Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2010–11

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Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2010–11

(For the year ended 31 March 2011)

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Introduction

The Department for Environment, Food and Rural Affairs' (Defra) business plan sets out the Department's priorities to meet the Government's commitments. The business plan includes the Structural Reform Plan (SRP), which sets out in detail the actions to be taken to achieve these priorities, and the contribution Defra will make to the Government's new system of democratic accountability, through improved transparency between the Government and the public.

Although this has been a challenging year in financial terms, through financial planning and forecasting Defra has achieved a balanced position on its £2.1bn budget. Considerable pressure was placed on its budget by financial corrections for the administration of the Single Payment Scheme (SPS) and the impact of the June 2010 emergency budget. A commentary on Significant Variances against Estimate is provided on page 9.

During this successful year, Defra has responded to the economic needs of the country; working quickly and effectively with its partners in industry. Defra has also kept a clear sight on the long–term future, taking actions today that will allow continued use and enjoyment of our natural resources through to the end of this century and beyond.

Structural Reform Priorities

- **Support and develop British farming and encourage sustainable food production**
  Help to enhance the competitiveness and resilience of the whole food chain, including farms and the fish industry, to help ensure a secure, environmentally sustainable and healthy supply of food with improved standards of animal welfare.

- **Help to enhance the environment and biodiversity to improve quality of life**
  Enhance and protect the natural environment, including biodiversity and the marine environment, by reducing pollution, mitigating greenhouse gas emissions, and preventing habitat loss and degradation.

- **Support a strong and sustainable green economy, resilient to climate change**
  Help to create the conditions in which businesses can innovate, invest and grow; encourage businesses, people and communities to manage and use natural resources sustainably and to reduce waste; work to ensure that the UK economy is resilient to climate change; and enhance rural communities.

Other major responsibilities

- **Prepare for and manage risk from animal and plant disease**
  Protect the environment, society and the economy from the risks of animal and plant disease through a range of controls, surveillance and horizon–scanning activities that help us understand the risks and maintain proportionate management responses.

- **Prepare for and manage risk from flood and other environmental emergencies**
  Maintain an effective, resilient and robust capability to respond to the full range of environmental emergencies, including reducing the threat of flooding and coastal erosion by understanding and managing the risks.

The policy development and delivery landscape

Defra has a large and diverse policy development and implementation landscape. Defra's responsibilities for protecting biodiversity, the countryside and the marine environment and for supporting a sustainable green economy, including rural communities, and British farming and food production means that the Department is at the forefront of engaging with and delivering on the Government's plans for Localism, Decentralisation and Big Society. To do this we will work in partnership with local communities and civil society to help all citizens take more responsibility for their environment, and encourage sustainable behaviour.

Delivery network

Core–Defra works in partnership with a number of sponsored bodies to deliver its business plan priorities and actions and its other commitments. Defra's Executive Agencies operate with a degree of autonomy in delivering services within a framework of direct accountability to the Department's Permanent Secretary, and to Ministers who remain directly accountable for their overall performance. They are consolidated as part of the Annual Report and Accounts.

Significant Bodies within the Departmental Boundary

Significant bodies are listed below; additional ones are included in Note 37.

Rural Payments Agency (RPA)

RPA administers a wide range of Common Agricultural Policy (CAP) schemes including the SPS, internal market schemes covering dairy products, crops, fruits and vegetables, external trade measures, milk quotas and the Older Cattle Disposal Scheme. RPA is also the paying agency for Rural Development Programme for England (RDPE) and its predecessor, England Rural Development Programme (ERDP).

Animal Health (AH)

A Great Britain wide organisation dealing with animal health, public health, animal welfare and international trade in the livestock industry. AH is primarily responsible for ensuring that farmed animals are healthy, disease–free and well looked after.

Veterinary Laboratories Agency (VLA)

Provides Defra, other government and commercial customers with specialist veterinary research, consultancy, surveillance and laboratory services.

On 1 April 2011 AH and VLA merged to become the new Animal Health and Veterinary Laboratories Agency (AHVLA).

Centre for Environment, Fisheries and Aquaculture Science (Cefas)

The UK's foremost source of marine evidence and impartial expert advice, playing an integral role in securing healthy marine and freshwater environments.

Food and Environment Research Agency (Fera)

Fera is a UK wide organisation whose overarching purpose is to support and develop a sustainable food chain, a healthy natural environment, and to protect the global community from biological and chemical risks. The Agency provides robust evidence and rigorous advice to government, international organisations and the private sector.

Veterinary Medicines Directorate (VMD)

VMD protects UK public health, animal health and the environment and promotes animal welfare by assuring the safety, quality and efficacy of veterinary medicines.

Forestry Commission Great Britain/England (FC)

FC aims to protect, expand and promote the sustainable management of woodland and increase their value to society and the environment.

FC is a non–ministerial department which lays its own Annual Report and Accounts before Parliament. For more information, see Note 1.3, Note 37 and Request for Resources (RfR) 2 on page 68.

Bodies outside the Departmental Boundary

Defra also sponsors a range of other delivery bodies, including Non–Departmental Public Bodies (NDPBs) and Public Corporations, beyond the departmental boundaries which are not included in this Annual Report and Accounts. These bodies carry out set functions within the Government framework, this includes executive, administrative, commercial and regulatory functions. Significant other sponsored bodies include:

- Environment Agency (EA);
- Natural England (NE);
- Marine Management Organisation (MMO); and
- Royal Botanic Gardens Kew (RBG Kew).

For more information on all Defra's sponsored bodies please refer to our website[1] and Note 38.

Basis of Accounts

These accounts have been prepared to comply with the Government Resources and Accounts Act 2000 and the requirements of HM Treasury.

Development and Performance of the Department

Summary reporting on outcomes achieved

Defra's draft business plan, published in November 2010, committed the Department to deliver over 60 actions during the Spending Review period. The plan was revised and published in May 2011, and will be updated annually.

Defra has made good progress so far against the commitments set out in our business plan and in the Coalition Programme for Government. In the first 4 months of the business plan, to March 2011, Defra completed three–quarters of actions on time.

[1] http://www.defra.gov.uk

Major achievements include:

- Securing a landmark international deal on biodiversity at Nagoya;
- Agreeing EU legislation preventing illegal timber being placed in EU markets;
- Implementing most of the Pitt Review recommendations on flooding and carrying out Exercise Watermark;
- Launching a National Tree Planting campaign which has exceeded our target, with more than 100,000 trees planted since December;
- Commissioning an independent Task Force on Farming Regulation, chaired by Richard Macdonald, which reported to Ministers in May and made recommendations for a more proportionate system of regulation and enforcement for agriculture;
- Reviewing the governance arrangements of National Parks;
- Unveiling £26m to support hill farmers and help some of England's rural communities;
- Publishing a UK marine policy statement;
- Commencing implementation of announced Arms Length Bodies (ALB) proposed structural reforms and governance arrangements which should see a reduction in the number of bodies from over 90 to less than 40;
- EA, Local Authorities (LAs) and internal drainage boards reducing the flood risk to over 75,000 households in England in 2010–11, helping to exceed their target of 145,000 for the CSR07 period;
- Launching a Natural Environment White Paper, setting out proposals for a detailed programme of actions to repair damage done to the environment in the past;
- Launching the Natural Flood and Coastal Erosion Risk Management Strategy. The new strategy ensures funding is provided in line with the benefits each project delivers to homes, businesses, agricultural land and infrastructure;
- Completing and publishing the Waste Review. The review looked at the most effective ways of reducing waste, maximising the contribution of the waste and recycling industries economically and environmentally, and how waste policies affect local communities and individual households; and
- Announcing the establishment of a new Animal Health and Welfare Board for England to transform the way Government and the farming sector work together on animal health issues.

Business Plan Quarterly Data Summaries (QDS)

All departments will report publicly each quarter on progress against their business plans. Departments will publish their first business plan QDS in July 2011.

Progress against the Structural Reform Plan (SRP)

The following table provides a summary of Defra's performance in completing SRP actions by the milestones set out in the published business plan in November 2010. The data is separated by Priority areas:

- Priority 1 – Support and develop British farming and encourage sustainable food production;
- Priority 2 – Help to enhance the environment and biodiversity to improve quality of life; and
- Priority 3 – Support a strong and sustainable green economy, resilient to climate change.

Priority	Number of actions due to be completed in 2010-11	Number met on time	Number missed by <1 month	Number missed by <2 months	Number missed by >3 months	Number overdue by end of March
Priority 1	10	10	0	0	0	0
Priority 2	9	8	0	0	0	1
Priority 3	6	2	1	2	0	1
Total	**25**	**20**	**1**	**2**	**0**	**2**

Input and impact indicators

The transparency section of the business plan[2] (pages 21–27) contains our information strategy, which describes the steps Defra is taking to make information publicly available. It includes a list of input and impact indicators, with their related datasets, which can be used to assess Defra's performance in our key priority areas.

The Department has adopted the following indicators to help the public scrutinise our inputs:

Input indicator	When will publication start?	How often will it be published	How will this be broken down?
Cost per Single Payment Scheme claim	July 2011 (based on budget for 2011–12 financial year figure will be revised in June 2012 with actuals)	Annual	National (England only)
Unit cost of delivery of Higher Lever Stewardship schemes	May 2011 (based on budget for 2011–12 financial year figure will be revised in June 2012 with actuals)	Annual	National (England only)
Total government funding to the Environment Agency for management of environmental quality of surface water bodies	April 2011 (based on budget for 2011–12 financial year figure will be revised in June 2012 with actuals)	Annual	National (England only)
Cost of local authority waste management per household	May 2011 (based on budget for 2011–12 financial year figure will be revised in June 2012 with actuals)	Annual	National (England only)
Total cost to government of Bovine TB control in animals in England	July 2011 (based on budget for 2011–12 financial year figure will be revised in June 2012 with actuals)	Annual	National (England only)
Total government capital investment in flood and coastal erosion risk management	April 2011 (based on budget for 2011–12 financial year figure will be revised in June 2012 with actuals)	Annual	National (England only)

2 http://www.number10.gov.uk/wp-content/uploads/DEFRA-Business-Plan1.pdf

Our impact indicators are designed to help the public judge whether our policies and reforms are having the effect they want. The Department has adopted the following indicators:

Impact indicator	When will publication start?	How often will it be published?	How will this be broken down?
Farmland birds index	April 2011	Annual	National (England only)
Agricultural soils nitrogen balance	April 2011	Annual	National (England only)
Productivity of the UK agricultural industry	April 2011	Annual	National (England only)
Uptake of Higher Level Stewardship schemes	April 2011	Quarterly	National (England only)
Net improvement in surface water bodies in England	May 2011	Annual	National (England only)
Household recycling rates	April 2011	Quarterly	National (England only)
Cattle herds free from TB restrictions	May 2011	Annual	National (England only)
Number of households where the risk of damage from flooding and coastal erosion has been markedly reduced	June 2011	Quarterly	National (England only)

Defra's performance indicators, along with supporting data will be published as data becomes available on the Department's website[3].

It may take several quarters of publishing data to be able to assess value for money of the Department's activities based on these indicators.

Other performance information

In keeping with our commitment to the transparency agenda, by March 2011 we had published over 275 datasets. We will continue to consider what other datasets to publish whilst ensuring that only essential data is collected to reduce the burden on collection agencies, including LAs, and save money for the taxpayer. We will also review our data quality to see where improvements, standardisation and efficiencies can be introduced.

We are assessing the wide range of government–sponsored environmental data collection and publication activities and will seek to avoid duplication, whilst responding as efficiently as possible. This includes agreeing with interested parties a co–ordinated response to European and other international requirements.

Details of all datasets and statistics published by the Department can be found on the Government data website[4].

3 http://www.defra.gov.uk
4 http://www.data.gov.uk

Other key performance data

Data which will help people to judge the progress of structural reforms:
Number of departments procuring food that meets British or equivalent standards of production, subject to no overall increase in cost.
Number of farm inspections carried out, by type of farm.
Number of trees planted as a result of the national tree planting campaign.
Extent and quality of habitat provision by agriculture (data will include linear landscape features, cultivable land put out of production, whole fields or parcels of land under funded or voluntary environmental management). Indicators and datasets will also be used for tracking progress on the England Biodiversity Strategy following its publication. The Department intends to undertake further consultation on the most appropriate data to use for this purpose.

Data which will help people to make informed choices:
Incidence of TB in cattle including the absolute number of herds free from TB restrictions.
Statistics notices on meat and related animal products (including poultry and poultry meat, eggs, milk) and slaughter statistics for cattle, sheep and pigs.
Statistics relating to rural communities (data to include broadband coverage, fuel poverty and housing).

Other key data:
Local Environmental Quality Survey of England (data on litter levels in England).
Emissions and concentrations of air pollutants in the UK.
Flood and Coastal Erosion risk management quarterly reports.
'WasteDataFlow' data on Local Authority waste management activity.
Number of Higher Level Stewardship agreements and total utilised agricultural area.

Defra's approach to performance management

In addition to performance reporting against the measures set out in Defra's business plan, the Department has a comprehensive system of performance management. The Defra Management Committee has designated 13 major programmes as 'Board Programmes' which it reviews on a monthly basis. All other Defra programmes are designated as 'Group Programmes' and their performance is monitored by the Directors General, as are ongoing functions and a few stand–alone projects. Strategic risks related to this wider portfolio of activities are escalated to the Management Committee by exception for review and action as appropriate.

The introduction of Secretary of State chaired Supervisory Boards and a new lead Non–Executive Director, with extensive commercial experience, have added a further level of scrutiny to the performance of the Department. Defra's Audit and Risk Committee (ARC) provide a further layer of scrutiny, challenge and oversight. Reforms include strengthening performance management of Defra's network of sponsored bodies, including quarterly reporting to the Supervisory Board based on robust business plans for the Spending Review (SR) period.

Spending on Consultancy and Temporary Staff

As part of the Government's transparency agenda, the Department has submitted information to the Cabinet Office on the expenditure relating to the use of consultancy and temporary staff. The Department will continue to work with the Cabinet Office to monitor and minimise such expenditure.

Financial Review

Significant variances against Estimate – Explanation of the underspend against the Estimate

The Department has spent £530m less than the amount in the Spring Supplementary Estimate (SSE). This can be categorised into the following areas of underspend:

- underlying movement in RPA of £245m due to lower volume of SPS and other scheme claims being processed and payments being made this financial year, foreign exchange movements and an underspend on the CAP disallowance provision;
- a further underspend of £149m Defra excluding RPA mainly due to lower EA's Grant–in–Aid drawdown where work had been re–phased into March 2011 and cash not required for payments until April 2011, provision for exit costs not required and spend in other programmes;
- £85m underspend due to recurring accounting inconsistencies in reporting through Estimates and Resource Accounts EA Closed Pension Scheme provision, this will be resolved next financial year; and
- £51m underspend relating to a methodology change in the inflation index to be used in calculating Pension Fund future commitments across government from Retail Prices Index (RPI) to Consumer Prices Index (CPI).

The overall underspend is split between the Estimate categories of Departmental Expenditure Limit (DEL), Annually Managed Expenditure (AME), and Non–budget as detailed in Note 2 to the accounts.

In addition to the above, an underspend of £10m occurred in respect of the FC mainly due to a change in accounting treatment relating to the consolidation of Forest Enterprises England agreed after SSE was complete. FC produces and lays its own accounts.

Explanations for the significant variances as shown in Note 2 to the accounts are as follows:

Departmental Expenditure Limit

The total underspend is £192m with the significant variances being:

- £220m underspend against EU funded scheme administered by the RPA, due mainly to fewer claims being validated and paid this financial year than expected. The reduction in expenditure is fully reflected in the Estimate Outturn whilst the corresponding equal and opposite EU income is treated as Consolidated Fund Extra Receipt (CFER) income outside the Estimate;
- £11m additional EU receipts for the Bovine TB Programme negotiated with HM Treasury and the EU;
- £7m underspend relating to Waste Infrastructure Delivery Programmes;
- £7m within Marine Programme where Spending Control requirements have meant business cases not being approved as quickly as expected;
- £4m underspend on depreciation mainly due to reduction in property prices following revaluation at prior year end and offsetting depreciation pressures in the ALBs;
- £4m relating to Livestock ongoing function where lower than anticipated Compensation costs have been incurred; and
- £55m overspend resulting from the Welsh Assembly Government (WAG) funding for EA not coming through the Core–Department as per Clear Line of Sight (CLoS) guidelines but being paid directly to EA. This offsets against Non–budget.

There are numerous smaller variances totalling £6m overspend.

Annually Managed Expenditure

The total underspend is £230m mainly due to:

- An underspend of £85m due to utilisation of the EA Closed Pension Scheme provision. Although the provision is recorded in the Department's accounts, the credit to the provision resulting from cash contributions is held outside of the estimate request for resources because it is non–voted;
- £51m underspend against the provision movement in the EA Closed Pension Scheme following the actuarial revaluation and changing the calculation of future inflationary increases from RPI to CPI;
- Estimated £44m provision for exits in the estimate did not materialise as future schemes still under review with no firm commitments; and
- £33m movement in unrealised gains related to revaluation of Euro denominated debtors and creditors in RPA at the 31 March 2011 exchange rate and an underspend on the CAP disallowance provisions.

There are numerous smaller variances totalling £17m underspend.

Non-budget

The total underspend is £108m mostly due to:

- £44m underspend in Grant–in–Aid drawn down for EA where work had been re–phased into the back end of the year and cash not required until April payment schedule and EA using their cash reserves thus keeping cash balances to a minimum; and
- £55m underspend relating to Grant–in–Aid for EA spend relating to WAG which, under CLoS, would have been drawn down from Defra and recovered from WAG by Defra. This offsets the lower than budgeted receipts in DEL above.

There are numerous smaller variances totalling £9m underspend.

Explanation of the variation between the Net Cash Requirement Outturn and the Estimate

The total underspend is £474m mainly due to:

- £330m underspend to lower volume of SPS claims being processed and payments being made this year and slippage on other RPA Scheme payments;
- £85m underspend was due to recurring technical differences in reporting through Resource Accounts and Estimates of EA Closed Pension Scheme provision;
- £44m underspend as a result of EA not drawing down their Grant–in–Aid entitlement as outlined above; and
- A further £15m underspend made up of smaller variances.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

Consolidated 12 months to 31 March 2011	**2010-11**	2009-10
	£000	£000
Net Resource Outturn (Estimates)	**4,736,182**	**5,447,200**
Adjustments to remove:		
Forestry Commission on an Estimate basis	(43,225)	(45,844)
Adjustments to additionally include:		
Consolidated Fund Extra Receipts (CFERs) in the Operating Cost Statement	(2,105,312)	(2,402,245)
Environment Agency closed pension fund	(84,800)	(87,100)
Prior period adjustments in the OCS		8,180
Other adjustments	1,600	3,555
Net Operating Costs (Accounts)	**2,504,445**	**2,923,746**
Adjustments to remove:		
Capital grants	(81,208)	(179,375)
Voted expenditure outside the Budget	(9,322)	(8,249)
Adjustments to additionally include:		
Resource consumption of Non-Departmental Public Bodies, net of Grant-in-Aid	(294,897)	(363,474)
Levy Funded Bodies resource costs	58,469	57,115
Forestry Commission	43,225	48,849
Prior period adjustments in the OCS		3,380
Other adjustments	(8,995)	1,415
Resource Budget Outturn on a 2010-11 basis (Budget)*	**2,211,717**	**2,483,407**
of which:		
Departmental Expenditure Limit (DEL)	2,403,649	2,499,857
Annually Managed Expenditure (AME)	(191,932)	(16,450)
Adjustments to bring to a 2011-12 basis, consistent with the Core Table 1:		
Machinery of Government Changes processed on COINS** in 2011-12	(33,869)	(37,415)
Machinery of Government Changes processed on COINS in 2010-11		1,829
Clear Line of Sight*** adjustment to remove the net resource costs of Forest Enterprise		(3,006)
Clear Line of Sight adjustment to move the levy income collected by the Levy Funded Bodies from non-budget to AME	(57,578)	(56,406)
Resource Budget Outturn on a 2011-12 basis (Budget)	**2,120,270**	**2,388,409**
of which:		
Departmental Expenditure Limit (DEL)	2,369,780	2,461,265
Annually Managed Expenditure (AME)	(249,510)	(72,856)

* Reported to HM Treasury as the provisional outturn for the Public Expenditure Outturn White Paper.
The final Budget Outturn is calculated once all the relevant resource accounts have been laid.

** A HM Treasury database holding public expenditure data (plans and outturn) for a number of years.

***Clear Line of Sight (CLoS) is a Government driven project to simplify financial reporting to Parliament by reporting in a more consistent way, in line with the fiscal rules. http://www.hm-treasury.gov.uk/psr_clear_line_of_sight_intro.htm

Core Tables

The aim of the published tables is to provide an explanation of what Defra spends its money on. They provide an analysis of departmental expenditure in resource terms, showing resource consumption and capital investment. The information includes tables outlining how Defra spends its money by country and region.

These tables are an authoritative statement of how the Department has used its resources. The tables are split between DEL and AME, both terms being explained below.

HM Treasury publishes a glossary in the Public Expenditure Statistical Analyses report[5] (CM 7890) that explains most of the terms used in the common core tables and in the commentary below so these are not all repeated here.

The details of the Parliamentary Main and Supplementary Estimates are published separately.

Table 1 – Defra's Resource and Capital Budget

This table sets out a summary of the expenditure for the Department, based on net budgetary totals, covering the period from 2005–06 to 2014–15. It details Defra's Resource and Capital Budgets, showing DEL and AME elements separately for control purposes. Future years' figures reflect the budgeted figures agreed with HM Treasury for the Department.

DEL budgets cover spending that is within a department's control and are negotiated with HM Treasury via Spending Reviews. The most recent Spending Review 2010 (SR10) covers 2011–12 to 2014–15.

The Resource DEL Budget includes the Department's administration costs, payments for goods and services, CAP scheme payments and non–cash costs such as depreciation. It also includes the accruals–based consumption of the NDPBs that the Department sponsors and excludes the Grant–in–Aid which provides them with the necessary cashflow.

AME budgets are usually demand led and not easily controllable by departments, so are set at the beginning of each year via the Parliamentary Main Estimate. They can be updated during the year via the Supplementary Estimate, subject to approval by Parliament and HM Treasury.

Defra has a relatively small AME budget. It is limited to the impact of the costs associated with the provision for the EA closed pension fund, the net consumption of the Levy Funded Bodies (LFBs) that the Department sponsors, the AME element of the movement on provisions and some other non–cash costs.

The Capital Budget covers Defra and its ALBs and includes expenditure on fixed assets, net of sales, and the payment of capital grants.

Table 2 – Defra's Administration Budget

This table 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 Administration Budget declines steadily towards 2014–15 in order to reflect the efficiency savings required by SR10.

5 http://www.hm-treasury.gov.uk/pespub_pesa10.htm

Detailed Analysis on Tables 1 and 2

These tables have both been produced directly from HM Treasury's COINS database and follow the 2011–12 HM Treasury rules, including any CLoS changes. All years' figures have been revised according to these new rules and the main changes to Defra's figures since last year's tables were published are:

- The Machinery of Government (MOG) changes that have been processed on COINS during the last year. These include the transfer from the Food Standards Agency (FSA) for food labelling and food composition policy, the transfer to the FSA for the Over Thirty Month for Human Consumption Scheme and the transfer to the Devolved Administrations for the Animal Health and Welfare Budgets;

- As part of SR10, the Administration Budget now includes the administration costs of ALBs which were previously recorded as Programme; and

- As part of the CLoS changes, the levy income collected by the LFBs has been moved to AME from Non–budget.

These tables are therefore produced on a different basis to the Annual Accounts and as such only the Resource figures can be reconciled to these Accounts. See Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets on page 11.

Resource Budget (Programme and Administration) DEL

Adapting to Climate Change

The SR10 Plans have allowed for increased investment in this area, reflecting the importance of this objective to the Department.

A Healthy Natural Environment

The planned reduction through the SR10 period results from several RDPE schemes coming to an end, fewer new agreements signed under on–going schemes and a reduction in the average national co–financing rate. The Government has also discontinued the Aggregates Levy Sustainability Fund programme from 31 March 2011. In addition to this an element of the Marine Evidence Budget is held centrally under A Respected Department for the SR10 period. This evidence budget will be reallocated over the years, depending on the Department's priorities.

Sustainable Consumption and Production

Spending on Sustainable Consumption and Production reduced in 2008–09 following the end of the Business Resource Efficiency and Waste programme. The programme operated from 2005 to 2008 and funded a range of delivery bodies that provided sustainability advice and support to businesses. In 2008–09 the remaining funding was redeployed to deliver better value for money and so fell across other Sections. Also in 2008–09, the Carbon Trust transferred to the new Department of Energy and Climate Change (DECC) and there was a modest delay in the establishment of the London Waste and Recycling Board.

Increased spending on Waste through the SR10 period is due to the transfer of Private Finance Initiative (PFI) policy and budget from the Department for Communities and Local Government (DCLG) to sponsoring departments. This includes the transfer of Waste PFI credits in support of the Waste Infrastructure Development Programme to Defra to pay LAs.

Addressing Environmental Risk and Emergencies

Planned spend on animal disease protection was reduced as part of Defra's £162m contribution towards the £6bn savings announced by the Chancellor on 24 May 2010.

In addition, consultancy spend that had previously been included within this Section was reclassified into Section I: A Respected Department as part of changes to the HM Treasury COINS system.

A Thriving Farming and Food Sector

Planned spend falls over the SR10 period as part of the Research and Development Budget is held centrally under A Respected Department. This budget will be reallocated over the years to align with the Department's priorities going forward.

Strong Rural Communities

The drop in expenditure in 2006–07 relates to the transfer of functions relating to the Rural Development Service from the Core–Department to NE, which is included in Section O.

The lower outturn in 2008–09 results from a one–off reduction in funding for Regional Development Agencies (RDAs) agreed with HM Treasury. In addition, a small element of the RDA's funding was transferred to DECC from 2008–09 onwards.

The reducing Plans through the SR10 period result from the Government's decision to abolish the RDAs. The requirements for funding in future years will be reviewed and the budgets will be amended to reflect the decisions taken.

Following the closure of the Commission for Rural Communities (CRC), the Administration Budget increases here through the SR10 period as the Core–Department takes on some of CRC's previous responsibilities.

A Respected Department

The increase in 2007–08 is mainly due to costs of voluntary early retirement/severance schemes together with the reclassification of consultancy costs from other sections. There was also an increase in the non–cash costs resulting from impairment charges against a number of surplus properties.

The relatively high Outturn for 2008–09 was due to the utilisation of various provisions that are held centrally.

Planned spend rises in 2011–12 due to elements held centrally, including the utilisation of the provision for redundancies and the centrally held Depreciation Budget. This budget includes a provision for write offs expected from the restructuring required to live within the SR10 settlement. Defra's ring fenced Depreciation Budget then drops in 2012–13.

Also part of the Evidence Budget is held here for the SR10 period. This evidence budget will be reallocated over the years to align with the Department's priorities going forward.

The planned spend however then falls towards the end of the SR10 period as efficiencies and the re–sizing of the Department takes full effect.

Rural Payments Agency (EC Funded)

The higher Outturns in 2005–06 through to 2009–10 relate to the expenditure for the Over Thirty Month Scheme, which was not fully EU Funded.

The spike in Outturn in 2007–08 results from the impact of foreign exchange and scheme income and expenditure recognition, following a change in accounting policy on the RPA SPS.

Part of the budget allocated for the SR10 period relates to the intervention activity expenses which are not fully recoverable from the European Commission.

Rural Payments Agency (Running costs)

The increase in 2010–11 Estimated Outturn results from a loss on maturity of a hedging contract entered into by the RPA. The Agency seeks to mitigate its exposure to changes in the Pound Sterling to Euro exchange rate by entering into hedging arrangements for the SPS and Rural Development Programme schemes. Under these schemes, entitlements are set in Pound Sterling but the reimbursement at a later date by the EU is in Euros. Whilst these arrangements largely remove the main exchange rate exposure, if the initial estimate of the total SPS payments for the year is incorrect, there will still be an uncovered exposure. The planned spend falls through the SR10 period as efficiencies and improvements take full effect.

Rural Payments Agency (Other)

The negative spend in 2007–08 for Other Funding relates to a write back of a previous year's CAP provision. This also had an effect on the same section of the AME Outturn. The increased Outturn from 2008–09 to 2010–11 results from the utilisation within DEL of the RPA CAP disallowance provision that had been set up in prior years in AME. 2010–11 also included bringing forward £46m from 2011–12 as permitted by HM Treasury under the terms of the SR10 Settlement. The remaining SR10 years are expected to be as per the SR10 Settlement.

Forestry Commission

Planned net spending by FC is now on a downward trend as part of the overall reduction in public spending.

A Healthy Natural Environment (NDPB)

The increased Outturn from 2006–07 onwards largely results from NE being charged for its use of the Department's Shared Services and IT functions, instead of these being provided for free. Also there was an increased utilisation of the EA Closed Pension Fund Provision.

Estimated Outturn for EA Environmental Protection was lower in 2010–11 due to WAG funding for EA not coming through the Core–Department.

Planned spending by NE is now on a downward trend as part of the overall reduction in public spending. These reductions are in line with NE's planning assumptions for their efficiency programme and development of a new business model.

Addressing Environmental Risk and Emergencies (NDPB)

Spending on Floods and Coastal Erosion Risk Management shows firm growth into 2011–12 and then eases as part of the overall reduction in public spending. The allocation of funding for 2012–13 and beyond will be subject to the results of the Defra consultation on 'Payment for Outcomes'.

A Thriving Farming and Food Sector (NDPB)

The reduction from 2009–10 is a result of the closure of Food From Britain on 31 March 2009. There are still some residual costs as regulatory processes are completed. The credit balance in 2009–10 relates to the Gangmasters Licensing Authority receiving more income from Defra and DCLG due to a new funding stream and to cover a third party claim made in 2008–09.

Strong Rural Communities (NDPB)

In June 2010, the Secretary of State announced that CRC was to be abolished, resulting in Defra's internal rural policy capacity being expanded to create a Rural Communities Policy Unit, as explained in the Core–Department Strong Rural Communities. From April 2011 CRC significantly reduced its staffing levels and the scale of its operations.

Area Based Grant

Area based grants to Local Authorities (LAs) were introduced in the Comprehensive Spending Review 2007 (CSR07) settlement. They were part of the reforms to LA funding and the reduction in ring–fenced funding but were not continued into the SR10 period.

Championing Sustainable Development (NDPB)

The Sustainable Development Commission (SDC) became an executive NDPB in 2009, leading to the creation of this new section for 2009–10 onwards. The SDC was then closed at the end of the following year, as part of the Government's reform of public bodies.

Resource Budget AME

Under CLoS the credit entry for the utilisation of provisions has moved to AME from DEL. This explains the increased entries now showing under AME and the volatility due to the changing rates of this utilisation. The debit entry for provisions remains in DEL. The creation of new provisions now also scores under AME. The assumption was made for the SR10 period not to plan for immaterial provisions. This explains the lack of Plans data from 2011–12 onwards under some AME sections.

A Healthy Natural Environment

The negative Estimated Outturn for 2010–11 is the result of the Government deciding to index public service pension benefits using the CPI rather than the RPI. This resulted in changes to the EA Closed Pension Scheme provision.

A Respected Department

The large credit value in 2009–10 relates to the early release of a provision for an onerous lease held for the Page Street office.

The higher values for the SR10 Plans relate to the creation of provisions including the provision for redundancies. From 2011–12 onwards these budgets are held centrally under A Respected Department.

Rural Payments Agency (Other)

The positive Outturn in 2005–06 and 2006–07 is due to increased provisions for the potential disallowance of payments made to farmers under the EC CAP schemes. The later years are mainly negative values as these provisions are utilised (and the charge transferred to DEL under HM Treasury rules) at a faster rate than any fresh provisions are created.

Forestry Commission

The positive value in 2010–11 followed by larger negatives in 2011–12 and 2012–13 are due to the creation and subsequent utilisation of provisions relating to voluntary early retirement/severance schemes. The exact timing of the utilisation of these provisions cannot yet be known and so may have to be reallocated throughout the SR10 years.

A Healthy Natural Environment (NDPB)

The large negative values from 2006–07 onwards result from the net utilisation of the EA Closed Pension Scheme provision.

Addressing Environmental Risks and Emergencies

The large value in 2009–10 relates to a property write down at VLA.

Capital Budget DEL

The Capital DEL Budget was significantly reduced as part of SR10. Plans have been allocated for the International Climate Fund, British Waterways Board, RDAs, Royal Botanical Gardens and EA Flood Management, with the balance remaining in A Respected Department. This budget will be allocated out during the year in accordance with the Department's prioritisation of capital projects.

Adapting to Climate Change

The increases over the SR10 period are for the new ring–fenced International Climate Fund.

A Healthy Natural Environment

Part of the increase from 2008–09 and 2009–10 is due to the end of the Local Area Agreements and subsequent re–allocation of funding to this area. Also in 2008–09 the British Waterways Board was granted extra funding to carry out essential works. The reductions from 2010–11 onwards result from the transfer of the Contaminated Land Capital Grant Scheme to the EA who from July 2010 are responsible for all technical and financial aspects of that programme.

Sustainable Consumption and Production

The increase in 2008–09 and 2009–10 is due to the end of the Local Area Agreements and subsequent re–allocation of funding to this area. The higher Outturn in 2009–10 relates to added investment in the London Waste and Recycling Board, which then tailors off through the remaining years. The SR10 Budget held in Section I will be allocated out during the year in accordance with the Department's prioritisation of capital projects.

Addressing Environmental Risk and Emergencies

The drop in expenditure in 2008–09 results from the responsibility of issuing capital grants to LAs transferring from the Core–Department to EA.

The reduction in capital grants in 2010–11 was part of Defra's £162m contribution towards the £6bn savings announced by the Chancellor on 24 May 2010. The SR10 Budget held in Section I will be allocated out during the year in accordance with the Department's prioritisation of capital projects.

Strong Rural Communities

The reducing Plans through the SR10 period result from the Government's decision to abolish the RDAs. The requirements for funding in future years will be reviewed and the budgets will be amended to reflect the decisions taken.

A Respected Department

The spike in 2006–07 was because the budgets for IT project capital spend were held centrally but in subsequent years they have been progressively delegated out to business areas to increase accountability.

The same was true for 2007–08 but partially offset by receipts from the disposal of various sites including High Mowthorpe Farm, Malton and Rosemund Farm, Worcestershire.

The negative Outturn for 2008–09 relates to capital receipts from the sale of the Guildford site.

The increased capital budget for the SR10 years is because the capital budgets are held centrally. They will be allocated out during the year in accordance with the Department's prioritisation of capital projects.

Rural Payments Agency Running Costs

The increased capital spend for RPA from 2006–07 reflects the investment in their recovery plan, reducing in later years as the investment does not need repeating.

A Healthy Natural Environment (NDPB)

The reduced budget in the SR10 period relates to part of this budget being held centrally. This will be allocated out during the year in accordance with the Department's prioritisation of capital projects.

Addressing Environmental Risks and Emergencies (NDPB)

The reduction in Plans from 2011–12 onwards (after significant increases in the previous spending review period) is part of the overall reduction in public spending.

Capital Budget AME

A Thriving Farming and Food Sector

The increase in budget for the SR10 period relates to LFBs capital spend. This budget was based on a 2010–11 forecast and will be reviewed during subsequent Estimates.

Table 1 – Defra's Resource and Capital Budget

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resource DEL										
Section A: Adapting to Climate Change	41,670	17,659	6,226	24,835	22,752	19,112	19,641	30,276	29,274	28,300
Section B: A Healthy Natural Environment	395,231	393,189	388,583	402,371	436,482	408,989	368,631	354,954	321,618	303,536
Section C: Sustainable Consumption and Production	129,904	194,957	231,889	77,545	90,488	77,228	140,718	133,442	131,615	150,430
Section D: Addressing Environmental Risk and Emergencies	273,404	290,442	287,719	299,388	304,076	263,215	237,997	244,329	228,433	225,891
Section E: Championing Sustainable Development	9,143	11,823	7,641	6,043	4,009	4,076	3,448	1,636	1,617	1,584
Section F: A Thriving Farming and Food Sector	103,898	94,896	95,328	79,487	99,096	91,450	97,915	84,253	73,720	62,177
Section G: A Sustainable, Secure and Healthy Food Supply	6,090	8,611	3,948	4,353	4,847	3,432	4,404	5,013	4,755	4,540
Section H: Strong Rural Communities	133,729	96,318	85,258	41,158	57,044	55,404	52,650	49,273	34,697	11,927
Section I: A Respected Department	230,401	225,495	282,040	277,272	246,792	201,369	284,416	218,450	208,469	176,521
Section J: Rural Payments Agency EC Funded	99,469	83,656	128,727	71,515	21,550	(9,818)	7,000	7,000	7,000	7,000
Section K: Rural Payments Agency Running Costs	226,092	208,678	239,827	230,916	185,638	193,277	173,913	160,802	150,501	140,421
Section L: Rural Payments Agency Other	-	-	(1,220)	53,277	149,346	182,812	44,000	90,000	90,000	90,000
Section M: Forestry Commission	59,256	52,997	63,349	53,917	46,490	42,006	45,593	42,328	39,240	36,233
Section N: A Healthy Natural Environment (NDPB) (net)	301,425	438,409	448,485	477,247	489,110	488,194	500,432	477,031	446,462	423,340
Section O: Addressing Environmental Risk and Emergencies (NDPB) (net)	219,824	283,771	284,254	290,400	291,198	336,284	363,263	348,286	334,586	320,086
Section P: A Thriving Farming and Food Sector (NDPB) (net)	12,404	6,149	7,214	12,341	(314)	28	1,635	1,418	1,376	1,291
Section Q: Strong Rural Communities (NDPB) (net)	-	8,266	7,660	6,589	6,520	6,102	600	-	-	-
Area Based Grant: DEFRA	-	-	-	2,997	2,887	2,997	-	-	-	-
Championing Sustainable Development (NDPB) (net)	-	-	-	-	3,254	3,623	-	-	-	-
Total Resource DEL	**2,241,940**	**2,415,316**	**2,566,928**	**2,411,651**	**2,461,265**	**2,369,780**	**2,346,256**	**2,248,491**	**2,103,363**	**1,983,277**

	2005-06 Outturn £000	2006-07 Outturn £000	2007-08 Outturn £000	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Estimated outturn £000	2011-12 Plans £000	2012-13 Plans £000	2013-14 Plans £000	2014-15 Plans £000
Resource AME										
Section R: A Healthy Natural Environment	54,900	59,500	57,514	63,763	60,347	(24,672)	33,395	57,066	50,093	48,595
Section T: A Respected Department	35,261	13,228	23,881	(6,792)	(58,958)	(2,129)	50,000	50,000	50,000	50,000
Section U: Rural Payments Agency Other	150,222	260,784	(27,955)	(53,277)	662	(136,475)	42,000	(4,000)	(4,000)	(75,000)
Section V: Forestry Commission	62	(568)	139	2,265	(646)	1,219	(2,800)	(9,700)	(70)	(70)
Section W: A Healthy Natural Environment (NDPB) (net)	7,358	(87,694)	(80,031)	(82,881)	(84,381)	(87,384)	(72,636)	(70,142)	(77,725)	(77,363)
Section X: A Thriving Farming and Food Sector (NDPB) (net)	17,305	(4,195)	(338)	11,177	2,108	891	(1,309)	(3,290)	(3,290)	(3,290)
Adapting to Climate Change	-	-	-	-	-	3,446	-	-	-	-
Addressing Environmental Risk and Emergencies	12,086	50	2,393	4,651	15,754	31	-	-	-	-
A Thriving Farming and Food Sector	-	18	1,279	(3,690)	491	-	-	-	-	-
A Sustainable, Secure and Healthy Food Supply	-	1	670	-	-	-	-	-	-	-
Strong Rural Communities	-	-	-	(731)	(280)	1,991	-	-	-	-
Rural Payments Agency EC Funded	-	1,942	-	5,265	(5,672)	-	-	-	-	-
Rural Payments agency Running Costs	-	1,186	5,129	1,929	(974)	(6,142)	-	-	-	-
Addressing Environmental Risk and Emergencies (NDPB) (net)	-	1,800	-	2,842	(1,237)	(286)	-	-	-	-
Strong Rural Communities (NDPB) (net)	-	1,004	665	(278)	(70)	-	-	-	-	-
Total Resource AME	**277,194**	**247,056**	**(16,654)**	**(55,757)**	**(72,856)**	**(249,510)**	**48,650**	**19,934**	**15,008**	**(57,128)**
Total Resource Budget	**2,519,134**	**2,662,372**	**2,550,274**	**2,355,894**	**2,388,409**	**2,120,270**	**2,394,906**	**2,268,425**	**2,118,371**	**1,926,149**

	2005-06 Outturn £000	2006-07 Outturn £000	2007-08 Outturn £000	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Estimated outturn £000	2011-12 Plans £000	2012-13 Plans £000	2013-14 Plans £000	2014-15 Plans £000
Capital DEL										
Section A: Adapting to Climate Change	-	-	794	-	-	(4,566)	10,000	20,000	30,000	40,000
Section B: A Healthy Natural Environment	54,833	28,186	28,832	50,718	46,789	23,651	15,800	14,500	17,000	19,000
Section C: Sustainable Consumption and Production	58,489	58,573	60,788	75,623	109,572	44,778	2,000	-	-	-
Section D: Addressing Environmental Risk and Emergencies	120,459	100,246	88,974	38,649	37,123	33,675	6,300	-	-	-
Section F: A Thriving Farming and Food Sector	19,932	882	(3,494)	532	693	118	240	-	-	-
Section H: Strong Rural Communities	21,501	30,302	28,199	29,466	15,511	9,109	6,000	3,000	1,000	-
Section I: A Respected Department	48,814	68,538	32,918	(5,159)	8,950	12,833	32,490	79,500	67,000	88,000
Section K: Rural Payments Agency Running Costs	9,471	26,108	24,041	21,756	22,637	4,009	2,120	-	-	-
Section M: Forestry Commission	2,967	2,405	2,936	2,521	2,779	1,354	2,000	-	-	-
Section N: A Healthy Natural Environment (NDPB) (net)	18,939	65,254	43,276	55,706	56,137	56,718	34,530	3,000	3,000	3,000
Section O: Addressing Environmental Risk and Emergencies (NDPB) (net)	284,164	201,500	249,626	339,898	392,676	387,930	261,000	261,000	261,000	261,000
Section P: A Thriving Farming and Food Sector (NDPB) (net)	51	961	26	5	86	39	520	-	-	-
Section E: Championing Sustainable Development	-	-	-	8	-	-	-	-	-	-
Section G: A Sustainable, Secure and Healthy Food Supply	-	-	-	(17)	-	-	-	-	-	-
Section Q: Strong Rural Communities (NDPB) (net)	-	88	7	5	-	-	-	-	-	-
Total Capital DEL	**639,620**	**583,043**	**556,923**	**609,711**	**692,953**	**569,648**	**373,000**	**381,000**	**379,000**	**411,000**
Capital AME										
Section X: A Thriving Farming and Food Sector (NDPB) (net)	-	175	192	626	657	481	10,650	10,650	10,650	10,650
Section W: A Healthy Natural Environment (NDPB) (net)	-	208	40	98	-	-	-	-	-	-
Total Capital AME	**-**	**383**	**232**	**724**	**657**	**481**	**10,650**	**10,650**	**10,650**	**10,650**
Total Capital Budget	**639,620**	**583,426**	**557,155**	**610,435**	**693,610**	**570,129**	**383,650**	**391,650**	**389,650**	**421,650**

Spending by local authorities on functions relevant to the department

	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Estimated outturn
	£000	£000	£000	£000	£000	£000
Current spending	-	-	-	-	-	-
of which:						
financed by grants from budgets above	4,511,837	4,246,555	3,337,499	4,605,480	4,610,135	4,255,579
Capital spending	-	-	-	-	-	-
of which:						
financed by grants from budgets above	495,739	441,418	425,714	416,358	500,553	446,645

Table 2 – Defra’s Administration Costs

	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Estimated outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Section A: Adapting to Climate Change	15,258	17,659	5,121	6,010	2,959	3,110	2,930	10,075	9,957	9,846
Section B: A Healthy Natural Environment	27,852	32,387	24,910	22,253	32,342	24,361	27,105	24,764	24,238	22,951
Section C: Sustainable Consumption and Production	10,871	8,891	9,040	5,898	8,962	9,762	10,395	4,441	4,003	3,921
Section D: Addressing Environmental Risk and Emergencies	69,782	76,895	40,022	46,528	50,883	54,896	58,208	54,492	52,427	50,054
Section E: Championing Sustainable Development	8,024	7,290	1,939	1,785	1,856	1,705	1,722	-	-	-
Section F: A Thriving Farming and Food Sector	45,897	41,300	31,255	23,672	17,552	18,616	19,220	15,866	14,761	14,578
Section G: A Sustainable, Secure and Healthy Food Supply	3,526	3,281	2,846	1,829	2,955	2,791	3,687	3,889	3,816	3,752
Section H: Strong Rural Communities	9,899	3,525	4,178	1,907	1,795	2,050	3,001	3,182	3,156	3,133
Section I: A Respected Department	179,046	172,018	224,387	192,922	192,027	184,585	218,842	163,227	154,360	150,003
Section K: Rural Payments Agency Running Costs	158,960	152,013	166,563	161,794	128,526	123,469	114,407	108,397	102,196	95,616
Section M: Forestry Commission	21,746	16,943	18,538	23,117	16,629	18,714	18,812	17,659	16,334	15,107
Section N: A Healthy Natural Environment (NDPB) (net)	126,506	155,039	157,922	163,945	174,334	178,748	167,230	160,915	153,153	146,978
Section O: Addressing Environmental Risk and Emergencies (NDPB) (net)	101,041	107,445	93,748	96,311	99,722	102,449	84,331	77,754	69,254	60,754
Section P: A Thriving Farming and Food Sector (NDPB) (net)	1,588	305	1,531	2,164	(336)	28	1,635	1,418	1,376	1,291
Section Q: Strong Rural Communities (NDPB) (net)	-	8,257	7,660	6,510	6,450	6,102	600	-	-	-
Championing Sustainable Development (NDPB) (net)	-	-	-	-	3,254	3,623	-	-	-	-
Total administration budget	**779,996**	**803,248**	**789,660**	**756,645**	**739,910**	**735,009**	**732,125**	**646,079**	**609,031**	**577,984**

Table 3 – Comparison of Main Estimate to Final Allocations to Provisional Outturn

This table details Defra's Provisional Outturn on a 2010–11 basis and compares this to the final allocations published in the 2010–11 SSE and initial allocations published in the 2010–11 Main Estimate (ME). It is produced on the same basis as the Parliamentary Estimate, detailing Voted spend on DEL, AME and Non–budget. The information in this table is produced before the 2011–12 CLoS changes have been implemented, so this is on a consistent basis to the Annual Accounts, but is inconsistent with tables 1 and 2. The Provisional Outturn is reconciled to the Net Operating Cost in the Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets (see page 11). The Non–budget section includes the Grant–in–Aid to the NDPBs and the DEL section excludes the NDPBs' resource consumption. Capital grants are included as resource in this table, whereas these are treated as Capital in the budget based tables 1 and 2.

When comparing the original ME to the Provisional Outturn the Department is reporting an underspend of £352m against RfR1. This underspend increases to £447m when comparing the Provisional Outturn to the SSE. The most significant underspends and variations between the ME and SSE are explained below.

DEL

The underspend against Sustainable Consumption and Production (central government) and overspend against the same line under support for LAs relates to an overall underspend on waste infrastructure delivery programmes.

The overspend in A Respected Department is mainly due to part of Defra's contribution towards the new Government's 2010–11 £6bn savings target being centrally held, whilst the actual offsetting underspends occurred in other lines. The movement between the ME and the SSE on this line was due to the previously centrally held budget for corporate services being allocated out to ALBs in the SSE.

The underspend against the RPA EC Funded line mainly relates to a £220m underspend on EU funded schemes. This is due to fewer claims being validated and paid this financial year than expected. The reduction in expenditure is fully reflected whereas the EU income is treated as CFER income and is outside the Estimate. This has no effect on the DEL Budget as on that rule set, the EU income is included. For future years, under the CLoS regime, the Estimate and Budget treatment of EU funded schemes will be the same.

The overspend on the RPA Running Costs line results from a loss on maturity of a hedging contract entered into by the RPA. The Agency seeks to mitigate its exposure to changes in the Pound Sterling to Euro exchange rate by entering into hedging arrangements.

AME

The underspend on a Healthy Natural Environment relates to a movement on the provision for the EA Closed Pension Scheme following the actuarial revaluation and changing the calculation of future inflationary increases from RPI to the CPI. This change in indices was made too late for the budget to be reduced in the SSE.

The CAP disallowance provision is recorded under the RPA Other line. The budget for this was increased by £26m in the SSE in line with the latest forecasts. Not all of this increase was needed, which resulted in an underspend of £19m.

Supply of £44m was voted in the SSE under A Respected Department to cover the provision for the cost of redundancy payments, in case we needed to provide for the 2011–12 exit scheme in 2010–11. The actual provision was not needed as the future schemes were still under review at the year end with no firm commitments.

The underspend on RPA Running Costs was due to a movement in unrealised gains related to the revaluation of Euro denominated debtors and creditors in RPA at the 31 March 2011 exchange rate. The value included at the SSE was based on best estimate of the year end exchange rate available at that time.

Non–budget

The underspend on Non–budget, mainly relates to an underspend on Grant–in–Aid drawndown by the EA. This was partially due to work being re–phased into the back end of the year and cash not being required until April and partially due to the WAG element of EA spend which, under CLoS, should have been drawn from Defra and subsequently recovered by Defra from WAG, but was actually funded directly to EA by WAG as the new arrangements were not finalised in time for the year end.

Table 3 – Comparison of Main Estimate to Final Allocations to Provisional Outturn

	2010-11 Main Estimate Net Resource Outturn £000	2010-11 Spring Supplementary Net Resource Outturn £000	2010-11 Provisional Outturn Net Resource Outturn £000
RfR 1: Ensuring that consumers benefit from competitively priced food, produced to high standards of safety; environmental care and animal welfare from a sustainable, efficient food chain, to contribute to the well being of rural and coastal communities and funding aspects of the Common Agricultural Policy and Rural Development Programme for England Guarantee Section as economically, efficiently and effectively as possible			
	5,045,125	**5,139,681**	**4,692,957**
Spending in Departmental Expenditure Limits (DEL)			
Central Government Spending			
A Healthy Natural Environment	708,283	717,560	723,245
Sustainable Consumption and Production	101,026	105,722	73,918
Addressing Environmental Risks and Emergencies	307,969	293,645	297,141
A Thriving Farming and Food Sector	99,524	101,609	91,477
Championing Sustainable Development	5,954	5,954	4,076
Strong Rural Communities	80,095	73,028	65,114
A Respected Department	166,886	147,875	200,259
Rural Payments Agency: EC Funded	1,957,911	1,962,697	1,728,356
Rural Payments Agency Running Costs	182,085	182,597	195,616
Adapting to Climate Change	23,778	26,912	14,546
A Sustainable Secure and Healthy Food Supply	3,008	4,702	3,432
Rural Payments Agency: Other			(2,804)
Support for local authorities			
A Healthy Natural Environment	66,861	58,463	58,370
Sustainable Consumption and Production	33,750	33,750	48,088
Rural Payments Agency: EC Funded	4,983	4,983	4,118
Area Based Grants: Defra	2,997	2,997	2,997
Addressing Environmental Risk and Emergencies			4,566
Spending in Annually Managed Expenditure (AME)			
Central Government Spending			
A Healthy Natural Environment	61,800	61,800	(5,524)
Rural Payments Agency Other	42,000	68,000	49,141
A Respected Department	-	44,000	2,155
Rural Payments Agency Running Costs	-	10,000	(3,265)
Addressing Environmental Risk & Emergencies			310
Strong Rural Communities			2,050
Non-Budget			
A Healthy Natural Environment	518,244	546,027	499,910
Addressing Environmental Risks and Emergencies	668,100	676,951	617,000
A Thriving Farming and Food Sector	1,534	1,634	1,105
Strong Rural Communities	5,784	6,300	5,870
Rural Payments Agency: EC Funded	-	-	9,322
Championing Sustainable Development	2,553	2,475	2,368
RfR 2: Direction of the delivery of the Government's Strategy for Trees, Woods and Forests in England and taking the lead in development and promotion of sustainable forest management across Great Britain			
	45,256	**53,596**	**43,225**
Spending in Departmental Expenditure Limits (DEL)			
Central Government Spending			
Forestry Commission England	27,490	31,490	26,174
Forestry Commission GB Core	17,766	17,766	15,332
Spending in Annually Managed Expenditure (AME)			
Central Government Spending			
Forestry Commission England	-	2,980	406
Forestry Commission GB Core	-	1,360	1,313
Total for Estimate	**5,090,381**	**5,193,277**	**4,736,182**

Table 4 – Capital Employed

This table shows the capital employed by the Department, in a balance sheet format. It provides a high–level analysis of the various categories of fixed assets, debtor and creditor values, and also the extent of provisions made. This table is produced on the 2011–12 full CLoS regime.

The figures for the years 2009–10 and earlier are extracted from the audited Resource Accounts for those years, including those of the NDPBs that are not consolidated into Defra's own accounts but which form part of the DEL group. The 2010–11 figures are consistent with audited Accounts where possible.

In 2009–10 a reclassification occurred between Property Plant and Equipment (Equipment and IT) and Intangible assets as a result of implementing International Financial Reporting Standards (IFRS).

The reduction in the net book value of Equipment and IT from 2006–07 to 2007–08 reflects the transfer of IT assets from Core–Defra to NE.

The 2010–11 reductions in Intangible and Property Plant and Equipment reflect the spending controls introduced by the Government ahead of the Spending Review 2010 settlement.

During the SR10 period Plans incorporate a reduction in Land and Buildings, through a disposal programme, with proceeds reinvested in upgrading IT capability to underpin efficiency improvements.

Current assets reduced by £1.2bn in 2009–10, mainly because of a reduction in the bank account balance due to repayment of the Consolidated Fund for Supply and payment of CFER balances.

Additionally, a change in accounting policy for the recognition of income and expenditure on SPS, agreed with the auditors, resulted in a decrease in trade receivables and other current assets.

The above reductions in current assets were mirrored in 2009–10 by reductions in current liabilities (<1 year), with reductions in Consolidated Fund and CFER as noted above, and the change in SPS accounting policy also leading to a decrease in trade payables and other current liabilities. CFER balances reduce further in 2010–11 and will be eliminated altogether in 2011–12, due to the introduction of CLoS.

Provisions reduced in 2008–09 mainly due to utilisation of the CAP Disallowance provision and reduce further in 2010–11, again due to utilisation of the CAP Disallowance provision as amounts in regard to SPS Scheme years 2007, 2008 and 2009 crystallised. Pension provisions also reduce (mainly EA Closed Pension), due to a change in Actuarial assumptions.

NDPB net assets decreased in 2009–10 because of a devaluation of EA tangible assets as a result of the economic downturn, and a substantial increase in the their pension liability.

Table 4 – Capital Employed

	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 estimated	2011-12 plans	2012-13 plans	2013-14 plans	2014-15 plans
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets and liabilities on the statement of financial position at end of year:									
Assets									
Non Current Assets									
Intangible	16	12	6	256	224	225	225	225	225
Property Plant & Equipment	957	960	912	590	576	545	555	560	590
of which:									
Land and buildings	538	551	527	409	417	385	365	345	320
Fixtures and Fittings	60	47	65	68	61	60	60	60	60
Vehicles, Plant & Machinery	29	28	27	51	50	50	50	50	50
Equipment & IT	330	212	235	46	33	35	65	90	145
Assets under construction		122	58	16	15	15	15	15	15
Financial Assets	9	8	6	5	5	5	5	5	5
Current Assets *	2,419	2,160	2,367	1,134	1,140	1,175	1,175	1,175	1,175
Liabilities									
Current (<1 year)	(3,311)	(2,528)	(2,501)	(1,193)	(1,160)	(570)	(570)	(570)	(570)
Non Current (>1 year)	(19)	(50)	(120)	(146)	(171)	(185)	(185)	(185)	(185)
Provisions	(1,533)	(1,534)	(1,341)	(1,430)	(945)	(945)	(945)	(945)	(945)
Capital employed within main Department	(1,462)	(972)	(671)	(784)	(331)	250	260	265	295
NDPB net assets	2,223	2,554	2,310	1,971	2,000	2,000	2,000	2,000	2,000
Total capital employed in the Departmental Group	761	1,582	1,639	1,187	1,669	2,250	2,260	2,265	2,295

*Includes receivables falling due after more than one year, classified as non–current assets in the Statement of Financial Position.

Table 5 – Staff in Post

This table shows actual staffing in the Department from 2008–09 to 2010–11, split between permanent staff and short term appointments. This table provides the information separately for the Core–Department and each Agency. These numbers are people in post at 31 March, therefore cannot be reconciled to these Accounts where Note 9.2 shows average Full Time Equivalent (FTE).

	31 March 2009			31 March 2010			31 March 2011		
Department/ Agency	**Permanent staff**	**Short Term Appointments**	**Total**	**Permanent staff**	**Short Term Appointments**	**Total**	**Permanent staff**	**Short Term Appointments**	**Total**
Defra	2,506	44	**2,550**	2,448	68	**2,516**	2,452	5	**2,457**
Animal Heath	1,543	55	**1,598**	1,535	61	**1,596**	1,463	32	**1,495**
Cefas	524	-	**524**	528	6	**534**	509	3	**512**
CSL/Fera (1)	627	24	**651**	819	33	**852**	821	26	**847**
GDS (1)	28	-	**28**	-	-	-	-	-	-
MFA (2)	192	1	**193**	230	3	**233**	-	-	-
RPA	3,269	-	**3,269**	2,936	-	**2,936**	2,521	-	**2,521**
VLA	1,220	14	**1,234**	1,209	15	**1,224**	1,120	8	**1,128**
VMD	142	-	**142**	151	-	**151**	151	-	**151**
TOTAL	**10,051**	**138**	**10,189**	**9,856**	**186**	**10,042**	**9,037**	**74**	**9,111**

All figures are shown in full-time equivalents

Notes:
(1) The Food and Environment Research Agency (Fera) was created on 1 April 2009 from the Central Science Laboratory (CSL), the Government Decontamination Service (GDS) and 170 staff from core-Defra.
(2) The Marine and Fisheries Agency was subsumed into the Marine Management Organisation, a new Executive NDPB of Defra on 1 April 2010.

Table 6, 7, 8 – Regional tables

Tables 6, 7 and 8 show analyses of the Department's spending by country and by function. The data presented in these tables are consistent with the country and regional analyses published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2011. The figures were taken from the HM Treasury public spending database in November 2010 and the regional distributions were completed in early 2011. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.

The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to LAs or LAs own expenditure.

TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2011.

The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government, the international standard. The presentations of spending by function are consistent with those used in chapter 8 of PESA 2011. These are not the same as the strategic priorities shown elsewhere in the report.

Table 6 – Total identifiable expenditure on services by country and region, 2005–06 to 2010–11

	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 plans
	£m	£m	£m	£m	£m	£m
North East	264	276	248	236	281	266
North West	518	501	490	478	525	530
Yorkshire and the Humber	561	534	493	466	599	554
East Midlands	718	612	523	516	634	569
West Midlands	513	491	449	431	496	498
East	730	706	724	696	949	747
London	160	136	129	135	140	139
South East	663	640	674	862	714	704
South West	925	864	809	826	889	936
Total England	**5,052**	**4,760**	**4,539**	**4,646**	**5,227**	**4,943**
Scotland	7	8	8	6	10	9
Wales	2	2	2	2	2	2
Northern Ireland	-	-	-	-	-	-
UK identifiable expenditure	**5,061**	**4,770**	**4,549**	**4,654**	**5,239**	**4,954**
Outside UK	1	2	4	6	3	7
Total identifiable expenditure	**5,062**	**4,772**	**4,553**	**4,660**	**5,242**	**4,961**
Non-identifiable expenditure	-	-	2	2	3	55
Total expenditure on services	**5,062**	**4,772**	**4,555**	**4,662**	**5,245**	**5,016**

Table 7 – Total identifiable expenditure on services by country and region, per head 2005–06 to 2010–11

	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 plans
	£ per head	£ per head	£ per head	£ per head	£ per head	£ per head
North East	103	108	97	92	109	103
North West	76	73	71	70	76	77
Yorkshire and the Humber	110	104	95	89	114	104
East Midlands	166	140	119	116	143	126
West Midlands	96	91	83	80	91	91
East	131	126	128	121	165	128
London	22	18	17	18	18	18
South East	81	78	81	103	85	83
South West	182	169	156	159	170	177
England	**100**	**94**	**89**	**90**	**101**	**95**
Scotland	1	2	2	1	2	2
Wales	1	1	1	1	1	1
Northern Ireland	-	-	-	-	-	-
UK identifiable expenditure	**84**	**79**	**75**	**76**	**85**	**80**

Table 8 – Total identifiable expenditure on services by function, country and region, for 2009–10

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	Totals
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Economic affairs																		
General economic, commercial and labour affairs	8.1	12.7	10.3	5.2	9.6	4.3	-	5.4	5.0	60.6	-	-	-	60.6	-	60.6	-	60.6
Agriculture, forestry, fishing and hunting	205.7	335.3	440.4	495.9	378.7	750.1	38.2	442.6	701.7	3,788.6	2.4	1.0	-	3,792.0	-	3,792.0	-	3,792.0
of which: forestry	*1.4*	*4.9*	*4.1*	*4.3*	*4.3*	*6.6*	*0.8*	*9.1*	*9.1*	*44.6*	*2.4*	*1.0*	-	*48.0*	-	*48.0*	-	*48.0*
of which: market support under CAP	*165.1*	*240.4*	*346.6*	*403.4*	*291.3*	*620.1*	*11.4*	*354.7*	*540.8*	*2,973.8*	-	-	-	*2,973.8*	-	*2,973.8*	-	*2,973.8*
of which: other agriculture, food and fisheries policy	*39.2*	*90.0*	*89.7*	*88.2*	*83.1*	*123.4*	*26.0*	*78.8*	*151.8*	*770.2*	-	-	-	*770.2*	-	*770.2*	-	*770.2*
R&D economic affairs	0.5	0.5	0.5	0.4	0.5	0.8	0.1	1.5	1.1	5.9	7.2	1.5	-	14.6	-	14.6	-	14.6
Total economic affairs	**214.3**	**348.5**	**451.2**	**501.5**	**388.8**	**755.2**	**38.3**	**449.5**	**707.8**	**3,855.1**	**9.6**	**2.5**	**-**	**3,867.2**	**-**	**3,867.2**	**-**	**3,867.2**
Environment protection																		
Waste management	5.1	11.3	9.6	10.3	9.7	11.2	18.3	15.7	11.7	102.9	-	-	-	102.9	-	102.9	-	102.9
Waste water management	1.2	3.1	2.4	2.0	2.5	2.6	3.5	3.8	2.4	23.5	-	-	-	23.5	-	23.5	-	23.5
Pollution abatement	2.0	5.1	4.8	3.7	4.1	4.6	8.1	7.6	4.2	44.2	-	-	-	44.2	-	44.2	-	44.2
Protection of biodiversity and landscape	18.7	35.5	29.1	21.6	23.4	34.1	10.5	38.2	50.5	261.6	-	-	-	261.6	-	261.6	2.6	264.2
Environment protection n.e.c	39.2	120.4	101.1	94.7	67.0	140.4	60.1	197.8	111.4	932.1	-	-	-	932.1	3.4	935.5	-	935.5
Total environment protection	**66.2**	**175.4**	**147.0**	**132.3**	**106.7**	**192.9**	**100.5**	**263.1**	**180.2**	**1,364.3**	**-**	**-**	**-**	**1,364.3**	**3.4**	**1,367.7**	**2.6**	**1,370.3**
Housing and community amenities																		
Community development	0.3	0.4	0.3	0.4	0.4	0.4	0.3	0.4	0.3	3.2	-	-	-	3.2	-	3.2	-	3.2
Water supply	0.2	0.5	0.4	0.3	0.4	0.4	0.6	0.6	0.4	3.8	-	-	-	3.8	-	3.8	-	3.8
Total housing and community amenities	**0.5**	**0.9**	**0.7**	**0.7**	**0.8**	**0.8**	**0.9**	**1.0**	**0.7**	**7.0**	**-**	**-**	**-**	**7.0**	**-**	**7.0**	**-**	**7.0**
Defra Total	**281.0**	**524.8**	**598.9**	**634.5**	**496.3**	**948.9**	**139.7**	**713.6**	**888.7**	**5,226.4**	**9.6**	**2.5**	**-**	**5,238.5**	**3.4**	**5,241.9**	**2.6**	**5,244.5**

Future Development

A revised business plan was launched on 13 May 2011 setting out in more detail how the public will be able to hold the Department accountable for spending and putting policies into practice. This process of opening up Government will continue as more information is made available about the way we work and the outcomes achieved.

To make our contribution to the deficit reduction plans and to live within our settlement for the spending review period, Defra has completed a rigorous review of its activities in line with our new priorities. Over the course of the spending review period (2011–2015), Defra will focus on activities that contribute to the Government's commitment to be the greenest ever, balanced with those that will promote sustainable economic growth. Where we have been carrying out activities that we have decided should no longer be done by Defra, we are ceasing funding for such work. The results of this review are reflected in the SRPs within our revised business plan. Furthermore, the Government has focused on reducing back–office costs to protect frontline services wherever possible. Our approach will be to achieve as much as possible from savings in non–pay costs, including significant reductions in the use of consultants, operational savings in IT and estates and other non pay costs.

Managing Principal Risks and Uncertainties

Defra is responsible for dealing with two broad categories of risk: risks to the public and the wider national interest, and risks to delivering its own business objectives. The former involves Defra understanding and assessing the risks within complex environmental systems, so as to target its risk management activity effectively. Some of these risks (for example, flooding and animal disease outbreaks) have a strong emergency response component, where Defra plays a lead–department role, and many involve handling significant scientific uncertainty or gaps in evidence (particularly around the potential impact of climate change).

In common with other government departments, Defra is having to handle its risks in the context of implementing a challenging Spending Review settlement and revised policy priorities of the Government. The latter includes exploring options for giving more responsibility for risk to business sectors and local areas.

Given this period of major change, Defra is seeking to balance the potential social, economic and environmental impacts of its diverse portfolio of risks with the need to meet its business plan priorities, whilst providing good value for money.

The use of financial instruments to manage exposure to financial risks is discussed in Note 16.

Investment Strategy

The net book value of the tangible non–current assets controlled by Defra including its Executive Agencies is approximately £551m. This includes a portfolio of land and buildings including laboratory and research facilities. Assets that are no longer required for the Department's activities are sold in accordance with the principles of HM Treasury's Managing Public Money, which requires the Department to ensure best value for the taxpayer.

Defra's Asset Management and Investment Strategy outlined the Department's capital investment plans for the three years 2008–11. Defra has provided a total of around £600m each year for capital investment. The main areas of spend includes investment in flood defences and waste management.

Estimates

Estimates are the means of obtaining from Parliament the legal authority to consume the resources and spend the cash the Government needs to finance the Department's agreed spending programmes for the financial year.

Parliament gives statutory authority for both the consumption of resources and for cash to be drawn from the Consolidated Fund (the Government's general bank account at the Bank of England) by Acts of Parliament known as Consolidated Fund Acts and by an annual Appropriation Act. This process is known as the 'Supply Procedure'. The MEs start the Supply Procedure and are presented by HM Treasury around the start of the financial year to which they relate.

The ME is published at the beginning of the financial year. There are currently two Supplementary Estimates: Winter and Spring, which are produced in November and January respectively. Details of all Estimates can be found on HM Treasury's website[6]. Under HM Treasury's CLoS project, from 2011–12 there will only be one Supplementary Estimate produced each year.

Remote Contingent Liabilities

Defra has entered into a number of remote contingent liabilities that are disclosed in Note 31 under parliamentary reporting requirements. These are outside the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote. Details on Defra's significant remote contingent liabilities are as follows:

- Defra has an indemnity to maintain an offshore works, built in the 1970s to ensure that no danger or nuisance is caused. To reduce the risk of a liability crystallising Defra pays for the works to be marked with a beacon and a navigation buoy and for a lifebuoy station to be maintained (unquantifiable);

- Defra indemnifies the UK Chemicals Stakeholders Forum against legal action by companies affected by Forum decisions or announcements on chemicals. As the Forum no longer assesses chemicals there is little risk of this liability crystallising. In the unlikely event of any future assessment of chemicals by the Forum, there is a substantial industry presence on the Forum to argue the industry case and explore all relevant issues; and

- Defra provided a letter of comfort to close a funding gap that would otherwise prevent the completion of the redevelopment of the New Covent Garden Market site at Nine Elms. The Department has agreed to underwrite the redevelopment of the Covent Garden Market Authority (CGMA) in the event that costs exceed the budget allowed to them by HM Treasury, up to a maximum of £10m. Funding would not be available to CGMA until after 1 April 2015. To reduce the risk of the liability crystallising there is a Project Board which Defra sits on.

Research and Development

In 2010–11 Core–Defra invested around £210m on evidence, of which approximately £105m is research and development. This research and development includes natural and physical sciences and operational research and supports evidence–based policy development and service delivery. This represents approximately 4% of total Core–Defra programme expenditure. In addition, Core–Defra spends approximately £110m each year on other non–research evidence activities, including monitoring and surveillance. These figures exclude the analysis work carried out by Defra's delivery bodies.

6 http://www.hm-treasury.gov.uk/psr_estimates_index.htm

Payment of Creditors

The standard terms of payment for all supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. This policy will continue in the following financial year. Exceptions have to be fully justified by a business case and agreed by the appropriate senior management. Payment terms for most other types of valid payments for grants, funding and to other bodies are immediate.

Actual payment processes are in line with all other government departments following the Prime Minister’s statement in the House of Commons in October 2008 that the Government, to aid the cash flow of suppliers, committed to pay within 10 days all valid invoices for Small and Medium Enterprises. This target was amended to 80% within 5 days in December 2009. Defra was required to make system and process changes to meet this target and has exceeded it since October 2010 for all supplier payments regardless of the status of the supplier. The contractual terms of payment with each supplier still apply.

Payment of creditors is reported on a creditor days basis. This is calculated as a proportion of the amount owed to trade creditors at the year–end compared with the aggregate amount invoiced by suppliers during year, expressed as a number of days in the same proportion to the total number of days in the financial year. Under this measure, Defra paid suppliers within an average of 8 days in 2010–11.

£483.00 was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2009–10 £4,661.24).

Going Concern

The Statement of Financial Position at 31 March 2011 shows negative Taxpayers Equity of £331,158,000 (2009–10 Restated negative £772,894,000). This reflects the inclusion of liabilities falling due in future years. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than that required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Department's income, must be surrendered to the Fund.

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, both to be approved annually by Parliament. Such approval for amounts required for 2011–12 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Events after the Reporting Period

Details of the events after the reporting period are included within Note 34.

Pension Liabilities

Details of the treatment of pension liabilities can be found in Note 1.16 and pension entitlements of Ministers and senior officials are detailed in the Remuneration Report.

Auditor

The Comptroller and Auditor General is the auditor for the Department’s Annual Report and Accounts. All external audit remuneration is for audit work undertaken on the Accounts. The notional cost to the Core–Department for the audit of the Core Account and Consolidation was £350,000.

The Accounting Officer has taken all reasonable steps to make herself aware of any relevant audit information and to ensure that the auditors are aware of that information.

The Comptroller and Auditor General also undertakes value for money examinations under Section 6 of the National Audit Office Act 1983.

Better Regulation and Simplification

Meeting the Government's Reducing Regulation Agenda

Defra and its delivery partners are committed to making a strong contribution to the Government's reducing regulation agenda, with a focus on actions that will encourage sustainable growth, environmental and other policy aims, in ways that minimise the burden on businesses and the public.

One of the Government's central aims is to free business and people from burdensome and detailed regulation, simplifying regulatory systems and using alternatives to regulation, to enable businesses to innovate, diversify and grow.

Regulatory reform is a key means of delivering strong, sustainable, and balanced economic growth. Proportional and well targeted regulation can help to:

- deliver greater economic efficiency, by ensuring that natural resources are fully and correctly valued in economic decisions and encouraging innovation by creating markets and opportunities for businesses to invest; and

- increase economic resilience, by taking account of any critical limits or thresholds and managing risks to future growth from the depletion of natural assets.

The Government has set out its guiding principles and introduced a number of initiatives to implement. Our progress on each of these initiatives is set out below.

One–In, One–Out

This initiative applies to domestic legislation and says that, for every regulation introduced, departments must identify a regulation of equivalent policy cost to business that can be removed. To implement this commitment we have developed a regulatory management tool which captures data on the costs of all policy proposals and on regulations that could be repealed. The first assessment of Defra's performance was for the first 9 months, to June 2011, where Defra's One–In, One–Out balance was broadly neutral.

Micro–Business Moratorium

The Government has imposed a 3 year moratorium on all new domestic legislation for micro–businesses (those with 10 or fewer employees). It is possible to apply for an exemption but these will only be granted in very rare cases. Defra has been granted one exemption in relation to the tracing of pig movements.

Stock Reviews

The Government has asked all departments to review their stock of regulation with a view to identifying obsolete regulations or policy areas where the regulatory regime could be simplified. A number of reviews of major policy areas are underway, including reviews on farming, waste and the natural environment. We have produced an assessment of regulation across all Defra programmes which records (or estimates for historic regulation) the cost of the regulatory interventions against outcomes. This will help us to identify where the greatest value of future regulatory reviews will be found and so will help to prioritise the reviews.

Red Tape Challenge

The Government has set up a web–site which will list all existing regulations by theme, and invite the public and business to identify those that they feel are overly burdensome or are no longer needed. All departments will be asked to review these regulations and, if they are still considered necessary, to make a strong defence for keeping them. Defra has provided a complete list of its regulations and will have lead responsibility for a number of themes, including a cross–cutting environmental theme. We will facilitate discussions on the website and provide reports regarding the need to keep, or ability to repeal, legislation. The first major theme containing Defra regulations is hospitality, food and drink.

Sunsetting

Where possible regulations should now include a date at which they cease to be effective or, at the very least, contain a commitment to review the need for the regulation within 7 years. Defra started to apply these guidelines from early 2011 and all new regulations since 1 April 2011 comply with these requirements.

Scrutiny (Regulatory Policy Committee)

The Government has strengthened the role of external scrutiny to ensure that any new regulations meet the requirements of good policy development (i.e. transparency, accountability, targeted and proportionate). All Impact Assessments (IA) now go through the Regulatory Policy Committee (RPC) for assessment and they, in turn, provide an opinion on the fitness for purpose of the IA to the Reducing Regulation Committee. Defra is monitoring the RPC's opinions to determine if there are systematic weaknesses in its development of IAs.

EU Regulation

The Government has implemented a presumption to copy–out, so that only in cases where businesses might be negatively impacted will any 'interpretation' of directives be allowed. All departments now need to complete a transposition plan within 2 weeks of a new measure being published in the Official Journal. The Government aims to work proactively in Europe to ensure that only essential regulations are proposed, and that those that are essential are designed in the least burdensome way to achieve the policy outcome.

Areas of Public Interest

Employee Policy and Achievements

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

During the reporting period the freeze on recruitment into the Civil Service resulted in Defra putting in place approval processes restricting the posts open to external recruitment to those approved by the Secretary of State as business critical or frontline.

Diversity and Employment of Disabled Persons

Under the Equalities Act 2010, Defra has a duty to take action to promote equality of opportunity on grounds of disability, gender, race, age, gender–reassignment, marriage and civil partnerships, pregnancy and maternity, religion or belief and sexual orientation in policy–making, the delivery of services and public sector employment.

Defra has continued to strengthen relationships with all its diversity staff networks and Trade Unions. There has been activity to support the Civil Service Diversity Strategy. The Cabinet Office has assessed Government Departments' progress on the Diversity Strategy. The assessment found that Defra is well–placed in the area of leadership on diversity with evidence of rigorous accountability structures. However, Defra recognises that more work needs to be done to promote opportunities for some employees with protected characteristics and increasing our diversity declaration rates.

The Diversity Equality Impact Assessment process has been embedded into the Department's policy and project planning processes. The guidance on Equality Impact Assessments has also been revised and a new training package launched to help staff apply the correct approach to decisions and policy development affecting colleagues, customers and other stakeholders.

Defra operates the principles of the ‘Two Ticks’ disability symbol in recruitment and in employment. A central budget is available to meet the cost of reasonable adjustments for disabled employees. Disability leave is also available, which provides for paid time off work for the purposes of assessment, treatment and rehabilitation for disabled employees.

Wellbeing, Corporate Social Responsibility (CSR) and Managing Attendance

Corporate strategies for Wellbeing, CSR and Managing Attendance have been in place since 2007 and November 2010 respectively. Both take a holistic view of people issues by incorporating them into frameworks that support the key employment aspects of staff recruitment and retention. The Department closely monitors sickness absence, including benchmarking sick absence rates against Cabinet Office quarterly figures covering the previous 12 months for the Civil Service. Policies in place to reduce staff sickness absence include conducting return–to–work interviews, occupational health professionals advising on the medical and Equality Act aspect of cases, provision of counselling, information, training and advisory services through a contracted Employee Assistance Programme, or through internal staff welfare services where these are in place. A total of 69,495 days (on average 7.5 days per employee) were lost to sickness in 2010–11, an improvement in comparison to last year’s total of 78,403 days (on average 7.8 days per employee).

Defra has demonstrated its commitment to the CSR agenda by providing information on a dedicated internal website that supports staff to identify and undertake volunteering activities in the wider community. Defra staff are offered one day’s Special Leave with pay each year to use their skills to help others by volunteering individually, or as part of a team.

Performance on Sustainability

Information on the Department’s programmes, targets and performance relating to sustainability can be found at Annex 1.

Personal Data Related Incidents

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Defra and its network of delivery partners continue to make steady progress in working together proportionately to identify and address information risks. We have extended our engagement again this year to include in our programme of work an additional number of bodies handling the bulk of Defra’s sensitive data. We have established a rolling plan for monitoring and addressing risks to key IT systems and are about to roll out software for controlling the use of removal media devices on Defra IT kit to protect information. We have put in place a programme to regularly test the robustness of the ICT network and have successfully renewed Defra’s connection to the Government Secure Intranet. Staff across the Department have undergone mandatory training to raise their awareness of correct information handling procedures and we continue to respond effectively to a declining number of significant incidents and promote the sharing of lessons learned with our Delivery Partners. Our approach will continue to take account of the fact that we do not handle as much sensitive information as some other departments and that our information is not held in a single system but in a number of different systems across the delivery Network.

While Defra remains unaccredited under the ISO 27001 standard, there is a strategy to achieve compliance with the Cabinet Office’s mandatory standards and assurance on this has been obtained from Internal Audit.

There were no protected personal data related incidents formally reported to the Information Commissioners Office in 2010–11.

Incidents recorded centrally within the Department that were deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner's Office, are set out in the table below. Small, localised incidents are not recorded centrally.

SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2010-11		
CATEGORY	**NATURE OF INCIDENT**	**TOTAL**
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	3
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	0

Public Sector Information

As a public sector information holder, Defra has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Responding to Public Correspondence

The Department has a centralised Customer Contact Unit (CCU) to handle Ministerial and public correspondence providing a consistent and high performing service to the customer. In 2010, the CCU handled 19,404 letters and emails from the public answering 96% within our target of 15 working days. We also handled 10,903 letters from MPs and/or major stakeholders answering 84% within our target of 15 working days. The Defra Telephone Helplines (Defra Helpline, Pet Travel Scheme (PETS) Helpline and Poultry Register Helpline) handled 112,354 calls, answering 92% within the target of 20 seconds.

Health and Safety Reporting

Defra is committed to providing, sustaining and improving a healthy and safe working environment where health and safety is embedded into normal working practices and business decisions. The information for 2010–11 below relates to Core–Defra only as the Executive Agencies and NDPBs currently have their own reporting arrangements:

- 43 members of Core–Defra staff were injured or suffered ill health whilst at work. Further analysis of data can be found in the table below;
- 75 days were lost from work–related absence;
- 24 members of staff were assisted with reasonable adjustments, in accordance with the Equality Act 2010;
- 15% of our occupational health referrals were linked to Musculoskeletal Disorders, and 33% related to mental ill–health;
- Over 1100 staff[7] had an eyesight test using the contracted provider, and over half of these also obtained glasses for work–related computer use;

[7] The eye–care contract to 31st March provided services to AH and MMO as well as Core–Defra.

- We agreed a new Safety Representatives and Committees Charter with the Department's Trade Unions;
- We published a new Workplace Stress policy and completed an organisational stress assessment based on the Staff Survey results; and
- We piloted a new individual e–learning and risk assessment package (Workstations, Homeworking, Pregnant Workers and Drivers) which will now be rolled out in full during 2011–12.

Summary of reports received by type

	2010–11	**2009–10 (comparison)**
Fatal injuries*	-	-
Major injuries*	1**	-
Dangerous occurrences*	-	1
Over 3 day injuries*	3	-
Minor injuries	19	26
Near misses	6	4
Road traffic accidents	1	1
Acts of violence (including verbal abuse)	-	-
Work-related ill health cases	13	15
Total	**43**	**47**
Defra headcount at 31st March 2011	**2,496**	**2,609**
Incident rate per 1000 employees	**17**	**18**
Total time lost (days)	**75**	**67**

*RIDDOR incidents reportable to the Health and Safety Executive

**The major injury was a fractured shoulder sustained when a member of staff caught their feet in cables under their desk causing them to fall. The accident was investigated by local management, assisted by the Departmental Health and Safety Unit (DHSU), and a safety alert was issued in January.

Publicity and Advertising

The Cabinet Office marketing and advertising freeze (from June 2010) significantly reduced planned publicity and advertising activity for the 2010–11 financial year. All ongoing paid advertising and publicity was stopped except where the cost of cessation was more than existing financial commitments. All planned activity with uncommitted spend was cancelled. As a result, expenditure on major marketing campaigns such as Muck In 4 Life, Livestock Roadshows, the publication of Farming Link and other similar activity was significantly reduced resulting in an overall saving for 2010–11 of £4.2m on pre–freeze expenditure levels, a reduction in spend of approximately 84%. This arrangement will continue into 2011–12. Options for commercial sponsorship for selected communication activity are being developed for the future.

Defra Responses to Public Accounts Committee (PAC) Recommendations

Between November 2005 and November 2009 the PAC published 13 reports which involved the Department. No reports were published during 2010. In total the Committee made 136 recommendations for Departmental action.

To date, the Department has successfully closed 108 recommendations because they have either been implemented or superseded by subsequent reports. Details of progress on the remaining 28 recommendations can be found on the Department's website[8].

8 http://archive.defra.gov.uk/corporate/about/reports/index.htm

Complaints to the Parliamentary Ombudsman

	Complaints accepted for investigation in 2010-11	Complaints reported on in 2010-11	Complaints fully upheld	Complaints partly upheld	Complaints not upheld
Core–Defra	0	2	50%	0%	50%
Rural Payments Agency	2	1	100%	0%	0%
Environment Agency	0	1	100%	0%	0%
TOTAL Defra	**2**	**4**	**83.30%**	**0%**	**16.70%**

All 13 of the 2010–11 Ombudsman recommendations have been complied with.

Management

Ministers

The Ministers who had responsibility for the Department during the year were:

Secretary of State	Rt Hon Hilary Benn MP (until 11 May 2010) Rt Hon Caroline Spelman MP (from 12 May 2010)
Minister of State for Agriculture and Food	Jim Paice MP (from 13 May 2010)
Parliamentary Under–Secretary for Natural Environment and Fisheries	Richard Benyon MP (from 14 May 2010)
Parliamentary Under–Secretary	Lord Davies of Oldham (until 11 May 2010) Lord Henley (from 14 May 2010)
Minister for the Natural and Marine Environment	Huw Irranca–Davies MP (until 11 May 2010)
Minister of State for Food, Farming and the Environment	Jim Fitzpatrick (until 11 May 2010)
Minister for Rural Affairs and Environment	Dan Norris (until 11 May 2010)

Management Committee Executive Members

The Management Committee comprised the following members of staff during 2010–11:

Permanent Secretary	Helen Ghosh (until 31 December 2010) Bronwyn Hill (from 28 March 2011)
Acting Permanent Secretary	Peter Unwin (1 January – 27 March 2011)
Director General: Green Economy and Corporate Services	Mike Anderson
Director General: Chair of the Central Approvals Panel	Bill Stow
Director General: Food and Farming	Katrina Williams
Director General: Environment and Rural	Peter Unwin (until 31 December 2010 and from 28 March 2011)
Acting Director General: Environment and Rural	Sonia Phippard (1 January – 27 March 2011)
Chief Scientific Advisor	Professor Robert Watson

Non–Executive Members of the Management Committee

Bill Griffiths
Alexis Cleveland
Iain Ferguson (from 16 December 2010)

Management Committee directorships and other significant interests

Any potential conflict of interest is handled in line with the Civil Service Code. Details of Management Committee directorships and other significant interests, including Non–Executives, are given in Note 33.

Bronwyn Hill 11 July 2011
Accounting Officer for the Department for Environment, Food and Rural Affairs

Corporate Governance

Requirements of the Code

The Department is required to give a clear account of how far it has complied with key aspects of the 'Code of Good Practice' on corporate governance in Central Government Departments for the year ended 31 March 2011 in accordance with DAO (GEN) 09/05 — Corporate Governance in Central Government Departments[9]. The Accounting Officer confirms that Defra complies with the Code.

Cabinet Office and HM Treasury will shortly be issuing an updated Code incorporating recent changes in best practice in the public, private and charity sectors. We will ensure that Defra complies with any new or additional requirements set out in this updated Code.

Operation and Decision Making Practice

The Secretary of State for Environment, Food and Rural Affairs is answerable to Parliament for all the policies, decisions and actions of the Department including its Executive Agencies. Under the Secretary of State, the Permanent Secretary as Defra's Accounting Officer is also personally accountable to Parliament for the management of the Department, including the use of public money and the stewardship of its assets.

Between April and November 2010, the Permanent Secretary chaired meetings of the Management Board[10]. From December 2010 the Government's new Board Protocol[11] has been in operation and the Department's Board (the Supervisory Board) has been chaired by the Secretary of State. The Permanent Secretary has, since December 2010, also chaired meetings of the Management Committee, which is the main sub–committee of the Supervisory Board. The Permanent Secretary also holds weekly meetings with the Executive Board members.

The Supervisory Board

The Supervisory Board focuses on performance management, including financial performance and risk assurance. It meets quarterly in June, September, December and March. It may also give advice on the operational implications and effectiveness of strategic policy proposals. The Department's Performance Programme has tools to monitor progress on departmental outcomes and objectives and presents a quarterly performance report to the Board. This covers the Department's business plan (including the SRP), financial performance, risk analysis and other corporate measures. Ministers may also provide guidance to assist the executive team in their discussions and decision–making, in particular through discussion at the weekly Business Meeting which is held jointly between them and Executive Board members.

Management Committee

The Management Committee sets the strategic direction for the Department (in conjunction with Ministers), ensures regular review of financial and performance data and considers proposals for policy development and Departmental management.

In addition to the general principles set out in HM Treasury's code of good practice in corporate governance, the Management Committee's objectives in 2010–11 were:

9 DAO (Dear Accounting Officer) (GEN) 09/05 is online at: http://www.hm-treasury.gov.uk

10 Members of the Board attend Board meetings in a corporate capacity, not to represent their areas of work. Substitutes are not normally allowed to attend, although may do so at the discretion of the chair.

11 http://www.cabinetoffice.gov.uk/content/enhanced-departmental-boards-protocol

Leadership/Post–election implementation

- Spending Review:
  - Prepare the Defra bid to HM Treasury and turn the outcome into practical and prioritised business plans reflecting the tightened Departmental priorities and associated performance indicators; and
  - Lead work to achieve the required savings compared to previous years and focus on the available resources where they deliver best value.
- New Government:
  - Work with new Ministers to establish a shared vision for the Department and an agreed Business Plan; and
  - Work with Ministers on the new Secretary of State–chaired Departmental Supervisory Board to ensure that the Department is run at best value, focussing in particular on performance management.

Departmental capability

- Departmental reshaping:
  - Implement the first phase of reshaping the Department using workforce planning tools and voluntary departure schemes to retain the right mix of skills, experience and diversity whilst creating room to bring on our talent;
  - Agree improvements to the delivery landscape with Ministers, develop implementation plans which deliver best value and establish new governance and performance management arrangements with each body; and
  - Maintain progress on appointments to public bodies' management boards of women, and ensure some progress on Black and Minority Ethnic (BME) and Disabled candidates in the light of the recruitment controls put in place by Cabinet Office.
- Staff engagement:
  - Engage fully and openly with staff on decisions on the way forward; and
  - Continue to engage with staff using periodic Management Committee roadshows and regular written and face–to–face communications, measuring success through the staff survey.

The Management Committee meets monthly and occasionally for ad–hoc meetings to discuss specific issues. It receives regular written reports from all sub–committees as well as a monthly report on the allocation and use of the Department's financial resources. Performance updates for the Department's key programmes are also reviewed and their Senior Responsible Owners (SROs) are regularly challenged, through both formal and informal mechanisms, on their responsibilities set out in their Delegated Authority Documents.

Defra has an internal audit service which operates in accordance with Government Internal Audit Standards.

Departmental Board sub–committees

The Management Board sub–committees up to November 2010 were the:

- Audit and Risk Committee;
- Central Approvals Panel;
- Senior Appointments Board;
- Strategy Group; and
- Defra Network Delivery Group (disbanded after its December 2010 meeting).

From December 2010 the Supervisory Board sub–committees were the:

- Management Committee; and
- Audit and Risk Committee.

From December 2010 the Management Committee sub–committees were the:

- Central Approvals Panel;
- Senior Appointments Board; and
- Strategy Group.

Audit and Risk Committee

The ARC considers and advises the Accounting Officer and the Supervisory Board on the following:

- Internal audit matters that include the appointment of the Head of Internal Audit, terms of reference for internal audit, work prioritisation and planning, resource requirements, and audit reports;
- Defra's Annual Report and Accounts, the accounting policies and the external audit Management Letter;
- The strategic processes for risk management, control and governance and the Statement on Internal Control;
- Oversight of the management process for risk;
- Consideration of the National Audit Office (NAO) plans for Financial and Value For Money audits, the results of their work, their reports and follow up action;
- Arrangements for combating fraud;
- Awareness of external impacts on Defra's control environment to include auditing and accounting standards, Government and Parliament, the EU and other stakeholders; and
- Engagement with Defra's Executive Agencies, NDPBs and Public Corporations to provide assurance and advice to the Accounting Officer on control, risk and governance issues as they impact on Defra as a whole.

The Committee comprises three non–executives, one of whom acts as Chair and is also a non–executive member of the Management Committee. The Permanent Secretary appoints members of the ARC.

Central Approvals Panel

From 1 April 2008 the Central Approvals Panel has been the decision–making body within Defra responsible for resource allocation. Its role is to approve or reject business cases in the following circumstances:

- Proposed new activities within programmes, ongoing functions or projects which have been escalated by Local Approval Panels;
- At specific points in the lifecycle of programmes, ongoing functions and projects and at additional stages as the Panel deems necessary; and
- Requests for additional resources which are in excess of delegated ceilings for programmes, ongoing functions and projects or which cannot be met within Groups' existing resources.

The Panel is also responsible for stopping or reshaping activities should their business case no longer justify expenditure, or should priorities change. Similar arrangements are in place to manage the portfolio of activities at Group level through Local Approval Panels.

Following the spending review settlement in October 2010, the Panel was responsible for allocating the Administration, Programme and Capital budgets to the Core–Department and throughout the Defra Network of sponsored bodies. The Panel was supported in this process by the Strategic Expenditure Review Team.

Senior Appointments Board

The Senior Appointments Board oversees the appointment to Senior Civil Service (SCS) posts within Core–Defra and its Executive Agencies. It is also responsible for succession planning and talent management of the SCS cadre and its feeder grades, and doubles up as the SCS Pay Committee. Directors General (DGs) pay and reward is set by the DGs Pay Committee which is formed of the Permanent Secretary and the non–executive directors.

Strategy Group

The Strategy Group advises the Management Committee and Ministers on Defra's strategic policy objectives to assure the Committee and Ministers of the overall coherence and relevance of the Department's strategic approach.

Defra Network Delivery Group (DNDG)

The DNDG continued to meet following the formation of the Government to help maintain a strategic focus on how Defra and its Arms Length Bodies network deliver services and work in partnership. The DNDG met three times following the election, with the Secretary of State attending the first meeting in June. At the third meeting in December it was agreed, with the Permanent Secretary's approval, that given the new performance monitoring arrangements being put into place reporting direct to the Management Committee, the DNDG should be wound up. The Heads of Profession Network, which covers IT, Communications, HR, Procurement, Estates, Finance, Legal and Shared Services, will now provide the practical channel for developing new ways of working to find efficiencies and improve joint working.

Non–executive members of the Supervisory Board

The Non–Executive Directors (NEDs) are appointed by the Secretary of State to the Supervisory Board to provide an independent view on Departmental performance and on financial controls and risk management; bringing in their external expertise. They also have a role in challenging the policy formulation process and so also attend the Management Committee.

Working relationships with Arms Length Bodies (ALBs)

As part of the Government's commitment to increase the transparency and accountability of all public services, Defra has reviewed its ALB network during the year to simplify and improve the delivery landscape both for the Department and customers, and to increase accountability, improve efficiency and reduce the number and cost of these bodies.

ALBs were assessed against the three criteria set out by Government for its Public Bodies Review: whether the body performed a technical function; whether it needed to be politically impartial; or whether it acted independently to establish facts. Assessments were also guided by the Governments view that it should only carry out those functions that Government alone can do, and that policy–making should be done by the Department whilst harnessing the power of civil society and the private sector for delivery. Ministerial decisions were also guided by the strategic objectives set out in Defra's SRP.

Decisions were announced on 14 October and at the end of October, the Public Bodies Bill was introduced into Parliament to take forward those changes which require legislation.

Defra started with 92 ALBs. The changes announced in October 2010 and a further Public Bodies announcement by the Minister for the Cabinet Office on 16 March[12] will reduce this to 36, with 2 still under review (the Agriculture and Horticulture Development Board and Consumer Council for Water).

Also on 16 March 2011 the Cabinet Office Minister published a summary of a new system of triennial ALB reviews which will enable departments to take decisive action where inefficiency and waste become apparent.

Defra's Executive Agencies were not included in the Public Bodies Review. However, following a separate review, with effect from 1 April 2011, AH and VLA were merged to form a new body, the Animal Health and Veterinary Laboratories Agency (AHVLA).

The Government also put in place a number of spending controls on consultancy, external recruitment and marketing and advertising activity which applied to both Defra and the ALB network. Defra Heads of Profession worked closely with their counterparts across the Delivery network to implement these and to establish an exemptions approval process.

In July the Secretary of State wrote to the Chairs of Defra's environmental bodies to ask them to take forward a programme of joint working. This programme is intended to achieve customer service benefits, as well as some efficiencies and improved outcomes. It is an important part of the ALB reform agenda that Defra has agreed with the Cabinet Office. A working group was set up to take this forward.

In response to the Government's commitment to the Big Society, Defra has invited NE, FC and the EA to put forward proposals on how they will embed this change to ways of working both internally and externally in their work and customer engagement.

[12] http://www.cabinetoffice.gov.uk/news/government-spend-billions-less-through-quangos

Remuneration Report

Remuneration Policy

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

Defra's Remuneration Committee is made up as follows:

Chair	Helen Ghosh (until 31 December 2010)
	Peter Unwin (from 1 January 2011 – 27 March 2011)
	Bronwyn Hill (from 28 March 2011)
Members	Peter Unwin
	Bill Stow
	Bill Griffiths
	Robert Watson
	Katrina Williams
	Mike Anderson

Defra 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. The Remuneration Committee takes the final decisions for individuals based on assessments of relative performance.

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 2010–11, NCVP for 2009–10 performance was paid to approximately 65% of the SCS and was capped at between £8,600 and £12,900 per individual. NCVP values, informed by the individual's appraisal grade, were paid within Cabinet Office guidelines.

The Permanent Secretary is eligible to be considered for a non–pensionable NCVP bonus award measured against achievement of objectives, which for 2009–10 was subject to a maximum of 15% of salary. 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. For the 2009–10 performance year, the Permanent Secretary voluntarily waived payment of her NCVP, in line with a common agreement across Whitehall and to reflect the current economic environment.

Ministerial salaries are determined by the Cabinet Office, under the Ministerial and Other Salaries Act 1997.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the 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 Commissioners can be found on the Civil Service Commissioners website[13]. All Defra Management Committee members are on permanent Civil Service contracts, with the exception of Professor Robert Watson who is on a fixed term contract due to end on 16 September 2012.

Salary and Pension Entitlements (Audited)

The following sections provide details of the remuneration and pension interests of the Ministers and Management Committee members who are employees of the Department. The following tables in the Remuneration Report have been subject to audit.

[13] http://www.civilservicecommissioners.org

The salary and pension entitlements of Ministers and senior officials during the year were:

Ministers

	Salary as defined below	Prior year salary as defined below	Real increase in pension at age 65	Total accrued pension at age 65 as at 31 March 2011	CETV at 31 March 2010	CETV at 31 March 2011	Real increase in CETV *
	£	£	£000	£000	£000	£000	£000
Ministers							
Rt Hon Caroline Spelman *(from 12 May 2010)*	61,056	-	0-2.5	0-5	-	15	9
Jim Paice MP *(from 13 May 2010)*	29,187	-	0-2.5	0-5	33	49	10
Richard Benyon MP *(from 14 May 2010)*	20,894	-	0-2.5	0-5	-	8	4
Lord Henley *(from 14 May 2010)*	92,648	-	0-2.5	5-10	50	76	17
Ministers who have served during 2010-11, but are not in post as at 31 March 2011 were:							
Rt Hon Hilary Benn MP *(until 11 May 2010)*	8,846	78,356	0-2.5	10-15	146	147	1
Huw Irranca-Davies MP *(until 11 May 2010)*	3,483	30,851	0-2.5	0-5	29	30	-
Jim Fitzpatrick *(until 11 May 2010)*	4,589	31,110	0-2.5	5-10	97	102	1

Full year equivalents for part year ministers were:

	2010-11	2009-10
Rt Hon Caroline Spelman	68,827	-
Jim Paice MP	33,002	-
Richard Benyon MP	23,697	-
Lord Henley	105,076	-
Rt Hon Hilary Benn MP	78,356	78,356
Huw Irranca-Davies MP	30,851	30,851
Jim Fitzpatrick	40,646	40,646
Lord Davies of Oldham	-	-
Dan Norris	-	-

* After adjustment for inflation and changes in market investment factors.

Dan Norris was an unpaid Minister and did not receive any salary or pension entitlement in respect of his service for the Department. Lord Davies of Oldham also received no salary or pension from the Department, but received a ministerial salary in respect of his position as Deputy Chief Whip in the House of Lords.

Senior Officials

Officials	Salary as defined below £000	Bonus Payments 2010-11 £000	Prior year salary as defined below £000	Bonus Payments 2009-10 £000	Real increase in pension and related lump sum at pension age £000	Total accrued pension at pension age as at 31 March 2011 and related lump sum £000	CETV at 31 March 2010* £000	CETV at 31 March 2011 £000	Real increase in CETV £000
Bronwyn Hill *Permanent Secretary* *(From 28 March 2011)*	0-5	-	-	-	(2.5)-0 plus (2.5)-0 lump sum	45-50 plus 145-150 lump sum	818	819	-
Peter Unwin *Acting Permanent Secretary* *(1 January to 27 March 2011)* *Director General* *(until 31 December 2010 and from 28th March 2011)*	130-135	10-15	130-135	10-15	0-2.5 plus 0-2.5 lump sum	55-60 plus 175-180 lump sum	1,125	1,283	(3)
Bill Stow *Director General*	70-75	0-5	85-90	10-15	(2.5)-0 plus (5)-(2.5) lump sum	70-75 plus 205-210 lump sum	1,556	1,565	(28)
Katrina Williams *Director General*	115-120	10-15	105-110	5-10	0-2.5 plus 5-7.5 lump sum	35-40 plus 115-120 lump sum	524	606	35
Mike Anderson *Director General*	125-130	10-15	95-100	5-10	0-2.5 no lump sum	15-20 no lump sum	156	203	29
Professor Robert Watson *Chief Scientific Advisor*	135-140	5-10	135-140	5-10	(2.5)-0 no lump sum	10-15 no lump sum	192	199	(5)
Management Committee members who have served during 2010-11, but were not in post as at 31 March 2011 were:									
Helen Ghosh *Permenant Secretary* *(Until 31 December 2010)*	105-110	-	140-145	-	0-2.5 plus 0-2.5 lump sum	55-60 plus 165-170 lump sum	1,032	1,063	1
Sonia Phippard *Acting Director General* *(from 1 January to 27 March 2011)*	30-35	-	-	-	0-2.5 no lump sum	50-55 no lump sum	716	820	1

Full year equivalents for part year officials were:

	2010-11	2009-10
Helen Ghosh	140-145	-
Bronwyn Hill	160-165	-
Sonia Phippard	115-120	-
Mike Anderson	-	115-120

* The figure will be different to the closing figure in last year's accounts. The actuarial factors used in the calculation were changed during 2010, this was due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure to uprate Civil Service pensions.

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 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 a Member of Parliament (£65,738 from 1 April 2010) 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.

In addition to the above, Bill Griffiths and Iain Ferguson were paid a total of £16,669 for their services and expenses as Non–Executive Committee members for 2010–11. They do not receive any pension benefits. Alexis Cleveland did not receive any payment.

The information given above relates to the Permanent Secretary and senior managers of the Department. Equivalent information relating to the Executive Agencies consolidated into the Departmental Accounts is given in their separate accounts.

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 Management Committee members were in receipt of any benefits in kind during 2010–11 (2009–10 £Nil).

Pension Benefits

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue a MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate for a lower rate of employee contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re–valued annually in line with Pensions Increase Legislation. From 1 April 2009 members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). 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 and nuvos are increased annually in line with Pensions Increase Legislation. 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 set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% 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 and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found on the Civil Service website[14].

Cash Equivalent Transfer Values (CETV)

A 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 service in a senior capacity to which disclosure applies. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

Regarding the Management Committee, the CETV figures include the value of any pension benefit in another scheme or arrangement which the individual 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.

Real Increase in CETV

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

For Ministers, this is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Bronwyn Hill 11 July 2011

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

[14] http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Environment, Food and Rural Affairs to prepare, for each financial year, Accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. 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 of its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the Accounts; and

- prepare the Accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department for Environment, Food and Rural Affairs. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in *Managing Public Money* published by HM Treasury.

Statement on Internal Control

Scope of Responsibility and Accountability Arrangements

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Defra's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*[15].

Accounting Officers for Defra's Agencies and sponsored public bodies are responsible for the operation of a system of internal control and are required to prepare a Statement on Internal Control (SIC) in their annual accounts. These SICs contribute to the assurances supporting my own Statement.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The system of internal control has been in place in Defra for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to Handle Risk

I believe that the Department has the capacity to identify and manage risks effectively. During 2010–11 the focus on risk management continued to improve along with risk reporting arrangements. The Risk Centre at Cranfield University (a partnership, co–funded with three Research Councils) operated throughout the year to help us build environmental risk appraisal capacity. Successful exercises to test emergency preparedness held during the year were a further demonstration of our capacity to manage risks.

During 2010–11, the Department's Audit and Risk Committee (ARC) reviewed processes within Defra for identifying and elevating risks to board level. Following discussions with a range of SROs, the ARC concluded that the Department's capacity to handle risk continues to improve. It recognised however, a need to improve further the escalation processes and relationships between the core department and its delivery partners. In response to this we are improving the integration of financial and performance information from Executive Agencies, NDPBs and other key Arms Length Bodies (ALB) within the management information the Management Committee reviews. We are also improving contacts between the chairs of agency and sponsored body audit and risk committees and the chair of the Defra ARC.

The Risk and Control Framework

Risk management is central to Defra's way of working. Our business plan defines the Department's major responsibilities, and the mitigation of risk is a key element of these. Our work is managed on a portfolio basis around four types of policy and corporate activity: Management Committee programmes, other programmes, special projects and ongoing functions. Levels of risk play an important part in differentiating the portfolio. Management Committee programmes, for example, are complex, high–profile areas, which the Committee is most concerned about, and the governance and reporting arrangements reflect this. The Management Committee regularly reviews risks, and escalation processes are in place. The application across the Department of PPM is also an important element of our risk control framework, bringing greater consistency to the regular scrutiny of risks by project boards, the use of common templates, and clearer risk escalation routes.

[15] Available online at http://www.hm-treasury.gov.uk

Other improvements include the development of an Assurance Framework based on HM Treasury's "3 lines of defence" model. This includes the use of Approval Panels for investment decisions, and the development by SROs of Assurance Plans setting out key assurance activities, such as use of Gateway reviews, to help them demonstrate delivery confidence. I would also highlight greater integration of risk information within the monthly management information pack for the Management Committee and Supervisory Board. Looking forward the Management Committee programmes need to be adapted to provide a greater focus on big projects, areas of large expenditure, and close monitoring of Spending Review priorities.

Review of Effectiveness of Internal Control

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of internal auditors and by executive managers within the Department who have responsibility for the development and maintenance of the internal control framework and who provide me with a formal annual assurance statement on the system of internal control and report areas of weakness. I also take account of comments made by external auditors in their management letter and other reports. I have been advised by the Management Committee and the ARC on the implications of the result of my review, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I am content that the Core–Department has effective systems of internal control. Apart from concerns about our contract to manage the Defra Estate which are discussed in more detail below, Internal Audit and the National Audit Office have not indentified any significant internal control weaknesses in the Core–Department. In 2010 we also received a positive independent assessment of the Department's capability from the Cabinet Office in their Capability Review assessment.

We have made progress in addressing issues identified in previous Statements, particularly in the management of our finances. I believe that we have managed difficult issues effectively during the year, for example, the closure, merger and reorganisation of a number of our Arms Length Bodies. We delivered challenging in–year reductions in budgets and staff numbers whilst continuing all our major programmes of work. The decision to suspend the planned programme of forest sales which attracted significant public interest, leaves a gap in the Forestry Commission's budget over the Spending Review period. We will provide additional budgetary cover whilst ensuring that all efforts are made to minimise the gap.

I recognise, however, that further improvement is required, particularly in respect of the Rural Payment Agency's (RPA) administration of the Single Payments Scheme (SPS). I acknowledge the criticisms of this made in 2009 by NAO and by the Public Accounts Committee (PAC)[16]. We are making progress to address these criticisms but need to do more. An important step forward was the appointment in January 2011 of a permanent CEO for RPA. Other areas where the Department needs to do more include the management of interim staff, and compliance with European Regulations where Internal Audit have highlighted issues that risk disallowance penalties.

I recognise more generally that the Spending Review period will be challenging for Defra. Increasing levels of central control will need careful management to ensure that they do not add significant delay to our own controls and processes. Our Settlement represents an overall reduction of 30% in the Department's budget across the network. To live within this, we have wherever possible prioritised savings in non–pay administration costs (such as estates, IT, marketing and use of consultancy). We planned to reduce by 2015 the number of staff we have by around 20% to 30%: this means a reduction of about 5,000 to 8,000 staff out of a total of about 30,000 including our NDPBs. We have made progress with 800 staff leaving under voluntary departure schemes and the closure of the Commission for Rural Communities and the Sustainable Development Commission.

We will need to do more, however, than reduce our administration costs. We must consider the shape of the Department and how it operates to ensure that we continue to deliver our priorities within a resource

[16] The NAO's 'Second Progress Update on the Administration of the Single Payment Scheme by the Rural Payments Agency' published on 15 October 2009 is available at http://www.nao.org.uk, and the PAC's 1st Report of 2009-10 published on 16 December 2009 is available at http://www.parliament.uk

constrained world. To help drive this work forward and accelerate the pace of change over the coming year, I have appointed a new Director for Change who will bring together initiatives, for example on ALB reform and corporate services, into a coherent programme of change and will work with the Department on what this means for the shape and size of Defra and how it operates.

Effectiveness of Risk Management

I am content that the management of risk within the Department is effective. Internal Audit have pointed particularly to adequate management of projects and programmes covering the major national risks managed by the Department; the effective management and escalation of legal risks; and feedback from the Chief Executives of the major Arms Length Bodies that there are adequate risk escalation and communication processes.

Information Risk Management

As Defra comprises a core department and a large number of Executive Agencies, NDPBs and other Arms Length Bodies, each with their own governance and accountability, this presents many challenges in terms of the adoption of a consistent approach to Information Assurance and security. This year we have extended our engagement to include an additional number of bodies identified as handling the bulk of Defra’s personal and sensitive information.

Against this diverse background, there have been some notable achievements in terms of good practice. For example, we have identified and addressed information risks resulting in the down–grading or closure of a significant number previously rated as ‘High’. We have established a rolling plan for ICT system accreditation and rolled out a software pilot to control the use of removal media devices on Defra ICT equipment. We have put in place a programme to test regularly the robustness of the ICT network. There are some further mitigating actions to complete to address the issue of insecure access to the ICT network via Delivery Partner ICT systems. We continue to promote the sharing of good practice with our Delivery Partners and Third Party Suppliers.

Going forward, we will focus on areas of weaknesses identified as part of this year’s security and information risk assessments, and we will work with Internal Audit to take forward the key recommendations they have made.

Governance

The Corporate Governance section of these accounts describes changes made during 2010–11 to the structure of major boards within the Department. These include the establishment of the Supervisory Board chaired by the Secretary of State, and its main sub–committee, the Management Committee, chaired by the Permanent Secretary. The Management Committee provides strategic leadership for the Department and is accountable for our performance, risk management and internal control. The Cabinet Office Capability Review reassessment in 2010 concluded that the Management Committee (at that time the Board) operates effectively.

Below Board level, the Department is organised into Director led programmes which provide the main governance structures. The allocation of resources between these programmes is managed by the Central Approvals Panel supported by Local Approvals Panels. The 2010 Capability Review again concluded that this new operating model had been embedded into the Department, improving our capability to deliver our priorities.

Performance Management

The Department has a comprehensive system of corporate performance monitoring. Performance against departmental priorities as identified in the Defra business plan is monitored by the Supervisory Board and Management Committee with all other Defra programmes monitored at the Group or local level, as are ongoing functions and a few stand–alone projects. Improvements made during 2010–11 including better incorporation of risk information within the Management Committee’s Information pack and the greater integration of finance and performance data.

Financial Management

I believe that the Department's financial management and controls are effective. Most senior Finance posts are filled by permanent staff and skill levels have increased with the recruitment of qualified accountant Business Managers. Internal and external audit have highlighted improvements in budgeting and forecasting processes, and the effective operation of key controls.

We are working to raise awareness of fraud risk and to improve safeguards. We have appointed a Senior Civil Servant as our 'Counter Fraud Champion', and Internal Audit are undertaking a fraud risk assessment. As reported in last year's Statement, during May 2010 our Shared Services Directorate discovered that two payments intended to be made in March 2010 to an authorised supplier were diverted and paid into a third party bank account. Defra initially suspended further payments and referred the matter to the police. No further problems have been experienced, and Internal Audit have confirmed that proper controls are in place. I acknowledge, however, that they have also highlighted weaknesses in Defra's on line payments system (Buy4Defra) which we must address. We are setting up a project to examine payment procedures, and to improve the validation and reconciliation processes.

We have underspent against our DEL Budget by £34m. This represents only 1% of the total budget and reflects the improvements made in our forecasting processes. I acknowledge, however, that against a total resource requirement of £5.1bn in the 2010–11 Spring Supplementary Estimate (SSE), the Department underspent by £530m. Of this, £245m is due primarily to fewer claims being paid by the year end than forecast for EU funded schemes administered by RPA. This resulted from increased checks in the validation process to help ensure payment accuracy. These payments have slipped into the next financial year but are still on target to meet the EU scheme requirements. This represents an 11% underspend against RPA's forecast but the money cannot be used for other purposes. Expenditure for EU funded schemes is included in Estimates because the initial outlay is funded by HMT who are then reimbursed by the EU. Under the HM Treasury Clear Line of Sight (CLoS) programme, this difference between estimates reporting and resource accounting will be aligned in future giving rise to no Estimate underspend in these circumstances.

A further £136m of the underspend was due to unavoidable adjustments. Of this, £85m arises from recurring inconsistencies between Resource Accounts and Estimates in reporting of the Environment Agency Closed Pension Scheme provision, and £51m because of a one off underspend due to a change in the inflation index from RPI to CPI used to calculate Pension Fund future commitments across government. Again both of these will not arise in future years under CLoS.

This leaves an underlying £149m underspend for the Defra Network, excluding RPA, which represents 5% against a £3bn request for resource. The reasons for this underspend are explained in detail on page 10 of these accounts under 'Significant Variances against Estimate'.

Managing Large Contracts

Defra has major contracts with external suppliers for the provision of IT, for property services, and for facilities management. Internal Audit have highlighted marked improvements this year in the management of our contract with our main IT supplier. There remain, however, ongoing problems with management of the contact for the running of the Defra Estate including the management of health and safety risks at our Laboratory Agencies. This problem was identified as a concern and was escalated to ARCs. We have appointed a senior official at Director level to lead work to tackle these problems and progress has been made in the last six months. The aim, while bearing down on costs, is to reach agreement on an improved contract with the supplier which would be operational from the summer, and to continue to monitor new bilateral agreements to deliver on health and safety actions very closely. In addition, more formal health and safety governance arrangements have been put in place which include a senior level group which meets on a 6 monthly basis to oversee health and safety strategy and high level performance.

Looking forward we have identified a potential long term (3 plus years) risk on maintenance needs for estates and equipment linked to the age of facilities and reductions in capital spend. Mitigation for this risk involves gaining a fuller understanding of the position, and seeking to find ways of reducing the need for, and securing greater injection of, capital.

Internal Audit

Whilst a sufficient scope of work was completed to allow the Head of Internal Audit to deliver an opinion on risk management, control and governance for 2010–11, a significant number of the assignments in the 2010–11 Internal Audit Plan could not be completed. Following a restructuring, the termination of a consultancy contract, and sickness absences which have reduced the resources available for internal audit work, there remains a risk that insufficient work might be completed during 2011–12 to allow the Head of Internal Audit to deliver an opinion for that year. Action is being taken to mitigate this risk by prioritising and monitoring the delivery of internal audit work over the year and by utilising available resources as effectively as possible to maximise the scope of work that Internal Audit can deliver.

Emergency Preparedness

Effective arrangements and systems are in place to cope with emergencies across the full range of the Department's responsibilities. During 2010, a national exercise (Silver Birch) was carried out to review and check the Government's contingency plans and policies for the control and eradication of an outbreak of Foot and Mouth Disease (FMD). The exercise was successful, and showed that we are generally well prepared for an outbreak. There was also a national exercise (Exercise Watermark) to provide a comprehensive test of our national flood response capability in March 2011.

Arms Length Bodies

Defra has a large network of Arms Length Bodies (ALBs) through which over £4bn, or almost 80%, of our spending is channelled. Work has continued to improve the governance structures for the Department's relationship with these ALBs. With the exception of the Rural Payments Agency, I believe that internal controls in our ALBs are effective.

Defra is in the process of a significant reduction in the number of our ALBs in response to the Public Bodies Review. Two existing Executive Agencies were merged on 1st April 2011 to form the new Animal Health and Veterinary Laboratories Agency. A major issue for the coming year will be the outcome of the Department's Science Agency Review which is examining current science and research agency business models and assessing future demand for their services.

Seafish is an NDPB sponsored by Defra and the Devolved Administrations. In March 2010, the Court of Appeal ruled that the levy they collect from the industry on fish and fish products imported into the United Kingdom was unlawful. The effect of the judgment was to render approximately 75% of Seafish's levy income unlawful (approximately 65% of its total income) and to expose it to significant potential liabilities relating to unlawfully collected levy. Together these raised serious concerns about the future of the organisation. The Department was granted leave to appeal to the Supreme Court, and on 15th June the judges unanimously overturned the Court of Appeal ruling. This ruling reinstates the power of Seafish to collect levies on imported sea fish and sea fish products and removes the threat of significant liabilities.

Significant Issues

The Rural Payments Agency

The Department has recognised in previous Statements serious weaknesses in RPA's internal controls and management. We have accepted the criticisms made by NAO and the PAC of RPA's administration of the SPS, and of Defra's governance of the Agency. During 2010–11 we have continued to address these weaknesses and to create the conditions to tackle them further in the year ahead. The Department has provided the PAC with progress updates every three months on action to respond to its recommendations.

Defra's '2013 Review' (carried out by an independent advisor) looked at the RPA's financial, operational and IT processes to identify where they should make improvements and efficiencies to prepare for expected changes to the Common Agricultural Policy. The Review's Report, published in July 2010, found that:

- RPA's finance function and controls need to be strengthened;
- there are significant opportunities to provide better customer service and deliver efficiencies through improvements in operational processes;
- a significant opportunity exists in developing new IT systems for post 2013, learning from the implementation in 2005;
- there was a lack of appropriate governance and oversight from within RPA's leadership and Defra; and
- there are gaps in the organisation's controls and leadership capability.

In response to these findings, governance has been concentrated under a single ownership body, the RPA Oversight Board (OB). A new permanent Chief Executive Officer was appointed in January 2011. He has reshaped his senior Executive Team which now comprises 8 posts all of which have been filled. RPA are improving their financial controls and management. A Debt and Data project is working to quantify issues and determine actions to address them.

I recognise, however, that much remains to be done and that internal controls need to be strengthened. RPA need to build their in–house professional capability and so reduce reliance on contract staff, particularly within their finance function. Auditors have also highlighted the need to clarify the roles and responsibilities of the OB and RPA's own Management Board. Weaknesses in the underlying SPS base data are being addressed but continue to affect the speed of payments. Improving data quality will continue to be a priority for RPA.

The RPA (supported by Defra) made a decision to maintain its emphasis on making accurate payments. As a consequence, they failed to meet their Ministerial target to pay 95% of the SPS fund value by 31st March 2011. To ensure payments were made to farmers within the EU regulatory target, the RPA introduced a controlled process of manual payments which saw the regulatory target of paying 95.238% of the fund value by the end of June, met in May.

Some of the RPA's IT systems are 'out of support' which creates a key risk to critical business systems. An extensive programme is underway to mitigate these risks. This includes the Agency Desktop and Rural Land Register Strategic System Upgrades. Three of RPA's four business critical ICT contracts also expire by the end of 2011. The Agency's approach, endorsed by the Office of Government Commerce and by the Cabinet Office is to negotiate contract extensions together with a rationalisation of existing suppliers.

During 2010–11 the Agency's Audit & Risk Committee was not operational for a three month period after the resignation of the Chair. This constituted a break down in governance arrangements. A new Committee Chair has now been appointed and he took up post in March 2011.

Disallowance

The 2009–10 Accounts of Defra were qualified on regularity because of the imposition of disallowance penalties by the European Commission resulting from weaknesses in the administration of various Common Agricultural Policy Schemes. Qualifications have again been applied in 2010–11 to Defra's Accounts because of material disallowance penalties of £160m reflecting weaknesses in the operation of the SPS by RPA for scheme years 2007, 2008 and 2009.

Work continues to mitigate the risk of future disallowance penalties by making further improvements to the delivery of SPS. The appointment of new RPA senior management is an important step forward along with continuing efforts to address inaccuracies in the underlying data. The risks of disallowance are monitored at various levels with the two key responsible bodies being the Disallowance Working Group (DWG) within Defra and the Disallowance and Accreditation Committee (DAC) within RPA. Both groups comprise representatives from policy, finance, operations and legal teams, with the DWG also having representation from the UK Co–ordinating Body to give a wider perspective of UK issues. The DWG seeks to assess future risks, whilst the DAC concentrates on identified issues and mitigating strategies.

SPS Trade Receivables and Payables

A limitation of opinion was applied to the 2009–10 accounts of both Defra and RPA in respect of the verification of SPS trade receivable and payable balances at RPA. Although progress has been made by RPA during the year, material unverified balances remained at the end of 2010–11, auditors have therefore applied a limitation of opinion to the accounts of both Defra and RPA. Work to verify the remaining balances is ongoing and I recognise that significant unverified balances are a serious issue and RPA understand and share my ambition to give this work priority during 2011–12.

Bronwyn Hill 11 July 2011

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

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

I certify that I have audited the financial statements of the Department for Environment, Food and Rural Affairs for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows and the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Basis for Qualified Opinion on Regularity

The European Commission has confirmed disallowance penalties of £175 million. These disallowance penalties represent a material loss to the UK Exchequer. I consider that this loss falls outside of Parliament's intentions in relation to the proper administration of European funding and is therefore irregular.

Qualified Opinion on Regularity

In my opinion, except for the confirmed disallowance penalties described in the basis for qualified opinion on regularity paragraph, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis for Qualified Opinion on Financial Statements

The audit evidence available to me was limited because the Rural Payments Agency was unable to provide me with sufficient evidence to support the Other Single Payment Scheme trade receivables balance of £11.5 million (being receivables of £24.5 million less an allowance for doubtful debt of £13 million) and the Single Payment Scheme trade payables of £54.5 million recorded in the financial statements.

Qualified Opinion on Financial Statements

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 Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, 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.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the Management Commentary and Corporate Governance 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 limitation on our work relating to the Other Single Payment Scheme trade receivables and Other Single Payment Scheme trade payables balances:

- I have not obtained all the information and explanations that I considered necessary for the purpose of my audit; and

- I was unable to determine whether proper accounting records had been maintained.

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

- adequate accounting records have not been kept; or

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

My report on pages 64 to 66 provides further detail of my qualified opinions on the financial statements and on the regularity of expenditure.

Amyas C E Morse 15 July 2011
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

The Department for Environment, Food and Rural Affairs develops and implements policy relating to the environment, food and rural issues. It is also responsible for negotiating European agricultural and rural funding on behalf of the UK. The Department receives funding from the European Commission to deliver the Common Agricultural Policy and other initiatives.

I have reported previously on the difficulties experienced by the Rural Payments Agency, an executive agency of the Department, in implementing the Single Payment Scheme. The Single Payment Scheme was introduced by the European Union as part of the 2003 Common Agricultural Policy reforms which replaced 11 separate crop and livestock based production subsidies with a single payment based on land area.

The Rural Payments Agency's difficulties have resulted in the European Commission proposing financial penalties. Where the European Commission takes the view that the detailed European Regulations have not been applied correctly in processing European Union Scheme transactions there is a risk of financial penalties (referred to as disallowance) of expenditure under the Scheme.

These penalties are payable by the Department for Environment, Food and Rural Affairs as a deduction from future Commission funding. In anticipation of these financial penalties the Department retains a provision in its accounts for disallowance penalties arising in respect of the Single Payment Scheme, for a number of smaller on-going schemes and for Single Payment Scheme predecessor schemes.

Purpose of report

The financial statements on the following pages represent the results of the Department for Environment, Food and Rural Affairs for the period from 1 April 2010 to 31 March 2011. I have qualified my opinion on the 2010-2011 accounts on the grounds of regularity. The requirement to pay material disallowance penalties results in a loss to the UK exchequer which is outside Parliament's intentions in relation to the proper administration of European funding.

In addition, I have limited the scope of my audit opinion as I was unable to obtain sufficient audit assurance to support the balances relating to Single Payment Scheme trade receivables of £11.5 million and Single Payment Scheme trade payables of £54.5 million which are recorded in the Department's accounts.

The purpose of this Report is to explain the background to the continuing qualifications of my audit opinion. The report also provides an overview of progress made by the Department since I first qualified the accounts of the Department in 2008-2009.

My obligations as auditor

Under the Government Resources and Accounts Act 2000, I am required to examine, certify and report on the financial statements that I receive. I am required, under International Standards on Auditing (UK and Ireland), to obtain evidence to give reasonable assurance that the Department for Environment, Food and Rural Affairs financial statements are free from material misstatement. In forming my opinion I examine, on a test basis, evidence supporting the disclosures in the financial statements and assess the significant estimates and judgements made in preparing them. I also consider whether the accounting policies are appropriate, consistently applied and adequately disclosed. I am also required to satisfy myself that, in all material respects, the expenditure and income of the Department for Environment, Food and Rural Affairs have been applied to the purposes intended by Parliament and conform to the authorities that govern them.

Progress since my report on the 2009-2010 financial statements

I am qualifying the 2010–2011 accounts on the same basis as I qualified the 2009–2010 accounts. Namely, on the grounds of material irregular expenditure as a result of disallowance penalties and a limitation of scope in respect of the balances relating to Single Payment Scheme overpayments (trade receivables) and Single Payment Scheme underpayments (trade payables).

Disallowance penalties

During 2010–2011 Defra accepted disallowance penalties of £175 million and these are reflected in the 2010-2011 accounts. This includes penalties of £145 million in respect of the administration of the Single Payment Scheme in England in 2007, 2008 and 2009. The residual penalties confirmed relate to Fruit and Vegetables (£24 million) and Rural Development Programme for England 2007 and 2008 (£6 million). I have therefore qualified my audit opinion on the Department's accounts on the grounds of regularity. The European Commission disallowed £160 million in 2009-2010 and of £92.2 million in 2008-2009.

The Department's 2010–2011 accounts include a provision for a further £84 million in respect of estimated disallowance penalties. This sum includes a total of £53 million in respect of the Single Payment Scheme in England for 2010. The total value of disallowance penalties paid and payable by Defra is now in excess of £0.5 billion. This is a cash loss to the UK Exchequer.

The Department for Environment, Food and Rural Affairs continues to contest the amounts of disallowance that will be applied and will seek arbitration on the amounts prior to accepting the settlement.

Limitation of scope on Single Payment Scheme trade receivables and Single Payment Scheme trade payables

The 2010–2011 financial statements record Single Payment Scheme trade receivables of £11.5 million (£17 million in 2009–2010). This is stated after providing for doubtful debt of £13 million (£9.8 million in 2009–2010). The 2010-2011 financial statements also record trade payables in respect of underpayments made to farmers of £54.5 million (£30.9 million in 2009–2010). There was insufficient evidence to support that these balances are reflected in the financial statements at the appropriate amount and represent the total value of Single Payment Scheme trade receivable and Single Payment Scheme trade payables owing to or from the Department.

I consider that the total value of these balances in 2010–2011 is material to the Department for Environment, Food and Rural Affairs and I have therefore limited the scope of my audit opinion on both the Department's and the Rural Payments Agency's financial statements in respect of the valuation, existence and completeness of these balances. The value of under and over payments in respect of payments made during 2010–2011 is not material and therefore I have not qualified my audit opinion in respect of Single Payment Scheme payments.

I have reported separately on this issue in my report accompanying the Rural Payments Agency 2010–2011 financial statements (HC 1231).

Progress made by the Department in resolving the Rural Payments Agency's difficulties in administering European Funds

Disallowance penalties have been incurred as a direct result of weaknesses in the management and administration of the Rural Payments Agency. The difficulties experienced by the Rural Payments Agency have led to three values for money reports[17] by the National Audit Office. My latest report in October 2009[18] demonstrated that there was still a long way to go and that progress has been slow and costly. In particular, my report highlighted that IT systems were expensive and cumbersome, the administrative cost per claim was high, there are unquantified under and over payments, and management and governance weaknesses.

During 2010–2011 there have been a large number of changes within the Rural Payments Agency. Three Chief Executives were in post during 2010–2011. A new Chief Executive was appointed in January 2011, the Senior Leadership Team has been replaced and the number of senior roles in the executive team increased from five to nine (including the Chief Executive). Since the 1 April 2011 the Chief Executive has appointed six individuals to these roles. The appointment of a permanent member of staff for two of these roles is still on-going (Operations director and IT director). The Chief Executive and the Senior Leadership Team are developing a five-year Strategic Improvement Plan. The Agency has stated that this will consider the key priorities for the Agency. It aims to publish this plan in the autumn.

I have reported separately in my report accompanying the Rural Payments Agency 2010–2011 financial statements on the extent of the progress made by the Agency during 2010–2011. (HC 1231).

Further actions taken or proposed to be taken by the Department for Environment Food and Rural Affairs

The appointment of a new senior leadership team in the Rural Payments Agency provides a catalyst for the Agency to address the underlying operational issues with urgency and rectify the underlying causes which lead to my qualifications. It is important that the Department ensures that the five-year Strategic Improvement Plan addresses the significant issues relating to finance, operation and governance and places Defra and the Rural Payments Agency in the best place to implement the new Common Agricultural Policy for 2014 onwards.

Amyas C E Morse 15 July 2011

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria, London SW1W 9SP

[17] The delays in Administering the 2005 Single Payment Scheme in England, HC 1631 Session 2005-06, 18 October 2006. Progress update in resolving the difficulties in administering the Single Payment Scheme in England, HC 10 Session 2007-08, 12 December 2007. A second progress update on the Administration of the Single payment Scheme by the Rural Payments Agency, HC880 Session 2008-2009, 15 October 2009

[18] A second progress update on the Administration of the Single payment Scheme by the Rural Payments Agency, HC880 Session 2008-2009, 15 October 2009

Financial Statements

Statement of Parliamentary Supply

Consolidated Summary of Resources Outturn 2010–11

Since 2008–09, FC, which is a non–ministerial department, has been included in Defra's Estimate for parliamentary reporting purposes. Under this arrangement, FC receives its funding from Defra, for which Defra draws down parliamentary supply on its behalf. As a result, FC no longer formally lays its own Accounts, but its Resource Outturn is reported in Defra's Statement of Parliamentary Supply below.

However, FC is not fully consolidated into Defra's Accounts, and all subsequent statements and notes in these accounts (except Note 4) relate to Defra only. FC continues to publish separate accounts, which report more fully upon the figures supporting their Resource Outturn.

To distinguish between Defra and FC, the Estimate is divided into two Requests for Resources. Request for Resources 1 relates solely to Defra, whilst Request for Resources 2 relates solely to FC. Details of the work undertaken against each Request for Resources are as follows:

Request for Resources 1: Ensuring that consumers benefit from competitively priced food, produced to high standards of safety; environmental care and animal welfare from a sustainable, efficient food chain, to contribute to the well–being of rural and coastal communities and funding aspects of the CAP and RDPE Guarantee Section as economically, efficiently and effectively as possible.

Request for Resources 2: Direction of the delivery of the Government's Strategy for Trees, Woods and Forests in England and taking the lead in development and promotion of sustainable forest management across Great Britain.

		2010-11							2009-10 Restated
		Estimate			**Outturn**			**Net total outturn compared with Estimate:**	Outturn
	Note	**Gross expenditure**	**A-in-A**	**Net total**	**Gross expenditure**	**A-in-A**	**Net total**	**saving /(excess)**	Net total
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	£000
Request for Resources 1	2, 3	6,709,879	1,570,198	5,139,681	5,924,368	1,314,611	4,609,757	529,924	4,957,377
Request for Resources 2		65,866	12,270	53,596	43,869	-	43,869	9,727	72,505
Total resources		**6,775,745**	**1,582,468**	**5,193,277**	**5,968,237**	**1,314,611**	**4,653,626**	**539,651**	5,029,882
Non-operating cost A-in-A				**8,200**			**6,393**	**1,807**	5,139

Net Cash Requirement 2010–11

		2010-11			2009-10
	Note	**Estimate**	**Outturn**	**Net total outturn compared with Estimate: saving /(excess)**	Outturn
		£000	**£000**	**£000**	£000
Defra			4,650,613		5,416,243
Forestry Commission			42,925		50,839
Net cash requirement	4	**5,167,810**	**4,693,538**	**474,272**	5,467,082

Summary of the Income Payable to the Consolidated Fund

In addition to Appropriations–in–Aid (A–in–A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

		2010-11 Forecast		**2010-11 Outturn**	
	Note	**Income**	***Receipts***	**Income**	***Receipts***
		£000	***£000***	**£000**	***£000***
Defra	5	**(2,343,491)**	***(2,343,491)***	**(2,106,450)**	***(1,924,138)***
Total		**(2,343,491)**	***(2,343,491)***	**(2,106,450)**	***(1,924,138)***

Explanations of variances between Estimate and outturn are given on pages 9–10.

The notes on pages 74–139 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the period ended 31 March 2011

		2010-11						2009-10 Restated	2009-10 Restated
		Core-Department			Consolidated			Core-Department	Consolidated
	Note	Staff costs	Other costs	Income	Staff costs	Other costs	Income		
		£000	£000	£000	£000	£000	£000	£000	£000
Administration costs									
Staff costs	9	135,693			236,575			128,262	230,890
Other administration costs	10		156,978			268,818		184,920	310,175
Operating income	12			(23,634)			(84,757)	(25,042)	(82,798)
								288,140	458,267
Programme costs									
Request for Resources 1									
Staff costs	9	3,175			153,164			2,550	178,796
Programme costs	11		2,345,806			5,269,465		2,635,991	5,928,567
Income*	12			(441,051)			(3,338,820)	(347,854)	(3,641,884)
								2,290,687	2,465,479
Total		**138,868**	**2,502,784**	**(464,685)**	**389,739**	**5,538,283**	**(3,423,577)**		
Net Operating Cost for the year ended 31 March 2011				**2,176,967**			**2,504,445**	2,578,827	2,923,746

Other Comprehensive Expenditure

		2010-11		2009-10	
		Core-Department	Consolidated	Core-Department	Consolidated
		£000	£000	£000	£000
Net (gain)/loss on revaluation of Property, Plant & Equipment		3,775	(13,519)	20,006	50,546
Net (gain)/loss on revaluation of Intangibles		(1,067)	(1,975)	(10,696)	(19,639)
Net (gain)/loss on revaluation of Investments	17	(9)	(9)	(21)	(21)
Pension actuarial (gain)/loss	24.2, 24.3	(217,942)	(217,942)	211,462	211,462
Net (gain)/loss on revaluation of hedging instruments		-	24,316	-	(87,805)
Total Comprehensive Expenditure for the year ended 31 March 2011		**1,961,724**	**2,295,316**	2,799,578	3,078,289

* Defra acts as an agent for the EU in making payments to third parties, income relating to this for 2010–11 was Consolidated £3,281,768,000 (2009–10 £3,581,781,000).

The notes on pages 74–139 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 Core-Department £000	31 March 2011 Consolidated £000	31 March 2010 Restated Core-Department £000	31 March 2010 Restated Consolidated £000	1 April 2009 Restated Core-Department £000	1 April 2009 Restated Consolidated £000
Non-current assets							
Property, plant and equipment	14.1, 14.2	154,746	576,047	176,298	588,210	200,729	661,520
Intangible assets	15	108,250	224,181	125,927	255,637	140,964	249,231
Investments	17	4,952	5,102	5,318	5,468	6,001	6,151
Receivables falling due after more than one year	20	12,785	12,849	9,215	9,252	3,635	3,669
Total non-current assets		**280,733**	**818,179**	316,758	858,567	351,329	920,571
Current assets							
Assets classified as held for sale	14.3	5,480	5,480	2,108	3,068	12,086	13,448
Inventories	19	2,986	36,759	4,140	45,910	10,043	27,922
Trade and other receivables	20	355,829	745,544	516,526	940,390	410,195	627,910
Other financial assets	20	288	923	704	7,766	896	896
Cash and cash equivalents	21	88,464	338,393	62,252	137,127	729,338	1,120,485
Total current assets		**453,047**	**1,127,099**	585,730	1,134,261	1,162,558	1,790,661
Total assets		**733,780**	**1,945,278**	902,488	1,992,828	1,513,887	2,711,232
Current liabilities							
Trade and other payables	23	(823,169)	(1,131,051)	(686,282)	(1,169,747)	(1,138,518)	(1,869,311)
Other financial liabilities	23	(14,014)	(28,951)	(5,232)	(5,944)	(6,196)	(89,403)
Total current liabilities		**(837,183)**	**(1,160,002)**	(691,514)	(1,175,691)	(1,144,714)	(1,958,714)
Non-current assets plus/less net current assets/liabilities		**(103,403)**	**785,276**	210,974	817,137	369,173	752,518
Non-current liabilities							
Provisions	24.1.1	(107,738)	(117,911)	(269,028)	(281,582)	(339,614)	(360,783)
Net pension liabilities	24.1.3	(827,496)	(827,496)	(1,147,900)	(1,147,900)	(977,998)	(977,998)
Other payables	23	(31,300)	(157,549)	(33,580)	(149,063)	(13,076)	(120,580)
Other financial liabilities	23	(13,478)	(13,478)	(11,486)	(11,486)	(16,593)	(16,593)
Total non-current liabilities		**(980,012)**	**(1,116,434)**	(1,461,994)	(1,590,031)	(1,347,281)	(1,475,954)
Assets less liabilities		**(1,083,415)**	**(331,158)**	(1,251,020)	(772,894)	(978,108)	(723,436)
Taxpayers' equity							
General fund	SCTE	(1,123,442)	(480,495)	(1,298,609)	(918,878)	(1,040,315)	(914,301)
Revaluation reserve	SCTE	40,027	150,579	47,589	145,917	62,207	190,865
Hedging reserve	SCTE	-	(3,362)	-	67	-	-
Donated asset reserve	SCTE	-	14	-	-	-	-
Government grant reserve	SCTE	-	2,106	-	-	-	-
Total taxpayers' equity		**(1,083,415)**	**(331,158)**	(1,251,020)	(772,894)	(978,108)	(723,436)

Bronwyn Hill 11 July 2011

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

The notes on pages 74–139 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2011

	Note	**2010-11 £000**	Restated 2009-10 £000
Cash flows from operating activities			
Net operating cost	CSCNE	(2,504,445)	(2,923,746)
Adjustments for non-cash transactions		146,453	205,757
(Increase) / Decrease in trade and other receivables	20	198,092	(324,933)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(255,606)	319,170
(Increase) / Decrease in inventories	19	9,151	(17,988)
Increase / (Decrease) in trade payables	23	(5,211)	(759,647)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		10,156	841,507
Use of provisions	24	(287,811)	(265,286)
Net cash outflow from operating activities		**(2,689,221)**	(2,925,166)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(22,072)	(32,383)
Purchase of intangible assets	15	(21,551)	(46,765)
Government Grant contributions to purchase of assets	SCTE	2,106	-
Proceeds of disposal of property, plant and equipment		6,306	5,139
Proceeds of disposal of Investments		87	-
Net cash outflow from investment activities		**(35,124)**	(74,009)
Cash flows from financing activities			
From Consolidated Fund (Supply): current year		5,026,729	4,600,780
From Consolidated Fund (Supply): prior year		230,874	-
Advances from the Contingencies Fund		-	50
Repayments to the Contingencies Fund		-	(50)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(3,268)	(5,124)
Funding paid to Forestry Commission		(27,050)	(59,095)
Net financing		**5,227,285**	4,536,561
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**2,502,940**	1,537,386
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1,138	1,687
Payments of amounts due to the Consolidated Fund		(2,302,812)	(2,522,431)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**201,266**	(983,358)
Cash and cash equivalents at the beginning of the period	21	137,127	1,120,485
Cash and cash equivalents at the end of the period	21	**338,393**	137,127

The notes on pages 74–139 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

Consolidated

	Note	2010-11 General Fund £000	2010-11 Revaluation Reserve £000	2010-11 Hedging Reserve £000	2010-11 Donated Assets Reserve £000	2010-11 Government Grant Reserve £000	2010-11 Total Reserves £000	2009-10 General Fund £000	2009-10 Revaluation Reserve £000	2009-10 Hedging Reserve £000	2009-10 Total Reserves £000
Balance at 31 March		(928,338)	144,415	67	-	-	(783,856)	(925,067)	190,866	-	(734,201)
Changes in accounting policy		9,460	1,502	-	-	-	10,962	10,766	(1)	-	10,765
Restated balance at 1 April		**(918,878)**	**145,917**	**67**	**-**	**-**	**(772,894)**	(914,301)	190,865	-	(723,436)
Net Parliamentary Funding - drawn down		5,026,729					5,026,729	4,600,780			4,600,780
Net Parliamentary Funding - deemed		-					-	635,426			635,426
Funding to Forestry Commission		(27,050)					(27,050)	(59,095)			(59,095)
Supply (payable)/receivable adjustment		(333,191)					(333,191)	230,874			230,874
CFERs payable to the Consolidated Fund		(2,110,221)					(2,110,221)	(2,326,159)			(2,326,159)
less non-reimbursement by EC of late payments		147,033					147,033	9,043			9,043
less unrealised CFER Income		-					-	15,786			15,786
Comprehensive Net Expenditure for the year	CSCNE	(2,504,445)					(2,504,445)	(2,923,746)			(2,923,746)
Non-cash adjustments											
Non-cash charges - auditors' remuneration	10,11	1,112					1,112	1,214			1,214
Non-cash charges - other		(461)					(461)	(2,286)			(2,286)
Movements in reserves											
Additions					14	2,106	2,120				-
Recognised in Statement of Other Comprehensive Expenditure	OCE	217,942	15,503	(24,316)	-	-	209,129	(211,462)	(30,886)	87,805	(154,543)
Contributions in respect of unfunded benefits	24.2.3	11,700					11,700	11,600			11,600
Release of reserves to Comprehensive Net Expenditure				20,887	-	-	20,887			(87,738)	(87,738)
Transfers between reserves		7,708	(7,722)	-	-	-	(14)	14,062	(14,062)	-	-
Other movements in reserves			(3,119)	-		-	(3,119)			-	-
Transfer to general fund		1,527					1,527	(614)			(614)
Balance at 31 March		**(480,495)**	**150,579**	**(3,362)**	**14**	**2,106**	**(331,158)**	(918,878)	145,917	67	(772,894)

The Government Grant Reserve is held by Fera in respect of redevelopment works completed through a 3 year grant from the European Regional Development Funding (ERDF).

The Hedging Reserve recognises the effective portion of changes in fair value of RPA's foreign currency derivatives that are designated and qualify as cash flow hedges.

Core–Department

	Note	2010-11 General Fund £000	2010-11 Revaluation Reserve £000	2010-11 Total Reserves £000	2009-10 General Fund £000	2009-10 Revaluation Reserve £000	2009-10 Total Reserves £000
Balance at 31 March		(1,298,606)	47,589	(1,251,017)	(1,040,834)	62,207	(978,627)
Changes in accounting policy		(3)	-	(3)	519	-	519
Restated balance at 1 April		**(1,298,609)**	**47,589**	**(1,251,020)**	(1,040,315)	62,207	(978,108)
Net Parliamentary Funding - drawn down		5,026,729		5,026,729	4,600,780		4,600,780
Net Parliamentary Funding - deemed		-		-	635,426		635,426
Funding to Agencies		(2,131,580)		(2,131,580)	(2,519,152)		(2,519,152)
Funding to Forestry Commission		(27,050)		(27,050)	(59,095)		(59,095)
Supply (payable)/receivable adjustment		(333,191)		(333,191)	230,874		230,874
CFERs payable to the Consolidated Fund		(367,687)		(367,687)	(316,736)		(316,736)
Comprehensive Net Expenditure for the year	CSCNE	(2,176,967)		(2,176,967)	(2,578,827)		(2,578,827)
Non-cash adjustments							
Non-cash charges - auditors' remuneration	10,11	350		350	400		400
Non-cash charges - other		(49,928)		(49,928)	(54,341)		(54,341)
Movements in reserves							
Recognised in Statement of Other Comprehensive Expenditure	OCE	217,942	(2,699)	215,243	(211,462)	(9,289)	(220,751)
Contributions in respect of unfunded benefits	24.2.3	11,700		11,700	11,600		11,600
Transfers between reserves		1,744	(1,744)	-	5,329	(5,329)	-
Other movements in reserves			(3,119)	(3,119)			-
Transfer to general fund		3,105		3,105	(3,090)		(3,090)
Balance at 31 March		**(1,123,442)**	**40,027**	**(1,083,415)**	(1,298,609)	47,589	(1,251,020)

The notes on pages 74–139 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 2010–11 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 IFRS, as adapted or interpreted for the public sector context, and comply with the guidelines issued by the International Financial Reporting Interpretations Committee (IFRIC).

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare an additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate for the net resource requirement and the net cash requirement.

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 judgments and estimation uncertainty

The preparation of financial statements requires management to make judgments, 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. For example, estimates for provisions are informed by the outcome of previous and relevant legal cases and the extrapolation of average costs required to settle the resulting liabilities. Pension provision liabilities are assessed by actuaries, and are based on factors such as life expectancy, age of scheme members, prevailing interest and inflation rates and projected returns on invested funds. Actual results may differ from these estimates. Where appropriate, the relevant notes to the Accounts provide further detail on estimation techniques.

Details of significant judgments, apart from those involving estimation, that management have made in the process of applying the Department's accounting policies are as follows:

- Revenue recognition – SPS (see 1.5.1) and RDPE (see 1.5.2);
- Service concession arrangements (see 1.6.2);
- Lease breaks (see 1.6.3);
- Foreign currency (see 16.2.2);
- Disallowance (see 24.1.6); and
- EA pension liability (see 24.2.1).

1.2 Accounting Convention

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

1.3 Basis of Consolidation

These accounts comprise a consolidation of those entities that fall within the departmental boundary as defined in the FReM. Transactions between entities included in the consolidation have been eliminated. A list of those entities within the departmental boundary is given in Note 37.

The Department is excluded from the requirement to fully consolidate FC and its related bodies under accounts direction given by HM Treasury. FC is consolidated in these accounts to the extent that it is included within the Statement of Parliamentary Supply and the Reconciliation of Net Resource Outturn to Net Cash Requirement (Note 4).

1.4 Changes to Government Accounting Framework

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the removal of the cost of capital charge were not included in the SSEs for 2010–11, other than as a note, on the basis that the PPA numbers could have been misleading. PPAs arising from an error in previous recording or any other change in accounting policy were included in the Estimates in line with conventional arrangements.

For 2010–11 HM Treasury amended the budgeting guidance to require Public Corporations to be recognised on an external finance basis. FC have amended their accounting treatment accordingly. This change and the removal of the cost of capital charge has the following effect on Resource Outturn in 2009–10:

	2009-10 **£000**
Net Resource Outturn (Statement of Parliamentary Supply)	**5,029,882**
Removal of the cost of capital charge - Defra	(3,347)
Removal of the FC cost of capital charge/change in treatment of FEE*	(23,295)
Adjusted Net Resource Outturn	**5,003,240**

*Full details are shown in the table below

	2009-10 **£000**
Net Resource Outturn (Statement of Parliamentary Supply)	**72,505**
Adjustments to the net operating cost:	
Remove cost of capital charge	(477)
Adjustment to funding paid to Forest Enterprise England (cash rather than resource basis)	(25,823)
Remove Forest Enterprise England adjustments from the consolidation:	
Forest Enterprise England depreciation	2565
Forest Enterprise England cash flow from investing activities	(823)
Donations towards Forest Enterprise England capital expenditure	406
Government grants towards Forest Enterprise England capital expenditure	857
Adjusted Net Resource Outturn	**49,210**

The Statement of Parliamentary Supply and related notes have not been restated for this effect.

1.5 Scheme Costs and Grants

1.5.1 RPA reported Income and Expenditure

SPS expenditure for England is recognised by the RPA when it has a present obligation to make payments to the claimants as a result of the completion of all substantive processes to validate each claim, and the amount payable to each claimant is considered reliably measured and probable.

SPS income for England is recognised by RPA when it is probable that it will receive a reimbursement from the European Commission for scheme expenditure incurred and the amount to be received from the European Commission is considered reliably measurable. These conditions are deemed to be met at the point that the related scheme expenditure is recognised, that is, upon the completion of all substantive processes to validate and reliably measure each claim.

For all other European Agriculture Guarantee Fund (EAGF) schemes administered by RPA an accrual point has been established according to the applicable scheme rules and regulations. Where a present obligation for payment is identified to fall on or before the Statement of Financial Position date, it is shown as a payable in the current year's financial statements with the European Commission funded element offset as a receivable. Similarly, any element paid in advance of these accrual points is treated as a prepayment with an offsetting payable. In accordance with European Commission regulations RPA collects and surrenders both sugar and isoglucose production charges to fund the restructuring of the sugar regime. Production charges are recognised as income and these funds are remitted to the European Commission via HM Treasury. Sugar restructuring receipts are remitted directly to the European Commission through the monthly reimbursement process and are not reported in these accounts.

All of RPA's scheme expenditure is pre–funded by the UK Exchequer. Subsequent receipts reclaimed from the European Commission are surrendered to HM Treasury, following receipt.

Other UK Paying Agencies make payments to claimants under both the EAGF 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 the Agency from the European 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.

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 European Commission for scheme expenditure incurred and the amount to be received from the European Commission is considered reliably measurable. These conditions are deemed to be met at the point that the related scheme expenditure is recognised, that is, on receipt of a funding request. However, the impacts of any foreign exchange movements between the claim date and the date of actual reimbursement by the European Commission are borne by RPA and accordingly recognised within the Statement of Comprehensive Net Expenditure.

1.5.2 Other reported scheme Income and Expenditure

Rural Development expenditure under the RDPE is paid by RPA and FC on behalf of Defra. Defra delegates authority to RPA to make payments on eligible claims as authorised by NE and the RDA's. FC has delegated authority from RPA to authorise and make its own payments. Generally the expenditure is recognised as each claim is validated and the amount payable to the claimant is reliably measurable, with the following exceptions:

- NE agri environment schemes recognition points are the anniversaries of the agreement start dates, when it is deemed that contractual obligations have been met. Other schemes recognition points are at the date the claim is paid; and

- RDA's recognition point is when claims have been received.

EU income is recognised at the same time as the EU element of the expenditure is recognised.

Income and expenditure is reported in Defra's Account. Expenditure is reported as intra–government transfer, and as a movement through the General Fund. The impacts of any foreign exchange movements between the claim date and the date of actual reimbursement by the European Commission are borne by RPA and recognised within the Statement of Comprehensive Net Expenditure.

1.5.3 Modulation

Modulation is a vehicle for redirecting into Rural Development a proportion of support payments to farmers and other claimants. This process is supported by EC and national legislation. Under these arrangements, there are two types of modulation – National (or Voluntary) Modulation and EC (or Compulsory) Modulation.

National Modulation is managed on the Core–Department's behalf by RPA with the cash retained in RPA's bank accounts. The funds are accounted for as deferred income to fund future Rural Development expenditure in the Core–Department's account.

From SPS 2007 onwards, scheme payments are reclaimed net of all modulation. National Modulation funds for the UK are reclaimed from the EC when the Rural Development expenditure is incurred.

EC Modulation reduces the net amounts paid to traders and farmers, with the funds retained in the first instance by the EC. However, the EC has committed at least 80% of these funds to be available to cover Rural Development expenditure in the UK. EC Modulation will be reclaimed from the EC when the Rural Development expenditure is incurred.

Within these accounts SPS is reported net of National Modulation and EC Modulation for SPS 2007 and subsequent years.

1.6 Property, Plant and Equipment

1.6.1 Recognition and Valuation

Freehold land and buildings, including buildings on leasehold land, and, where appropriate, Construction in Progress (CIP), are stated at fair value and are subject to professional valuation at five yearly intervals. These are carried out by professionally qualified independent valuers, who adhere to the principles outlined in the RICS Valuation Standards (Red Book). The most recent valuation at the Core–Department was conducted in March 2010, and was prepared by DTZ Limited, under the guidance of a qualified Director in their Valuation Department. Operational non–specialist property assets have been assessed on the basis of open market value in existing use in accordance with the Valuation Standard, and in line with the FReM stated requirements. Between the recommended five yearly independent asset valuations, annual desk top valuation reviews are undertaken and values are adjusted to reflect prevailing local and national property trends.

Non property tangible assets have been stated at fair value, in most cases this is established using appropriate indices provided by the Office of National Statistics.

The minimum level of capitalisation in the Core–Department is £2,000. The levels of capitalisation employed by other entities within the departmental boundary, although different, do not have a material impact.

Subsequent expenditure is capitalised if the criteria for initial capitalisation are met, i.e. if it is probable that economic benefits will flow to the Department, and that the cost of the expenditure can be reliably measured.

Further details are provided in Note 14.

1.6.2 Service Concession Arrangements (IFRIC 12)

Defra has entered into a contract with IBM for the supply of IT services. The contract is for a term of 8 years from February 2010. The contract falls within the scope of IFRIC 12, as interpreted by the FReM, and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value of payments to IBM to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the Department will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Department's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

1.6.3 Lease Breaks

The Management Committee approved estates strategy states that the default position is that lease breaks are exercised. Defra has undertaken a detailed process to consider individual leases to confirm that this judgement holds true. The impact of now recognising lease breaks results in an increase to depreciation on fit out costs by £755k for 2010–11. In addition it reduces our operating lease commitment disclosure in comparison to 2009–10 by £96m.

1.6.4 Assets classified as Held for Sale

This classification is appropriate if an asset's carrying amount is to be recovered principally through a sale transaction and the asset is being actively marketed at the Statement of Financial Position date, rather than through continuing use. Depreciation ceases immediately on the classification of the assets as being held for sale. They are stated at the lower of their carrying amount and fair value less costs to sell. They are recorded in the current assets section of the Department's Statement of Financial Position.

1.7 Intangible Non–Current Assets

These comprise software licences and internally developed IT software, including CIP.

The Department holds various software licences, which were capitalised at purchase cost where this exceeds capitalisation thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value. They are reviewed annually for any impairment, to ensure they are not carried in the Statement of Financial Position above their recoverable amounts.

Internally generated assets are recognised as CIP, and not revalued until the completed asset is brought into service. The costs are classified as relating either to research or to development phases. The Department's expenditure on research activities is recognised in the Statement of Comprehensive Net Expenditure as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. 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 staff costs on projects costing in excess of £20,000 for Fera, £50,000 for the Core–Department and AH and £100,000 for RPA. The Department does not hold any intangible assets with an indefinite useful life.

When fully operational in the business, internally generated software is stated at fair value, which, if it is not income generating, is generally depreciated replacement cost. Values are updated annually using indices supplied by ONS.

Further details are provided in Note 15.

1.8 Depreciation

Depreciation and amortisation are provided at rates estimated to write off the valuation, less any estimated residual value, of freehold buildings, other items of property, plant and equipment, software licences and fully operational internally developed software by the straight line method over the estimated useful life of the asset.

Componentisation has been adopted by certain entities within the consolidation boundary. In this instance, each component of an asset with a value deemed material to the total fair value of the asset is capitalised and depreciated separately. Components no longer to be used are derecognised. 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 revised annually.

Depreciation is not charged on assets held for sale, freehold land and CIP. Lives are normally in the following ranges:

Freehold buildings	12 to 65 years
Buildings on leased land	Average component life and length of lease, componentised if material
IT hardware	2 to 12 years
IT software	2 to 20 years
Furniture and fittings	3 to 30 years
Plant and machinery	3 to 25 years
Vehicles	3 to 25 years
Vessels	15 to 30 years

Further details are provided in Notes 14 and 15.

1.9 Impairment

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

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

Downward revaluations, resulting from changes in market value, only result in 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 Statement of Comprehensive Net Expenditure.

1.10 Inventories and Work in Progress

1.10.1 Inventories

The Core–Department, Fera, AH and VLA recognise inventories in their accounts. These are brought into the consolidated accounts at the lower of cost (or at current replacement cost where materially different) or net realisable value. The Core–Department only records inventory over £250,000 due to the non–cost effectiveness of collecting this information.

1.10.2 Work in Progress

Work in progress is valued at the lower of cost (including appropriate overheads) or net realisable value.

1.10.3 Intervention Inventories

These comprise agricultural commodities purchased into intervention under terms specified by EAGF and valued in accordance with its directions. The effect of these directions is to secure inventories at the stated value, as any shortfall in sales revenues is made good by the EC.

Further details of inventories are provided in Note 19.

1.11 Operating Income

Operating income relates directly to the operating activities of the Department. It includes income appropriated–in–aid of the Estimate and receipts from the EU.

1.12 Other Income

The Department's Public Corporations are required to pay a dividend to the Core–Department. This is effectively an internal rate of return and is calculated on an external finance basis, based upon the weighted average cost of financing, charges and assets for each significant programme of work.

1.13 Administration and Programme Expenditure and Income

The Statement of Comprehensive Net Expenditure is analysed between administration and programme costs. The classification of expenditure and income as administration or programme follows the definition set by HM Treasury. Administration costs reflect the costs of running the Department, as defined under the administration cost control regime, together with associated operating income. Income is analysed in the notes between that which is allowed to be offset against gross administrative costs and that operating income which is not. Programme costs reflect administration costs of frontline services and all other non–administration costs, including payments of grants, subsidies and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

1.14 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of each transaction. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the Statement of Financial Position. Any gains or losses on translation are recorded against expenditure in the year they are incurred.

In agreement with HM Treasury, RPA hedges against currency movements associated with the EC reimbursement process. Reporting and disclosure is in line with IAS 39 and is discussed in Note 1.15.3: Derivative Financial Instruments.

1.15 Financial Instruments

1.15.1 Financial Assets

The Department holds loans and Receivables and Available for Sale Financial Assets in this category.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans in this category are carried at historic cost less impairments and receivables are carried in the Statement of Financial Position at cost less appropriate provisions for specific doubtful receivables.

Available for Sale Financial Assets are non derivative financial assets that are classed as available for sale on initial recognition, or are not categorised in line with any other financial asset classification. They included a small number of equity share investments, which were disposed of in 2010–11, and a National Loan Fund (NLF) loan, which in turn has been lent to British Waterways. The equity share investments comprise a small quantity of shares in a number of public limited companies (plc) and the entire share capital of Cefas Technology Limited. Available for Sale Financial Assets are measured at fair value, with the plc shares being valued on an annual basis as quoted on the London Stock Exchange. All unrealised gains or losses are set against equity reserves, with gains or losses on disposal recognised in the Statement of Comprehensive Net Expenditure.

1.15.2 Financial Liabilities

These comprise trade and other payables and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

1.15.3 Derivative Financial Instruments

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

In accordance with IAS 39, RPA elected to designate certain foreign currency derivatives as cash flow hedges of the Euro denominated receipts from the European Commission in relation to SPS and RDPE. At the inception of the hedge relationship, RPA documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, RPA documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged items, as required by the standard.

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 income or cost, and is included in the Statement of Comprehensive Net Expenditure.

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

Hedge accounting is discontinued when RPA revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in the cash flow hedge reserve at that time is accumulated in Taxpayers' Equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Net Expenditure. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in Taxpayers' Equity is recognised immediately in the Statement of Comprehensive Net Expenditure.

1.16 Employee Benefits

1.16.1 Pensions

Pension benefits are provided through the civil service pension arrangements, full details of which can be found in the Remuneration Report and in Note 9.

Although the Principal Civil Service Pension Scheme (PCSPS) is an unfunded defined benefit scheme, in accordance with explicit requirements in the FReM, departments, agencies and other bodies account for the scheme as if it were a defined contribution plan. Costs of the elements are recognised on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on PCSPS.

Where the Department is responsible for pension schemes from 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.

For further details on pensions, see Note 24.

1.16.2 Other Employee Benefits

The Department recognises a liability and expense for all other employee benefits, including unused annual leave, accrued at the Statement of Financial Position date, provided these amounts are material in the context of the overall staff costs.

Termination benefits are recognised as a liability when the Department has a binding commitment to terminate the employment of an employee or group of employees before the normal retirement date, or as a result of an offer to encourage voluntary redundancy.

1.17 Early Retirement Costs

The Department is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

Further information is provided in Note 24.

1.18 Provisions

The Department provides for obligations arising from past events where the Department has a present obligation at the Statement of Financial Position date, and where it is probable that it will be required to settle the obligation and a reliable estimate can be made. Where material, the future costs (excluding those relating to pensions and early retirement) have been discounted using the rate of 2.2%, as directed by HM Treasury. Early retirement provisions are discounted at the pensions rate. Disallowance provisions are not discounted due to the uncertainty around timing, estimates and foreign exchange fluctuations.

The Department considers that an obligation arises in relation to payments made on schemes regulated by the EC when a breach in the EC's regulations has been identified, and moreover that it is probable this breach will lead to financial corrections, known as disallowances, and a reliable estimate can be made. Further information is provided in Note 24. The Department no longer makes provisions relating to the risk of disallowance in respect of the UK Devolved Administrations.

The Department holds a number of pension provisions, further information and details of the schemes can be found in Note 24.2 and 24.3. These have been assessed in accordance with the requirements of Chapter 12 of the FReM (2010–11) and an actuarial valuation under IAS 19 has been carried out as at 31 March 2011. As directed by HM Treasury these are discounted at 5.6% (the product of the real interest rate of 2.9% and the inflation rate of 2.65%) from 31 March 2011. Changes in actuarial assumptions are reflected through reserves and recognised in the Statement of Other Comprehensive Expenditure.

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the CPI rather than the RPI for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of uprating index–linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

1.19 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. An operating lease is a lease other than a finance lease.

The determination of whether an arrangement is, or contains, a lease, is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. The Department evaluates contractual arrangements, including those classed within Public–Private Partnerships, in accordance with the above criteria.

Both the asset value and liability to pay future rentals under a finance lease are discounted at the interest rate implicit in the lease to derive the present value. Assets obtained under a finance lease are revalued and depreciated.

Where the total of future minimum lease payments are known, the expense is recognised in the Statement of Comprehensive Net Expenditure on a straight line basis over the length of the lease. Otherwise, payments are charged to the Statement of Comprehensive Net Expenditure as they are incurred.

1.20 Value Added Tax (VAT)

Core–Defra and its Executive Agencies share a single VAT registration. Most activities relating to the group are outside the scope of VAT. As a result, input tax cannot generally be recovered. However, under a HM Treasury concession applying to government departments, limited input VAT recovery may be possible on certain specified contracted out services attributable to those activities. For those limited activities where output VAT is charged, directly attributable input VAT can be recovered under the normal rules.

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

1.21 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.

Where the time value of money is material, contingent liabilities are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament. Further information is provided in Notes 30 and 31.

1.22 Machinery of Government (MOG) changes

MOG changes which involve the merger of 2 or more departments into a new department, or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting where material, in accordance with the FReM.

1.23 Impending application of newly issued accounting standards not yet effective

At the date of authorisation of these financial statements, the following standards relevant to the Department were issued but not yet effective:

- IFRS 9 Financial instruments, classification and measurement; and
- IAS 24 Related Party disclosures, revised definition of related parties

These standards have not been adopted by the Department ahead of their implementation date. The future impact of IAS 24 on the Department's financial statements is not considered to be significant. The Department is reviewing the likely impact of the adoption of IFRS 9.

Defra has also reviewed the changes to the FReM and determined that revisions to Chapter 4 – Accounting Boundaries, will have a significant impact on the accounts. From 2011–12 NDPBs will fall within the accounting boundary. Although the NDPBs will be consolidated in the Departmental Accounts, the removal of Grant–in–Aid will mean the changes are largely presentational. The major difference overall will be the shift to bring CFER income within the RfR and Net Cash Requirement, therefore reducing these by approximately £2bn.

2 Analysis of Net Resource Outturn by Section

	2010-11								Restated 2009-10
	Outturn						Estimate	Net total Outturn compared with Estimate: saving/ (excess)	Outturn
	Admin	Other current	Grants	Gross resource expenditure	A-in-A	Net total	Net total		Net total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1:									
Spending in Departmental Expenditure Limits (DEL)									
Central Government									
A Healthy Natural Environment	42,813	703,272	31,938	778,023	(51,082)	726,941	717,560	(9,381)	614,573
Sustainable Consumption and Production	9,700	14,443	49,789	73,932	(53)	73,879	105,722	31,843	89,574
Addressing Environmental Risk and Emergencies	30,652	275,148	33,997	339,797	(44,949)	294,848	293,645	(1,203)	351,685
A Thriving Farming and Food Sector	29,004	74,286	364	103,654	(13,920)	89,734	101,609	11,875	98,017
Championing Sustainable Development	1,684	2,322	56	4,062	-	4,062	5,954	1,892	4,019
Strong Rural Communities	2,102	13,420	59,569	75,091	(9,591)	65,500	73,028	7,528	75,718
A Respected Department	228,203	12,021	1,057	241,281	(39,008)	202,273	147,875	(54,398)	231,550
Rural Payments Agency: EC Funded	-	1,744,243	706	1,744,949	-	1,744,949	1,962,697	217,748	2,055,923
Rural Payments Agency: Running Costs	-	195,464	-	195,464	(170)	195,294	182,597	(12,697)	232,984
Rural Payments Agency: Other	-	(2,804)	-	(2,804)	-	(2,804)	-	2,804	167,220
Adapting to Climate Change	3,074	10,193	1,689	14,956	(464)	14,492	26,912	12,420	22,808
A Sustainable, Secure and Healthy Food Supply	2,791	383	257	3,431	(31)	3,400	4,702	1,302	3,022
Local Authority									
A Healthy Natural Environment	-	-	58,370	58,370	-	58,370	58,463	93	52,550
Sustainable Consumption and Production	-	-	48,088	48,088	-	48,088	33,750	(14,338)	110,473
Addressing Environmental Risk and Emergencies	-	-	4,566	4,566	-	4,566	-	(4,566)	-
Rural Payments Agency EC Funded	-	-	4,118	4,118	-	4,118	4,983	865	4,039
Area Based Grants: Defra	-	-	2,997	2,997	-	2,997	2,997	-	2,887
Total	**350,023**	**3,042,391**	**297,561**	**3,689,975**	**(159,268)**	**3,530,707**	**3,722,494**	**191,787**	**4,117,042**
Request for Resources 1:									
Spending in Annually Managed Expenditure (AME)									
Central Government									
A Healthy Natural Environment	-	(5,279)	(86,500)	(91,779)	-	(91,779)	61,800	153,579	(58,542)
Addressing Environmental Risk and Emergencies	-	131	-	131	-	131	-	(131)	13,074
A Thriving Farming and Food Sector	-	-	-	-	-	-	-	-	(47)
Strong Rural Communities	-	2,050	-	2,050	-	2,050	-	(2,050)	(280)
A Respected Department	-	1,924	-	1,924	-	1,924	44,000	42,076	(20,713)
Rural Payments Agency: Running Costs	-	(2,084)	-	(2,084)	-	(2,084)	10,000	12,084	(8,430)
Rural Payments Agency Other	-	43,534	-	43,534	-	43,534	68,000	24,466	(26,314)
Total	**-**	**40,276**	**(86,500)**	**(46,224)**	**-**	**(46,224)**	**183,800**	**230,024**	**(101,252)**
Request for Resources 1:									
Non-budget									
A Healthy Natural Environment	-	-	499,762	499,762	-	499,762	546,027	46,265	569,018
Addressing Environmental Risk and Emergencies	-	-	617,000	617,000	-	617,000	676,951	59,951	617,692
A Thriving Farming and Food Sector	-	-	1,105	1,105	-	1,105	1,634	529	3,045
Strong Rural Communities	-	-	5,870	5,870	-	5,870	6,300	430	6,400
Rural Payments Agency: EC Funded	-	1,154,512	-	1,154,512	(1,155,343)	(831)	-	831	(259,552)
Championing Sustainable Development	-	-	2,368	2,368	-	2,368	2,475	107	4,984
Total	**-**	**1,154,512**	**1,126,105**	**2,280,617**	**(1,155,343)**	**1,125,274**	**1,233,387**	**108,113**	**941,587**
Resource Outturn	**350,023**	**4,237,179**	**1,337,166**	**5,924,368**	**(1,314,611)**	**4,609,757**	**5,139,681**	**529,924**	**4,957,377**
Netted off expenditure	3,177	477	-	3,654	(3,654)	-			
Internal income	152,193	(152,193)	-	-	-	-			
Operating income not classified as A in A	-	-	-	-	(2,105,312)	(2,105,312)			
Prior Period Adjustments									
Net Operating Cost	**505,393**	**4,085,463**	**1,337,166**	**5,928,022**	**(3,423,577)**	**2,504,445**			

Refer to the Statement of Parliamentary Supply for a description of Request for Resources 1.

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown on pages 9–10.

3 Reconciliation of Outturn to Net Operating Cost and against Administration Budget

3.1 Reconciliation of Net Resource Outturn to Net Operating Cost

		2010-11			Restated 2009-10
	Note	**Estimate**	**Outturn**	**Outturn compared with Estimate**	Outturn
		£000	**£000**	**£000**	£000
Net resource outturn	2	5,139,681	4,609,757	529,924	4,957,377
Non-supply income (CFERs)	5	(2,343,491)	(2,105,312)	(238,179)	(2,390,685)
Prior period adjustments		-	-	-	357,054
Net operating cost		**2,796,190**	**2,504,445**	**291,745**	2,923,746

Net Operating Cost is the total of expenditure and income appearing in the Statement of Comprehensive Net Expenditure. Net Resource Outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the Statement of Parliamentary Supply.

3.2 Outturn against Final Administration Budget

	2010-11		Restated 2009-10
	Budget	**Outturn**	Outturn
	£000	**£000**	£000
Gross Administration Budget	371,036	350,023	351,244
Income allowable against the Administration Budget	(88,948)	(81,580)	(82,631)
Net outturn against final Administration Budget	**282,088**	**268,443**	268,613

4 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	2010-11 Estimate	2010-11 Defra Outturn	2010-11 Forestry Commission Outturn	2010-11 Total Outturn	2010-11 Net total outturn compared with Estimate: saving/(excess)	Restated 2009-10 Outturn
		£000	£000	£000	£000	£000	£000
Resource outturn	2	5,193,277	4,609,757	43,869	4,653,626	539,651	5,029,882
Capital							
Acquisition of Property, Plant and Equipment		55,194	22,610	1,354	23,964	31,230	30,760
Acquisition of intangibles		-	23,753	-	23,753	(23,753)	44,635
Government Grant contributions to purchase of assets		-	(2,106)	-	(2,106)	2,106	-
Non-operating cost A-in-A							
Proceeds of asset disposals		(8,200)	(6,393)	-	(6,393)	(1,807)	(5,139)
Accruals adjustments							
Non-cash items		(288,875)	(146,453)	(5,403)	(151,856)	(137,019)	(209,643)
Changes in working capital other than cash		25,000	(124,270)	1,238	(123,032)	148,032	(18,398)
Changes in payables falling due after more than one year		-	(14,096)	571	(13,525)	13,525	(7,127)
Use of provision	24	191,414	287,811	589	288,400	(96,986)	266,565
Timing between accrual and cash VAT		-	-	854	854	(854)	826
Non-cash inter-country transfers		-	-	(147)	(147)	147	485
Other adjustments							
Prior period adjustments		-	-	-	-	-	334,236
Net cash requirement		**5,167,810**	**4,650,613**	**42,925**	**4,693,538**	**474,272**	**5,467,082**

5 Analysis of income payable to the Consolidated Fund

In addition to A–in–A, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2010-11 Income	Forecast 2010-11 *Receipts*	Outturn 2010-11 Income	Outturn 2010-11 *Receipts*
		£000	*£000*	£000	*£000*
Other operating income & receipts, not classified as A-in-A		2,343,491	*2,343,491*	2,105,312	*1,923,000*
		2,343,491	***2,343,491***	**2,105,312**	***1,923,000***
Other amounts collected on behalf of the Consolidated Fund		-	-	1,138	*1,138*
Total income payable to the Consolidated Fund		**2,343,491**	***2,343,491***	**2,106,450**	***1,924,138***

Reconciliation to Statement of Changes in Taxpayers' Equity

		£000
Operating income, not classified as A-in-A or in excess of A-in-A		2,105,312
Movement in EU income accruals, not recognised as payable to the Consolidated Fund until formally claimed from the EU		4,909
Operating income payable to the Consolidated Fund	SCTE	**2,110,221**
Less:		
Non-reimbursement by EC of late payments	SCTE	(147,033)
Adjusted operating income payable to the Consolidated Fund		**1,963,188**

6 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	**2010-11** **£000**	2009-10 £000
Operating income	12	3,423,577	3,724,682
Income authorised to be appropriated in aid	2	(1,314,611)	(1,401,964)
Netted-off gross expenditure in net sub head		(3,654)	(729)
Prior period adjustments		-	68,696
Operating income payable to the Consolidated Fund	5	**2,105,312**	2,390,685

7 Consolidated Fund Income

Consolidated Fund income shown in Note 6 above does not include any amounts collected by Defra where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected by Defra's agencies as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) are disclosed in the relevant agency accounts. No such amounts have been collected by the Core–Department.

8 Non–Operating Income – Excess Appropriations–in–Aid

No non–operating income relating to excess A–in–A has been recognised in 2010–11 (2009–10 £Nil).

9 Staff Numbers and Related Costs

9.1 Staff Costs

Staff costs comprise:

	2010-11					Restated 2009-10
	Permanent employed staff	**Others**	**Ministers**	**Special advisors**	**Total**	Total
	£000	**£000**	**£000**	**£000**	**£000**	£000
Salaries and wages	287,670	26,873	249	129	**314,921**	332,450
Social security costs	21,712	105	22	13	**21,852**	23,014
Other pension costs	52,944	-	3	19	**52,966**	54,269
Sub-total	**362,326**	**26,978**	**274**	**161**	**389,739**	409,733
Less: recoveries in respect of outward secondments	(4,436)	-	-	-	**(4,436)**	(4,608)
Total net costs	**357,890**	**26,978**	**274**	**161**	**385,303**	405,125
Of which:						
Core-Department	**119,721**	**14,574**	**274**	**161**	**134,730**	126,498

For 2010–11, out of the total, £4,436,000 (£4,138,000 Core–Department) recoveries in respect of outward secondments have been netted off, £Nil (£Nil Core–Department) has been charged to capital and the balance of £389,739,000 (£138,868,000 Core–Department) has been charged in the Statement of Comprehensive Net Expenditure.

For 2009–10, out of the total, £4,608,000 (£4,361,000 Core–Department) recoveries in respect of outward secondments were netted off, £47,000 (£47,000 Core–Department) was charged to capital and the restated balance of £409,686,000 (restated £130,812,000 Core–Department) was charged in the Statement of Comprehensive Net Expenditure.

Principal Civil Service Pension Scheme

Pension benefits for most employees of the Department are provided through the PCSPS. The PCSPS is an unfunded multi–employer defined benefit scheme. Defra is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Annual Accounts of the Cabinet Office: Civil Superannuation[19].

For 2010–11, employer’s contributions of £52,482,000 (Restated 2009–10 £53,860,000) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, 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 2010–11 to be paid when the member retires, and not the benefits paid during this period to current pensioners.

Other Pension Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer’s contributions of £408,000 for 2010–11 (2009–10 £392,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age–related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £76,000 for 2010–11 (2009–10 £17,000), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on

[19] http://www.civilservice-pensions.gov.uk/my-civil-service/pensions

death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £Nil. Contributions prepaid at that date were £Nil.

2 individuals (2009–10 3 individuals) retired early on ill health grounds: the total additional accrued pension liabilities in the year amounted to £9,715 (2009–10 £19,343).

Loans are made to staff to cover season ticket advances and to relocate. As at 31 March 2011, there were no outstanding balances to Management Committee members.

9.2 Average Number of Persons Employed

The average number of whole–time equivalent persons employed during the year was as follows:

	2010-11					2009-10
	Permanent employed staff	**Others**	**Ministers**	**Special advisors**	**Total**	Total
	Number	**Number**	**Number**	**Number**	**Number**	Number
Animal Health Agency	1,436	53	-	-	1,489	1,596
Environment Agency Sponsorship – EP, Water Fisheries and Closed Pension Fund	5	-	-	-	5	6
Floods Ongoing Function	44	1	-	-	45	43
Landscape Recreation and Waterways Sponsorship	32	-	-	-	32	35
Marine Programme	137	9	-	-	146	147
Other*	4,629	222	4	1	4,856	4,856
RPA	2,570	116	-	-	2,686	3,407
Rural Development Programme England	56	-	-	-	56	45
Sustainable Consumption and Production	200	7	-	-	207	197
WAC Sponsored Bodies	21	-	-	-	21	20
Total	**9,130**	**408**	**4**	**1**	**9,543**	**10,352**
Of which:						
Core-Department	**2,368**	**171**	**4**	**1**	**2,544**	**2,762**

*Of which 2,756 Permanent Employed Staff and 67 Others are within the Agencies (2,778 for 2009–10)

9.3 Reporting of Civil Service and other compensation schemes – exit packages

	2010-11			2009-10		
Cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	13	122	135	-	55	55
£10,000 - £25,000	3	127	130	2	5	7
£25,001 - £50,000	2	122	124	-	7	7
£50,001 - £100,000	3	85	88	-	9	9
£100,001 - £150,000	-	31	31	-	4	4
£150,001 - £200,000	-	12	12	-	2	2
£200,001 - £250,000	-	3	3	-	1	1
£250,001 - £300,000	-	3	3	-	3	3
£300,001 - £350,000	-	3	3	-	1	1
Total number of exit packages by type	**21**	**508**	**529**	2	87	89
Total resource cost (£000)	**398**	**20,765**	**21,163**	21	3,245	3,266

Timing differences for the creation of provisions for early departure costs have resulted in differences between the above table and departure costs in Notes 10 and 11.

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.

Included in the above table for 2010–11 are 6 Core–Department individuals whose payments were not fully covered by the CSCS, these constitute ex–gratia payments agreed with HM Treasury totalling £734k (2009–10 £Nil).

In 2010–11, 18 staff transferred from LGC to Fera. Included in the above table are payments made to those who opted for redundancy rather than to relocate. Under TUPE all redundancy packages were calculated in line with LGC policy.

Within the above table for 2010–11, is £616k relating to members of AH's Management Board leaving under the Government Approved Early Retirement Scheme.

10 Other Administration Costs

	Note	2010-11 Core-Department £000	2010-11 Consolidated £000	Restated 2009-10 Core-Department £000	Restated 2009-10 Consolidated £000
Rentals under operating leases		13,875	14,908	35,768	36,798
Interest charges		1,220	1,297	-	-
PFI service charges*		(15)	(15)	480	480
Travel, subsistence & hospitality		3,879	8,295	5,564	10,518
Vessels		-	4,830	-	4,452
Consumables		-	27,047	-	30,237
ITservices/software/hardware		44,027	47,781	42,683	45,424
Estate management		21,993	61,125	17,793	58,462
Consultancy/subcontracting		3,071	6,112	21,360	34,854
Training		2,034	3,056	2,044	3,623
Publicity, marketing & promotion		1,659	1,681	2,296	2,296
Stationery & printing		462	814	1,142	1,142
Office services		7,657	7,657	6,618	6,618
Early departure		17,893	18,965	2,914	4,770
Exchange rate (gains)/losses		-	167	-	169
Auditors' remuneration - cash expense		-	81	-	-
Other		9,652	18,449	11,594	12,942
Non-cash items					
Depreciation		12,815	28,775	17,080	38,454
Amortisation		15,433	16,810	15,370	16,315
Profit on the disposal of Property, Plant and Equipment		(359)	(424)	(726)	(726)
Loss on the disposal of Property, Plant and Equipment		1,332	1,375	2,540	2,555
Impairment		-	(493)	-	420
Auditors' remuneration		350	556	400	619
Other non-cash items		-	(31)	-	(247)
Total		**156,978**	**268,818**	184,920	310,175

During the year the Department did not purchase any non–audit services from its auditor, the NAO.

Within the Statement of Comprehensive Net Expenditure, rental costs in relation to buildings that are leased by Defra are stated net of the proportion of rent recovered from occupiers who fall outside of the Department's accounting boundary.

Reduction in the charge to the Statement of Comprehensive Net Expenditure due to the disposal of properties from the Defra leasehold portfolio. The most significant of these were the disposal of Page Street and Ashdown House which account for £16m of the reduced charge.

*The credit balance is mainly due to the over accrual of charges in 2009–10 (and subsequent reversal in 2010–11) due to the assumption that VAT was not recoverable. It has now been confirmed by HMRC that VAT is recoverable.

11 Programme Costs

	2010-11		Restated 2009-10	Restated
	Core-Department	**Consolidated**	Core-Department	Consolidated
	£000	**£000**	£000	£000
Rentals under operating leases	44	7,237	34	2,066
Interest charges	477	803	562	902
Research and development expenditure	105,269	105,269	126,219	126,219
Travel, subsistence and hospitality	120	6,176	128	9,247
Consumables	-	926	-	846
IT services/software/hardware	6,983	55,783	348	52,592
Estate management	-	10,843	39	20,758
Training	18	1,611	22	2,476
Consultancy/subcontracting	401	3,089	429	19,425
Publicity, marketing & promotion	-	-	12	12
Stationery & printing	40	2,166	63	63
Office services	20	155	20	20
Early departure	-	2,147	-	4,413
Exchange rate (gains)/losses	2,997	20,863	-	(24,672)
EU disallowance	181,068	181,068	167,411	167,411
Official veterinarian costs	-	23,598	-	21,802
Payments to Defra agencies	150,418	-	182,096	-
Other	96,107	109,192	140,614	151,496
Non-cash items				
Depreciation	-	4,578	(7)	6,441
Amortisation	8,112	35,839	8,112	30,947
Profit on the disposal of Property, Plant and Equipment	-	-	(166)	(166)
Loss on the disposal of Property, Plant and Equipment	-	121	-	1,197
Impairment	4,214	6,759	19,049	41,047
Auditors' remuneration	-	556	-	595
Pensions provided for in year/(written back)	(4,077)	(4,077)	59,196	59,196
Non-pension provisions provided for in year/(written back)	34,399	37,152	93,567	95,522
Pension provisions utilised	(86,674)	(86,674)	(89,156)	(89,156)
Non-pension provisions utilised	(195,904)	(201,137)	(165,420)	(176,130)
Unwinding of discount on provisions	215	314	1,267	1,407
Other non-cash items	-	(30)	-	(74)
Grants & subsidies: EU				
Capital Grants	74	74	(129)	(129)
Current Grants - Single Payment Scheme	-	1,698,542	-	1,883,396
Current Grants - Rural Development Programme for England	366,935	366,935	267,904	267,904
Current Grants - Payments to Other Paying Agencies	-	1,154,512	-	1,226,480
Other EU current grants	25	30,450	(43)	190,332
Unrealised gains/losses	-	(4,752)	-	4,041
Derivative ineffectiveness	-	176	-	(5,473)
Grants & subsidies: Other				
Capital Grants	80,817	105,493	167,028	179,322
Current Grants - Grant in aid to NDPBs	1,126,253	1,126,253	1,201,138	1,201,138
Current Grants - Rural Development Programme for England	199,067	199,067	193,830	193,830
Other current grants	268,388	268,388	261,824	261,824
Total	**2,345,806**	**5,269,465**	2,635,991	5,928,567

Within the Statement of Comprehensive Net Expenditure, rental costs in relation to buildings that are leased by Defra are stated net of the proportion of rent recovered from occupiers who fall outside of the Department's accounting boundary.

A value of £56,000 (2009–10 £19,000) relating to bad debts written off is included in 'Other' programme costs.

12 Income

12.1 Analysis of Operating Income

	2010-11		Restated 2009-10	Restated
	Core-Department	**Consolidated**	Core-Department	Consolidated
	£000	**£000**	£000	£000
Total administration income				
Sales of goods & services				
Scientific advice, analysis & research	-	37,802	-	32,513
Animal disease surveillance & diagnostics	-	7,028	-	5,727
Veterinary research & development	-	4,054	-	4,713
Scientific products	-	862	-	892
Other services (including Defra family)	23,634	16,175	25,042	18,892
Fees, levies & charges				
Veterinary medicines authorisations	-	7,352	-	7,291
Veterinary medicine residues surveillance	-	3,945	-	4,004
Plant health inspections & seeds charges	-	3,514	-	3,424
EU funding	-	4,023	-	5,342
Interest receivable	-	2	-	-
Administrative DEL Income	**23,634**	**84,757**	25,042	82,798
Total programme income				
EU Funding				
Single Payment Scheme	-	1,687,531	-	1,868,813
Income payable to Other Paying Agencies	-	1,155,343	-	1,218,230
Structural Funds (EU)	367,033	367,033	267,880	267,880
BSE related income	-	4,781	-	8,829
Trader Based Income - Internal Market	-	19,932	-	170,046
Trader Based Income - External Market	-	2,080	-	19,138
TSE Surveillance	4,880	4,880	3,429	3,429
Fisheries Guidance	824	824	18,056	18,056
Other services	309	23,610	237	7,360
Sales of good & services				
British Waterways cost of capital	25,400	25,400	27,700	27,700
Covent Garden Market capital subsidy	2,030	2,030	-	-
Sale of Bluetongue vaccine	-	-	2,664	2,664
Ofwat water licence fee	5,102	5,102	5,667	5,667
TB compensation salvage receipts	21,282	21,282	5,297	5,297
Sale of other goods	3,023	3,023	1,765	1,765
Other services (including Defra family)	10,691	11,165	14,597	13,268
Fees, levies & charges				
Dairy Hygiene inspections	-	1,505	-	1,572
Health Check Wales	-	2,822	-	1,608
Interest on NLF loans on-lent to British Waterways	477	477	562	562
Programme Income	**441,051**	**3,338,820**	347,854	3,641,884
Total Operating Income	**464,685**	**3,423,577**	372,896	3,724,682

The Core–Department receives rental income of £729,858 (2009–10 £719,103) from external customers.

12.2 Miscellaneous Core–Department Income

	Income	**Full cost**	**Surplus/ (Deficit)**	Income	Full cost	Surplus/ (Deficit)
	£000	**£000**	**£000**	£000	£000	£000
Provision of Corporate Services to NE	3,302	3,302	-	3,362	3,362	-
	3,302	**3,302**	**-**	3,362	3,362	-

The above income forms part of the Sale of Goods and Services Income shown in Note 12.1. Income from services provided by the Executive Agencies can be found in their respective accounts. The provision of corporate services to NE is in accordance with Managing Public Money and the full cost is recovered.

The above information is provided for fees and charges purposes and not for IFRS 8 purposes.

Miscellaneous other services, not reportable to HM Treasury, attracted accrued revenue of £260,000 (2009–10 £297,000), against costs of £269,000 (2009–10 £302,000), giving a deficit of £9,000 (2009–10 £5,000).

13 Analysis of Net Operating Cost by Spending Body

	2010-11 Estimate	**2010-11 Outturn**	Restated 2009-10 Outturn
	£000	**£000**	£000
Spending Body			
Core-Department	1,151,305	992,828	1,343,870
Agencies			
Animal Health	123,717	127,985	132,809
Cefas	(2)	(1,898)	(1,824)
Fera	-	1,649	(3,340)
Rural Payments Agency	187,614	200,663	205,806
Veterinary Laboratories Agency	-	(522)	11,647
Veterinary Medicines Directorate	-	(403)	(179)
NDPBs			
Commission for Rural Communities	6,300	5,870	6,400
Consumer Council for Water	5,700	5,101	5,667
Environment Agency	927,753	831,796	775,029
Food from Britain	-	-	559
Gangmasters Licencing Authority	1,634	1,130	2,243
Joint Nature Conservation Committee	7,583	6,655	4,798
Marine Management Organisation	33,227	32,301	31,091
National Forest Company	3,350	3,350	3,310
Natural England	218,245	212,939	260,415
Royal Botanic Gardens, Kew	27,120	24,620	28,739
Sustainable Development Commission	2,475	2,368	3,184
Total grants to local authorities	100,169	58,008	113,522
Net operating cost	**2,796,190**	**2,504,440**	2,923,746

14 Property, Plant and Equipment

14.1 Non–Current

Consolidated

	Land	Buildings excluding Dwellings	Dwellings	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2010	44,466	443,594	1,620	35,361	113,351	103,836	5,199	14,571	**761,998**
Additions	-	8,252	-	2,170	1,195	5,371	177	5,469	**22,634**
Transfers	540	(688)	-	(3,802)	404	159	(283)	(3,103)	**(6,773)**
Disposals	(500)	(4,204)	-	(2,665)	(47)	(5,565)	(647)	-	**(13,628)**
Impairment	(91)	(1,565)	(13)	(9)	-	-	(1)	-	**(1,679)**
Reclassifications	-	-	-	-	1,023	821	-	(1,844)	**-**
Reclassified as held for sale	(2,366)	(4,304)	(135)	-	-	-	-	-	**(6,805)**
Revaluation	(1,569)	24,555	(4)	121	(920)	312	(27)	-	**22,468**
At 31 March 2011	**40,480**	**465,640**	**1,468**	**31,176**	**115,006**	**104,934**	**4,418**	**15,093**	**778,215**
Depreciation									
At 1 April 2010	-	78,900	-	24,240	45,346	54,555	3,554	-	**206,595**
Charges in year	-	11,092	33	3,041	8,470	6,401	504	-	**29,541**
Transfers	-	(127)	-	(1,573)	123	5	(189)	-	**(1,761)**
Disposals	-	(2,987)	-	(2,625)	(39)	(5,345)	(617)	-	**(11,613)**
Impairment	-	(685)	-	(2)	-	-	-	-	**(687)**
Reclassifications	-	-	(3)	-	-	-	-	-	**(3)**
Revaluation	-	3,794	-	9	204	961	-	-	**4,968**
At 31 March 2011	**-**	**89,987**	**30**	**23,090**	**54,104**	**56,577**	**3,252**	**-**	**227,040**
Net book value 31 March 2011	**40,480**	**375,653**	**1,438**	**8,086**	**60,902**	**48,357**	**1,166**	**15,093**	**551,175**
Net book value 31 March 2010	44,466	364,694	1,620	11,121	68,005	49,281	1,645	14,571	555,403
Assets financing									
Owned	40,480	375,653	1,438	7,235	60,902	48,357	1,166	15,093	**550,324**
Finance leased	-	-	-	851	-	-	-	-	**851**
Net book value 31 March 2011	**40,480**	**375,653**	**1,438**	**8,086**	**60,902**	**48,357**	**1,166**	**15,093**	**551,175**

	Land	Buildings excluding Dwellings	Dwellings	IT	Furniture & fittings	Plant & Machinery	Vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2009	66,238	563,227	5,235	34,878	99,853	98,078	6,146	18,046	**891,701**
Additions	280	1,696	-	2,331	4,112	4,891	440	14,195	**27,945**
Transfers	-	(793)	-	117	1,181	(139)	-	(1,335)	**(969)**
Disposals	(155)	(11,725)	-	(3,585)	(3,211)	(3,680)	(388)	(201)	**(22,945)**
Impairment	(4,261)	(18,200)	-	-	-	-	-	-	**(22,461)**
Reclassifications	-	6,625	(3,770)	489	10,742	3,311	(1,053)	(16,134)	**210**
Reclassified as held for sale	1,210	2,080	-	-	-	-	-	-	**3,290**
Revaluation	(18,846)	(99,316)	155	1,131	674	1,375	54	-	**(114,773)**
At 31 March 2010	**44,466**	**443,594**	**1,620**	**35,361**	**113,351**	**103,836**	**5,199**	**14,571**	**761,998**
Depreciation									
At 1 April 2009	-	129,978	-	22,907	34,952	50,512	4,025	-	**242,374**
Charges in year	-	19,260	-	4,012	11,950	5,741	638	-	**41,601**
Transfers	-	-	-	(2,244)	7	(2)	-	-	**(2,239)**
Disposals	-	(5,854)	-	(3,479)	(2,742)	(3,020)	(320)	-	**(15,415)**
Impairment	-	(3,827)	-	-	-	226	-	-	**(3,601)**
Reclassifications	-	(74)	-	104	447	435	(843)	-	**69**
Revaluation	-	(60,583)	-	2,940	732	663	54	-	**(56,194)**
At 31 March 2010	**-**	**78,900**	**-**	**24,240**	**45,346**	**54,555**	**3,554**	**-**	**206,595**
Net book value 31 March 2010	**44,466**	**364,694**	**1,620**	**11,121**	**68,005**	**49,281**	**1,645**	**14,571**	**555,403**
Net book value 31 March 2009	66,238	433,249	5,235	11,971	64,901	47,566	2,121	18,046	649,327
Assets financing									
Owned	44,466	364,694	1,620	9,908	68,005	49,281	1,645	14,571	**554,190**
Finance leased	-	-	-	1,213	-	-	-	-	**1,213**
Net book value 31 March 2010	**44,466**	**364,694**	**1,620**	**11,121**	**68,005**	**49,281**	**1,645**	**14,571**	**555,403**

Plant and machinery includes vessels owned by Cefas valued at £21,261,000 (2009–10 Restated £24,107,000).

Additions include a non–cash element represented by payables and transfers. Cash additions amount to £22,072,000 (2009–10 Restated £32,383,000) as per the Consolidated Statement of Cash Flows.

The net book value of leasehold land and buildings at 31 March 2011 comprises £8,032,000 for short leasehold and £Nil for long leasehold.

Core–Department

	Land	Buildings excluding Dwellings	Dwellings	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2010	19,016	65,445	1,620	3,578	107,333	8,375	1,965	2,400	**209,732**
Additions	-	-	-	-	1,163	1,442	-	4,052	**6,657**
Transfers	(240)	(2,424)	-	(3,303)	404	(10)	(313)	(587)	**(6,473)**
Disposals	(500)	-	-	-	(6)	(144)	(220)	-	**(870)**
Impairment	(91)	(1,565)	(13)	(9)	-	-	(1)	-	**(1,679)**
Reclassifications	-	-	-	-	1,023	821	-	(1,844)	**-**
Reclassified as held for sale	(2,366)	(4,304)	(135)	-	-	-	-	-	**(6,805)**
Revaluation	(1,782)	(2,726)	(4)	(106)	(874)	506	(11)	-	**(4,997)**
At 31 March 2011	**14,037**	**54,426**	**1,468**	**160**	**109,043**	**10,990**	**1,420**	**4,021**	**195,565**
Depreciation									
At 1 April 2010	-	5,223	-	1,430	42,387	3,166	1,039	-	**53,245**
Charges in year	-	1,599	33	45	7,823	808	272	-	**10,580**
Transfers	-	(127)	-	(1,327)	128	-	(189)	-	**(1,515)**
Disposals	-	(12)	-	-	(6)	(50)	(198)	-	**(266)**
Impairment	-	(134)	-	(2)	-	-	-	-	**(136)**
Reclassifications	-	-	(3)	-	-	-	-	-	**(3)**
Revaluation	-	(5,730)	-	(28)	221	319	15	-	**(5,203)**
At 31 March 2011	**-**	**819**	**30**	**118**	**50,553**	**4,243**	**939**	**-**	**56,702**
Net book value 31 March 2011	**14,037**	**53,607**	**1,438**	**42**	**58,490**	**6,747**	**481**	**4,021**	**138,863**
Net book value 31 March 2010	19,016	60,222	1,620	2,148	64,946	5,209	926	2,400	156,487
Assets financing									
Owned	14,037	53,607	1,438	42	58,490	6,747	481	4,021	**138,863**
Net book value 31 March 2011	**14,037**	**53,607**	**1,438**	**42**	**58,490**	**6,747**	**481**	**4,021**	**138,863**

	Land	Buildings excluding Dwellings	Dwellings	IT	Furniture & fittings	Plant & Machinery	Vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2009	19,491	96,509	5,235	3,413	95,495	7,379	1,989	15,217	**244,728**
Additions	280	1,115	-	49	3,913	522	291	1,649	**7,819**
Transfers	-	(2,208)	-	117	(19)	-	-	(946)	**(3,056)**
Disposals	(155)	(6,262)	-	-	(2,931)	(1,447)	(296)	(201)	**(11,292)**
Impairment	(4,261)	(18,200)	-	-	-	-	-	-	**(22,461)**
Reclassifications	-	5,006	(3,770)	-	10,270	1,813	-	(13,319)	**-**
Reclassified as held for sale	1,210	2,080	-	-	-	-	-	-	**3,290**
Revaluation	2,451	(12,595)	155	(1)	605	108	(19)	-	**(9,296)**
At 31 March 2010	**19,016**	**65,445**	**1,620**	**3,578**	**107,333**	**8,375**	**1,965**	**2,400**	**209,732**
Depreciation									
At 1 April 2009	-	13,355	-	921	32,940	3,280	870	-	**51,366**
Charges in year	-	2,520	-	722	11,304	884	400	-	**15,830**
Transfers	-	-	-	(2,244)	-	5	-	-	**(2,239)**
Disposals	-	(666)	-	-	(2,518)	(1,018)	(234)	-	**(4,436)**
Impairment	-	(4,021)	-	-	-	-	-	-	**(4,021)**
Reclassifications	-	25	-	-	(25)	-	-	-	**-**
Revaluation	-	(5,990)	-	2,031	686	15	3	-	**(3,255)**
At 31 March 2010	**-**	**5,223**	**-**	**1,430**	**42,387**	**3,166**	**1,039**	**-**	**53,245**
Net book value 31 March 2010	**19,016**	**60,222**	**1,620**	**2,148**	**64,946**	**5,209**	**926**	**2,400**	**156,487**
Net book value 31 March 2009	19,491	83,154	5,235	2,492	62,555	4,099	1,119	15,217	193,362
Assets financing									
Owned	19,016	60,222	1,620	2,148	64,946	5,209	926	2,400	**156,487**
Net book value 31 March 2010	**19,016**	**60,222**	**1,620**	**2,148**	**64,946**	**5,209**	**926**	**2,400**	**156,487**

The net book value of long leasehold land and buildings at 31 March 2011 is £Nil (2009–10 £Nil).

14.2 Right of Use Assets – Service Concession Arrangements

Defra has a contract with IBM for the provision of IT services and infrastructure assets. This contract was reframed on 1 February 2010. It aims to support the Department by providing a modernised IT infrastructure, in line with the wider government IS strategy, which will give the Department access to cost effective IT services and infrastructure.

During the life of the contract, Defra has the right to use assets owned by IBM and IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned by the Department.

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the Consumer Price Index (CPI) as at the end of January in the previous financial year.

There are termination clauses providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of the contract, although the Department has the option to purchase specified assets at net book value on exiting the contract. This gives the Department control of the assets during the life of the contract.

The following assets are included in the Consolidated Statement of Financial Position under Property, Plant and Equipment, together with those detailed in Note 14.1.

	2010-11		2009-10 Restated	
	Core Department £000	**Consolidated £000**	Core Department £000	Consolidated £000
At 1 April	19,811	32,807	7,367	12,193
Extension to the service concession arrangement	-	-	14,379	24,152
Adjustment to the service concession arrangement	(1,723)	(3,937)	636	1,084
Depreciation	(2,205)	(3,782)	(2,571)	(4,622)
Disposals	-	(216)	0	0
At 31 March	**15,883**	**24,872**	19,811	32,807

14.3 Assets Held for Sale

	2010-11		2009-10	
	Core Department £000	**Consolidated £000**	Core Department £000	Consolidated £000
At 1 April	2,108	3,068	12,086	13,448
Reclassified as held for sale	6,805	6,805	(3,290)	(3,292)
Revaluation	(200)	(200)	(1,838)	(1,838)
Impairment	(275)	(275)	-	-
Disposals	(2,958)	(3,918)	(4,850)	(5,250)
At 31 March	**5,480**	**5,480**	2,108	3,068

15 Intangible Assets

Consolidated

	2010-11				2009-10 Restated			Restated
	Internally Generated Software	Purchased Software	IT CIP	Total	Internally Generated Software	Purchased Software	IT CIP	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April	412,771	11,666	39,699	464,136	402,775	18,962	40,019	461,756
Additions	1,632	749	21,372	23,753	1,421	223	42,991	44,635
Donations	-	-	-	-	-	-	-	-
Disposals	(10,239)	(699)	(362)	(11,300)	(39,250)	(8,110)	(523)	(47,883)
Impairments	(5,027)	-	(716)	(5,743)	-	-	-	-
Transfers	22,807	731	(20,166)	3,372	15,246	-	(15,643)	(397)
Reclassifications	15,493	-	(15,493)	-	26,826	109	(27,145)	(210)
Revaluation	5,966	152	-	6,118	5,753	482	-	6,235
At 31 March	**443,403**	**12,599**	**24,334**	**480,336**	412,771	11,666	39,699	464,136
Amortisation								
At 1 April	201,445	7,054	-	208,499	199,942	12,583	-	212,525
Charged in year	51,067	1,553	-	52,620	45,460	1,802	-	47,262
Disposals	(9,330)	(605)	-	(9,935)	(38,561)	(7,723)	-	(46,284)
Impairments	(744)	-	-	(744)	-	-	-	-
Transfers	1,326	246	-	1,572	2,331	-	-	2,331
Reclassifications	-	-	-	-	(69)	-	-	(69)
Revaluation	4,073	70	-	4,143	(7,658)	392	-	(7,266)
At 31 March	**247,837**	**8,318**	**-**	**256,155**	201,445	7,054	-	208,499
Net Book Value at 31 March	**195,566**	**4,281**	**24,334**	**224,181**	211,326	4,612	39,699	255,637
Net Book Value at 1 April	211,326	4,612	39,699	255,637	202,833	6,379	40,019	249,231
Assets Financing								
Owned	195,242	4,281	24,334	223,857	210,763	4,590	39,699	255,052
Finance leased	324	-	-	324	563	22	-	585
Net book value 31 March	**195,566**	**4,281**	**24,334**	**224,181**	211,326	4,612	39,699	255,637

Internally generated software includes:

- £38.0m for the software system used by RPA to process SPS claims with a remaining amortisation period of 3 years; and
- £56.2m for the Genesis system held by the Core–Department with a remaining amortisation period of 7 years.

Cash additions shown in the Consolidated Statement of Cash Flows amount to £21,551,000 (2009–10 Restated £46,765,000).

Core–Department

	2010-11				2009-10			
						Restated		Restated
	Internally Generated Software	**Purchased Software**	**IT CIP**	**Total**	Internally Generated Software	Purchased Software	IT CIP	Total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Cost or valuation								
At 1 April	187,327	2,995	13,788	204,110	189,206	8,530	13,752	211,488
Additions	1,134	311	5,317	6,762	560	1	7,132	7,693
Disposals	(9,697)	(229)	(362)	(10,288)	(11,234)	(5,536)	(288)	(17,058)
Impairments	(2,428)	-	-	(2,428)	-	-	-	-
Transfers	3,314	-	(240)	3,074	(58)	-	(728)	(786)
Reclassifications	10,108	-	(10,108)	-	6,080	-	(6,080)	-
Revaluation	4,601	-	-	4,601	2,773	-	-	2,773
At 31 March	**194,359**	**3,077**	**8,395**	**205,831**	187,327	2,995	13,788	204,110
Amortisation								
At 1 April	76,733	1,450	-	78,183	64,689	5,835	-	70,524
Charged in year	23,176	340	-	23,516	22,695	787	-	23,482
Disposals	(8,788)	(158)	-	(8,946)	(11,197)	(5,172)	-	(16,369)
Impairments	(32)	-	-	(32)	-	-	-	-
Transfers	1,326	-	-	1,326	2,331	-	-	2,331
Revaluation	3,534	-	-	3,534	(1,785)	-	-	(1,785)
At 31 March	**95,949**	**1,632**	**-**	**97,581**	76,733	1,450	-	78,183
Net Book Value at 31 March	**98,410**	**1,445**	**8,395**	**108,250**	110,594	1,545	13,788	125,927
Net Book Value at 1 April	110,594	1,545	13,788	125,927	124,517	2,695	13,752	140,964
Assets Financing								
Owned	98,410	1,445	8,395	108,250	110,594	1,545	13,788	125,927
Net book value 31 March	**98,410**	**1,445**	**8,395**	**108,250**	110,594	1,545	13,788	125,927

16 Financial Instruments

The Department is required to disclose the role financial instruments had during the period in creating or changing the risks faced in undertaking its activities. The non–trading nature of Defra's activities and the way government departments are financed means the Department is not exposed to the degree of financial risk faced by business entities. Defra has very limited powers to borrow or invest surplus funds. Financial assets and liabilities generated by day–to–day operational activities are not held to change the risks facing the Department in undertaking its activities.

16.1 Categories of Financial Instruments

Details of financial instruments held by the Department are included in Notes 17, 20, 21 and 23 (non–financial instrument balances relating to taxation, accruals and prepayments are also included in these notes). Further details are given below only where the financial instruments are significant.

The fair value of all assets and liabilities in this note approximates to book value.

16.1.1 Available for Sale Financial Assets

The Department holds the entire share capital of Cefas Technology Limited and an NLF loan, which in turn has been lent to British Waterways. Details of book values are given in Notes 17, 20 and 23.

16.1.2 Termination Benefits

Termination benefits are recognised as a liability when the Department has a binding commitment to terminate the employment of an employee or group of employees before the normal retirement date.

The Department's Termination Benefit liability is detailed below:

	2010-11	2009-10
	£000	£000
Amounts falling due within one year	13,726	4,528
Amounts falling due after more than one year	8,526	6,246

16.1.3 Derivatives

RPA holds the following derivative assets and liabilities for the purpose of managing foreign currency risk:

	2010-11	2009-10
	£000	£000
Derivative assets classified as held for trading	-	5,907
Derivative assets in designated hedge accounting relationships	635	1,155
Derivative liabilities in designated hedge accounting relationships	(14,937)	(712)
	(14,302)	6,350

These are discussed in Note 16.2.2 below.

16.1.4 Cash Securities

Traders wishing to undertake certain transactions under EC regulations are required to guarantee completion of the transaction by lodging a security with RPA. The security may be forfeited (in whole or in part) if the undertaking is not completely fulfilled. Cash securities totalling £2.0m were deposited with RPA at 31 March 2011 (£2.3m at 31 March 2010), with the corresponding liability included in trade and other payables.

No interest is paid to traders on cash balances lodged as security.

16.1.5 Non Cash Guarantees

Securities may also be in the form of a guarantee by a bank or an insurance company acceptable to RPA. Sterling guarantees totalling £638.1m and Euro guarantees totalling €147.1m (£129.6m) were held at 31 March 2011 (£669.9m and €63.6m (£56.5m) at 31 March 2010).

The interest rate applicable to these guarantees is nil.

16.2 Exposure to Risk

16.2.1 Liquidity Risk

Excluding RPA, there is no significant exposure to liquidity risk, as the Department's net resource requirement is financed through resources voted annually by Parliament.

RPA has maintained liquidity, wherever possible, through timely submission of funding claims to the EC. 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 effected by drawing monies from HM Treasury's Contingencies Fund. This facility is the subject of a formal standing arrangement agreed by HM Treasury. Drawings are normally repayable within the year.

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

	31 March 2011	**31 March 2010**
	£000	**£000**
Derivative Liabilities		
Gross settled: Foreign exchange forward contracts		
Less than or equal to 3 months	(14,485)	(712)
More than 3 months but less than or equal to 6 months	(573)	-
Total	**(15,058)**	(712)
Derivative Assets		
Gross settled: Foreign exchange forward contracts		
Less than or equal to 3 months	-	(7,023)
Total	-	(7,023)

16.2.2 Foreign Currency Risk

Excluding RPA, there is no significant foreign currency risk, as foreign currency income and expenditure is negligible.

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 EC for SPS and Rural Development Programme scheme expenditure (including Scotland, Wales and Northern Ireland in addition to England).

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 EC in Euros. However, the majority of distributions by RPA are paid in Pound Sterling, which creates an exposure to gains or losses from fluctuations in foreign exchange rates between the Euro and the Pound Sterling. RPA has managed its exposure to this risk through the purchase of forward foreign currency contracts.

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

	Assets		**Liabilities**	
	2010-11	2009-10	**2010-11**	2009-10
	£000	£000	**£000**	£000
Euro Denominated	**518,638**	463,802	**147,594**	118,726

The following table details RPA's sensitivity to a 10% increase and decrease in Pound Sterling against the Euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 10% change in foreign currency rates. A positive number below indicates a decrease in net operating cost where Sterling weakens 10% against the Euro. For a 10% strengthening of Sterling against the Euro, there would be a comparable impact on the income, and the balances below would be negative. For derivative instruments a positive number below indicates a increase in Taxpayers' Equity where Sterling appreciates 10% against the Euro. For a 10% decrease of Sterling against the Euro, there would be a comparable impact on the Taxpayers' Equity.

	Impact of movement in Euro/Sterling rate		**Impact of movement in Euro/Sterling rate**	
	Sterling appreciates by 10%		**Sterling depreciates by 10%**	
	2010-11	2009-10	**2010-11**	2009-10
	£000	£000	**£000**	£000
Net Operating cost *	**(38,543)**	(57,853)	**38,543**	57,853
Derivative instruments:				
Net Operating cost **	**317**	24,867	**(317)**	(24,867)
Other Equity **	**61,485**	10,904	**(61,485)**	(10,904)

* This is mainly attributable to the exposure outstanding on Euro receivables and payables at the Statement of Financial Position date.

** This is the result of the changes in fair value of derivatives instruments designated as cash flow hedges.

The following table analyses RPA's outstanding foreign currency contracts:

	Average Exchange Rate 2010-11 Euro: Sterling	**Foreign Currency 2010-11 €000**	**Notional value 2010-11 £000**	**Fair value 2010-11 £000**
Current Derivative Assets	0.85995	83,200	71,548	635
Current Derivative Liabilities	0.85963	(701,425)	(602,968)	(14,937)

In September 2010 RPA entered into forward exchange contracts to hedge the monthly Euro denominated receipts in relation to the SPS. As at 31 March 2011, the aggregate amount of losses under forward foreign exchange contracts deferred in the cash flow hedge reserve relating to the exposure on these anticipated future receipts is £4.56m.

RPA has also entered into forward exchange contracts to hedge the quarterly Euro denominated receipts in relation to the Rural Development Programme. As at 31 March 2011, the aggregate amount of gains under such contracts deferred in the cash flow hedge reserve relating to the exposure on these anticipated future receipts is £1.20m.

For the year ended 31 March 2011 a gain of £0.18m has been recognised in the Statement of Comprehensive Net Expenditure arising from the hedges. See Note 11.

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

Net gains/(losses) on cash hedges transferred from Taxpayers' Equity to the Statement of Comprehensive Net Expenditure are as follows:

	2010-11 £000
Agency - Scheme Income	**1,194**
Other Paying Agencies - Scheme Income	**304**
Gains - Scheme Expenditure	**(22,385)**
Total transferred to Operating Cost Statement	**(20,887)**

17 Financial Assets

	British Waterways	Stocks and shares	Stocks and shares	Stocks and shares	Total
	NLF loan on-lent	CEFAS Technology Ltd	Dairy Crest Plc	Genus Plc	
	£000	£000	£000	£000	£000
Consolidated					
Balance at 1 April 2009	5,944	150	35	22	**6,151**
Revaluations	-	-	14	7	**21**
Loan repayable within 12 months transferred to receivables	(704)	-	-	-	**(704)**
Balance at 31 March 2010	**5,240**	**150**	**49**	**29**	**5,468**
Disposals	-	-	(52)	(35)	**(87)**
Revaluations	-	-	3	6	**9**
Loan repayable within 12 months transferred to receivables	(288)	-	-	-	**(288)**
Balance at 31 March 2011	**4,952**	**150**	**-**	**-**	**5,102**
Of which:					
Core-Department	**4,952**	**-**	**-**	**-**	**4,952**

Receipts from disposal of investments total £87,000 (2009–10 £Nil).

The Department's share of the net assets and results of Cefas Technology Limited are summarised below.

	CEFAS Technology Ltd
	£000
Net Assets at 31 March 2011	866
Turnover	527
Surplus/profit for the year (before financing)	12
Net Assets at 31 March 2010	844
Turnover	381
Surplus/profit for the year (before financing)	78

18 Impairments

		2010-11		Restated 2009-10	Restated
		Core-Department	**Consolidated**	Core-Department	Consolidated
	Note	**£000**	**£000**	£000	£000
Property, Plant & Equipment		1,818	1,267	19,049	41,467
Intangibles		2,396	4,999	-	-
Total impairment charge for the year	10, 11	**4,214**	**6,266**	19,049	41,467

19 Inventories

	31 March 2011		31 March 2010		1 April 2009	
	Core-Department	**Consolidated**	Core-Department	Consolidated	Core-Department	Consolidated
	£000	**£000**	£000	£000	£000	£000
Raw materials & consumables	-	2,263	-	2,049	-	2,092
Finished & resale goods	2,986	2,986	4,140	4,140	10,043	10,043
Intervention inventories	-	27,755	-	36,743	-	13,118
Work in progress	-	3,755	-	2,978	-	2,669
	2,986	**36,759**	4,140	45,910	10,043	27,922

20 Trade Receivables and Other Current Assets

20.1 Analysis by Type

	31 March 2011		31 March 2010		1 April 2009	
			Restated	Restated	Restated	Restated
	Core-Department	Consolidated	Core-Department	Consolidated	Core-Department	Consolidated
	£000	£000	£000	£000	£000	£000
Amounts falling due within one year						
Trade receivables	21,556	51,492	24,120	68,379	54,897	116,697
Less bad debt impairment	(12)	(20,719)	(19)	(20,937)	(1,111)	(31,669)
Deposits and advances	756	759	678	682	647	647
Other receivables	126,226	160,408	111,933	115,681	197,900	218,111
VAT	4,774	8,869	7,438	11,967	3,563	7,768
Prepayments and accrued income	202,529	89,192	141,502	533,744	154,299	316,356
Accrued income relating to EU funding	-	455,543	-	-	-	-
Amounts due from the Consolidated Fund in respect of supply	-	-	230,874	230,874	-	-
Trade and other receivables	**355,829**	**745,544**	516,526	940,390	410,195	627,910
Current part of NLF loan	288	288	704	704	896	896
Derivative financial instrument asset	-	635	-	7,062	-	-
Other financial assets	**288**	**923**	704	7,766	896	896
Amounts falling due after one year						
Trade receivables	26	26	97	97	122	122
Deposits and advances	48	69	57	82	79	108
Other receivables	11,841	11,841	7,283	7,283	700	700
Prepayments and accrued income	870	913	1,778	1,790	2,734	2,739
Receivables due after more than one year	**12,785**	**12,849**	9,215	9,252	3,635	3,669
Total Receivables	**368,902**	**759,316**	526,445	957,408	414,726	632,475

Included within receivables is £344,131,000 (2009–10 £308,852,000) that will be due to the Consolidated Fund once the debts are collected.

This includes (£77,444,000) closing accrual not recognised in the CFER payable; see Note 5 for further information.

20.2 Intra–Government Balances

	Amounts due within one year			Amounts due after one year		
		Restated	Restated		Restated	
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000	£000	£000	£000
Balances with other central government bodies	56,835	271,382	102,753	12,011	8,361	2,734
Balances with local authorities	1,836	2,174	15,514	-	-	-
Balances with NHS bodies	-	155	-	-	-	-
Balances with public corporations and trading funds	288	8	898	-	-	-
Subtotal: intra-government balances	**58,959**	273,719	119,165	**12,011**	8,361	2,734
Balances with bodies external to government	687,508	674,437	509,641	838	891	935
Total Receivables as at 31 March	**746,467**	948,156	628,806	**12,849**	9,252	3,669

21 Cash and Cash Equivalents

	2010-11		Restated 2009-10	Restated 2009-10
	Core-Department	**Consolidated**	Core-Department	Consolidated
	£000	**£000**	£000	£000
Balance at 1 April	62,252	137,127	729,338	1,120,485
Net change in cash balance	26,212	201,266	(667,086)	(983,358)
Balance at 31 March	**88,464**	**338,393**	62,252	137,127
The following balances at 31 March are held at:				
Office of HM Paymaster General/Government Banking Services	88,015	334,814	60,621	133,545
Commercial bank accounts and cash in hand	449	3,579	1,631	3,582
Balance at 31 March	**88,464**	**338,393**	62,252	137,127

22 Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	**2010-11**	2009-10
		£000	£000
Net cash requirement	4	(4,650,613)	(5,416,243)
From the Consolidated Fund (Supply): current year	SCTE	5,026,729	4,600,780
From the Consolidated Fund (Supply): prior year	SCTE	230,874	-
Funding paid to Forestry Commission	SCTE	(27,050)	(59,095)
Amounts due to the Consolidated Fund received in prior year and paid over		(379,715)	(488,515)
Amounts due to the Consolidated Fund received and not paid over		1,041	379,715
Increase/(decrease) in cash	21	**201,266**	(983,358)

23 Trade Payables and Other Current Liabilities

23.1 Analysis by Type

	31 March 2011		31 March 2010		1 April 2009	
			Restated	Restated	Restated	Restated
	Core-Department	Consolidated	Core-Department	Consolidated	Core-Department	Consolidated
	£000	£000	£000	£000	£000	£000
Amounts falling due within one year						
VAT	-	556	-	138	-	111
Other taxation & social security	2,651	7,387	2,665	9,042	3,091	9,655
Trade payables	8,763	48,335	28,775	52,709	37,200	83,535
Other payables:						
EU	505	505	24,086	24,086	5,373	5,373
Other	3,528	10,010	4,678	10,912	3,935	7,071
Accruals and deferred income	383,662	458,730	342,971	461,738	176,223	297,333
Current part of finance leases	2,662	4,609	2,742	4,908	2,999	5,155
Amounts issued from the Consolidated Fund for supply but not spent at year end	333,191	333,191	-	-	635,426	635,426
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund						
Received	86	1,041	250,693	379,715	134,291	488,511
Receivable	88,121	266,687	29,672	226,499	139,980	337,141
Trade and other payables	**823,169**	**1,131,051**	686,282	1,169,747	1,138,518	1,869,311
Derivative financial instrument liability	-	14,937	-	712	-	83,207
Current part of NLF loan	288	288	704	704	896	896
Other financial liabilities	13,726	13,726	4,528	4,528	5,300	5,300
Other financial liabilities	**14,014**	**28,951**	5,232	5,944	6,196	89,403
Amounts falling due after more than one year						
Other payables, accruals and deferred income	17,478	135,255	16,835	120,171	8,708	112,044
Finance leases	13,822	22,294	16,745	28,892	4,368	8,536
Other payables	**31,300**	**157,549**	33,580	149,063	13,076	120,580
NLF loan	4,952	4,952	5,240	5,240	5,944	5,944
Other financial liabilities	8,526	8,526	6,246	6,246	10,649	10,649
Other financial liabilities	**13,478**	**13,478**	11,486	11,486	16,593	16,593
Total Payables	**881,961**	**1,331,029**	736,580	1,336,240	1,174,383	2,095,887

Amounts of £4,168,000 within the current part of finance leases and £21,643,000 within finance leases due after more than one year, relate to the service concession arrangement.

23.2 Intra–Government Balances

Consolidated

	Amounts due within one year			Amounts due after one year		
		Restated	Restated		Restated	Restated
	31 March 2011	31 March 2010	1 April 2009	**31 March 2011**	31 March 2010	1 April 2009
	£000	£000	£000	**£000**	£000	£000
Balances with other central government bodies	601,896	716,740	1,503,084	122,909	110,010	120,422
Balances with local authorities	9,991	2,295	6,005	-	-	-
Balances with public corporations and trading funds	8,150	4,776	7,369	-	-	-
Subtotal: intra-government balances	**620,037**	723,811	1,516,458	**122,909**	110,010	120,422
Balances with bodies external to government	539,965	451,880	442,256	48,118	50,539	16,751
Total Payables at 31 March	**1,160,002**	1,175,691	1,958,714	**171,027**	160,549	137,173

24 Provisions

24.1 Provisions for Liabilities and Charges

24.1.1 Provisions for Liabilities and Charges (excluding Pension Liabilities)

	Early departure costs	CAP disallowance	Other provisions	Total
	£000	£000	£000	£000
Consolidated (Restated)				
Balance at 1 April 2009	10,799	246,624	103,360	360,783
Provided in the year	1,879	110,727	19,776	132,382
Provisions not required written back	(128)	-	(36,732)	(36,860)
Provisions utilised in year	(4,708)	(137,041)	(34,381)	(176,130)
Unwinding of discount	140	-	1,267	1,407
Balance at 31 March 2010	**7,982**	**220,310**	**53,290**	**281,582**
Balance at 1 April 2010	7,982	220,310	53,290	281,582
Provided in the year	1,085	55,119	5,467	61,671
Provisions not required written back	(309)	(11,585)	(12,625)	(24,519)
Provisions utilised in year	(2,954)	(180,009)	(18,174)	(201,137)
Unwinding of discount	99	-	215	314
Balance at 31 March 2011	**5,903**	**83,835**	**28,173**	**117,911**
Core-Department (Restated)				
Balance at 1 April 2009	653	246,624	92,337	339,614
Provided in the year	-	110,727	17,699	128,426
Provisions not required written back	-	-	(34,859)	(34,859)
Provisions utilised in year	(48)	(137,041)	(28,331)	(165,420)
Unwinding of discount	-	-	1,267	1,267
Balance at 31 March 2010	**605**	**220,310**	**48,113**	**269,028**
Balance at 1 April 2010	605	220,310	48,113	269,028
Provided in the year	-	55,119	2,987	58,106
Provisions not required written back	-	(11,585)	(12,122)	(23,707)
Provisions utilised in year	(118)	(180,009)	(15,777)	(195,904)
Unwinding of discount	-	-	215	215
Balance at 31 March 2011	**487**	**83,835**	**23,416**	**107,738**

24.1.2 Analysis of Expected Timing of Discounted Flows (excluding Pension Liabilities)

	Early departure costs	CAP Disallowance	Other provisions	Total
	£000	£000	£000	£000
Consolidated				
Within 1 year	1,635	83,835	11,547	97,017
Between 2 and 5 years	3,561	-	11,796	15,357
Thereafter	707	-	4,830	5,537
Total	**5,903**	**83,835**	**28,173**	**117,911**
Core-Department				
Within 1 year	33	83,835	9,405	93,273
Between 2 and 5 years	123	-	11,111	11,234
Thereafter	331	-	2,900	3,231
Total	**487**	**83,835**	**23,416**	**107,738**

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, assumptions concerning past events, 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.

Details of individual provisions over £1m included within Other provisions can be found in 24.1.7.

24.1.3 Provisions for Pension Liabilities

	Environment Agency £000	Nature Conservancy Council £000	Former Countryside Agency RCC £000	Former Countryside Agency Ex-chairman £000	Horticultural Research International £000	Total £000
Balance at 1 April 2009	**944,600**	**17,608**	**2,406**	**201**	**13,183**	**977,998**
Charge to Operating Cost	57,100	1,023	165	12	896	59,196
Other provision movements	191,600	3,449	588	40	4,185	199,862
Provision utilised in year	(87,100)	(1,366)	(109)	(16)	(565)	(89,156)
Restated Balance at 31 March 2010	**1,106,200**	**20,714**	**3,050**	**237**	**17,699**	**1,147,900**
Balance at 1 April 2010	**1,106,200**	**20,714**	**3,050**	**237**	**17,699**	**1,147,900**
Charge to Operating Cost	(1,700)	(652)	(120)	(12)	(1,593)	(4,077)
Other provision movements	(227,800)	(356)	(90)	72	(1,479)	(229,653)
Provision utilised in year	(84,800)	(1,322)	(112)	(20)	(420)	(86,674)
Balance at 31 March 2011	**791,900**	**18,384**	**2,728**	**277**	**14,207**	**827,496**

24.1.4 Analysis of Expected Timing of Discounted Flows (Pension Liabilities)

Total projected future spend	Environment Agency £'000	Nature Conservancy Council £'000	Former Countryside Agency RCC £'000	Former Countryside Agency Ex-chairman £'000	Horticultural Research International £'000	Total £'000
Within 1 year	90,695	1,360	100	15	1,194	93,364
Between 2 and 5 years	295,046	5,600	400	60	4,775	305,881
Between 6 and 10 years	238,355	7,000	500	75	5,969	251,899
Thereafter	167,804	4,424	1,728	127	2,269	176,352
Total	**791,900**	**18,384**	**2,728**	**277**	**14,207**	**827,496**

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, assumptions concerning past events, 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. One of the major assumptions made is in respect of the future cash flows of pension provisions. It is assumed that payments made in the future years will be in line with payments made in the current year until the provision is exhausted, and that inflationary factors will be offset by the mortality rates of scheme members.

24.1.5 Early Retirement Costs

This includes redundancy payments and injury benefit obligations that transferred to Defra when the Countryside Agency (CA) ceased to exist as an NDPB.

24.1.6 Disallowance provision (CAP)

The EC can apply financial corrections if Defra (through RPA) does not comply with EC regulations for payments funded through the CAP. Any amounts disallowed (and hence funded by Defra instead) will depend on the assessed severity of the breach of regulations and on subsequent clarification negotiations with the European Commission in accordance with the Commission's clearance of accounts procedure.

Liabilities exist for all schemes for which the results of external audit have indicated that a financial correction is likely, and have given enough of an indication of the severity of the issues leading to that correction to enable an estimate to be made. The final estimates reflect the best information available at the year end.

These liabilities are disclosed as provisions for all schemes, except where the actual cash refusal is expected within the next 12 months. In these cases, the liability is disclosed as an accrual.

The SPS 2010 and Fruit and Veg 2009 provision is £84m and is expected to clear in 2011–12. Current major in year movement related to the crystallisation of the amounts in regard to SPS Scheme years 2007, 2008 and 2009.

There is an assumption that a baseline 2% flat rate disallowance for SPS will continue, but if this was to increase to 5% (the next flat rate) the provision would increase by £77m. Also, it has been assumed that the disallowance arising from the 2009 audit of the Fruit and Vegetable trader scheme will increase to 70%, following unsatisfactory results from ECA audits. If the disallowance was to rise to 100% there would be an increase in the provision of £19m. Uncertainty in these assumptions will be resolved in 2011–12 upon receipt of the Article 11 letter of notification from the EC, which will detail the level of disallowance.

24.1.7 Other provisions include:

- The Modernising Rural Delivery Funding of Redundancy Costs provision of £2.4m, which relates to the redundancy and relocation elements associated with the set–up of NE and CRC. Payments commenced in 2006–07 and are expected to be completed by the end of 2019–20;

- The Fur Farming provision of £1m, which was set up to provide compensation to Fur Farmers resulting from the Fur Farming (Prohibition) Act 2000. It is expected that all compensation claims will be settled by the end of the 2011–12 financial year;

- The Building Dilapidation Provision of £3.8m represents the estimated liability arising from contractual dilapidations claims in respect of leased properties. The provision represents the value of formal notifications from landlords and formal assessments instructed by Defra in anticipation of a claim, together with estimates for exits in the forthcoming year;

- The Onerous Lease Provision of £6m relates only to those properties that are vacant with no foreseeable use for the Department. The value of the provision represents total costs to the earlier of the lease break or expiry;

- The Financial Instrument for Fisheries Guidance (FIFG) 2000–2006 provision of £1.6m is for the incurred expenditure prior to April 2010 on the EU FIFG 2000–2006 programme, potentially reimbursed by the European Commission. This provision recognises the proportion of expenditure likely to be disallowed by the Commission;

- The Hatfield Moor provision of £2.3m, Crowle Moor provision of £0.7m, and Portland Quarry provision of £2m relate to an obligation arising from Government's Outline Position 1998, in which the Government set out circumstances in which it would meet compensation payable by local planning authorities in meeting its responsibilities under regulation 50 of the Conservation (Natural Habitats) Regulations 1994;

- The Habitats Directive (92/43/EEC) obliges the UK to select and submit sites to the European Commission for adoption as Sites of Community Importance and subsequent designation as Special Areas of Conservation. The designation of Bolton Fell Moss is part of the UK Government's response to Commission infraction proceedings with regard to sufficiency of designated sites. The provision currently stands at £3.4m in pursuance of this; and

- A total of £5m relating to smaller provisions with an individual value of less than £1m.

24.2 Provision for Environment Agency Pension Liability

24.2.1 The EA Closed Fund (the Fund) is vested in EA by Regulation 2(1) of the Local Government Pension Scheme Regulations 1996 and 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 (the Act) 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 assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 March 2011	Value at 31 March 2011	Long term rate of return expected at 31 March 2010	Value at 31 March 2010	Long term rate of return expected at 31 March 2009	Value at 31 March 2009
		£000		£000		£000
Equities	n/a	0	n/a	0	n/a	0
Bonds	4.3%	(126,800)	4.5%	(121,300)	4.3%	(107,000)
Cash	4.6%	(6,900)	4.8%	(6,000)	4.5%	(4,200)
Market value of assets		(133,700)		(127,300)		(111,200)
Present value of scheme liabilities		925,600		1,233,500		1,055,800
Net pension liabilities (as per Actuarial Report)		791,900		1,106,200		944,600
Pension liability		791,900		1,106,200		944,600

The major financial assumptions used by the Actuary when providing the assessment of the accrued liabilities as at the following dates for the Resource Accounting assessments were:

	At 31 March 2011	At 31 March 2010
Rate of increase on salaries*	4.4%	4.3%
Rate of increase in pensions in payment and deferred pensions	2.7%	2.8%
Inflation assumption	2.7%	2.8%
Discount rate	5.6%	4.6%

Please note the inflation assumption and pension increase assumption are in line with the CPI, rather than the RPI as used in previous years. Please refer to Note 1.18 for further details.

*The 4.4% p.a. is a long term assumption that applies from 1 April 2012, salaries are assumed to increase at a lower rate of 1% p.a. over the 2 year period starting from 1 April 2010.

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 used by the Actuary were:

Average Future Life Expectancies at age 65	Males (yrs)	Females (yrs)
Current Pensioners	20.5	22.9
Future Pensioners	21.5	24.0

The historic mortality assumptions were:

Future Life Expectancy	Prospective Pensioners	Pensioners
31 March 2010	year of birth, medium cohort and 1% p.a. minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007
31 March 2009	calendar year 2033	calendar year 2017
31 March 2008	calendar year 2017	calendar year 2004
31 March 2007	calendar year 2004	calendar year 2004

Age ratings were applied to the above tables based on membership profile.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

Change to major assumptions at 31 March 2011	Approximate % increase to the Employer Liability	Approximate Value (£m)
0.5% Decrease in Discount Rate	4%	33
1 year Increase in Member Life Expectancy	3%	25
0.5% Increase in the Pensions Increase Rate	4%	34

EA is responsible for providing the Actuary with the relevant information to carry out the triennial valuations of the Closed Fund. This information includes, but is not limited to, details of:

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- statutory benefit structure, including details of any discretionary benefits and any proposals to amend these; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The value of the liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation it is considered appropriate to reduce the assumed rate of inflation then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The managers of the scheme accept that, as a consequence the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year, resulting from changes in assumptions, is disclosed in Notes 24.2.6 and 24.2.7. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

24.2.2 Reconciliation of defined benefit obligation

	2010-11	2009-10
	£000	£000
Opening Defined Benefit Obligation	1,233,500	1,055,800
Interest on obligation	54,100	60,900
Actuarial (gain) / loss	(217,600)	213,500
Past service (gain)	(50,800)	0
Estimated unfunded benefits paid	(11,700)	(11,600)
Estimated benefits paid	(81,900)	(85,100)
Closing Defined benefit Obligation	**925,600**	1,233,500

24.2.3 Fair value of employer assets

	2010-11	2009-10
	£000	£000
Opening Fair Value of Employer Assets	(127,300)	(111,200)
Expected return on assets	(5,800)	(4,800)
Contributions by the Employer	(84,800)	(87,100)
Contributions in respect of unfunded benefits	(11,700)	(11,600)
Actuarial (gain) / loss	1,500	(10,300)
Other Expenses	800	1,000
Unfunded Benefits Paid	11,700	11,600
Benefits Paid	81,900	85,100
Closing Fair Value of Employer Assets	**(133,700)**	(127,300)

24.2.4 Amounts for current and previous accounting periods

	2010-11	2009-10	2008-09	2007-08	2006-07
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	(133,700)	(127,300)	(111,200)	(115,600)	(100,300)
Present Value of Defined Benefit Obligation	925,600	1,233,500	1,055,800	1,162,300	1,111,000
Deficit	**791,900**	1,106,200	944,600	1,046,700	1,010,700

The past Service Gain is in respect of the change to pension increases introduced in the Chancellor's 2010 budget statement. Please refer to Note 1.18 for further details.

24.2.5 Expense to be recognised in Statement of Comprehensive Net Expenditure

	2010-11	2009-10
	£000	£000
Expected return on pension scheme assets	(5,800)	(4,800)
Interest on pension scheme liabilities	54,100	60,900
Net return on assets	48,300	56,100
Past service (gain)	(50,800)	-
Other expenses	800	1,000
Charged to operating cost	(1,700)	57,100

24.2.6 Analysis of Amount Recognised as Gains and Losses

	2010-11	2009-10
	£000	£000
Actuarial (gain) / loss on plan assets	1,500	(10,300)
Experience (gains) / losses arising on the scheme liabilities	(177,700)	(3,500)
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(39,900)	217,000
Actuarial (gain) / loss	(216,100)	203,200
Cumulative Actuarial (Gain) / Loss	157,300	373,400

24.2.7 History of Experience Gains and Losses

	2010-11	2009-10	2008-09	2007-08	2006-07
Experience (gains) / losses on assets:					
Amount (£000)	1,500	(10,300)	6,500	(9,700)	(3,900)
Percentage of assets	1.1%	(8.1%)	5.8%	(8.4%)	(3.9%)
Experience (gains) / losses on liabilities:					
Amount (£000)	(177,700)	(3,500)	(17,500)	139,400	33,300
Percentage of liabilities	(19.2%)	(0.3%)	(1.7%)	12.0%	3.0%
Total amount recognised (gains) and losses:					
Amount (£000)	(216,100)	203,200	(63,300)	90,600	105,300
Percentage of liabilities	(23.3%)	16.5%	(6.0%)	7.8%	9.5%

24.3 Pension Provisions (excluding EA Pension Liability)

Nature Conservancy Council Pension Provision

The Nature Conservancy Council (NCC) pensions provision provides for former NCC staff (and their surviving dependents) who decided not to transfer their provision to an alternative scheme when the NCC was disbanded.

Horticultural Research International Pension Scheme

The Horticultural Research International (HRI) pension scheme is now closed following the restructuring of HRI in 2004. There are no active members in the scheme, only pensioners (deferred and current). The HRI pension scheme is PCSPS by analogy and is a final salary scheme providing a combination of pension and lump sum benefits on a range of contingencies: retirement, death and resignation.

Former Countryside Agency Pension Schemes (RCC and Ex–Chairman Schemes)

The former CA Rural Community Councils (RCC) and Ex–Chairman pension provisions were transferred to the Core–Department on 30 September 2006. The RCC fund is managed by the Xafinity Paymaster, and any pensions are administered by them in accordance with standard rules (by–analogy with the PCSPS).

24.3.1 An actuarial valuation was carried out on these schemes as at 31 March 2011 by the Government Actuary's Department. The major assumptions used by the Actuary were:

	31 March 2011	31 March 2010
Rate of increase in salaries	4.9%	4.3%
Rate of increase for pensions in payment and deferred pensions	2.7%	2.8%
Rate used to discount scheme liabilties	5.6%	4.6%
Inflation assumption CPI	2.7%	2.0%
Inflation assumption RPI		2.8%

Please note the inflation assumption and pension increase assumption are in line with the CPI, rather than the RPI as used in previous years. Please refer to Note 1.18 for further details.

24.3.2 Analysis of Movement in Scheme Liability

	2010-11					2009-10
	NCC	HRI	Former CA RCC	Former CA Ex-Chair	Total	Total
	£000	£000	£000	£000	£000	£000
Scheme liability at 1 April	20,714	17,699	3,050	237	**41,700**	33,398
Current service cost	-	-	28	-	**28**	21
Employee contributions	-	-	1	-	**1**	1
Interest on scheme liability	862	716	128	14	**1,720**	1,961
Benefits payable	(1,322)	(420)	(112)	(20)	**(1,874)**	(1,943)
Pension payments to and on account of leavers & transfers in	-	(11)	-	-	**(11)**	-
Past Service (Gain)	(1,514)	(2,309)	(277)	(26)	**(4,126)**	
Actuarial (gain)/loss	(356)	(1,468)	(90)	72	**(1,842)**	8,262
Scheme liability at 31 March	18,384	14,207	2,728	277	**35,596**	41,700

The past service gain is in respect of the change to pension increases introduced in the Chancellor's 2010 budget statement. Please refer to Note 1.18 for further details.

24.3.3 Expense to be recognised in Statement of Comprehensive Net Expenditure

	2010-11					2009-10
	NCC	**HRI**	**Former CA RCC**	**Former CA Ex-Chair**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Current service cost (net of employee contributions)	-	-	29	-	29	22
Interest cost	862	716	128	14	1,720	2,074
Past service (gain)	(1,514)	(2,309)	(277)	(26)	(4,126)	-
Total expense	(652)	(1,593)	(120)	(12)	(2,377)	2,096

24.3.4 Analysis of Actuarial Gains and Losses

	2010-11					2009-10
	NCC	**HRI**	**Former CA RCC**	**Former CA Ex-Chair**	**Total**	Total
	£000	**£000**	**£000**	**£000**	**£000**	£000
Experience (gain)/loss arising on the scheme liabilities	371	(569)	41	55	**(102)**	(152)
Changes in assumptions underlying the present value of scheme liabilities	(727)	(899)	(131)	17	**(1,740)**	8,414
Total actuarial (gain)/loss	(356)	(1,468)	(90)	72	**(1,842)**	8,262
Cumulative total actuarial (gain)/loss	7,745	2,479	949	132	11,305	

24.3.5 History of Experience Gains and Losses

Nature Conservancy Council pension provision

	2010-11	2009-10	2008-09	2007-08	2006-07
Experience (gains)/losses on liabilities					
Amount (£'000s)	371	(122)	536	534	262
Percentage of the present value of scheme liabilities	2.0%	(0.6%)	3.0%	2.8%	1.4%

Horticultural Research International Pension Scheme

	2010-11	2009-10	2008-09	2007-08	2006-07
Experience (gains)/losses on liabilities					
Amount (£'000s)	(569)	(66)	134	179	190
Percentage of the present value of scheme liabilities	(4.0%)	(0.4%)	1.0%	1.2%	1.2%

Former Countryside Agency pension schemes: RCC Directors

	2010-11	2009-10	2008-09	2007-08	2006-07
Experience (gains)/losses on liabilities					
Amount (£'000s)	41	(3)	(80)	121	68
Percentage of the present value of scheme liabilities	1.5%	(0.1%)	(3.3%)	4.5%	2.6%

Former CA pension schemes: Ex–Chairman

	2010-11	2009-10	2008-09	2007-08	2006-07
Experience (gains)/losses on liabilities					
Amount (£'000s)	55	1	8	(55)	(1)
Percentage of the present value of scheme liabilities	19.9%	0.6%	4.0%	(26.7%)	(0.4%)

25 Operating Segments

For the 2011–12 Accounts the segment analysis detailed below will be aligned to the Structural Reform Priorities and Risks. Defra will then report on this basis for internal and external reporting.

This alignment is currently being developed, therefore for the 2010–11 Accounts, we are unable to show a direct relationship.

- **Animal Health Agency** – income and costs relating to the AH;
- **EA Sponsorship – EP, Water, Fisheries and Closed Pension Fund** – Grant–in–Aid for EA Environmental Protection work and the EA Pension scheme and income and costs associated with their sponsorship;
- **Floods Ongoing function** – Grant–in–Aid for EA flood work and income and costs associated with their sponsorship;
- **Landscape Recreation and Waterways Sponsorship** – Grant–in–Aid to the National Forest Company and associated Core–Department sponsorship costs. Additional income and costs associated with activities with a Waterways theme that do not relate to the National Forest Company;
- **Marine Programme** – Grant–in–Aid for the MMO and associated Core–Department sponsorship costs. Additional income and costs associated with activities with a Marine theme that do not relate to the MMO;
- **Other** – all remaining programmes operated by Defra and its Agencies including Grant–in–Aid for the NDPBs not mentioned above;
- **RPA** – Income and costs for the RPA plus the costs of the CAP disallowance for the year;
- **Rural Development Programme England** – Income and costs associated with the operation of the RDPE scheme;
- **Sustainable consumption and production** – Income and costs associated with activities with a sustainability theme; and
- **WAC Sponsored Bodies** – Grant–in–Aid for NE and Joint Nature Conservation Committee and associated Core–Department sponsorship costs.

	2010-11			2009-10		
	Gross	**Income**	**Net**	Gross	Income	Net
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Animal Health Agency	131,690	(4,631)	127,059	132,993	(5,550)	127,443
Environment Agency Sponsorship - EP, Water, Fisheries and Closed Pension Fund	128,227	(10)	128,217	223,511	-	223,511
Floods Ongoing Function	641,779	(140)	641,639	634,556	(143)	634,413
Landscape Recreation and Waterways Sponsorship	150,381	(24,263)	126,118	166,147	(26,523)	139,624
Marine Programme	80,394	(2,870)	77,524	110,166	(11,694)	98,472
Other	713,067	(130,655)	582,412	797,047	(120,173)	676,874
RPA	3,136,923	(2,893,138)	243,785	3,638,307	(3,292,244)	346,063
Rural Development Programme England	587,478	(367,140)	220,338	485,158	(268,128)	217,030
Sustainable Consumption and Production	136,385	(729)	135,656	209,952	(130)	209,822
WAC Sponsored Bodies	221,698	(1)	221,697	250,590	(96)	250,494
	5,928,022	**(3,423,577)**	**2,504,445**	6,648,427	(3,724,681)	2,923,746

26 Capital Commitments

	2010-11 Core-Department	2010-11 Consolidated	2009-10 Core-Department	2009-10 Consolidated
	£000	£000	£000	£000
Contracted capital commitments at 31 March for which no provision has been made:				
Property, plant and equipment	603	1,507	7,738	11,133
Intangible assets	-	557	309	2,628
	603	**2,064**	8,047	13,761

27 Commitments under Leases

27.1 Operating Leases

The total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2010-11 Core-Department	2010-11 Consolidated	2009-10 Core-Department	2009-10 Restated Consolidated
	£000	£000	£000	£000
Obligations under operating leases comprise				
Land				
Land Operating Leases - Not later than 1 year	6	64	5	63
Land Operating Leases - 1 to 5 years	19	106	17	122
Land Operating Leases - Over 5 years	283	862	280	881
Total of Land Operating Leases	**308**	**1,032**	302	1,066
Buildings				
Buildings Operating Leases - Not later than 1 yr	17,240	23,723	19,550	26,636
Buildings Operating Leases leases - 1 to 5 years	60,972	75,596	73,722	95,407
Buildings Operating Leases leases- Over 5 years	120,838	138,089	217,389	251,724
Total of Buildings Operating Leases	**199,050**	**237,408**	310,661	373,767
Other				
Other Operating Leases - Not later than 1 year	-	733	-	408
Other Operating Leases - 1 to 5 years	-	852	-	439
Total of Other Operating Leases	**-**	**1,585**	-	847

The consolidated land and buildings figures within this note shows the costs related to properties leased by Defra, net of the proportion occupied by entities outside the Department's accounting boundary. These arrangements between the occupier and Defra reflect a future commitment to reimburse Defra for the underlying rentals paid to landlords for the provision of leasehold accommodation.

The reduction in the commitment is driven by the Estates Strategy which has been approved by the Management Committee. The strategy makes it clear that there is an expectation that leasehold properties will be exited at the lease break (rather than the previous commitment to the end of the lease) and this reduced commitment is reflected in the figures above.

Included within the above figures, is a commitment of £46.293m in respect of 3–8 Whitehall place for 2010–11 (2009–10 £81.224m). Although the current legal title is with Defra, in economic reality DECC enjoy complete beneficial occupation. This is further reflected in that Government Property Unit and the Cabinet Office view the building as DECC property for various property returns. It is envisaged by Defra that the lease will formally transfer to DECC as they administer full operational control of the building.

27.2 Finance Leases

The total future minimum lease payments under finance leases (excluding Right of Use assets) are given in the table below for each of the following periods:

	2010-11		2009-10	
	Core-Department	**Consolidated**	Core-Department	Consolidated
	£000	**£000**	£000	£000
Obligations under finance leases comprise				
Other				
Other Finance Leases - Not later than 1 year	-	540	-	530
Other Finance Leases - 1 to 5 years	-	1,075	-	1,594
	-	1,615	-	2,124
Less: Interest element - Other	-	(523)	-	(818)
Total of Other Finance Leases	**-**	**1,092**	-	1,306

	2010-11		2009-10	
	Core-Department	**Consolidated**	Core-Department	Consolidated
	£000	**£000**	£000	£000
Present value of obligations under finance leases comprise				
Other				
Other Finance Leases - Not later than 1 year	-	441	-	433
Other Finance Leases - 1 to 5 years	-	651	-	873
Total of Other Finance Leases	**-**	**1,092**	-	1,306

27.3 Right of Use Assets – Service Concession Arrangements

The total future minimum lease payments in respect of Right of Use assets are given in the table below for each of the following periods:

	2010-11 Core-Department	**2010-11** Consolidated	2009-10 Core-Department	2009-10 Consolidated
	£000	**£000**	£000	£000
Obligations under service concession arrangement comprise				
Obligation under service concession arrangement - Not later than 1 year	2,850	4,464	3,164	5,276
Obligation under service concession arrangement - 1 to 5 years	12,425	19,454	12,843	21,414
Obligation under service concession arrangement - Over 5 Years	6,294	9,854	10,186	16,984
	21,569	33,772	26,193	43,674
Less: Interest element	(5,085)	(7,961)	(6,706)	(11,182)
Obligations under Service Concession Arrangement	**16,484**	**25,811**	19,487	32,492

	2010-11 Core-Department	**2010-11** Consolidated	2009-10 Restated Core-Department	2009-10 Restated Consolidated
	£000	**£000**	£000	£000
Present values of obligations under service concession arrangement comprise				
Right of Use Assets				
Obligation under service concession arrangement - Not later than 1 year	2,662	4,169	2,958	4,932
Obligation under service concession arrangement - 1 to 5 years	9,777	15,307	10,147	16,918
Obligation under service concession arrangement - Over 5 Years	4,045	6,335	6,382	10,642
Total obligation under service concession arrangement	**16,484**	**25,811**	19,487	32,492

28 Commitments under PFI Contracts

28.1 Off–balance Sheet

The majority of PFI contracts associated with Defra are funded by NDPB and public corporations outside the resource accounting boundary.

An off–balance sheet contract was signed by the Department in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra occupies 1.9% of the building and recharges other occupiers for their share of the costs.

28.2 Charge to the Statement of Comprehensive Net Expenditure and Future Commitments

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of off–balance sheet PFI transactions was £Nil (2009–10 Restated £495,000). The payments to which the Department is committed are as follows:

	2010-11		Restated 2009-10	Restated
	Core-Department	**Consolidated**	Core-Department	Consolidated
	£000	**£000**	£000	£000
Not later than one year	84	100	81	96
Later than one year and not later than five years	376	448	348	414
Later than five years	2,015	2,400	2,138	2,546
	2,475	**2,948**	2,567	3,056

29 Other Financial Commitments

The Department is committed to making payments to non–cancellable contracts (which are not leases). The payments to which the Department is committed are as follows:

	2010-11		2009-10	
	Core-Department	**Consolidated**	Core-Department	Consolidated
	£000	**£000**	£000	£000
Not later than one year	81,133	129,059	58,109	118,043
Later than one year and not later than five years	234,529	380,355	219,082	396,324
Later than five years	149,593	309,508	172,164	399,228
	465,255	**818,922**	449,355	913,595

Within the other financial commitments disclosure, £297,039,000 (Restated 2009–10 £387,911,000) relate to facilities management costs associated with the occupation of buildings that are either owned or leased by Defra or specialised properties held on Agencies' Statements of Financial Position. These commitments are net of the proportion occupied by entities outside the Department's accounting boundary, where the commitments are consistent with arrangements containing a lease as defined by IFRIC 4.

Defra also entered into multi–annual agreements with beneficiaries under a number of schemes within the RDPE. Under these agreements, payments are due annually to beneficiaries upon their submission of a signed claim form and following their completion of specified activities and adherence to laid down prescriptions. In the event of activities and prescriptions specified within the agreements not being undertaken there is no liability to pay.

30 Contingent Liabilities Disclosed under IAS 37 and Contingent Assets

30.1 Contingent Liabilities

There are a number of events, with uncertain outcomes, that could potentially lead to liabilities for the Department. Given such uncertainties, these items have not been accrued for in the Accounts, but are instead listed separately as contingent liabilities. At 31 March 2011, the main items under this heading were:

- liability for landfill sites that do not reach the standards required by Pollution Prevention and Control regulations if the licence holder becomes insolvent. Potential liability estimated at £15–30m;

- infringements of the Urban Waste Water Treatment Directive could lead to substantial fines from the EU (unquantifiable);

- investment guarantees, up to a maximum of £2.9m, related to the Waste and Resources Action Programme (WRAP), together with various liabilities concerning WRAP lease commitments to a maximum of £0.2m, due in stages to 2011;

- potential future claims for pollution that may arise from FMD Farm Burial Grounds. The potential liability is estimated at a maximum of £2m;

- indemnity against all actions, costs and expenses made against the National Institute of Agricultural Botany (NIAB) arising from their contract with Defra. The value of any such possible future actions is not quantifiable but, to minimise liability, the contract requires NIAB to take out a £5m professional insurance;

- the East Malling Research (EMR) liability arises from the agreement made in 2004 for Defra to cover redundancy costs should EMR need to make HRI staff redundant. The liability was estimated at £4.5m when the agreement was made in 2004–05, but declines every year down to £0.3m in the final year of the agreement in 2023–24. The full amount would only be paid once, in the case of East Malling winding down. Small claims may arise should EMR need to make staff redundant during a specific year;

- a writ has been received seeking damages of £9.5m from the Department and IBM, relating to an alleged breach of software licensing conditions;

- the HR Redundancy liability relates to planned restructuring affecting 51 IBM staff; the estimated charge for this campaign is £3.8m and is over 8 years;

- a contractual liability for dilapidations arises to the extent that the tenant fails to repair, maintain or decorate in accordance with the terms of the lease. A liability for reinstatement arises where a leased building is altered by the tenant at the request of the tenant. These obligations cannot be reliably estimated at inception. Provision is made where the landlord has notified an intention to enforce a claim and the amount of such a claim can be assessed. A contingent liability therefore exists for potential claims over and above the existing provision;

- potential costs associated with a possible adverse outcome to a European Court of Justice case which would require the slaughter of goat herds where scrapie has been confirmed are estimated at £1m;

- the European Commission have acknowledged that sugar levy rates, advised by regulation, were incorrect leading to overcharged levies during the period 2002 to 2006. The European Commission has issued new regulations which are being challenged by sugar producers with the European Union;

- the Government has an obligation under Article 14.2 of an agreement of 1988, registered with the UN, to support the Commonwealth Agricultural Bureau International (CABI). For the year to 31 December 2006, Defra provided 35% of the member contributions towards CABI's costs. Under the Agreement, the Government is required to underwrite any future deficit or recover any surplus on winding up of CABI in the same proportion as its members' contributions. Defra considers that, on the basis of the assessment of CABI's management, the liabilities gap is currently falling, and that the residual obligation is potentially below £5m;

- Fera has received a professional negligence claim which seeks an indemnity to pay for future claims. This is being defended. (unquantifiable);

- possible ECJ fines relating to alleged failure to transpose the Wild Birds Directive. The potential liability is £7–8m; and

- potential liabilities arising from small claims against Defra. The potential liability is estimated at no more than £0.2m.

30.2 Contingent Assets

At 31 March 2011, the main items under this heading were:

- a surplus of £0.5m may arise as a result of a reorganisation of the Sugar Board Pension Scheme. This was provided for in 1976 by a group annuity policy, but this is now disproportionate for the small number of surviving pensioners;

- possible recoveries of £2.5m resulting from future surpluses from the NIAB redundancy fund;

- Defra 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; and

- once correct rates are confirmed by regulation, the repayment of overcharged sugar levy will be reimbursed by the European Commission. The above contingent liability is matched by an equal contingent asset.

31 Contingent Liabilities not Required to be Disclosed under IAS 37 but Included for Parliamentary Reporting and Accountability Purposes

31.1 Quantifiable

Defra has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these are contingent liabilities within the meaning of IAS 37 since the likelihood of a transfer of economic benefits in settlement is too remote.

	01 April 2010	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2011
	£000	£000	£000	£000	£000
Guarantees					
Guarantee of British Waterways borrowing	3,000	-	-	-	3,000

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

- Defra provided a letter of comfort to close a funding gap that would otherwise prevent the completion of the redevelopment of the New Covent Garden Market site at Nine Elms. The Department has agreed to underwrite the redevelopment of the CGMA in the event that costs exceed the budget allowed to them by HM Treasury, up to a maximum of £10m. Funding would not be available to CGMA until after 1 April 2015; and

- potential liabilities arising from small claims against Defra. The potential liability is estimated at no more than £1m.

31.2 Unquantifiable

Defra has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these are contingent liabilities within the meaning of IAS 37 since the possibility of a transfer of economic benefits in settlement is too remote.

Indemnities:

- Defra indemnifies the UK Chemicals Stakeholders Forum against legal action by companies affected by Forum decisions or announcements on chemicals; and

- indemnity to maintain an offshore works, built in the 1970s, to ensure that no danger or nuisance is caused.

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

- where Defra has assigned a previously held lease to a third party, Defra remains potentially liable to compensate the landlord where the subsequent lessee defaults and the landlord fails to achieve redress elsewhere;

- environmental contamination arising from the use, and former use of sites which Defra controls, or formally controlled, may give rise to a future remediation liability; and

- The Commission has initiated infraction proceedings against the UK for failure to transpose the revised Waste Framework Directive (rWFD) by the due date of 12 December 2010.

32 Losses and Special Payments

32.1 Losses Statement

	2010-11		2009-10	
	No. of cases	**Value £000**	No. of cases	Value £000
Cash losses	1,284	10,829	28,186	14,379
Stores losses	30	10	51	5
Administrative write-offs	5	15	-	-
Fruitless payments	-	-	1	-
Constructive losses	1	173	1	2,505
Claims abandoned	12,115	1,328	5,561	565
Realised exchange losses	-	18,325	-	-
Total	**13,435**	**30,680**	33,800	17,454

Details of Cases over £250,000

- £1,292,000, £307,000 and £340,000 relating to Paul's Malt, Crisp Maltings and Baird's Malt respectively. The companies received payments under Export Refunds (Malt) and pre–financing arrangement relating to 1997 and before. The RPA identified irregularities in the payments and in 2001 the RPA commenced legal proceedings to recover the debt. Some recoveries were made against the original debt. The RPA has written off the unrecovered balance.

- £588,000 compensation paid to Glenfarm Holdings Ltd for damage to rental premises.

- £416,000 relating to Abbey View Ltd. The company received payments from the Fresh Fruit and Vegetable Aid Scheme 2004, 2005 and 2007. In 2008 the RPA commenced recovery action for ineligible funding. On appeal the RPA agreed that this debt should be written off. The amount includes claiming for ineligible funding plus penalties and interest.

- £3,235,584 of income recorded as due from the European Commission for the FIFG 2000–2006 scheme was written off to reflect the actual amount due from the European Commission.

- £18,325,000 relating to realised losses due to fluctuations in exchange rates.

- £716,000 for the cancellation of the Update Customer Details part of RPA's eChannel Project.

- Write offs of £3.3m included in the above cash losses for 2010–11 relates to 1,062 SPS cases.

32.2 Special Payments

	2010-11		2009-10	
	No. of cases	**Value £000**	No. of cases	Value £000
Special payments	1,248	693	260	3,417
Total	**1,248**	**693**	260	3,417

There were no cases over £250,000.

33 Related Party Transactions

The Department is the parent of the Executive Agencies shown in Note 37. The Department's NDPBs within the departmental accounting boundary are also shown in Note 37 and those outside the boundary are shown in Note 38. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a number of transactions with other government departments (e.g. Department for Business, Innovation and Skills, DCLG, DECC, Health and Safety Executive, and the Devolved Administrations).

Other than, those disclosed below, none of the Committee Members, key managerial staff or other related parties have undertaken any material transactions with the Department during the year.

A number of key managerial staff claim CAP scheme payments as detailed below. Where this is the case, the standard EU terms and conditions for these schemes apply.

Katrina Williams' (Director General: Food and Farming) husband is employed by Defra as a permanent, full–time member of staff. He does not receive any preferential treatment.

Nigel Gibbens' (Chief Veterinary Officer) wife is employed by Defra as a permanent, full–time member of staff. She does not receive any preferential treatment.

Lord Henley (Parliamentary Under Secretary) claimed Single Farm Payment in 2010–11 and received approximately £20k.

Jim Paice (Minister of State for Agriculture and Food) claimed Single Farm Payment and Higher Level Stewardship in 2010–11 and received approximately £2k.

Richard Benyon (Parliamentary Under Secretary for Natural Environment and Fisheries) and some of his close family members are beneficiaries of trusts which claim Single Farm Payments, Countryside Stewardship Grants and Forestry Grants. He resigned as a director of the Englefield Trust Corporation Limited which is a trustee of these trusts on 14 June 2010. He claims Single Farm Payment and his wife claims Single Farm Payment and Environmental Stewardship Payment.

In January 2003 RPA signed a contract with Accenture to provide IT services. The value of payments made to Accenture in 2010–11 was £13.4m including VAT, the balance owed to Accenture as at 31 March 2011 was £0.1m. Caroline Spelman's (appointed Secretary of State in May 2010) husband has worked for Accenture since 1989, and is now a partner. Accenture provides IT services for RPA. He holds shares and share options in Accenture. Mr Spelman does not take part in any work involving Defra or the RPA.

No other Defra Management Committee member, including Non–Executive members or other key managerial staff hold directorships or other significant interests in any other related organisations.

34 Events After the Reporting Period

Defra's Financial Statements are laid before the House of Commons by HM Treasury. International Accounting Standard 10: *Events after the reporting period* requires Defra to disclose the date on which the accounts are authorised for issue. The authorised date for issue is 15 July 2011.

On 1 April 2011 AH and VLA merged to become Animal Health and Veterinary Laboratories Agency.

In 2011–12 the relevant animal health and welfare policy will transfer from the Department to the devolved administrations in Scotland and Wales.

Seafish is an NDPB sponsored by Defra and the Devolved Administrations. In June 2011, the Supreme Court upheld an appeal brought by Defra concerning Seafish's right to collect a levy under the Fisheries Act 1981 on imported sea fish and sea fish products. This overturned a ruling from the Court of Appeal in March 2010 which had temporarily rendered approximately 75% of Seafish's levy income unlawful. The Supreme Court ruled that Seafish's levy collection from imported sea fish and sea fish products is, and always has been, legal. Seafish can therefore resume full levy collection as well as collecting the withheld levy from importers since the Court of Appeal judgment in March 2010.

The question of whether, as regards the main public service pension schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these Accounts.

As a result of the change by HM Treasury to devolve PFI policy and budgets under SR10, as of 1 April 2011, £78m of Waste Infrastructure PFI credits transferred from DCLG to Defra.

35 Prior Year Adjustments

35.1 Effect on major statements

Prior year adjustments have been made to reflect the following:

On 1 April, the Marine and Fisheries Agency (MFA) ceased to exist as an Executive Agency of Defra, and most of its functions and responsibilities transferred to a new NDPB, the MMO. MFA's prior year transactions and balances have therefore been removed from these accounts, and the cash funding paid by the Core–Department to MFA has been restated as Grant–in–Aid to MMO. This has resulted in a £33k reduction in net operating cost and a £9,448k increase in assets less liabilities for 2009–10. MFA's closing cash balance for 2009–10 (£3k overdraft) is now included in the total for the Core–Department.

From 2010–11, departments are no longer required by HM Treasury to show a notional charge for cost of capital. Prior year figures have therefore been restated to remove this charge, resulting in a £3,347k reduction in net operating cost after allowing for cost of capital attributable to MFA.

Sugar levies of £11,560k were incorrectly included in operating income in 2009–10, whereas these receipts are actually collected by the RPA on behalf of the Consolidated Fund. Prior year figures have therefore been restated, resulting in a £11,560k increase in net operating cost. Receipt of sugar levies and subsequent payment to the Consolidated Fund will henceforth be disclosed in RPA's accounts only.

Fera have restated their accounts to reflect a revised valuation of their buildings, and this is reflected in these accounts. This has resulted in a £1,514k increase in assets less liabilities for 2009–10.

From 2010–11, amounts collected on behalf of the Consolidated Fund where Defra is acting as an agent of the Consolidated Fund are no longer included in the primary statements of these accounts, but are disclosed separately (see Note 7). Prior year figures for cash and payables have therefore been restated to remove such amounts, relating to receipts collected by AH and MFA. This has resulted in reductions in cash and payables of £20k in 2009–10 and £10k in 2008–09. Similar receipts will henceforth be disclosed in AH's and MMO's accounts only, whilst Note 7 in these accounts only discloses amounts collected by the Core–Department.

HM Treasury's Alignment Project will result in departmental accounts from 2011–12 showing improved alignment between Estimate, budget and accounts figures. As part of this process, some changes to the budget regime have been introduced in 2010–11 as outlined in HM Treasury's Consolidated Budgeting Guidance, resulting in a different allocation of certain expenditure items between DEL and AME. Prior year figures have been restated accordingly, and in some instances this is visible in these accounts as a movement between Administration and Programme expenditure in 2009–10.

Responsibility for payment of Contaminated Land grants transferred from Defra to EA on 7 July 2010. Grants of £9,347k paid by the Core–Department in 2009–10 have therefore been restated as a Grant–in–Aid payment to EA. There is no change in overall expenditure.

In the 2009–10 accounts there was an incorrect split of current and non–current assets and liabilities relating to the European Fisheries Fund. There is no overall impact to the Statement of Financial Position but to facilitate year on year comparatives the prior year figures have been restated accordingly. In 2009–10, this has resulted in a £6,583k increase in non–current receivables, a £16,455k increase in non–current payables and a £9,872k decrease in current payables. In 2008–09, this has resulted in a £8,215k increase in non–current payables and a £8,215k decrease in current payables.

Commitments under PFI Contracts and Other Financial Commitments have been restated to show the total outstanding commitment over all future years, rather than the next year's commitment analysed by period of expiry. Additionally, future obligations in respect of right of use assets have been restated to reflect more accurately expected expiry of obligations under the contract with IBM.

The following table reconciles the prior year adjustments shown above:

Consolidated

Statement of Comprehensive Net Expenditure

Administration Expenditure	**Staff Costs**	**Other Costs**	**Income**	**Total Admin Costs**
	£000	**£000**	**£000**	**£000**
Published in 09/10	229,243	324,791	(77,574)	476,460
Cost of Capital		(21,902)		(21,902)
Creation of MMO			(5,224)	(5,224)
Budget changes between Admin and Prog		8,882		8,882
Mapping corrections	1,647	(1,596)		51
Published in 10/11	**230,890**	**310,175**	**(82,798)**	**458,267**

Programme Expenditure	**Staff Costs**	**Other Costs**	**Income**	**Total Programme Costs**
	£000	**£000**	**£000**	**£000**
Published in 09/10	188,370	5,905,869	(3,655,133)	2,439,106
Cost of Capital		18,909		18,909
Creation of MMO	(9,610)	12,758	1,689	4,837
RPA Sugar Levies			11,560	11,560
Budget changes between Admin and Prog		(8,882)		(8,882)
Mapping corrections	36	(87)		(51)
Published in 10/11	**178,796**	**5,928,567**	**(3,641,884)**	**2,465,479**

Statement of Changes in Taxpayers Equity	**General Fund**	**Revaluation Reserve**	**Total**
	£000	**£000**	**£000**
Published in 09/10	(928,338)	144,415	(783,923)
Creation of MMO	9,460	(12)	9,448
Revaluation of FERA buildings		1,514	1,514
Published in 10/11	**(918,878)**	**145,917**	**(772,961)**

Statement of Financial Position

Assets in SOFP (1st April 2009)	**Non-current assets**	**Current assets**	**Total assets**
	£000	**£000**	**£000**
Published in 09/10	921,148	1,788,857	2,710,005
Creation of MMO (PPE & Intangibles)	(577)		(577)
Creation of MMO (Receivables)		1,814	1,814
Creation of MMO (Cash)		(10)	(10)
Published in 10/11	**920,571**	**1,790,661**	**2,711,232**

Assets in SOFP (31st March 2010)	**Non-current assets**	**Current assets**	**Total assets**
	£000	**£000**	**£000**
Published in 09/10	853,662	1,131,593	1,985,255
Creation of MMO (PPE & intangibles)	(3,192)		(3,192)
Creation of MMO (Receivables)		2,688	2,688
Revaluation of FERA buildings (PPE)	1,514		1,514
European Fisheries Fund (Receivables falling after 1 yr)	6,583		6,583
AH Consolidated Fund Income (Cash)		(20)	(20)
Published in 10/11	**858,567**	**1,134,261**	**1,992,828**

Liabilities in SOFP (1st April 2009)	**Current liabilities**	**Non-current liabilities**	**Total liabilities**
	£000	**£000**	**£000**
Published in 09/10	(1,973,696)	(1,470,510)	(3,444,206)
Creation of MMO (Payables)	6,767		6,767
Creation of MMO (Provisions)		2,463	2,463
Creation of MMO (Other payables)		308	308
European Fisheries Fund (Payables)	8,215	(8,215)	-
Published in 10/11	**(1,958,714)**	**(1,475,954)**	**(3,434,668)**

Liabilities in SOFP (31st March 2010)	**Current liabilities**	**Non-current liabilities**	**Total liabilities**
	£000	**£000**	**£000**
Published in 09/10	(1,193,684)	(1,575,427)	(2,769,111)
Creation of MMO (Payables)	8,101		8,101
Creation of MMO (Provisions)		357	357
Creation of MMO (Other payables)		1,494	1,494
AH Consolidated Fund Income (Payables)	20		20
European Fisheries Fund (Payables)	9,872	(16,455)	(6,583)
Published in 10/11	**(1,175,691)**	**(1,590,031)**	**(2,765,722)**

Core–Department

Statement of Comprehensive Net Expenditure **Administration Expenditure**	**Staff Costs**	**Other Costs**	**Income**	**Total Admin Costs**
	£000	**£000**	**£000**	**£000**
Published in 09/10	126,615	163,467	(25,042)	265,040
Cost of Capital		(7,900)		(7,900)
Budget changes between Admin and Prog		30,949		30,949
Mapping corrections	1,647	(1,596)		51
Published in 10/11	**128,262**	**184,920**	**(25,042)**	**288,140**

Programme Expenditure	**Staff Costs**	**Other Costs**	**Income**	**Total Programme Costs**
	£000	**£000**	**£000**	**£000**
Published in 09/10	2,514	2,602,404	(347,854)	2,257,064
Cost of Capital		33,532		33,532
Creation of MMO		31,091		31,091
Budget changes between Admin and Prog		(30,949)		(30,949)
Mapping corrections	36	(87)		(51)
Published in 10/11	**2,550**	**2,635,991**	**(347,854)**	**2,290,687**

Statement of Changes in Taxpayers Equity	**General Fund**	**Revaluation Reserve**	**Total**
	£000	**£000**	**£000**
Published in 09/10	(1,298,606)	47,589	(1,251,017)
Creation of MMO	(3)		(3)
Published in 10/11	**(1,298,609)**	**47,589**	**(1,251,020)**

Statement of Financial Position **Assets in SOFP (1st April 2009)**	**Non-current assets**	**Current assets**	**Total Assets**
	£000	**£000**	**£000**
Published in 09/10	351,329	1,162,039	1,513,368
Creation of MMO (Cash)		519	519
Published in 10/11	**351,329**	**1,162,558**	**1,513,887**

Assets in SOFP (31st March 2010)	**Non-current assets**	**Current assets**	**Total assets**
	£000	**£000**	**£000**
Published in 09/10	310,175	585,733	895,908
Creation of MMO (Cash)		(3)	(3)
European Fisheries Fund (Receivables falling after 1 yr)	6,583		6,583
Published in 10/11	**316,758**	**585,730**	**902,488**

Liabilities in SOFP (1st April 2009)	**Current liabilities**	**Non-current liabilities**	**Total liabilities**
	£000	**£000**	**£000**
Published in 09/10	(1,152,929)	(1,339,066)	(2,491,995)
European Fisheries Fund (Payables)	8,215	(8,215)	-
Published in 10/11	**(1,144,714)**	**(1,347,281)**	**(2,491,995)**

Liabilities in SOFP (31st March 2010)	**Current liabilities**	**Non-current liabilities**	**Total liabilities**
	£000	**£000**	**£000**
Published in 09/10	(701,386)	(1,445,539)	(2,146,925)
European Fisheries Fund (Payables)	9,872	(16,455)	(6,583)
Published in 10/11	**(691,514)**	**(1,461,994)**	**(2,153,508)**

35.2 Note format changes

The format of a number of notes has been modified to provide additional detail, for instance to disclose more detailed categories of income and expenditure. Previously published figures may therefore have been amended to reflect the new format, including population of new categories, but there has been no restatement of the underlying data. Within the Core–Department's 2009–10 published accounts 'Other Programme Costs' of £277m has been adjusted for a £76m increase due to the change in disclosure of provisions required by CLoS and a £31m decrease due to the reclassification of Research and Development expenditure. Out of the revised figure of £323m, £182m was reclassified as agency spend and eliminated on consolidation giving a revised figure of £140m.

36 Third Party Assets

The Department holds money relating to Twinning and projects on behalf of European Partners and Defra. These are not departmental assets and are not included in the Accounts. The assets held at the reporting date to which it is practical to ascribe a monetary value comprised monetary assets, such as bank balances and monies on deposits. They are set out in the table below:

	2010-11	2009-10
	£000	£000
Monetary Assets - Opening Balance	4,034	4,924
Monetary Assets - Gross Inflows	6,393	2,707
Monetary Assets - Gross Outflows	(6,542)	(3,597)
Monetary assets - Closing balances	**3,885**	4,034

37 Entities within the Departmental Boundary

The entities within the departmental boundary during 2010–11 comprise the Core–Department, its Executive Agencies and NDPBs as follows:

Executive Agencies

Animal Health (AH) (merged with VLA to become AHVLA from 1 April 2011)
Centre for Environment, Fisheries and Aquaculture Science (Cefas)
Food and Environment Research Agency (Fera)
Rural Payments Agency (RPA)
Veterinary Laboratories Agency (VLA) (merged with AH to become AHVLA from 1 April 2011)
Veterinary Medicines Directorate (VMD)

The Executive Agencies' accounts have been prepared under the direction of HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000 and are published separately.

Forestry Commission (FC) has been included in Defra's Estimate under RfR 2. Separate Accounts Directions have been issued for Defra and FC for 2010–11 which exclude the requirement for a full consolidation. However FC's outturn has been included in the Statement of Parliamentary Supply and Note 4 to enable a full comparison against the Estimate.

Executive NDPBs (Defra Funded)

Agricultural Wages Board for England and Wales
Agricultural Wages Committee for England

Advisory NDPBs (Defra Funded)

Advisory Committee on Hazardous Substances
Advisory Committee on Organic Standards
Advisory Committee on Packaging
Advisory Committee on Pesticides
Advisory Committee on Releases to the Environment
Agricultural Dwelling House Advisory Committees
Air Quality Expert Group
Darwin Advisory Committee (the Darwin Initiative)
National Standing Committee for Farm Animal Genetics Resources Group
Farm Animal Welfare Council
Independent Agricultural Appeals Panel
Inland Waterways Advisory Council
Royal Commission on Environmental Pollution
Science Advisory Council
Veterinary Products Committee
Veterinary Residues Committee
Zoos Forum

Advisory NDPBs

Spongiform Encephalopathy Advisory Committee

Tribunal NDPBs (Defra Funded)

Agricultural Land Tribunal (England)

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38 Entities Outside the Departmental Boundary

The public sector bodies which have not been consolidated in these Accounts, but for which the Department had lead responsibility during the year, are as follows:

Executive NDPBs

Commission for Rural Communities
Consumer Council for Water
Environment Agency
Gangmasters Licensing Authority
Joint Nature Conservation Committee
National Forest Company
Natural England
Marine Management Organisation
Royal Botanic Gardens, Kew
Sustainable Development Commission

Levy Bodies

Agriculture and Horticulture Development Board
Sea Fish Industry Authority

Public Corporations

British Waterways
Covent Garden Market Authority

Other Bodies

British Wool Marketing Board
Broads Authority
National Parks Authorities

Annex

This Annex does not form part of the financial statements and has not been subject to audit.

Annex 1: Commentary on Sustainable Performance

The information contained within this annex has not been subject to audit and does not form part of the auditors' opinion on the accounts.

Purpose

As part of its sustainable development strategy the Government encourages both companies and public bodies to disclose their sustainability and environmental performance via their annual reports and accounts. The Defra data presented in the following pages conforms to the requirements of the Public Sector Guidance for Sustainability Reporting.

Summary of Performance

Defra has committed to achieving the Sustainable Operations on the Government Estate (SOGE) targets. Performance is reported annually and the latest performance data (2009–10 financial year) will be made available to view through the OGC website[20].

Defra is already exceeding most of the 2010–11 targets, with potential for improvement against the recycling and water consumption targets. The Department is now preparing an action plan to deliver the proposed Greening Government Commitments, which will replace the SOGE Targets from April 2011. Primary areas for focus include improvements in recycling rates, reduction in water consumption, as well as building on progress already made in reducing carbon emissions.

SOGE Target Area	2009-10 Performance
Carbon emissions from offices	Achieved 2010 target
Carbon emissions from vehicles	Achieved 2010 target
Waste arisings	Achieved 2010 target
Recycling	On track to achieve 2010 target
Water consumption	Not on track to achieve 2020 target

Recent changes to reporting requirements mean that the data presented in this report no longer aligns to that reported through the SOGE process.

Governance

Defra's Sustainable Operation Strategy is developed and delivered through a Sustainability Governance Board and reported to Defra's Management Board on a monthly basis. More recently, Defra has made data on CO_2 emissions from offices available to Cabinet Office on a monthly basis. This informs progress against the Government 10% CO_2 Reduction Target.

[20] http://www.ogc.gov.uk/sustainability_programme_progress.asp

Defra Sustainability Report

FINITE RESOURCE CONSUMPTION - WATER			2010–11	2009–10
Non financial indicators (m3)	Water Consumption	Supplied	380,579	426,390
		Abstracted	0	0
Financial indicators (£)	Water Supply Costs		724,691	983,912
TARGETS AND NARRATIVE				

Defra has a Sustainable Operations on the Government Estate (SOGE) target to reduce its water consumption by 25% by 2020, relative to 2004–05 levels.
Water consumption increased by 24.6% in 2009–10 compared to 2008–09. All of this increase can be attributed to increased consumption by the Defra laboratory estate.

Progress has been made in some areas; the Defra office estate achieved a 4.8% reduction in water consumption in 2009–10 compared to the previous reporting period.

The consumption and supply costs relate solely to the sites included within SOGE reporting.

DIRECT IMPACTS COMMENTARY

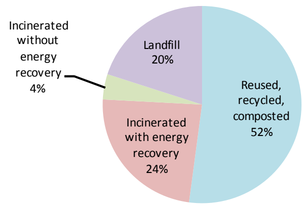
Defra has undertaken water surveys at all of its major properties. This has identified both water inputs and outputs from all major processes. This information has been used to inform ongoing water reduction initiatives. These will focus primarily on the laboratory estate, which accounted for 89% of the Department's total water consumption in 2009–10.

OVERVIEW OF INDIRECT IMPACTS

Water consumption on the laboratory estate fluctuates in response to the demand for scientific research, much of which is water intensive. Improvements have already been undertaken to replace water intensive laboratory equipment with more efficient technologies. A project to install water meters across the larger laboratory facilities will be implemented during 2011.

WASTE		2010–11	2009–10
Non financial indicators (tonnes)	Total waste	2,439	4,105
	Hazardous waste	1,634	969
	Reused, recycled, composted	1,271	1,226
	Incinerated with energy recovery	578	1,064
	Incinerated without energy recovery	101	1,080
	Landfill	489	735
Financial indicators (£)	Total disposal cost	1,324,400	1,235,410

Graphical Analysis



TARGETS AND NARRATIVE

Defra has a Sustainable Operations on the Government Estate (SOGE) target to reduce its total waste arisings by 5% by 2010, from a 2006–07 baseline. The Department is already overachieving against this target by 12%. Defra is now developing an action plan for delivering the new Greening Government Commitments and further reductions in waste arisings.

A reduction in waste arisings has been achieved through a number of different initiatives:
- introduction of bin-less offices
- waste reduction through procurement strategies (contractor responsibility for packaging waste)
- behavioural change initiatives to promote greater awareness amongst Defra staff (such as print reduction to minimise paper use)

Defra is also working towards recycling 40% of its waste against the 2010–11 target. A recycling rate of 29% was achieved in 2009–10.

Waste data is collected from all Defra sites with occupancy of 25 staff or more. The costs shown above relate to the total estate.

DIRECT IMPACTS COMMENTARY

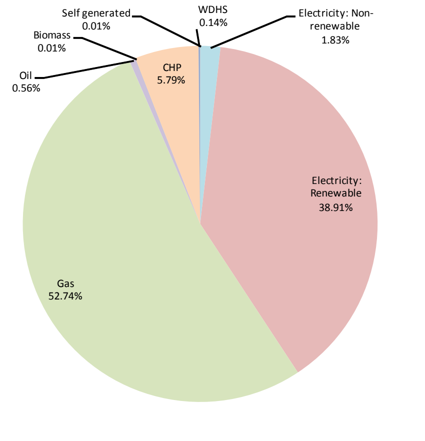
In July 2010 Defra engaged in a long term contract with a new waste and recycling contractor. Through this contract Defra has started to introduce an improved and expanded recycling service. The standardisation of recycling facilities across the estate will ensure that all Defra staff can maximise recycling opportunities.

OVERVIEW OF INDIRECT IMPACTS

Waste arisings resulting from activities undertaken at the Veterinary Laboratories Agency's site in Weybridge, account for 35% of the Department's total waste arisings. Defra's laboratory estate undertakes research into animal and plant disease and as such generates materials which are classed as biohazards. This waste must go for specialist waste disposal and cannot be recycled.

GREENHOUSE GAS EMISSIONS			2010–11	2009–10
Non financial indicators (tCO2e)	Total Gross Emissions for Scopes 1 & 2		49,968	43,172
	Total Net Emissions for Scopes 1 & 2		49,968	43,172
	Gross emissions attributable to Scope 3 official business travel		1,388	6,212
Related Energy Consumption (kWh)	Energy Consumption	Electricity: Non-renewable	2,733,088	29,584,730
		Electricity: Renewable	57,993,267	28,999,355
		Gas	78,609,092	48,389,889
		Oil	841,448	252,444
		Biomass	8,493	3,198
		CHP	8,636,206	12,195,337
		WDHS	206,939	315,000
		Self generated	17,069	26,725
Financial indicators (£)	Total Energy Expenditure		7,954,249	9,017,572
	Expenditure on accredited offsets (e.g. GCOF)		16,330	50,541
	Expenditure on official business travel		4,847,575	8,139,315

Graphical Analysis



TARGETS AND NARRATIVE

Defra has the following carbon targets:

i. To reduce carbon emissions from its office estate by 12.5% by 2010–11, relative to the 1999–00 levels. The figures for 2009–10 show that Defra is now only 1.1% away from achieving the 2020 target of reducing carbon emissions from the office estate by 30%. The Department has delivered an average 4% reduction year on year from 2006 to 2009 and a 13% reduction in 2009–10.

ii. To reduce carbon emissions from road vehicles used for Government administrative operations by 15% by 2010–11, relative to 2005–06 levels. The Department is currently overachieving against this target by 13.8%.

Scope 1 and 2 emissions relate to those sites included within SOGE reporting.

DIRECT IMPACTS COMMENTARY

Defra has been focusing on delivering further carbon savings across its office estate in order to achieve the Prime Minister's 10% Carbon emissions reduction target. A variety of zero and low cost initiatives have delivered savings through improved building management. This has been supplemented by quick win energy efficiency technologies and a comprehensive staff awareness campaign. It is envisaged that further savings will be achieved through estate rationalisation. Defra is now developing an action plan for delivering the new Greening Government Commitments and further reductions in carbon emissions across both it's office and laboratory estate. The data presented here includes both Defra's office and non office (laboratory) estate. The laboratory estate accounts for more than 80% of the Department's gas and electricity consumption.

OVERVIEW OF INDIRECT IMPACTS

Defra is working to reduce its scope 1, 2 & 3 emissions from its estate and operations and has a number of programmes in place across it's estates, travel, procurement and ICT workstreams to identify and implement carbon reduction initiatives across the Department.

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