 million and allowed 22 projects to be approved for improvements in 2020-21. Set up the £3 million Village Hall Improvement Grant Fund in April 2019. This aims to help fund the updating and refurbishment of village halls so that they are fit for purpose and can provide a wide range of activities for the communities they serve. 102 schemes, with a combined

Our aims were …	In 2019–20 we…
	total value of £2.4 million, have been approved to receive grants from the fund.

Detailed Performance 2019–20

Indicator	2018–19	2019–20	Trends and targets	Commentary
Bathing water quality	2018 **97.9%**	2019 **98.3%**		413 (98.3 percent) of England's 420 bathing waters, met at least the minimum standard: 300 (71.4 percent) were classified as excellent and only 7 (1.7 percent) did not meet the minimum standard and were classified as poor.
English seas within Marine Protected Areas	2018 **46% inshore** **33% offshore**	2019 **49% inshore** **37% offshore**		Marine Protected Areas are one of the tools that help us to protect the marine environment whilst also enabling sustainable use, ensuring it remains healthy and contributes to our society for generations to come.
Kilometres of rivers, lakes and coastal waters enhanced	**2018–19** **1,719 km**	**2019–20** **1,753 km**		To improve water quality, we have enhanced 1,753 km of water environment against an ambitious target of 2,300 km.
Households protected from flooding	2018–19 **193,604**	2019–20 **242,343**		A further 48,739 homes were better protected in the 2019–20 financial year. This brings the cumulative total in the 6-year programme so far to 242,343. We are on target to reach our goal of 300,000 by April 2021.
Incident response – number of staff trained	2018–19 **6,657**	2019–20 **6,541**		We have sufficient numbers of trained and capable staff to provide a robust and professional response to incidents. Ongoing staff training, and work capability assessments are in place.

Indicator	2018–19	2019–20	Trends and targets	Commentary
Rural productivity (Rural Gross Value Added per workforce job as a percentage of the level for England, where England = 100)	2017 **83.6%**	2018 **82.4%** (latest available data due to complexity of calculations)		In 2018 the productivity of Predominantly Rural areas was around 82 percent of that for England as a whole (provisional estimate). This has fallen from 90 percent in 2001 but is affected by the increases in London's contribution affecting England's overall productivity.
Trees newly planted in England (Woodland creation)	Two years 2017-18 and 2018–19 **3.6m**	Three years 2017-18 to 2019–20 **6.9m**		At the end of the previous Parliament, half-way through the 5-year Parliamentary cycle that started in 2017, the Government was on track to meet the 11 million trees target. A total of 6.9 million trees were newly planted with Government support in England in the 3 years to 31 March 2020, corresponding to 273 hectares of newly planted woodland.
Air quality emissions (Population-weighted PM2.5 (µg/m³))	2017 **9.4** µg/m³	2018 **9.5** µg/m³ (Latest available data)		Concentrations of particulate matter have been stable for several years, measures in the Clean Air Strategy will help to reduce exposure to this and other pollutants.
Number of pollution incidents (category 1 and 2 Common Incident Classification scheme)	2018–19 519 (Up from 493 in last report due to data cleansing)	2019–20 412		The number of serious pollution incidents has decreased markedly from a year ago. This is a positive result and we will continue to work towards achieving lower numbers.
Waste from households recycled or recovered	2017–18 44.8 %	2018–19 45.1%		Recycling rate for 2018-19 was 45.1 percent against the 2020 target of 50 percent. To further increase recycling rates, a policy to require consistency in local authority collections and measures is reflected in the Environment Bill.

Indicator	2018–19	2019–20	Trends and targets	Commentary
Reduce high risk illegal waste sites	2018–19 **250**	2019–20 **233**		The number of high-risk illegal waste sites has decreased slightly but pressures, especially wet weather, affected the resources we could deploy to this work to meet our target of 196 or fewer. It is too soon to understand COVID-19 impacts on this indicator.

Objective 3: Lead the world in food and farming with a sustainable model of food production.

We want the UK to be one of the world's leading food nations, renowned for excellence in every aspect of the food system.

We endeavour to fundamentally reform agricultural and land management policy to deliver a better environment based on a system of public money for public goods.

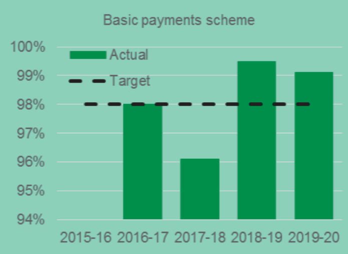
Our aims were to…	In 2019–20 we…
Develop a world leading food and farming system	Helped farmers and businesses to increase the value of British food and drink exported from the UK to £23.6 billion an increase of five percent on the previous year. Set up an independent review in June 2019 to develop a series of recommendations to shape a National Food Strategy that will address these challenges and transform the food system. A Call for Evidence was held to seek ideas which have the potential to improve the food system. Launched the Catchment Sensitive Farming partnership between Defra, the Environment Agency and Natural England, supporting farmers to take action to reduce harmful ammonia emissions. Took the Direct Payments to Farmers (Legislative Continuity) Act 2020 through Parliament, enabling Direct Payments to be made for 2020. Gave full access for the first time in over 20 years to the Chinese market to our UK farmers and beef producers,

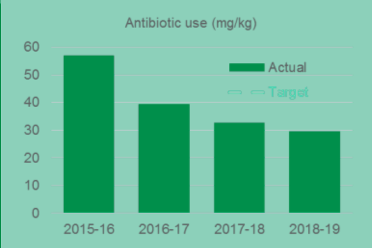
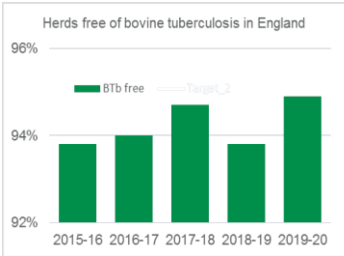
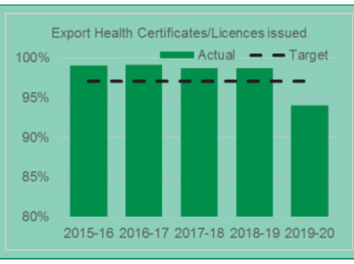
Our aims were to…	In 2019–20 we…
	worth an estimated £230 million. This marks the end of a ban imposed by China following the BSE outbreak in 1996. Contributed to opening up the US market to British beef – creating £66 million worth of export opportunities for British farmers over the next five years.
Develop a productive and resilient food system	Laid our landmark Agriculture Bill, now the Agriculture Act (11 November 2020), before Parliament to introduce a fairer, more sustainable system of Environmental Land Management. Reformed our arrangements for delivering the Environmental and Countryside Stewardship schemes, to provide a more joined up service to support farmers and land managers. Administered annual direct payments to 83,520 farmers through the Basic Payment Scheme. Launched the initial phase of the Farm Resilience Project where grants were awarded to multiple recipients to provide different types of resilience support to farmers and land managers, so we can determine what interventions would work best to help prepare them for the agricultural transition period. The total value of this is up to £1 million. Brought about a continued decrease in antibiotic use in livestock, helping to reduce the emergence of antibiotic resistance. Supported businesses and individuals through the immediate challenges of COVID-19 by delivering over one million food parcels to people shielding who were otherwise unable to access food.
Protect plants and animals from health risks and ensure high animal welfare standards:	Published the government response to Sir Charles Godfray's independent review of the 25-year bovine tuberculosis (bTB) eradication strategy. The response sets out the government's plans for the next five years. Top priorities include: • Accelerating work to develop a deployable cattle bTB vaccine.

Our aims were to…	In 2019–20 we…
	• Evolving the badger control policy with increased support for badger vaccination following the wide-scale deployment of effective badger culling. • Improving diagnostic testing to root out bTB more effectively. The response also sets out plans for: • Incentivising improved biosecurity and reducing the risk posed by cattle movements. • Developing the government-industry partnership approach to governance. Helped prevent the spread of bTB by: • Carrying out over 7.5 million bTB tests on cattle in England in 2019–20 and compulsory slaughtering over 30,000 cattle because of a bTB incident. • Overseeing deployment of licensed badger culling and licensed badger vaccination across around 16 percent and less than 1 percent of England respectively. Published independent peer-reviewed scientific analysis showing that after four years of licensed badger culling in the first two areas, bTB incidence rates fell by 66 percent in Gloucestershire and 37 percent in Somerset relative to comparison areas. In England overall, the headline herd bTB incidence rate for the 12 months to the end of March 2020 was slightly above the level at end March 2019. The herd bTB prevalence rate decreased in March 2020 compared with 2019. Eradicated the Asian Longhorn Beetle in the UK following six years of trapping and surveillance work. The pest can pose a serious threat to a range of broadleaved trees such as oak. Invested £1.9 million to support the UK's first Ash Archive – a major step towards maintaining and restoring ash in the British landscape and protecting the species from ash dieback and the emerald green borer pest. Contributed to the landmark Agriculture Bill, now Agricultural Act (11 November 2020), which will ensure

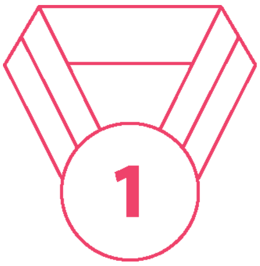
Our aims were to…	In 2019–20 we…
	that farmers and land managers in England are rewarded with public money for delivering world-class standards of animal welfare. Campaigned to keep the damaging animal disease African swine fever out of the country which has helped protect the UK's commercial pig stock of five million pigs and our exports of pork products.

Detailed Performance 2019–20:

Indicator	2018–19	2019–20	Trends and targets	Commentary
Basic Payment Scheme	**99.5% farmers paid** (accuracy and timeliness)	**99.1% farmers paid** (accuracy and timeliness)		The RPA paid 59,600 (70.4 percent) claims worth £1.19 billion on 1 December 2019, and by 31 December this stood at 80,075 (95.0 percent) worth £1.64 billion. By 31 March 2020 the totals had increased to 83,520 (99.1 percent) worth £1.78 billion. By the end of the financial year the RPA had made payments on 98.5 percent of 2018 and 51.5 percent of 2019 Countryside Stewardship claims and issued over 95 percent of the agreements for 2020. The RPA made final payments in respect of 98.2 percent of 2018 Environmental Stewardship claims and 86.3 percent of 2019 claims.
Food and drink exports	2018 (calendar year) **£22.6bn**	2019 (calendar year) £23.6bn **YTD)**		This indicator shows the total annual value of UK food and drink exports to all countries, showing the success of rural enterprise in exporting their goods.

Indicator	2018–19	2019–20	Trends and targets	Commentary
Antibiotic use (in farm animals, companion animals, horses and fish)	2017 **32.5 mg/kg** (revised from 37mg/kg)	2018 **29.5 mg/kg** (latest available data)		Sales of veterinary antibiotics dropped 53 percent between 2014 and 2018, surpassing the government's target by two years. Reducing the exposure of people, animals and the environment to antimicrobials is important in reducing the risk of antimicrobial resistance developing and spreading.
Bovine tuberculosis – (% herds TB free- England)	2018–19 **93.87%**	2019–20 **94.9%**		The overall herd incidence rate in England increased marginally over the 12 months. The incidence rate in high risk areas (HRA) decreased over the period but edge area incidence increased. We hope the improvement in the percentage of herds officially TB free in 2019–20 will continue in future years as a consequence of the now well established and comprehensive bovine TB strategy.
Export Health Certificates / Licences issued in time	2019 98.7%	2020 **91.59%**		Increased demand and resourcing issues caused some problems with delivery. Process changes have been made to improve performance and manage COVID-19 resource constraints.

Objective 4: Become an outstanding organisation focused on making a difference, with world class delivery capability.

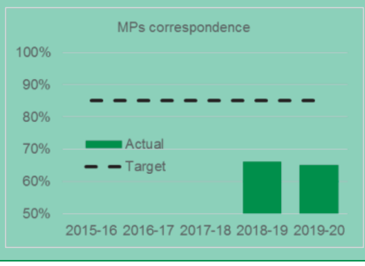
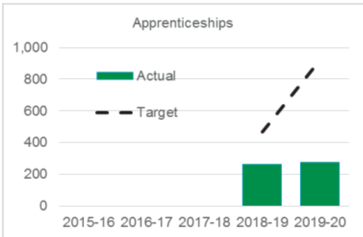
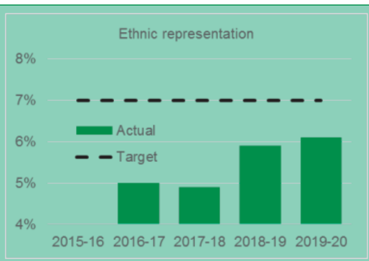
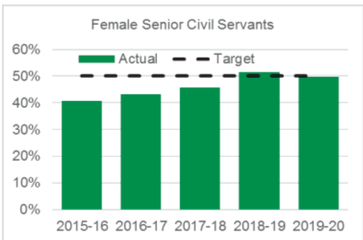
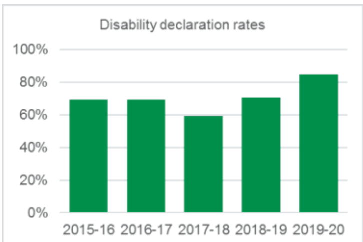


Our ambition is for Defra group to be one of the most effective and efficient departments in HM Government, recognised for delivering services that are timely, consistently high quality, and which offer outstanding value for taxpayers and customers (including industry, delivery partners, public bodies, non-government organisations and Parliament). We aim to be a highly responsive, customer-focused, open and data-driven department that is a trailblazer for the rest of government.

Our aims were to…	In 2019–20 we…
Set strategic direction for Defra group	Supported EU exit readiness by building 6 new digital services; imports notification systems (animals, products of animal origin, food and feed; export health certificates, registration of chemical substances entering the UK market, registration veterinary medicines, catch certificates for UK fish and fish products, licenses for F-gases) delivering sound procurement at pace, enabling substantial recruitment to EU exit programmes and increasing overall capability and capacity.
Deliver scientific and analytical excellence	Enhanced UK's world-leading scientific and veterinary capability by securing investment of £1.4 billion in the Animal and Plant Health Agency's Weybridge facility to protect the country against the increasing threats of animal and plant diseases. Launched Defra's new Earth Observation Data Service (EODS), putting Defra at the forefront of government innovation in earth observation data, providing 'ready to use' data from the Copernicus satellites. This allows new approaches to monitoring that help us to understand how our actions affect our environment and how we can deliver better services through the smarter use of data. Launched the Sustainability Partnership with key IT suppliers and the UN to redesign our supply chain reflecting innovation in IT sustainability. This is a trailblazer for both public and private sector organisations.

Our aims were to…	In 2019–20 we…
Provide corporate support for Defra group	Worked with partners to re baseline corporate services and develop a shared approach to corporate services transformation. Implemented a Smarter Ways of Working initiative to embed agile working across Defra, optimising our use of resources and extending best practice. Built on the 2017–2020 Defra group EDI Strategy by really focusing on equality and diversity to more specifically develop inclusivity so that all employees thrive. Expanded our commercial portfolio - Defra's total supplier spend is c£1.3 billion. Within this we delivered £117.6 million of savings through 2019–20. Began implementation of the contract management accreditation programme (work ongoing). Delivered cost reductions across corporate services of £80 million during the SR15 period. Rolled out 40,000 mailboxes and begun the rollout of new Windows10 laptops as part of moving Office365 exchange online, which also enables us to move to SharePoint online. We have delivered more flexible print services and increased connectivity across our network. Improved our payment performance. 75 percent of invoices were paid within 5 days (target 90 percent) and 90 percent of invoices within 30 days (target 100 percent). This is an improvement on 2018–19 where 63 percent were paid in 5 days and 86 percent in 30 days. To accelerate progress, we have established a dedicated payment team, improved staff training and increased visibility of payment performance to senior staff.

Detailed Performance 2019–20:

Indicator	2018–19	2019–20	Trends and targets	Commentary
Responding to MPs' correspondence.	66% within 15 working days. Target: 85% within 15 working days.	65% within 20 working days. Target: 85% within 20 working days.		A combination of delays, primarily caused by fast paced, evolving policy development regarding EU exit and ministerial availability during the election and pre-election period affected performance.
Apprenticeships	262	277		There were 277 enrolments in 2019–20; a shortfall of 639 against the target of 921 new apprentices.
BAME staff	5.9%	6.1%		There has been a small increase in the representation rate in 2019–20. We encourage staff to participate in programmes and projects such as Positive Action Pathways and Project Race initiatives. A new approved Diversity and Inclusion Strategy for 2020-24 is designed to take a unified approach across the core department and ALBs
Gender balance within the Senior Civil Service (SCS)	46% female	47.4% female		This has remained fairly constant in 2019–20 but has improved by 7.7 percent since March 2017. The Defra SCS Civil Service is 49 percent a reduction of 2 percent since March 2019.
Disability declaration rates	70.5%	84.9%		The increase in declarations is the result of a simplification of the declaration page on Defra's HR IT system. The Civil Service average declaration rate is 72 percent.

Sustainable Development

Defra plays a crucial role in ensuring a sustainable future. We continue to work with a wide range of government departments to drive forward sustainable development thinking especially on developing the Sustainability Pillar of the government Strategic Framework.

Defra's role in sustainability leadership

Greening Government Commitments

- Defra co-ordinates the Greening Government Commitments, which set targets for all departments to improve the sustainability of their own estates and operations, and report publicly on the progress made. Departments work towards specific improvements in their greenhouse gas emissions, waste and water use, as well as promoting sustainable procurement and the Government Buying Standards.

- Compared to 2009–10 baseline figures, the Defra group in 2019–20 reduced its greenhouse gas emissions by 49 percent; domestic flights by 32 percent; paper use by 69 percent; and reduced waste sent to landfill to 19.9 percent of total waste. Water consumption has decreased by 9 percent.

- Defra group Commercial is continuing to promote sustainable procurement through standing instructions within its policies and processes to consider all elements of good procurement practice including consideration of the Public Services (Social Value) Act; the Public Sector Equality Duty; the Small to Medium Enterprises agenda and modern slavery amongst others.

- Digital Data and Technology Services (DDTS) continues to lead on sustainable IT in the UK and globally. We were delighted to win the "IT Industry Leader of the Year" award from "Computing Magazine" and the civil service award as "highly commended" for our many initiatives.

- Working in collaboration with our ICT suppliers, supply chain, and external stakeholders, DDTS saved approximately £1.6 million in IT energy-related costs and reduced CO2 by 40 per cent between April 2019 and April 2020, with the majority of our suppliers now committing to achieve net-zero for the services they deliver to Defra by 2025. We continue to eliminate plastic from our operations by using 25 percent plastic recycled packaging from the ocean, 75 per cent mushroom packaging for End used laptops, and 100 per cent biodegradable packaging and phone covers for our telephony services, in addition to demonstrating transparency for modern slavery and human rights.

- We continue to work in partnership with the United Nations Environment Programme (UNEP) and the United Nations Children Fund (UNICEF), United Nations Climate Change (UNFCCC), and the Organisation for Economic Co-operation and Development (OECD), sharing best practices with industry and the globe.

- Where Defra leads on procurements, a sustainability appraisal is undertaken at the strategy stage and, where possible, Government Buying Standards and the balanced scorecard are applied.

Sustainable Development Goals

- Defra works closely with a wide range of government departments to drive forward the implementation of the Sustainable Development Goals (SDGs) at home and overseas. The SDGs are embedded throughout the SDP to ensure that Defra is able to progress and report on them.

- This year, we led the Government’s response on five of the seventeen goal chapters to the UK’s first Voluntary National Review of the Sustainable Development Goals, published in June 2019, and contributed to several others.

Natural Capital

Defra engages with government departments, NGOs and the private sector in order to embed natural capital thinking and approaches to support strategic and long-term decision-making, as set out in the 25 Year Environment Plan. Supported by the leadership and advice of the independent Natural Capital Committee, Defra is playing a leading role in developing the evidence and tools to ensure that environmental impacts are considered in decision-making and in reporting.

On 22 January 2020, Defra launched its on-line natural capital resource Enabling a Natural Capital Approach (ENCA). For the first time, a comprehensive and integrated set of evidence and guidance about UK natural capital is now accessible from one place. ENCA builds on the high-level guidance on natural capital within the HM Treasury Green Book.

The development of official natural capital accounts is key to mainstreaming understanding of the value of nature across all policy areas. Defra continues to work closely with the Office for National Statistics to develop physical and monetary accounts for the UK covering a wide range of services and natural assets. Progress during the year includes: updated accounts for mountain/moorland/heaths, woodland and urban areas; an updated UK-wide account of ecosystem services (with an asset value of just under £1 trillion); initial accounts for peatland and marine areas; and the contribution of ecosystems to the tourism sector.

In February 2019, Natural England published a *Natural Capital Account for its National Nature Reserves* (NNRs). The account shows that the NNRs provide a range of significant benefits to society. Important benefits provided by the NNRs include thriving wildlife, climate regulation, recreation tourism and volunteering, scientific, educational and cultural appreciation of nature. Quantifiable benefits, which includes only some of these, are valued at approximately £36 million annually. There are also significant benefits that could not be monetised.

In July 2020, the Environment Agency launched its Natural Capital Register and Account tool to create both our corporate natural capital account and place-based accounts. The tool enables rapid and replicable creation of natural capital registers and accounts in different places and at different scales using open-source, nationally available data which enables sharing with others. The Environment Agency’s natural capital account of its landholdings shows that approximately 17,350 hectares of land (freshwater, farmland, woodland and urban area) provides significant quantifiable benefits for flood mitigation, recreation, air quality, agriculture and carbon sequestration, valued at approximately £13 million annually.

Natural England and the Environment Agency are exploring how a natural capital approach can help us agree joint strategic and local priorities for a place, develop better cases for investing in nature and identify joint funding. This will shape the work we do with partners on place making, nature recovery networks, water investment planning and local natural capital plans.

Risks affecting delivery of our objectives

A range of risks affect our ability to achieve Defra group's four strategic objectives. The most significant of these risks are reviewed regularly by the Executive Committee. The table below shows how these principal risks link to the strategic objectives that we were working towards in 2019–20, and summarise the main actions taken over the course of the financial year to control each risk, as well as indicating future action planned. It includes additional controls introduced as a result of the impact of the COVID-19 pandemic on Defra group's principal risks. Information on our approach to risk management is given in the Governance Statement.

The impact of COVID-19 was to increase the likelihood of existing principal risks materialising, bring some risks closer in time, and place constraints on the controls Defra group has been able to operate in some areas. A significant volume of new mitigations were introduced in the first months of the 2020–21 financial year to manage the changing nature and increased level of risk. New and emerging risks relating to the potential impact on the businesses and sectors that our policies and activities affect, and on our strategic objectives, were also identified and assessed and plans to control them developed. These included risks relating to domestic food supply chain disruption, international environmental programmes and business failure in Defra sectors.

Key to strategic objectives

1. Deliver a safe and ambitious departure from the EU, setting global standards in protecting and harnessing value from the natural environment
2. Pass on to the next generation a natural environment protected and enhanced for the future
3. Lead the world in food and farming with a sustainable model of food production
4. Become an outstanding organisation focused on making a difference, with world class delivery capability

	Risk	Mitigating activities
1 2 3 4	Defra is not sufficiently ready for the immediate impact of leaving the EU *Following the UK's departure from the EU, our focus has moved to managing the transition period.*	→ We managed a portfolio of 65 projects and cross-cutting functions to facilitate the UK's departure from the EU, which included supporting ongoing negotiations for trade deals with the EU and other nations. → We supported devolved administrations, local authorities and ALBs to help deliver our policies and programmes and ensure businesses were ready and aware of changes resulting from the UK's departure from the EU. This work is continuing through the transition period.

	Risk	Mitigating activities
1 2 3 4	Defra fails to realise the benefits for our sectors of the UK's departure from the EU over the longer term *A large proportion of Defra's work has historically been framed by EU legislation and systems. We must take new approaches and be ambitious in the negotiation of new trading arrangements with the EU and rest of the world, and in the design and delivery of new programmes.*	→ We introduced the Agriculture, Environment and Fisheries Bills, and supported the passage of the Withdrawal Agreement Bill. → To support negotiations, we combined a number of teams into one Director General group focused on outcomes for the transition period and beyond, and refreshed our portfolio to match the transition period planning assumptions. → We are supporting farmers and land managers as we transition away from the structures of the Common Agricultural Policy, establishing a new agricultural policy delivering sustainable food production and improved environmental outcomes. → We have prepared for the establishment of the Office for Environmental Protection (OEP), which will be operational after Royal Assent is given for the Environment Bill.
1 2 3 4	Defra group may not be able to meet budgetary controls *Controlling our finances is a key Defra group priority, and we have put measures in place to support budget holders in their responsibilities. The public finance context has meant longer-term strategic financial planning is more challenging.*	→ We used monthly forecasting and budget planning to ensure emerging pressures were managed during the year. → 97 percent of senior civil servants from the core department completed new budget holder training. → We assess Defra group's strategic priorities and outcomes each year to ensure that our plans enable us to meet our budget controls. → Between March and July 2020, we collected and assessed the financial impacts of COVID-19 on a weekly basis to inform our ongoing business planning.

	Risk	Mitigating activities
2 3 4	Failure of Defra infrastructure results in harm to human, animal or plant populations and/or undermines national capability and global reputation. *The physical condition of two of our most internationally important facilities remains a concern. We have focused on actions to minimise deterioration while working longer term plans for improving both sites.*	→ We have further strengthened the facilities management team to provide assurance on site operations at the Animal and Plant Health Agency laboratory in Weybridge. → We have taken limited additional action within the constraints of the existing infrastructure to reduce risks from fire, flood and pest damage to the Grade one listed Herbarium at The Royal Botanic Gardens, Kew, which houses our globally significant national collections. → Our longer-term plan remains to carry out major redevelopment programmes at both sites. A 10-year, £1.4 billion investment in the Weybridge laboratory was announced in the March 2020 budget.
1 2 4	Defra group's ability to respond is compromised due to serious incidents occurring simultaneously *We have continued to develop our capability to reduce the impact of multiple serious incidents affecting Defra group and its sectors at the same time. COVID-19 added further complexity and we have responded to this.*	→ We established a dedicated emergency centre to respond to EU exit related issues, training 110 staff from across government on Defra sectors and issues. → We ran staff training events and exercises to test our capabilities and define procedures. → We established a COVID-19 emergency centre, using volunteers from across Defra group. We ring-fenced some specialist emergencies staff to ensure continuity of response to any other significant incidents. → We audited our volunteer network to assess available supplementary resourcing, and we retain a pool of trained volunteer staff.

	Risk	Mitigating activities
2 3	Defra fails to reach NO_2 compliance limits in the fastest possible time and meet 2020-2030 emissions ceilings *We rely heavily on partners to make changes to meet the targets set. We have worked closely with local authorities and others, and to minimise delays due to COVID-19.*	→ We worked with local authorities to agree plans for delivering compliance as set out in the 2017 plan for tackling roadside NO_2 emissions. → We allocated £397 million to local authorities to take forward their NO_2 plans. → We launched an online vehicle checker tool to support delivery of clean air zones. → In response to COVID-19 we agreed to local authorities delaying the first clean air zones until not before January 2021. → The need to deploy staff and resources in light of COVID-19 has had a minor impact on some aspects of the work to deliver the Clean Air Strategy, but we have worked to minimise any long-term impacts.
4	Defra group is unable to redeploy and recruit staff with the right capability at the pace articulated in the business demands plan *We have addressed challenges to ensure Defra group is properly resourced with the right people in the right roles at the right time.*	→ Over the year, our priority has been to increase capacity in critical business areas by repurposing existing staff, as well as recruitment. → Our approach included rolling recruitment campaigns, redeployment of existing staff from across the Defra group, and bringing in staff from other government departments when this was necessary. → We established a Strategic Resourcing Board to manage vacancy requests and match staff to appropriate resourcing pools. → In response to COVID-19, we balanced the need to ensure Defra resource needs were met with supporting wider government priorities.

	Risk	Mitigating activities
4	The resilience and wellbeing of Defra group staff deteriorates *We have a strong ambition for a mentally and physically healthy workforce. Amid a range of pressures, including COVID-19, we continue to attempt to anticipate and respond to our people's needs.*	→ Over the year, we increased our understanding of staff wellbeing, improving data to identify trends and common themes so we could better target our actions. → We provided resources for staff. These included virtual tools and Wellbeing Champions and Mental Health First Aiders across Defra sites. In response to COVID-19, we focused on supporting our staff to work from home, including with weekly HR surgeries and free access to a mindfulness app. → We continue to share intelligence and good practice across the Defra group through our cross-functional Wellbeing and Resilience team.
4	Defra group suffers from a major security incident and/or increased cyber-attacks *Increasingly sophisticated cyber-attacks and other security incidents are a challenge. Large-scale remote working as a result of COVID-19 increased some security risks.*	→ We improved security vetting processes and communications, as well as physical security checks and user awareness across Defra group. → We replaced some ageing technology infrastructure. → We initiated work to address security vulnerabilities caused by COVID-19. → We continue to seek appropriate funding to address IT risks and resilience.

	Risk	Mitigating activities
4	Defra group's technology is not able to support its business resilience, operations or transformation *The age of, and growing demand for, digital and technology services has reduced the resilience of Defra group's systems. Increased remote working has changed the nature of the technology required for Defra group to operate effectively.*	→ We delivered additional collaboration tools, mobile device technology and support to enable increased home working. → We are investing in priority infrastructure and producing roadmaps for the technology needed to support Defra's future ways of working. → We continue to seek appropriate funding to address IT risks and resilience.
4	Business continuity within the Defra group is impacted by failures of key suppliers *As a department that delivers a lot through others, we carry a high risk profile across third party suppliers. In a difficult economic landscape for some businesses we acted to safeguard Defra group's commercial exposure to the risk of market failure.*	→ We are in the second year of a three-year programme to address the risk of supplier failure and broader contract management issues. → Within this, we launched a contract assurance and audit programme, and tested the controls on our largest contracts. → Over the year, Defra strengthened its contract management capabilities, including commencing roll out of a large scale commercial accreditation training programme across the group, embedded controls and regular monitoring of supplier health and implemented business continuity plans for suppliers with profit warnings → In response to COVID-19 we also enabled suppliers to access relief funding and addressed any prompt payment issues (in Q2 2020, Defra paid 87 percent of invoices within 5 days and 94 percent of invoices within 30 days).

	Risk	Mitigating activities
4	Budget pressures undermine Defra's strategic science capability and affect its ability to support key policy areas and emergency response *Defra group's work depends on strong scientific evidence. We prioritise our most critical and vulnerable areas of research, and are taking steps to minimise the impact of COVID-19 on our evidence base.*	→ We prepared to make a strong strategic case for investment in scientific research and development at the next spending review. → We worked closely with other funding partners, particularly UKRI, and developed plans to encourage research spending from other organisations in Defra-related fields. → We assessed and made plans to address the effects of COVID-19 on Defra group science and evidence, including the impact of delayed fieldwork and monitoring. → We are developing efficient evidence procurement processes and undertaking annual planning and prioritisation to ensure we get best value for money from our research contracts.

Responding to Public Correspondence

Our Ministerial Contact Unit dealt with:

- 12, 381 letters and emails from the public.
- 10,138 letters or emails from MPs and/or major stakeholders, answering 65 percent within the target of 20 working days.
- 2,672 Parliamentary questions, 87 percent of which were completed by the various deadlines.
- 26 e-petitions of which 85 percent were completed before the 21-day deadline.
- 10, 919 calls on our helplines, (Defra Helpline), answering 95 percent within the target of 60 seconds.

Defra's executive agencies and non-departmental public bodies have enquiry centres that deal with public correspondence relating to their areas of work and expertise. Further information can be found within their individual Annual Report and Accounts.

Chapter 3 – Financial Analysis

This chapter provides an overview of our financial performance across 2019–20, including setting out our budget and confirming our spend against this, giving an overview of our Statement of Financial Position (SoFP) and Common Agricultural Policy (CAP) disallowance.

Financial Performance

Across 2019–20, the department was heavily challenged by the uncertain climate surrounding EU exit, with preparations for the possibility of a no deal exit requiring additional investment. At the same time, we still had to complete the target agreed at the 2015 Spending Review of reducing our baseline spending by £130 million compared to 2015–16. We have achieved both of these conflicting targets – investing a total of £561 million funding into our preparations for EU exit whilst also delivering our underlying reductions. We spent 97.4 percent of our non-ring-fenced Departmental Expenditure Limits (DEL) budgets – a £40 million underspend against a £1.5 billion budget.

Our spending on EU exit preparations is driven by the fact that a significant proportion of Defra's business is framed by our membership of the EU. Our investment has ensured that the department is prepared for all possible scenarios – enabling robust plans to be in place for a smooth and orderly exit, including effective arrangements to implement domestic schemes and functions.

Investment in EU exit preparations has focussed primarily on:

- Ensuring a safe transition away from the Common Agricultural Policy to newly developed schemes based on the use of public money for public goods (£75 million).

- Establishing systems and processes for Animal Imports/ Exports and Livestock Information which take account of the new requirements due to EU exit (£55 million).

- Ensuring the opportunities presented by EU exit for the marine environment and the UK fishing industry are realised (£34 million). Achieving this will require a new fisheries agreement to be put in place with the EU and third countries, ensuring the necessary domestic legislation is in place, and developing the systems and processes which will be necessary for effective fisheries management and frictionless trade in fisheries products.

- Ensuring that environment and chemicals regulation previously managed by the EU, is operable by the UK on EU exit (£44 million). This includes establishing a UK version of the REACH regime (Registration, Evaluation, Authorisation and Restriction of Chemicals) and ensuring that Pesticides and Waste policy led responsibilities, previously managed by the EU, are operable by the UK on EU exit. This also includes coordination of the creation and passage of the Environment Bill, and the creation of the Office for Environment Protection.

- Negotiating the UK's future trading arrangements after EU exit (£22 million).

- Ensuring appropriate legal, regulatory and delivery frameworks are in place for Agri-food sectors following EU exit (£13 million).

- Building a UK Animal and Plant Health and Animal Welfare framework for the future in support of the Global Britain brand (£8 million).

- Ensuring that veterinary medicines (VM) continued to be safe, effective and available after EU exit, and to support the UK remaining an attractive market for investment, manufacture, innovation, research and development (£8 million). The Veterinary Medicine Directorate (VMD) delivered five critical IT systems to ensure that VMD has the minimum capability to regulate veterinary medicine in the UK. This is due to the VMD losing access to 44 EU databases and systems that let us regulate, monitor, assess, and test VM, which, among other things, ensures that food is safe for the public at the end of the transition period.

- Establishing UK Science programmes relevant to Defra policy areas after EU exit (£2 million).

- The remaining balance primarily relates to the Portfolio's enabling functions (£232 million) and for the CAP hedging contract (£67 million).

Whilst EU exit preparation has been the key priority for the department, there have also been a number of other achievements:

- Through rigorous prioritisation of investment we have continued to increase the number of homes protected from flood and coastal erosion – seeing us fully invest our £550 million budget. Careful management of our remaining capital budget has seen us carry out essential maintenance of the department's Estate, including improving our science laboratories and investing in information and communications technology.

- In order to deliver our underlying budget reductions, we have continued to transform the department's corporate services functions to create new group-wide functions, creating a platform for improving prioritisation, decision making, professionalism and efficiency. We have progressed these efficiencies despite the need to separately increase our corporate services support for the new staff we have brought in to prepare for EU exit. We are on track to deliver total savings of £110 million by the end of 2019–20 and a cumulative total savings of £271 million delivered over SR15.

- Support the rural economy with £1.84 billion in CAP Basic Payment Scheme (BPS) expenditure in England, plus £439 million of EU funding for rural development schemes, along with a further £72 million from Exchequer funding for rural development.

- We have again significantly reduced our disallowance exposure, through successful mitigation and discussions with the European Commission (the Commission) auditors on a number of outstanding issues. This is part of our on-going disallowance strategy and is the latest in a line of successful negotiations in reducing our disallowance costs.

Whilst 2019–20 has been a strong year, we will face increased challenges in 2020–21. The impacts of COVID-19 on our priorities and outcomes need to be managed whilst continuing to invest in EU exit preparation. We will also be working with HM Treasury on the Spending Review in order to agree budgets beyond 2020–21. We will therefore need to continue our strong financial performance in order to successfully maximise our budget and continue to deliver our objectives.

During 2019–20, measures were put in place to improve financial management practice across the Core department. However, further issues have been identified as part of internal testing and audit activity which indicate that further improvements are necessary. Consequently, a financial leadership plan has been introduced to develop a stronger financial culture across the core department, further details of which can be found in the financial controls section of the Governance Statement in Chapter 4.

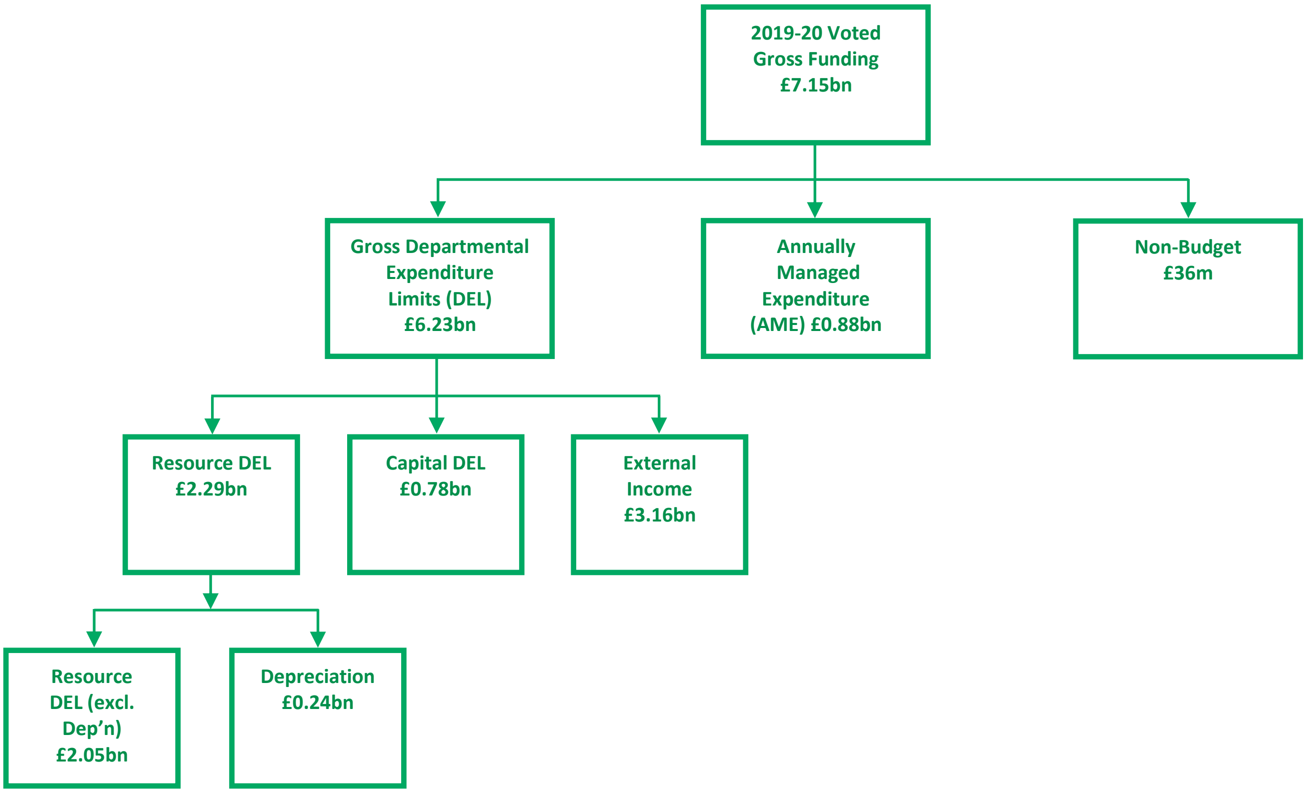
The Defra Group Budget

2019–20 Voted Net Funding £3.99bn Consisting of:			
Non-ring-fenced DEL £1.52bn	Ring-fenced DEL £1.55bn	AME £0.88bn	Non-Budget £36m
Net of			
External income £3.16bn			
2019–20 Voted Gross Funding £7.15bn			

The Statement of Parliamentary Supply shows that our total net parliamentary approved (voted) funding for the 2019–20 financial year was £3.99 billion. This consisted of £3.07 billion in DEL, £0.88 billion in Annually Managed Expenditure (AME) and £36 million outside of the department’s budgetary boundary (Non-Budget).

DEL is the budget total, issued by HM Treasury on behalf of Parliament, that we use to fund the delivery of our strategic objectives.

Our total gross funding in 2019–20 was therefore £7.15 billion, consisting of £6.23 billion DEL including £3.16 billion of external income, £0.88 billion AME and £36 million non-budget.



Resource DEL £2.29 billion

The resource DEL budget (£2.29 billion in 2019–20, of which £0.92 billion ring-fenced) includes the administrative costs of running the Defra group; and programme spend on delivering our outcomes in environmental quality; food, farming and biosecurity; floods and water; marine and fisheries; and natural environment and rural. It also includes an allowance for the consumption of our assets over time (depreciation £0.24 billion in 2019–20). Since 2018–19, the resource DEL budget excluding depreciation has increased by £240 million, mainly due to a £247 million increase for EU exit preparation.

Capital DEL £0.78 billion

The capital DEL budget (£0.78 billion in 2019–20, of which £0.63 billion ring-fenced) covers investment in the assets we need to deliver our objectives. This includes building IT systems in preparation for EU exit, expenditure on flood defence assets and the Defra group Estate, as well as the payment of capital grants. Since 2018–19, the capital DEL budget has increased by £45 million, mainly due to £61 million additional funding for Flood defence schemes.

Our total EU exit funding for the 2019–20 financial year was £567 million (£528 million resource DEL and £39 million capital DEL).

External Income £3.16 billion

Our gross spending in the economy is actually twice the size indicated by our DEL budget, because it includes payments made, mainly to farmers, in respect of CAP and rural development schemes, for which income is received from the Commission. This income was budgeted at £2.44 billion in 2019–20. Other sources of income include grant income, fees, levies and licences payable to some of Defra's group bodies. This was budgeted at £0.18 billion for the core department and the Agencies; and £0.54 billion for other group bodies, netted off against the DEL expenditure. Our total external DEL income budget was therefore £3.16 billion in 2019–20.

AME £0.88 billion

The AME budget (£0.88 billion in 2019–20) is mainly for movements in provisions, including for CAP disallowance and the Environment Agency closed pension fund. The expenditure by Defra group levy funded bodies – the Agriculture and Horticulture Development Board and Sea Fish Industry Authority, as well as the Defra group body Flood Re, are also included within AME. Compared to 2018–19, the AME budget has increased by £918 million, mainly due to an increase in the value of provisions, particularly for CAP disallowance.

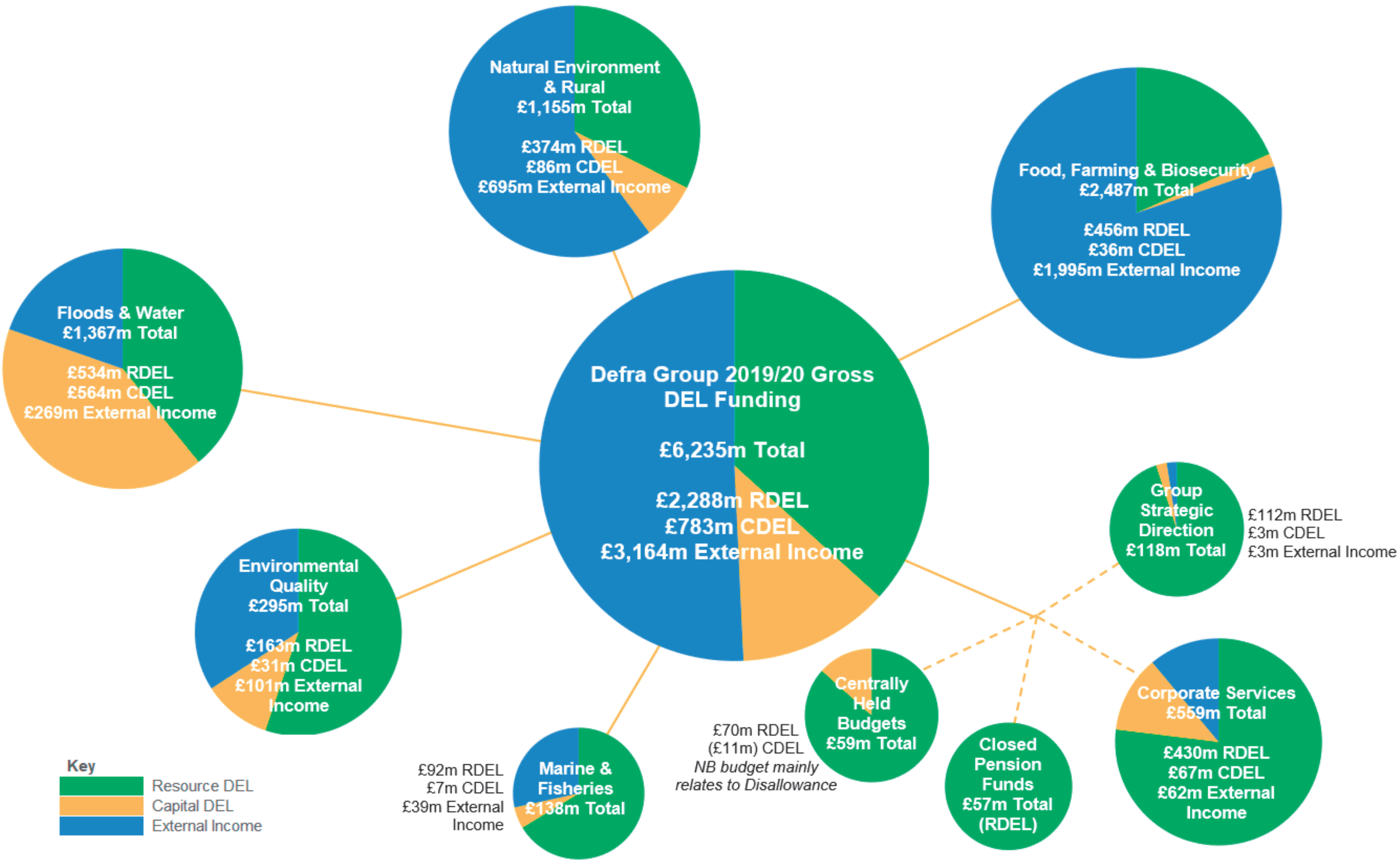
Non-Budget £0.036 billion

The final area of Defra group funding, called non-budget (£36 million in 2019–20), is mainly held for prior period adjustments and any exchange rate differences that may arise on payments made by the Rural Payments Agency (RPA) in their role as the UK Funding Body, to the devolved administrations, due to the timing differences between the payment date and the date of actual reimbursement by the Commission. A further £1.48 billion of income received from the Commission for the devolved administrations was treated as non-budget rather than DEL as this does not represent spending by Defra.

Defra Group Gross Funding by Outcome System

The following chart and table show how our gross DEL funding of £6.23 billion (£2.29 billion resource DEL, £0.78 billion capital DEL and £3.16 billion external income) was allocated to each Outcome System. These are the groupings of Defra organisations that contribute to the delivery of outcomes in each area, which are used in planning and delivering our activities. For completeness and so that our entire budget is covered, we are also including the Support Systems, such as Corporate Services, which support the delivery of our outcomes.

NB figures are rounded to the nearest £m



2019–20 Defra Group Gross DEL Funding £m				
Outcome/Support System	**RDEL**	**CDEL**	**External Income**	**Total**
Natural Environment and Rural	374	86	695	1,155
Food, Farming and Biosecurity	456	36	1,995	2,487
Floods and Water	534	564	269	1,367
Environmental Quality	163	31	101	295
Marine and Fisheries	92	7	39	138
Corporate Services	430	67	62	559
Group Strategic Direction	112	3	3	118
Centrally Held Budgets	70	-11	-	59
Closed Pension Funds	57	-	-	57
Total Defra Group	**2,288**	**783**	**3,164**	**6,235**

Spend Against Budget

This information has been subject to audit.

Defra Group Spend Against Budgets (£m)

Type	Budget	Spend	Variance	% of Budget
Programme DEL – Total	**1,467**	**1,537**	**70**	**4.8%**
Of which ring-fenced – Depreciation	130	143	13	n/a
Of which ring-fenced – Other[1]	355	356	1	n/a
Of which non-ring-fenced	982	1,038	56	5.7%
Admin DEL – Total	**821**	**708**	**-113**	**-13.8%**
Of which ring-fenced – Depreciation	109	67	-42	n/a
Of which ring-fenced – Other[1]	329	305	-24	n/a
Of which non-ring-fenced	383	336	-47	-12.3%
Resource DEL	**2,288**	**2,245**	**-43**	**-1.9%**
Of which ring-fenced	923	871	-52	n/a
Of which non-ring-fenced	1,365	1,374	9	0.7%
Capital DEL – Total	**783**	**726**	**-57**	**-7.3%**
Of which ring-fenced – ODA	26	26	0	n/a
Of which ring-fenced – Other[1]	600	592	-8	n/a
Of which non-ring-fenced	157	108	-49	-31.2%
Total DEL	**3,071**	**2,971**	**-100**	**-3.3%**
Of which ring-fenced	1,549	1,489	-60	n/a
Of which non-ring-fenced	1,522	1,482	-40	-2.6%
Total AME	**878**	**701**	**-177**	**-20.2%**
Of which Resource AME	862	698	-164	n/a
Of which Capital AME	16	3	-13	n/a
Non-Budget	**36**	**-1**	**-37**	**-102.8%**

[1] Other ring-fences include EU exit, Official Development Assistance (ODA), Floods, Air Quality budgets, Salisbury and Amesbury Decontamination costs.

DEL – £2,971 million

The final DEL outturn against the £3,071 million voted funding (£2,288 million resource DEL, £783 million capital) which excludes £3,163 million external income was £2,971 million – an underspend of £100 million. Excluding ring-fenced items, this represents a £40 million underspend, which is 2.6 percent of our DEL budget excluding ring-fenced items of £1,549 million.

The underspend is on the capital budget and driven by reclassification of spend, COVID-19 delaying certain projects and a large land sale going through unexpectedly after previously falling through.

Errors found across the core department and the Environment Agency, which due to the values, resulted in a breach against the non ring-fenced RDEL budget (£9 million). Urgent work is underway to address these issues to avoid a reoccurrence in future years.

The administration outturn against the £821 million budget was £708 million, an underspend of £113 million. Excluding ring-fenced items, this moves to an underspend of £47 million mainly due to reclassification of spend to other budget category.

AME – £701 million

The final AME outturn against the £878 million budget was £701 million – an underspend of £177 million. This reflects the less predictable and controllable nature of AME spending compared with DEL. This underspend was largely caused by the need to hold budget cover for Flood Re in the event that a significant flood event occurs, but the events were covered from levy income and re-insurance contracts allowing us to release £147 million of AME budget.

Non-Budget – -£1 million

The final non-budget outturn against the £36 million budget was -£1 million – an underspend of £37 million, reflecting the unpredictability of exchange rate movements and prior period adjustment budget not fully utilised.

Net Cash Requirement (NCR)

This information has been subject to audit.

In order to fund the spending set out above, we needed to work with HM Treasury to ensure that we had sufficient cash – this is called the Net Cash Requirement (NCR). Our actual cash requirement in 2019–20 was £626 million lower than our NCR of £3,457 million. This is mainly because when we agree the NCR, we make a prudent estimate in order to mitigate the risk of any Defra entities going overdrawn. The biggest risk relates to the difficulties faced in forecasting CAP payments and subsequent reimbursement from the Commission some months later.

Indeed our £626 million reduced requirement relates to CAP – mainly because our NCR covers UK-wide paying agencies, whereas some of these agencies, outside of the department's control, faced difficulties making BPS payments.

Although the £626 million unspent balance is significant, the majority (99.9 percent) is still held within the Government Banking Service, therefore ensuring good value for the Exchequer as a whole and ensuring the Debt Management Office has access to the funds.

Consolidated Statement of Financial Position

Over the 2019–20 financial year, Defra group's total assets less liabilities increased from £2,788 million to £2,878 million. This £90 million increase was mostly driven by:

- Defra's investment in flood infrastructure, the group property portfolio and digital, data and technology services infrastructure was largely responsible for the £81 million increase in the value of the group's non-current assets.

- Ensuring prompt payment of CAP claims (direct payments and a RDPE schemes) has correspondingly meant that our expected reimbursements from the EC have increased. Short term cash deposits with Flood Re have seen an increase. These are largely responsible for our increase of £282 million to our current assets.

- An increase to our CAP Disallowance provision, primarily relating to the Basic payments Scheme, is largely responsible for the increase of £752 million to our current liabilities.

- A decrease in our group pension liabilities driven mostly by movements in the EA pension schemes due to changes in financial assumptions on inflation and pension costs, offset by increases to our long term provisions has seen our long term liabilities decrease by £479 million.

Core Tables

The Core Tables section of the accounts provides an analysis of departmental expenditure and plans covering the period 2015–16 to 2020–21. The expenditure is shown against the categories used for HM Treasury's reporting system. These categories are different to the Outcome Systems which we report on internally. Analysis of the Core Tables figures can be found at Annex 1.

Common Agricultural Policy (CAP) Disallowance

The CAP is the agricultural policy of the European Union (EU) and is a system of agricultural subsidies and rural development programmes. Pillar 1 of the CAP is funded through the European Agricultural Guarantee Fund (EAGF) and primarily involves direct payments to farmers. The rural development programmes – Pillar 2 of the CAP – is funded through the European Agricultural Fund for Rural Development (EAFRD).

As part of their oversight of EU Budget spending, the Commission can impose financial corrections on member states for failing to apply EU Regulations correctly in managing and administering EU schemes. These financial penalties are known as disallowance. In practical terms this means the EU reduces the amount of money that is reimbursed to member states for monies they have paid out on the CAP schemes. Historically, no member state has achieved zero disallowance under the CAP regime.

Examples of issues that can lead to disallowance include digital maps not being sufficiently up to date, the inclusion of ineligible features in claims and the timing of inspections as well as eligibility checks and administrative controls that are not deemed to be sufficiently robust. Defra only accounts for disallowance relating to England, the devolved administrations account for disallowance relating to their regions. Following the result of the referendum on 23 June 2016, the UK formally left the EU on the 31 January 2020 but the current assumption for these accounts is that Defra is still likely to incur disallowance on outstanding audits. Rules around calculating disallowance were changed as part of the CAP reform which came into effect in 2015. As a result we have split the levels of disallowance below between the previous scheme and the new scheme.

Disallowance is accounted for in Defra group's accounts in three stages:

Stage 1: Cost is initially recorded in the Statement of Comprehensive Net Expenditure (SoCNE) for disallowance (via a provision) when there is sufficient evidence, following a Commission audit, that a penalty is likely, but not certain, to be incurred in a future accounting period. These amounts are held on the SoFP as current liabilities (provisions). See Note 14.3.

Stage 2: Disallowance penalties are confirmed in the accounts (via an accrual) when the proposed disallowance has been formally communicated to the department by the Commission and will not be contested. These amounts, typically unwinding a previous provision, are held on the SoFP as current liabilities (accruals).

Stage 3: Disallowance penalties are finally transacted when the Commission decides to deduct the owed amount from a claim for reimbursement under European schemes made by the UK, typically some time after the penalty has been confirmed (and therefore accrued). Stage 3 payments are accounted for purely through the SoFP, exchanging a current liability for a current asset and so are not shown on the SoCNE.

Both stage 1 and stage 2 transactions result in charges to resource (either AME or DEL), and are therefore charged to the SoCNE, as shown in the following table, Charges to the SoCNE for CAP Disallowance. The creation of an accrual at stage 2 may be skipped, as occasionally transactions can move from provision to payment within the same financial year. These transactions would still impact on the DEL budget and pass through the SoCNE. The balances from the SoFP for CAP Disallowance table shows the accumulation over time of stage 1, 2 and 3 transactions in Defra's accounts.

Charges to the SoCNE for CAP Disallowance

£million	2019–20 DEL	2019–20 AME	2019–20 Total
Stage 1: Allowance created in year for anticipated liabilities based on receipt of initial audit findings	-	647	647
Stage 2: Provisions unwound in year for liabilities expected to materialise after accepting corrections (accruals)	8	(8)	-
Stage 2: New accruals where no previous provision existed[1]	14	-	14
Total charge	**22**	**639**	**661**
Write back in previous accrual/provision (credit)[1]	-	(15)	(15)
Net charge	**22**	**624**	**646**

1. Note 3, EU disallowance row shows the net of the new accruals and write back in previous accrual.

During 2019–20, Defra group made total charges to the SoCNE of £658 million (2018–19, £18 million). The new charges relate to audits as described below.

- A new provision for Basic Payment Scheme for 2017 to 2019 of £580 million.
- A new provision for Cross Compliance of £64 million.
- BPS 2015 Late Payment Penalties of £14 million.
- Clearance of EU accounts provision of £3 million.

Provisions utilised in year and crystallised into an accrual are detailed below:

Current CAP Scheme Years - 2015–2020

- Fruit and Vegetables Scheme 2015–2017 of £5 million.
- Rural Development Public Procurement of £2 million.
- Rural Development Promotions schemes of £1 million.

Balances from the SoFP for CAP Disallowance

Scheme years 2005–2014

£million	Total as at 31 March 2020	2019–20	2018–19	2017–18	Up to 2016–17
Stage 1: Provisions outstanding at year end on SoFP[1]	**-**	-	-	-	15
Stage 2: Accruals outstanding at year end on SoFP[2]	**-**	-	-	7	16
Stage 3: Cash payments made to the Commission	**634**	-	6	12	616
Cumulative total for disallowance as at 31 March 2020	**634**				

1. Note 14, CAP disallowance closing balance at 31 March 2020.

2. Note 12, as part of the core department and agencies accruals and deferred income £519 million (2018-2019, £555 million).

Defra group's accounts include cumulative transactions for disallowance penalties totalling £634 million relating to CAP Scheme years 2005–2014.

Of this total, £634 million has been paid to the Commission over time (stage 3). This relates to:
- CAP Single Payment Scheme for 2005–2014 of £510 million.
- Fruit and Vegetable Trader schemes for 2005–2014 of £64 million.
- Cross Compliance for 2005–2014 of £36 million.
- Rural Development Programme 2005 to 2014 of £20 million.
- Other smaller schemes of £4 million.

Scheme years 2015–2020

£million	Total as at 31 March 2020	2019–20	2018–19	2017–18	Up to 2016–17
Stage 1: Provisions outstanding at year end on SoFP[1]	**647**	**645**	23	184	230
Stage 2: Accruals outstanding at year end on SoFP[2]	**9**	**9**	1	33	8
Stage 3: Cash payments made to the Commission	**77**	**14**	40	23	-
Cumulative total for disallowance as at 31 March 2020	**733**				

1. Note 14, CAP disallowance closing balance at 31 March 2020.
2. Note 12, as part of the core department and agencies accruals and deferred income £519 million (2018–2019, £555 million).

Defra group's accounts include cumulative transactions for disallowance penalties totalling £733 million relating to CAP Scheme years 2015–2020.

We have paid over £77 million to the Commission relating to late payment penalties arising from BPS 2015 payments for £45 million, along with £25 million relating to BPS Area Aids Scheme Years 2015 and 2016 and £7 million relating to Cross Compliance for 2015 and 2016 and other smaller Rural Development schemes.

We also hold accruals of £9 million relating to:
- Fruit and Vegetable Trader schemes 2015–2017 (£5.2 million).
- Rural Development public procurement (£1.9 million).
- Rural Development Promotions Schemes (£1.4million).
- Smaller schemes for the balance.

Finally we hold provisions for potential future liabilities totalling £647 million relating to:
- BPS Area Aids for 2017 to 2019 (£581 million).
- Cross Compliance 2017 to 2019 (£64 million).
- EU Clearance of Accounts audit (£3 million).

While these provisions are extremely large it should be noted that, these unusually cover 3 years worth of expenditure and are expected to reduce significantly when the final correction is agreed.

Limited notice is given of future Commission conformity audits and it is not therefore known which scheme areas will be audited during the coming year. Disallowance will be accounted for once audits have taken place and reliable estimates are available. Until an estimate can be made, a contingent liability is disclosed within Note 16 where an audit has taken place. Where there has not been an audit then we declare a remote contingent liability within the accountability section.

The only remaining large scheme with outstanding years still to be potentially audited is the Rural Development Programme 2015 onwards (based on the assumption there will be no inclusion in CAP for scheme year 2020 onwards).

It should be noted that, under the terms of the withdrawal agreement, while BPS 2019 is the last EU funded year of the scheme, we have agreed to continue to accept the controls and audits which cover the entire period of the programme and actions in accordance with the applicable rules.

Tamara Finkelstein 11 December 2020

Accounting Officer for the Department for Environment, Food and Rural Affairs

Accountability Report

The requirements of the accountability report are based on the matters required to be dealt with in a Directors' Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981.

Chapter 4 – Corporate Governance Report

Governance Statement

Introduction

This statement is informed by the work of Defra group officials, the internal audit programme carried out by the Government Internal Audit Agency (GIAA), input from the National Audit Office (NAO), information from Defra group arm's-length bodies (ALBs) on the major issues affecting their activities and Audit and Risk Assurance Committee views. It describes how Defra group's governance, risk management and internal control arrangements responded to a changing business and risk environment in 2019–20.

The most significant challenges facing Defra group in and following the 2019–20 financial year were:

- the UK's departure from the EU;
- the COVID-19 pandemic; and
- continuing to deliver services to customers, develop major projects and maintain an effective internal control environment alongside these, particularly in relation to financial controls.

We have maintained progress in some areas, and recognise the need to improve in others, particularly our financial control environment. The information below and in Chapter 2 explains how we addressed risks and challenges, including reassessing and adjusting controls in light of COVID-19.

During 2019, Defra group prepared for different scenarios for the UK's departure from the EU, and stood up incident handling arrangements for each potential exit date prior to 31 January 2020. In this fast-moving context, effective recruitment, induction and redeployment of staff to ensure delivery of our wide-ranging portfolio of EU exit projects was an ongoing challenge.

At, and following, the end of the 2019–20 financial year, the COVID-19 pandemic had a significant impact on Defra group's operations, and on the sectors and businesses our policies and activities affect. Responding to the increased level of risk, a director general was appointed as senior responsible owner for COVID-19 response. They established an emergency operating model that aligned with cross-government decision-making structures and facilitated a consistent risk response across the Defra group. We continue to assess and address the longer-term impacts of the global pandemic on Defra group priorities and operations.

While responding to the challenges of EU exit and COVID-19, and managing the risks they present, Defra group bodies delivered valuable services to our customers and progressed policy objectives. We continued to develop our partnership model for corporate services. Underpinning this activity, we pursued work to improve controls and management of risks in essential areas such as financial management, security, counter-fraud and ICT, where more remains to be done.

In the 2020–21 financial year, we have retained this focus, recognising that challenges and risks have been increased by COVID-19 in many areas. This includes an enhanced programme of work focusing on financial culture and financial management, outlined below. At the same time, we continue to build the capability that will enable us to successfully deliver major projects and programmes such as the Future Farming and Countryside Programme and Environmental Land Management System, the government's £5.2 billion capital investment in flood and coastal defence programme and the redevelopment of the Animal and Plant Health Agency laboratory at Weybridge. We must also remain prepared for the possibility that Defra group bodies are called to respond to flooding and the resurgence of COVID-19. The range and scale of Defra group's work makes effective prioritisation of resources to ensure we meet budgetary controls an ongoing challenge.

Governance structure: Defra Board and Sub-Committees

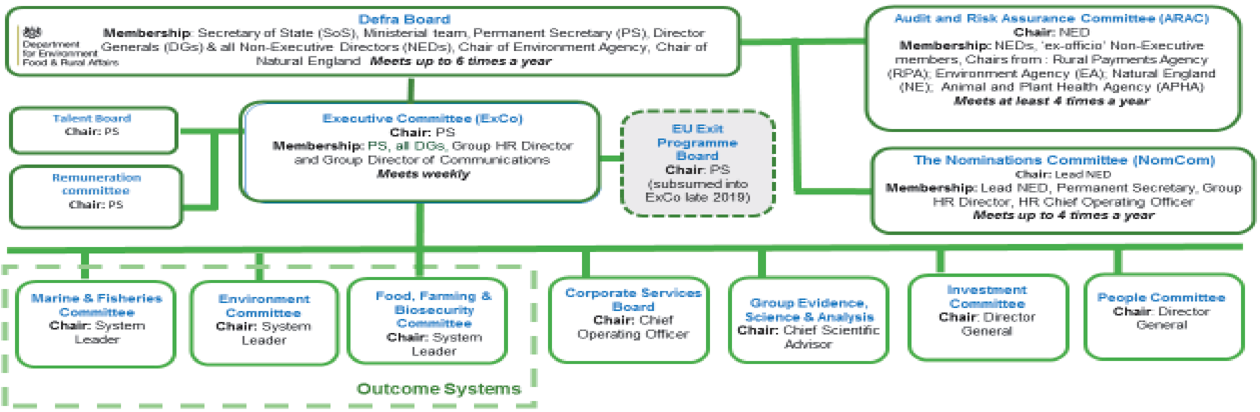


Figure 1. Governance arrangements of the Defra board, supporting committees and sub-committees

From mid-March 2020, all board and committee meetings were held virtually.

Defra Board (the Board)

The Board met four times in 2019–20 to advise on strategic vision, and the operational implications and effectiveness of policy. It also considered financial management, major programmes and performance and risk management. The Board is chaired by the Secretary of State and brings together the ministerial team, senior officials and seven non-executive board members, including the chairs of the Environment Agency and Natural England. The Board is supported by three committees as set out in the diagram above. Attendance and changes in membership during 2019–20 are reflected in Table 1 on page 61. This year the Board has:

- continued to advise on Defra group priorities, including preparations for the UK's departure from the EU, and the delivery challenges and risks associated with Future Farming, Environmental Land Management, Net Zero and COP26; and
- regularly reviewed information on Defra group finances and performance.

Executive Committee

Until January 2020, the Executive Committee (ExCo) acted as the EU exit portfolio board. At the UK's departure from the EU, decision-making on our EU and international trade portfolio was integrated into permanent corporate governance arrangements, with progress reported regularly to ExCo.

ExCo met weekly as the senior executive decision-making body for the core department and to set strategic direction for the Defra group. It ensured alignment of priorities, work and resources. It was supported by seven sub-committees, as seen in Figure 1. During 2019–20, we continued work to improve the efficiency and effectiveness of ExCo. This included refreshing the committee's terms of reference and structure of the meetings. A people committee that reports to ExCo was also established. This year ExCo:

- led prioritisation of Defra group's activities, including preparing for the UK's departure from the EU;
- monitored Defra group's budget management, oversaw planning for major fiscal events, approved investment cases, and set the approach to business planning;
- continued to oversee corporate services transformation, and Defra's coporate strategies, including those relating to people, equality, diversity and inclusion, estates and communications, as well as legal risks and the places for growth programme; and
- maintained an overview of Defra's principal risks, as well as considering in depth major delivery programmes and key organisational challenges.

Audit and Risk Assurance Committee (ARAC)

ARAC met four times during 2019–20 to support and advise the Board and Principal Accounting Officer with independent advice on issues of governance, risk management and control. This year ARAC:

- advised on the approach to risk appetite;
- scrutinised preparations for the Annual Report and Accounts;
- reviewed internal and external audit plans and findings from work conducted by GIAA and the NAO, challenged management on action to address these, and scrutinised the 2020-21 internal audit programme;
- reviewed financial controls and provided a heightened level of challenge on activity to improve financial management; and
- reviewed, and provided challenge on Defra group counter-fraud activities.

Nominations Committee

During 2019–20, the responsibilities of the Nominations Committee were carried out in other forums. These responsibilities include advising on succession planning and ensuring robust systems for identifying and developing leadership and talent across the Defra group.

The Talent Board, chaired by the Permanent Secretary and attended by directors general and the Group HR Director, met every three months to take collective leadership responsibility in the overall management of the Senior Civil Service (SCS) cadre. This included moderating talent assessments and engaging in succession planning.

The lead non-executive attended the main annual meeting of the Board, to provide additional scrutiny and challenge. During this meeting, the talent assessments of the director cadre were validated. To ensure consistency and fairness in decision-making the Talent Board also undertook end-year performance moderation for directors.

The Permanent Secretary and the lead non-executive also regularly discussed delivery expectations of the directors general.

Table 1 - Departmental board membership and attendance	
Meetings attended out of those eligible to attend 1 April 2019 to 31 March 2020	
Ministerial team	
The Rt Hon George Eustice MP, Secretary of State (from 13/02/20), Minister of State (25/07/19 – 12/02/20)	3/3
The Rt Hon Michael Gove MP, Secretary of State (to 24/07/19)	1/1
The Rt Hon Theresa Villiers MP, Secretary of State (to 13/02/20)	2/2
The Rt Hon Dr Thérèse Coffey MP, Parliamentary Under-Secretary of State (to 08/09/19)	0/2
The Rt Hon Lord Goldsmith of Richmond Park, Minister of State (from 27/07/19)	1/2
The Rt Hon Robert Goodwill MP, Minister of State (to 25/07/19)	2/2
Lord Gardiner of Kimble, Parliamentary Under-Secretary of State	0/4
Rebecca Pow MP, Parliamentary Under-Secretary of State (from 10/09/19)	2/2
Victoria Prentis MP, Parliamentary Under-Secretary of State (from 14/02/20)	1/1
David Rutley MP, Parliamentary Under-Secretary of State (to 27/07/19)	2/2
Non-executive members	
Henry Dimbleby, Lead Non-Executive Director and Chair of the Nominations Committee	4/4
Elizabeth Buchanan	4/4
Colin Day, Chair of the Audit and Risk Assurance Committee	3/4
Ben Goldsmith	2/4
Emma Howard Boyd, Chair of the Environment Agency (ex officio)	4/4
Tony Juniper, Chair of Natural England (ex officio) (from 02/05/2019)	3/4
Lizzie Noel	3/4
Executive members	
Tamara Finkelstein, Permanent Secretary	4/4
Shaun Gallagher, Director General for EU exit and International Trade (from 21/11/19), Director General for Strategy Delivery (to 20/11/19)	4/4
David Hill, Interim Director General for Environment, Rural and Marine (from 14/12/19)	2/2
Sarah Homer, Director General, Chief Operating Officer	4/4
David Kennedy, Director General for Food, Farming and Biosecurity	4/4
Emily Miles, Director General for EU exit Delivery (to 20/09/19)	1/2
Paul Kissack, Director General for Strategy and Change (from 21/11/19), Director General for EU exit Delivery (from 23/09/19 – 20/11/19)	4/4
Andrew Pattison, Defra group Finance Director (to 02/02/20)	3/3
Sonia Phippard, Director General for Environment, Rural and Marine (to 13/12/19)	2/2
Heather Smith, Defra group Finance Director (from 03/02/20)	1/1

Quality of Information

Board meetings enabled wide-ranging discussions, with board papers of sufficient quality for board members to offer support and challenge. We continued to improve our regular performance, finance and risk reporting, which was a board improvement aim for this year.

Board Effectiveness

Government departments were not required to complete a board effectiveness review in 2019–20. We will undertake a review in 2020-21.

Compliance with the Corporate Governance Code

The core department continues to operate broadly in compliance with the principles set out in the Cabinet Office and HM Treasury corporate governance in central government departments: code of good practice (2017). Progress was made in developing a Defra group approach to risk appetite, and the Board will have the opportunity to consider this in the coming year.

As outlined above, alternative arrangements were made to carry out the responsibilities of the Nominations Committee. Work to review arm's length bodies (ALB) framework documents continued. While compliance with the code is mandatory for ministerial departments only, Defra's delivery bodies are encouraged to adopt the principles wherever relevant and practical.

Conflicts of Interest

All board members are required to declare any personal or business interests that may influence their judgement in discharging their obligations, as these arise. There is a system to record and manage conflicts of interest of board members and these are reviewed every six months by the board secretariat. All conflicts are managed through appropriate measures and in line with departmental and Cabinet Office guidance.

Operating as the Defra group

The core department and its delivery bodies aim to operate as the Defra group, a model organised around the outcome areas of; food, farming and biosecurity; floods and water; environmental quality; marine and fisheries; natural environment and rural. In this model, bodies that contribute to each outcome area work together. This approach recognises that the Defra group is focused on delivering outcomes for customers and for society more broadly.

Outcome systems are not separate entities. The outcome systems approach is, however, reflected in the governance arrangements for the Defra group. The three system leaders are members of ExCo, providing a direct connection to the delivery bodies within the Defra group. Three system committees support ExCo by ensuring alignment of plans and activities and identifying synergies and areas for improvement.

Significant issues arising within individual bodies are covered in their respective governance statements, with the most significant also highlighted below.

We continue to work to improve the way we share information across the Defra group and to develop our partnership model for delivering corporate services across the core department and five delivery bodies[1]. Refreshed partnership agreements set out relationship expectations and governance structures, define service provision and provide assurance. Partner organisations are informed of all planned service changes and consulted when a change may have direct impacts.

Each delivery body has quarterly review meetings with directors of corporate functions to discuss functional performance and priorities and to review changes to strategic priorities that were agreed through business planning. Directors of functions and the Chief Operating Officer also attend group ARAC meetings on a regular basis.

The Corporate Services Board – a sub-committee of ExCo – includes all the partner organisations and provides additional assurance on the effectiveness of corporate services. To ensure we continue to mature our partnership model, the Board has collectively agreed a suite of actions to help improve our approaches to accountability, governance and assurance in this area, and manage associated communications.

Risk Management

During 2019–20 we focused on embedding our group-wide risk management strategy. Our risk profile is summarised in Chapter 2 and was reviewed by ExCo quarterly. In addition:

- ExCo carried out reviews of individual principal risks throughout the year;
- ExCo agreed and tested a Defra group approach to risk appetite;
- in responding to COVID-19, our aim was to integrate new and emerging risks systematically and quickly into our existing risk management arrangements; and
- the central risk team worked with the risk practitioner community across Defra group to support risk managers to manage and report on risk more consistently.

An internal audit of the implementation of our risk strategy in 2020 gave an overall moderate opinion. We are addressing actions focused on roles, escalation and feedback.

Financial Controls

Core department

This year, Defra secured additional funding and staff to enable us to respond to the challenges described in the introduction to this chapter. We did not, however, achieve the improvement we had aimed for in our financial control environment. Although we implemented measures to address previously identified issues – which included additional checks to support accurate handling of accruals and journals, a review of assets under construction, and new training for budget holders on basic financial accounting principles – financial management practice across the core department still needs to improve.

Internal testing and audit activity identified significant errors in accruals and recording of fixed assets, compounded by inadequate quality assurance. This has been resolved for 2019–20, however the emergence combined with the high value and volume of some of

[1] Environment Agency, Natural England, Rural Payments Agency, Animal and Plant Health Agency, Forestry Commission

these errors resulted in a breach of the non ring-fenced RDEL budget of £9 million. Urgent work is underway to improve the quality of transactions and avoid these issues recurring in the future. We have introduced a financial leadership plan focused on developing a stronger financial culture in the core department. Once fully implemented, this will clarify and increase accountability for the oversight of budgets and forecasts and address the root causes of issues affecting completeness, accuracy and validity of data. Targeted in-house sampling will enable finance staff proactively to detect errors as they arise, and ensure they are corrected. We will improve finance capability and culture through training for SCS and other non-finance staff with financial responsibilities.

Environment Agency

The Environment Agency has this year faced data quality challenges relating to older lower value property, plant and equipment assets that make up around 2 percent of the value of its total fixed asset register. For some of these assets the supporting data is imperfect, making it more difficult to confirm their ongoing use and exact location. To address this, a detailed review of these lower value items is being undertaken, as part of a wider project to improve data quality, revise process mapping, clarify roles and responsibilities and update guidance and training for staff involved with capital projects.

Flood Re

Flood Re is an independent body with direct Parliamentary accountability and its own governance structure. Defra officials provide help and advice to Flood Re on propriety and regularity issues as needed. Defra and Flood Re have agreed a temporary framework but HM Treasury decided against agreeing a time-limited forward-looking exemption from public sector pay controls. Nevertheless, Defra received a further retrospective exemption from HM Treasury notified on 23 July 2020, with regard to senior pay controls, because a number of individuals employed by Flood Re received remuneration in excess of £150,000 in 2019–20. HM Treasury are content with the other aspects of the draft framework agreement, under which Flood Re continues to operate. Defra continues to work closely with HM Treasury officials to find an enduring solution for these issues. This will include inputting into HM Treasury's internal review and reviewing available legislative options to enforce public sector pay controls.

Contractors

Defra group employs contractors with skills not available internally, primarily to support delivery of key programmes such as EU exit and the UnITy IT programme. During 2019–20, internal checks and additional HM Revenue and Customs guidance highlighted potential inaccuracies in the assessment of some contractors' employment status since April 2017 when new legislative requirements were introduced for public sector bodies. Defra is working on the historic position and has introduced additional governance and policies to strengthen control and reassess all existing contractors.

Counter-fraud, bribery and corruption

The Defra group expects staff to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud, malpractice, bribery and corruption. In 2019–20, all instances of reported suspected and actual fraud were dealt with and captured in quarterly reports to Cabinet Office.

Cabinet Office assure our counter-fraud response against the government functional standard, and internal assurance is also provided by Defra's Director General for Strategy and Change, who is accountable to the Board for our performance. Our ARAC has received regular reports on counter-fraud activity and the levels of detected and prevented fraud reported across the group.

The core department works with its ALBs and Cabinet Office to share information and align our counter-fraud response; adapting our approaches to work within the available resources.

During 2019–20, we published a group strategy and policy defining our strategic approach and the principles we will follow to protect our resources and services from loss and reputational damage due to illegal and dishonest activities. We increased the frequency of our counter-fraud network meetings which has helped embed a collaborative approach to strengthen our counter-fraud capability across the group and improve compliance with the functional standard.

We have continued to raise awareness of fraud, bribery and corruption across the group. This included a series of targeted communications and activities during International Fraud Awareness Week in November and the launch of our on-line counter-fraud discussion forum. During the year we also set up a counter fraud and compliance function within the Future Farming and Countryside Programme focusing on fraud risk awareness and assessments. We also created an FFCP Assurance Board.

The COVID-19 pandemic increased the risk of fraud, error and irregular payments as new support schemes and processes were designed and deployed at speed. Counter-fraud leads across the group worked with policy and delivery teams of direct intervention schemes to implement low friction countermeasures to mitigate fraud risks where possible. We are undertaking post-event assurance activity to help find and recover any funds that should not have been paid. We are also assessing the impact of remote working on any fraud risks relating to our existing activities.

Security and Information Management

During 2019–20, new processes were developed and embedded to ensure we can respond to a wide range of security incidents, joining up previously disparate processes from across the ALBs to create an overarching response plan for the entire Defra group. We also developed group-wide guidance for high-priority or frequent incident types and standard operating procedures for conducting leak investigations. We worked closely on planned exercises with other government departments to improve joint coordination.

Progress has been made to strengthen assurance processes especially to new IT systems and services and we developed better internal capabilities for monitoring staff usage of corporate equipment, improving our ability to detect and address any inappropriate activity. However, the department still needs to make further, significant progress to ensure roles and responsibilities for security are clear in the context of the relatively new corporate services model and ICT supply chain. Using internal audits, regularised IT Health Checks and risk assessments we are focused on these issues. More broadly, improving internal security culture, replacing legacy systems and ensuring effective asset management across our estate is a priority and is at the centre of our forward DDTS strategy and Finance Improvement Plan.

We developed a new compliance regime for Defra group by building on RPA's ISO 27001 certification programme. We will maintain the RPA's ISO 27001 certification and ensure that Defra group meets minimum baseline security standards for government and the requirements of the Security Policy Framework.

Two personal data incidents met the threshold for reporting to the Information Commissioner's Office (ICO). Three additional notable incidents occurred that did not meet the threshold but were considered significant lapses in protective security. In response to all incidents, we worked with suppliers to mitigate and address the lapses and subsequently reviewed controls and processes to reduce the likelihood of re-occurrence.

Like many organisations, Defra group faced increased security vulnerabilities as a result of the COVID-19 pandemic. We have ensured a proportionate level of security whilst keeping Defra's critical functions and priority work operational during this emergency.

Digital, Data and Technology Services

We made significant improvements to Defra's digital services this year. For example, we delivered improved flood risk information for citizens as well as new IT services to safeguard Britain's trade, economy and biosecurity after the UK's departure from the EU. We built six new digital services and five common platforms to underpin these, as well as upgrading six older IT services to handle the forecast increase in transactions. Our work was shortlisted in the Best Public Sector Project category at the UK IT Industry Awards 2019.

As part of our COVID-19 response, we enabled over 20,000 Defra people to work from home, including switching call centre operations to home working and increasing our network capacity and mobile device provision.

Defra continues to lead on sustainable IT, driving implementation of the government's Sustainable Technology Strategy. Working closely with our ICT supply chain, Defra saved £1.6 million in IT energy costs this year and sent zero waste to landfill. Our work on IT sustainability was recognised through nominations for individual and team awards from industry and civil service groups.

Improving Defra's ICT remains a challenge, and we will continue to address this, especially replacing an aged laptop estate, in 2020. We are also working to improve the resilience and security of many older Defra systems, while continuing to monitor and manage existing security and operational threats closely.

Whistleblowing, Bullying, Harassment and Misconduct

Defra is building a culture where employees feel comfortable in raising concerns and have confidence that these will be promptly investigated and addressed. During 2019–20, we undertook further activity to embed this culture and we saw positive results in the 2019 People Survey which showed an increase in confidence that concerns would be taken seriously, investigated and remedial action taken. Defra exceeded the civil service norm in most cases, and we seek to further develop this position throughout 2020–21.

A clear, straightforward route for reporting any kind of wrongdoing has been introduced to our intranet and is accessed via a permanent hotlink on our intranet home page. There has been greater collaboration between areas such as fraud and whistleblowing, to ensure a clear, auditable picture of concerns is maintained. During September 2019 Defra fully engaged with the civil service 'Speak Up' campaign. Over the week, a wide range of communication techniques were used to provide comprehensive information to all employees regarding all areas of wrongdoing. These messages were given strong support by Defra senior leaders who each sponsored a day of the campaign, starting with the Permanent Secretary.

Defra is also working to build its capability for investigation of wrongdoing cases. Due to the high levels of external recruitment this year, further induction material has been introduced to ensure clear standards from the outset and the routes to raise any concerns are outlined.

Defra is working with the Cabinet Office to ensure that policies and practices across its Civil Service and Public Sector agencies, encourage employees to speak up if they have any concern they believe should be addressed, and that clear steps are in place to address those concerns quickly and effectively.

Quality Assurance of Analytical Models

Defra continues to apply the quality assurance guidance set out in HM Treasury's Aqua Book which is a good practice guide for those working with analysis and analytical models. This ensures that there is a consistent approach to effective quality assurance across government. Each model has a senior responsible owner, who makes sure that assurance activities are appropriate, including regular internal and external peer-review of assumptions and developments, verification, change management and governance procedures. These activities enable user confidence in the outputs from models and increased understanding of current limitations, which continue to inform future research and prioritisation. Guidance and support is available to staff carrying out assurance of analytical models in order to promote continuous improvement.

Local Funding

The department provides a number of direct grants to local authorities for purposes such as waste infrastructure, air quality management, local flood risk management prevention and waste recycling work. We obtain assurance over the use of this funding through the accountability requirements placed on local authorities. Accountability for local funding is set out in Defra's Accounting Officer Systems Statement[2].

Ministerial Directions

No ministerial directions were issued during 2019–20.

Defra Group Chief Internal Auditor Opinion

Overall, the Group Chief Internal Auditor (GCIA) has provided a moderate opinion on the framework of governance, risk management and internal control for the core department and across the Defra group for the 2019–20 financial year. He has, however, indicated the opinion is finely balanced, in recognition of some serious control failings in key areas of business activity, namely – Financial Control, and Security, where improvements are required to enhance the adequacy and effectiveness of the framework.

[2] https://www.gov.uk/government/publications/defra-accounting-officer-system-statement-aoss

The GCIA's opinion is informed by audit activity completed during the year, observations from advisory work undertaken by GIAA and the swift action taken by the Principal Accounting Officer to address identified control failings. It recognises the challenges the Defra group has faced over the course of the year, and areas where some improvements have been made, including the completion of outstanding actions arising from audits. The GCIA has raised a number of concerns persisting from previous years, where improvements still need to be made: particularly relating to the control culture within Defra, and to transparency in the oversight and accountability of group corporate services functions. Further urgent work is also needed to implement the Defra group security plan and to ensure consistent improvements across the internal control environment.

Qualification of Accounts

The government's Financial Reporting Manual requires organisations to revalue specialised operational assets using a depreciated replacement cost (DRC) approach. The Environment Agency (EA) has 8,000 infrastructure assets, and for the past 25 years has used a modified historic cost (MHC) method as a cost-effective proxy for DRC. This employs a cost inflation index to increase the gross book value of assets each year.

In 2019–20, the National Audit Office (NAO) raised a qualification on the EA's infrastructure asset balances on the basis that these were not valued on a DRC basis, and that the MHC proxy would not give a true and fair view of the assets' values. Gathering more data to avoid this qualification could not feasibly be achieved in the time available to complete the audit.

HM Treasury has noted the value for money and operational considerations in the EA's decision on valuation approach and recognises the practical challenges for the 2019–20 and 2020–21 financial statements. The EA will work to achieve the most cost-effective approach that will enable compliance with the FReM and so NAO delivery of an unqualified opinion on its accounts in future. More information is provided in the EA annual report and accounts.

Principal Accounting Officer Conclusion

I have reviewed the opinion of the GCIA, and taken advice from the Defra group ARAC based on the assurances it has considered during the year. I conclude that the department had satisfactory governance, risk management and internal control arrangements in place in 2019–20, and that continued action is required to strengthen these.

As Defra group continues to progress policy objectives, establish and deliver major programmes and deliver essential services in 2020–21 and beyond, I am determined that we will also tackle the outstanding issues affecting our internal control environment. ExCo is closely monitoring and supporting the implementation of actions to improve financial culture and essential financial management, and tracking progress against key performance indicators.

Tamara Finkelstein 11 December 2020

Accounting Officer for the Department for Environment, Food and Rural Affairs

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed Defra to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental (and other arm's length) public bodies designated by order made under the GRAA by Statutory Instrument 2019 no 476 (together known as the Defra group, consisting of the department and sponsored bodies listed at Note 19 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the Defra group and of the income and expenditure, Statement of Financial Position and cash flows of the Defra group for the financial year.

In preparing the accounts, the accounting officer of the department is required to comply with the requirements of the Government Financial Reporting Manual (FReM) 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;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by NDPBs;
- state whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the ARA as a whole is fair, balanced and understandable and take personal responsibility for the ARA and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the permanent head of the department as accounting officer of Defra. In addition, HM Treasury has appointed Ian Gambles as an additional accounting officer to be accountable for those parts of the department's accounts relating to the Forestry Commission. Flood Re has an independently appointed chief executive who acts as Senior Responsible Officer (SRO) with accounting officer responsibilities for the body. Flood Re's SRO is directly accountable to Parliament for its income and expenditure. However, because its accounts consolidate into the department's, Flood Re must provide assurance to Defra's accounting officer through its independent auditors that they represent a true and fair view and comply with propriety and regularity expectations as contained in Managing Public Money[3]. These appointments do not detract from the head of department's overall responsibility as accounting officer for the department's accounts.

[3]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742188/Managing_Public_Money__MPM__2018.pdf

The accounting officer of the department has appointed the chief executives of the executive agencies and NDPBs as accounting officers of those bodies. The accounting officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its delivery bodies are applied for the purposes intended, and that such expenditure and the other income and expenditure of the delivery bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the accounting officers of the delivery bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the delivery bodies.

The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding the assets of the department or NDPB for which they are responsible, are set out in Managing Public Money published by HM Treasury.

The accounting officer is required to confirm that, as far as they are aware, there is no relevant audit information of which the entity's auditors are unaware, and the accounting officer has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The accounting officer is required to confirm that the ARA as a whole is fair, balanced and understandable and that they take personal responsibility for the ARA and the judgements required for determining that it is fair, balanced and understandable.

Directors Report

Our Ministers and Senior Officials

Details of Defra's ministers and senior officials can be found in the departmental membership and attendance table in the Governance Statement.

Pension Liabilities

Details of pension liabilities can be found in Note 15 to the accounts.

Conflicts of Interest

Details of procedures in relation to conflicts of interest can be found in the Governance Statement.

Charities Act

Section 70 of the Charities Act 2006 sets out a power for ministers to give financial assistance to charitable, benevolent or philanthropic institutions. Defra and its delivery bodies are required to report to Parliament annually any financial assistance given to any charitable institution under the Charities Act. For 2019–20 no such payments were made by Defra or its delivery bodies (2018–19, £Nil).

Personal Data Related Incidents

Work to support compliance with data protection legislation has continued throughout the year. This includes the Defra Data Protection Officer (DPO) completing a full set of data protection reviews for Defra Group organisations within their area of responsibility. Both alongside and as a result of this work, arrangements for monitoring data protection risks and maturity were introduced by the Defra group DPO. This year there have been no personal data incidents deemed sufficiently high risk to report to the Information Commissioner's Office (ICO).

In all cases where personal data breaches have occurred or risks have arisen Defra has worked with staff and suppliers to act quickly and effectively, address faults and revise processes.
Incidents recorded centrally within the department that were deemed by the Data Controller not to fall within the criteria for reporting to the ICO are set out in the following table. Small, localised incidents are not recorded centrally. The following table includes the core department, executive agencies, NDPBs, FC, NFC and Flood Re.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	11
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	258
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	6
IV	Unauthorised disclosure	214
V	Other	25

Employee Health and Safety

Across the Defra group we want our, people to be safe and well whilst working. We expect:

- **Our Senior Leaders** to understand their accountabilities, both as DGs/CEOs and as system leaders, for the safety, health and wellbeing of their people;
- **Line Managers** to take responsibility for managing safety, health and wellbeing risks arising from work activities under their control, and take proactive steps to manage risks; and
- **Everyone** in the Defra group to understand and use the control measures in place to protect them from harm (physical and psychological) arising from their work; role model safe working practices to minimise risk; and report when work is unsafe or making them unwell.

Each organisation in the Defra group has their own internal governance structures and arrangements to ensure compliance with health and safety law. The duty of care for employees lies with senior leaders in each employing organisation.

The table below provides a breakdown of work-related injuries and ill health reported by the organisations currently participating in regular Defra group performance reporting benchmarking.

	Full Time Equivalent (FTE) at 31 March 2020 (includes payroll and non-payroll)	**Total RIDDOR reports for injuries or ill-health**	**Lost Time injuries or ill health reported** (excludes RIDDORs)	**Lost Time Injury Frequency Rate**[4] (includes RIDDORs with lost time)	**Minor injuries or ill health**	**Total reports of injuries and ill health**	**Non-injury Near Miss incidents reported**[5]
AHDB	505.00	1	0	0.11 ↓	14	15	7
APHA	2275.07	2	14	0.41 ↑	130	146	550
CCW	68.42	0	0	0.00 ↓	0	0	0
Cefas	596.85	0	0	0.00 ↓	34	34	66
Defra	4821.54	0	2	0.02 →	30	32	9
EA	10326.38	15	26	0.23 ↑	577	618	1993
FE	1012.40	2	0	0.11 ↓	95	97	980
JNCC	197.61	0	2	0.59 ↑	12	14	3
Kew	803.59	5	3	0.58 →	45	53	27
MMO	360.03	0	0	0.00 →	29	29	24
NE	1780.10	5	10	0.49 ↓	258	273	382
NFC	22.50	0	0	0.00 →	3	3	1
RPA	2058.69	3	12	0.42 ↓	67	82	10
VMD	163.23	0	0	0.00 →	3	3	0
TOTAL	**24,991.41**	**33↑**	**69↓**	**0.23 →**	**1,297↑**	**1,399↑**	**4,052↑**

A total of 1,399 reports of work-related injuries or ill health were received across the Defra group between 1 April 2019 and 31 March 2020. Of these, 33 had to be reported to the Health and Safety Executive (HSE) in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) – 13 were injuries or illness resulting in more than seven days absence from work or normal duties, 12 were specified injuries, and 8

[4] Any injury or episode of ill health reported that results in the employee losing one day or more. Lost Time Injury Frequency Rate is the number of people injured over a year for every 100,000 hours worked by a group of employees which enables performance to be compared across organisations of different sizes. Arrows indicate increase/decrease/maintain since 2018–19.

[5] An incident which could have caused an injury e.g. A fixture falls from a ceiling but does not hit anyone,

were for occupational disease. This is an increase compared to the same period in 2018–19 where only 20 RIDDORs in total were reported across the Defra group.

However strict comparisons cannot be made with previous years due to organisational restructuring, changes in Full Time Equivalent (FTE) and interpretation of each organisations internal reporting category definitions.
The most common cause of all reported work-related injuries and ill health remains as slipping, tripping or falling on the same level, followed by contact with objects/equipment (moving, stationary or fixed), and lifting, handling, carrying or physical overexertion. At individual organisational level, steps are taken to address common causes to prevent further accidents. This includes local and group level campaigns and review of control measures and protective clothing and equipment etc. This will continue to be a focus for campaigns during the coming year.

The most common location of accidents leading to injury or ill health was out in the field, followed by offices/depots and then laboratory working environments.

Non-injury events

In addition to incidents or events which resulted in work-related injuries and ill health, employees are encouraged to proactively report all near miss (non-injury) events[6]. Investigating near misses enables lessons to be learned, shared and applied to prevent more serious incidents (possibly resulting in injury or ill health) occurring in the future.

2 RIDDORs for Dangerous Occurrences (non-injury events) were reported to the Health and Safety Executive during the reporting period. Both of these were due to fires. One reported by core-Defra (the first RIDDOR of any type in over five years) due to a Fire occurring in a Server Room due to a faulty UPS which overheated and caught fire. The other was reported in AHDB following an electrical fire in their HQ switch room.

A total of 4,052 near miss incidents were reported by employees across the group meaning that, on average, one in every 6 employees reported a near miss incident during the reporting period reflecting a reasonably positive reporting culture. However, in addition to these non-injury incidents 1,762 reports were also received by employees proactively reporting hazards, or unsafe conditions or working practices, thereby enabling faults to be repaired/rectified before any near miss, or more significant, incidents occurred.

Prosecutions/HSE Interventions

No prosecutions or interventions by the Health and Safety Executive were served during the reporting period.

Complaints to the Parliamentary and Health Service Ombudsman (PHSO)

Complaints are received and dealt with at three levels within the core department.

Level one - by the Defra Service Standards Complaints Adjudicator.

[6] an incident which could have caused an injury e.g. when someone slips on a wet floor but is not injured; when opening a gate a person traps fingers but does not hurt themselves, when a car skids but does not crash; when a fixture falls from a ceiling but does not hit anyone etc.

Level two - at a senior level within the relevant business unit.

Most complaints are resolved at levels one and two. Complainants who remain dissatisfied after level two can take their complaint to the PHSO.

Defra's complaints procedure can be found online[7]. Each part of Defra's group has its own complaints procedures which can be viewed on its website.

Learning from complaints is a key priority for the entire Defra group. The Defra group is sharing information on ways of working and lessons learnt and working with PHSO to improve complaints handling.

From 1 April 2019 to 31 March 2020 no complaints were accepted for investigation by the PHSO relating to the Defra group.

Department for Environment, Food and Rural Affairs	Received	Concluded at prelim/ass	Premature	Not properly made	Withdrawn	Other	Resolution	Early Consideration	Accepted for investigation
2019-20	16	16	5	7	1	1	1	1	0

These figures are a snapshot of complaints with PHSO between April 2019 and March 2020. Not all complaints accepted for investigation in that period will be resolved in the same period and some cases resolved will have been accepted for investigation in the previous year.

Human Rights Disclosure

There has not been any successful litigation against Defra alleging a breach of the Human Rights Act 1998. All Defra primary legislation introduced into Parliament and all Defra statutory instruments during the relevant period which were subject to the affirmative procedure, or which amended primary legislation, have included a statement of compatibility with the European Convention on Human Rights. No Parliamentary committee has adversely reported any Defra legislation for breach of the Human Rights Act 1998.

[7] https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/complaints-procedure

Chapter 5 – Staff and Remuneration Report

The staff and remuneration report provides information on people in Defra and sets out the entity's remuneration policy for directors, how that policy has been implemented, sets out the amounts awarded to directors, and where relevant the link between performance and remuneration. It also provides details on remuneration and staff that Parliament and others see as important to accountability.

Staff Report

People Survey

2019 was the eleventh consecutive year in which the Cabinet Office have conducted the annual Civil Service People Survey. When combined, the results for Defra and the participating agencies (Rural Payments Agency, Animal and Plant Health Agency, Veterinary Medicines Directorate, and Centre for Environment, Fisheries and Aquaculture Science) saw a small decrease in the response rate to 67 percent, from 70 percent in 2018. However, at 7,679 the total number of responses was almost a thousand more than the previous survey, primarily due to the high level of recruitment in this period.

People Survey 2019: Summary

Across the nine thematic areas covered by the survey, the scores for the Defra group as a whole broadly remained at the same level as in 2018, but with slightly improved scores in seven of the nine areas. The results tell us that staff are generally positive about those they work with, the department's commitment to inclusion, and its objectives and purpose. They are also reasonably positive about their work and their manager and, in a year, that was arguably the busiest in the department's history, fairly positive about their workload and resources. This is in the context of a period of heavy recruitment and major challenges to the department as we prepared to leave the European Union.

Increasing engagement between leaders and staff, alongside establishing a culture where Defra is seen as a great place to work, have been particularly important this year. Receiving our highest engagement scores to date, at 63 percent for the core department and a combined score of 59 percent (up two points from last year), was therefore encouraging.

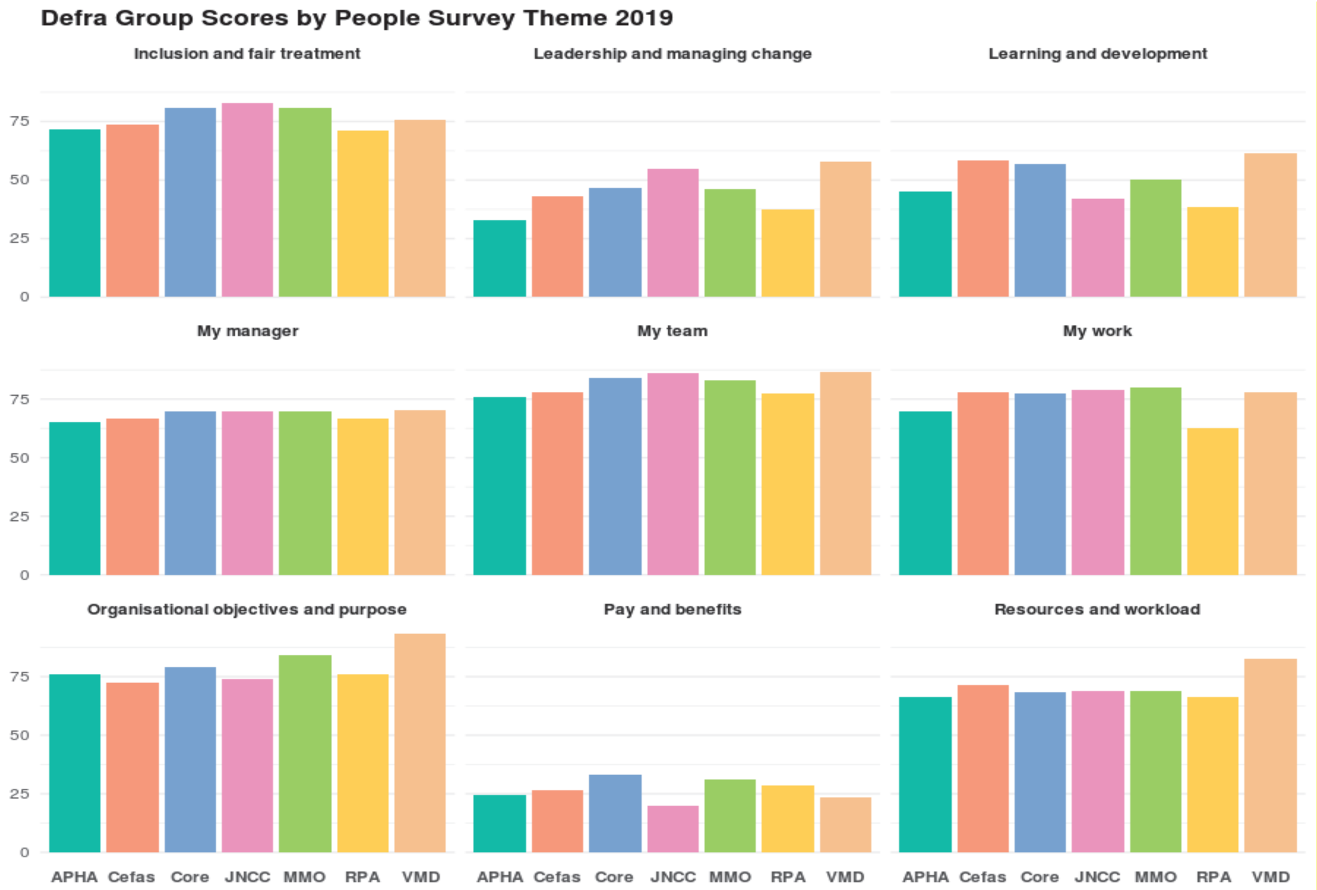
The proportion of staff reporting bullying and harassment increased by two points to 11 percent, which is the same as the Civil Service benchmark. We continue to work hard to prevent bullying and harassment, and maintain a zero tolerance approach to discrimination in any form, while simultaneously continuing to encourage staff to report instances and providing support to those who do.

Despite a year of great challenge, we maintained a PERMA index score[8] of 72 percent, indicating the resilience of staff across the group. The Proxy Stress Index, which is a measure of conditions which can add to stress, remained at 29 percent. The wellbeing of staff remains an organisational priority, with a multi-disciplinary team having been set up to monitor and understand factors affecting wellbeing and to provide tools to support

[8] PERMA index is a measure of wellbeing covering Positive Emotion, Engagement, Relationships, Meaning and Achievement.

individuals, teams and leaders across the organisation. The scores indicate that such efforts are having the desired effect in supporting staff wellbeing.

(NB The Marine Management Organisation and Joint Nature Conservation Committee who also participated are not included in the numbers above, but are shown in the numbers and thematic diagrams below.)



	APHA	Cefas	Core Department	RPA	VMD	JNCC	MMO
My work	70	78	77	63	78	79	80
Organisational objectives and purpose	76	73	79	76	93	74	84
My manager	65	67	70	67	71	70	70
My team	76	78	84	78	87	86	83
Learning and development	45	58	57	38	62	42	50
Inclusion and fair treatment	72	74	81	71	76	83	81
Resources and workload	66	71	68	66	83	69	69
Pay and benefits	24	26	33	29	23	20	31
Leadership and managing change	33	43	47	38	58	55	46

Further Work

Although there are many positive scores within the People Survey we are far from complacent and realise the importance of what our people are telling us; there is much work still to do. The survey provides valuable insight into the views of staff across the Defra group, identifying areas of commonality and differences between organisations. Survey themes and indicators will be used to inform work over the coming year at both a corporate and a local level, making good use of existing channels and processes as much as possible.

In summary, our People Survey results are a valuable source of data to feed into existing organisational development and change work at a group and local level. Staff engagement will continue to be of the utmost importance, with a targeted programme of leadership events, staff roadshows and interactive sessions to keep colleagues informed and able to participate in the decisions that impact the department. Another area of focus will be the expansion of our staff networks and communities as an important way to bring people together as they work collaboratively on Defra's critical agenda.

Recruitment Practice

The Civil Service Order in Council 1995 sets out the legal basis for Defra and its agencies' recruitment policies and practice. The Civil Service Commissioners' Principles for Recruitment are mandatory and must be followed when any post is opened to competition from outside the Civil Service.

From November 2018, Defra has started to use the Civil Service Success Profile tools to conduct recruitment selection. This model provides applicants with the opportunity to present their full and more authentic self, an approach more likely to improve diversity outcomes of recruitment. This also provides a better experience for candidates, particularly external candidates unfamiliar with the Civil Service.

We continue to develop a Defra employer brand through the introduction of a consistent look and feel to candidate information. In addition, we are focused on communicating the full benefit package to external applicants.

Employee Composition

Defra continues to monitor the make-up of the group's workforce by gender which is described in the following table. During recruitment and selection processes applications are anonymised up until the interview stage; interview panel members are required to undertake unconscious bias training; and single gender selection panels are allowed by exception only.

The table below shows gender split as at 31 March 2020.

Gender Split	Male	Female
Senior officials on the Defra Board	4	3
Ex Officio on the Defra Board	1	1
Ministers	3	2
Non-Executive Directors for the Defra group[1]	48	23
Management employees (SCS grade or equivalent) for the Defra group[1] (excluding senior officials on the Defra Board)	198	166
All other employees for the Defra group[1]	12,395	12,791
Total	12,649	12,986

[1]Defra group includes the core department, executive agencies, non-departmental public bodies (NDPB), levy bodies, Flood Re, and the National Forest Company. Figures are by headcount.

Diversity and Inclusion

Defra's Executive Committee (ExCo) agreed eight priorities, as described below, to underpin Defra group's Equality, Diversity and Inclusion (EDI) strategy[9] and contribute to meeting the Civil Service ambition to be the most inclusive employer in the UK. All Defra organisations are encouraged to adopt the strategy which is actively delivered across the core department, its executive agencies, Natural England and the Environment Agency. There has been good progress across priorities in the past year which means organisations are in a better position to understand their workforce diversity, tackle unconscious bias, improve career support for diverse employees, tackle discrimination, bullying and harassment, and ensure policies and programmes show due regard to equality, diversity and inclusion.

We have delivered a number of activities to improve our EDI practice and made progress against our eight strategic objectives.

Improving practice

Reflecting the Civil Service Diversity and Inclusion Strategy, we strive to create a supportive and inclusive culture which is fundamental to creating and nurturing a diverse workforce. As a result, over the last year we have implemented a number of Civil Service-led initiatives to improve the way EDI is delivered across Defra.

This includes:

- Introducing social mobility data in our diversity monitoring, to enable us to take evidence-based action to improve socioeconomic representation, recruitment, progression and development of employees at all levels.
- Implementing a Cabinet Office inclusion diagnostic, (developed in partnership with the Chartered Institute of Personnel and Development (CIPD) to assess the extent to which all staff, including those from underrepresented groups, feel included. This

[9] Defra group Equality Diversity and Inclusion Strategy 2017-2020 is actively delivered across the core department, its executive agencies, Natural England and the Environment Agency https://www.gov.uk/government/publications/defra-group-equality-diversity-and-inclusion-strategy-2017-to-2020. This section refers to progress made across these specific Defra group organisations.

provides access to effective tools with which to monitor, assess and target action to improve inclusion for all our employees.

- Self-assessment against the Civil Service Diversity and Inclusion Practice Expectations, designed to ensure consistent diversity and inclusion delivery across departments. This provides the information needed to develop improvement plans in line with the Expectations.

With our current strategy due to conclude at the end of March 2020, we have also focused on developing a process to refresh it to ensure we build on our successes and consider other diversities to focus on in the future.

Meeting our Equality Objectives

1. Improving declaration/self-disclosure rates and equality, diversity and inclusion data.

Overall, declaration rates have improved across Defra organisations.

- Across organisations there has been an overall 12.9 percent increase in those who have declared their disability, 2.7 percent increase in those declaring their sexual orientation and 1.3 percent increase in those declaring their ethnicity.
- There is more we can do to improve both representation and declaration across Defra and the organisations within it.
- Our Gender Pay Gap continues to close as we achieve gender balance at senior levels – see below for more information on our gender pay gap and action we are taking to close it.
- The overall diversity profile across Defra (as at 31 March 2020), its executive agencies, the Environment Agency, Marine Management Organisation and Natural England in terms of the representation of women, Black, Asian and minority ethnic (BAME), disabled and Lesbian, Gay, Bisexual and Other (LGBO) employees is presented in the table below.

Diversity characteristic	% Representation
Women	49.9
Disabled	13.8
BAME	6.0
LGBO	4.9

- Diversity data by grade across Defra and its executive agencies (as at 31 March 2020) is laid out in the following table - with AA/AO the most junior and SCS the most senior.

	Diversity characteristic			
Grade	**% Disabled**	**% Women**	**% BAME**	**% LGBO**
AA/AO	13.9	63.6	8.2	7.0
EO	12.8	57.5	10.3	5.3
HEO/SEO	11.3	54.5	9.0	6.5
G7/G6	10.1	49.2	7.6	5.5
SCS	9.1	49.5	8.4	9.6
Total	11.9	55.9	8.8	6.2

2. Tackling unconscious bias in people decisions (with a focus on recruitment, progression and performance management).

- Unconscious bias training is offered to all staff across Defra.
- There is more we can do to encourage uptake and track participation rates to ensure all employees responsible for making recruitment, progression and performance management decisions have completed relevant training.
- Over 1,000 employees have attended Project Race 'Let's talk race' workshops, which give the opportunity to develop confidence in discussing race, minimise unconscious bias and progress race equality.

3. Improving career support for people from under-represented groups.

- Diverse cohorts of employees have successfully secured places on mainstream Civil Service wide and locally driven development programmes.
    - The Future Leaders Scheme had 15.8 percent ethnic minority candidates compared to 9.3 percent employed across grades in scope to apply; and employees reporting a disability represented 15.5 percent, compared to 7.8 percent of those in scope to apply.
    - The Senior Leaders Scheme had 13.3 percent successful ethnic minority applicants - well above the 6.4 percent representation across deputy directors in scope to apply. For employees reporting a disability, 9.9 percent were successful compared to 4.3 percent in scope to apply.
    - Our Positive Action Pathway Scheme has been extremely popular with Defra employees with 43 employees selected to take part in 2019. It is targeted at employees who are ethnic minority, disabled, women, and lesbian, gay, bisexual, transgender and with other minority sexual orientations.
    - Our Project Race Advance programme for BAME staff at grades AO-SEO launched in February 2019 with the aim of progressing their careers. As of January 2020, 12 of the 51 participants have been promoted.
    - Our tri-departmental Ethnic Minority Women's Pipeline programme, delivered in conjunction with Home Office and Ministry of Housing, Communities and Local Government, kicked-off in September 2019 with 10 BAME G6/7 women participating with the aim of increasing internal

progression into SCS roles. Early indications are that it is having a positive impact on internal promotion.

4. Promoting inclusive behaviours by leaders, managers and individuals.

   - Our policies and associated practice are designed to promote and encourage inclusive behaviours.
   - The core department, its executive agencies, Natural England and the Environment Agency have over 40 staff networks which employees can join to influence policies that affect them.
   - Employees and networks are encouraged and empowered to celebrate notable national diversity and inclusion dates. For example, Black History, National Inclusion Week, International Day of Disabled People, LGBT History month and Mental Health awareness.
   - In the 2019 Defra Civil Service People Survey, 81 percent of employees agreed that Defra is fair and inclusive - a 1 percent increase on the previous year.
   - Project Race ambassadors have been appointed to work with Senior Leaders and colleagues to drive inclusive behaviours and support race equality.

5. Tackling discrimination, bullying and harassment.

   - A Staff Support network has been established to co-ordinate support for, and raise awareness of, ways to tackle bullying, harassment and discrimination (BHD) at work.
   - We improved processes around bullying and harassment, such as the new dispute resolution procedure and support. In the Civil Service 2019 People Survey, there was a 2 percent increase in people reporting they had experienced bullying or harassment – up from 9 percent in 2018. As more employees report their experiences, we will do more to understand the root causes and what we can do to prevent BHD, and to address it effectively when arises.

6. Improving the process and delivery of reasonable adjustments.

   - Defra group has processes in place to provide workplace adjustments to employees who need them. We encourage individuals to record their adjustments on a workplace adjustment passport. This reduces the need to renegotiate arrangements when an employee moves post, moves between departments, or is assigned a new line manager.
   - The Defra group Disability Board, established in May 2019, has an action plan in place to ensure workplace adjustments meet the needs of the individual and are delivered in a timely and effective manner.

7. Ensuring our policies, projects, programmes and processes show due regard for diversity and inclusion and consider the impact of decisions on under-represented groups.

   - Equality Impact Assessments (EIAs), or modified versions, are built into policy decisions to take account of the impact of initiatives on individuals who share a particular protected characteristic.

- We are working to enhance consistency across the Defra group, such as building a joined-up approach to EIA reporting to support good practice.

8. Improving the methods, policies and processes supporting recruitment, selection and attraction to ensure they are effective in recruiting a diverse workforce.

- In addition to the existing anonymised application process, Defra has introduced enhanced recruitment tracking to record the diversity data of applicants and new recruits and are taking steps to address unconscious bias in recruiting.
- We are working with our diversity and inclusion networks to support diverse panels for all recruitment to Senior Civil Servant roles.
- We have implemented a Defra jobs board to ensure all employment opportunities are visible to everyone.
- In 2019 Defra hosted 52 students and recent graduates through the Summer Diversity Internship Programme (SDIP). Participants have the opportunity to gain experience working for the Civil Service and to meet influential leaders, and are encouraged to apply for places on the Fast Stream programme.

Closing our Gender Pay Gap

In January 2020, we published our updated gender pay gap results. This shows that the percentage difference in the average pay between all men and women in the organisation has narrowed since 2018. As at 31 March 2019, Defra had a mean gender pay gap of 8.4 percent, a reduction of 1.4 percent on the 2018 figure, and a median pay gap of 9.4 percent, a reduction of 2.3 percent on the 2017 figure.

The table below shows the gender split by Civil Service grade across Defra and in comparison to the proportion of women across the Civil Service.

Grade (increasing seniority)	Number of men across Defra (percentage of men who work in this grade)	Number of women across Defra (percentage of women who work in this grade)	Percentage *Women across Defra
AA/AO	656 (16%)	1,192 (23%)	65%
EO	790 (19%)	1,165 (22%)	60%
HEO/SEO	1,738 (42%)	1,961 (38%)	53%
Grade 6/7	882 (21%)	787 (15%)	47%
SCS (centrally managed only)	89 (2%)	93 (2%)	51%
Total (including those with unknown grade)	4155	5198	56%

* Source – Annual Civil Service Employment Survey 31 March 2019

Our gender pay gap has narrowed year-on-year since the inception of reporting in 2017 as indicated in the table below.

Defra	2017 %	2018 %	2019 %	% difference from 2018 to 2019
Mean Gender Pay Gap - Ordinary pay	11.5	9.8	8.4	-1.4
Median Gender Pay Gap - Ordinary pay	12.1	11.7	9.4	-2.3

We are working to close our gender pay gap by delivering initiatives which include the following:

- establishment of an Executive Committee level Gender Champion accountable for taking forward the actions below, in collaboration with our Equality Diversity and Inclusion (EDI) Team, our Women's Networks and our Pay and Reward Team.

- active support for women returning to work following maternity or adoption leave.

- policies on shared parental leave, job share, part-time opportunities and flexible working. We will conduct investigations into the take-up of flexible working by men to ensure they have equal access to fulfilling their caring responsibilities and to support closing the gender pay gap.

- a Job Share Network, Parental Leave Buddy Network and a Work Life Balance Network. We will take more action to encouraged men to join these networks.

- supporting a range of employee led networks championed by Defra's senior management and EDI teams.

- women's networks to help women reach their full potential by providing advice and support, contributing to policy development and establishing good practices.

- monitoring pay to identify any pay differences and taking targeted action to ensure our processes are fair and transparent. In addition, we will conduct an analysis of our bonus gap with a focus on identifying an hourly gap, which takes into account part-time pro-rata bonuses, to give a different perspective on the gap between women and men's bonuses.

- monitoring recruitment data through the attraction, recruitment and selection process to identify areas for further improvement in recruiting a diverse workforce. We will continue to review and refresh our approach to resourcing to ensure the recruitment of women and men at all levels is inclusive. This will include considering whether or not specific action should be taken to attract men into the more junior grades where women are currently overrepresented – and what if any targets should be set.

Whilst we are pleased with our progress, we know there is more we can do to promote and increase diversity and inclusion and will seek to do this in the 2020–2024 Strategy.

Health and Wellbeing

Defra has a senior Health and Wellbeing Champion assigned at ExCo level.

The core-Defra 'Workplace Wellbeing' programme, delivered by the Safety and Health at Work Team, primarily focuses on provision of guidance, support and intervention for core-Defra employees. A holistic approach is taken to link key workplace wellbeing deliverables (particularly around work-related stress and work impacts on physical and mental health) with our health and safety agenda. These are intrinsically linked as Defra has a legal duty under the Management of Health and Safety at Work Regulations to identify both physical and psychological risks of harm and put measures into place to minimise work-related ill health and injury.

The Covid-19 pandemic began to impact Defra in March. The previous 12 months had seen continued emphasis on our employees' health and wellbeing whilst preparing for EU exit and the ongoing negotiations. During the reporting period our workplace wellbeing themes, and priorities, continued to align with the Civil Service strategic priorities for health and wellbeing:

Culture	Visible leadership for health and wellbeing
Prevention	Encouraging open dialogue on health and wellbeing risks and challenges, leading to action to prevent harm
	Promoting the benefits of safe and healthy working practices and lifestyles
	Promoting national health and wellbeing campaigns
Intervention	Supporting people to stay at or return to work

Working collaboratively with colleagues in other functions (e.g. Internal Communications, Defra group HR, Defra group Commercial, Defra group Facilities Management, Digital Data Transformation Services, Smarter Ways of Working to name a few), we have:

Culture

- Continued to be active members of both the Cross Government Health and Wellbeing Senior Steering Group meeting (represented by Defra's Senior Health and Wellbeing Champion) and the Wellbeing and Attendance Management network, to help shape and drive forward the civil service priorities.

- Continued to lead and encourage our own internal business level Wellbeing Champions. The forum now comprises c130 colleagues with an interest in promoting Health and Wellbeing at work and has fostered a two-way conversation between the business and the Safety and Health at Work team. This has improved our ability to be proactive and raise awareness of the guidance, resources and support in place whilst minimising duplication of effort and inconsistency across the business.

- Enhanced and delivered our suite of training tools for Health and Wellbeing e.g. Wellbeing and Resilience Toolkit, Individual and Team Stress Risk Assessments. We now have a wide portfolio of webinars on offer, both recorded and live on topics such as stress awareness, resilience, Line Manager Tools and tips plus workplace ergonomics for office and agile workers.

- Partnered with the business via a bespoke health and wellbeing consultation approach. This has included attending Directorate and Team level Away Days, running Wellbeing Review and Wellbeing Confident Leaders workshops and offering Train the Trainer webinars.

Prevention

- Established an effective work-related stress reporting process. Support received after reporting has gained positive feedback from both individuals and managers. Analysis of reports has identified stressors[10] with 'Demands' and 'Change' identified as the most common root causes; In addition we ran a trial of the Health and Safety Executive (HSE) Stress Indicator Tool in the core department to enable Directors to carry out stress risk assessments and develop action plans to help minimise the risk of work-related stress;

- Developed a bespoke Mental Health First Aiders (MHFA) Service. Using evidence, feedback and experience from substantiated sources a single approach and delivery model was agreed across Defra, NE, RPA and APHA. An external provider was procured to deliver the MHFA two day training course with an additional context webinar being mandatory for MHFAs supporting people at work. We have achieved a full complement of 200+ MHFAs;

- Held a virtual Health and Wellbeing roadshow during autumn 2019. We offered 17 webinars on 12 topics relating to Health and Wellbeing. All sessions were recorded and then shared for people who couldn't attend.

- Co-ordinated our annual Health Kiosk Tour between Defra, EA, APHA, RPA, Cefas and MMO. The Kiosks were available at group sites between January and March 2020. Unfortunately, the tour was curtailed early March 2020 due to COVID-19, but the Kiosks reached 52 out of 61 planned sites.

- A proactive and productive relationship with our Internal Comms and Digital Content team has ensured wellbeing campaigns are delivered effectively across all available channels and our intranet pages are current and updated quickly. We continued to be able to offer a calendar of campaigns and events using a variety of channels to share information. This has included news stories, leader and employee blogs, virtual group discussions (by webinar and on Yammer) and cascades via Director Team Talks, Wellbeing Champions, Mental Health First Aiders and ED and I networks.

Intervention

- Continued to offer comprehensive Employee Assistance Programme (EAP), Occupational Health Service (OHS) and specialist workplace assessments for when professional assessment and support services are required. These can assist employees to stay in, or return to work, providing advice to employees, and their managers on a wide range of health issues and topics.

- We continue to review and monitor delivery of our contracted providers to ensure these support services meet business needs.

[10] In accordance with the HSE Management Standards for Stress

In addition to the above we participated in the Mind Workplace Wellbeing Index (alongside EA and NE) for the first time. This involved a survey of employees from September to December 2019 and an in depth audit and analysis of the organisation's mental health provision. We are delighted to achieve Silver award for 2019–20. This is given to employers who have made demonstrable achievements in promoting staff mental health, demonstrating progress and impact over time. We will be reviewing the full recommendations from MIND to enable further improvement during 2020–21 and beyond.

The Defra Safety and Health at Work Team also facilitate a collaborative approach working with other functions such as HR, and their counterparts across the Defra group, wherever feasible. This maximises the benefit and coverage to employees while still enabling each organisation in the Defra group to adapt workplace wellbeing activities to their specific requirements, locations and risks.

For example, we continued to lead the Defra group Health and Wellbeing Forum (with members from fourteen Defra group organisations currently). The forum meets regularly to discuss plans, priorities and shared campaigns. Campaigns are aligned to national and Civil Service themes (Culture, Prevention and Intervention). We use a Trello board to coordinate initiatives such as webinars, workshops, blogs and site events to raise engagement and awareness of wellbeing topics.

Managing Attendance

A corporate strategy for managing attendance is in place across Defra, to support the wellbeing of our people and proactively maintain good levels of attendance at work. Levels of absence are closely monitored, and our culture is to support the individual with any issue related to their health and wellbeing. Our aim is to provide the support needed to not only help people return to work from a period of long term absence but to also ensure that short term absences are recognised and managed well. Our options for support include keeping in touch with people absent from work, Occupational Health advice and intervention, counselling and other advisory services through an effective employee assistance programme. We also aim to prevent work related ill-health and injury, leading to sickness absence by implementing safe working practices.

For Defra and its executive agencies, an average of 4.2 working days per employee was lost to sickness absence during the year to 31 March 2020, compared with 3.7 days in the year to 31 March 2019.

Volunteering

Defra continues to demonstrate its commitment to the corporate social responsibility agenda encouraging employees to take advantage of the special leave that is available for volunteering. Defra employees are offered up to three days special leave with pay each year to use their skills to help others by volunteering individually, or as part of a team, for charitable or non-profit-making organisations.

Trade Union Facility Time

The three unions recognised by the core department and it's agencies for the purposes of consultation and negotiation are the Public and Commercial Services union (PCS), Prospect and FDA. An employee relations framework helps define this relationship.

In accordance with the requirements of the Trade Union (Facility Time Publication requirements) Regulations 2017, the following is a summary of trade union officials of employees and facility time usage of this group during the 2019–20 year.

In the core department and it's agencies, 48 (46.84 full time equivalent) were Trade Union (TU) representatives. Each of these employees spent up to 50 percent of their working hours on facility time on TU business.

The total cost of the facility time was £194,214 which is 0.04 percent of the total pay bill. There were no paid TU activities during 2019–20. The total pay bill cost was £482,702,240.

TU information for our NDPBs which are in scope for this disclosure can be found in their individual Annual Report and Accounts (ARA).

Number of Senior Civil Service Staff (or Equivalent) by Band

The table below includes information on NDPBs that are assessed through a different job evaluation system. To enable a consistent understanding of respective roles, and in line with previous years, salary has been used for comparison purposes. Work relating to talent and succession management provides additional assurance in terms of general comparability.

	Core Department	Defra Group
SCS Permanent Secretary	1	1
SCS Pay band 3	6	12
SCS Pay band 2	35	70
SCS Pay band 1	152	282

Flood Re employees are excluded as they cannot be allocated against SCS pay bands.

The figures stated are as at 31 March 2020.

Consultancy and Temporary Staff Expenditure

The table below shows the total consultancy and temporary staff expenditure incurred by the Defra group.

	2019-20			2018-19		
£000	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Consultancy expenditure	13,039	14,218	33,299	30,380	32,424	54,903
Temporary staff expenditure	107,225	135,724	151,084	87,699	106,777	125,724
Total	**120,264**	**149,942**	**184,383**	118,079	139,201	180,627

Overall, consultancy expenditure has decreased by £21.6 million and temporary staff costs have increased by £25.4 million compared with prior year, with the core department as the primary contributor to the year on year change for both consultancy and temporary staff costs across the group.

The core departments consultancy costs have decreased by £17.3 million, as expenditure on the initial EU exit setup work has now completed resulting in a reduction in demand for consultancy staff. The next phase has progressed with finalising the EU exit portfolio projects which require specialist skills not readily available in the core department resulting in an increase of £19.5 milllion in temporary staff costs.

Staff Costs

The following staff costs, number of persons employed and exit packages information is audited by the Comptroller and Auditor General.

Staff costs comprise:

	2019-20					Restated 2018-19
	Permanent Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Salaries and wages	826,396	175,103	230	34	1,001,763	906,082
Social security costs	100,202	1,309	27	4	101,542	91,928
Other pension costs	152,146	987	-	8	153,141	93,201
Sub total	**1,078,744**	**177,399**	**257**	**46**	**1,256,446**	1,091,211
Less: recoveries in respect of outward secondments	(6,975)				(6,975)	(5,957)
Total net costs	**1,071,769**	**177,399**	**257**	**46**	**1,249,471**	1,085,254

	2019-20			Restated 2018-19		
	Charged to Administration Budgets	Charged to Programme Budgets	Total	Charged to Administration Budgets	Charged to Programme Budgets	Total
	£000	£000	£000	£000	£000	£000
Of which:						
Core department and agencies	375,623	256,329	631,952	290,402	215,285	505,687
NDPBs	36,785	522,998	559,783	39,998	491,015	531,013
Net total SoCNE	**412,408**	**779,327**	**1,191,735**	330,400	706,300	1,036,700
Staff costs capital:						
Core department and agencies			8,071			10,894
NDPBs			56,640			43,617
Less: recoveries in respect of outward secondments			(6,975)			(5,957)
Total net costs			**1,249,471**			1,085,254

Pension costs include a £20 million pension payment in relation to EA staff transferred to Defra

Defra Board (the Board) remuneration is included in the Remuneration Report.

Civil Service Pension Schemes

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme, known as alpha, are unfunded multi-employer defined benefit schemes. Defra is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. Details can be found in the annual accounts of the Cabinet Office: Civil Superannuation[11].

For 2019–20, employer's contributions of £140.6 million (2018–19, £83.1 million) were payable to the PCSPS at one of four rates in the range 26.6 percent to 30.3 percent of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019–20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

[11] http://www.civilservicepensionscheme.org.uk/

Other Pension Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2019–20 employer's contributions of £2.4 million (2018–19, £1.9 million) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and ranged from 8 percent to 14.75 percent. Employers also match employee contributions up to 3 percent of pensionable earnings. In addition, employer contributions of £26,000 for 2019–20 (2018–19, £21,000), 0.5 percent 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 reporting period date were £Nil (2018–19, £Nil). Contributions prepaid at that date were £Nil (2018–19, £Nil).

In addition to the schemes listed above, Environment Agency (EA) operates a funded defined benefit scheme, and some other delivery bodies operate small defined contribution schemes. Details of these schemes can be found in the ARAs of the relevant delivery bodies.

There was one individual in the core department (2018–19, three) who retired early on ill health grounds. Their total additional accrued pension liabilities in the year amounted to £Nil (2018–19, £3,439).

Loans are made to employees to cover season ticket advances and to relocate. As at 31 March 2020, there were no outstanding balances from core department senior officials.

Average Number of Persons Employed

The average number of whole-time equivalent persons employed within the Defra group during the year was as follows;

					2019-20	2018-19
Activity	**Permanent Employed Staff**	**Others**	**Ministers**	**Special Advisors**	**Total**	Total
	Number	**Number**	**Number**	**Number**	**Number**	Number
Environment Agency	8,650	799	-	-	9,449	9,133
Natural England	1,726	45	-	-	1,771	2,171
Animal and Plant Health Agency	2,321	102	-	-	2,423	2,243
Rural Payments Agency	1,783	768	-	-	2,551	2,040
Core department	4,268	1,333	5	1	5,607	4,509
Others	3,388	147	-	-	3,535	3,407
Staff engaged on capital projects	1,179	105	-	-	1,284	1,340
Total	**23,315**	**3,299**	**5**	**1**	**26,620**	24,843
Of which						
Core department and agencies	9,584	2,336	5	1	11,926	10,280
NDPBs	13,731	963	-	-	14,694	14,563
Total	**23,315**	**3,299**	**5**	**1**	**26,620**	24,843

Reporting of Civil Service and Other Compensation Schemes – Exit Packages

	2019-20			2018-19		
	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages
	Number	Number	Number	Number	Number	Number
Cost band						
< £10,000	8	7	15	17	14	31
£10,000 - £25,000	6	36	42	2	16	18
£25,001 - £50,000	1	40	41	3	25	28
£50,001 - £100,000	1	23	24	1	18	19
£100,001 - £150,000	-	3	3	-	2	2
£150,001 - £200,000	-	1	1	-	1	1
Total number of exit packages by type	**16**	**110**	**126**	23	76	99
Total resource cost (£000)	**246**	**4,359**	**4,605**	254	3,080	3,334
Of which:						
Number of cases	Number	Number	Number	Number	Number	Number
Core department and agencies	2	40	42	2	44	46
NDPBs	14	70	84	21	32	53
Total	**16**	**110**	**126**	23	76	99
Resource cost	£000	£000	£000	£000	£000	£000
Core department and agencies	79	2,112	2,191	9	2,231	2,240
NDPBs	167	2,247	2,414	245	849	1,094
Total	**246**	**4,359**	**4,605**	254	3,080	3,334

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department 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.

Redeployment of EU staff to Defra from Other Government Departments

The core department had 375 staff on informal loans from other government departments to aid in the work to prepare Defra for exit from the EU. The number staff on short (six months or less) and long (over six months) term loan categorised by grade is shown in the table below. The majority of these people were from the Department for Education. The average length of the short term loans was 3 months and 1 day.

Grade	Short Term	Long Term	Total
SCS2	2	0	2
SCS1	5	0	5
G6	22	3	25
G7	65	17	82
SEO	91	15	106
HEO	107	13	120
EO	25	8	33
AO	2	0	2
Total	**319**	**56**	**375**

The costs of the staff on short term loan classified as administration cost is £3,636,895 (including non-recoverable VAT).

COVID-19 related Redeployment of Defra Staff to Other Government Departments

In response to the COVID-19 pandemic the core department has entered into arrangements for the short term loan of Defra Staff to other government departments. The table below details the number of staff on informal short term loan arrangements as at the 31 March 2020. The staff were loaned to the Department of Health and Social Care/Public Health England. The average length of the loan arrangements was 2.2 months.

Grade	Number
G6	2
G7	1
HEO	2
Total	**5**

The costs of the staff on short term loan classified as administration cost is £27,819, however, this will not be recharged to the host department.

Off-Payroll Appointments

Information on off-payroll engagements is set out in the following table. Off-payroll means anyone who is working for the department or a delivery body but is not paying PAYE (Pay As You Earn) or National Insurance via the departmental payroll.

Off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months.

	Core Department	Executive Agencies			Delivery Bodies						Total
	Defra	APHA	Cefas	VMD	AHDB	CCW	EA	FC	Kew	MMO	
Number of existing engagements as of 31 March 2020	505	4	1	18	16	4	3	2	3	18	574
Of which:											
Number that have existed for less than one year at time of reporting	142	1	1	9	-	2	-	-	3	10	168
Number that have existed between one and two years at time of reporting	200	2	-	8	-	2	2	-	-	5	219
Number that have existed between two and three years at time of reporting	112	-	-	1	-	-	-	1	-	3	117
Number that have existed between three and four years at time of reporting	35	-	-	-	2	-	-	1	-	-	38
Number that have existed for four or more years at time of reporting	16	1	-	-	14	-	1	-	-	-	32

New off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months.

	Core Department	Executive Agencies				Delivery Bodies					Total
	Defra	APHA	CEFAS	RPA	VMD	AHDB	CCW	Kew	MMO	SFIA	
Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	168	1	1	2	9	7	2	2	14	5	211
Of which:											
Number assessed as caught by IR35	48	1	-	-	-	-	2	-	-	5	56
Number assessed as not caught by IR35	120	-	1	2	9	7	-	2	14	-	155
Number engaged directly (via a PSC contracted to the department) and are on the departmental payroll	-	-	-	-	-	-	-	-	-	5	5
Number of engagements reassessed for consistency / assurance purposes during the year	52	1	1	2	9	3	2	-	-	-	70
Number of engagements that saw a change to IR35 status following the consistency review	-	-	-	-	-	-	-	-	-	-	-

*Bodies not listed in the table above provided a nil return.

Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2019 and 31 March 2020

		Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	Total number of individuals on-payroll and off-payroll that have been deemed 'board members and/or senior officials with significant financial responsibility', during the financial year. This figure should include both on-payroll and off-payroll engagements
Core Department	**Defra***	1	17
Executive Agencies	**APHA**	-	13
	Cefas	-	16
	RPA	-	15
	VMD	-	6
Delivery Bodies	**AHDB**	-	19
	CCW	-	13
	EA	-	14
	FC	-	23
	Flood Re	-	8
	JNCC	-	14
	Kew	-	9
	MMO	-	16
	NE	-	7
	NFC	-	11
	SFIA**	1	14

* the off-payroll contract relates to the Director General, interim Chief Operating Officer. The contract started on 29 January 2019 and they were brought onto the department's payroll within 6 months as a fixed term appointment. The off-payroll appointment was contracted on the basis of the contractor's unique, extensive and relevant experience and the ability to commence work with minimal delay.

**A Non-executive board member was remunerated off-payroll for non-board related activities. These payments moved on-payroll from December 2019.

Remuneration Report

The information shown within the tables of this report are audited by the Comptroller and Auditor General.

Remuneration Policy

The remuneration of the SCS is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The Cabinet Office advises the department in March or April each year of the government's response to the SSRB recommendations and produces guidance for departments to follow.

The core department develops its SCS reward strategy within the Cabinet Office framework, ensuring that the overall pay awards for the SCS are within the cost ceiling allowed.

Members of the SCS, excluding the Permanent Secretary, are eligible to be considered for individual levels of bonus as non-pensionable, non-consolidated variable pay (NCVP), based on their performance. NCVP is paid in the financial year after that in which it was earned. During 2019–20, NCVP for 2018–19 performance was paid to approximately 25 percent of the SCS and was paid at £10,000 for deputy directors, directors and directors general. NCVP values, informed by each individual's appraisal grade, were paid within Cabinet Office guidelines. Departments also have discretion to make in-year non-consolidated award payments to recognise outstanding contribution for SCS staff. These are limited under Cabinet Office guidance to a maximum of £5,000.

The Permanent Secretary is eligible to be considered for a NCVP bonus award measured against achievement of objectives, which for performance in 2018–19 was subject to a maximum of £17,500. Such awards are made by the Permanent Secretaries' Remuneration Committee, which comprises the Chairman of the SSRB (who acts as chair), two other members of the SSRB, the Cabinet Secretary and the Permanent Secretary of HM Treasury. ministerial salaries are determined by the Cabinet Office, under the Ministerial and Other Salaries Act 1997.

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.

Unless otherwise stated below senior officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found on the Civil Service Commission website. All senior officials covered by this report are on permanent Civil Service contracts, with the exception of Sarah Homer who was on a fixed term contract until 24 September 2020 when she was given a permanent contract.

Remuneration (Including Salary) and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the ministers and the board members who were employees of the department during 2019–20. The following tables in the Remuneration Report have been subject to audit.

Ministers

	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19
£	Salary	Salary	Pension Benefits**	Pension Benefits**	Severance Payments	Severance Payments	Total (to nearest £1000)	Total (to nearest £1000)
Rt Hon George Eustice MP *(from 25 July 2019)*	26,264*	-	6,000	-	-	-	32,000	-
Victoria Prentis MP *(from 14 February 2020)*	2,893*	-	-	-	-	-	3,000	-
Rebecca Pow MP *(from 10 September 2019)*	12,431*	-	-	-	-	-	12,000	-
Lord Gardiner	107,335	105,076	18,000	17,000	-	-	125,000	122,000
Lord Goldsmith *(from 27 July 2019)*	12,324*	-	-	-	-	-	12,000	-

Ministers who have served during 2019–20 but were not in post as at 31 March 2020

	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
£	Salary	Salary	Pension Benefits**	Pension Benefits**	Severance Payments	Severance Payments	Total (to nearest £1000)	Total (to nearest £1000)
Rt Hon Michael Gove MP *(until 24 July 2019)*	22,502*	67,505	8,000	15.000	-	-	31,000	83,000
Dr Thérèse Coffey MP *(until 8 September 2019)*	10,864*	22,375	3,000	6,000	-	-	14,000	28,000
Robert Goodwill MP *(until 25 July 2019)*	10,049*	2,640*	3,000	1,000	7,920	-	21,000	4,000
Theresa Villiers MP *(from 24 July 2019 to 13 February 2020)*	37,545*	-	9,000	-	16,876	-	63,000	-

*Full year equivalent salary for ministers who served part year with Defra

£	2019-20	2018-19
Rt Hon George Eustice MP *(from 13 February 2020)*	67,505	-
George Eustice MP*** *(from 25 July 2019 to 13 February 2020)*	31,680	-
Victoria Prentis MP *(from 14 February 2020)*	22,375	-
Rebecca Pow MP *(from 10 September 2019)*	22,375	-
Lord Goldsmith**** *(from 27 July 2019 to 13 February 2020)*	22,375	-
Rt Hon Michael Gove MP *(until 24 July 2019)*	67,505	-
Dr Thérèse Coffey MP *(until 8 September 2019)*	31,680	-
Robert Goodwill MP *(until 25 July 2019)*	31,680	31,680
Theresa Villiers MP *(from 24 July 2019 to 13 February 2020)*	67,505	-

** The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Ministers' pensions are disclosed to the nearest £000.

*** George Eustice was appointed Minister of State on 25 July 2019 and remained in that post until he was appointed Secretary of State on 13 February 2020.

****Zac Goldsmith MP was Minister for State until 13 February 2020. The salary shown relates to that time. From 14 February Lord Goldsmith of Richmond joined the House of Lords. Lord Goldsmith no longer receives any reimbursement from the department.

David Rutley MP joined the department on 3 September 2018 and left the department on 27 July 2019. As Minister Rutley is also a Government Whip, his salary is paid by HM Treasury. Minister Rutley received no remuneration from Defra.

Senior Officials on the Board

£000	2019-20 Salary	2018-19 Salary	2019-20 Bonus Payments	2018-19 Bonus Payments	2019-20 Pension Benefits	2018-19 Pension Benefits	2019-20 Total	2018-19 Total
Tamara Finkelstein *Permanent Secretary*	170-175	65-70*	10-15	10-15	309	26	490-495	100-105
Shaun Gallagher *Director General*	120-125	45-50*	10-15	10-15	117	72	245-250	130-135
Sonia Phippard *Director General (until 13 December 2019)*	90-95*	10-15*	5-10	10-15	46	-	145-150	20-25
David Kennedy *Director General*	130-135	10-15*	10-15	-	42	3	185-190	10-15
Sarah Homer** *Director General*	170-175	20-25	-	-	42	-	210-215	20-25
Emily Miles *Director General (from 1 April to 20 September 2019)*	50-55*	-	10-15	-	56	-	115-120	-
Andrew Pattison *Finance Director (from 1 April 2019 to 2 February 2020)*	75-80*	-	-	-	27	-	105-110	-
Paul Kissack *Director General (from 23 September 2019)*	75-80*	-	-	-	8	-	80-85	-
Heather Smith *Finance Director (from 3 February 2020)*	15-20*	-	-	-	6	-	20-25	-
David Hill *Director General (from 14 December 2019)*	35-40*	-	-	-	29	-	65-70	-

*Full year equivalent salary for part year officials

£000	2019-20	2018-19
Tamara Finkelstein	-	140-145
Shaun Gallagher	-	120-125
Sonia Phippard	135-140	130-135
David Kennedy	-	130-135
Emily Miles	115-120	-
Andrew Pattison	90-95	-
Paul Kissack	130-135	-
Heather Smith	105-110	-
David Hill	120-125	-

** Sarah Homer was a consultant who joined Defra on 29 January 2019 on a six month contract. The annualised contract salary for 2018–19 would equate to £275,000. On 1 July 2019 she was taken onto Defra's payroll on a fixed term appointment.

Ex Officio Board Members

The Board has two ex officio members, Emma Howard Boyd from EA and Tony Juniper from NE who joined the Board on 23 April 2019.

The ex officio members do not receive any additional payment from the core department for their duties on the Board. For details of the remuneration of these ex officio members, please see the EA and NE ARAs as they are paid by these entities.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. No Defra officials received benefits in kind during the 2019–20 year.

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 department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£79,468 from 1 April 2019) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures above.

The information given above relates to members of the Board. Equivalent information relating to the entities consolidated into the departmental accounts (as per Note 19:

executive agencies, NDPBs, NFC, Flood Re, Forestry Commission and LFBs) is given in their separate ARAs.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2019–20 relate to performance in 2018–19 and the comparative bonuses reported for 2018–19 relate to the performance in 2017–18.

Non-Executive Directors (NEDs)

	2019-20			2018-19		
£	Fees Entitlement	Fees Paid**	Benefits in Kind	Fees Entitlement	Fees Paid**	Benefits in Kind
Henry Dimbleby	20,000	10,000	-	20,000	16,667	600
Elizabeth Buchanan	15,000	15,000	100	15,000	12,500	3,000
Ben Goldsmith	15,000	Fee waived	-	15,000	Fee waived	-
Colin Day	20,000	20,000	100	20,000	15,000	200
Lizzie Noel	15,000	11,250	-	13,750	-	-

*Full year equivalent fees entitlement for NEDs who served part year

£	2019-20	2018-19
Lizzie Noel *(from 11 May 2018)*	-	15,000

**Differences between the entitlements and amounts paid arise due to timing of claims. Where the amount paid exceeds the entitlement for the year, this relates to fees for previous periods.

Pension Benefits

Ministers

£000	Accrued Pension at Pension Age as at 31 March 2020	Real Increase in Pension at Pension Age	**CETV at 31 March 2020	**CETV at 31 March 2019	Real Increase in CETV
Rt Hon George Eustice MP *(from 25 July 2019)*	0-5	0-2.5	50	43	3
Victoria Prentis MP *(from 14 February 2020)*	0-5	0-2.5	-	-	-
Rebecca Pow MP* *(from 10 September 2019)*	-	-	-	-	-
Lord Gardiner	10-15	0-2.5	218	187	16
Lord Goldsmith* *(from 27 July 2019)*	-	-	-	-	-

*Lord Goldsmith and Rebecca Pow MP chose not to be covered by the ministerial pension scheme arrangements during the reporting year.

Ministers who have served during 2019–20, but were not in post as at 31 March 2020

£000	Accrued Pension at Pension Age as at 31 March 2020	Real Increase in Pension at Pension Age	**CETV at 31 March 2020	**CETV at 31 March 2019	Real Increase in CETV
Rt Hon Michael Gove MP *(until 24 July 2019)*	10-15	0-2.5	189	181	4
Dr Thérèse Coffey MP *(until 8 September 2019)*	0-5	0-2.5	28	26	1
Robert Goodwill MP *(until 25 July 2019)*	5-10	0-2.5	93	89	2
Theresa Villiers MP *(from 24 July 2019 to 13 February 2020)*	10-15	0-2.5	148	138	5

**Start and end date of Cash Equivalent Transfer Value (CETV) is 31 March or date of joining or leaving the Board.

Ministerial Pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015[12].

Those ministers who are MPs may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were MPs aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are revalued annually in line with pensions increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1 percent and the accrual rate is 1.775 percent of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre and post 2015 ministerial pension schemes.

[12] http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

Senior Officials on the Board

£000	Accrued Pension as at 31 March 2020 and Related Lump Sum	Real Increase in Pension and Related Lump Sum at Pension Age	*CETV at 31 March 2020	*CETV at 31 March 2019	Real Increase in CETV	Employer Contribution to Partnership Pension Account (Nearest £100)
Tamara Finkelstein *Permanent Secretary*	75-80	15-17.5	1,280	975	251	-
Shaun Gallagher *Director General*	45-50 Plus 95-100 Lump sum	5-7.5 Plus 7.5-10 Lump sum	818	695	86	-
Sarah Homer *Director General*	0-5	2.5-5	33	-	25	-
Sonia Phippard *Director General* *(until 13 December 2019)*	85-90	2.5-5	1,763	1,688	48	-
David Kennedy *Director General*	45-50	2.5-5	696	640	19	-
Emily Miles *Director General* *(from 1 April to 20 September 2019)*	25-30 Plus 45-50 Lump sum	2.5-5 Plus 2.5-5 Lump sum	371	331	35	-
Paul Kissack *Director General* *(from 23 September 2019)*	30-35 Plus 75-80 Lump sum	0-2.5	523	516	-3	-
Andrew Pattison *Finance Director* *(from 1 April 2019 to 2 February 2020)*	35-40	0-2.5	429	397	12	-
Heather Smith *Finance Director* *(from 3 February 2020)*	30-35	0-2.5	395	390	2	-
David Hill *Director General* (from 14 December 2019)	35-40 Plus 75-80 Lump sum	0-2.5 Plus 0-2.5 Lump sum	549	528	17	-

*Start and end date of CETV is 31 March or date of joining or leaving the Board.

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 PCSPS. The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits banked, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha, as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a money purchase stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary related and range between 4.6 percent and 8.05 percent for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of one-eightieth of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of one-sixtieth 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 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 percent 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 is 2.32 percent. 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 percent and 14.75 percent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 percent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 percent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha, as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.) Further details about the Civil Service pension arrangements can be found on the Civil Service pensions website[13].

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 pension benefits they have 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 current 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, or 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.

Fair Pay Disclosures

This information has been subject to audit.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer contributions and the CETV of pensions.

[13] http://www.civilservicepensionscheme.org.uk

	2019–20	**2018–19**
Banded remuneration of the highest paid director in the core department	£180,000–185,000	£270,000–275,000
Median remuneration of the workforce of the core department and the executive agencies	£32,010	£31,323
Ratio of remuneration of highest paid director to median remuneration of the workforce	5.7	8.7
The range of banded remuneration for employees in the core department and the executive agencies	£15,000–20,000 to £180,000–185,000	£10,000–15,000 to £270,000–275,000

In 2019–20 the employees receiving the lowest pay in the range are agency staff. No employees received remuneration in excess of the highest paid director. The movement in the ratio of remuneration of the highest paid director to the median remuneration of the workforce is due to the reduced banding of the highest paid director in the core department.

Chapter 6 – Parliamentary Accountability and Audit Report

The parliamentary accountability and audit report describes how departments are financed through the Westminster Estimates process. Details are also provided regarding the regularity of expenditure, so that Parliament can be assured that funds have been expended in the manner intended. This meets the key accountability requirements to Parliament. The Certificate and Report of the Comptroller and Auditor General to the House of Commons is also included, as required by the Government Resources and Accounts Act 2000.

Statement of Parliamentary Supply

In addition to the primary statement prepared under IFRS; the Government Finance Reporting Manual (FReM) requires DEFRA to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provisions (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the state of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly reconcile to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (SoPS Note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the financial statements (SoPS Note 2); a reconciliation of outturn to net cash requirement (SoPS Note 3); and, an analysis of income payable to the Consolidated Fund (SoPS Note 4).

Unless specifically stated in the table the 2018–19 comparatives have been not restated.

Summary of Resource and Capital Outturn 2019–20

The table below includes the results for the core department, executive agencies, Forestry Commission, Flood Re and non-departmental public bodies.

		2019-20			2018-19
	Note/Ref	Outturn Voted	Estimate Voted	Voted Outturn Compared With Estimate: Saving/ (Excess)	Outturn Total
		£000	£000	£000	£000
Departmental Expenditure Limit					
Resource	SoPS 1.1	2,245,132	2,287,807	42,675	1,963,037
Capital	SoPS 1.2	726,405	783,334	56,929	729,029
Total		**2,971,537**	**3,071,141**	**99,604**	2,692,066
Annually Managed Expenditure					
Resource	SoPS 1.1	698,383	862,342	163,959	(501,135)
Capital	SoPS 1.2	3,092	16,000	12,908	326
Total		**701,475**	**878,342**	**176,867**	(500,809)
Total Budget					
Resource	SoPS 1.1	2,943,515	3,150,149	206,634	1,461,902
Capital	SoPS 1.2	729,497	799,334	69,837	729,355
Total Budget Expenditure		**3,673,012**	**3,949,483**	**276,471**	2,191,257
Non-Budget Expenditure	SoPS 1.1	(1,316)	36,300	37,616	254
Total Budget and Non-Budget		**3,671,696**	**3,985,783**	**314,087**	2,191,511

The 2019–20 figures above are voted totals subject to parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

There was no non-voted provision in the Estimate and no non-voted expenditure was incurred.

Net Cash Requirement 2019–20

		2019-20			2018-19
		Outturn Voted	Estimate	Voted Outturn Compared With Estimate: Saving/ (Excess)	Outturn Total
		£000	£000	£000	£000
Net cash requirement	SoPS 3	2,831,236	3,457,032	625,796	2,709,735

Administration costs 2019–20

	2019-20			2018-19
	Outturn Voted	Estimate	Voted Outturn Compared With Estimate: Saving/ (Excess)	Outturn Total
	£000	£000	£000	£000
Administration costs	708,109	820,966	112,857	622,918

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The department has Prior Period Adjustments (PPAs), resulting from a detailed and comprehensive review of spend allocated to capital in previous years (as construction in progress/assets under construction) that has now been determined not to relate to capital purchases. As such these costs have been adjusted to show the correct accounting treatment in the year that the transaction was incurred. Further detail can be found in Note 18 to the Financial Statements.

It is proper for the department to seek parliamentary authority for the provision that should have been sought previously. In 2019–20, the following such PPAs have been made, which have been included within voted supply.

	Resource/ Capital	DEL / AME	Amount
			£000
Corrections to Assets Under Construction Balances	Resource	DEL	34,244
	Resource	AME	-
Corrections to Assets Under Construction Balances	Capital	DEL	(34,244)
	Capital	AME	-

Explanations of variances between estimate and outturn are given in Chapter 3.

The notes on pages 134–195 form part of these accounts.

SoPS 1 – Net Outturn

SoPS 1.1 – Analysis of Net Resource Outturn by Section

	2019-20											2018-19
	Outturn							Estimate			Outturn Compared to Estimate, saving/ (excess)	
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements[1]	Net Total Adjusted for Virements		Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)												
Voted												
Food and farming	70,475	(216)	70,259	2,570,063	(2,344,516)	225,547	295,806	360,723	(46,302)	314,421	18,615	193,739
Improve the environment	78,837	(1,070)	77,767	343,365	(11,061)	332,304	410,071	453,061	(34,853)	418,208	8,137	347,697
Protect the country from floods	1,295	(58)	1,237	119	-	119	1,356	1,662	(306)	1,356	-	1,027
Animal and plant health	29,405	(91)	29,314	258,020	(82,933)	175,087	204,401	222,355	(17,954)	204,401	-	197,395
Marine and fisheries	17,381	-	17,381	76,085	(40,208)	35,877	53,258	55,682	(2,424)	53,258	-	46,293
Countryside and rural services	10,415	(55)	10,360	108,402	(14,115)	94,287	104,647	103,003	2,214	105,217	570	133,206
Departmental operating costs	366,621	(5,055)	361,566	126,550	(1,125)	125,425	486,991	546,334	(47,077)	499,257	12,266	394,387
Improve the environment (ALB) (net)	68,627	-	68,627	208,426	-	208,426	277,053	210,985	67,146	278,131	1,078	272,889
Protect the country from floods (ALB) (net)	69,072	-	69,072	317,668	-	317,668	386,740	301,867	86,532	388,399	1,659	357,241
Marine and fisheries (ALB) (net)	2,149	-	2,149	20,939	-	20,939	23,088	29,524	(6,086)	23,438	350	16,766
Countryside and rural services (ALB) (net)	377	-	377	1,344	-	1,344	1,721	2,611	(890)	1,721	-	2,397
Total	**714,654**	**(6,545)**	**708,109**	**4,030,981**	**(2,493,958)**	**1,537,023**	**2,245,132**	**2,287,807**	**-**	**2,287,807**	**42,675**	1,963,037
Spending in Annually Managed Expenditure Limits (AME)												
Voted												
Food and farming	-	-	-	628,704	-	628,704	628,704	650,881	-	650,881	22,177	(171,170)
Improve the environment	-	-	-	14,939	-	14,939	14,939	(29,625)	44,564	14,939	-	(235,236)
Animal and plant health	-	-	-	(573)	-	(573)	(573)	2	-	2	575	(1,780)
Marine and fisheries	-	-	-	(2,440)	-	(2,440)	(2,440)	9	-	9	2,449	(1,111)
Countryside and rural services	-	-	-	(793)	-	(793)	(793)	(295)	-	(295)	498	(1,133)
Departmental operating costs	-	-	-	50,623	-	50,623	50,623	36,148	14,475	50,623	-	(51,017)
Food and farming (ALB) (net)	-	-	-	2,332	-	2,332	2,332	1,126	1,206	2,332	-	8,081
Improve the environment (ALB) (net)	-	-	-	9,839	-	9,839	9,839	48,029	-	48,029	38,190	22,223
Protect the country from floods (ALB) (net)	-	-	-	(6,063)	-	(6,063)	(6,063)	156,000	(62,009)	93,991	100,054	(70,295)
Marine and fisheries (ALB) (net)	-	-	-	1,825	-	1,825	1,825	61	1,764	1,825	-	303
Countryside and rural services (ALB) (net)	-	-	-	(10)	-	(10)	(10)	6	-	6	16	-
Total	**-**	**-**	**-**	**698,383**	**-**	**698,383**	**698,383**	**862,342**	**-**	**862,342**	**163,959**	(501,135)
Spending in Non Budget Expenditure Limits												
Voted												
Food and farming	-	-	-	1,330,974	(1,332,290)	(1,316)	(1,316)	10,000	-	10,000	11,316	254
Prior period adjustments	-	-	-	-	-	-	-	26,300	-	26,300	26,300	-
Total	**-**	**-**	**-**	**1,330,974**	**(1,332,290)**	**(1,316)**	**(1,316)**	**36,300**	**-**	**36,300**	**37,616**	254
Resource Outturn	**714,654**	**(6,545)**	**708,109**	**6,060,338**	**(3,826,248)**	**2,234,090**	**2,942,199**	**3,186,449**	**-**	**3,186,449**	**244,250**	1,462,156

[1] Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate. Detailed explanations of significant variances between Estimate and net resource outturn are shown in Chapter 3

Errors found across Core and the Environment Agency, which due to the values, resulted in a breach against the non ring-fenced RDEL budget (£9 million). This is included in the Departmental operations line in the above table.

SoPS 1.2 – Analysis of Net Capital Outturn by Section

	2019-20							2018-19
	Outturn			Estimate			Outturn Compared to Estimate, saving/ (excess)	
	Gross	Income	Net Total	Total	Virements[1]	Total Adjusted for Virements		Net Total
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)								
Voted								
Food and farming	9,470	(146)	9,324	18,869	-	18,869	9,545	3,745
Improve the environment	54,938	-	54,938	63,684	820	64,504	9,566	24,452
Protect the country from floods	716	-	716	251	465	716	-	264
Animal and plant health	17,925	(6)	17,919	10,980	6,945	17,925	6	12,832
Marine and fisheries	10,069	(990)	9,079	10,117	-	10,117	1,038	13,868
Countryside and rural services	8,951	(243)	8,708	10,290	-	10,290	1,582	30,801
Departmental operating costs	53,185	(2,621)	50,564	69,640	(8,230)	61,410	10,846	85,790
Improve the environment (ALB) (net)	34,576	-	34,576	49,313	(2,949)	46,364	11,788	70,278
Protect the country from floods (ALB) (net)	537,632	-	537,632	550,190	-	550,190	12,558	486,253
Marine and fisheries (ALB) (net)	2,279	-	2,279	-	2,279	2,279	-	543
Countryside and rural services (ALB) (net)	670	-	670	-	670	670	-	203
Total	**730,411**	**(4,006)**	**726,405**	**783,334**	**-**	**783,334**	**56,929**	729,029
Spending in Annually Managed Expenditure (AME)								
Voted								
Food and farming (ALB) (net)	423	-	423	16,000	(2,669)	13,331	12,908	203
Protect the country from floods (ALB) (net)	2,556	-	2,556	-	2,556	2,556	-	-
Marine and fisheries (ALB) (net)	113	-	113	-	113	113	-	123
Total	**3,092**	**-**	**3,092**	**16,000**	**-**	**16,000**	**12,908**	326
Capital Outturn	**733,503**	**(4,006)**	**729,497**	**799,334**	**-**	**799,334**	**69,837**	729,355

1.Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate.

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk.

The outturn versus estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SoPS 2 – Reconciliation of Net Resource Outturn to Net Operating Expenditure

			Note/Ref	2019-20 Outturn £000	Restated 2018-19 Outturn £000
Total resource outturn in SoPS		Budget		2,943,515	1,461,902
		Non budget		(1,316)	254
				2,942,199	1,462,156
	Add:	Capital grants / income		129,413	121,352
		Capital works expensed in year		331,870	326,879
		Capital research and development		33,165	33,370
		Adjustment to IFRIC 12		24	(9)
	Total			**494,472**	481,592
	Less:	Income payable to the Consolidated Fund		(448)	(1,623)
		Prior period adjustments		-	24,052
	Total			**(448)**	22,429
Net Operating Expenditure in SoCNE			SoCNE	**3,436,223**	1,966,177

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SoPS to the financial statements.

The SoCNE includes capital grants; these score in capital budgets. Note 3.3 below details the breakdown of grants and subsidies expenditure. Note 4.2 details capital grant income.

Capital Expenditure on Flood and Coastal Defence Work (£331.2 million) is included in the SoCNE (Note 3.1) but is scored against capital budgets.

The SoCNE includes Research and Development costs that meet the ESA10 definition; these score in capital budgets.

Details of the Income payable to the Consolidated Fund can be found at Note SoPS 4.1 below.

SoPS 3 – Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note/Ref	Outturn £000	Estimate £000	2019-20 Net total outturn compared with Estimate: saving/ (excess) £000
Resource outturn	SoPS 1.1	2,942,199	3,186,449	244,250
Capital outturn	SoPS 1.2	729,497	799,334	69,837
Accruals to cash adjustments (Core and agencies only):				
Accrual to cash basis - capital expenditure		20,867	-	(20,867)
Accrual to cash basis - capital disposals		1,235	-	(1,235)
Service concession adjustment and other finance leases		524	-	(524)
Adjustments for NDPBs:				
Remove voted resource		(769,341)	(750,209)	19,132
Remove voted capital		(578,250)	(615,503)	(37,253)
Add cash grant-in-aid		1,053,713	1,128,291	74,578
Add Defra Contribution to EA Closed Pension Scheme Fund		55,800	-	(55,800)
Adjustments to remove non cash items (Core and agencies only):				
Depreciation / amortisation / impairment	3.2	(79,317)	(108,273)	(28,956)
New provisions and adjustment to provisions	3.2	(708,816)	(736,644)	(27,828)
Prior period adjustments		-	(26,300)	(26,300)
Other non cash items		25,475	(9,889)	(35,364)
Adjustments to reflect movements in working capital balances (Core and agencies only) :				
Increase/(decrease) in inventories	SoCF	1,945	-	(1,945)
Increase/(decrease) in receivables excluding derivatives	SoCF	125,994	540,000	414,006
Adjustment for derivative financial instruments	SoCF	(24,241)	-	24,241
Movement in receivables affecting items not passing through the SoPS	SoCF	15	-	(15)
(Increase)/decrease in payables excluding derivatives	SoCF	(6,569)	-	6,569
Movement in payables affecting items not passing through the SoPS	SoCF	(30,505)	-	30,505
Use of provisions	SoCF	71,009	49,776	(21,233)
Funding to / from other bodies	SoCF	2	-	(2)
Net cash requirement		**2,831,236**	**3,457,032**	**625,796**

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Explanations of significant variances between estimate and outturn for resource, capital and net cash requirement are shown in Chapter 3.

SoPS 4 – Income Payable to the Consolidated Fund

SoPS 4.1 – Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund (cash receipts are shown in italics).

	Outturn 2019-20		Outturn 2018-19	
	Accruals basis	***Cash basis***	Accruals basis	*Cash basis*
	£000	***£000***	£000	*£000*
Income due to the Consolidated Fund	448	*448*	1,623	*1,623*
Total income payable to the Consolidated Fund	**448**	***448***	1,623	*1,623*

The income paid to the Consolidated Fund relates to the index linked annual payment for the HMG provision of the insurance element of the Government contingent support package (GSP) for the Thames Tideway.

SoPS 4.2 – Consolidated Fund Income

Consolidated Fund income shown in SoPS 4.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as a principal.

Long Term Expenditure Trends

The long term expenditure trends can be found in the core tables in Annex 1.

Further Information Relating to Parliamentary Accountability

Public Sector Bodies Outside the Boundary

The names of any public sector bodies outside the boundary for which Defra had lead policy responsibility in the year, together with a description of their status can be found in Note 20.

The information in this section is audited by the Comptroller and Auditor General.

Losses and Special Payments

Losses Statement

Losses are reported on an accruals basis.

	2019-20		2018-19	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Losses values				
Cash losses	1,208	1,388	12,408	13,038
Stores losses	9	9	-	-
Administrative write-offs	-	3,385	-	2,042
Fruitless payments	1	7	1	1
Claims abandoned	39	39	191	191
Total	**1,257**	**4,828**	12,600	15,272
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	Number	**Number**	Number	Number
Number of cases				
Cash losses	480	657	1,668	1,948
Stores losses	1	1	-	-
Administrative write-offs	8	212	-	242
Fruitless payments	7	29	1	1
Claims abandoned	5	5	31	31
Total	**501**	**904**	1,700	2,222

Details of Cases over £300,000

Cash Losses (shown in the table above)

The Environment Agency had a loss relating to a debt that arose from clearing combustible waste under powers to remove the risk of serious harm, at a cost of £475,000. They seek to recover these costs from those responsible in these cases and will continue to do so in this case. However, due to uncertainties over the ability of those involved to pay, due to insolvency and levels of debt, it is prudent to write off the amount.

Special Payments

	2019-20		2018-19	
	Core Department and Agencies	Defra Group	Core Department and Agencies	Defra Group
Value (£000)	1,091	1,257	13,931	15,966
Number of cases	394	406	64	67

Details of cases over £300,000

There are no cases over £300,000.

Fees and Charges

Details of the material fees and charges across the Defra family are disclosed in the table below.

	2019-20		
	Income	Full Cost	Surplus/ (Deficit)
	£m	£m	£m
Abstraction charges (EA)	123.5	123.5	0.0
Environmental Permitting Regulations water quality (EA)	72.8	72.8	0.0

The financial objective for EA's Environment and Business charging schemes is full cost recovery taking one year with another, based on all costs including current cost depreciation and a rate of return on relevant assets. Please see EA's Annual Report and Accounts (ARA) for a full analysis of these schemes and the extent of cost recovery.

All other details regarding income from the sale of goods and services provided by the delivery bodies can be found in their respective ARAs.

Remote Contingent Liabilities included for Parliamentary Reporting and Accountability Purposes

This information has been subject to audit.

In addition to contingent liabilities reported in accordance with IAS 37, the department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

The department has the following remote contingent liabilities as at 31 March 2020. Unless otherwise stated liabilities relate to the core department.

Quantifiable

A transfer of economic benefits is considered to be remote on the following.

- Indemnity signed by Defra, Canal & River Trust and British Waterways pension trustees in relation to the historic public sector pension liability. The potential liability is estimated at £125 million (2018–19, £125 million).

- Small potential liabilities are estimated at no more than £0.4 million (2018–19 £0.4 million).

Unquantifiable

Due to the variable nature of these contingent liabilities they are classified as unquantifiable.

- In unlikely circumstances, there is a remote possibility that Defra would need to provide a government support package for the Thames Tideway Tunnel project.

- There is an ongoing potential liability in respect of financial corrections for disallowance, which at present is uncertain and unquantifiable as a Commission audit has yet to take place.

- Infraction proceedings relating to non-communication of the transposition of EU legislation by a particular date; and non-compliance of UK legislation with EU requirements, could lead to fines for the core department from the EU. Defra is currently the lead on 21 non-communication infractions and 10 non-compliance infractions (three are contingent liabilities and included in Note 16.1.2) details of which are published on the European Commission's website. Liability for fines across UK administrations would depend on the specifics of individual cases and, as per Commission guidance, could entail a minimum lump sum of €9 million (£7.7 million) plus potential daily charges until compliance is reached. However, the UK has never been fined for an infraction due to remediation action taken – this is the expectation with the current infractions, where in all cases the department is taking action.

- Environmental contamination arising from metal mines may give rise to a future remediation liability.

- In the unlikely event that the department stops funding the National Fruit Collection or relocates it to a different site, there will be an obligation to return the current site to a suitable state.

- There is a potential liability in relation to the minimum spend commitment in Defra's IT delivery refresh contract with IBM. Analysis of future spend shows the likelihood of breaching the limits to be remote.

- Defra retains a potential pension liability in respect of the staff that transferred from Fera to Fera Science Limited under the New Fair Deal.

- There is a potential liability concerning a legal case against the Veterinary Medicines Directorate.

Tamara Finkelstein 11 December 2020

Accounting Officer for the Department for Environment, Food and Rural Affairs

The Certificate of the Comptroller and Auditor General to the House of Commons

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Department for Environment, Food and Rural Affairs and of its Departmental Group for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2019. The financial statements comprise; the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. The financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Performance Report and Accountability Report that is described in that report as having been audited.

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion on financial statements paragraph:

- the financial statements give a true and fair view of the state of the Departmental Group's affairs as at 31 March 2020 and of the net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Basis for qualified opinion on the financial statements

I have qualified my opinion on the financial statements in one respect;

The Departmental Group have not correctly applied the Depreciated Replacement Cost method for valuing its Infrastructure Assets as required by its financial reporting framework. Note 5 of the accounts, Property, Plant and Equipment, shows Infrastructure Assets of £2.72 billion at 31 March 2020 and of £2.73 billion at 31 March 2019. I am unable to obtain sufficient appropriate evidence that the value of Property, Plant and Equipment in the Statement of Financial Position at 31 March 2020 and 31 March 2019 is free from material misstatement. I am unable to quantify the impact on the financial statements because the Departmental Group has not obtained a professional Depreciated Replacement Cost valuation as is required for an accurate valuation under the financial reporting framework. However, based on the evidence obtained I consider the impact could be material.

My report includes further details of the matters leading to my qualified opinion on this matter.

Emphasis of matter- material uncertainty regarding land and buildings valuation

Without qualifying my opinion, I draw attention to the disclosures in Notes 1.6 and 1.8 to the financial statements in relation to the valuation of the land and buildings owned by the Department and the Departmental Group. As set out in these notes, the COVID-19 global pandemic had a significant impact on market activity in many sectors in the period before and after 31 March 2020. The professional valuations undertaken on these assets include 'material uncertainty' clauses in line with guidance from the Royal Institution of Chartered Surveyors (RICS). This means that a higher degree of caution, and therefore less certainty, should be attached to the valuation of these assets than would normally be the case. The assets affected by this uncertainty form the majority of the assets classified as land, buildings excluding dwellings and dwellings within Note 5.1 and all assets that are classified as heritage assets as per Note 5.2.

Opinion on regularity

In my opinion, in all material respects;

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and

- 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 of opinions

I have conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 2016. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit and 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where;

- the Department's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Department have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Department's abilitiy to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA's (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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and Department's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

- conclude on the appropriateness of the Department’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department’s and Departmental group’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the group to cease to continue as a going concern.

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.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Performance Report and Accountability Report described in that report as having been audited, the financial statements and my auditor’s report thereon. My opinion on the financial statements does not cover the other information and 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, 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 parts of the Performance Report and Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;

- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and

- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect solely of the absence of accounting records held by the Department to support the proper application of depreciated replacement cost valuation method for infrastructure assets held described above:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit.

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

- the financial statements and the parts of the Performance Report and Accountability Report to be audited are not in agreement with the accounting records and returns; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

Gareth Davies 14 December 2020
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

The Report of the Comptroller and Auditor General to the House of Commons

Introduction

1 The Department for Environment, Food and Rural Affairs (the Department) is responsible for developing and implementing policy which safeguards the natural environment, supports the UK food and farming industry, and sustains the rural economy. The Environment Agency (EA), part of the Departmental group, is the leading public body for protecting and improving the environment in England. EA has responsibilities for flood and coastal erosion risk management, waste management and pollution incidents, reducing industry's impact on the environment, cleaning up rivers, coastal waters and contaminated land, and improving wildlife habitats.

2 In this report I explain:

- my qualified audit opinion on the Departmental Group accounts in relation to the valuation of the infrastructure assets held within the Agency, consolidated into the Departmental Group;
- the judgements in support of my unqualified opinion regarding the regularity of EU Disallowance payments made in 2019–20; and,
- the judgements in support of my unqualified opinion regarding the breach of HM Treasury spending controls.

Qualification with regards to the valuation of infrastructure assets

Introduction

3 EA uses operational assets to manage flood and coastal erosion risks, referred to as infrastructure assets in Note 5 of the Departmental Group financial statements. These assets typically include barriers, pumping stations and water monitoring assets, such as telemetry stations and boreholes. EA is required to value these assets in the statement of financial position at Depreciated Replacement Cost (DRC). Note 5 of the Departmental Group financial statements states that the net book value of the Group's tangible assets is £3.58 billion (2018–19: £3.56 billion) which includes infrastructure assets of £2.72 billion (2018–19: £2.73 billion).

4 I have qualified my opinion on the Departmental Group 2019–20 Annual Report and Accounts due to the valuation basis used for its infrastructure assets. This report sets out my reasons for the qualification.

Infrastructure Assets Valuation Methodology

5 Under the HM Treasury Financial Reporting Manual (FReM), entities are required to value their specialised assets at current value in existing use to give a true and fair position of the assets at the reporting date. As described above, the infrastructure assets are specialist in nature and as a result there is no active external market to value these assets. In these circumstances, the only suitable professional valuation

methodology is Depreciated Replacement Cost (DRC) which requires assets to be valued based on building a modern equivalent asset.

6 DRC valuation methods require periodic professional valuations with the use of appropriate indices in intervening years. In their accounting policies, the Departmental Group state that it uses modified historic cost accounting (MHCA) as it considers MHCA a reasonable proxy for Depreciated Replacement Cost (DRC). MHCA involves valuing these assets on a historic cost basis revalued annually using indices.

7 As part of the periodic review of the valuation process, my audit identified that MHCA is not a materially accurate proxy for the DRC valuation required by the financial reporting framework. Therefore, I have not been able to obtain sufficient evidence to conclude that the valuations of infrastructure assets in the 2019–20 financial statements and the corresponding comparative figures are free from material misstatement.

Conclusion on the valuation of infrastructure assets

8 In my opinion, the Departmental Group has not valued its assets in accordance with the HM Treasury's financial reporting requirements as set out in the FReM and this has led me to issue a qualified opinion. My work has not identified issues with the operational management or general condition of the infrastructure assets.

9 Going forward, the Departmental Group has agreed to undertake a DRC valuation of its infrastructure assets. I will continue to monitor progress in this area and will assess the impact of this work on my audit certificate and report in subsequent years.

Unqualified opinion with regards to EU Disallowance payments in 2019–20

Background

10 The Common Agricultural Policy (CAP) is the European Union (EU) framework of agricultural subsidies and rural development programmes. In 2019–20, the Department issued grants of £3.7 billion (2018–19 £3.8 billion) that were funded by the European Commission (the Commission) under the CAP and other EU initiatives. The Department is required to adhere to the CAP framework and is subject to financial penalties where it fails to do so.

11 The UK left the EU on 31 January 2020 and immediately entered an 11 month transition period, during which the UK will remain bound by the EU rules, including those that determine disallowance, as set out in the Withdrawal Agreement. While the Department makes payments from EU funds, the Commission has a right to audit these payments and further disallowance penalties might arise. Although the Basic Payment Scheme (BPS) has now ended, the Rural Development Programme for England payments will run beyond the end of the transition period until the existing multi-year agreements come to an end (last payment expected in 2023).

12 This report sets out my observations on the level of penalties incurred during 2019–20 and how this is reflected in the Department's Annual Report and Accounts. This report also explains my audit opinion on the Department's financial statements.

CAP Regulations and Disallowance

13 The CAP regulations are set by the EU following proposals made by the Commission and agreed by the European Parliament and European Council. The Department's administration of the schemes set out in the CAP regulations is subject to annual audit by the NAO on behalf of the European Commission, as well as audit work by the European Court of Auditors. The Department incurs financial penalties known as disallowance which are levied by the Commission when the audit work performed has found that it has failed to comply with the regulations.

14 Disallowance penalties are determined in light of the Commission's audits of the relevant CAP scheme, taking into account any further evidence provided by the member states in mitigation. As this process to determine the level of penalty can take several years, penalties are not incurred in the financial year of scheme payments. The timing of the Commission's audits and their outcomes determine the level of disallowance in any given year.

Unqualified opinion on regularity – financial penalties arising from the European Commission funded scheme

15 The Department administers the Commission funding for the CAP schemes. When disallowance penalties occur, the Commission reduces its funding for the schemes and the shortfall must be met directly from UK taxpayer funds. This shortfall is a loss to the UK Exchequer, and beyond the authority provided by Parliament for the proper administration of European funding. I therefore consider the use of UK taxpayer funds to pay disallowance penalties irregular.

16 The Department reports disallowance penalties in relation to England and has explained the accounting process in Chapter 3 of their Annual Report. The Department accrues disallowance penalties in its financial statements when either the Commission confirms a penalty or the Department decides not to contest the penalty any further. At this point, the value of disallowance is confirmed and the irregularity therefore becomes certain. On this basis, in determining my regularity opinion, I consider the total value of accrued penalties in the year as irregular.

17 In 2019–20, the value of disallowance penalties accrued in year was £22 million which is 0.6 percent of the £3.7 billion of scheme expenditure (2018–19: £9.8 million, 0.2 percent of £3.8 billion scheme expenditure). I consider this immaterial in the context of the Department's gross expenditure of £8.2 billion. I have therefore issued an unqualified opinion on the regularity of the Department's 2019–20 financial statements.

18 The value of disallowance penalties confirmed in year can vary significantly and is dependent on internal factors including the effectiveness of the Department's control environment and external elements such as the status of Commission audits and the finalisation of their findings. The external elements can take significant time to complete and this gives rise to variability in the year-on-year value of penalties recognised.

Provisions and Contingent Liabilities for financial penalties arising from the European Commission funded scheme

19 The Department recognises a provision for the estimated liability where the Commission's audit has concluded but the Department does not agree with the conclusion reached and therefore contests the penalty. As the value of the penalty the Department would incur if it loses is known, the amount of disallowance can be quantified. The Department discloses the disallowance provision in Note 14, with a provision balance as at 31 March 2020 of £647.5 million (31 March 2019: £23 million). The main increase in the provision in 2019–20 is due to the EC concluding its audit on 3 years' worth of BPS payments which is the largest CAP Scheme. Details of these schemes are provided on page 51. For those amounts provided for there is no current loss to the public purse and due to the uncertainty over whether these penalties will crystallise, I do not consider them alongside confirmed penalties when forming my regularity opinion.

20 The Department also discloses a contingent liability in Note 16 in respect of Commission audits which have not yet concluded. This is appropriate as the Department cannot predict Commission findings or reliably quantify the value of any disallowance penalties until the audit has concluded. Potential liabilities in respect of Commission audits yet to take place are reported within remote contingent liability disclosures. The Department has highlighted the current status of disallowance penalties, including those schemes that remain subject to potential Commission audits and future disallowance, on pages 51 to 55.

Conclusion on Disallowance penalties

21 Disallowance penalties accrued in year represent a loss to the UK Exchequer and are irregular. I do not, however, consider that the value of disallowance penalties accrued in 2019–20 is material in the context of the Department's financial statements.

22 Managing disallowance continues to be a significant challenge for the Department, and successfully managing the CAP scheme to ensure it reduces the level of penalties must remain a priority. Whilst the UK left the EU on 31 January 2020, the Department will continue to make payments from EU funds under Pillar 2 of the 2014-2020 CAP until multi-year scheme agreements come to an end. Commission audits may take several years and negotiations with the Commission over penalties can also take many years to conclude. Therefore, the Department might continue to incur disallowance penalties in subsequent periods.

23 I shall continue to monitor the Department's performance in managing disallowance risk and the level of disallowance penalties confirmed going forward in order to assess the impact on my regularity opinion in subsequent periods.

Unqualified opinion with regards to the breach of HM Treasury spending controls

Background

24 Whilst the total resources made available to government departments are authorised by the Supply and Appropriation Act, HM Treasury sets further restrictions on the use of funds through the settlement letters to each department. An HM Treasury settlement letter can set a series of restrictions on the use of expenditure for specific purposes, which departments may not exceed.

25 HM Treasury's Departmental settlement letter authorised a non-ringfenced Resource Departmental Expenditure Limit for the Department of £1,365 million. Against this limit the Department has incurred actual expenditure of £1,374 million, breaching the authorised limit by £9 million as shown in SoPS 1.1 and Chapter 3 of the annual report.

Cause of the breach

26 My audit identified material errors in a number of areas of the financial statements, which required the Department to make adjustments. These adjustments, made after the year end, resulted in HM Treasury's spending limits being exceeded. These errors relate to issues within financial control environment as set out in the Defra Governance Statement. This has undermined the Department's ability to accurately forecast its resource expenditure for the year and hence its ability to remain within HM Treasury's spending limits.

Conclusion on the breach of HMT spending controls

27 The Department requested HM Treasury approval to remove the ringfencing from four different ringfenced funds to allow it to regularise its non-ringfenced expenditure total. However, this request was refused. Therefore, I consider the £9 million spending in excess of the authorised limit to be irregular. Due to the low value of the breach which arose from audit adjustments, and the fact that Parliamentary control totals were not exceeded, I have not qualified my regularity opinion.

Gareth Davies 14 December 2020
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria,
London
SW1W 9SP

Financial Statements

The Government Financial Reporting Manual requires that the department prepares financial statements and related disclosures in accordance with International Financial Reporting Standards and the Companies Acts 2006. The notes to the financial statements provide additional detail to users on the accounting policies of the entity and the numbers included in the core financial statements. They are only included where additional information is material, i.e. where its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. The 2018–19 comparatives have been restated.

Consolidated Statement of Comprehensive Net Expenditure (SoCNE)

For the year ended 31 March 2020

This account summarises the income and expenditure generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

for the year ended 31 March 2020			**2019-20**		Restated 2018-19
	Note/Ref	**Core Department and Agencies**	**Defra Group**	Core Department and Agencies	Defra Group
		£000	**£000**	£000	£000
Revenue from contracts with customers	4.1	(127,157)	(793,812)	(131,264)	(809,205)
Other operating income	4.2	(3,715,755)	(3,966,776)	(3,850,540)	(4,026,498)
Total income		**(3,842,912)**	**(4,760,588)**	(3,981,804)	(4,835,703)
Staff costs	3.1	631,952	1,191,735	505,687	1,036,700
Other costs	3.1	559,596	1,437,427	509,485	1,418,171
Non cash items	3.2	760,978	1,256,347	(352,878)	(17,266)
Grants and subsidies	3.3	5,233,583	4,311,302	5,272,712	4,364,275
Total operating costs		**7,186,109**	**8,196,811**	5,935,006	6,801,880
Net operating costs		**3,343,197**	**3,436,223**	1,953,202	1,966,177
Net expenditure		**3,343,197**	**3,436,223**	1,953,202	1,966,177
Items that will not be reclassified to net operating costs					
Net (gain)/loss on					
Revaluation of PPE	SoCTE	1,097	(55,120)	(13,567)	(68,397)
Charitable funds revaluation	SoCTE	-	8,659	-	(6,681)
Revaluation of intangibles	SoCTE	(3,307)	(14,436)	(4,052)	(4,601)
Revaluation of euro receivable	SoCTE	(15)	(15)	(115)	(115)
Pension actuarial movements	15	(15,389)	(633,393)	(21,031)	132,210
Changes in the fair value of equity investments at fair value through OCE	SoCTE	(94)	(94)	-	-
Items that may be reclassified subsequently to net operating costs					
Net (gain)/loss on					
Revaluation of investments		-	(10)	(50)	(79)
Revaluation of hedging instruments		7,812	7,812	1,695	1,695
Total comprehensive net expenditure for the year		**3,333,301**	**2,749,626**	1,916,082	2,020,209

EU funding for the department totalling £3,723 million (2019–19, £3,871 million) is included within income totals. Further details can be found in Note 4.

Flood Re pays corporation tax. The charge included in other costs in the SoCNE was £12 million (2018–19 £26 million).

The notes on pages 134–195 form part of these accounts.

Consolidated Statement of Financial Position

As at 31 March 2020

This statement presents the financial position of Defra. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity

as at 31 March 2020

	Note/Ref	31 March 2020 Core Department and Agencies £000	31 March 2020 Defra Group £000	Restated 31 March 2019 Core Department and Agencies £000	Restated 31 March 2019 Defra Group £000
Non-current assets					
Property, plant and equipment	5.1	397,267	3,581,454	437,370	3,556,239
Right of use assets		1,504	1,504	612	612
Investment properties		550	5,545	500	4,286
Heritage assets	5.2	-	275,997	-	283,239
Agricultural assets		-	167	-	208
Intangible assets	6	167,395	306,473	142,288	267,660
Investments		43,298	43,332	20,623	20,603
Investment in Associate		6,670	6,670	6,670	6,670
Receivables and contract assets falling due after more than one year	11	750	775	772	1,036
Total non-current assets		**617,434**	**4,221,917**	608,835	4,140,553
Current assets					
Assets classified as held for sale		501	12,469	3,251	20,722
Inventories		5,522	6,853	3,577	4,892
Other financial assets	11	11,352	11,352	25,818	25,818
Trade, other receivables and contract assets	11	999,867	1,161,987	873,836	1,010,605
Cash and cash equivalents	10	625,796	1,332,900	636,351	1,181,590
Total current assets		**1,643,038**	**2,525,561**	1,542,833	2,243,627
Total assets		**2,260,472**	**6,747,478**	2,151,668	6,384,180
Current liabilities					
Trade, other payables and contract liabilities	12	(1,417,071)	(1,860,098)	(1,413,871)	(1,845,961)
Provisions	14.2	(676,338)	(789,531)	(32,825)	(59,219)
Net pension liability		(52,855)	(52,870)	(55,865)	(55,880)
Other financial liabilities	12	(13,166)	(13,166)	(2,583)	(2,583)
Total current liabilities		**(2,159,430)**	**(2,715,665)**	(1,505,144)	(1,963,643)
Non-current assets plus/less net current assets/liabilities		**101,042**	**4,031,813**	646,524	4,420,537
Non-current liabilities					
Provisions	14.2	(382,207)	(457,375)	(341,289)	(348,642)
Net pension liability		(271,729)	(422,041)	(338,232)	(1,012,216)
Other payables and contract liabilities	12	(131,220)	(132,619)	(127,851)	(129,687)
Other financial liabilities	12	-	(141,606)	-	(141,606)
Total non-current liabilities		**(785,156)**	**(1,153,641)**	(807,372)	(1,632,151)
Assets less liabilities		**(684,114)**	**2,878,172**	(160,848)	2,788,386
Taxpayers' equity and other reserves					
General Fund	SoCTE	(831,300)	530,074	(327,299)	409,406
Revaluation reserve	SoCTE	148,556	2,098,469	160,009	2,121,702
Hedging reserve	SoCTE	(1,370)	(1,370)	6,442	6,442
Charitable funds - restricted funds	SoCTE	-	86,834	-	75,790
Charitable funds - unrestricted funds*	SoCTE	-	164,165	-	175,046
Total equity		**(684,114)**	**2,878,172**	(160,848)	2,788,386

*The unrestricted charitable funds figure includes Royal Botanic Gardens Kew (RBG Kew) and National Forest Company's (NFC) revaluation reserves totalling £116.5 million (2018–19, £128.4 million (restated)).

The notes on pages 134–195 form part of these accounts.

Tamara Finkelstein 11 December 2020

Accounting Officer for the Department for Environment, Food and Rural Affairs

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

This statement shows the changes in cash and cash equivalents of Defra during the reporting period. It shows how Defra generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to Defra's future public service delivery. Cash flows arising from financing activities include parliamentary supply and other cash flows, including borrowing.

for the year ended 31 March 2020			2019-20		Restated 2018-19
	Note/Ref	Core Department and Agencies	Defra Group	Core Department and Agencies	Defra Group
		£000	£000	£000	£000
Cash flows from operating activities					
Net operating costs	SoCNE	(3,343,197)	(3,436,223)	(1,953,202)	(1,966,177)
Adjust for non cash transactions		762,658	1,258,061	(351,957)	(16,381)
(Increase)/decrease in trade and other receivables excluding derivatives		(125,994)	(151,106)	(286,208)	(260,539)
less movements in receivables relating to items not passing through the SoCNE		(15)	(15)	45	45
Adjustments for derivative financial instruments		24,241	24,241	(9,793)	(9,793)
(Increase) / decrease in inventories		(1,945)	(1,961)	8,617	8,465
Increase / (decrease) in trade payables and other liabilities excluding derivatives		6,569	17,069	(58,589)	(94,245)
less movements in payables relating to items not passing through the SoCNE		30,505	29,983	79,473	59,820
Use of provisions / pension liabilities		(71,009)	(136,434)	(66,912)	(127,983)
Net cash outflow from operating activites		**(2,718,187)**	**(2,396,385)**	(2,638,526)	(2,406,788)
Cash flows from investing activities					
Purchase of PPE, heritage and agricultural assets		(37,390)	(178,159)	(39,355)	(149,605)
Purchase of intangible assets		(46,849)	(74,457)	(32,007)	(52,918)
Purchase / repayment of financial assets		(29,629)	(29,629)	1,305	1,305
Proceeds of disposal of PPE, heritage and agricultural assets		1,725	11,605	967	4,011
Repayments from other bodies		44	-	44	-
Net cash outflow from investing activities		**(112,099)**	**(270,640)**	(69,046)	(197,207)
Cash flows from financing activities					
From Consolidated Fund (supply): current year	SoCTE	2,820,681	2,820,681	2,625,372	2,625,372
Advances from Contingencies Fund		2,500,000	2,500,000	2,300,000	2,300,000
Repayments to Contingencies Fund		(2,500,000)	(2,500,000)	(2,300,000)	(2,300,000)
Capital element in respect of service concession arrangements and finance leases and non balance sheet PFI contracts		(500)	(1,861)	(539)	(575)
Funding (to) / from other bodies		(2)	(37)	(1)	22
Net financing		**2,820,179**	**2,818,783**	2,624,832	2,624,819
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(10,107)	151,758	(82,740)	20,824
Payments of amounts due to the Consolidated Fund		(448)	(448)	(1,623)	(1,623)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(10,555)	151,310	(84,363)	19,201
Cash and cash equivalents at the beginning of the period	10	**636,351**	**1,181,590**	720,714	1,162,389
Cash and cash equivalents at the end of the period	10	**625,796**	**1,332,900**	636,351	1,181,590

The notes on pages 134–195 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

This statement shows the movement in the year on the different reserves held by Defra. The General Fund reflects financing and balances from the provision of services, i.e. it reflects the contribution from the Consolidated Fund. The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure. Other specific reserves are shown separately where there are statutory restrictions of their use. The hedging reserve recognises the effective portion of changes in the fair value of Rural Payments Agency's foreign currency derivatives that are designated and qualify as cash flow hedges. Charitable funds represent the fair value of donations, including revaluation, given to RBG Kew and NFC. Unrestricted reserves are those donations that have no restrictions on their use, or income flow.

For the year ended 31 March 2020

Defra Group

								2019-20
	Note/Ref	General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019		409,406	2,121,702	6,442	2,537,550	75,790	175,046	2,788,386
Net parliamentary funding - drawn down	SoCF	2,820,681	-	-	2,820,681			2,820,681
Net parliamentary funding - deemed		636,351	-	-	636,351			636,351
Funding (to)/ from other bodies		(37)	-	-	(37)			(37)
Supply (payable) adjustment		(625,796)	-	-	(625,796)			(625,796)
CFER Income Payable to the Consolidated Fund	SoPS 4	(448)	-	-	(448)			(448)
Net operating costs for the year	SoCNE	(3,445,045)	-	-	(3,445,045)	11,044	(2,222)	(3,436,223)
Non-cash adjustments								
Non-cash charges-auditors' remuneration	3.2	1,161	-	-	1,161			1,161
Movement in reserves								
Recognised in other comprehensive expenditure:								
Revaluation of PPE	OCE	-	55,120	-	55,120			55,120
Charitable funds revaluation	OCE	-	-	-	-	-	(8,659)	(8,659)
Revaluation of intangibles	OCE	-	14,436	-	14,436			14,436
Revaluation of investments	OCE	-	104	-	104			104
Revaluation of Euro receivable	OCE	-	15	-	15			15
Pension actuarial movements	OCE	633,393	-	-	633,393			633,393
Revaluation/impairments - hedging reserve		-	-	89,323	89,323			89,323
Contributions in respect of unfunded benefits		7,500	-	-	7,500			7,500
Release of reserves to SoCNE		-	-	(95,811)	(95,811)	-	-	(95,811)
Transfers between reserves		92,908	(92,908)	-	-	-	-	-
Other movements in reserves		-	-	(1,324)	(1,324)			(1,324)
Balance at 31 March 2020		**530,074**	**2,098,469**	**(1,370)**	**2,627,173**	**86,834**	**164,165**	**2,878,172**

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2019

Defra Group

	Note/Ref	General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Restated 2018-19 Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2018		(265,936)	2,117,229	8,746	1,860,039	63,705	167,173	2,090,917
IFRS 9 Carrying amount adjustment		769		(609)	160			160
Adjusted Opening balancet 1 April 2018		(265,167)	2,117,229	8,137	1,860,199	63,705	167,173	2,091,077
Net parliamentary funding - drawn down	SoCF	2,625,372	-	-	2,625,372	-	-	2,625,372
Net parliamentary funding - deemed		720,714	-	-	720,714	-	-	720,714
Funding to/from other bodies		22	-	-	22	-	-	22
Supply (payable) adjustment		(636,351)	-	-	(636,351)	-	-	(636,351)
CFER Income Payable to the Consolidated Fund	SoPS 4	(1,623)	-	-	(1,623)	-	-	(1,623)
Net operating costs for the year	SoCNE	(1,979,385)	-	-	(1,979,385)	12,085	1,123	(1,966,177)
Non cash adjustments								
Non cash charges-auditors' remuneration	3.2	1,083	-	-	1,083	-	-	1,083
Movement in reserves								
Recognised in other comprehensive expenditure:								
Revaluation of PPE	OCE	-	68,397	-	68,397	-	-	68,397
Charitable funds revaluation	OCE	-	-	-	-	-	6,681	6,681
Revaluation of intangibles	OCE	-	4,601	-	4,601	-	-	4,601
Revaluation of investments	OCE	-	79	-	79	-	-	79
Revaluation of Euro receivable	OCE	-	115	-	115	-	-	115
Pension actuarial loss	OCE	(132,210)	-	-	(132,210)	-	-	(132,210)
Revaluation/impairments - hedging reserve		-	-	37,789	37,789	-	-	37,789
Contributions in respect of unfunded benefits		8,300	-	-	8,300	-	-	8,300
Release of reserves to SoCNE		-	-	(41,212)	(41,212)	-	-	(41,212)
Transfers between reserves		68,650	(68,719)	-	(69)	-	69	-
Other movements in reserves		-	-	1,728	1,728	-	-	1,728
Non-operating General Fund movements		1	-	-	1	-	-	1
Balance at 31 March 2019		409,406	2,121,702	6,442	2,537,550	75,790	175,046	2,788,386

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

Core Department and Agencies

	Note/Ref	General Fund £000	Revaluation Reserve £000	Hedging Reserve £000	Taxpayers' Equity £000	Charitable Funds - Restricted/ Endowment £000	Charitable Funds - Unrestricted £000	Total Reserves £000 (2019-20)
Balance at 1 April 2019		(327,299)	160,009	6,442	(160,848)	-	-	(160,848)
Net parliamentary funding - drawn down	SoCF	2,820,681	-	-	2,820,681	-	-	2,820,681
Net parliamentary funding - deemed		636,351	-	-	636,351	-	-	636,351
Funding (to)/ from other bodies		(2)	-	-	(2)	-	-	(2)
Supply (payable) adjustment		(625,796)	-	-	(625,796)	-	-	(625,796)
CFER Income Payable to the Consolidated Fund		(448)	-	-	(448)	-	-	(448)
Net operating costs for the year	SoCNE	(3,343,197)	-	-	(3,343,197)	-	-	(3,343,197)
Non-cash adjustments								
Non-cash charges-auditors' remuneration	3.2	1,161	-	-	1,161	-	-	1,161
Notional recharges and other non cash items	3.2	(29,412)	-	-	(29,412)	-	-	(29,412)
Movement in reserves								
Recognised in other comprehensive expenditure:								
Revaluation of PPE	OCE	-	(1,097)	-	(1,097)	-	-	(1,097)
Revaluation of intangibles	OCE	-	3,307	-	3,307	-	-	3,307
Revaluation of investments	OCE	-	94	-	94	-	-	94
Revaluation of Euro receivable	OCE	-	15	-	15	-	-	15
Pension actuarial movements	OCE	15,389	-	-	15,389	-	-	15,389
Revaluation/impairments - hedging reserve		-	-	89,323	89,323	-	-	89,323
Contributions in respect of unfunded benefits		7,500	-	-	7,500	-	-	7,500
Release of reserves to SoCNE		-	-	(95,811)	(95,811)	-	-	(95,811)
Transfers between reserves		13,772	(13,772)	-	-	-	-	-
Other movements in reserves		-	-	(1,324)	(1,324)	-	-	(1,324)
Balance at 31 March 2020		**(831,300)**	**148,556**	**(1,370)**	**(684,114)**	**-**	**-**	**(684,114)**

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2019

Core Department and Agencies

	Note/Ref	General Fund £000	Revaluation Reserve £000	Hedging Reserve £000	Taxpayers' Equity £000	Charitable Funds - Restricted/ Endowment £000	Charitable Funds - Unrestricted £000	Restated 2018-19 Total Reserves £000
Balance as at 31 March 2018		(1,105,622)	162,907	8,746	(933,969)	-	-	(933,969)
IFRS 15 Carrying amount adjustment		-			-			-
IFRS 9 Carrying amount adjustment		769		(609)	160			160
Adjusted Opening balancet 1 April 2018		(1,104,853)	162,907	8,137	(933,809)	-	-	(933,809)
Net parliamentary funding - drawn down	SoCF	2,625,372	-	-	2,625,372	-	-	2,625,372
Net parliamentary funding - deemed		720,714	-	-	720,714	-	-	720,714
Funding to/from other bodies		(1)	-	-	(1)	-	-	(1)
Supply (payable) adjustment		(636,351)	-	-	(636,351)	-	-	(636,351)
CFER Income Payable to the Consolidated Fund	SoPS 4	(1,623)	-	-	(1,623)	-	-	(1,623)
Net operating costs for the year	SoCNE	(1,953,202)	-	-	(1,953,202)	-	-	(1,953,202)
Non cash adjustments								
Non cash charges-auditors' remuneration	3.2	1,083	-	-	1,083	-	-	1,083
Notional recharges and other non cash items	3.2	(28,451)	-	-	(28,451)	-	-	(28,451)
Movement in reserves								
Recognised in other comprehensive expenditure:								
Revaluation of PPE	OCE	-	13,567	-	13,567	-	-	13,567
Revaluation of intangibles	OCE	-	4,052	-	4,052	-	-	4,052
Revaluation of investments	OCE	-	50	-	50	-	-	50
Revaluation of Euro receivable	OCE	-	115	-	115	-	-	115
Pension actuarial loss	OCE	21,031	-	-	21,031	-	-	21,031
Revaluation/impairments - hedging reserve		-	-	37,789	37,789	-	-	37,789
Contributions in respect of unfunded benefits		8,300	-	-	8,300	-	-	8,300
Release of reserves to SoCNE		-	-	(41,212)	(41,212)	-	-	(41,212)
Transfers between reserves		20,682	(20,682)	-	-	-	-	-
Other movements in reserves		-	-	1,728	1,728	-	-	1,728
Balance at 31 March 2019		(327,299)	160,009	6,442	(160,848)	-	-	(160,848)

The notes on pages 134–195 form part of these accounts.

Notes to the Departmental Accounts

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2019–20 Government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions issued by the Secretary of State for the Environment, Food and Rural Affairs.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, a judgement has been made to select the most appropriate policy to suit the particular circumstances of the department, for the purpose of giving a true and fair view. The department's accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

1.1 Significant Judgements and Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events and actions. Where appropriate, the relevant notes to the accounts provide further detail on estimation techniques.

Details of significant judgements and estimation techniques that management have made in the process of applying the department's accounting policies are:

- The point at which it appropriate to recognise revenue in the SOCNE is subject to judgement. Further details can be found in the following notes;
    - Basic Payment Scheme (BPS) (see Note 1.5.1),
    - Rural Development Programme for England (RDPE) expenditure (see Note 1.5.2),
    - and Note 4.2 – Income – Analysis of Operating Income.

- Determining the recognition points and measurement basis for disallowance penalties (see Note 14.3);

- Where it is expected that charging income will break even over a reasonable period of time the Environment Agency (EA) allow for accrued and deferred income, and contract assets/liabilities within Trade Payables and Receivables (see Note 1.12);

- Judgements are used to assess the expected timing for the Satisfaction of performance obligations, and determination of transaction prices per IFRS 15 (see Note 1.12);

- The classification of expenditure in the Environment Agency (EA) between property, plant and equipment and capital works expensed in year (see Note 1.15);

- Flood Re's liability arising from claims made under insurance contracts can fluctuate between year and requires an estimate of the values remaining unclaimed from events and the estimation of a provision where there is uncertainty in relation to the value (see Notes 1.15 and 1.20);

- Rural Payment Agency (RPA) use of derivative financial instruments and hedging techniques (see Notes 1.17.3 and 1.18) require assessments in relation to the timing of recognition, subsequent remeasurement at each financial year end and the calculation of any exchange rate fluctuations;

- Provisions including those for abandoned metal mines. See Note 14.2 for details of assumptions underpinning the discount rate and inflation rate used in related calculations. Note 14.4 highlights the uncertainties regarding the value and timing of insurance liabilities. Note 14.5 discusses the significant uncertainties regarding the costs and timeframe of the Abandoned Metal Mines Provision. Similarly, Note 14.6, covering the Foot and Mouth Disease Burial Sites Provision, highlights significant uncertainties as to the time period over which conditions for managing environmental risks will continue at FMD Burial Sites.

- The valuation of Property, Plant and Equipment, including the Weybridge site occupied by APHA, requires professional valuers to make assessments which affect the value including the estimation of useful expected lives (see Note 1.6.1).

- The use of a modified historic cost as a proxy for depreciated replacement cost, which is the EA's policy for the valuation of infrastructure assets.

- The impairment of property, plant and equipment and intangible assets (Note 7).

- Pension liabilities (see Note 1.19 and Note 15). Independent and qualified actuaries assess the specific factors that influence the pension fund position, such as life expectancy and age of scheme members, prevailing interest and inflation rates, and projected returns on invested funds where applicable.

- IFRS 9 business model assessment and calculation of Expected Credit Losses, including the estimation of the impact of future events (see Note 9).

- Employment Legislation (IR35), introduced in April 2017, requires public sector bodies to assess off-payroll workers employment status for tax and makes them liable for ensuring the correct tax is applied. We use HM Revenue and Customs' own Check of Employment Status for Tax tool (CEST) and accompanying guidance to make those assessments. During 2019–20, internal checks and additional HM Revenue and Customs guidance highlighted inaccuracies in the historic assessment of some contractors' employment status. We have reassessed the IR35 status of current contractors under the revised guidance and used the results to estimate a potential liability for additional tax the department may incur as and when compliance audit work underway with HM Revenue and Customs is concluded (See Note 14.7).

- The COVID-19 pandemic has resulted in the need to make judgements in relation to the values of assets due to market related uncertainty. (See Notes 1.6.1,1.8, 5 and 5.2)

1.2 Accounting Convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified where materially significant to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

1.3 Going Concern

In common with other government departments, the future financing of Defra's liabilities is to be met by future grants of supply and the application of future income approved annually by Parliament. Approval for amounts is due to be given before the parliamentary recess and there is no reason to believe that future approvals will not be made. After EU exit, under the Withdrawal Agreement, the UK will continue to participate in programmes funded under the current 2014–2020 Multiannual Financial Framework (MFF) until their closure. This means that the vast majority of programmes will continue to receive EU funding across the programme's lifetime. The UK Government has guaranteed the small number of Rural Development Programme project payments not covered by the Withdrawal Agreement, where funding has been agreed before the end of 2020. On 30 December 2019 the Chancellor announced £1,843 million of funding for England across financial years 2020–21 and 2021–22 for Direct Payments for 2020. This replaces funding from the EU and will allow the funding for Direct Payments for 2020 to continue at the same level as 2019. See Chapter 6 for more details. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The Covid-19 pandemic has not changed the going concern status of any of Defra's ALBs or as Defra as a department.

1.4 Basis of Consolidation

These accounts comprise a consolidation of the core department, executive agencies and those other delivery bodies which fall within the departmental boundary, and transactions between entities within the consolidation are eliminated.

IFRS 10 as adapted by the FReM results in the criteria used by the Office for National Statistics (ONS) in determining control by the parent over the subsidiary; as such the departmental boundary defines the Defra group in a manner similar to the group concept under generally accepted accounting practice. Note 19 provides for a list of delivery bodies within the boundary, and the Forestry Commission (FC) is consolidated in the results for the core department and executive agencies, and Flood Re is fully consolidated into the group results pending confirmation of ONS status.

1.5 Scheme Costs and Grants

1.5.1 Rural Payments Agency (RPA) Reported Income and Expenditure

BPS expenditure for England is managed by the RPA on behalf of Defra. Defra has no managing authority status for BPS and consequently expenditure and associated European Commission (the Commission) income is recognised in RPA's ARA. Generally expenditure, is recognised when RPA has a present obligation to make payments to claimants as a result of the completion of all substantive processes to validate each claim against Commission rules for the schemes, with the amount payable being reliably measurable and probable. BPS income for England is recognised by RPA when it is probable that it will receive a reimbursement from the Commission for scheme expenditure incurred and the amount to be received from the Commission is considered reliably measurable. These conditions are deemed to be met at the point that the related scheme expenditure is recognised, that is, upon the completion of all substantive processes to validate and reliably measure each claim.

Other UK paying agencies make payments to claimants under both the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development. The payments made by the other UK paying agencies are funded by RPA and subsequently recovered by RPA from the Commission.

Scheme expenditure in relation to funding provided by RPA is recognised when RPA has a present obligation to make 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 amounts unspent by the paying agencies at period end.

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

Details of scheme expenditure classed separately as current grants for BPS, RDPE and Other Paying Agencies are to be found in Note 3.3. Corresponding details for scheme income is detailed in Note 4.1, under EU Funding.

1.5.2 RDPE Scheme Income and Expenditure

Payments under RDPE are made by RPA on behalf of Defra and FC. Defra’s status as managing authority for RDPE conveys the risks and rewards associated with budget responsibility and consequently RDPE expenditure and associated Commission income is recognised in the core department. Defra delegates authority to RPA to administer certain elements of RDPE, including validation and payments of eligible claims as authorised by Natural England (NE) and RPA. Expenditure for capital payments is generally recognised at the point the claims are received, given this is the point at which Defra is deemed to have a present obligation where the amount payable can be reliably measured. Expenditure for agri-environment scheme revenue agreements is recognised on the anniversary of the agreement start date, when it is deemed that contractual obligations have been met. Commission income is recognised at the same time as the EU element of the expenditure is recognised.

1.6 Property, Plant and Equipment

1.6.1 Recognition and Valuation

With the exception of EA’s operational assets (see below), freehold land and buildings are subject to professional valuation at no more than five yearly intervals. These are carried out by professionally qualified independent valuers, who adhere to the principles outlined in the Royal Institution of Chartered Surveyors Red Book. The most recent valuation at the core department was completed in March 2020 by Montagu Evans, under the guidance of a qualified director in their valuation department. This included the valuation of the Weybridge site. The next valuation at the core department will be in March 2025. Full external professional valuation exercises were also completed at both EA and NE in March 2016.

Land and buildings are stated at fair value, which is either depreciated replacement cost, open market value or existing use value. Non-specialised properties are stated at existing use value.

Land and property assets are revalued at least every five years from the anniversary of their initial recognition in accordance with FReM requirements. Between valuations, the department updates asset values through the application of appropriate indices. The selection and application of indices represents a key judgement, and there is a risk that this could result in different values in the intervening years compared to a full valuation if these had been undertaken each year.

The asset valuation exercise for the Corporate Estates, including the Animal and Plant Health Agency (APHA) and administrative buildings, was carried out in March 2020 with a valuation date of 31 March 2020. In applying the Royal Institution of Chartered Surveyors (RICS) Red Book Global Valuation Global Standards 2020, the valuer has declared a ‘material valuation uncertainty’ in the valuation report due to the Coronavirus pandemic. It advises that "less certainty and a higher degree of caution should be attached to valuation than would normally be the case". The professional valuer has also drawn management’s attention to the fact that the ongoing Coronavirus outbreak introduces significant uncertainty in relation to many factors that have historically acted as drivers for property market activity. Whilst value movements will most likely be negative on Market Value calculations, the valuers also suspect increasing build costs resulting from prevailing market restrictions (including movement of labour) will likely lead to increasing values of specialised assets valued under Depreciated Replacement Costs (DRC) over the coming period.

A number of other bodies within the group hold assets which have been subject to ‘desktop valuations’. Where this is the case a ‘material uncertainty’ clause has been disclosed in the individual bodies ARA’s and assurance has been provided that the valuations represent fair value given the information available at the reporting date.

However, for the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration does not mean that the valuation cannot be relied upon to provide the fair value of the land and buildings, based on the best information available at the present time and management considers that the valuation provided is an appropriate basis on which to determine the fair value at the date of reporting.

A revaluation of the EA’s freehold land and buildings was carried out in March 2016 by professional valuers, with the next revaluation exercise being undertaken in 2021. In the intervening years, the assets have been revalued annually using suitable indices. Management considers that the value of assets held in the consolidated accounts is not significantly different to their market value at 31 March 2020. The impact of the pandemic will continue to be monitored as evidence becomes available.

EA uses operational assets to deliver its environmental outcomes. These assets are often relatively unique in nature and function. Typically, these assets include flood risk management works, such as barriers, pumping stations and flood risk management landholdings, and water resource assets, such as locks, weirs, sluices, gauging stations, pipelines and tunnels. The FReM requires these assets to be accounted for in the statement of financial position at their Depreciated Replacement Cost. Due to the enormous logistical and technical challenge as well as substantial expenditure that would be required to obtain replacement cost professional valuations for over 8,000 operational assets, Environment

Agency uses a Modified Historic Cost method as a proxy for Depreciated Replacement Cost. This means that an appropriate annual cost inflation index is used to revalue the gross book value of these assets each year. The Agency is considering a new approach to better deliver the Depreciated Replacement Cost policy required by the FReM, and expects this approach to be in place in the 2021–22 financial year.

The specialist science estate operated by APHA is valued using the depreciated replacement cost method taking into account the expected construction costs to rebuild equivalent assets.

In accordance with IFRS 13, Fair Value Measurement, non-property tangible assets are generally carried at fair value. However, where assets have short useful lives or low values, they are stated at depreciated historic cost as a proxy for fair value. Fair value for non-current assets held for their service potential is current value in existing use.

Minimum levels of capitalisation within the departmental boundary are generally in the ranges of £2,000–£10,000 although, for all land at EA, no de minimis threshold is in force. Capitalisation thresholds vary, as these are set within reference to the nature and complexity of assets and related projects at each entity.

1.6.2 Operating Leases and Lease Breaks

Defra holds operating leases with landlords for rented properties. The expense is recognised in the Statement of Comprehensive Net Expenditure (SoCNE) on a straight line basis over the length of the lease. The future commitment for the leases is shown in the Operating Lease disclosure at Note 8.2.1. Government spending controls and national property controls guidelines advise that lease breaks should be exercised upon expiry, unless a business case for retention is approved by the Minister for the Cabinet Office. Financial commitments are therefore recognised to the first break or lease end, whichever is sooner. If, however, the evidence suggests that it is unlikely individual lease breaks will be exercised, the commitment is until the end of the lease.

Where Defra hold the lease, the costs are recharged through allocation of floor space back to tenants. For bodies that are within Defra group the floor spaces are signed off by delivery body finance directors after consultation with their operational businesses, and recharged back notionally. For any other government departments and external tenants, the costs are hard charged through invoicing.

Income received from subtenants is also recognised on a straight-line basis over the term of the sub lease arrangement, with the rent received being recognised in the SoCNE for the period occupied in year.

1.7 Assets Under Construction

Assets under construction are shown at accumulated cost with depreciation commencing when the asset is completed and brought into service. Costs are regularly reviewed to ensure only costs directly associated with the creation of the ultimate asset are included in the balances.

1.8 Heritage Assets

Natural England fulfils a stewardship role in respect of National Nature Reserves (NNR). NNR land is classified as non-operational heritage assets, reported in the Statement of

Financial Position (SoFP) at fair value, and is subject to professional valuation every five years, the latest being in March 2016. Between valuations, values are updated annually, where material, using a combination of indices. Any surplus compared to their historic cost is recognised in the revaluation reserve.

Royal Botanic Gardens Kew (RBG Kew) also holds heritage assets. RBG Kew has not capitalised heritage buildings and collections acquired before 2001–02, as the cost of obtaining valuations for older collections and buildings is onerous compared to the benefit to the readers of the accounts. Subsequent to 2001–02, additions for heritage land and buildings are recognised at cost and revalued every five years by external professionally qualified valuers, on the basis of either open market value for existing use or depreciated replacement cost. The last professional revaluation was carried out in March 2017, by Montagu Evans, Chartered Surveyors. Between professional revaluations, values are updated using indices provided by the professional valuers. Heritage collections purchased subsequent to 2001–02 are recognised at cost and are neither revalued nor depreciated but are subject to impairment review at five yearly intervals, or when circumstances dictate.

As at 31 March 2020, professional desktop valuations were undertaken in respect of the Heritage Assets of Natural England and RBG Kew and ‘material uncertainty’ clauses were included in the respective valuers reports, on the basis of current and potential future uncertainties in market values caused by the impact of COVID-19. The department considers that the valuation provided is still an appropriate basis on which to determine a materially fair value at the date of reporting, but this disclosure is made to ensure transparency and acknowledge that less certainty can be attached to the valuation than would otherwise be the case.

1.9 Intangible Non-Current Assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. These comprise software licences and internally developed IT software, including assets under construction.

The department holds various software licences, which were capitalised at purchase cost where this exceeded capitalisation thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value.

The department's expenditure on research activities is written off to the SoCNE as incurred. Capitalisation of development costs is contingent on fulfilment of the criteria noted in IAS 38, Intangible Assets.

Internally developed computer software includes capitalisation of internal IT employee costs on projects - appropriate supporting evidence is required of both their time and their roles to meet the criteria of being directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. The department does not hold any intangible assets with an indefinite useful life. The capitalisation threshold for the Defra family generally ranges between £2,000 and £100,000. Capitalisation thresholds vary, as these are set with reference to the nature and complexity of assets and related projects at each entity. When fully operational in the business, internally generated computer software is stated at a proxy for fair value, which generally, if it is not income generating, is indexed depreciated replacement cost.

1.10 Depreciation and Amortisation

Depreciation and amortisation are provided using the straight line method over the estimated useful life of the asset.

Land, assets under construction, non-operational heritage assets and assets held for sale are not depreciated.

Componentisation has been adopted by certain entities within the consolidation boundary. In these instances, each component of an asset with a value deemed material to the total fair value of the asset is capitalised and depreciated separately. Where componentisation is not yet fully in place, proxy values have been estimated using the weighted average useful life method. Estimated useful lives, component values and residual values are appropriately set across the Defra group and are revised annually.

Assets are depreciated over the following timescales:

Infrastructure assets (e.g. Thames Barrier)	15 to 100 years
Freehold and leasehold buildings	Up to 80 years or remaining life of lease
Vehicles, plant, machinery and equipment	Up to 30 years
Intangible assets - Internally Developed Software	Up to 20 years
Intangible assets - Software Licenses	Up to 20 years

1.11 Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount. An impairment review is carried out on an annual basis.

Any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential is recognised in full as an impairment loss in the SoCNE. An amount up to the value of the impairment is transferred from the revaluation reserve (to the extent that a balance exists) to the General Fund for the individual asset concerned.

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

Non-current assets closely associated with EU exit, such as those related to administering the Common Agricultural Policy (CAP), are systematically tested for indications of impairment. Close consideration is given to their value in use, given current developments regarding EU exit. Should indications of impairment be apparent, then impairments are recognised in line with the accounting policy outlined above.

1.12 Income

Revenue is measured based on the consideration specified in a contract with a customer. Income from Government Grants (accounted under IAS 20: Accounting for Government Grants), insurance income and charity income are recorded as other operating income.

The group recognises revenue from contracts with customers in accordance with the five stage model set out in IFRS 15 Revenue from contracts with customers. This is a framework to establish the timing and value of revenue recognised within the accounts; revenue is either recognised ‘at a point in time’ or ‘over time’ depending on the assessment of criteria within the framework.

Significant judgements are required to assess the timing of revenue recognition based on the satisfaction of performance obligations. A performance obligation is a promise to deliver a good or service (or series of substantially the same good or service). In determining whether a performance obligation is met and whether income is recognised over time a set of criteria has been established which considers the following;

- whether any contract asset has an alternate use to Defra,
- the control of the customer over any asset created,
- whether the benefit to the customer is received and consumed simultaneously.

The transaction price is the amount that Defra expects to receive for the goods and services provided and is determined in accordance with Managing Public Money and for sales of goods will be transacted at the value agreed on the invoice. Fees and Charges will be established either by the Secretary of State or by the entities Board. Defra considers the impact of any variable consideration within a contract including any significant financing component and any non-cash consideration, however, this is not generally relevant to contracts within the group.

Further details can be found in Note 4.1.

EU Funding, most significantly relating to RPA scheme payments, is the biggest constituent of income. This is covered in detail in Notes 1.5.1 and 1.5.2.

Accrued income may involve a greater element of judgement, requiring management to make an estimate of the liability accruing to the department based on the information they hold at that point in time (for example, accruing for the value of work completed but not yet invoiced).

Within receivables and payables there are accrued and deferred income balances for EA’s fees and charges where there is a surplus or deficit. Charging schemes are required to break even over a reasonable period of time and judgement is required in assessing the factors behind whether the surplus or deficit will result in a break even position over this reasonable period.

Flood Re’s insurance income is accounted through IFRS 4 (Insurance Contracts). This includes:

- Gross written premiums are earned on a pro rata basis over the term of the underlying insurance contract as a proxy to the underlying risk.

- Ceded premiums, which comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts.

- Fee and commission income consists entirely of commissions receivable on ceded reinsurance contracts and

- Commission income varies with, and is directly related to, the underlying reinsurance contracts.

See Flood Re's ARA for more details.

1.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, and short term investments.

1.14 Grant-in-Aid Funding

Grant-in-aid from the core department to non-departmental public bodies (NDPBs), both in respect of capital and revenue expenditure, is accounted for on a cash basis in the period which the payment is made. In the core department Grant-in Aid is recognised as expenditure and within the NDPB's as funding. Grant-in-Aid is eliminated within the group account.

1.15 Expenditure

Expenditure is recognised on an accruals basis.

Accrued expenditure is recognised when the department has an unconditional obligation to pay customers, and is based on agreed amounts, contractually or by another form of mutual agreement.

Where the Environment Agency undertakes works which are capital in nature but will not receive future economic benefits, cannot reliably estimate the useful life of the asset or is restoring an asset to target condition the expenditure is reported as capital works expensed in year (Note 3.1).

Gross insurance claims expenses, relating to Flood Re, are based on the estimated liability for compensation owed to contract holders. Claims include all insurance claims occurring during the year, an estimate of claims incurred but not reported and any adjustments to claims outstanding from previous years.

A significant period of time can elapse before the ultimate claims cost can be established with certainty. The ultimate liability for claims made under insurance contracts is estimated using standard actuarial techniques, based on empirical data and current assumptions. Estimation of the ultimate cost of losses resulting from catastrophic flood events is inherently difficult, due to the possible severity of catastrophe claims.

Flood Re has a high dependency on its outwards reinsurance programme. The ceded premium is recognised on the date that the policy incepts, and is earned in line with the underlying risk. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are deferred to subsequent accounting periods.

As indicated above, Flood Re's insurance claim expense (and related reinsurance claim income) is related to the severity of flood events, and therefore may be subject to considerable fluctuation.

1.16 Foreign Currency Transactions

The functional and presentational currency of the department is sterling.

Transactions in foreign currencies, mainly relating to the BPS and RDPE, are translated into sterling using the appropriate exchange rate. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the SoFP.

Exchange differences are recognised in the SoCNE in the period in which they arise, except for exchange differences on transactions entered in to hedge certain foreign currency risks (RPA only, see Note 1.18).

1.17 Financial Instruments

These comprise financial assets and financial liabilities. See Notes 9, 10, 11 and 12 for details of financial instruments.

1.17.1 Financial Assets

Financial assets are categorised after conducting the following:

Business model assessment. This assesses the objective of holding financial assets. This could be either collecting the contractual cash flows, Selling the financial assets, or both, and Contractual cash flows' characteristics test (or Solely Payments of Principal and Interest (SPPI) – Test). This looks at whether cash flows are consistent with a basic loan arrangement (i.e. repayments of principal and interest on agreed dates).
The Financial Assets are then categorised as one of the three groups:

Amortised Cost

Loans and Investments are initially held at fair value plus transaction cost, then at amortised cost. Trade and other receivables are also measured at amortised cost, which is generally invoiced value, as these are generally short term in nature. Trade and other receivables includes income accruals which do not meet the definition of financial instruments.

Fair Value through Profit and Loss (FVPL).

Derivative financial instruments held for trading are valued at FVPL, with changes in fair value recorded against expenditure.

Fair Value through Other Comprehensive Expenditure (FVOCE).

The Eco Business Fund and Land Degradation Neutrality Fund investments, forming part of the department's official development assistance spend, are classified at FVOCE, as are derivative instruments in designated hedging relationships.

1.17.2 Financial Liabilities

These comprise trade and other payables and other financial liabilities (including derivatives). They are initially recognised at fair value and are subsequently measured at amortised cost. Trade and Other Payables includes accrued expenses which do not meet the definition of financial instruments.

EA holds certain financial instrument liabilities as a result of reservoir operating agreements with two water companies entered into at their privatisation. These liabilities are treated as perpetuities and recorded in the SoFP at amortised cost. The annual payments arising from these liabilities increase annually in line with the Retail Price Index.

Promissory Notes payable have been classified as financial liabilities measured at amortised cost. They have been shown as current liabilities in the Consolidated Statement of Financial Position and supporting notes, to reflect that they are legally payable on demand. In practice drawdown of the departments promissory notes is dependent upon the fulfilment of agreed criteria. Note 12 provides an analysis of the expected maturity profile of payments against promissory notes in future years.

Contract liabilities are measured at amortised cost, which is the invoiced amount payable.

1.17.3 Derivative Financial Instruments

RPA enters into a variety of foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Derivative financial instruments 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 SoFP date. The resulting gain or loss is recognised in the SoCNE immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the SoCNE depends on the nature of the hedge relationship. RPA designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset or current liability if the remaining maturity of the instrument is less than 12 months or is greater than 12 months but is expected to be realised or settled within 12 months.

1.18 Hedge Accounting

In accordance with IFRS 9 Financial Instruments: Recognition and Measurement, RPA elects to designate certain foreign currency derivatives as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within Taxpayers' Equity. The gain or loss relating to the ineffective portion is recognised immediately in the SoCNE.

When option contracts are used to hedge forecast transactions, RPA designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within Taxpayers' Equity. The changes in the time value of the options that relate to the hedged item are recognised within Other Comprehensive Expenditure in the costs of hedging reserve within Taxpayers' Equity.

Amounts previously recognised in the cash flow hedge reserve and accumulated in Taxpayers' Equity are reclassified to expenditure or income in the periods when the hedged item is recognised in the SoCNE, in the same line as the recognised hedged item.

1.19 Pensions

Generally, pension benefits are provided through the Civil Service pension arrangements, full details of which can be found in the Remuneration Report.

Although the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as alpha, are unfunded defined benefit schemes, in accordance with explicit requirements in the FReM, departments, agencies and other bodies account for the schemes as if they were defined contribution plans. The expected costs of the pension schemes are recognised on a systematic and rational basis over the period during which they benefit from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. The PCSPS and alpha pension schemes undergo a reassessment of the contribution rates by the government actuary at four-yearly intervals. In respect of defined contribution schemes, the department recognises the contributions payable for the year.

Where the department is responsible for pension schemes for delivery bodies, it has fully adopted IAS 19, Employee Benefits. The department recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the department has a legal or constructive obligation to make good the deficit in the scheme. Scheme managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. Details of this can be found in Note 15.

1.20 Provisions

The department provides for obligations arising from past events where the department has a present obligation at the end of the financial year, and where it is probable that it will be required to settle the obligation and a reliable estimate can be made. Where material, future costs have been discounted using the rates as directed by HM Treasury.

The material provisions disclosed by the department include legacy liabilities relating to abandoned metal mines and foot and mouth disease (FMD) burial sites and Disallowance Payments to the EU, where the timing and the value is subject to uncertainty. Details of the department's policy on disallowance provisions can be found in Chapter 3.
Some of Flood Re's insurance claims liabilities are subject to uncertainty in value and details are disclosed in these accounts in the section in Note 14.4 on Flood Re Insurance Provision.

See Note 14 for full details of all material provisions, including key management judgements and disclosures around estimation uncertainty.

1.21 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the department 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. Further information is provided in the Remote Contingent Liabilities section in Chapter 6.

Where the time value of money is material, contingent liabilities are stated at discounted amounts.

1.22 Impending Application of Newly Issued Accounting Standards Not Yet Effective

1.22.1 IFRS 16 Leases

IFRS 16 (Leases) has been effective since 1 January 2019 for the private sector and was due to be implemented across central government from 1 April 2020. Due to the impact on government departments of COVID-19, HM Treasury agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 by one year to 1 April 2021. Late in 2020, FRAB considered allowing government departments to delay implementation by a further year to 1 April 2022, we are working with HM Treasry to see if we can adopt in 2021-22.

When implemented, IFRS 16 will replace IAS 17 (Leases) and related International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC) interpretations. For lessees, it will remove the previous distinction between finance leases and operating leases. Under IFRS 16, all qualifying leases will recognise a right of use asset and lease liability. As a result, former operating leases will come on to the Statement of Financial Position. The Statement of Consolidated Net Expenditure will reflect related charges for the depreciation of the right of use asset and interest on the lease liability in place of rental expenses.

Within government, the scope of the standard has been extended to include lease-like arrangements that are not legally binding, for example Memorandum of Terms of Occupation (MOTOs). As mandated by the FReM, exemptions will be applied to short term leases with full terms or outstanding terms on transition of less than 12 months. Defra group has elected to apply the low value exemption beyond transition and has set a threshold of £5,000 for recognition of leases, applied to the cost of the underlying asset when new. Most of the land leases within the Environment Agency's operational estate will be covered by the low value exemption. They are typically leases for plots of land of 1-3m^2 housing equipment with very low market rents and no alternative use.

On initial application, the FReM requires government bodies to adopt the option of recognising the net cumulative effects of applying IFRS 16 as an adjustment to the opening balance of taxpayers' equity at 1 April 2021. This means that prior year comparatives will not be re-stated in Defra's 2021–22 accounts. On transition, the opening cost of right of use assets will equal lease liabilities, adjusted for any lease prepayments or accruals that exist immediately prior to 1 April 2021. Lease liabilities will be calculated as the present value of outstanding payments due under the lease. An election will be made not to separate lease and non-lease components for leases of vehicles. The subsequent measurement of right of use assets, and the opening measurement of peppercorn leases, will be at fair value or current value in existing use where assets are held for their service potential, unless cost represents a reasonable proxy. For land and buildings, valuations will be determined by appropriately qualified professionals in accordance with RICS Guidance. Current costs indices will be applied to other asset categories.

The estimated impact of IFRS 16 on the Statement of Financial Position at 1 April 2021 is to increase both right of use assets and lease liabilities by £179 million for the core department and Agencies and £260 million for Defra group. Land and buildings account for approximately 89 percent of opening balances, with the corporate estate accounting for 83 percent of the total. Depreciation and finance charges to the Statement of Consolidated Net Expenditure in 2021–22 are estimated at £30 million for the core department and Agencies and £49 million for the Defra group. These amounts are not materially different from lease rentals charged under IAS 17.

Lessor accounting is largely unchanged by IFRS 16 with lessors continuing to distinguish finance and operating leases. If a sub lease is judged to be a finance lease, the intermediate lessor will derecognise the right of use asset and recognise a receivable for the net investment in the finance lease equivalent to discounted future income. Defra has sub-let some properties to third parties as finance leases and expects to derecognise right of use assets of around £15 million at 1 April 2021. Occupation of the corporate estate by Defra group bodies is on a flexible shared basis with no formal occupancy agreements in place between the leaseholder (either core department or the Environment Agency) and the occupant. Corporate estate leases will therefore be recognised in full by the leaseholder.

Accounting under IFRS 16 involves key judgements for lessees with respect to the conditions required to recognise the existence of a lease, the valuation of right of use assets and setting the lease term over which cash flows are discounted, including where leases have no fixed end date. Lessors and intermediate lessors must make judgements about the balance of risks and rewards of ownership attached to the underlying asset and the right of use asset respectively. Hindsight will be applied where judgements have been made.

Early and late Adoption

Flood Re and Livestock Information Ltd follow the Companies Act which requires them to implement IFRS 16 from 1 April 2019, two years ahead of the revised FReM implementation date of 1 April 2021. We have not adjusted our group consolidated accounts to remove their IFRS 16 transactions as the impact is not material.

The Royal Botanic Gardens Kew and the National Forest Company will be consolidated into the Defra group accounts from 1 April 2021 on an IFRS 16 basis. As charities preparing accounts under FRS102 *Statement of Recommended Practice, Accounting and Reporting by Charities* (SORP) there is no current requirement for them to implement IFRS 16 when preparing their own accounts in 2021–22.

1.22.2 IFRS 17 – Insurance Contracts

This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities. IFRS 17 is effective for annual periods beginning on or after 1 January 2023. The adoption of IFRS 17 is anticipated to have a material impact on Flood Re’s financial statements and disclosures and the department will work with Flood Re to monitor the impact of adoption.

1.23 Changes to Accounting Policies

In 2019–20 Defra capitalised £1.7 million of building assets related to Foot and Mouth Disease sites as they meet the definition of IAS16 – Property, Plant and Equipment. This is a change to the accounting policy as they were previously reported as an in-year expense in the accounts. The assets are considered to generate future economic benefits and applying the FREM interpretation of IAS 36, there is no need to impair these assets. It was not practical to account for the change retrospectively in the year the expenditure took place, so the change was implemented in the 2019–20 accounts and will be applied going forward. All future plant and machinery that meets the IAS 16 definition and FREM interpretation of impairment relating to Foot and Mouth Disease will be capitalised accordingly. The result of this change is to provide reliable and more relevant information in the Financial Statements.

The change of accounting policy has not been applied to the Abandoned Metal Mines assets because Defra's ownership of those assets has not been established in accordance with the accounting standards.

1.24 Adoption of new and revised standards

At the date of authorisation of these financial statements no new standards have become effective and been adopted.

2 Statement of Operating Costs by Operating Segment

The segmental analysis detailed below covers the key spending areas of the department and is aligned with the internal reporting to the Defra Board and Executive Committee. Defra reports regularly on this basis and performance is monitored against these areas. The reportable segments are split by the core department and delivery body. Where delivery bodies' reported revenue is 10 percent or less of the combined revenue of all operating segments, they have been grouped together.

The basis for accounting for any transactions between reportable segments is compliant with the rest of the Annual Report and Accounts and eliminates transactions between Defra's delivery bodies.

In 2019–20 Defra received funding of £3,723 million from the EU, 78 percent of its income (2018–19 restated, of £3,871 million, 80 percent), which falls mainly to the Rural Payments Agency and the core department. This is mainly to fund CAP Basic Payment Scheme expenditure and funding for rural development schemes. Of the remaining income Defra does not rely on any one major customer.

					Restated	
		2019-20			2018-19	
Body	**Gross Expenditure**	**Gross Income**	**Net Total**	**Gross Expenditure**	**Gross Income**	**Net Total**
	£000	£000	£000	£000	£000	£000
Core Department	2,272,545	(484,436)	1,788,109	981,338	(473,508)	507,830
Rural Payments Agency	3,456,667	(3,237,476)	219,191	3,529,772	(3,384,175)	145,597
Other Agencies	384,440	(112,374)	272,066	385,182	(119,473)	265,709
Environment Agency	1,465,723	(452,320)	1,013,403	1,412,919	(440,475)	972,444
Other Non Departmental Public Bodies	617,436	(473,982)	143,454	492,669	(418,072)	74,597
Total	**8,196,811**	**(4,760,588)**	**3,436,223**	**6,801,880**	**(4,835,703)**	**1,966,177**

3 Expenditure

3.1 Staff and other Costs

	2019-20		Restated 2018-19	
	Core Department and Agencies	Defra Group	Core Department and Agencies	Defra Group
	£000	£000	£000	£000
Staff Costs				
Wages and salaries	476,272	949,100	406,858	860,642
Social security costs	39,730	96,491	34,726	88,017
Other pension costs	115,950	146,144	64,103	88,041
Other Costs				
Rentals under operating leases	26,645	53,901	26,656	53,537
Travel, subsistence and hospitality	23,375	45,478	24,605	47,872
Research and development expenditure	23,911	49,407	28,486	52,374
Veterinarian costs	25,726	25,726	25,723	25,723
Consumables	17,064	31,390	18,078	34,229
IT service costs	125,553	173,988	121,582	185,651
Vessels	5,511	5,511	6,592	6,592
Estate management	64,137	108,618	84,607	129,201
Consultancy	14,218	33,299	32,424	54,903
Hired and contracted services	16,444	90,046	15,295	91,326
Training	6,922	16,664	6,469	15,488
Publicity, marketing and promotion	1,740	19,830	1,758	20,828
Office services	34,813	35,795	20,782	21,850
Early retirement	1,393	3,126	1,028	1,572
Exchange rate (gains)/losses - realised	(395)	(398)	1,347	1,349
NAO auditors' remuneration	375	752	281	581
Flood Re statutory audit fee	-	217	-	210
Other audit fees	3,133	3,212	2,783	2,858
Internal audit fees	1,205	1,872	1,242	1,975
Flood and coastal defence works	-	331,230	-	326,379
Operational maintenance	-	11,987	-	13,254
Fees and commissions	15,499	40,363	11,643	39,178
Reservoir operating agreements	-	24,458	-	24,109
Transport and plant costs	-	20,252	-	18,580
EU disallowance	13,609	13,609	6,404	6,404
Forestry Commission subsidy to Forest Enterprise England	16,449	16,449	17,168	17,168
Corporation tax paid by NDPBs	-	11,553	-	25,812
Flood Re reinsurance expenditure	-	67,435	-	74,543
International subscriptions	19,910	19,979	21,364	21,447
Credit losses	(226)	3,363	(142)	1,786
Hedging Costs	64,617	64,617	(2,000)	(2,000)
Other	37,968	113,698	35,310	103,392
Total	**1,191,548**	**2,629,162**	1,015,172	2,454,871

For more detailed disclosures regarding staff costs, see the Staff Report in Chapter 5.

Following the corporate services transformation and the centralisation of corporate services budgets, the core department figures for NAO auditors' remuneration include cash fees for EA and NE.

A late adjustment to the VMD NAO fee for 2018–19 was not reflected in the 2018–19 Consolidated ARA, as a result the 2019–20 figure includes £5,000 which relates to work undertaken in 2018–19.

Pension costs include a £20 million pension payment in relation to EA staff transferred to Defra.

3.2 Non-cash items

	2019-20		Restated 2018-19	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Depreciation	36,229	130,250	38,096	128,891
Amortisation	18,560	42,244	22,170	47,737
Profit on the disposal of PPE and financial investments	(271)	(502)	(373)	(1,890)
Loss on the disposal of PPE and financial investments	1,506	17,352	364	569
Impairment on non financial assets	24,528	42,804	16,514	27,891
Exchange rate (gains)/losses - unrealised	(139)	(149)	107	107
NAO auditors' remuneration	1,161	1,161	1,083	1,083
Pensions provided for in year/(written back)	11,060	164,779	11,774	177,751
Other provisions provided for/(written back) as detailed in note 14	696,735	857,886	(404,243)	(389,486)
Utilisation of capital provision	-	(499)	-	-
Unwinding of discount on provisions	1,021	1,021	(9,919)	(9,919)
Notional recharges and other non-cash items	(29,412)	-	(28,451)	-
Total	**760,978**	**1,256,347**	(352,878)	(17,266)

3.3 Grants and subsidies

	2019-20		2018-19	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Grants and subsidies: EU				
Capital grants	-	23	-	110
Current grants - Basic Payment Scheme	1,842,399	1,842,399	1,967,448	1,967,448
Current grants - Rural Development Programme for England	439,330	439,330	427,490	427,490
Current grants - payments to other paying agencies	1,330,974	1,330,974	1,344,069	1,344,069
Other EU current grants	62,412	62,482	75,223	75,552
Unrealised (gains)/losses	5,102	5,102	(630)	(630)
Grants and subsidies: other				
Capital grants	32,311	148,872	44,169	146,390
Current grants - Grant-in-Aid to NDPBs	1,053,713	-	1,021,166	-
Current grants - Rural Development Programme for England	72,296	72,296	64,482	64,482
Grants to national parks	48,762	48,762	47,938	47,938
PFI waste management grants to local authorities	95,225	95,225	106,368	106,368
Other grants to local authorities	74,742	82,684	46,730	48,978
Other current grants & subsidies	176,317	183,153	128,259	136,080
Total	**5,233,583**	**4,311,302**	5,272,712	4,364,275

4 Income – Analysis of Operating Income

Detailed in Note 4.1 below is the Revenue from Contract with Customers, assessed against IFRS 15, together with narrative assessing the impact and associated accounting judgements. Where income has been assessed as falling outside the scope of IFRS 15, this has been reported in Note 4.2.

4.1 Analysis of revenue from contracts with customers

							2019-20
	Core Department	Rural Payment Agency	Other Agencies	Core Department and Agencies	Environment Agency	Other Non Departmental Public Bodies	Defra Group
	£000	£000	£000	£000	£000	£000	£000
Sales of goods and services							
Scientific advice, analysis and research	-	-	26,025	**26,025**	-	1,045	**27,070**
Animal disease surveillance and diagnostics	-	-	7,526	**7,526**	-	-	**7,526**
Veterinary research and development	-	-	1,318	**1,318**	-	-	**1,318**
Scientific products	-	-	1,413	**1,413**	-	-	**1,413**
Provision of corporate services (outside Defra group)	-	-	2,137	**2,137**	-	-	**2,137**
TB Compensation salvage receipts	-	-	9,502	**9,502**	-	-	**9,502**
Sale of other goods	3,129	-	-	**3,129**	-	8,553	**11,682**
Other services (including Defra group)	6,302	1,268	3,180	**10,750**	-	(6,515)	**4,235**
Fees, levies and charges							
Veterinary medicines authorisations	-	-	6,327	**6,327**	-	-	**6,327**
Veterinary medicine residues surveillance	-	-	3,655	**3,655**	-	-	**3,655**
Plant health inspections and seeds charges	-	-	9,449	**9,449**	-	-	**9,449**
Environmental protection charges	-	-	-	**-**	202,214	-	**202,214**
Abstraction charges	-	-	-	**-**	121,527	-	**121,527**
Flood risk levies	-	-	-	**-**	52,360	-	**52,360**
Flood Re Levy Income	-	-	-	**-**	-	180,000	**180,000**
Agriculture and horticulture levies	-	-	-	**-**	-	59,947	**59,947**
Sea Fish industry levies	-	-	-	**-**	-	7,853	**7,853**
Discretionary Advice	-	-	-	**-**	-	2,882	**2,882**
Other fees, levies and charges	-	-	2,532	**2,532**	-	516	**3,048**
EU funding							
Other services	-	-	(16)	**(16)**	-	-	**(16)**
Other EU income	-	-	2,978	**2,978**	-	24	**3,002**
Licences							
Fishing licence duties	-	-	-	**-**	21,006	-	**21,006**
Navigation licence income	-	-	-	**-**	10,121	-	**10,121**
Other licences	5,783	-	-	**5,783**	-	3,647	**9,430**
Other Income							
Other grant income	-	-	-	**-**	-	942	**942**
Recoveries for secondments outside Defra group	682	-	(170)	**512**	-	391	**903**
APHA income from devolved administrations	-	-	33,606	**33,606**	-	-	**33,606**
Other Income	-	-	531	**531**	-	142	**673**
Total income from contracts with customers	**15,896**	**1,268**	**109,993**	**127,157**	**407,228**	**259,427**	**793,812**

2018-19

	Core Department	Rural Payment Agency	Other Agencies	**Core Department and Agencies**	Environment Agency	Other Non Departmental Public Bodies	**Defra Group**
	£000	£000	£000	**£000**	£000	£000	**£000**
Sales of goods and services							
Scientific advice, analysis and research	-	-	24,511	**24,511**	-	577	**25,088**
Animal disease surveillance and diagnostics	-	-	6,175	**6,175**	-	-	**6,175**
Veterinary research and development	-	-	1,280	**1,280**	-	-	**1,280**
Scientific products	-	-	1,535	**1,535**	-	-	**1,535**
Provision of corporate services (outside Defra group)	-	-	11,378	**11,378**	-	-	**11,378**
TB Compensation salvage receipts	-	-	10,509	**10,509**	-	-	**10,509**
Sale of other goods	2,871	-	-	**2,871**	-	7,102	**9,973**
Other services (including Defra group)	3,493	1,086	2,964	**7,543**	20,728	(873)	**27,398**
Fees, levies and charges							
Veterinary medicines authorisations	-	-	7,344	**7,344**	-	-	**7,344**
Veterinary medicine residues surveillance	-	-	3,656	**3,656**	-	-	**3,656**
Plant health inspections and seeds charges	-	-	8,376	**8,376**	-	-	**8,376**
Environmental protection charges	-	-	-	**-**	189,305	-	**189,305**
Abstraction charges	-	-	-	**-**	125,148	-	**125,148**
Flood risk levies	-	-	-	**-**	48,537	-	**48,537**
Flood Re Levy Income	-	-	-	**-**	-	180,000	**180,000**
Agriculture and horticulture levies	-	-	-	**-**	-	58,133	**58,133**
Sea Fish industry levies	-	-	-	**-**	-	8,244	**8,244**
Discretionary Advice	-	-	-	**-**	-	4,536	**4,536**
Other fees, levies and charges	-	-	2,171	**2,171**	-	15	**2,186**
EU funding							
Other services	463	-	16	**479**	-	74	**553**
Other EU income	-	-	3,350	**3,350**	-	245	**3,595**
Licences							
Fishing licence duties	-	-	-	**-**	21,880	-	**21,880**
Navigation licence income	-	-	-	**-**	8,738	-	**8,738**
Other licences	5,527	-	-	**5,527**	250	3,098	**8,875**
Other Income							
Other grant income	-	-	-	**-**	-	368	**368**
Recoveries for secondments outside Defra group	399	-	281	**680**	-	1,446	**2,126**
APHA income from devolved administrations	-	-	33,279	**33,279**	-	-	**33,279**
Other Income	-	-	600	**600**	-	390	**990**
Total income from contracts with customers	12,753	1,086	117,425	**131,264**	414,586	263,355	**809,205**

Material income streams disclosed in accordance with IFRS 15 Contracts with Customers are determined as detailed in the table below

Contract Type	Note 4 Headings	Entity Impacted	Catergories of Performance Obligation	Basis of Recognition
Fees and Charges (for Environmental protection and water abstraction	Environmental Protection Charges, Abstraction Charges	Environment Agency	EA issues licences and permits and imposes levies	The licence or permit revenue is recognised at the time of application and regulatory charge recognised at the point the permit commences.
Statutory Levy	Flood Re Levy Income and Agriculture and Horticulture Levies	Flood Re AHDB	Statute requires that the bodies charge levies.	Flood Re Levy is required by statute and has no associated performance obligation and is recognised on the 1 April each year with payment received quarterly. AHDB levies are generally recognised on receipt of statutory returns from the customer.
Flood Risk Levies	Flood Risk Levies	Environment Agency	Construction and Maintenance of new and existing flood defences	Costs and revenues are matched over time.
Scientific Project Income	Scientific advice, analysis and research	APHA CEFAS	Production of a report (Performance obligations are contracted milestones within the process)	Project income is generally recognised at the completion of a contracted milestone on the basis that the contract will specify whether money spent to a determined date or deliverable can be recovered from the the customer prior to the completion of the project.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period is:

	2020-21
	£000
Flood Risk Management Charges	69,600
Water Abstraction Charges	19,800
Environmental Protection Charges	3,000

Flood risk management chiefly involves the construction and maintenance of new and existing flood defences.

4.2 Analysis of Other Operating Income

	2019-20		2018-19	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Goods and services				
TB compensation salvage receipts	31	31	-	-
Covent Garden Market income	2,030	2,030	2,030	2,030
Other services	4,991	25,905	7,928	8,236
Income payable to the consolidated fund	448	448	1,623	1,623
EU Income				
Basic Payment Scheme	1,844,224	1,844,224	1,971,268	1,971,268
Income payable to other paying agencies	1,332,290	1,332,290	1,343,815	1,343,815
Structural fund / RDPE income	439,330	439,330	427,490	427,490
Current grant income - EU	27,773	41,164	24,243	54,578
Capital grant income - EU	-	-	-	1,321
Other EU Income	57,192	62,974	68,851	68,851
Other Income				
Flood Re insurance income	-	123,038	-	60,991
Lease income	-	15	533	685
Charity income	-	54,544	-	50,129
Lottery Grant Income	-	3,306	-	1,960
Other interest receivable	-	3,454	-	2,203
Current grant income - non EU	2,775	10,770	1,359	7,491
Capital grant income - non EU	900	19,482	1,400	23,827
Other income	3,771	3,771	-	-
Total other operating income	**3,715,755**	**3,966,776**	3,850,540	4,026,498

5 Property, Plant and Equipment

5.1 Non-Current – Defra Group

	Land	Buildings Excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2019	87,025	434,985	35,995	5,414,647	121,241	175,756	122,369	67,469	233,541	**6,693,028**
Additions	654	3,639	108	-	(405)	320	6,655	3,784	144,923	**159,678**
Transfers	(10)	18,531	-	(43)	(202)	44	1,295	-	(19,673)	**(58)**
Disposals	(1,058)	(16,445)	(5)	(41,879)	(4,669)	(3,999)	(5,959)	(5,129)	-	**(79,143)**
Impairment	(417)	(11,026)	-	(13,086)	-	(98,055)	172	-	(4,749)	**(127,161)**
Reclassifications	660	7,328	(452)	31,464	134	8,080	724	36	(46,731)	**1,243**
Reclassified as held for sale	(1,003)	(1,590)	(77)	8,173	-	-	-	-	-	**5,503**
Revaluation	1,647	(46,496)	397	101,250	842	(232)	1,474	581	-	**59,463**
At 31 March 2020	**87,498**	**388,926**	**35,966**	**5,500,526**	**116,941**	**81,914**	**126,730**	**66,741**	**307,311**	**6,712,553**
Depreciation										
At 1 April 2019	-	113,801	11,453	2,684,370	78,152	124,582	83,060	41,371	-	**3,136,789**
Charges in year	-	16,475	887	66,259	13,400	13,297	9,556	6,621	-	**126,495**
Transfers	-	-	-	(1)	-	3	(1)	-	-	**1**
Disposals	-	(15,240)	-	(20,290)	(4,667)	(4,015)	(5,293)	(4,186)	-	**(53,691)**
Impairment	-	(1,943)	85	-	-	(81,873)	(686)	-	-	**(84,417)**
Reclassifications	-	137	(89)	72	(169)	(436)	(14)	-	-	**(499)**
Revaluation	-	(43,282)	136	51,592	(827)	(150)	(1,406)	358	-	**6,421**
At 31 March 2020	**-**	**69,948**	**12,472**	**2,782,002**	**85,889**	**51,408**	**85,216**	**44,164**	**-**	**3,131,099**
Net book value 31 March 2020	**87,498**	**318,978**	**23,494**	**2,718,524**	**31,052**	**30,506**	**41,514**	**22,577**	**307,311**	**3,581,454**
Net book value 31 March 2019	87,025	321,184	**24,542**	**2,730,277**	**43,089**	**51,174**	**39,309**	26,098	233,541	3,556,239
Assets financing										
Owned	87,498	318,200	23,494	2,718,524	30,538	30,506	41,435	22,577	307,311	**3,580,083**
Finance leased	-	778	-	-	514	-	79	-	-	**1,371**
Net book value 31 March 2020	**87,498**	**318,978**	**23,494**	**2,718,524**	**31,052**	**30,506**	**41,514**	**22,577**	**307,311**	**3,581,454**
Of which:										
Core department and agencies	33,395	279,402	-	-	13,963	22,596	17,505	306	30,100	**397,267**
NDPBs	54,103	39,576	23,494	2,718,524	17,089	7,910	24,009	22,271	277,211	**3,184,187**
Total	**87,498**	**318,978**	**23,494**	**2,718,524**	**31,052**	**30,506**	**41,514**	**22,577**	**307,311**	**3,581,454**

Plant and machinery includes vessels owned by Cefas with a net book value of £6.6 million (2018-19, £6 million). Infrastructure assets include flood defences owned by EA, including the Thames Barrier with a net book value of £1,145 million (2018–19, £1,139 million). Additions include a non-cash element represented by payables and transfers.

Restated

	Land	Buildings Excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2018	87,272	440,031	35,484	5,210,111	119,111	152,642	141,209	60,796	249,047	6,495,703
Additions	353	(1,502)	-	-	5,142	1,135	5,491	10,129	132,691	153,439
Transfers	(1)	-	-	-	(779)	-	-	-	(7,237)	(8,017)
Disposals	(184)	(1,552)	-	(1,155)	(4,691)	(4,691)	(25,475)	(4,926)	-	(42,674)
Impairment	(576)	(19,364)	-	(3,762)	-	(607)	(615)	-	(2,910)	(27,834)
Reclassifications	(7)	2,029	-	106,459	192	26,708	1,045	-	(138,050)	(1,624)
Reclassified as held for sale	-	-	-	(7,200)	-	-	-	-	-	(7,200)
Revaluation	168	15,343	511	110,194	2,266	569	714	1,470	-	131,235
At 31 March 2019	87,025	434,985	35,995	5,414,647	121,241	175,756	122,369	67,469	233,541	6,693,028
Depreciation										
At 1 April 2018	-	99,298	10,416	2,564,754	66,755	111,110	97,297	38,634	-	2,988,264
Charges in year	-	15,152	874	63,608	14,061	15,672	10,296	6,512	-	126,175
Transfers	-	1	-	-	-	1	-	(1)	-	1
Disposals	-	(739)	-	(446)	(4,467)	(4,640)	(25,232)	(4,759)	-	(40,283)
Impairment	-	2	-	(278)	-	51	(51)	-	-	(276)
Reclassifications	-	(559)	-	-	6	563	-	-	-	10
Revaluation	-	646	163	56,732	1,797	1,825	750	985	-	62,898
At 31 March 2019	-	113,801	11,453	2,684,370	78,152	124,582	83,060	41,371	-	3,136,789
Net book value 31 March 2019	87,025	321,184	24,542	2,730,277	43,089	51,174	39,309	26,098	233,541	3,556,239
Net book value 31 March 2018	87,272	340,733	25,068	2,645,357	52,356	41,532	43,912	22,162	249,047	3,507,439
Assets financing										
Owned	87,025	321,184	24,542	2,730,277	42,946	51,174	39,195	26,098	233,541	3,555,982
Finance leased	-	-	-	-	143	-	114	-	-	257
Net book value 31 March 2019	87,025	321,184	24,542	2,730,277	43,089	51,174	39,309	26,098	233,541	3,556,239
Of which:										
Core department and agencies	31,670	279,409	-	-	24,333	41,615	15,754	372	44,217	437,370
NDPBs	55,355	41,775	24,542	2,730,277	18,756	9,559	23,555	25,726	189,324	3,118,869
Total	87,025	321,184	24,542	2,730,277	43,089	51,174	39,309	26,098	233,541	3,556,239

During 2019–20 the core department undertook a comprehensive review of the Property, Plant and Equipment in accordance with the IAS 36 Accounting Standard. This resulted in an impairment of assets. An impairment review was also conducted by the EA agency. Further details can be found in Note 7.

Due to the COVID-19 pandemic, as per RICS guidance (Note 1.6), asset valuations of Defra bodies include a ‘material valuation uncertainty clause’. It advises that “less certainty and a higher degree of caution should be attached to the valuation than would normally be the case”. However, the inclusion of the ‘material valuation uncertainty’ does not meant that the valuations cannot be relied upon (Note 1.6).

5.2 Heritage Assets

A heritage asset is a tangible asset with historical, artistic, scientific, chronological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Heritage assets are held by both NE and RBG Kew. NE’s heritage assets comprise NNR, whilst RBG Kew’s heritage assets comprise land and buildings and collections. In 2019–2020 desktop valuation exercises were undertaken and the valuers issued ‘material uncertainty clauses’ (see Note 1.8). Further details regarding the stewardship functions relating to these heritage assets can be found in their respective ARAs.

Defra Group

			2019-20			2018-19
	Operational	**Non-Operational**	**Total**	Operational	Non-Operational	Total
	£000	**£000**	**£000**	£000	£000	£000
Valuation						
At 1 April	226,207	61,869	288,076	237,820	60,489	298,309
Additions	4,288	134	4,422	11,421	24	11,445
Transfers	-	1	1	(30,271)	-	(30,271)
Disposals	(1,401)	-	(1,401)	-	-	-
Impairment	-	(57)	(57)	-	11	11
Reclassifications	(1,970)	185	(1,785)	-	1,831	1,831
Revaluation	(15,270)	2,011	(13,259)	7,237	(486)	6,751
At 31 March	**211,854**	**64,143**	**275,997**	226,207	61,869	288,076
Depreciation						
At 1 April	4,837	-	4,837	32,697	-	32,697
Charged in year	3,310	-	3,310	2,379	-	2,379
Transfers	-	-	-	(30,272)	-	(30,272)
Disposals	(305)	-	(305)	-	-	-
Reclassifications	(63)	-	(63)	-	-	-
Revaluation	(7,779)	-	(7,779)	33	-	33
At 31 March	**-**	**-**	**-**	4,837	-	4,837
Net book value at 31 March	**211,854**	**64,143**	**275,997**	221,370	61,869	283,239
Net book value at 1 April	221,370	61,869	283,239	205,123	60,489	265,612
Assets financing						
Owned	211,854	64,143	275,997	221,370	61,869	283,239
Net book value 31 March	**211,854**	**64,143**	**275,997**	221,370	61,869	283,239
Of which:						
NDPBs	211,854	64,143	275,997	221,370	61,869	283,239
Total	**211,854**	**64,143**	**275,997**	221,370	61,869	283,239

5.3 Cash Additions

Cash additions (adjusted for capital accruals) for property, plant and equipment, heritage assets and agricultural assets amount to £177 million (2018–19, £150 million (restated)) as per the Consolidated Statement of Cash Flows (SoCF).

6 Intangible Assets

Defra Group

	2019-20				Restated 2018-19			
	Internally Developed Software	**Software Licences**	**IT Assets Under Construction**	**Total**	Internally Developed Software	Software Licences	IT Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Cost or valuation								
At 1 April	582,247	114,132	93,135	789,514	593,419	116,869	39,093	749,381
Additions	541	3,670	63,943	68,154	463	384	61,950	62,797
Disposals	(19,857)	(4)	-	(19,861)	(36,402)	(6,168)	-	(42,570)
Impairments	-	(11)	(74)	(85)	2	(346)	-	(344)
Transfers	9,860	4,144	(14,016)	(12)	2,108	206	5,563	7,877
Reclassifications	20,964	(699)	(21,283)	(1,018)	10,758	2,503	(13,471)	(210)
Revaluation	8,938	927	-	9,865	11,899	684	-	12,583
At 31 March	**602,693**	**122,159**	**121,705**	**846,557**	582,247	114,132	93,135	789,514
Amortisation								
At 1 April	448,106	73,748	-	521,854	442,241	66,464	-	508,705
Charged in year	33,160	9,084	-	42,244	34,682	13,055	-	47,737
Disposals	(19,301)	(3)	-	(19,304)	(36,407)	(6,150)	-	(42,557)
Impairments	-	(9)	-	(9)	-	-	-	-
Transfers	(2)	-	-	(2)	-	-	-	-
Reclassifications	-	(128)	-	(128)	-	(13)	-	(13)
Revaluation	(4,417)	(154)	-	(4,571)	7,590	392	-	7,982
At 31 March	**457,546**	**82,538**	**-**	**540,084**	448,106	73,748	-	521,854
Net book value at 31 March	**145,147**	**39,621**	**121,705**	**306,473**	134,141	40,384	93,135	267,660
Net book value at 1 April	134,141	40,384	93,135	267,660	151,178	50,405	39,093	240,676
Assets financing								
Owned	145,147	39,491	121,705	306,343	134,141	40,216	93,135	267,492
Finance leased	-	130	-	130	-	168	-	168
Net book value 31 March	**145,147**	**39,621**	**121,705**	**306,473**	134,141	40,384	93,135	267,660
Of which:								
Core department and agencies	94,256	1,278	71,861	167,395	92,248	1,577	48,463	142,288
NDPBs	50,891	38,343	49,844	139,078	41,893	38,807	44,672	125,372
Total	**145,147**	**39,621**	**121,705**	**306,473**	134,141	40,384	93,135	267,660

The effective date of revaluation was 31 March 2020.

The net book value for internally developed software includes the following.

- £43.4 million for the Common Agricultural Policy Delivery Programme held by the RPA with a remaining amortisation period of three years.
- The difference between the revalued carrying amount and the carrying amount that would have arisen under the historic cost model is not material.

Cash additions (adjusted for capital accruals) shown in the SoCF amount to £74 million (2018–19, £53 million (restated)).

7 Impairments

	Note	2019-20 Core Department and Agencies £000	2019-20 Defra Group £000	2018-19 Core Department and Agencies £000	2018-19 Defra Group £000
PPE - including investment properties		24,526	42,733	16,516	27,547
Intangibles		2	76	(2)	344
Investments		-	(5)	-	-
Total impairment charge for the year	3	**24,528**	**42,804**	16,514	27,891
of which:					
Amount released from Revaluation Reserve to General Fund		-	-	-	(140)

A comprehensive review of the core departments Property, Plant and Equipment was completed in 2019–20. Following the guidelines set out in the IAS 36 Accounting Standard, the existence of all assets were checked; as were the expected asset lives. All reasonable steps were taken to verify the assets and their value. However, the review highlighted a number of assets within the furniture and fittings and plant and machinery categories where their existence could not be substantiated and which led to these assets being impaired to the value of £16.2 million for furniture and fittings and £0.3 million for plant and machinery.

The EA annual review indicated signs of a reduction in service potential below the carrying value of the asset due to asset damage, obsolescence or aborted capital projects and as a result operational Assets were impaired by £14.5 million and Assets under construction by £4.7 million.

The impairment table includes material impairments as follows; core department £20.2 million, APHA £5.4 million and EA £18 million. These are reported in the following operating segments; core department, other agencies and EA respectively.

8 Financial Commitments

8.1 Capital Commitments

Defra Group

	2019-20 £000	2018-19 £000
Contracted capital commitments at 31 March for which no provision has been made:		
PPE	98,774	126,445
Intangible assets	12,170	12,040
Financial assets	43,248	36,758
Total	**154,192**	175,243
Of which:		
Core department and agencies	80,086	60,154
NDPBs	74,106	115,089
Total	**154,192**	175,243

8.2 Commitments under Leases

8.2.1 Operating Leases

The total future minimum lease payments under operating leases are given in the table below.

	2019-20		2018-19	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Land and Buildings				
Not later than one year	26,434	38,153	24,986	40,282
Later than one year and not later than five years	84,889	114,780	87,875	127,247
Later than five years	57,815	86,132	64,152	104,265
Total	**169,138**	**239,065**	177,013	271,794
Other				
Not later than one year	908	11,210	384	11,021
Later than one year and not later than five years	1,484	11,317	628	15,334
Total	**2,392**	**22,527**	1,012	26,355

8.3 Other Financial Commitments

The department has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements). The payments to which the department is committed are as follows:

	2019-20		2018-19	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Not later than one year	285,168	331,530	266,507	306,082
Later than one year and not later than five years	817,110	829,472	910,234	927,552
Later than five years	1,043,331	1,043,331	1,248,391	1,248,400
Total	**2,145,609**	**2,204,333**	2,425,132	2,482,034

The core department has agreements with local authorities on 24 Waste Infrastructure Grant Projects (formerly Waste PFI projects) that are receiving grant payments. Defra will continue to support these projects while they meet the terms of their agreement with Defra. Future commitments are £1,419 million (2018–19 £1,561 million). All projects are now in receipt of grant and no further agreements are planned.

The Canal & River Trust grant is committed until 31 March 2027, subject to a review in 2021-22 which will determine the case for funding from 2027-28. The value of this commitment is £373 million (2018–19 £436 million).

£167 million (2018–19 £227 million) relating to service contracts for information technology and includes contracts with IBM and a number of contracts associated with the Unity programme.

Within the other financial commitments disclosure, £121 million (2018–19, £142 million) relates to facilities management costs associated with the occupation of buildings that are either owned or leased by Defra or specialised properties held on executive agencies' SoFPs.

9 Financial Instruments and Risk

IFRS requires disclosures in the financial statements that enable users to evaluate the significance of financial instruments to the financial position and performance, and the nature and extent of risks arising from financial instruments to which Defra is exposed during the year and at the financial year end, and how those risks are being managed.

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the department's expected purchase and usage requirements and the department is therefore exposed to little credit, liquidity or market risk, except where detailed below.

	2019-20		2018-19	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Financial Assets				
Financial assets measured at amortised cost				
Loans and investments	10,469	10,503	3,509	3,489
Cash and cash equivalents	625,796	1,332,900	636,351	1,181,590
Financial assets measured at fair value through profit or loss (FVPL)				
Derivative instruments classified as held for trading	767	767	4,862	4,862
Financial assets measured at fair value through other comprehensive expenditure (FVOCE)				
Derivative instruments in designated hedge accounting relationships	695	695	18,070	18,070
ECO Business Fund	32,719	32,719	20,000	20,000
LDN Fund	10,000	10,000	-	-
Total	**680,446**	**1,387,584**	682,792	1,228,011
Financial Liabilities				
Financial liabilities measured at amortised cost				
EA reservoir agreement	-	(141,606)	-	(141,606)
Financial liabilities measured at fair value through profit and loss (FVPL)				
Derivative instruments classified as held for trading	(10,123)	(10,123)	(1,788)	(1,788)
Financial liabilities measured at fair value through other comprehensive expenditure (FVOCE)				
Derivative instruments in designated hedge accounting relationships	(3,043)	(3,043)	(795)	(795)
Total	**(13,166)**	**(154,772)**	(2,583)	(144,189)

Other receivables and other payables are disclosed in Notes 11 and 12 respectively. These financial instruments are simple in nature, and carried at amortised cost, which is deemed to be a reasonable approximation of their fair value. Notes 11 and 12 also include non-financial instrument balances relating to taxation, accruals and prepayments.

On 1 April 2015, Fera Science Limited was formed, with Defra acquiring a 25 percent stake in the company (Capita acquired 75 percent). The investment in FSL is accounted for as an associate in line with IAS 28, and therefore falls outside the scope of the Financial Instruments standard (IFRS 9). It is therefore excluded from the above table.
Those financial instruments measured at fair value are classed under IFRS 13 as either level one or level two inputs, with no unobservable inputs being relevant. Financial assets

measured at amortised cost (which is generally invoiced value) are usually short term in nature. Accordingly, their fair value is not materially different from their carrying value.

Significant Estimates and Judgements (Financial Assets)

Business model assessment

With respect to trade and other receivables the business model of Defra is chiefly to collect payments of principal from customers. This also includes receivables from the EU in respect of money owed for schemes processed. Also, the hold to collect and SPPI test, which requires that the contractual cash flows relating to financial assets are solely payments of principal and interest on the principal amounts outstanding (i.e. cash flows that are consistent with a basic lending arrangement), is assessed as being passed. Therefore, Defra records the receivables at amortised cost which, for receivables with no financing component, is the invoiced amount.

For the Eco Business Fund the shares are neither classified as hold to collect nor hold to collect and sell, so by default would be classified at FVOCE. However, under the provisions of IFRS 9, Defra has made an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income. This is appropriate, given that the department’s incentive is to bolster the fund and support its initiatives, with any dividends being reinvested, and not to invest for profit.

In December 2019, Defra entered into an agreement to invest £10 million in the Land Degradation Neutrality (LDN) fund based in Luxembourg as part of their commitments under its International Climate Fund via Defra’s Official Development Assistance (ODA) budgets.

Derivative financial assets fall outside of this assessment.

Expected credit losses

Defra has reviewed receivables balances against the creditworthiness of the related customers. In general, Defra's customers tend to be other public sector entities, to which no real prospect of default applies. Defra has, where possible, adjusted for anticipated future events, although this is inherently difficult given the current pace of political and economic developments.

Defra's receivables tend to be short term in nature (for example, trade receivables). Longer term elements are not subject to financing components. Therefore, the simplified model has been applied, in which the loss allowance is equal to lifetime Expected Credit Losses.

The implication of leaving the EU is still unclear but EC funding will continue during the transitional period to the end of December 2020. The RPA are likely to remain fully funded and not suffer a credit loss throughout this period.

Defra has created a provision matrix for receivables, which gives the latest estimated lifetime Expected Credit Loss for each stream. This is based on our historic experience of credit losses over the past few financial years, updated for any known future credit issues. The greatest impact across the Defra group is at EA, who base their calculation on the average experienced credit loss for each scheme over a four year period, this has changed from a three year period to ensure that the estimate was not understated due to relatively low levels of credit losses from three years ago. There has not been a material change in the expected credit losses for any charge scheme.

9.1 Categories of Financial Instruments

Details of financial instruments held by the department are included in Notes 9, 10, 11 and 12 (non-financial instrument balances relating to taxation and prepayments are also included in these notes). Further details are given below only where the risks are significant. For further information on financial instruments see RPA’s, EA’s and Flood Re’s ARAs.

9.2 Exposure to Risk

9.2.1 Credit Risk

A significant proportion of the department’s customers and counterparties are other public sector organisations. Minimal credit risk arises from these organisations.

For those customers and counterparties that are not public sector organisations the department has policies and procedures in place to ensure credit risk is kept to a minimum.

The department is not exposed to material credit risk.

9.2.2 Liquidity Risk

Excluding RPA, there is no significant exposure to liquidity risk, as the department’s net resource outturn is financed through resources voted annually by Parliament.

RPA has maintained liquidity, wherever possible, through timely submission of funding claims to the Commission. RPA does not undertake 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 Defra drawing monies from HM Treasury's Contingencies Fund on behalf of RPA. This facility is the subject of a formal standing arrangement agreed by HM Treasury. Drawings are normally repayable within the financial year.

9.2.3 Market Risk – Foreign Currency Risk

Excluding RPA, there is no significant foreign currency risk.

RPA’s activities expose it to the financial risks of changes in foreign currency exchange rates. RPA enters into forward foreign exchange contracts to manage its exposure to foreign currency risk relating to euro denominated receipts from the Commission for BPS and Rural Development Programme scheme expenditure.

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 Commission in euros. However, the majority of distributions by RPA are paid in sterling, which creates an exposure to gains or losses from fluctuations in foreign exchange rates between the euro and sterling. RPA has managed its exposure to this risk through the purchase of forward foreign currency contracts. RPA holds derivative assets and liabilities for the purpose of managing foreign currency risk.

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

	31 March 2020		31 March 2019	
	Assets	**Liabilities**	Assets	Liabilities
	£000	**£000**	£000	£000
Euro denominated	**749,867**	**132,097**	**670,771**	**127,951**

The following table details RPA's, and therefore the department's, sensitivity to a 10 percent increase and decrease in sterling against the euro.

	Impact of Movement in Euro/Sterling rate Sterling Appreciates by 10%		Impact of Movement in Euro/Sterling rate Sterling Depreciates by 10%	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000
(Increase)/decrease in Net operating cost[1]	**(61,777)**	**(54,282)**	**61,777**	**54,282**
Derivative instruments				
(Increase)/decrease in Net operating cost[2]	**24,876**	**26,145**	**(24,876)**	**(23,900)**
Increase/(decrease) in Taxpayers' Equity[3]	**49,443**	**52,126**	**(49,443)**	**(35,190)**

[1]This is attributable to the exposure outstanding on euro receivables and payables at the SoFP 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.

9.2.4 Market Risk – Inflation

EA is exposed to the risk of changes in the rate of inflation as a result of the reservoir operating agreements. The Retail Price Index has fluctuated significantly over the life of these financial liabilities. This is a macroeconomic risk that EA cannot manage in any way. However, EA is able, through legislation, to recover the full cost of reservoir operating agreements through its charges on water abstraction.

9.2.5 Market Risk – Investments

As at 31 March 2019 the department has £50 million in investments (2018-19 £27 million), £33 million of this is invested in the Eco-Business Fund and the majority of the remainder is a shareholding in Fera Science Limited.

9.3 Exposure to Insurance Contract Risk

The risks described below are attributable to Flood Re, which is consolidated into the departmental accounting boundary.

9.3.1 Credit Risk

Flood Re defines counterparty credit risk as the risk of not recovering money owed to Flood Re by third parties. Flood Re's maximum exposure to credit risk is the gross carrying value of its levy receivables, reinsurance premium receivables, reinsurance recoveries, trade and other receivables and cash and short-term deposits.

Flood Re uses issuer credit ratings provided by external credit rating agencies to monitor the ongoing creditworthiness of its counterparties together with other publicly available data and market information.

Ceded reinsurance arrangements do not relieve Flood Re from its obligations to policy holders. Reinsurance is only placed with counterparties that have a minimum credit rating of A (S&P equivalent) or provide collateralised arrangements. No single reinsurer placement can exceed the maximum credit counterparty exposure thresholds established by Flood Re's Board.

Insurance Risk

Premium risk

Flood Re is exposed to premium risk, which is defined as the risk of loss or of adverse change in the value of insurance liabilities given adequate pricing assumptions. The premium Flood Re charges is not reflective of the underlying risk that Flood Re assumes, as Flood Re's principal objective is to enable the continued availability and affordability of household insurance for homes at risk of flooding. Accordingly, Flood Re's premium risk strategy is to charge insurers a subsidised fixed rate that is set according to the council tax band associated with the insured property.

The Company expects that assumed premium will not be sufficient to cover the estimated mean cost of claims. The cost of the subsidy provided through the premium thresholds is met by a levy raised from all insurers writing home insurance in the UK. The levy is set at £180 million a year.

Reserve risk

Reserve risk is defined as the risk of loss or of adverse change in the value of insurance liabilities due to inadequate reserving assumptions. This is distinct from the premium risk as it is based on the development of claims after a flood event has occurred. For example, reserves would be understated if the severity of a claim is greater than the reserves set, which are based on actuarial best estimates of the liability.

Flood Re monitors flood risk exposure on a per risk basis and on an aggregate sum insured basis and performs exposure modelling on at least a quarterly basis or on the occurrence of an event.

Sensitivity

Flood Re uses scenario analysis to illustrate the potential financial impact of assumptions varying from expectations where there is limited historical data.

Catastrophe risk

Flood Re's most significant insurance risk exposure is to losses arising from low frequency, high severity catastrophe flood events. A catastrophe flood is defined by Flood Re as a single event UK flood that:

- impacts more than 250 properties ceded to Flood Re; or
- is expected to have claims costs in excess of £5 million.

Catastrophe loss events may result in a high level of volatility in the financial results of Flood Re.

During the year ended 31 March 2020, Flood Re classified and reserved for flooding in parts of the UK in November 2019 and February 2020 as catastrophe loss events.

Flood Re uses risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions used in these models are unreliable or that claims will be greater than the model would suggest.

Risk Mitigation

Flood Re purchases reinsurance as part of its overall risk mitigation programme. Reinsurance ceded is Flood Re's primary mechanism for managing and mitigating insurance risk.

The Flood Re Scheme document establishes the requirement for Flood Re to set an annual aggregate loss amount (liability limit). The scheme liability limit for the year ended 31 March 2020 was £2,244 million (2019: £2,198 million). Each financial year the Liability Limit is adjusted for the increase or decrease in the Consumer Price Index (CPI) in the prior calendar year. Subject to these adjustments, the Liability Limit is set for a period of five years. If claims were to exceed the Liability Limit, relevant insures would continue to be liable to policyholders in accordance with the terms of the insurance policy sold.

Flood Re requires that its outwards reinsurance protections match the liability limit and has purchased an extensive reinsurance programme to meet this need. In addition, FloodRe protects itself from an annual accounting loss of £100m by a £100m excess reinsurance cover.

9.3.2 Liquidity

Flood Re must maintain sufficient liquidity at all times to support its cedents by settling claims when due. Flood Re generates cash inflows primarily from Levy I, premium and investment income and is exposed to significant cash outflows arising from reinsurance claims costs and operating expenses.

Flood Re monitors its liquidity and future cash flow requirements on a regular basis and maintains a high quality, well balanced and liquid investment portfolio. There is uncertainty around the timing and severity of claims costs. The maturity profile of Flood Re's invested assets is aligned to the short-term nature of the business underwritten whereby insurance contract liabilities are generally incurred and settled within one year.

Flood Re anticipates generating positive cash flows, unless there is a series of large flood events.

9.3.3 Market Risk

Flood Re has a conservative market risk strategy which prioritises capital preservation over investment return. The investment mandate restricts the type, duration and amount of holdings that may be invested in. Flood Re only invests in UK government backed securities (gilts, treasury notes and UK government backed liquidity funds).

9.3.4 Capital Adequacy

Flood Re has complied at all times with the regulatory minimum capital requirements and the solvency capital requirements.

For more information on Insurance Risk, see Flood Re's Annual Report and Financial Statements.

10 Cash and Cash Equivalents

	2019-20		2018-19	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Balance at 1 April	636,351	1,181,590	720,714	1,162,389
Net change in cash balance	(10,555)	151,310	(84,363)	19,201
Balance at 31 March	**625,796**	**1,332,900**	636,351	1,181,590
The following balances at 31 March are held at:				
Government Banking Services	624,915	781,085	634,963	761,875
Commercial bank accounts and cash in hand	881	56,217	1,388	55,219
Short term investments	-	495,598	-	364,496
Balance at 31 March	**625,796**	**1,332,900**	636,351	1,181,590

For further information see the Net Cash Requirement section of Chapter 3.

The majority of the short term investment relates to Flood Re's short term deposits with a maturity of three months or less which are subject to insignificant risk of changes in value.

11 Trade Receivables, Financial and Other Assets

	31 March 2020		31 March 2019	
	Core Department and Agencies	Defra Group	Core Department and Agencies	Defra Group
	£000	£000	£000	£000
Amounts falling due within one year				
Trade receivables	27,385	57,811	25,419	61,510
Deposits and advances	929	985	241	234
Flood Re reinsurance receivables	-	91,236	-	30,704
Other receivables	28,498	31,815	18,665	21,492
VAT	19,118	43,766	12,093	42,806
Flood Re taxation receivable	-	5,741	-	-
Prepayments and accrued income	196,808	202,256	141,106	174,058
Accrued income relating to EU funding	725,157	731,536	674,336	682,203
Contract assets	4,284	4,625	4,603	6,389
Less expected credit loss for receivables and contract assets	(2,312)	(7,784)	(2,627)	(8,791)
Trade and other receivables	**999,867**	**1,161,987**	873,836	1,010,605
Current loans	9,890	9,890	2,886	2,886
Current part of derivative financial instrument asset	1,462	1,462	22,932	22,932
Other financial assets	**11,352**	**11,352**	25,818	25,818
Amounts falling due after one year				
Trade receivables	22	22	19	19
Other receivables	719	744	735	743
Prepayments and accrued income	9	9	18	274
Receivables due after more than one year	**750**	**775**	772	1,036
Total receivables	**1,011,969**	**1,174,114**	900,426	1,037,459

12 Trade Payables and Other Current Liabilities

	31 March 2020		31 March 2019	
	Core Department and Agencies	Defra Group	Core Department and Agencies	Defra Group
	£000	£000	£000	£000
Amounts falling due within one year				
VAT	530	1,738	1,829	3,185
Other taxation and social security	9,729	23,732	9,041	37,328
Flood Re reinsurance payables	-	20,631	-	17,328
Promissory notes	137,700	137,700	144,625	144,625
Trade payables	47,220	57,314	42,876	69,743
Other payables:				
Other	76,655	92,056	17,999	32,956
Accruals and deferred income	513,907	782,264	554,515	789,629
Current part of finance leases	963	2,158	421	486
Amounts issued from the Consolidated Fund for supply but not spent at year end	625,796	625,796	636,351	636,351
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund				
Contract liabilities	4,571	116,709	6,214	114,330
Trade and other payables	**1,417,071**	**1,860,098**	1,413,871	1,845,961
Current part of derivative financial instrument liability	13,166	13,166	2,583	2,583
Other financial liabilities	**13,166**	**13,166**	2,583	2,583
Amounts falling due after more than one year				
Other payables, accruals and deferred income	130,282	131,422	127,421	129,011
Finance leases	805	1,064	430	676
Contract liabilities	133	133		
Other Payables	**131,220**	**132,619**	127,851	129,687
Environment Agency reservoir agreement	-	141,606	-	141,606
Other financial liabilities	**-**	**141,606**	-	141,606
Total payables	**1,561,457**	**2,147,489**	1,544,305	2,119,837

Included within promissory notes payable is an amount of £51.6 million (2018–19, £18.7 million) which is expected to be encashed within 1 year and £86.1 million (2018–19, £126 million) which is expected to be encashed after 1 year based on non-legally binding encashment schedules.

13 Contract Assets and Liabilities

13.1 Contract balances

	31 March 2020		31 March 2019	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Receivables which are included in trade and Other Receivables	996,333	1,158,137	870,005	1,005,252
Contract Assets	4,284	4,625	4,603	6,389
Contract Liabilities	(4,704)	(116,842)	(6,214)	(114,330)

13.2 Significant changes in the contract assets and the contract liabilities balances during the period

	31 March 2020 Contract Assets		31 March 2020 Contract Liabilities	
	Core Department and Agencies	**Defra Group**	**Core Department and Agencies**	**Defra Group**
	£000	**£000**	**£000**	**£000**
Contract Assets/Liabilities at 1 April 2019	4,603	6,389	(6,214)	(114,330)
Increases/Decreases due to cash received/paid	(4,152)	(4,152)	(2,323)	(19,630)
Transfers from contract assets/liabilities to receivables/payables	3,833	2,388	3,833	17,118
Contract Assets/Liabilities at 31st March 2020	**4,284**	**4,625**	**(4,704)**	**(116,842)**

Contract balances note

The contract liabilities relate primarily to the advance consideration received from customers at EA. Revenue is recognised on completion of performance obligations and acceptance by the customer of the service provided (i.e. when the receivable is recognised).

Contract assets (capitalised costs) reporting

Costs to obtain a contract or fulfil a contract should be capitalised under IFRS 15. During 2019–20, this has not been relevant to Defra.

14 Provisions for Liabilities and Charges

14.1 Provisions for Liabilities and Charges (Excluding Pension Liabilities)

	CAP Disallowance	Flood Re Insurance	Metal Mines	FMD Sites	Core Estates Provisions	IR35 Provision	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Defra Group								
Balance at 1 April 2018	184,158	16,108	402,591	169,812	26,118	-	18,245	817,032
Provided in the year	9,488	13,533	46,525	28,497	4,096	-	2,284	104,423
Provisions not required written back	(169,581)	-	-	(90)	(3,595)	-	(1,468)	(174,734)
Provisions utilised in year	(801)	(3,203)	(1,852)	(911)	(79)	-	(2,920)	(9,766)
Changes in discount rate	-	-	(233,115)	(80,138)	(5,922)	-	-	(319,175)
Unwinding of discount	-	-	(6,344)	(2,686)	(890)	-	1	(9,919)
Balance at 31 March 2019	23,264	26,438	207,805	114,484	19,728	-	16,142	407,861
Provided in the year	647,477	158,638	29,711	32,729	1,725	19,264	4,224	893,768
Provisions not required written back	(14,889)	-	(2,821)	67	(2,578)	-	(3,004)	(23,225)
Provisions utilised in year	(8,376)	(5,326)	(2,050)	(1,418)	(23)	-	(2,669)	(19,862)
Changes in discount rate	-	-	(8,626)	(3,969)	(62)	-	-	(12,657)
Unwinding of discount	-	-	(777)	2,133	(335)	-	-	1,021
Balance at 31 March 2020	**647,476**	**179,750**	**223,242**	**144,026**	**18,455**	**19,264**	**14,693**	**1,246,906**

14.2 Analysis of Provision Balances

	CAP Disallowance	Flood Re Insurance	Metal Mines	FMD Sites	Core Estates Provisions	IR35 Provision	Other Provisions	Total
								2019-20
	£000	£000	£000	£000	£000	£000	£000	£000
Defra Group								
Not later than one year	647,476	109,958	3,795	1,585	2,020	19,264	5,433	**789,531**
Later than one year and not later than five years	-	69,792	12,075	7,331	8,146	-	5,781	**103,125**
Later than five years	-	-	207,372	135,110	8,289	-	3,479	**354,250**
Total	**647,476**	**179,750**	**223,242**	**144,026**	**18,455**	**19,264**	**14,693**	**1,246,906**
Of which:								
Core department and agencies	647,476	-	223,242	144,026	18,455	19,264	6,082	**1,058,545**
NDPBs	-	179,750	-	-	-	-	8,611	**188,361**
Total	**647,476**	**179,750**	**223,242**	**144,026**	**18,455**	**19,264**	**14,693**	**1,246,906**

The timing of cash flows for the provisions requires management to make estimates and assumptions. All estimates for provisions are based upon knowledge of current facts and circumstances, and forecasts of future events and actions. Some of the assumptions made have limitations that will mean that the actual timings of cash flows could vary significantly from these estimates.

As can be seen from the sensitivity tables in Notes 14.5 and 14.6, a modest change in the discount rate for general provisions can have a significant impact on the stated value of liabilities. These rates are advised by HM Treasury (see below) and are therefore not within the control of the department.

	2019–20
	%
Short term (0 to 5 years)	0.51
Medium term (6 to 10 years)	0.55
Long/very long term (greater than 10 years)	1.99

HM Treasury provide the discount factor at a nominal rate which does not include inflation. Therefore, inflation rates need to be applied separately to cash flows before applying the nominal discount rate. Under HM Treasury guidance, there is a rebuttable presumption that the forecast CPI inflation rates will be used unless another alternative is deemed to be more appropriate. This rate is used for each discounted provision in the ARA, as no more appropriate inflation rates have been identified.

14.3 Disallowance Provisions

The Commission can apply financial corrections if Defra (through RPA) does not comply with the Commission's regulations for payments funded through the CAP. Any amounts disallowed depend on the assessed severity of the breach of regulations and on subsequent negotiations with the Commission, in accordance with the Commission's clearance of accounts procedure. If disallowance is imposed by the Commission this materialises as cash refused (i.e. a deduction) in the UK's claim for reimbursement of claims under CAP. This results in Defra being liable for the amount of deduction.

Liabilities exist for all schemes where the results of external Commission audit have indicated that a financial correction is likely, and where there is an indication of the severity of the issues leading to that correction. This enables an estimate to be made. The final estimates reflect the best information available at the year end.

Liabilities which are expected to impact in future accounting periods are disclosed as provisions, covering all relevant schemes. As the process of Commission reviews progresses, the likelihood of disallowance penalties are confirmed by the Commission (and are reasonably certain). In practice, this is when the Commission has notified a penalty which, following the conciliation process between Defra and the Commission, the department will not contest further. It is at this stage that amounts are reflected in the financial statements as an accrual. Finally, the point at which the cash refused is physically transacted may come sometime after the accrual point and typically in a later accounting period. Therefore, it is important to recognise that liabilities for disallowance can cover a number of scheme years and do not just reflect any disallowance imposed in the financial year covered by any single year's accounts.

Limited notice is given of future Commission conformity audits and it is not therefore known which scheme areas will be audited during the coming year. Where there has not been an audit, then we declare a remote contingent liability in the Accountability Report. Once audits have taken place and until a reliable estimate can be made a contingent liability is disclosed. Once reliable estimates are available and a letter of the findings received from the Commission, a provision/accrual can be accounted for.

For further information on the Disallowance provision, please refer to Chapter 3.

14.4 Flood Re Insurance Provision

A provision is recognised as both the value and timing of the insurance claim liability is uncertain. Delays can be experienced in the settlement and notification of claims, and consequently the ultimate cost cannot be known at the reporting date.

The liability is calculated at the reporting date using a standard range of actuarial projection techniques, based on empirical data and current assumptions. An actuarial estimate is made representing the best estimate plus a risk margin within a range of possible outcomes. The liability is not discounted for the time value of money.

The liabilities are derecognised when the obligation to pay a claim expires, is discharged or cancelled.

14.5 Abandoned Metal Mines Provision

Abandoned metal mines are responsible for about half the metals in English rivers (1,500 km). Pollutants include Zinc, Cadmium, Lead, Copper, Nickel, Iron and/or Arsenic. Approximately 100 water bodies are polluted by one or more of these metals which can seriously impact environmental health, harming fish and other river wildlife and decreasing biodiversity.

Under the Water Resources Act 1991 (as amended by the Environment Act 1995) mine owners/operators cannot be held liable for permitting water pollution from mines abandoned before 2000, and most mines were abandoned before the 20th Century. Government funding and action is required to address this historical legacy. Pollution can occur when mines are closed, pumps are switched off and mine water levels rise (through rainwater or flooding) to the point where waters are discharged into surface water bodies e.g. rivers, lakes, estuaries or into groundwater. The treatment of polluted water discharging from abandoned metal mines and from other diffuse sources (such as spoils heaps) therefore contributes to achieving good status and so Defra decided to implement treatment facilities at certain sites. Accordingly, Defra has a constructive obligation at these sites, working in partnership with the Environment Agency and the Coal Authority (an NDPB of Business, Energy and Industrial Strategy) managed by memorandums of understanding (MoU).

The department funds the ongoing running costs of the operational water treatment schemes built at three abandoned metal mine sites. The Wheal Jane scheme has been running since 2000, with Force Crag coming into operation in 2014 and Saltburn Gill in 2015. A new scheme is under construction at Nent Haggs that should become operational by 2022. These schemes clean polluted water which flows out of the abandoned mines and into water bodies which accords with the Government's responsibility to set regional or river basin management plans to improve water quality under the Water Framework Directive (WFD). Relevant current national regulations to establish good water status or water quality (underpinned by chemical and ecological standards) under the Water Framework Directive will be taken forward under the Environment Bill, consistent with other transition arrangements.

The department has a provision that reflects its long term liability to remediate the water from the mines. There is uncertainty over the estimation of the value of the liability due to long term factors. The department uses an evidenced cost base, with forecasts of the running costs provided by the Coal Authority. The time frames involved are less certain, but are based on scientific and geological research.

A report by Newcastle University explored alternatives to expensive active treatment schemes, and Defra subsequently commissioned Newcastle University to develop low cost compost bioreactors. These reactors have been used at Force Crag and have resulted in lower costs for running that scheme. The likelihood of further technological advances makes it difficult to predict future costs for remediation. Separately, Defra has explored local third party funding from those who benefit from the schemes, to reduce the amount of Defra funding required. This attracted £2.6 million from the North East Local Enterprise Partnership Local Growth Fund from 2016–17 to 2019–20.

The provision is calculated over 100 years timeframe as scientists have concluded that the conditions causing the pollution will continue and there is no foreseeable option to dispense with treatment schemes. Beyond 100 years, the inherent uncertainties to the future costs and timing of cash flows inhibits provisions being made. Significant uncertainties beyond 100 years include: climate change, new technologies; environmental regulations; price inflation of construction and other costs; positioning of schemes and related land costs and the number of future preventative schemes required.

Updates to the discount rates for provisions as advised by HM Treasury can cause the liability to vary significantly. We have carried out a sensitivity analysis to ascertain the responsiveness of the provision to changes to the underlying assumptions i.e. costs, the period of liability and discount rate in value and percentage. Details are outlined in the following table.

Change in assumption	Effect on provision (in £)	Effect on provision (in % terms)
0.5% increase in Treasury Discount Rate	Decrease of 46m	Decrease of 21
0.5% decrease in Treasury Discount Rate	Increase of 64m	Increase of 29
10% increase in underlying costs	Increase of 22m	Increase of 10
10% decrease in underlying costs	Decrease of 22m	Decrease of 10
10 year increase in timeframe of the provisions	Increase of 22m	Increase of 10
10 year decrease in timeframe of the provisions	Decrease of 22m	Decrease of 10

These factors impacting volatility will continue to be monitored. The HM Treasury discount rate remains beyond the department's control and the department has no reason to apply an alternative discount rate. A change in discount rates of the scale outlined above is the most likely and volatile impact on the provision value, based on past experience. The underlying cost continues to be monitored annually, in consultation with the Coal Authority. The Coal Authority continue to drive efficiencies in managing metal mine sites, whilst also analysing the useful lives of assets used in managing and maintaining the sites.

14.6 FMD Burial Sites Provision

Since the FMD outbreak in 2001, the department has a constructive obligation for managing several burial sites across the UK as it has committed to actively manage these sites to prevent the discharge of contaminants through groundwater pollution. The provision for FMD sites represents the ongoing future liabilities relating to preventing and remediating any leachate pollution arising from burial sites. There are significant uncertainties as to the time period over which the need to monitor and manage leachate will continue at the sites. The provision has therefore been estimated based on 100 years from burial with 81 years remaining. Conceptual reports were completed in March 2020, for each site, which showed the level of contamination is decreasing. It is recommended that this is reviewed every 5 years.

The current value of the provision at 81 years remaining is £144.03 million. This is with an annual running cost of £1.758 million. If the length of the provision was to increase, the cost of the provision would increase by £1.764 million each year. Each year the provision is reduced, then the average decrease is £1.778 million. For example, if the length of the provision is assumed to be 100 years then the value of the provision would be £176 million and if the assumption was 50 years then £89 million.

Further, sensitivity analysis has flagged potential volatility in the carrying value of the provision if there are changes to the lifetime, annual cost and discount rates in value and percentage as outlined in the following table. These factors impacting volatility will continue to be monitored. The HM Treasury discount rate remains beyond the department's control and the department has no reason to apply an alternative discount rate. A change in discount rates of the scale outlined below is the most likely and volatile impact on the provision value, based on past experience. The underlying cost continues to be monitored annually and any future increases will likely be offset by efficiencies across the sites.

Change in assumption	Effect on provision (in £)	Effect on provision (in % terms)
0.5% increase in Treasury Discount Rate (see 14.2)	Decrease of 5.6m	Decrease of 4
0.5% decrease in Treasury Discount Rate	Increase of 5.9m	Increase of 4
10% increase in underlying costs	Increase of 14.4m	Increase of 10
10% decrease in underlying costs	Decrease of 14.4m	Decrease of 10
10 year increase in timeframe of the provisions	Increase of 17.6m	Increase of 12
10 year decrease in timeframe of the provisions	Decrease of 17.6m	Decrease of 12

14.7 Employment Legislation (IR35)

Employment Legislation (IR35), introduced in April 2017, requires public sector bodies to make an assessment of off-payroll workers employment status for tax and makes them liable for ensuring the correct tax is applied. The department uses HM Revenue and Customs' own Check of Employment Status for Tax tool (CEST) and accompanying guidance to make those assessments. During 2019–20, internal checks and additional HM Revenue and Customs' guidance highlighted inaccuracies in the historic assessment of some contractor's employment status. The department is re-assessing the status of all Defra contractors in light of these inaccuracies. A reliable estimate has been calculated for the amount Defra may have to pay to settle the tax liability for all current contractors whose IR35 assessments have changed due to these reassessments. This has increased the proportion of contractors inside IR35 from 5 percent to 29 percent of all current contractors. This revised percentage has been applied over the remainder of the population of contractors who are no longer with the department to obtain an estimated tax liability for this population. This prudent approach assumes that HM Revenue and Customs would deem any incorrect assessments as careless, but the investigation is still to be finalised and the department yet to provide evidence on how the assessments were determined. Once HM Revenue and Customs' compliance audit work is completed, the amounts owed by the department will be known with certainty and the liability will become payable. HM Revenue and Customs may determine at this point that interest or penalties payments are due in addition to the underpayment of historic taxation. As it is not certain whether such payments will be required or what the amounts would be if so, we have disclosed a contingent liability in Note 16 in respect of this.

15 Pension Liabilities

15.1 Pension Schemes Managed by the Department

The department contributes to the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as Alpha, but does not manage the scheme. Details are reported in Chapter 5 - Civil Service Pension Schemes. Employer contributions to the funds are included in the Statement of Comprehensive Net Expenditure

(SOCNE) but the share of assets and liabilities are not disclosed in the Statement of Financial Position (SOCF), as they cannot be separately identified.

In addition to these there are also a number of pension schemes which are managed by the department and NDPB's, these include a mixture of funded and by analogy schemes (unfunded). The table below details the funds managed by the core department and those disclosed by the NDPB's:

Schemes Disclosed by the Core Department	Schemes Disclosed in the NDPB Accounts
EA Pension Liability (Closed Scheme) (funded)	Home Grown Cereals Authority Pension Scheme (funded)
Nature Conservancy Council Pension (by-analogy)	EA Active Pension Scheme (funded)
Former Countryside Agency Pension Schemes (Rural Community Council and Ex-Chairmen Schemes) (by-analogy)	NE Pension Scheme (by-analogy)
Horticultural Research International Pension Scheme (by-analogy).	Sea Fish Industry Authority (funded)
	Meat and Livestock Commission Pension Scheme (funded).

Disclosures in relation these schemes are made in accordance with the accounting treatment in IAS 19. The standard has no impact on the level of cash contributions paid by the department which are set reference to assumptions agreed at periodic actuarial valuations of each scheme. The standard requires the disclosure of the net liability which is an assessment of the value of any gap between the assets help by the scheme and the total present value of the funded and unfunded obligations, however, there is no requirement to address this net liability by payment of a lump sum or otherwise.

Below are details of the most material schemes to the department– the EA Pension Closed and Active Funds – which are part of the Local Government Pension Scheme (LGPS) in England and Wales. Robust governance arrangements are in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. The overriding objective is to act in the best interests of the members and employers. Those persons responsible for governing the scheme have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.

15.1.1 EA Pension Liability (Closed Scheme)

The EA Closed Fund (the Fund) is vested in EA by Regulation 2(1) of the Local Government Pension Scheme Regulations 1996 and the Environment Act 1996 and is maintained for the purposes of Section 7 of the Superannuation Act 1972. The Secretary of State has the function conferred by Section 173 of the Water Act 1989 to make such payments into the Fund as may be considered appropriate in respect of the actual and contingent liabilities falling from time to time. This was reaffirmed through the memorandum of understanding between the accounting officers of Defra and EA, 17 May 2005. These are met out of the Fund to persons who were ex-employees of regional water authorities and other water industry bodies at the time of water privatisation in 1989 (the Closed Fund members).

The Fund's approach to funding the pension liabilities is focused on ensuring that sufficient funds are available to meet all liabilities as they fall due for payment. Since 1 April 2006, Grant-in-Aid has been paid that is sufficient to meet the pension obligations and running costs of the Fund.

All calculations have been made by a qualified independent actuary. As required under IAS 19, the projected unit credit method of valuation has been used. The last formal valuation of the Fund was carried out as at 31 March 2019.

At the last actuarial valuation date, the weighted average duration of the defined benefit obligation was 9.1 years.

The estimated sponsor's contributions for the year to 31 March 2021 will be approximately £58 million.

15.1.2 EA Active Pension Scheme

EA operates a defined benefit pension scheme for current employees and transferees from predecessor organisations. The scheme is part of the LGPS, a statutory scheme primarily governed by the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. These are subject to amendment over time. Further details on the Pension Fund including its annual report and financial statements, are on the Environment Agency Pension Fund website (www.eapf.org.uk).

EA has awarded a contract to SSCL, who participate in the Fund on a risk sharing basis. To reflect the risk sharing agreement between EA and SSCL:

- the value of the assets and liabilities for SSCL have been included in EA's IAS 19 position;
- contributions paid by SSCL have been included as contributions made by EA to the fund; and
- the SSCL membership statistics have been included with the membership statistics of EA.

Natural Resources Wales (NRW) also have employees who participate in the fund and pay contributions accordingly.

The Fund's approach to funding the pension liabilities is focused on ensuring that sufficient funds are available to meet all liabilities as they fall due for payment, recovering any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees. Employer contributions are kept as stable as possible, and the fund is managed to maximise the returns from investments, within reasonable risk parameters.

All calculations have been made by a qualified independent actuary. As required under IAS 19, the projected unit credit method of valuation has been used. The last formal valuation of the fund was carried out as at 31 March 2019.

The total pension charge for the Environment Agency was £146.9 million for the financial year 2019–20 (£148.2 million in 2018–19). The pension charge relating to the scheme was assessed in accordance with the advice of an independent qualified actuary using the projected unit method of valuation to calculate the service costs.

The Environment Agency's funding arrangements are to pay 14 percent of the monthly gross salary of members to the Pension Fund each month, and then pay a lump sum to meet the equivalent employer contribution of 18.5 percent.

The latest triennial actuarial valuation of the Environment Agency pension fund (EAPF) was at 31 March 2019. The assets taken at market value (£3.7 billion) were sufficient to cover 106 percent of the value of liabilities in respect of past service benefits which had accrued to members. EA accepted the independent actuary's recommendation to increase employer contributions by 0.5 percent from 18.5 percent to 19.0 percent from April 2020 through to March 2023. This was to maintain a prudent funding plan in light of uncertainties over the cost impacts of the McCloud ruling, leaving the EU and climate change. Markets were disrupted by COVID-19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced.

When the Local Government Pension Scheme (LGPS) was reformed in 2014, transitional protections were applied to older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an underpin, giving them the better of the benefits between the old and reformed schemes.

On 1 November 2018, 438 staff elected to transfer their pension fund benefits from the EAPF to the Civil Service Pension Schemes (CSPS). In July 2019 a transfer of assets to the value of £63.8 million was made from the EA Active Scheme. Transferring liabilities were values according to IAS19 assumptions and increased with interest.

In December 2018, the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination, known as the 'McCloud Ruling'. The implications of the ruling are expected to apply to the LGPS, and other public service schemes. At the end of 2018–19, an initial liability was recognised within the IAS19 report of £28.3 million. In 2019–20 this has reduced by £13.4 million following MHCLG consultation which set out qualifying member criteria.

In June 2020, a legal discrimination case, namely the Goodwin case, which related to unequal death benefit provision for male dependents of female scheme members was deemed successful. Whilst this case occurred in the Teacher's Pension Scheme, it does read across to other public sector schemes including the LGPS. Initial analysis suggests this will affect a very small population of our membership and may result in an increase in the cost of pensions from previous years service estimated at around £3.4 million, which for completeness has been included in our IAS19 valuation this year.

At the last actuarial valuation date, the weighted average duration of the defined benefit obligation was 23 years.

The estimated employers' contributions for the year to 31 March 2021 will be approximately £67.6 million.

Further details can be found in the Environment Agency Annual Report and Accounts.

15.1.3 Meat and Livestock Commission (MLC) Pension Scheme

Defined Benefits Scheme

The Agriculture and Horticulture Development Board (AHDB) is the principal employer in a contributory pension scheme providing defined benefits to legacy MLC employees and ex-employees, based on final pensionable salary. This scheme is closed to new entrants. The assets of the scheme are held separately from those of AHDB, being invested with insurance and investment companies. Contributions to the scheme are charged to AHDB's income and expenditure account and are determined by a qualified actuary on the basis of annual valuations, using the projected unit method.

The employer's contributions to the scheme in 2020–21 are estimated to be £0.3 million.

Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed as at 31 March 2018. At 31 March 2020, 68 percent of the scheme's total assets were represented by the buy-in policies.

The effect of the ruling in the Lloyds Trustees vs Lloyds Bank PLC and Others [2018] case on Guaranteed Minimum Pensions (GMP) has been taken into account in the valuation of the liabilities of the scheme.

Defined Contribution Scheme

The defined contribution section of the MLC Pension Scheme was closed to new members in 2008. The current employee and employer contribution rates are 5 percent and 7 percent, respectively.

Further details can be found in the AHDB Annual Report and Accounts.

15.2 Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability

As at 31 March 2020

	Total Core Department and Agencies				Total Department			
	Assets	Obligations	Adjustments	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	294,000	-	-	294,000	3,702,612	-	-	3,702,612
Present value of funded liabilities	-	(586,400)	-	(586,400)	217,200	(4,654,418)	-	(4,437,218)
Present value of unfunded liabilities	-	(101,697)	-	(101,697)	-	(332,938)	-	(332,938)
Less irrecoverable surplus	-	-	-	-	-	-	(552)	(552)
Opening Position as at 31 March 2019	294,000	(688,097)	-	(394,097)	3,919,812	(4,987,356)	(552)	(1,068,096)
Service cost								
Current service cost	-	-	-	-	-	(158,189)	-	(158,189)
Past service cost (including curtailments)	-	-	-	-	-	12,346	-	12,346
Effect of settlements	-	-	-	-	(63,772)	73,203	-	9,431
Other expenses	(600)	-	-	(600)	(625)	-	(13)	(638)
Total service cost	**(600)**	**-**	**-**	**(600)**	**(64,397)**	**(72,640)**	**(13)**	**(137,050)**
Net interest								
Interest income on plan assets	8,600	-	-	8,600	94,386	-	-	94,386
Interest cost on defined benefit obligation	-	(19,060)	-	(19,060)	-	(122,115)	-	(122,115)
Total net interest	**8,600**	**(19,060)**	**-**	**(10,460)**	**94,386**	**(122,115)**	**-**	**(27,729)**
Total defined benefit cost recognised in profit or (loss)	**8,000**	**(19,060)**	**-**	**(11,060)**	**29,989**	**(194,755)**	**(13)**	**(164,779)**
Cashflows								
Plan participants' contributions	-	-	-	-	24,807	(24,807)	-	-
Employer contributions	55,800	-	-	55,800	114,940	-	-	114,940
Contributions in respect of unfunded benefits	7,500	-	-	7,500	7,500	-	-	7,500
Benefits paid	(53,400)	55,284	-	1,884	(147,717)	150,433	-	2,716
Unfunded benefits paid	(7,500)	7,500	-	-	(7,500)	7,500	-	-
Expenses	-	-	-	-	(597)	12	-	(585)
Expected closing position	**304,400**	**(644,373)**	**-**	**(339,973)**	**3,941,234**	**(5,048,973)**	**(565)**	**(1,108,304)**
Remeasurements								
Change in demographic assumptions	-	16,800	-	16,800	-	113,358	-	113,358
Change in financial assumptions	-	(35,284)	-	(35,284)	-	402,018	-	402,018
Other experience	-	37,174	-	37,174	-	245,453	-	245,453
Return on assets excluding amounts included in net interest	(3,300)	-	-	(3,300)	(125,048)	-	-	(125,048)
Transfers (in)/out	-	(1)	-	(1)	-	(1)	-	(1)
Changes in asset ceiling	-	-	-	-	1	(1)	(2,387)	(2,387)
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(3,300)**	**18,689**	**-**	**15,389**	**(125,047)**	**760,827**	**(2,387)**	**633,393**
Fair value of employer assets	301,100	-	-	301,100	3,816,187	-	-	3,816,187
Present value of funded liabilities	-	(529,500)	-	(529,500)	-	(3,956,252)	-	(3,956,252)
Present value of unfunded liabilities	-	(96,184)	-	(96,184)	-	(331,894)	-	(331,894)
Less irrecoverable surplus	-	-	-	-	-	-	(2,952)	(2,952)
Closing position as at 31 March 2020	**301,100**	**(625,684)**	**-**	**(324,584)**	**3,816,187**	**(4,288,146)**	**(2,952)**	**(474,911)**

As at 31 March 2019

	Total Core Department and Agencies			Total Departmental Group			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	276,100	-	276,100	3,626,092	-	-	3,626,092
Present value of funded liabilities	-	(635,900)	(635,900)	-	(4,172,257)	-	(4,172,257)
Present value of unfunded liabilities	-	(112,470)	(112,470)	-	(337,073)	-	(337,073)
Less irrecoverable surplus	-	-	-	-	-	(1,414)	(1,414)
Opening position as at 31 March 2018	276,100	(748,370)	(472,270)	3,626,092	(4,509,330)	(1,414)	(884,652)
Service cost							
Current service cost	-	-	-	-	(128,109)	-	(128,109)
Past service cost (including curtailments)	-	-	-	-	(25,824)	-	(25,824)
Other expenses	(600)	-	(600)	(623)	-	-	(623)
Total service cost	(600)	-	(600)	(623)	(153,933)	-	(154,556)
Net interest							
Interest income on plan assets	7,100	-	7,100	96,641	-	-	96,641
Interest cost on defined benefit obligation	-	(18,274)	(18,274)	-	(119,836)	-	(119,836)
Total net interest	7,100	(18,274)	(11,174)	96,641	(119,836)	-	(23,195)
Total defined benefit cost recognised in profit or (loss)	6,500	(18,274)	(11,774)	96,018	(273,769)	-	(177,751)
Cashflows							
Plan participants' contributions	-	-	-	22,808	(22,808)	-	-
Employer contributions	58,700	-	58,700	116,285	-	-	116,285
Contributions in respect of unfunded benefits	8,300	-	8,300	8,300	-	-	8,300
Benefits paid	(56,800)	58,716	1,916	(142,729)	144,661	-	1,932
Unfunded benefits paid	(8,300)	8,300	-	(8,300)	8,300	-	-
Expected closing position	284,500	(699,628)	(415,128)	3,718,474	(4,652,946)	(1,414)	(935,886)
Remeasurements							
Change in demographic assumptions	-	-	-	-	1,661	-	1,661
Change in financial assumptions	-	9,589	9,589	-	(337,551)	-	(337,551)
Other experience	-	1,942	1,942	(84)	1,480	-	1,396
Return on assets excluding amounts included in net interest	9,500	-	9,500	201,422	-	-	201,422
Changes in asset ceiling	-	-	-	-	-	862	862
Total remeasurements recognised in Other Comprehensive Income (OCI)	9,500	11,531	21,031	201,338	(334,410)	862	(132,210)
Fair value of employer assets	294,000	-	294,000	3,702,612	-	-	3,702,612
Present value of funded liabilities	-	(586,400)	(586,400)	217,200	(4,654,418)	-	(4,437,218)
Present value of unfunded liabilities	-	(101,697)	(101,697)	-	(332,938)	-	(332,938)
Less irrecoverable surplus	-	-	-	-	-	(552)	(552)
Closing position as at 31 March 2019	294,000	(688,097)	(394,097)	3,919,812	(4,987,356)	(552)	(1,068,096)

15.3 Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability

As at 31 March 2020

	Environment Agency Closed Scheme (within Core Department)			Environment Agency Active Scheme (within NDPB)			Other (all other schemes)			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	294,000	-	294,000	3,337,382	-	3,337,382	71,230	-	-	71,230
Present value of funded liabilities	-	(586,400)	(586,400)	-	(3,992,760)	(3,992,760)	217,200	(75,258)	-	141,942
Present value of unfunded liabilities	-	(64,200)	(64,200)	-	-	-	-	(268,738)	-	(268,738)
Less irrecoverable surplus	-	-	-	-	-	-	-	-	(552)	(552)
Opening Position as at 31 March 2019	294,000	(650,600)	(356,600)	3,337,382	(3,992,760)	(655,378)	288,430	(343,996)	(552)	(56,118)
Service cost										
Current service cost	-	-	-	-	(156,920)	(156,920)	-	(1,269)	-	(1,269)
Past service cost (including curtailments)	-	-	-	-	10,008	10,008	-	2,338	-	2,338
Effect of settlements	-	-	-	(63,772)	73,203	9,431	-	-	-	-
Other expenses	(600)	-	(600)	-	-	-	(25)	-	(13)	(38)
Total service cost	**(600)**	**-**	**(600)**	**(63,772)**	**(73,709)**	**(137,481)**	**(25)**	**1,069**	**(13)**	**1,031**
Net interest										
Interest income on plan assets	8,600	-	8,600	79,265	-	79,265	6,521	-	-	6,521
Interest cost on defined benefit obligation	-	(18,000)	(18,000)	-	(96,202)	(96,202)	-	(7,913)	-	(7,913)
Total net interest	**8,600**	**(18,000)**	**(9,400)**	**79,265**	**(96,202)**	**(16,937)**	**6,521**	**(7,913)**	**-**	**(1,392)**
Total defined benefit cost recognised in profit or (loss)	**8,000**	**(18,000)**	**(10,000)**	**15,493**	**(169,911)**	**(154,418)**	**6,496**	**(6,844)**	**(13)**	**(361)**
Cashflows										
Plan participants' contributions	-	-	-	24,608	(24,608)	-	199	(199)	-	-
Employer contributions	55,800	-	55,800	58,264	-	58,264	876	-	-	876
Contributions in respect of unfunded benefits	7,500	-	7,500	-	-	-	-	-	-	-
Benefits paid	(53,400)	53,400	-	(80,463)	80,463	-	(13,854)	16,570	-	2,716
Unfunded benefits paid	(7,500)	7,500	-	-	-	-	-	-	-	-
Expenses	-	-	-	-	-	-	(597)	12	-	(585)
Expected closing position	**304,400**	**(607,700)**	**(303,300)**	**3,355,284**	**(4,106,816)**	**(751,532)**	**281,550**	**(334,457)**	**(565)**	**(53,472)**
Remeasurements										
Change in demographic assumptions	-	16,800	16,800	-	95,200	95,200	-	1,358	-	1,358
Change in financial assumptions	-	(34,700)	(34,700)	-	426,901	426,901	-	9,817	-	9,817
Other experience	-	39,500	39,500	-	204,011	204,011	-	1,942	-	1,942
Return on assets excluding amounts included in net interest	(3,300)	-	(3,300)	(107,859)	-	(107,859)	(13,889)	-	-	(13,889)
Transfers (in)/out	-	-	-	-	-	-	-	(1)	-	(1)
Changes in asset ceiling	-	-	-	1	(1)	-	-	-	(2,387)	(2,387)
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(3,300)**	**21,600**	**18,300**	**(107,858)**	**726,111**	**618,253**	**(13,889)**	**13,116**	**(2,387)**	**(3,160)**
Fair value of employer assets	301,100	-	301,100	3,247,426	-	3,247,426	267,661	-	-	267,661
Present value of funded liabilities	-	(529,500)	(529,500)	-	(3,380,705)	(3,380,705)	-	(46,047)	-	(46,047)
Present value of unfunded liabilities	-	(56,600)	(56,600)	-	-	-	-	(275,294)	-	(275,294)
Less irrecoverable surplus	-	-	-	-	-	-	-	-	(2,952)	(2,952)
Closing position as at 31 March 2020	**301,100**	**(586,100)**	**(285,000)**	**3,247,426**	**(3,380,705)**	**(133,279)**	**267,661**	**(321,341)**	**(2,952)**	**(56,632)**

Other includes the Meat and Livestock Commission (MLC) pension scheme which has assets of £203.2 million and a defined benefit obligations of £208.8 million at the end of the 31 March 2020. The defined benefit obligation has been adjusted in the current year by £2.4 million due to the Guaranteed Minimum Pensions (GMP) equalisation ruling and the 2019 balance has not been restated.

As at 31 March 2019

	Environment Agency Closed Scheme (within Core Department)			Environment Agency Active Scheme (within NDPB)			Other (all other schemes)			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	276,100	-	276,100	3,063,215	-	3,063,215	286,777	-	-	286,777
Present value of funded liabilities	-	(635,900)	(635,900)	-	(3,463,535)	(3,463,535)	-	(72,822)	-	(72,822)
Present value of unfunded liabilities	-	(73,300)	(73,300)	-	-	-	-	(263,773)	-	(263,773)
Less irrecoverable surplus	-	-	-	-	-	-	-	-	(1,414)	(1,414)
Opening position as at 31 March 2018	276,100	(709,200)	(433,100)	3,063,215	(3,463,535)	(400,320)	286,777	(336,595)	(1,414)	(51,232)
Service cost										
Current service cost	-	-	-	-	(126,958)	(126,958)	-	(1,151)	-	(1,151)
Past service cost (including curtailments)	-	-	-	-	(21,211)	(21,211)	-	(4,613)	-	(4,613)
Other expenses	(600)	-	(600)	-	-	-	(23)	-	-	(23)
Total service cost	(600)	-	(600)	-	(148,169)	(148,169)	(23)	(5,764)	-	(5,787)
Net interest										
Interest income on plan assets	7,100	-	7,100	82,741	-	82,741	6,800	-	-	6,800
Interest cost on defined benefit obligation	-	(17,300)	(17,300)	-	(94,419)	(94,419)	-	(8,117)	-	(8,117)
Total net interest	7,100	(17,300)	(10,200)	82,741	(94,419)	(11,678)	6,800	(8,117)	-	(1,317)
Total defined benefit cost recognised in profit or (loss)	6,500	(17,300)	(10,800)	82,741	(242,588)	(159,847)	6,777	(13,881)	-	(7,104)
Cashflows										
Plan participants' contributions	-	-	-	22,603	(22,603)	-	205	(205)	-	-
Employer contributions	58,700	-	58,700	56,402	-	56,402	1,183	-	-	1,183
Contributions in respect of unfunded benefits	8,300	-	8,300	-	-	-	-	-	-	-
Benefits paid	(56,800)	56,800	-	(72,168)	72,168	-	(13,761)	15,693	-	1,932
Unfunded benefits paid	(8,300)	8,300	-	-	-	-	-	-	-	-
Expected closing position	284,500	(661,400)	(376,900)	3,152,793	(3,656,558)	(503,765)	281,181	(334,988)	(1,414)	(55,221)
Remeasurements										
Change in demographic assumptions	-	-	-	-	-	-	-	1,661	-	1,661
Change in financial assumptions	-	8,500	8,500	-	(336,202)	(336,202)	-	(9,849)	-	(9,849)
Other experience	-	2,300	2,300	-	-	-	(84)	(820)	-	(904)
Return on assets excluding amounts included in net interest	9,500	-	9,500	184,589	-	184,589	7,333	-	-	7,333
Changes in asset ceiling	-	-	-	-	-	-	-	-	862	862
Total remeasurements recognised in Other Comprehensive Income (OCI)	9,500	10,800	20,300	184,589	(336,202)	(151,613)	7,249	(9,008)	862	(897)
Fair value of employer assets	294,000	-	294,000	3,337,382	-	3,337,382	71,230	-	-	71,230
Present value of funded liabilities	-	(586,400)	(586,400)	-	(3,992,760)	(3,992,760)	217,200	(75,258)	-	141,942
Present value of unfunded liabilities	-	(64,200)	(64,200)	-	-	-	-	(268,738)	-	(268,738)
Less irrecoverable surplus	-	-	-	-	-	-	-	-	(552)	(552)
Closing position as at 31 March 2019	294,000	(650,600)	(356,600)	3,337,382	(3,992,760)	(655,378)	288,430	(343,996)	(552)	(56,118)

Other includes the Meat and Livestock Commission (MLC) pension scheme which has assets of £217.2 million and a defined benefit obligations of £227 million at the end of the 31 March 2019.

15.4 History of Experience Gains and Losses – Material Schemes

	EA Closed Scheme (funded)					EA Active Scheme (funded)				
Year Ended :	**31-03-20**	31-03-19	31-03-18	31-03-17	31-03-16	**31-03-20**	31-03-19	31-03-18	31-03-17	31-03-16
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000
Fair value of employer assets	301,100	294,000	276,100	271,900	219,400	3,247,426	3,337,382	3,063,215	2,960,722	2,462,257
Present value of defined benefit obligation	(586,100)	(650,600)	(709,200)	(750,700)	(753,900)	(3,380,705)	(3,992,760)	(3,463,535)	(3,366,455)	(2,921,733)
(Deficit)/surplus	(285,000)	(356,600)	(433,100)	(478,800)	(534,500)	(133,279)	(655,378)	(400,320)	(405,733)	(459,476)
Experience gains/(losses) on assets	(3,300)	9,500	(5,400)	42,900	(2,300)	(107,859)	184,589	14,935	396,235	(44,638)
Experience gains/(losses) on liabilities	39,500	2,300	(900)	(700)	22,400	204,011	-	-	228,033	25,844
Actuarial gains/(losses) on employer assets	(3,300)	9,500	(5,400)	42,900	(2,300)	(107,859)	184,589	14,935	396,235	(44,638)
Effect of limit of asset ceiling	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on obligation	21,600	10,800	(7,400)	(44,300)	25,400	726,112	(336,202)	74,912	(303,883)	343,746
Actuarial gains/(losses) recognised in SoCTE	**18,300**	20,300	(12,800)	(1,400)	23,100	**618,253**	(151,613)	89,847	92,352	299,108

	MLC				
Year Ended :	**31-03-20**	31-03-19	31-03-18	31-03-17	31-03-16
	£000	£000	£000	£000	£000
Fair value of employer assets	203,200	217,200	217,300	220,100	199,300
Present value of defined benefit obligation	(208,800)	(227,000)	(220,500)	(225,400)	(195,500)
(Deficit)/surplus	(5,600)	(9,800)	(3,200)	(5,300)	3,800
Experience gains/(losses) on assets	(7,800)	5,000	3,400	24,700	(14,300)
Experience gains/(losses) on liabilities	2,000	(300)	(1,000)	600	2,500
Actuarial gains/(losses) on employer assets	(7,800)	5,000	3,400	24,700	(14,300)
Effect of limit of asset ceiling	-	-	-	-	-
Actuarial gains/(losses) on obligation	10,200	(6,600)	(400)	(33,100)	9,100
Actuarial gains/(losses) recognised in SoCTE	**2,400**	(1,600)	3,000	(8,400)	(3,200)

15.5 Fair Value of Assets in the Fund – Material Schemes

The assets in the scheme and the expected rate of return were:

	EA Closed Scheme	EA Active Scheme	MLC Pension Scheme
as at 31 March 2020	**£000**	**£000**	**£000**
Equities	-	1,336,044	23,368
Bonds	284,100	1,367,711	12,395
Liability Driven Investment	-	-	14,224
Property	-	466,050	3,658
Cash	17,000	77,621	11,379
Insurance policy	-	-	138,176
Total 31 March 2020	**301,100**	**3,247,426**	**203,200**
Percentage of closing fair value	**%**	**%**	**%**
Equity	-	41	11
Bonds	94	42	6
Liability Driven Investment	-	-	7
Property	-	14	2
Cash and insurance policy	6	3	74
Total	**100**	**100**	**100**
as at 31 March 2019	£000	£000	£000
Equities	-	1,946,965	66,246
Bonds	274,200	890,404	-
Property	-	412,953	-
Cash	19,800	87,060	434
Insurance policy	-	-	150,520
Total 31 March 2019	294,000	3,337,382	217,200
Percentage of closing fair value	%	%	%
Equity	-	58	31
Bonds	93	27	-
Property	-	12	-
Cash and insurance policy	7	3	69
Total	100	100	100

15.6 Financial Assumptions – Material Schemes

The major financial assumptions, based on market data, are used by the actuary when providing the assessment of the accrued liabilities as at the following dates.

	EA Closed Scheme	EA Active Scheme	MLC Pension Scheme
	% pa	% pa	% pa
As at 31 March 2020			
Inflation/pension increase rate (CPI)	2.4	1.5	3.6
Salary increase rate	-	2.0	2.6
Discount rate	1.8	2.3	2.3
As at 31 March 2019			
Inflation/pension increase rate (CPI)	2.6	2.2	3.4
Salary increase rate	-	2.5	2.4
Discount rate	2.9	2.4	2.4

15.7 Mortality Assumptions – Material Schemes

There is also uncertainty around the life expectation of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. The mortality assumptions (with life expectancy based on the Funds' VitaCurves) used by the actuary were:

	EA Closed Scheme		EA Active Scheme		MLC Pension Scheme	
	Male	Female	Male	Female	Male	Female
Average future life expectancies at age 65						
Current pensioners (years)	20.1	22.6	21.9	23.8	22.7	24.4
Future pensioners (years)	19.6	23.2	22.9	25.5	23.9	25.7

15.8 Sensitivity Analysis - Material Schemes

IAS 1 requires the disclosure of the sensitivity of the results to the methods and assumptions used. Any changes in assumptions would impact on the EA pension schemes. Please note that the below sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The sensitivities regarding the principal assumptions used to measure the EA Closed scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2020	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	3	17,924
1 year increase in member life expectancy	3	17,583
0.5% increase in pension increase rate	3	17,924

The sensitivities regarding the principal assumptions used to measure the EA Active scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2020	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	11	374,511
0.5% increase in salary increase rate	2	73,353
0.5% increase in pension increase rate	9	297,359

The sensitivities regarding the principal assumptions used to measure the MLC Pension scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2020	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	7	14,616
0.25% increase in salary increase rate	2	4,176
0.2% decrease to CPI	(2)	(4,176)

16 Contingent Liabilities and Contingent Assets

16.1 Contingent Liabilities

16.1.1 Quantifiable

The department has the following quantifiable contingent liabilities as at 31 March 2020. Unless otherwise stated liabilities relate to the core department.

- The Environment Agency is involved in a legal case where waste has been illegally shipped from the United Kingdom and the Environment Agency as Competent Authority is responsible for its repatriation. The initial estimate of cost is in the region of £750,000. There is uncertainty over whether payment is necessary as we have not been able to travel to the country in question and intend for the notifier to return the waste at their own cost.

- Small potential liabilities against the Defra group are estimated at no more than £8.5 million (2018–19, £2.6 million).

16.1.2 Unquantifiable

The department has the following contingent liabilities which are unquantifiable due to their variable nature. Unless otherwise stated liabilities relate to the core department.

- As part of the revised contract with Defra’s facilities management providers it has been agreed that under certain conditions arising from the rationalisation of the estate and subsequent reduction in demand, any restructuring costs such as redundancies or early retirement will be recharged to the core department.

- In addition to the provision for dilapidations where Defra leases properties from landlords, there remains a potential liability for dilapidations where Defra occupies properties leased by other government departments under a memorandum of terms of occupation (MOTO) agreement. The potential for and the value of a dilapidation claim for these properties is more uncertain, hence is disclosed as a contingent liability, rather than as a provision.

- Where tenants have sublet within a Defra lease, there is a potential liability if the space is vacated and Defra are unable to find an alternative tenant.

- The department is currently involved in a number of ongoing judicial review cases.

- Infraction proceedings relating to the non-compliance of UK legislation with EU requirements could lead to fines from the EU in the following cases: a breach of the Urban Waste Water Treatment Directive at 14 sites; a breach of the Urban Waste Water Treatment Directive at 2 sites (London and Whitburn); and a breach of the Habitats Directive regarding the designation of special areas of conservation for harbour porpoises. Liability for fines across UK administrations would depend on the specifics of individual cases and, as per Commission guidance, could entail a minimum lump sum of €9 million (£7.7 million) plus potential daily charges until compliance is reached.

- Defra has contingent liabilities relating to retained rights to former staff affected by Transfer of Undertaking Protection of Employment (TUPE) Regulations.

- The Commission can apply financial corrections if Defra (through the RPA) does not comply with the 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 Commission in accordance with the Commission's clearance of accounts procedure. There is an ongoing potential liability in respect of financial corrections which is unquantifiable.

- RPA is currently in receipt of appeals from scheme claimants of claims covering the BPS, Single Payment Scheme (SPS) and trader related schemes. If the appeals are successful they could either result in a liability for EU or Exchequer funded payments.

- The Environment Agency has a case currently in a judicial process relating to compensating events on flood alleviation contracts where payment to settle the dispute is probable but there still uncertainty over the outcome of the judicial process and a high degree of uncertainty over the amount that may be paid.

- There is a case in contract dispute resolution where the Environment Agency agrees it has some responsibility but the payments between the parties are not yet agreed.

- The department carries an unquantifiable potential liability in relation to costs of its IT services dependent on the outcome of its transition programme.

- The department’s internal checks under the Employment Legislation (IR35) have highlighted inaccuracies in the assessment of some contractor’s employment status since April 2017, when new legislative requirements were introduced for public sector bodies. Compliance audit work with HM Revenue and Customs is yet to conclude on what the final historic position is. The department has provided for the potential tax liability, but the possibility of interest or penalties being levied by HMRC are more uncertain, hence are disclosed as a contingent liability, rather than as a provision.

16.2 Contingent Assets

- The core department is entitled to a future share of enhancement in value on a number of properties and land previously sold. These enhancements generally arise from the planning and development process and are based on a number of trigger points, planning thresholds and increased values.

- The Defra group has other potential small assets, with an estimated value of £1.6 million (2018–19, £1.4 million).

17 Related Party Transactions

The department is the sponsor of the executive agencies, NDPBs and levy funded bodies, all of which are within the departmental accounting boundary, shown in Note 19. Public corporations are outside the accounting boundary and are shown in Note 20. All the bodies above are regarded as related parties with which the department has had various material transactions during the year. These bodies also trade with each other and have had material transactions during the year.

The department has a 25 percent equity stake in Fera Science Ltd which is held within the departments accounts as an Investment in Associate over which the department has significant influence, the latter being the power to participate in the financial and operating policy decisions of Fera (but not control or joint control). Further details on our investment can be seen in the Statement of Financial Position as an Investment in Associate.

In addition, the department has had a number of transactions with other government departments and the devolved administrations.

Where the board members claim CAP scheme payments as detailed below, the standard EU terms and conditions for these schemes apply.

Lord Gardiner (Parliamentary Under Secretary of State and Lords Minister) has a one-third share in a farm which received £53,255 in respect to BPS.

Elizabeth Buchanan (a non-Executive Director) has received £21,387 in BPS and Countryside Stewardship payments with a further £5,072 outstanding for the family farm.

Ben Goldsmith (a non-Executive Director) received £34,745 in Stewardship, BPS and Woodland payments for the family farm.

Robert Goodwill (Minister of State for Agriculture, Fisheries and Food) received BPS and Environment payments of £2,417 whilst a Defra minister.

Victoria Prentis' (Parliamentary Under Secretary of State) father runs the family farm which received £40,019 in BPS payments. The claim was made before the minister joined Defra.

Lord Goldsmith (Minister of State) has received guidance from Defra related entities (New Forest National Park Authority, Natural England, Forestry England, Defra, Centre for

Environment Fisheries and Aquaculture Science, Environment Agency) with respect to the restoration of a large pond at a property occupied as his family home.

Details for related party transactions for executive agencies, NDPBs and levy funded bodies can be found in the notes to their ARA.

Other than those disclosed above, none of the board members or other related parties has undertaken any material transactions with the department during the year.

Compensation (including remuneration) paid to key management personnel falls within the definition of related party transactions. Please see the Remuneration Report for further details.

18 Prior Period Adjustments

Assets Under Construction

The prior year Consolidated Accounts have been restated to reflect changes to opening positions relating to accounting treatment of Assets Under Construction and the capitalisation of costs. A detailed and comprehensive review of spend allocated to capital in previous years (as construction in progress/assets under construction) has now been determined not to relate to capital purchases. As such these costs have been adjusted to show the correct accounting treatment in the year that the transaction was incurred. The tables below summarise the impact on the key financial statements, however, other notes to the accounts have also been adjusted and where applicable the 2018–19 comparators are marked as restated.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

	2018-19		Adjustment	Restated 2018-19	
	Core Department and Agencies	Defra Group		Core Department and Agencies	Defra Group
	£000	£000	£000	£000	£000
Revenue from contracts with customers	(131,264)	(809,205)	-	(131,264)	(809,205)
Other operating income	(3,850,540)	(4,026,498)	-	(3,850,540)	(4,026,498)
Total income	**(3,981,804)**	**(4,835,703)**	**-**	**(3,981,804)**	**(4,835,703)**
Staff costs	504,523	1,035,536	1,163	505,686	1,036,699
Other costs	486,704	1,395,390	22,889	509,593	1,418,279
Non cash items	(352,985)	(17,373)	-	(352,985)	(17,373)
Grants and subsidies	5,272,712	4,364,275	-	5,272,712	4,364,275
Total operating costs	**5,910,954**	**6,777,828**	**24,052**	**5,935,006**	**6,801,880**
Net operating costs	**1,929,150**	**1,942,125**	**24,052**	**1,953,202**	**1,966,177**
Net expenditure	**1,929,150**	**1,942,125**	**24,052**	**1,953,202**	**1,966,177**
Items that will not be reclassified to net operating costs					
Net (gain)/loss on					
Revaluation of PPE	(13,567)	(68,397)	-	(13,567)	(68,397)
Charitable funds revaluation	-	(6,681)	-	-	(6,681)
Revaluation of intangibles	(4,052)	(4,601)	-	(4,052)	(4,601)
Revaluation of euro receivable	(115)	(115)	-	(115)	(115)
Pension actuarial movements	(21,031)	132,210	-	(21,031)	132,210
Items that may be reclassified subsequently to net operating costs					
Net (gain)/loss on					
Revaluation of investments	(50)	(79)	-	(50)	(79)
Revaluation of hedging instruments	1,695	1,695	-	1,695	1,695
Total comprehensive net expenditure for the year	**1,892,030**	**1,996,157**	**24,052**	**1,916,082**	**2,020,209**

Consolidated Statement of Financial Position

as at 1 April 2018

	As previously reported 2017-18		Adjustment	Restated 2017-18	
	Core Department and Agencies	Defra Group		Core Department and Agencies	Defra Group
	£000	£000		£000	£000
Non-current assets					
Property, plant and equipment	453,150	3,516,283	(8,844)	444,306	3,507,439
Right of use assets	994	994	-	994	994
Investment properties	545	4,223	-	545	4,223
Heritage assets	-	265,612	-	-	265,612
Agricultural assets	-	224	-	-	224
Intangible assets	119,475	242,024	(1,348)	118,127	240,676
Investments	20,617	20,526	-	20,617	20,526
Investment in Associate	6,670	6,670	-	6,670	6,670
Receivables and contract assets falling due after more than one year	11,703	11,715	-	11,703	11,715
Total non-current assets	**613,154**	**4,068,271**	**(10,192)**	**602,962**	**4,058,079**
Current assets					
Assets classified as held for sale	3,521	13,792	-	3,521	13,792
Inventories	12,194	13,357	-	12,194	13,357
Other financial assets	17,707	17,707	-	17,707	17,707
Trade, other receivables and contract assets	576,742	739,432	-	576,742	739,432
Cash and cash equivalents	720,714	1,162,389	-	720,714	1,162,389
Total current assets	**1,330,878**	**1,946,677**	**-**	**1,330,878**	**1,946,677**
Total assets	**1,944,032**	**6,014,948**	**(10,192)**	**1,933,840**	**6,004,756**
Current liabilities					
Trade, other payables and contract liabilities	(1,453,047)	(1,920,334)	-	(1,453,047)	(1,920,334)
Provisions	(197,013)	(214,448)	-	(197,013)	(214,448)
Net pension liability	(60,578)	(60,594)	-	(60,578)	(60,594)
Other financial liabilities	(656)	(656)	-	(656)	(656)
Total current liabilities	**(1,711,294)**	**(2,196,032)**	**-**	**(1,711,294)**	**(2,196,032)**
Non-current assets plus/less net current assets/liabilities	**232,738**	**3,818,916**	**(10,192)**	**222,546**	**3,808,724**
Non-current liabilities					
Provisions	(597,559)	(602,584)	-	(597,559)	(602,584)
Net pension liability	(411,692)	(824,058)	-	(411,692)	(824,058)
Other payables and contract liabilities	(147,264)	(149,559)	-	(147,264)	(149,559)
Other financial liabilities	-	(141,606)	-	-	(141,606)
Total non-current liabilities	**(1,156,515)**	**(1,717,807)**	**-**	**(1,156,515)**	**(1,717,807)**
Assets less liabilities	**(923,777)**	**2,101,109**	**(10,192)**	**(933,969)**	**2,090,917**
Taxpayers' equity and other reserves					
General Fund	(1,095,430)	(255,744)	(10,192)	(1,105,622)	(265,936)
Revaluation reserve	162,907	2,117,229	-	162,907	2,117,229
Hedging reserve	8,746	8,746	-	8,746	8,746
Charitable funds - restricted funds	-	63,705	-	-	63,705
Charitable funds - unrestricted funds*	-	167,173	-	-	167,173
Total equity	**(923,777)**	**2,101,109**	**(10,192)**	**(933,969)**	**2,090,917**

Consolidated Statement of Financial Position

as at 31 March 2019

	As previously reported 2018-19		Adjustment	Restated 2018-19	
	Core Department and Agencies	Defra Group		Core Department and Agencies	Defra Group
	£000	£000		£000	£000
Non-current assets					
Property, plant and equipment	467,275	3,586,144	(29,905)	437,370	3,556,239
Right of use assets	612	612	-	612	612
Investment properties	500	4,286	-	500	4,286
Heritage assets	-	283,239	-	-	283,239
Agricultural assets	-	208	-	-	208
Intangible assets	146,627	271,999	(4,339)	142,288	267,660
Investments	20,623	20,603	-	20,623	20,603
Investment in Associate	6,670	6,670	-	6,670	6,670
Receivables and contract assets falling due after more than one year	772	1,036	-	772	1,036
Total non-current assets	**643,079**	**4,174,797**	**(34,244)**	**608,835**	**4,140,553**
Current assets					
Assets classified as held for sale	3,251	20,722	-	3,251	20,722
Inventories	3,577	4,892	-	3,577	4,892
Other financial assets	25,818	25,818	-	25,818	25,818
Trade, other receivables and contract assets	873,836	1,010,605	-	873,836	1,010,605
Cash and cash equivalents	636,351	1,181,590	-	636,351	1,181,590
Total current assets	**1,542,833**	**2,243,627**	**-**	**1,542,833**	**2,243,627**
Total assets	**2,185,912**	**6,418,424**	**(34,244)**	**2,151,668**	**6,384,180**
Current liabilities					
Trade, other payables and contract liabilities	(1,413,871)	(1,845,961)	-	(1,413,871)	(1,845,961)
Provisions	(32,825)	(59,219)	-	(32,825)	(59,219)
Net pension liability	(55,865)	(55,880)	-	(55,865)	(55,880)
Other financial liabilities	(2,583)	(2,583)	-	(2,583)	(2,583)
Total current liabilities	**(1,505,144)**	**(1,963,643)**	**-**	**(1,505,144)**	**(1,963,643)**
Non-current assets plus/less net current assets/liabilities	**680,768**	**4,454,781**	**(34,244)**	**646,524**	**4,420,537**
Non-current liabilities					
Provisions	(341,289)	(348,642)	-	(341,289)	(348,642)
Net pension liability	(338,232)	(1,012,216)	-	(338,232)	(1,012,216)
Other payables and contract liabilities	(127,851)	(129,687)	-	(127,851)	(129,687)
Other financial liabilities	-	(141,606)	-	-	(141,606)
Total non-current liabilities	**(807,372)**	**(1,632,151)**	**-**	**(807,372)**	**(1,632,151)**
Assets less liabilities	**(126,604)**	**2,822,630**	**(34,244)**	**(160,848)**	**2,788,386**
Taxpayers' equity and other reserves					
General Fund	(293,055)	443,650	(34,244)	(327,299)	409,406
Revaluation reserve	160,009	2,121,702	-	160,009	2,121,702
Hedging reserve	6,442	6,442	-	6,442	6,442
Charitable funds - restricted funds	-	75,790	-	-	75,790
Charitable funds - unrestricted funds*	-	175,046	-	-	175,046
Total equity	**(126,604)**	**2,822,630**	**(34,244)**	**(160,848)**	**2,788,386**

Classification of Assets within Property, Plant and Equipment

Certain assets held by EA were previously reported within Plant and Machinery and Furniture and Fittings category in the Property, Plant and Equipment Note (Note 5) that should for consistency be recorded within Infrastructure Assets. The reported amounts in the Statement of Financial Position at 31 March 2020 and 31 March 2019 do not require any adjustment, however, the amounts have been reclassified appropriately in Note 5.

The 2018-19 Property, Plant and Equipment note (Note 5) has therefore been changed from the presentation in the published 2018-19 ARA in the following manner: the opening Infrastructure Assets cost or valuation has been increased by £425.1 million, the opening Plant and Machinery decreased by £392.4 million and the opening Furniture and Fittings by £32.7 million; the opening accumulated depreciation for Infrastucture Assets increased by

£362.9 million, with a £342.3 million and £20.6 million decrease in Plant and Machinery and Furniture and Fittings respectively. Within the 2018-19 year, £6.9 million of adjustments moved into Infrastruture Assets from Plant and Machinery (£3.2 million) and Furniture and Fittings (£3.7 million) for cost or valuation. For depreciation the in-year movements totalled £8.1 million to Infrastructure Assets from Plant and Machinery (£6.3 million) and Furniture and Fittings (£1.8 million).

19 Entities Within the Departmental Boundary

The entities within the departmental boundary during 2019–20 comprise supply financed agencies and those entities listed in the designation and amendment orders presented to Parliament.

Executive Agencies

Animal and Plant Health Agency
Centre for Environment, Fisheries and Aquaculture Science
Rural Payments Agency
Veterinary Medicines Directorate

The executive agencies' Annual Reports and Accounts (ARAs) have been prepared under the direction of HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000 (GRAA) and are published separately.

Forestry Commission (FC) is a non-ministerial department but is included in Defra's Estimate and therefore is fully consolidated and included within the results for the core department and executive agencies.

Executive NDPBs

Consumer Council for Water
Environment Agency
Joint Nature Conservation Committee
Marine Management Organisation
Natural England
Board of Trustees of the Royal Botanic Gardens, Kew (includes RBG Kew Enterprises Limited)

Levy Funded Bodies

Agriculture and Horticulture Development Board (includes Sutton Bridge Experimental Unit Limited and Livestock Information Ltd).
Sea Fish Industry Authority

Non-profit Institution within the Public Sector, specifically Central Government

National Forest Company

Other

Flood Re is a not-for-profit reinsurance body, run and managed by the insurance industry. Its net expenditure/income is classified as Annually Managed Expenditure and in accordance with the requirements of the GRAA (Estimates and Accounts) Order 2019, is consolidated into these accounts. The latter is done on the basis that HM Treasury has assessed that it would expect payments by insurers to Flood Re of levies mandated by the Water Act 2014 to be classified as taxation. Although Flood Re is awaiting classification by Cabinet Office and the ONS, HM Treasury have further indicated their expectation that Flood Re will be classified as a central government public body.

Executive NDPBs, levy funded bodies, National Forest Company and Flood Re's ARA are published separately.

Advisory NDPBs (Defra Funded)

Advisory Committee on Releases to the Environment
Independent Agricultural Appeals Panel
Science Advisory Council
Veterinary Products Committee

Tribunal NDPBs (Defra Funded)

Plant Varieties and Seeds Tribunal (dormant)

The advisory and tribunal NDPBs do not produce a separate ARA as they are accounted for as part of the core department accounts.

20 Entities Outside the Departmental Boundary

The public sector bodies which have not been consolidated in these accounts, but for which Defra's ministers had lead policy responsibility during the year, are as follows:

Public Corporations

Covent Garden Market Authority
Forestry England (formerly Forest Enterprise England)

Other Bodies

National Parks Authorities (x9)
Water Services Regulation Authority (Ofwat)
Broads Authority

21 Events After the Reporting Period

Defra's financial statements are laid before the House of Commons by HM Treasury. IAS 10, Events after the reporting period, requires Defra to disclose the date on which the accounts are authorised for issue.

The UK left the EU on 31 January 2020, there is now a transition period until the end of 2020 while the UK and EU negotiate additional arrangements and new trade, travel and business rules will take effect on 1 January 2021. The Rural Payments agency anticipates that the UK governments guarantees on funding for CAP Pillar 1 until December 2020, should ensure that the agricultural community will not be adversely affected by the ongoing discussions.

In November 2019, a novel strain of coronavirus was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. The pandemic caused significant economic disruption just before the financial year end.

The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2020. As a result, the Environment Agency conducted a detailed review of debtors and has taken a prudent approach to accruing for write offs and reviewed their expected credit loss provision to ensure it is sufficient. It is expected that most of the impact will be in 2020–21 and to largely impact certain charge income streams, such as applications for environmental permits. This will be monitored throughout the year.

The pandemic led to a material uncertainty clause being placed on the valuation of UK real estate as referenced at Note 1.6.1. It should be noted however that as of 9 September 2020 RICS recommended a general lifting of this clause on UK property valuations. However, valuers consider that at the reporting date of 31 March 2020 the material valuation uncertainty clause still stands, and they are not aware of significant changes to market conditions since their reporting date valuations.

Pension Fund liabilities are sensitive to changes in the discount rate and the figures presented in the accounts are based on the assumptions as at 31 March 2020. The discount rate is determined with reference to market yields on high quality corporate bonds at the reporting date as per IAS 19. Since the reporting date the discount rate has changed and the figures at the end of September suggest that the liabilities in the EA Active Pension Fund would be much higher were that discount rate used.

The Annual Report and Accounts were authorised by the accounting officer for issue on the date of the Comptroller and Auditor General’s audit certificate.

Annexes

These annexes do not form part of the financial statements and have not been subject to audit.

Annex 1: Core Tables 2019–20

These tables provide an analysis of departmental expenditure, split between resource consumption and capital investment, covering the period from 2015–16 to 2020–21.

These tables follow the layout of the Part II Table of the 2019–20 Supplementary Estimate and have been produced from HM Treasury's Online System for Central Accounting and Reporting (OSCAR) database and are on the same basis as the Statement of Parliamentary Supply. Details of the Parliamentary Main Estimate[14] and Parliamentary Supplementary Estimate[15] are published separately.

Table 1 sets out a summary of the net resource and capital expenditure for the department. It shows Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) elements separately for control purposes. Future years' figures reflect the budgeted figures agreed with HM Treasury for the department.

Table 2 shows the administration costs of running the department in more detail. The administration budget includes staff costs, resource expenditure on accommodation, utilities and services etc., where they are not directly associated with front-line service delivery. The commentary on administration costs is included in the detailed analysis below, but in general terms, the underlying administration budget reflects the savings required by the 2013 Spending Round (SR13) and the 2015 Spending Review (SR15). These savings have been offset by increased expenditure on EU exit preparations. The UK left the EU on 31 January 2020 and is now in a transition period until the end of 2020. Preparatory and readiness work for the end of the transition period continues within Defra during this period.

The overall reductions required by the Spending Reviews have been met to a large extent by the transformation of Defra's corporate services. Staff from Human Resources, IT, Estates, Communications and Finance have been brought into the core department and have formed new group-wide functions, which will improve prioritisation, decision-making, professionalism and efficiency. This included the transfer of budgets for staff and the associated running costs for these functions. The effect of this can be seen in the Core Tables where Departmental Operating Costs see an increase across the years from 2015–16 to 2018–19 as this phased transition occurred. Corresponding decreases occur in other areas. Further increases to the administration budget are in relation to preparations to exit the EU.

Table 1 – Defra's Resource and Capital Budget

Resource Budget (Programme and Administration) DEL

Food and Farming

The changing profile is primarily due to the profile of Common Agricultural Policy (CAP) Disallowance payments. In line with HM Treasury guidance, CAP Disallowance has been transferred between years to match the expected profile of payments, with the largest decrease being seen in 2016–17. The increase from 2017–18 onwards reflects the transfer of the Rural Development Programme England (RDPE) from Countryside and Rural

[14] https://www.gov.uk/government/publications/main-supply-estimates-2020-to-2021

[15] https://www.gov.uk/government/collections/hmt-supplementary-estimates

Services, due to an internal restructure. This is partially offset by the transfer of corporate service functions from the Rural Payments Agency (RPA) following the centralisation of corporate services within the core department. There is an increase from 2019–20 that reflects increased spending on EU exit work, primarily relating to preparations to take back responsibility for rules and systems for regulating and supporting the UK's food, farming and fishing industries as the UK exits the EU to maximise opportunities for strong trade agreements, and the maintenance of standards. The further large increase in 2020–21 relates to direct payments for farmers following the UK's departure from the EU. Additional budget was announced in a written ministerial statement on 9 January 2020 confirming that the 2020 Direct Payment scheme would be funded by the UK government, these payments were previously funded from the EC.

Improve the Environment

The increase in 2017–18 and 2018–19 reflects the additional ring-fenced resource for Official Development Assistance, following a transfer from the Department for International Development (DfID). The further increase from 2018–19 reflects additional budget announced in the 2017 Autumn Budget in relation to the Clean Air Fund. Increases in 2019–20 and 2020–21 include further investment in the Clean Air Fund and the transfer of the Canal & River Trust's programme to this section from Countryside and Rural Services, following an internal restructure. Further increases in 2020–21 include a Government announcement to invest in the Nature for Climate Fund (a 5 year programme of tree planting and peatland restoration) and further investment in the Darwin Plus programme to support the conservation of the UK Overseas Territories.

Protect the Country from Floods

The decrease in 2016–17 reflects the transfer of the Local Service Support Grant for Lead Local Flood Authorities to the Department for Communities and Local Government from 2016–17 onwards. The increase in 2020–21 reflects residual budget on Lead Local Floods returned to the Department from the Ministry of Housing, Communities and Local Government.

Animal and Plant Health

Overall, we are maintaining expenditure on Animal and Plant Health and investing in vital scientific facilities. The decrease from 2016–17 onwards is due to the transfer of corporate service functions from the Animal and Plant Health Agency (APHA) following the centralisation of corporate services within the core department. The increase in 2018–19 outturn relates to an impairment to one of the buildings at the APHA Weybridge site. The increases in 2019–20 and 2020–21 reflect additional budget for preparation to exit the EU.

Marine and Fisheries

The increase from 2018–19 onwards primarily relates to increased spend on EU exit preparations and transition arrangements.

Countryside and Rural Services

The decrease from 2017–18 onwards is due to the transfer of RDPE to Food and Farming, due to an internal restructure. The further decrease from 2019–20 onwards reflects the transfer of the Canal & River Trust programme to Improve the Environment, due to an internal restructure.

Departmental Operating Costs

As explained earlier, the overall operating costs of the Defra group are reducing over the Spending Review periods, partly due to the transformation of the department's corporate service functions. The increases in Departmental Operating Costs across the years reflect this transformation and the phased transfer of these functions from APHA, the Forestry Commission (FC), Natural England (NE), RPA and the Environment Agency (EA) into the core department. This completed in 2018–19 with the final transfer of EA budgets. There have also been increases in overall spend from 2017–18 to support preparations for exiting the EU. In addition, there has been increased spending to build and maintain the department's capability across a range of corporate service and cross-cutting functions, including preparations for international trade agreements and new border arrangements. The remaining increase in 2020–21 primarily relates to the budget for depreciation, reflecting an underspend against budget in 2019–20. This was due to later than planned capitalisation of assets in DDTS, leading to lower in year depreciation charges.

Improve the Environment (ALB) (Net)

The general downward trend reflects savings identified by an internal efficiency programme and the phased transfer of corporate service functions from NE and the EA following the centralisation of corporate services within the core department.

Protect the Country from Floods (ALB) (Net)

The increase in 2020–21 is mainly due to the Resource to Capital budget transfer in the 2019–20 Supplementary Estimate. At the start of the year there is uncertainty about the value of the Resource/Capital split of some of EA's projects. The budget is therefore held in Resource until Capital spend becomes identifiable, at which point it is appropriate to transfer Resource budget to Capital budget. This transfer for 2020–21 will take place in the Supplementary Estimate.

Marine and Fisheries (ALB) (Net)

The increase from 2019–20 onwards reflects the Marine Management Organisation's (MMO) expenditure on EU exit preparations and transition arrangements.

Resource Budget AME

Resource AME balances vary greatly over the years due to the volatility of provisions recorded as AME. A debit (a positive) is recorded as provisions are created, and a credit (a negative) recorded when a provision is utilised.

Food and Farming

As described in the DEL section earlier, the changing profile in this area is primarily due to the CAP Disallowance provision. Disallowance has been transferred between years so that the AME credit entries recorded here match the expected profile of the payments recorded under resource DEL. In addition to this, any movements to the CAP Disallowance provision are recorded in this section. Debit balances are seen where increases to the provision are higher than payments made in that particular year. As with the timing of Disallowance payments, changes in the value of the provision are also reliant on Commission decisions. The increase in 2016–17 is due to the increase in the CAP Disallowance provision following the Commission audits for the Basic Payment Scheme (BPS) and cross compliance covering 2015 and 2016. The decrease in 2017–18 reflects a net underspend against the 2017–18 CAP Disallowance provision as no significant Commission audits took place this financial year. The decrease in 2018–19 is due to reductions in provisions no longer required relating to 2015 and 2016 BPS entitlements audit, due to successful negotiation around our Disallowance strategy bringing about this reduction in the initial findings and final correction proposal. The increase in 2019–20 reflects an increase to the CAP Disallowance provision, primarily relating to BPS. This was required following the receipt of the Commission's audit findings, as reported in the Article 34 letter received in November 2019.

Improve the Environment

The 2015–16 and 2017–18 outturn figures include the upward revaluation in the Metal Mines provision following decreases in the discount rate used for valuing provisions, as per HM Treasury guidance. 2015–16 also included an increase to cover Defra's commitments in relation to South West Water for the financial years 2016–2020. The decrease in 2018–19 is a result of a downward revaluation in the Metal Mines provision following an increase in the discount rate used for valuing provisions.

Departmental Operating Costs

The fluctuations in trends mainly reflect movements in the provision for the Foot and Mouth Disease (FMD) burial sites. These fluctuations mainly reflect changes in the discount rate used for valuing provisions, as per HM Treasury guidance. The provision represents the ongoing future liabilities relating to preventing and remediating any leachate pollution arising from burial sites.

Improve the Environment (ALB) (Net)

The fluctuations in trends mainly reflect the movements in the EA pension fund.

Protect the Country from Floods (ALB) (Net)

The changing profile is mainly due to the creation of Flood Re, a limited company set up to administer the Flood Re scheme which aims to protect property owners who were previously unable to procure home insurance against the risk of flooding. The 2015–16 outturn includes the set-up costs of Flood Re. The 2016–17 to 2019–20 outturn reflects the surplus position for Flood Re's final accounts in those years. The surplus for 2019–20 is lower than in previous years due to the widespread flooding between November 2019 and February 2020. The 2020–21 budget includes cover in case a significant flood event occurs and reflects the maximum impact Flood Re can have on public sector net borrowing. The fluctuations in trends on this line also include movements in the EA pension fund.

Capital Budget DEL

Food and Farming

The 2015–16 and 2016–17 outturn reflects the investment in the CAP delivery programme, which completed in 2016–17.

Improve the Environment

The changing profile is mainly due to the ring-fenced International Climate Fund. The large drop in 2017–18 is due to a transfer to the Department for International Development in relation to the Global Environment Facility (International Climate Fund) and Knowledge for Forests Programme. A smaller budget transfer took place in 2018–19. The increase in 2019–20 includes additional budget as announced in the 2018 Autumn Budget for plastics and waste innovation funding, supporting the Governments ambitions to tackle plastic, waste and litter and the transfer of the Canal & River Trust programme. The further large increase in 2020–21 includes the Nature for Climate Fund, as explained in the resource DEL Improve the Environment section.

Protect the Country from Floods

The 2015–16 outturn included a claim on the Reserve for the Repair and Renew Grant scheme, for households affected by the 2013–14 winter floods. This was a time limited project that completed in 2015–16, in which grants were made to property owners affected by flooding to increase flood resilience.

Countryside and Rural Services

The decrease from 2019–20 onwards reflects the transfer of the Canal & River Trust programme to Improve the Environment, following an internal restructure.

Departmental Operating Costs

The phased increase from 2016–17 reflects the first tranche of the investment from the Spending Review to fund critical health and safety works ensuring science and containment facilities (Weybridge) are fit for purpose, invest to save works in rationalising the estates footprint, and investment in our IT infrastructure, such as new IT hosting services and improvements in connectivity. This additional investment reduces in 2019–20 and will lead to efficiencies in future running costs. The credit in 2020–21 includes a negative figure to the central budget. This enabled the allocation of flood and coastal risk management budgets to EA in the Main Estimate, in advance of the Reserve claim being processed by HM Treasury, which will occur in the 2020–21 Supplementary Estimate.

Improve the Environment (ALB) (Net)

The increase from 2016–17 onwards primarily reflects increased investment in the group wide capital estate, including investment in the science estate. The decrease in 2019–20 relates to a capital disposal, involving the sale of surplus land by EA.

Protect the Country from Floods (ALB) (Net)

The profile from 2016–17 onwards reflects the funding profile following the SR15 settlement and the increased funding announced in the 2016 Budget and Autumn Statement. This included additional funding following the 2015 winter floods and flood resilience work. The increase in 2019–20 reflects the re-profiling of part of the flood and coastal erosion risk management budget from 2017–18 and 2018–19 into 2019–20, as announced in the 2017 Autumn Budget. The further increase in 2020–21, as announced in the 2020 Budget for the Winter Defence Repair fund, will fund repairs to flood defence assets that were damaged during the 2019–20 winter floods, and the Flood and Coastal Defence Capital programme which is part of a six year flood defence programme.

Capital Budget AME

Food and Farming (ALB) (Net)

The increase in budget for 2020–21 is required for potential reclassification of research and development expenditure from resource to capital in the Agriculture and Horticulture Development Board.

Protect the Country from Floods (ALB) (Net)

The 2019–20 outturn relates to capital additions in Flood Re. Flood Re adopted IFRS 16 leases this financial year. This accounting standard states how leases should be presented, recognised, measured and disclosed in the annual accounts.

The underlying administration budget reflects the savings required by the 2013 Spending Round (SR13) and the 2015 Spending Review (SR15). These savings have been offset by increased expenditure on EU exit preparedness.

Within the detail of the table, Departmental Operating Costs increases over the years with other lines showing corresponding decreases. This largely reflects the administration element of the consolidation of Defra group corporate service functions, as explained in the Resource DEL section. The remaining increase in 2020–21 primarily relates to the budget for depreciation, reflecting an underspend against budget in 2019–20.

Table 1 – Defra's Resource and Capital Budget

	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Outturn £000	2020-21 Plans £000
Resource DEL						
Food and farming	224,889	163,012	206,668	193,739	295,806	2,258,868
. Improve the environment	228,495	233,105	274,651	347,697	410,071	490,712
Protect the country from floods	14,696	1,156	1,277	1,027	1,356	10,977
Animal and plant health	207,595	161,812	163,023	197,395	204,401	211,131
Marine and fisheries	25,666	26,517	32,035	46,293	53,258	51,302
Countryside and rural services	197,281	202,031	129,074	129,411	104,647	102,936
Departmental operating costs[1]	140,355	235,486	362,947	418,439	486,991	532,688
Improve the environment (ALB) (net)	332,543	337,582	271,280	272,889	277,053	219,344
Protect the country from floods (ALB) (net)	339,313	365,691	384,898	357,241	386,740	423,717
Marine and fisheries (ALB) (net)	19,133	12,270	13,869	16,766	23,088	27,445
Countryside and rural services (ALB) (net)	2,078	2,320	2,311	2,397	1,721	2,611
Total Resource DEL	**1,732,044**	**1,740,982**	**1,842,033**	**1,983,294**	**2,245,132**	**4,331,731**
Resource AME						
Food and farming	(39,601)	207,302	(66,366)	(171,170)	628,704	50,881
Improve the environment	313,107	(43,272)	95,549	(235,236)	14,939	(2,815)
Animal and plant health	(2,370)	(5,986)	(3,901)	(1,780)	(573)	5
Marine and fisheries	1,899	(416)	233	(1,111)	(2,440)	8
Countryside and rural services	(497)	(340)	2,078	(1,133)	(793)	(295)
Departmental operating costs	91,813	50,751	15,119	(51,017)	50,623	50,368
Food and farming (ALB) (net)	1,682	(1,913)	(1,269)	8,081	2,332	5,097
Improve the environment (ALB) (net)	(11,448)	(35,109)	(12,268)	22,223	9,839	32,273
Protect the country from floods (ALB) (net)	34,335	(85,707)	(57,410)	(70,295)	(6,063)	156,000
Marine and fisheries (ALB) (net)	1,831	778	(86)	303	1,825	61
Countryside and rural services (ALB) (net)	(10)	(14)	-	-	(10)	7
Total Resource AME	**390,741**	**86,074**	**(28,321)**	**(501,135)**	**698,383**	**291,590**
Total Resource Budget	**2,122,785**	**1,827,056**	**1,813,712**	**1,482,159**	**2,943,515**	**4,623,321**
Of which:						
Depreciation - DEL	167,922	187,201	177,294	198,069	209,170	239,140
Depreciation - AME	12,058	4,180	2,291	5,655	5,683	11,935
Depreciation[2]	179,980	191,381	179,585	203,724	214,853	251,075
Capital DEL						
Food and farming	33,013	21,048	5,148	3,745	9,324	-
Improve the environment	45,876	38,667	9,601	24,452	54,938	130,616
Protect the country from floods	12,621	(120)	353	264	716	-
Animal and plant health	18,018	8,707	12,852	12,832	17,919	5,795
Marine and fisheries	6,014	7,234	6,014	13,868	9,079	8,672
Countryside and rural services	24,869	23,405	22,895	28,690	8,708	12,518
Departmental operating costs[1]	(3,026)	33,992	60,838	61,738	50,564	(28,194)
Improve the environment (ALB) (net)	26,459	47,946	71,227	70,278	34,576	43,767
Protect the country from floods (ALB) (net)	405,084	470,634	431,174	486,253	537,632	729,317
Marine and fisheries (ALB) (net)	261	182	157	543	2,279	-
Countryside and rural services (ALB) (net)	402	211	360	203	670	-
Total Capital DEL	**569,591**	**651,906**	**620,619**	**702,866**	**726,405**	**902,491**
Capital AME						
Food and farming (ALB) (net)	75	596	116	203	423	14,507
Protect the country from floods (ALB) (net)	-	-	-	-	2,556	-
Marine and fisheries (ALB) (net)	167	266	83	123	113	-
Total Capital AME	**242**	**862**	**199**	**326**	**3,092**	**14,507**
Total Capital Budget	**569,833**	**652,768**	**620,818**	**703,192**	**729,497**	**916,998**
Total departmental spending[3]	**2,512,638**	**2,288,443**	**2,254,945**	**1,981,627**	**3,458,159**	**5,289,244**
Of which:						
Total DEL	2,133,713	2,205,687	2,285,358	2,488,091	2,762,367	4,995,082
Total AME	378,925	82,756	(30,413)	(506,464)	695,792	294,162

1. The 2016–17, 2017–18 and 2018–19 outturn figures have been restated due to a Prior Period Adjustment that reflects changes to opening positions relating to accounting treatment of Assets Under Construction and the capitalisation of costs.
2. Includes impairments.
3. Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

The 2020–21 plans figures are based on provisional allocations and are subject to change, following further business planning decisions.

As part of the 2019–20 Main Estimate, a Machinery of Government change took place relating to the transfer of various cross-border functions from the Forestry Commission to the Scottish and Welsh Governments. This change affected the years 2015–16 to 2019–20 of Table 1.

Table 2 – Defra's Administration Costs

	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Outturn £000	2020-21 Plans £000
Resource DEL						
Food and farming	110,468	90,658	40,590	65,351	70,259	122,478
Improve the environment	24,659	23,907	20,464	54,390	77,767	71,341
Protect the country from floods	1,930	1,144	1,048	1,024	1,237	2,205
Animal and plant health	20,205	11,321	9,926	37,363	29,314	32,391
Marine and fisheries	3,651	7,353	4,111	13,088	17,381	16,220
Countryside and rural services	13,314	6,822	6,767	6,971	10,360	10,489
Departmental operating costs[4]	116,485	154,408	258,812	313,935	361,566	460,503
Improve the environment (ALB) (net)	132,263	98,052	57,890	74,956	68,627	66,905
Protect the country from floods (ALB) (net)	69,572	56,964	80,683	77,201	69,072	72,755
Marine and fisheries (ALB) (net)	4,379	2,682	2,108	2,375	2,149	2,808
Countryside and rural services (ALB) (net)	296	281	298	316	377	403
Total administration budget	**497,222**	**453,592**	**482,697**	**646,970**	**708,109**	**858,498**

4. The 2016–17, 2017–18 and 2018–19 outturn figures have been restated due to a Prior Period Adjustment that reflects changes to opening positions relating to accounting treatment of Assets Under Construction and the capitalisation of costs.

Annex 2: Commentary on Sustainable Performance

Background

The environmental data and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting Guidance 2019–20.

The information contained within this annex has not been subject to audit and does not form part of the auditors' opinion on the accounts.

Introduction

This annex sets out Defra's performance against the sustainability objectives of its estate and operations.

This report focuses on the most significant estate and travel impacts identified through the Defra group's Environmental Management Systems measured against the Greening Government Commitments (GGC) targets. These targets are for reductions in GHG emissions, waste arisings, water use and for increasing procurement of more sustainable goods and services.

Other aspects of Defra group's operations contribute to its environmental impact including the embedded carbon and water of purchased items, supplier transport, waste handling and water supply. These impacts are not captured by this report but some of these are mitigated through sustainability criteria stipulated in procurement and services contracts.

The targets, which are measured from a 2009–10 baseline, are:

- Reduce GHG from the whole estate and business related transport by 44 percent;
- Reduce water consumption and report on office water use against best practice benchmarks;
- Reduce the number of domestic flights by 30 percent;
- Ensure that more sustainable and efficient products are bought and undertake engagement with suppliers to understand and reduce the impacts of the supply chain; and
- Cut paper use by 50 percent.

The targets are scheduled to run until April 2020.

Performance against these targets is defined using the following terms:

- *Exceeding target:* the target for April 2020 has been exceeded;
- *On target:* performance has met the April 2020 target;
- *Ahead of Milestone:* performance is on track to meet April 2020 target;
- *Behind Milestone:* performance has not reached the required level and therefore needs to improve in order to meet the April 2020 target; and
- *Increase from baseline:* no reduction made and performance in this area has worsened since the baseline year.

Assurance and Data

The data in Table 1 presents the GHG, energy consumption, water use and waste arisings figures as reported as part of the GGC and reports performance for 1 April 2019 to 31 March 2020. Cost data is not reported as part of the GGC, therefore all financial data presented in this report is sourced from accounting records for this period.

Energy and water data is primarily taken from supplier invoices. In most cases, the data in these invoices is informed by manual meter readings or half hourly Smart Meter readings. All consumption and cost data is also subject to validation and verification by Defra's Utility Software. These processes provide a high level of assurance that reported data is accurate and robust. The EA, RBG Kew and Forestry Commission have their own data assurance processes and produce their own Annual Report and Accounts.

Waste data is derived from figures provided by the Defra group's waste contractors. Wherever possible actual weights are used but where this is not possible waste data is calculated using a metric based on the number of bins emptied. Audits have been undertaken to validate and improve the accuracy of this data for common waste streams, using a number of key sites to establish the average weights and waste ratios. This estimation methodology will result in a small margin of error. It is not currently cost effective to weigh all waste streams.

Defra Group Performance[16]

This section of the report provides an overview of Defra group performance against the GGC targets. For the purposes of GGC reporting the Defra group comprises the following bodies:

- Defra core department
- Executive Agencies
  - Animal and Plant Health Agency (APHA)
  - Centre for Environment, Fisheries and Aquaculture Science (Cefas)
  - Rural Payments Agency (RPA)
  - Veterinary Medicines Directorate (VMD)
- Non-Departmental Public Bodies
  - Environment Agency (EA)
  - Marine Management Organisation (MMO)
  - Natural England (NE)
  - Royal Botanic Gardens, Kew (RBG Kew)
- Forestry Commission (FC)
- Other Defra group bodies and other government departments
  (Under the major occupier rule, Defra reports the environmental impact of other government departments which occupy its buildings. Also included are some of Defra group Bodies which do not meet the threshold for GGC reporting but are of insufficient materiality to remove from the departmental dataset.)

[16] The data contained in this annex is reported as absolute values. It has not been normalised against metrics such as FTE staff, financial turnover or metre squared floor space. The diverse business delivery across the Estate is influenced by numerous factors such as weather, scientific undertakings and tourism numbers. This makes it difficult to report trends and make fair comparisons to other organisations.

Governance

Progress against the GGC targets is reported to the Director of Group Property and onwards up to the Permanent Secretary on a quarterly basis.

Quality assurance is managed through the Sustainability and Energy team who are responsible for producing the Defra group sustainability reports. These have been subject to internal audit in the past and found to be compliant with GGC and HM Treasury guidelines.

The department's Director of Defra group Property is the Senior Responsible Officer for Defra's participation in the Carbon Reduction Commitment Energy Efficiency Scheme (CRC), European Union Emissions Trading System (EU ETS) and is signatory for the department's Environmental Policy.

GGC Performance and Future Strategy

The Defra group aims to keep sustainability at the heart of its business delivery and operations and the Defra group strategy puts environmental improvement as its first objective. This means that it strives to operate in the most sustainable and environmentally responsible manner: improving the way we use our work spaces; reducing energy and water use; reducing the amount of waste generated; making strategic energy and waste savings from IT services; and assessing the products and services that are purchased to support all operational activities. The commitment to the sustainability of our own operations is captured in a sustainability strategy. We are updating our sustainability strategy in 2020/21 to take account of the major changes in issues such as climate change, resource use, and looking to deliver environmental net gain.

Estates

Business activities in the Defra group's buildings are the most significant contributor to overall environmental impact. The Defra group's portfolio comprises a diverse mix of properties which includes office buildings, storage facilities, pumping stations, forestry facilities, botanic gardens, experimental farms and complex laboratory campus facilities.

The wide range of activities undertaken presents considerable challenge in delivering savings in energy and water used and waste generated. The following section details performance and also summarises some future plans for meeting all of the GGC targets.

Targets and Performance

	Current Achievements	Milestone Target	Target April 2020	Current Performance	Link to UN Sustainable Development Goas
GHG Reduction 2019–20 vs. Baseline	49% reduction	44% reduction	44% reduction	Ahead of Milestone	13 CLIMATE ACTION
Landfill Waste Reduction 2019–20 vs. Baseline	19% to landfill	10% to landfill	Below 10% to Landfill	Behind Milestone	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Total Waste Reduction 2019–20 vs. Baseline	7% reduction	N/A	N/A	N/A	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Water Reduction 2019–20 vs. Baseline	9% reduction	23% reduction	Reduce from 14–15 level of 23% reduction	Behind Milestone	6 CLEAN WATER AND SANITATION
Domestic Flights Reduction 2019–20 vs. Baseline	32% reduction	30% reduction	30% reduction	Ahead of Milestone	13 CLIMATE ACTION
Paper Use Reduction 2019–20 vs. Baseline	69% reduction	50% reduction	50% reduction	On Target	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Performance against the GHG target has plateaued during the 2019–20.

Defra is committed to reducing it carbon footprint. We have made great strides in reducing our carbon footprint across all areas of the Defra group to allow all areas across the group to meet their carbon targets.

We have done this through a combination of:

- A strategic investment and maintenance plan for our buildings and operations to install energy efficiency measures such as,LED lights, more efficient heating such as biomass boilers and air source heat pumps, energy efficient servers.
- Electricity generation such as solar panels and wind turbines. Over the last years we installed enough solar PV to cover 9 football fields.
- More efficient grid, we have benefitted from the consistent year on year greening of the electricity grid.
- Changes to the way we travel. Defra group have changed the way we travel over the last 10 years using more public transport, greening our fleets and reducing the amount of miles we travel.

Defra group are looking at ways to reduce our plastic use in response to the 25 year Environment Plan and the increased focus on plastics in the marine environment. This response includes the Defra and EA estates.

What we have already done to remove Consumer Single Use Plastics from our Estate:

Defra group have engaged with Cabinet Office over the consumer single use plastics ban. We have either fully or partially removed consumer single use plastic from the 32 plastic categories that are cover by the ban or are considered best practice to remove. We have done this by working with our suppliers.

These include:

- The new catering contract for Defra group will require that no single use plastics will be used as part of the contract.
- We have removed plastic milk bottles from 40 sites around our estate.
- We have removed plastic water cups, coffee cups and plastic bottles at our Defra and EA Offices.
- We are working with our stationary supplier to improve the sustainability of our top 10 items by use to non-plastic replacements.
- We are working with our suppler to change the cleaning products we use into bulk deliveries which use less plastic and are then decanted into non-plastic dispensing containers on site.

Defra group Facilities Management have worked with the current catering contractors to remove:

- Plastic Cutlery
- Plastic Straws and Stirrers

- Single Serve Condiments
- Soft Drink Bottles
- Coffee Cups (including lids)
- Tetra Packs

Environmental Management System

A certified ISO14001 Environmental Management System (EMS) which we have expanded this year to cover over 100 sites on the Defra group Estate. This has expanded coverage from not only our larger sites and those which carry the most significant environmental risk across the portfolio, to now cover 95 percent of our Estate. Achieving and retaining the standard recognises continuing commitment to reducing environmental impact, implementing sound environmental practice and ensuring environmental policy is taken into account when making decisions and delivering projects across the estate. There are a number of grounds maintenance and land management regimes at Defra properties that aim to enhance biodiversity including: reducing the frequency of mowing regimes and leaving grassland patches to grow wild providing food and shelter for pollinators; incorporating features such as bird and bat boxes, indigenous planting and maintenance and care of wild flower meadows/areas. The EMS system is supported by Environmental and Energy policies.

Sustainable Information and Communications Technology (ICT)

Digital Data Technology Services (Defra group IT) continues to lead on sustainable IT. Working in collaboration with our ICT supply chain and external stakeholders, DDTS saved approximately £1 million in IT energy-related costs, reduced greenhouse gas emissions by 40 percent, and sent zero electronic waste to landfill. We also worked in partnership with the United Nations Environment Programme (UNEP), and the United Nations Children Fund (UNICEF) to produce a published guide on sustainable IT for businesses. We were delighted to win the “IT Industry Leader of the Year” award from “Computing Magazine” and civil service award “highly commended”

Reducing and mitigating carbon emissions

- Overall reduced emissions by 40 percent.
- Average kg CO2/ staff fell by 48 percent (- 105 kg CO2).
- Emissions through printers fell by 96 percent.
- 90 percent main data centres using clean renewable energy.
- Reducing redundant data and duplicate data through capacity and availability management.
- Energy reduction through hosting fell by 29 percent.

Efficient resource use and reduced waste

- Zero to landfill.
- 3193 assets reused (78 percent internally within Defra and 22 percent external reuse).
- Recovered (Aluminium – 275kg, Copper – 635 kg, Ferrous – 1743 kg, Lead – 22 kg, Glass – 8kg, Gold - 0.57, Plastic – 3905 kg).

Demonstrating transparency and mitigating risk

- Tier 1 suppliers remain 100 percent compliant of key issues in the supply chain (modern slavery, conflict minerals, pollution, health and safety, wellbeing).
- Suppliers working with the Responsible Business Alliance and Ecovardis to monitor supply chain activities.

Sustainability in business as usual

- Sustainability now a key part of the project delivery life cycle.
- Carried out level 1 sustainability training across the function (800 employees and 400, 000 civil servants).
- New sustainability governance - deputy director level.
- Our maturity level assessed and moved from “beyond compliance” to “integrating sustainability strategy” (Level 4 out of 5 levels).

Providing net gains

- Approximately 7500 trees planted annually.
- 1.5 million external stakeholders have benefited from reduced travel and reduced print from our digital solutions.

Sustainable Procurement

Defra group Commercial manage approximately £1.2 billion per annum. Addressing the sustainability impacts and opportunities associated with purchases is a core and embedded part of our approach. We prioritise the work we do with supply markets and suppliers based on sustainability impacts, business risk and spend so that we can focus our efforts in the highest risk areas. A sustainability risk assessment is completed as part of commercial strategies to determine which impacts are relevant to the contract and how they will be managed throughout procurement and for the entire life of the contract.

Our approach supports all of the GGC’s as well as wider Government commitments such as Social Value, Modern Slavery, Small and Medium Enterprises and the Public Sector Equality Duty.

We work with Government to support and shape approaches relating to sustainable purchases and share our approach with others.

Transparency Reporting

In addition to the high level GGC targets, the Defra group also publishes a transparency statement as part of its commitment[17]. This covers Climate Change Adaptation, Biodiversity and Natural Environment, Procurement of Food and Catering Services and Sustainable Construction.

[17] https://www.gov.uk/government/organisations/Department-for-environment-food-rural-affairs/about/our-energy-use

Further Information

Quarterly updates on the Defra group's performance towards the GGC can be found online[18].

This report should be read in conjunction with the Annual Report and Account Sustainability Reports produced by each of the Defra group bodies.

GGC reporting processes use the Defra reporting standards. All energy and carbon reporting in this document uses the conversion factors described in this document.

[18] https://www.gov.uk/government/organisations/Department-for-environment-food-rural-affairs/about/our-energy-use

Sustainability Data – Table 1

ENERGY			Baseline	2016-17	2017-18	2018-19	2019-20
Non financial indicators (kWh)	Energy consumption	Total energy consumption	247,207,792	188,241,081	173,730,107	186,252,121	193,248,581
		Total electricity	119,777,315	89,955,395	86,855,361	99,263,808	102,308,375
		Electricity: standard	23,281,240	3,747,681	8,621,510	11,783,595	10,886,219
		Electricity: green	96,369,935	85,365,988	77,634,056	87,235,083	91,422,156
		Electricity: Purchased CHP	126,140	841,726	599,794	245,130	0
		Gas	90,501,824	76,686,338	59,475,471	71,008,867	78,819,187
		Oil	23,701,612	13,542,255	24,095,011	12,989,052	10,426,013
		Biomass	2,604,841	6,941,837	1,372,053	1,665,995	772,306
		CHP	8,406,109	-	-	-	-
		Whitehall district heating system (WDHS)	343,300	-	-	-	-
		Self generated renewables	149,084	549,273	1,162,876	788,147	401,833
		LPG	555,812	565,984	515,595	398,405	518,046
		Other	1,167,895	-	253,741	137,847	2,821
Financial indicators ('000£)	Total energy costs		17,202	15,406	13,530	17,238	17,145

WASTE		Baseline	2016-17	2017-18	2018-19	2019-20
Non financial indicators ('000 kgs)	Total waste	8,116	4,861	6,603	5,625	7,526
	Hazardous waste	1,063	71	107	35	9
	IT waste recycled and unrecyclable	14	22	49	77	7
	Recycled	2,810	1,933	3,216	2,404	2,976
	Composted	75	35	207	266	1,364
	Incinerated with energy recovery	1,309	1,547	1,799	1,868	2,678
	Incinerated without energy recovery	471	418	470	367	374
	Landfill	3,437	904	874	986	1,498
Financial indicators ('000£)	Total disposal cost	3,374	3,447	3,510	5,038	2,823
	Hazardous waste	n/a	603	623	415	439
	Recycled, composted (combined)	n/a	562	698	453	326
	Incinerated with energy recovery	n/a	346	347	330	272
	Incinerated without energy recovery	n/a	n/a	n/a	n/a	-
	Landfill	n/a	123	119	150	71

WATER			Baseline	2016-17	2017-18	2018-19	2019-20
Non financial indicators (m3)	Water Consumption	Total scope 2 water consumption	651,542	691,783	552,674	593,683	592,845
		Supplied (office estate scope 2)	126,867	85,420	88,797	94,160	125,108
		Supplied (non office estate scope 2	524,675	606,363	463,877	499,523	467,737
		Abstracted (scope 1)	n/a	42,992,196	n/a	n/a	n/a
Financial indicators ('000£)	Water supply costs		1,492	1,253	1,051	1,633	1,655

GREEN HOUSE GAS EMISSIONS		Baseline	2016-17	2017-18	2018-19	2019-20
Non financial indicators ('000 kgs CO2e)	Scope 1: direct emissions	38,768	27,831	27,939	23,739	27,257
	Scope 2: indirect emissions	59,230	37,066	30,535	33,505	26,150
	Scope 3: emissions from official business travel	21,110	10,073	11,234	11,511	7,322
	Total emissions	119,108	74,970	69,707	61,128	60,729
	Emissions eligible for CRC scheme	n/a	47,756	28,346	25,332	The CRC scheme finished in March 2019
Financial indicators ('000£)	Carbon Reduction Commitment (CRC)	n/a	798	480	452	The CRC scheme finished in March 2019
	Expenditure on official business travel	23,359	25,652	27,560	31,009	29,974

OTHER TARGET AREAS		Baseline	2016-17	2017-18	2018-19	2019-20
Non financial indicators	Number of domestic flights	3,351	2,365	2,877	2,716	2,291
	Paper use (reams)	151,529	77,168	68,295	53,625	46,449

Notes

(i) Under GGC reporting, areas of a building occupied by non-government occupants are not included. Where this is the case buildings have been apportioned according to floor space occupancies.

(ii) Scope 3: Emissions from Official Business Travel' data does not include international travel in accordance with the GGC reporting requirements.

(iii) The abstracted water figure for 2017–18 is not available at the time of publication.

(iv) Gas used in CHP units is not included in the gas figure as GGC reporting guidance states that this energy is reported as CHP output.

(v) The first Carbon Reduction Commitment (CRC) payment was made for 2011–12. Payment for 2018–19 is not due to be made until September 2019.

(vi) All consumption data presented in this report reflects reported GGC figures. Cost figures reflect the accounting records for the respective year.

(vii) Hazardous waste is included in the landfill waste figure as per GGC reporting.

(viii) Some ICT waste is included in the recycled waste figure, which also includes the composted waste figure as per GGC reporting guidelines.

(ix) Historically, a breakdown of waste costs was not available due to the contractual agreement in place at this time.

(x) Previous years' data has been revised from last year's publication to incorporate any corrections, adjustments and to remove the data for the Sand Hutton Laboratory site that was sold from the Defra portfolio. For this reason tables and performance may appear differently to previous year's reports.

(xi) Some Baseline figures include data from various years where data from 2009–10 was not available. In such instances data from subsequent years was substituted as per the GGC guidance.

(xii) RBG Kew do not have a provision for capturing domestic travel data, however the emissions are understood to be not material.

(xiii) Composted and reused waste data was not available across the group as a separate stream to recycled waste prior to 2013–14. From 2013–14 some parts of the group provide separated compost and reused waste figures, but these do not cover the entire Defra group.
(xiv) Emissions from electricity are captured across scope 2 and 3 as electricity generated and supplied to the national grid and due to losses in transmission and distribution of electricity through the national grid to the consumer, as defined by the GHG Protocol.
(xv) Public transport emissions are captured within the scope 3 emissions. For the purposes of Taxi travel, mileage is estimated from spending on taxis using a rate of £2.39 per mile.
(xvi) Reused assets are not considered to be waste for GGC reporting purposes (except reused ICT) and so is not reported or captured in these figures.

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