Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2011–12

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Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2011–12

(For the year ended 31 March 2012)

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

Defra has an ambitious agenda to ensure that the fundamentals of life – such as air, water, soil, plants and food – on which our society and economy are built, continue to meet our needs and the needs of future generations.

Supporting growth is a priority for the Department. An important part of that is making environmental regulations simpler and more effective; saving UK business more than £1 billion over the next five years. A new Defra–UKTI action plan will help drive export growth in the farming, food and drink sector. We have also launched a £165 million package of measures to boost the rural economy. Going forward, we are piloting Rural Growth Networks and will improve access to high speed broadband with the £20 million Rural Community Broadband Fund.

Businesses wanted to see greater cross–Government working to stimulate the green economy. We responded, working with BIS and DECC to set out Government's policy direction in Enabling the Transition to a Green Economy. We also set up the business–led Ecosystems Market Taskforce, to look at ways in which companies can improve both the environment and their bottom line. We are determined to see a growing green economy as part of a more sustainable and balanced economy.

We have set out wide ranging reforms over the last year, including the first Natural Environment White Paper in 20 years, the Water White Paper which had resilience at its heart – and will be followed in 2012 by a draft Water Bill – and a review of all waste policy in England. The National Ecosystem Assessment has provided a groundbreaking analysis of the natural environment in terms of the benefits to society and our economic prosperity. We will continue to build on this, and shape decision making in a way that has proper regard for the value of nature.

Civil society and local communities have a huge role to play and Defra is empowering them to improve their environment, including through Local Nature Partnerships and Nature Improvement Areas. We are creating a new charity to safeguard and enhance our nation's waterways – the Canal and River Trust – and we are investing over £1 billion to give it the best possible start.

To get a better deal for consumers, producers and the UK we will continue to make a strong case in Europe for reform of the Common Agricultural and Common Fisheries Policies. At Rio+20 in June, we played a leading role in bringing together countries around the world to set a fresh course for driving forward sustainable development.

Improvements in the UK's resilience to environmental emergencies will continue as we develop the UK's first National climate change Adaptation Programme, maintain progress to better protect 145,000 homes from flooding and coastal erosion, and take action to tackle the spread of bovine tuberculosis.

I am immensely proud of what the Department has achieved. Looking ahead I want to build on these successes, and implementation will be a firm focus for the coming year.

CAROLINE SPELMAN

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

Over the past year, I am proud to say that Defra, our Executive Agencies and wider network of arms length bodies have stepped up to the challenge of delivering more for less, in support of the Government's priorities of debt reduction and sustainable economic growth.

Our ability to continue to serve the public and the Government is highly dependent on people across the Defra network. I value the passion and commitment that they have shown through their work, and the huge contribution that they have made to what we have achieved over the last year.

We have also set in train, through our respective organisations, significant changes, designed to equip us better for the future. Whilst this has brought uncertainty at times, particularly for our staff, we are now at the stage where we can move forward with greater clarity of purpose to focus on implementation.

The Secretary of State has highlighted some of the work which the Department has delivered over the last year. This happened at the same time as Defra and its network over–achieved the spending reduction plan for 2011–12 through an early focus on reducing 'back office' costs and overheads. This has contributed to a significant saving in Administration expenditure. Just under half of this saving was reprioritised towards additional Programme spending and the remainder has helped to further reduce pressure on the Government's budget deficit.

Defra has also introduced significant changes in its corporate governance and in transparency, in line with the Coalition Government's policy. I am pleased that the Governance Statement confirms that we comply with the 2011 Code of Good Practice on corporate governance for central government departments, with only two exceptions which we have explained.

We have seen some major changes to our delivery landscape. This includes the merger of two of our Executive Agencies to form the Animal Health and Veterinary Laboratories Agency (AHVLA) and the move of British Waterways to charitable status. I am especially pleased to highlight the significant improvement in operational performance at the Rural Payments Agency (RPA), where we recognise that there is still more to do, as set out in the Agency's five year plan.

I welcome the contribution made by our four Non–Executive Director members on the Board (three of whom joined us during 2011). The constructive challenge and the experience they bring from the private and voluntary sectors is particularly valuable.

The culmination of all the Department's work and that of its wider network over the last year – and the changes we are introducing to equip us for the future – will enable us to continue to deliver Defra's important agenda in challenging circumstances.

BRONWYN HILL

Contents

Chapter 1: Who We Are

Our Purpose: "Growing A Green Economy, Protecting Our Natural Resources"

The Department for Environment, Food and Rural Affairs (Defra) works for our quality of life and the natural resources – such as air, water, soil, plants and food – that we need now and in the future.

The issues Defra deals with affect people locally, nationally and internationally. We promote efficient business, protect communities from flooding and help rural communities to thrive.

In all of our work we strike the right balance between economic, social and environmental goals, for a sustainable future.

Our Priorities

Defra's priorities are set out in our Business Plan[1]. In accordance with the Coalition Programme for Government, Defra has three 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 sustainability and to reduce waste; work to ensure that the UK economy is resilient to climate change; and enhance rural communities.

In addition, Defra has two other major responsibilities.

- *To 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.

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

Detailed commentary on Defra's performance against these responsibilities follows in Chapter 3.

How We Operate

Defra's structure as of 31 March 2012 is as follows:

- The Secretary of State has overall statutory and political accountability to Parliament for all matters associated with the Department;

[1] www.number10.gov.uk/wp-content/uploads/DEFRA-Business-Plan1.pdf

- The Permanent Secretary has responsibility for the overall organisation, management and staffing of the Department. As Accounting Officer, she also has responsibility for the propriety and regularity of the Department's finances, for ensuring that Defra "operates effectively and to a high standard of probity" [2] and is personally accountable to Parliament; and

- The Supervisory Board (chaired by the Secretary of State) provides collective strategic and corporate leadership to the Department, bringing together Ministerial and Civil Service leaders with Non–Executives from outside Government. It comprises the Ministers, Permanent Secretary, Directors–General (DG), Finance Director and Non–Executive Board Members (NEDs). It met quarterly since its inception in December 2010 until January 2012, and every other month since January 2012.

The Supervisory Board has three sub–committees.

- The Management Committee focuses on operations, performance and risk. It comprises all the members of the Supervisory Board, except Ministers. It met monthly from its inception in December 2010 but, from January 2012, has met every other month, alternating with the Supervisory Board.

- The Audit and Risk Committee is a non–executive sub–committee. It supports and advises the Supervisory Board and the Accounting Officer on issues of risk, control, governance and other related matters. It is chaired by one of the NEDs and comprises independent members. Officials, including the Finance Director and the Head of Internal Audit, attend routinely as observers and contributors, as does a National Audit Office representative. It meets approximately five times each year.

- The Nominations Committee scrutinises incentives and rewards for the executive board members and senior civil service, advises on the extent to which these are effective at improving performance, and considers succession planning for Defra Non-Executive Directors and other Board members. It is chaired by the lead NED, and also comprises the Permanent Secretary, the Director of Strategic Human Resources and the Head of Talent. It meets approximately quarterly.

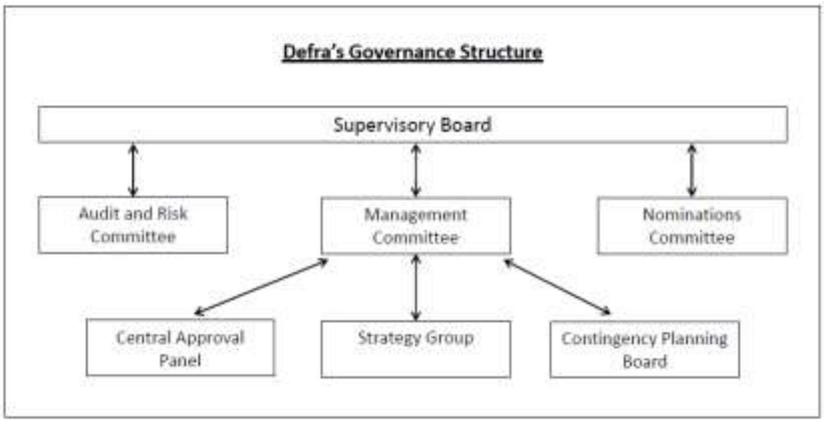
The Management Committee has three further sub–groups.

- The Central Approval Panel is responsible for resource allocation.

- The Strategy Group advises on Defra's strategy.

- The Contingency Planning Board advises and offers assurance on Defra's overall state of preparedness to address emergencies, and its ability to continue with its essential business in the face of any serious disruption to its staff or infrastructure.

Thus the governance structure of the Core–Department can be summarised as follows.



[2] HM Treasury, *Managing Public Money*, 2 June 2011, chapter 3 "Accounting Officers", p. 2, box 3.1.

Our Ministers, Senior Staff and Non–Executives

Defra's Ministers during 2011–12 were:

- **Rt. Hon. Caroline Spelman MP,** Secretary of State
- **James Paice MP,** Minister of State for Agriculture and Food
- **Richard Benyon MP,** Parliamentary Under–Secretary for Natural Environment and Fisheries
- **Lord Henley,** Parliamentary Under–Secretary (until 16 September 2011)
- **Lord Taylor of Holbeach,** Parliamentary Under–Secretary (appointed 16 September 2011)

The senior staff on the Supervisory Board during 2011–12 were:

- **Bronwyn Hill**, Permanent Secretary
- **Mike Anderson,** Director–General: Green Economy and Corporate Services (until 17 July 2011)
- **Graham Ledward,** Director–General: Corporate Services (from 1 August 2011 until 30 April 2012)
- **Bill Stow,** Chair of the Central Approvals Panel (retired 6 January 2012)
- **Tom Taylor,** Finance Director (appointed 25 July 2011)
- **Peter Unwin,** Director–General: Environmental and Rural
- **Professor Sir Robert Watson,** Director–General: Chief Scientific Advisor
- **Katrina Williams,** Director–General: Food and Farming

The NEDs on the Supervisory Board were:

- **Iain Ferguson,** Lead Non–Executive Director and Chair of the Nominations Committee
- **Alexis Cleveland,** Non–Executive Director (until 31 July 2011)
- **Catherine Doran,** Non–Executive Director (appointed 1 December 2011)
- **Bill Griffiths,** Non–Executive Director and Chair of the Audit and Risk Committee (until 31 July 2011)
- **Sir Tony Hawkhead,** Non–Executive Board Member (appointed 1 July 2011)
- **Paul Rew,** Non–Executive Director and Chair of the Audit and Risk Committee (appointed 1 July 2011)

Our Organisation

Defra's work during 2011–12 was organised into three groups: Food and Farming, Environment and Rural, and Green Economy and Corporate Services. Each group was headed by a DG. Below this, Defra managed its work through a portfolio of programmes, projects and ongoing functions, supporting the delivery of the Defra Business Plan. This portfolio structure incorporated clear ownership of – and accountability for – each activity, and a proportionate approach was taken in applying Programme and Project Management principles and practice, based on the level of risk, complexity and delivery challenge across the portfolio.

The Food and Farming Group (FFG) aimed to deliver environmental, economic and health benefits by supporting the food and farming sectors to manage risk, connect with markets and assure the safety and sustainability of our food supply systems. Specific work undertaken within FFG included: preparing for the reform of the Common Agricultural Policy; supporting the farming sector; safeguarding animal welfare; developing policies to minimise the impact of Bovine TB; reducing the likelihood and impact of future exotic disease outbreaks; and securing a sustainable and healthy food supply.

The Environment and Rural Group (ERG) aimed to ensure the sustainable preservation and management of the nation's natural resources, and to help rural communities develop and thrive. Specific work undertaken within ERG included: minimising the threat and impact of flooding; moving the nation towards a zero waste economy; reforming the water industry; driving sustainable public sector practice across government; protecting natural terrestrial and marine areas of particular scientific, cultural and economic importance to the nation and to local communities; and supporting economic growth in rural areas.

The Green Economy and Corporate Services Group (GECS) used cross–cutting evidence and policy development to support the development of economically, socially and environmentally sustainable economic growth. It also encompassed a range of corporate services that supported the development and delivery of policy across Defra and its network. Specific work undertaken within GECS included: enabling the transition to a green economy; mainstreaming sustainable development; providing coordination and planning for research and other evidence gathering and analysis; corporate services, including Human Resources, Finance, Estates, Commercial, Performance Management and Information Services.

From April 2012 the Department is moving to a new structure to equip it to work more effectively as one team across the whole business, including with Executive Agencies and Non–Departmental Public Bodies (NDPBs). Alongside the Chief Scientific Adviser, there will be three new DG roles overseeing reshaped portfolios: a DG Chief Operating Officer, a DG for Strategy, Evidence and Customers, and a DG for Policy Delivery.

The work structures summarised above relate to the formulation and implementation of Defra's policies by the Core–Department. Defra has a wider network of delivery bodies which assist with delivering policies and specific functions, and these bodies also act on behalf of the Secretary of State. The following chapter explores this network in more detail.

Chapter 2: How We Deliver

Our Delivery Partners

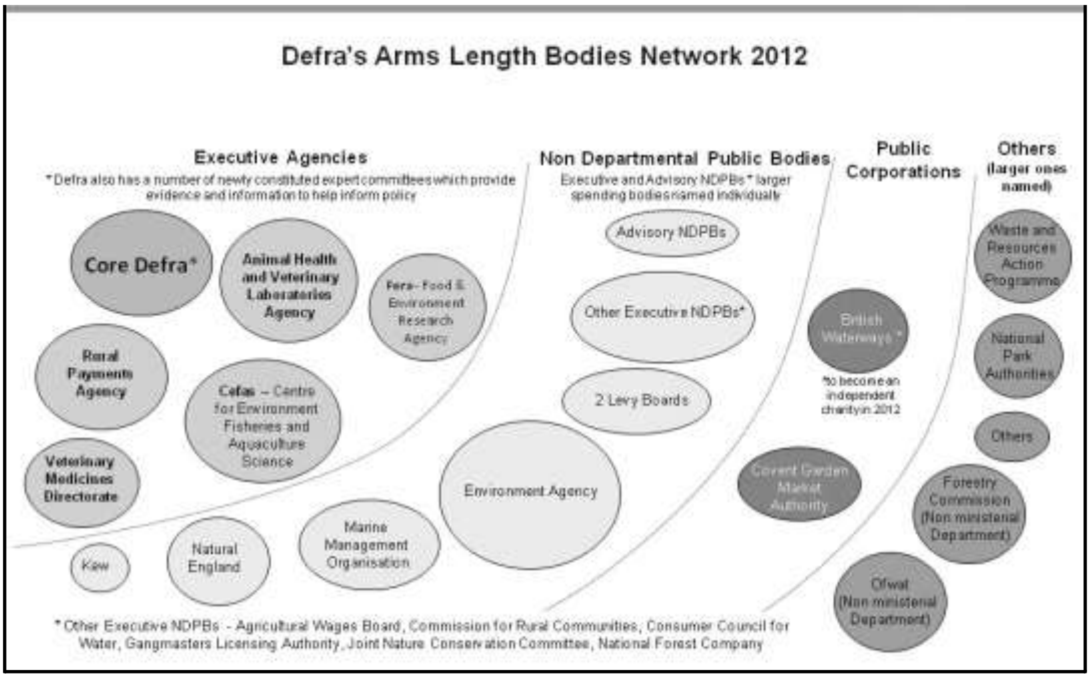
The Core–Department focuses on supporting Ministers to achieve the outcomes they seek by developing and implementing policy, including legislation. The Department is committed to evidence–based policy making, prioritising rigorous and relevant evidence in all its policy formulation and implementation decisions. Defra's stakeholders are regularly involved and consulted, and delivery bodies in particular are fully involved so that any issues which may arise during implementation are identified and addressed as early as possible. Risk assessment and mitigation is also built in at every stage of the process.

The delivery of Defra's policies is largely delegated to our network of Arms Length Bodies, including our Executive Agencies, Non–Departmental Public Bodies (NDPBs) and other public bodies.

Defra's Executive Agencies operate with a degree of autonomy within a framework of direct accountability to the Department's Permanent Secretary, and to Ministers who remain directly accountable for their overall performance. All Executive Agencies have a business plan measurable against key performance indicators and framework agreements. Individual Directors–General in Defra act as the Corporate Owner in relation to particular Executive Agencies, providing line management for the Chief Executives, holding them to account for delivering against targets, and taking a longer term strategic view of the agency's interaction with Defra. The Corporate Owner is normally supported by a formal Owner Advisory Board, with non–executive as well as executive members. A Director in Defra with a policy interest in a particular agency's business takes on the role of Corporate Customer, ensuring that all policy customer interests are represented effectively, including working closely with the Devolved Administrations.

Defra's executive NDPBs have been established through legislation, which specifies what the NDPB is to do, what powers are invested in it, and how it should be financed. Each has its own independent Board, Chairman and Executive Management Team, with the Chief Executive Officer designated as the Accounting Officer for that organisation. In practice, NDPBs operate with some independence and are not under day–to–day ministerial control, but Ministers agree the funding levels and key objectives of each NDPB and, together with Defra's Supervisory Board, hold them to account through six–monthly performance reviews.

The delivery network map below shows Defra's network bodies, and gives an indication of the distance from Core–Defra at which they operate.



Further information about the bodies who deliver our work is available at the websites listed below[3]. Each Executive Agency and NDPB publishes its own Annual Report and Accounts.

Executive Agencies

- The Animal Health and Veterinary Laboratories Agency: http://www.defra.gov.uk/ahvla/
- The Centre for Environment, Fisheries and Aquaculture Science: http://www.cefas.defra.gov.uk/
- The Food and Environment Research Agency: http://www.fera.defra.gov.uk/
- The Rural Payments Agency: http://rpa.defra.gov.uk/rpa/index.nsf/home
- The Veterinary Medicines Directorate: http://www.vmd.defra.gov.uk/

Non–Departmental Public Bodies

- The Agricultural Wages Board: http://www.defra.gov.uk/food-farm/farm-manage/wages/
- The Commission for Rural Communities: http://www.defra.gov.uk/crc/
- The Consumer Council for Water: http://www.ccwater.org.uk/
- The Environment Agency: http://www.environment-agency.gov.uk/
- The Gangmasters Licensing Authority: http://gla.defra.gov.uk/
- The Joint Nature Conservation Committee: http://jncc.defra.gov.uk/
- Marine Management Organisation: http://www.marinemanagement.org.uk/
- Natural England: http://www.naturalengland.org.uk/
- The National Forest Company: http://www.nationalforest.org/
- Royal Botanic Gardens Kew: http://www.kew.org/

Levy Funded Non–Departmental Public Bodies

- The Agriculture and Horticulture Development Board: http://www.ahdb.org.uk/
- The Sea Fish Industry Authority: http://www.seafish.org/

Public Corporations

- The British Waterways Board: http://www.britishwaterways.co.uk/
- The Covent Garden Market Authority: http://www.newcoventgardenmarket.com/

Others

- The Forestry Commission Great Britain/England: http://www.forestry.gov.uk/
- The National Park Authorities: http://www.nationalparks.gov.uk/

[3] Correct on 31 March 2012

- The Waste and Resources Action Programme: http://www.wrap.org.uk/
- The Water Services Regulation Authority (Ofwat): http://www.ofwat.gov.uk/

Public Appointments for Arms Length Bodies

Between April 2011 and March 2012 the Department has advertised for approximately 35 public appointments regulated by Office of the Commissioner for Public Appointments across 8 public bodies. The total cost of the 15 adverts covering these posts was approximately £77,000.

Defra has five Chair roles which are subject to pre–appointment scrutiny by the EFRA Select Committee[4]. These are: the Chair of Natural England (NE); the Chair of the Agricultural Wages Board; the Chair of the Environment Agency (EA); the Chair of the Gangmasters Licensing Authority; and the Chair of the Water Services Regulatory Authority (Ofwat).

Our Reforms

Internal Change

The Defra Change Programme was launched in May 2011 to help the Department to respond to a number of new challenges and opportunities. These included the 2010 Spending Review settlement and the Coalition's expectations for how we deliver the Government's priorities.

The work of the Change Programme has been guided by a renewed vision for the Department, which consists of working together as one team (including across our delivery network), operating effectively within our resources and flexing to meet clear priorities, and ensuring staff are challenged and rewarded within a business–like culture of high performance and clear accountability.

A key output from the Programme's work so far has been a statement of purpose and behaviours clarifying the Department's strategic direction and setting out the behaviours staff need to display to achieve our overarching goals. The Programme has also produced a reshaped organisational structure which is affordable, brings together our policy and evidence expertise, and creates innovative policy portfolios which join up areas with common interests. New Ministerial priorities for 2015 were finalised in May 2012, and these are a crucial component of the work of the Change Programme to refresh the way the Department plans its business, manages its financial and staff resources, and measures progress against objectives. A focus on new ways of working and behaviours supports all of this, aiming to embed the changes we want to see beyond the life of the Change Programme, which is due to end in September 2012.

Changes to Our Delivery Network

The key change to our delivery network in 2011–12 was the merger of Animal Health and the Veterinary Laboratories Agency into a single agency, the Animal Health Veterinary Laboratories Agency with effect from 1 April 2011. The merger has enabled rationalisation of the estate, installation of new IT and performance management systems, and the creation of a new organisational structure. These changes will deliver savings and will strengthen service delivery.

Engagement, Localism and the Big Society

Defra is responsible for an important and diverse range of policy issues which are delivered by a variety of organisations and teams. Our customers and stakeholders range from direct recipients of our services (such as farmers and land managers), to other business sectors, non–governmental organisations and the general public. Good stakeholder engagement and management is a vital part of effective policy development and implementation.

The Government is committed to encouraging citizens, civil society and public and private institutions to take responsibility for improving their communities, using their local insight, energy and knowledge to develop solutions tailored to their local circumstances. Defra and its network are in the process of embedding the

[4] www.parliament.uk

delivery of localism, decentralisation and the Big Society throughout our policies and operations. To this end we engage with civil society and public and private organisations, to identify opportunities for them to play a more active role in policy development and delivery.

Examples of how Defra pursued this approach in 2011–12 include the following.

- *Flood and Coastal Resilience Partnership Funding*

In May 2011 Defra announced reforms to the way in which flood and coastal defence projects in England will be funded. Instead of meeting the full costs of just a limited number of schemes, the new partnership approach to funding flood and coastal resilience means Government money is potentially available towards the costs of any worthwhile scheme. Overall, up to a third more schemes are expected to go ahead than if the previous 'all or nothing' approach to funding were to continue. The system also allows local communities to have a bigger say in what is done to protect them. The new approach puts added emphasis on providing support to those most at risk and living in the most deprived parts of the country.

- *The Big Tree Plant*

This initiative was launched in December 2010, with the goal of planting one million trees by April 2015. Although not an enormous number in absolute terms, as a community–based initiative which aims to involve people and local groups in planting more trees to improve their towns, cities and neighbourhoods, it promises to invigorate community involvement. By its first anniversary over 100,000 trees had been planted by partners, community projects and individuals, and the funding scheme had approved 66 projects to plant a further 400,000 trees up to spring 2015.

- *The transfer of British Waterways to the charitable sector*

Defra pledged over £1bn of investment into the new Canal and River Trust (to be launched in 2012) which will place responsibility for the waterways of England and Wales with a new charity which will engage with local communities.

- *The Catchment Based Approach*

Defra announced the launch of a Catchment Based Approach to deliver the Water Framework Directive in March 2011. This aims to engage stakeholders in water catchments to facilitate gathering and sharing evidence of local pressures, agree priorities and target integrated action. We have established 25 catchments to pilot this approach which we will intensively support and evaluate closely. EA will play a 'hosting' role in 10 catchments and external stakeholders will host a further 15 (some co–hosting in partnership). EA will also support other stakeholders wishing to proceed with this approach in a further 34 catchments. An evaluation of all of these catchments throughout 2012 will inform a decision on the potential wider roll–out of this approach in 2013.

- *The Catchment Restoration Fund*

This initiative is being administered on our behalf by EA, and was launched in February 2012. It will deliver up to £28m of funding to charitable organisations during 2012–2015 to help us achieve our objectives under the Water Framework Directive. It will build upon the success we have had in working with The Rivers Trust and Wildlife Trusts over recent years by delivering improvements to our aquatic environment, and will also enable a broader range of organisations to bid for funding.

Better Regulation and Simplification

Defra and its delivery partners remain committed to the Government's regulatory reform agenda. The Department is focused on delivering actions that maintain environmental protection but encourage sustainable growth, by regulating only when necessary and in ways that minimise the burden on businesses and the public. Defra was the first department to publish an assessment of the costs and benefits of our stock of regulation[5]. Defra has established a regulators group to share best practice on regulatory reform with all those who enforce on our behalf and has set up an independent Strategic Regulatory Scrutiny Panel to oversee our progress. The Department has also developed internal tools to enable us to monitor developments and has introduced

[5] http://www.defra.gov.uk/publications/files/pb13623-costs-benefits-defra-regulatory-stock110816.pdf

internal mechanisms to keep policy teams aware of developments (such as our monthly newsletter) and sign–off procedures to ensure that policy leads are aware of their responsibilities.

The figures provided below are from Defra's regulatory stock assessment. This assessment was established in 2011 and is planned to be updated annually. The estimates for 2012 will not be available until the end of the year. However, changes in the costs of Defra's regulation on business for the purposes of the one–in, one–out system are tracked. It is anticipated that the next Statement of New Regulation, due to be published in July 2012, will indicate that under the one–in, one–out system, the cost of Defra's regulation on business will have reduced by £140m per year compared to 2010. The recent Red Tape Challenge review of environment regulation also resulted in proposals which will, once implemented, reduce cost to business by over £1bn over 5 years. An implementation plan will be finalised by the summer recess.

Indicator	Based on 2011 stock
Net cost to business of Defra's regulations (£m per annum)	£3,578
Benefit to Cost ratio of Defra's regulations	2.4:1

An assessment of the costs and benefits of the stock of Defra's regulation estimated that European Union (EU) measures account for 81 percent of the costs to business.

To achieve its deregulation aims, the Government has set out its guiding principles and introduced a number of initiatives, and Defra's progress against these is set out below.

One–In, One–Out (OIOO)

The "One–In, One–Out" initiative stipulates that for every domestic regulation which they introduce, departments must identify a regulation of equivalent policy cost to business that can be removed. Defra published its Third Statement of New Regulation in February 2012.[6] For OIOO purposes there were zero measures classed as INs; two as zero net costs to business and four deregulatory measures. The departmental OIOO balance for this period showed a net benefit to business (saving) of £2.96m. Overall the Department's OIOO balance is currently in deficit by £42.7m.

The Red Tape Challenge

Under "The Red Tape Challenge" the Government is asking the public, business and other organisations to identify regulations that are overly burdensome or obsolete. All departments are required to review all regulations classified as such as a result of this process, and justify their reasons for wanting to keep any which they deem to be essential. Defra's package of proposals on Hospitality, Food and Drink was announced on 28 September 2011. This included the following measures:

- significant rationalisation of existing food labelling and composition regulations (reducing the overall number from 31 to 17);
- removing unnecessary 'gold plating' and other red tape, including requirements on statutory minimum standards for hardness in bottled water, for margarine fortification, and for jam sugar content;
- consultation on the need for mandatory bread and flour fortification; and
- non–regulatory improvements to help food businesses, including development of a map of all food labelling legislation, rationalisation of guidance and better use of advice services.

The Department is now working to implement these proposals.

The Environment theme has been open for comment on the Red Tape Challenge website from April 2011.[7] Defra's package of proposals was announced on 19 March 2012, following a vigorous challenge process incorporating the 3,500 crowd–sourced comments and inbox submissions, views from Defra's Sounding Board

[6] http://www.bis.gov.uk/policies/bre/one-in-one-out/statement-of-new-regulation
[7] http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/

of environmental organisations and business representatives, as well as views from a separate panel of businesses.

While maintaining important environmental protections, the Environment package will save business over £1bn over 5 years. Of 255 regulations, 132 will be improved, mainly through simplification or consolidation; 70 will be kept as they are, to uphold important environmental protections; and 53 obsolete regulations will be removed. There will also be a drive for smarter implementation on the ground. Defra is now producing implementation plans to take these proposals forward. Significant changes include the following:

- reducing burdensome administrative bureaucracy associated with the 23.5m Waste Transfer Notes currently produced in the UK each year;
- consulting on ways to remove excessive compliance costs for business from the Waste Electrical and Electronic Equipment Regulations;
- introducing clearer guidance to reduce uncertainty about whether or not land is contaminated, saving business an estimated £140m a year;
- changing the UK's implementation of the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals Regulations including avoiding unnecessary removal of asbestos from second–hand articles in line with Health and Safety Executive guidance, saving businesses an estimated £29m per year; and
- reporting to Ministers by September 2012 on the results of a further review of the environmental framework, including guidance and data reporting, to make compliance simpler and more consistent without compromising environmental protections.

Sunsetting and Review Clauses

Regulations now routinely include a date at which they cease to be effective or a commitment to review the need for the regulation. Defra started to apply this requirement from early 2011 and all new regulations since 1 April 2011 comply with these requirements where necessary. Examples of review clauses include the Animal By–Products (Enforcement) and Transmissible Spongiform Encephalopathies (England) (Amendment) Regulations 2011 and the Marketing of Fresh Horticultural Produce (Amendment) Regulations 2011.

Impact Assessments

For 2011–12 the Department received a total of 83 Opinions with an 81 percent "fit for purpose" rating (Green or Amber) from the Regulatory Policy Committee (RPC). Where policy teams have been issued with a RED opinion, the Better Regulation Relationship Managers have arranged meetings with them and the RPC to find a solution and, in most cases, simply providing further clarification has been sufficient to receive a revised opinion. The Department has not introduced any measure which has not had a satisfactory RPC opinion.

Alternatives To Regulation

Defra is actively promoting the use of alternatives to regulation and has established a centre of excellence to work with policy teams on developing options. The Department established a number of projects to look at how it can use behaviours to achieve environmental outcomes which support the delivery of Ministers' objectives. A good example of this is the work that Defra and EA are doing to take forward a proposal on 'pollution mapping' which aims to improve the transparency of data on industrial site air quality to ensure that its presentation is salient and easily understood by individuals.

European Union (EU) Regulation

Defra has ensured that the Government's presumption to 'copy–out' (rather than interpret) EU regulation is built into our internal guidance. Interpretation can only be applied in cases where there is evidence that businesses might be negatively impacted without it.

The Department has also worked to ensure that the EU uses evidence as rigorously as possible to shape environmental policy. Defra produced a UK non–paper on resource efficiency, drawing heavily on our resource efficiency research, which provided detail on an anticipated £23bn annual savings figure. It helped to persuade the EU to focus first on the cost savings to businesses from improved resource efficiency, rather than more interventionist measures[8].

[8] http://www.defra.gov.uk/publications/2011/04/20/resource-efficient-europe/

Defra has also produced 'The UK National Ecosystem Assessment' which was a major evidence source for the development of 'The Natural Choice: securing the value of nature' (2011), the first White Paper on the natural environment for 20 years. The National Ecosystem Assessment concluded that 'A move to sustainable development will require an appropriate mixture of regulations, technology, financial investment and education.' This conclusion was reflected in the White Paper, which does not propose new regulations, but rather builds on England's mature environmental legislative framework. The Government is now using it to encourage other Member States and the Commission to adopt a similar approach.

Chapter 3: Performance

Coalition Priorities

Defra's Business Plan for 2011–15[9] sets out the Department's priorities and objectives in meeting the Coalition Government's Programme for Government commitments[10]. Its Structural Reform Plan (SRP) specifies 96 actions derived from these Coalition priorities which Defra will implement during the current Spending Review (SR) period.

Defra has made considerable progress against the commitments set out in its Business Plan and in the Coalition Programme for Government. In 2011–12 Defra completed 46 of our 96 SRP actions due for completion over the SR period 2011–15, in addition to the 24 SRP actions already delivered in 2010–11. This leaves 26 further actions to be completed by 2014–15.

The following table summarises Defra's performance. The data are separated by the 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.

Structural Reform Plan Actions	Priority 1	Priority 2	Priority 3	Total
Total number of actions completed during the year	14	11	21	46
Total number of actions overdue at the end of the year	0	2	2	4
Number of overdue actions that are attributable to external factors	0	0	0	0
Total number of actions ongoing	3	8	5	16
Total number of actions in the Business Plan that are yet to start	0	8	2	10

The Business Plan also sets out how Defra will measure progress. A set of indicators has been developed to quantify and monitor progress in key areas. These constitute inputs (use of resources) and impacts. The following sections explain Defra's performance against key commitments in the Business Plan and report on our input and impact indicators. Defra's input and impact indicators are based on data which is collected and compared across time periods of varying frequency – some monthly, some quarterly, some annually, and one at five year intervals (the Farmland Birds Index). This variation is determined by a number of factors, including the cost of collecting the data, the process by which the data is collected, and the estimated cost–benefit ratio of collecting it more rather than less frequently.

For example, the data used to generate the Farmland Birds Index is collected every five years by an external agency (the Royal Society for the Protection of Birds), and it would be prohibitively expensive for Defra to initiate its own surveys. Similarly, there would be little to be gained by collecting this information more frequently than every five years, as bird populations are difficult to influence rapidly, and long term trends are far more significant than year on year fluctuations.

[9] www.number10.gov.uk/wp-content/uploads/DEFRA-Business-Plan1.pdf
[10] http://www.number10.gov.uk/news/the-coalition-our-programme-for-government-2

By contrast, Household Recycling Rates are surveyed quarterly and compared annually. While the data is relatively easy to collect (and so gathered quarterly), annual comparisons are preferred because these smooth out seasonal variations, giving a better sense of the overall trend than quarterly comparisons.

Further information about the nature of the indicators is available in the Measurement Annex to Defra's April 2012 Quarterly Data Summary[11].

It is currently difficult to draw explicit links between the changes in our Business Plan indicators and the achievement of SRP actions. There are a number of reasons for this. Most indicators can be affected by many different factors, some of which are outside Defra's control. The impacts of some actions may not be reliably measured for a significant period of time after the action has been taken, and indicators are expected to change at different speeds. Many indicators are new and do not yet have enough data to extrapolate trends.

Defra recognises the importance of performance management, and we are working to improve our business planning and reporting over the coming year.

Priority 1: Support and develop British farming and encourage sustainable food production

In 2011–12, Defra completed 14 SRP actions to support and develop British farming and encourage sustainable food production.

In May 2011, the Farming Regulation Task Force reported to Government on ways of reducing regulatory burdens on farmers and food processors, recommending more than 200 ways of reducing unnecessary "red tape". This independent review advised on how best to achieve a risk–based system of regulation in future, whilst maintaining high environmental, welfare and safety standards.

In June 2011, Defra set out proposals to reform the animal welfare inspection regime in Great Britain in order to focus inspections on farms with an increased risk of non–compliance with animal welfare legislation. The momentum of animal health and welfare reforms was continued in November 2011 with the first meeting of the Animal Health and Welfare Board for England. This new Board brings together experts from across farming, veterinary science and the Civil Service to make policy recommendations direct to Ministers on the health and welfare of kept animals such as farm animals, horses and pets.

In July 2011, Defra published plans to tackle bovine tuberculosis (bTB) in England. The Bovine TB Eradication Programme for England is a comprehensive and balanced package of measures to reduce the incidence of bTB in cattle, badgers and other animals. These plans were bolstered in December 2011 with the announcement that two areas would be invited to apply to participate in pilots to trial controlled culling of badgers, as part of a science–led and carefully managed badger control policy. The two areas selected to apply were announced in January 2012.

In January 2012, Defra published Driving Export Growth in the Farming, Food and Drink Sector: a plan of action, following on from the commitment to work with the food and drink industry to take full advantage of the potential for growth through overseas trade. This action plan will drive export growth in the farming, food and drink sector by working to open markets and remove trade barriers; encouraging more small and medium–sized enterprises to explore overseas opportunities; and shifting the focus of the sector towards the opportunities of emerging economies where there is the greatest future growth potential.

[11] http://data.defra.gov.uk/QDS/defra-qds-1204-measurement-annex.pdf.

The input and impact indicators relevant to Defra's first priority area are listed and assessed below.

- Cost of the Single Payment Scheme (SPS)

	2011–12	2010–11
Average cost to Defra per SPS claim (£)	760	818
Trend: The SPS cost per claim methodology changed between 2010–11 and 2011–12 to make it a more accurate assessment based on actual processing costs. The Rural Payments Agency (RPA) is confident that there is a downward trend, however direct comparison across the published figures over the two years is not possible given the change in method.		

The SPS represents subsidies paid to farmers under the European Union (EU) Common Agricultural Policy. For the scheme year 2010 (period December 2010 – June 2011), the fund paid out approximately £1.7bn (in England). Changes in back–office costs cannot be inferred from the indicator above because the costing methodology has changed. The previous model was created by PriceWaterhouseCoopers as part of an independent review of the Rural Payments Agency (RPA), while the new model has been internally generated by the RPA and Defra in partnership.

- Farmland Birds Index

	2009	2004
Farmland Birds index (base year 1970)	46.6	51.7
Trend: Populations of most farmland birds have declined since the base year of 1970, and the population is now less than half the size it was in 1970.		

The decline in farmland bird populations between 2004 and 2009 is concerning, not only for farmland birds directly, but because changes in their populations reflect changes in the quality of habitat on farmed land. The recent decline follows a long–term downward trend since the 1970s, when records began. The long term decline was driven by the land management changes and intensification of farming which took place over a long period, such as the loss of mixed farming, a move from spring to autumn sowing of arable crops, change in grassland management (e.g. a switch from hay to silage), increased pesticide and fertiliser use, and the removal of non–cropped features, such as hedgerows. Defra has developed and supported a number of approaches designed to address the decline. In particular a number of schemes[12] are in place to improve environmental stewardship in farming, with some specifically designed to help stabilise farmland bird populations. Whilst farmers can and do make a positive contribution, some farming practices can still have a negative impact on bird populations. The ongoing decline for some species may be additionally contributed to by other pressures. For example, there is evidence of an impact on some species from weather effects, disease, and land development. There are also an increasing numbers of studies finding evidence that a changing climate affects birds both in the UK and during migration.

- Agricultural soils nitrogen balance

	2010	2009
Agricultural soils nitrogen balance (England) (kg N / year)	92.8	85.7
Trend: Since 2000, there has been an overall long–term decline in the nitrogen balance per hectare.		

The soil nitrogen balances provide an indicator of the overall environmental pressure from levels of nitrogen in the soil by measuring the difference between nutrients going into the soil (e.g. fertilisers, manures) and nutrients being taken out (e.g. via products such as crops and meat). A high nitrogen balance can have an impact on air quality (ammonia emissions), water quality (nitrogen levels in rivers) and climate change (nitrous

[12] Entry Level and Higher Level Environmental Stewardship. For further information see: www.naturalengland.org.uk/ourwork/farming/funding/es/default.aspx

oxide emissions). There is no “ideal” balance of nitrogen, but a reduction in the surplus of nitrogen per hectare can broadly reduce the environmental risk. There has been an increase in the nitrogen balance between 2009 and 2010, driven largely by increased nitrogen fertiliser use (following two years of lower usage caused by very high prices). Yearly fluctuations are to be expected, and it is the longer–term trend which is most important – since 2000 there has been an overall decline in the balance.

- Productivity of UK Agricultural Industry

	2011	2010
Total Factor Productivity of UK Agricultural Industry (base year 2005 =100)	102.3	98.9
Trend: Productivity has remained broadly level, with only minor fluctuations since 2005.		

The productivity of UK agriculture has risen slightly since 2010, as measured by an increase in the volume of agricultural products as a proportion of input volumes. As the change is small, it is difficult to establish what factors have most affected productivity.

- Total cost to government of bTB control (England)

	2011–12	2010–11
Total cost to government of bTB control (England, £m)	86.05	N/A
Trend: No trend can be established as yet.		

bTB represents the largest area of spend on animal health and welfare. However, due to the devolution of animal health and welfare budgets to the Devolved Administrations in 2011 there is no previous data from which to establish a trend in England.

- Cattle herds that are officially bTB–free (England)

	2011	2010
Cattle herds that are officially bTb–free (England)	88.5%	89.2%
Trend: There has been a small decline in the percentage of bTb–free herds since 2005.		

The number of cattle herds certified bTB–free has decreased slightly between 2010 and 2011. There has been a small decrease in the proportion of officially bTB–free herds since reporting started in 2005. A decline in the percentage of officially bTB–free herds may reflect a number of factors, including increased levels of testing and therefore increased discovery of the disease, increasing herd incidence of bTB, or a longer duration of bTB breakdowns. The incidence of bTB can show seasonal and annual patterns.

Priority 2: Help to enhance the environment and biodiversity to improve quality of life

In 2011–12, Defra completed 11 SRP actions to help enhance the environment and biodiversity to improve quality of life. June 2011 saw the publication of ‘The Natural Choice: securing the value of nature’, the UK’s first Natural Environment White Paper in over 20 years. This sets out the practical actions the Government will undertake to protect and improve our natural environment, grow a green economy and reconnect people with nature. We also published our groundbreaking analysis of the state of the UK’s natural asset base: the National Ecosystems Assessment. This independent assessment, peer–reviewed by over 500 scientists and economists – identifies what has driven change over the last 60 years in the natural environment and the services it provides, and what may drive change in the future.

In August 2011, Defra published ‘Biodiversity 2020’, an ambitious biodiversity strategy for England. This provides the strategic direction for biodiversity policy on land and at sea. It will guide the Government’s conservation efforts in England over the next decade, including setting an ambition to halt overall loss of England's biodiversity by 2020, and move progressively from a position of net biodiversity loss to net gain.

Defra remains active on the international stage too. In July 2011, the EU's proposals on the reform of the Common Fisheries Policy were released, following months of work to influence the plans. In September 2011, Defra submitted proposals for expenditure through the International Climate Fund, including £10m to a joint project to tackle deforestation in Brazil.

Two actions were outstanding at 31 March 2012.

- *Improve our national capability to respond to a major flood emergency, based on lessons from March 2011 Exercise Watermark:* Defra published its report into the findings of Exercise Watermark, Britain's biggest ever civil emergency exercise, in October 2011. At 31 March 2012, Defra had implemented the majority of recommendations from the report but a small number required further analysis.

- *Consult on whether the legislation for National Park Authorities needs to better reflect their role in facilitating sustainable development:* Defra delayed this consultation, which was due to launch by December 2011, in view of the publication of the National Planning Policy Framework (NPPF) in March 2012. This delay was desirable in order to give stakeholders an opportunity to consider how sustainable development is reflected in the NPPF before responding to the consultation on National Park Authorities.

The input and impact indicators relevant to our second priority area are listed and assessed below.

- Unit cost of delivery of Higher Level Stewardship (HLS) schemes

	2010–11	2009–10
Unit cost of delivery of HLS schemes (£)	3,694	N/A
Trend: No trend can be established as yet.		

This indicator is calculated by dividing the total of a range of administrative costs (backroom, IT, processing, and fixed costs) by the number of HLS agreements over the reporting year. The protocol for collecting this information was developed just before the indicator was identified, and the data was previously gathered in such a way that it is impossible retrospectively to calculate the figures before 2010–11. Therefore it is not possible to establish any trend, but this will be possible in future years.

- Uptake of HLS schemes

	Q3 2011–12	Q2 2011–12
Usable agricultural land under HLS (%)	9.9	9.7
Trend: There has been an increase in the proportion of utilisable land under the HLS Scheme each quarter		

The HLS Scheme is Defra's most intensive agri–environment scheme and is targeted at the most environmentally valuable sites to achieve maximum impact. Under the HLS Scheme a progressively greater proportion of England's agricultural land is being maintained in a manner that provides benefits for wildlife, landscape, historic resource protection and climate change. Implementing the type of management that responds to Defra's priorities regarding habitats and features has resulted in the use of the most specialised (and consequently most expensive) options – e.g. water meadow restoration by managing water levels. This has caused the budget to be spread across a smaller area than predicted, and as a result the percentage of usable agricultural land under HLS is below the objective of 10.7 percent by Q3 2011–12. Whilst there is no specific target, we do have an idea of the quantity of new land that we would like to bring into the scheme within the annual budget – based on the average agreement cost of previous years. However, we accept that there will be a variation in actual delivery dependant on the unit cost of the options employed, but we aim to maintain an upward trend.

- Total government funding to the Environment Agency (EA) for management of environmental quality of surface water bodies (eg rivers, lakes, reservoirs)

	2011–12	2010–11
Funding to EA for water quality (£m)	78.7	N/A
Trend: No trend can be established as yet.		

Data on this indicator has only been collected in 2011–12 for the first time, and so comparisons with previous years are not possible at this stage. The EA use this funding for monitoring, regulation, advice and education, and the indicator does not include the proportion of funding directed towards direct improvement activity, which can fluctuate from year to year in accordance with changing circumstances. Most of the cost of direct improvement work is borne by the sectors that cause the most impact to water quality, and so is not included in this measure.

- Net improvement in surface water bodies (eg rivers, lakes, reservoirs) in England

	2010	2009
Net improvement in water quality elements (%)	0.5	1.8
Trend: There was a small net improvement in the quality of surface water bodies in England during 2010.		

It is not yet possible to determine definitively the reason for the improvement in the quality of surface water bodies between 2009 and 2010 due to the complexity of the factors which influence this indicator. The influence of particular factors will become clearer with the passage of time, and so firmer conclusions will be possible in the longer term.

- Total Government capital investment in flood and coastal erosion risk management

	2010–11	2009–10
Total government capital investment in flood and coastal erosion risk management (£m)	396.3	387.0
Trend: Defra's indicative capital allocation for flood and coastal erosion risk management is £261m per year for the four years from 2011–12 to 2014–15. This is 17% less than the average figure for the previous four years (2007–08 to 2010–11). The quantum of local levy raised by Regional Flood and Coastal Committees is not known until local authorities funding total are reported in October or November each year. The overall budgeted reduction of flood defence Grant-in-Aid to the Environment Agency, local authorities and internal drainage boards, when revenue is included, is 6% less over the current spending review period compared to the previous 4 years.		

The figures above include Defra flood defence Grant–in–Aid and local levies raised by Regional Flood and Coastal Committees but not other contributions toward the cost of schemes. In May 2011, Defra announced changes to the way funding will be allocated to flood and coastal defence capital projects from April 2012. Instead of meeting the full costs of a limited number of schemes, Defra's new Partnership Funding approach potentially makes Government money available to pay a share of any worthwhile scheme over time, based on the number of households protected and other economic damages avoided. The objective of these changes is to increase the value of the overall flood and coastal erosion risk management capital programme by incentivising contributions from local beneficiaries and other sources while containing and fairly sharing central Government's funding.

- Number of households where the risk of damage from flooding and coastal erosion has been markedly reduced

	2011–12	2010–11
Number of households where the risk of damage from flooding and coastal erosion has been markedly reduced	44,799	83,675
Trend: While the number of additional households protected during 2011–12 was less than the previous year, the overall progress toward meeting our expectation that at least 145,000 households will be better protected in the current spending review period is positive.		

There is a lag between funding and the completion of projects, meaning that inputs and impacts need to be viewed over a number of years. Large capital schemes such as flood and coastal erosion risk management projects often take a number of years to complete and hence realize their benefits. Hence the delivery trend needs to be viewed over a number of years. The relatively high figure for 2010–11 was due to a number of large projects completing in that year.

Priority 3: Support a strong and sustainable green economy, resilient to climate change

In 2011–12, Defra completed 21 SRP actions to support a strong and sustainable green economy, resilient to climate change.

In June 2011, Defra set out our plans towards a ‘zero waste’ economy for England through a comprehensive review of waste policies. Designed to help people reduce waste and increase recycling at home, on the move or as part of their business, the plans commit to ambitious waste goals for 2014–20. Simultaneously, Defra published its Anaerobic Digestion strategy and action plan, designed to enable this industry to thrive in England over the next few years, delivering new green jobs and new green energy.

Defra’s commitment to a green economy was reinforced in July 2011, with the publication of the Government’s roadmap to a green economy. Developed jointly by Defra, the Department for Business, Innovation and Skills and the Department for Energy and Climate Change (DECC), it provides clarity for businesses on what we mean by a “green economy”, the policies being put in place to achieve this, and the implications for the way in which businesses operate.

November 2011 saw the Department fulfil its promise to support sustainable economic growth in rural areas with the publication of the Rural Economy Growth Review. A package of measures completing this Business Plan commitment included the launch of a £20m Rural Community Broadband Fund to improve rural broadband access.

In December 2011, Defra published ‘Water for Life’. This White Paper sets out the future challenges the sector faces from climate change and a growing population, and a vision for future water management in which the water sector is resilient, water companies are more efficient and customer focused, and water is valued as a precious and finite resource. The White Paper follows an independently–led review of Ofwat, the economic regulator of the water industry, which was published in July 2011.

A number of measures from the White Paper have already been taken forward, including the passing of the Water Industry (Financial Assistance) Act 2012 which will enable the Government to make payments to reduce household water bills and deliver the commitment to reduce the cost of water per household in the South West by £50 from 2013. It will also provide support for exceptionally large infrastructure projects, such as the Thames Tunnel[13].

[13] http://www.thamestunnelconsultation.co.uk/

In January 2011, Defra published the Climate Change Risk Assessment, a groundbreaking study into the implications of climate change for the UK. The assessment highlights the top 100 challenges to the UK of a changing climate and provides the most compelling evidence yet of the need to increase our resilience.

Two actions were outstanding at 31 March 2012.

- *Work with the EU to agree energy efficiency and labelling standards for imaging equipment, heating boilers and water heaters:* The timetable for negotiations on energy efficiency and labelling standards is governed by the EU. Work to regulate heating boilers and water heaters continues and is now expected to complete by the end of 2013, following a change in approach by the EU.

- *Decide whether to pursue a statutory or voluntary approach to encouraging corporate reporting of greenhouse gas emissions in the light of public consultation on options:* A report was laid in Parliament on 27 March 2012 explaining why regulations on the mandatory company reporting of greenhouse gas emissions have not been introduced; this meets the requirement in section 85 of the Climate Change Act 2008. Ministers requested additional time to consider the evidence gathered, and the costs and benefits, to inform a decision on whether or not to regulate.

The input and impact indicators relevant to Defra's third priority area are listed and assessed below.

- Cost of local authority waste management per household

	2010–11	2009–10
Cost of local authority waste management per household (£)	149	144
Trend: There has been a small year–on–year increase.		

Waste is the largest area of spend under this priority. Although waste collection is the responsibility of local authorities, Defra can influence policy. In 2010–11, waste collection cost local authorities slightly more per household than in 2009–10, although the nature of the service has changed, with more waste being recycled (see indicator below).

- Household Recycling Rates

	Q2 2011–12	Q2 2010–11
Household recycling rate (%)	45.0	42.8
Trend: Recycling rates have increased each year since 2008–09.		

Continued improvements and expansion of recycling services by local authorities, working with householders, have supported continued annual increases in recycling rates over recent years.

Other Major Responsibility: Animal and Plant Disease

Defra is responsible for dealing with a range of exotic animal diseases, including Foot–and–Mouth Disease, Avian Influenza and Rabies, as well as the threat of new and emerging disease. The Defra Exotic Animal Disease Contingency Plan is refreshed annually, regularly tested and underpinned by more detailed control strategies for key diseases. The response to exotic animal disease incidents relies on a variety of organisations, primarily the Animal Health Veterinary Laboratories Agency (AHVLA), as well as other government departments and local authorities. This capability is regularly reviewed. Defra's ability to respond to new and emerging disease relies on a combination of international and domestic surveillance, rapid risk assessment and an appraisal of the options for intervention. This system was tested in early 2012 when Schmallenburg, a new disease of ruminants, spread from near–continental Europe to south–east England. The areas under threat were established using climatic modelling, and livestock keepers were given due warning. Once the disease was confirmed in the UK, a comprehensive dataset informed an economic analysis which supported the conclusion that Government intervention was not warranted.

Defra and its delivery partners, AHVLA and the Food and Environment Research Agency (Fera), are pursuing an improved EU regime for managing plant and animal health risks, with EU proposals expected in the autumn of 2012. These proposals seek to bring together a number of regimes, including food safety, animal and plant health, seeds and propagating material within a revised framework based on the existing Official Food and Feed Control Regulations.

Defra remains influential in responding to new and revised threats to plant health across the EU. When outbreaks have occurred, Fera has moved to eradicate or contain these, including Phytophthora austrocedrae on juniper heathland, Chestnut Blight in sweet chestnut orchards, Potato Spindle Tuber Viroid on tomato plants and, most recently, Asian longhorn beetle on deciduous trees in Kent. A dedicated project on Phytophthora ramorum is in place to respond to this particular organism, including the spread to substantial numbers of Japanese larch trees. An Action Plan on Tree Health and Plant Biosecurity was launched by the Secretary of State on 18 October 2011 to respond to the continuing threat to the nation's trees.

Other Major Responsibility: Flood and Other Environmental Emergencies

Defra has greatly improved preparedness for managing the risk of flooding in 2011–12 by working closely with the Flood Forecasting Centre and Met Office. Defra has improved national capability to respond to a major flood emergency. In October 2011, Defra published a report into the results of Exercise Watermark, Britain's biggest ever civil emergency exercise. The majority of recommendations from the report have already been implemented, such as developing the wide–area planning arrangements for flood response organisations on the east coast, and improving responders' awareness and understanding of flood forecasts, rainfall alerts, flood warnings and their possible impact through the work of the Flood Forecasting Centre.

In October 2011, EA managed the response to the floods in Cornwall and South Wales, where extremely high rainfall caused localised surface water flooding to a number of properties and local communities. Defra has also worked with other government departments, EA and Flood Forecasting Centre/Met Office to ensure preparedness against the risk of flooding during the Olympics. Defra helped to establish the East Coast Flood Group, working with local planners, emergency partners and other government departments, to prepare an East Coast Emergency Framework that will address the challenges of effective coordination of resilience responses and recovery to a coastal flood event. Defra also completed a Flood Rescue National Enhancement grant scheme which, by March 2012, had allocated over £3m to more than 45 organisations across the country to enhance flood rescue capability. These additional assets will ensure we have increased the number of specialist flood rescue assets that can be deployed nationally in a flooding emergency from fewer than 40 to approximately 120.

In terms of managing environmental risks, Defra continued an assessment of Chemical Biological Radiological and Nuclear (CBRN) risks and preparedness planning for Lead Government Department recovery responsibilities, including preparation for the Olympics and recognising environmental risks posed by volcanic eruptions. Following the Fukushima nuclear emergency in March 2011, Defra developed a Government Decontamination Service Framework for procurement and development – securing, enhancing and assuring UK CBRN decontamination capability.

Major Projects

Defra has four major projects included in the Government Major Projects Portfolio, defined as projects and programmes which involve spending above the Department's delegated authority limit and therefore requiring HM Treasury investment approval. Defra's four major projects are listed below and further information on each one is available via the footnoted websites:

- Environment Agency: Thames Estuary 2100[14];
- New Waterways Charity Project[15];

[14] http://www.environment-agency.gov.uk/homeandleisure/floods/104695.aspx
[15] http://www.waterways-civa.org.uk/

- Rural Payments Agency: Future Options Programme[16]; and
- New Covent Garden Market Authority Project[17].

The Thames Tunnel is not defined as a major project in this portfolio as it is a private sector project. However, it was identified as one of the Government's top 40 infrastructure projects in the National Infrastructure Plan 2011, and we are working closely with Infrastructure UK and EA to support Thames Water in delivering it.

Performance Management

In addition to performance reporting against the measures set out in Defra's Business Plan, the Department has a wider system of performance management. A monthly Management Information (MI) report includes analysis of the Department's finances, the performance of the Department and its network in delivering priorities and managing its other responsibilities, and consideration of strategic risks and issues. The MI report is considered at meetings of the Supervisory Board and Management Committee. The Audit and Risk Committee provides a further layer of scrutiny, challenge and oversight.

Corporate Services

The Department is undergoing a transformation programme and its corporate services functions will be streamlined to support the new structure whilst maintaining a fit for purpose customer service at a consistent and defined level.

The Department has embraced wider government strategies and reforms including Next Generation HR, cross–government procurement and communications initiatives and realised the opportunity to deliver legal services through Treasury Solicitors and the Crown Prosecution Service.

Defra's shared services centre provides transactional procurement, finance, HR and payroll services to around 12,000 employees in 12 customer organisations both within and beyond the Defra network. The centre is currently extending its customer base to include the former Veterinary Laboratories Agency (VLA) and to provide a full service to the DECC, which will increase transactional volumes in the centre by around 30 percent with no increase in costs. Defra is collaborating with the Efficiency and Reform Group within the Cabinet Office with a view to becoming a founder member of one of the two independent shared service centres to be created as part of the Efficiency and Reform Group's 'Next Generation Shared Services' strategy.

Transparency Framework

The Defra network strongly supports increased transparency in government, having published over 400 datasets through data.gov.uk, and leading across government on location data through delivering on the UK Location Strategy. Through the Quarterly Data Summary (QDS), Defra has published regular updates on efficiency and effectiveness of its operations and implementation of policy objectives. This can be found on Defra's website, alongside performance on other Business Plan commitments, allowing citizens the transparency of information to understand and assess the Department's performance[18].

[16] http://rpa.defra.gov.uk/rpa/index.nsf/home
[17] http://www.newcoventgardenmarket.com/redevelopment
[18] http://www.defra.gov.uk/

QDS Reporting (Annualised)

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SPENDING

Budget		£million	
		2011–12	2010–11
Total Departmental Expenditure Limit (DEL)		See Core Table 1	
Of which Resource DEL (excl. Depreciation)			
Up to top 5 contributory elements			
Purchase of goods and services within Resource DEL			
Payroll within Resource DEL			
Grants within Resource DEL			
of which Capital DEL			
Up to top 5 contributory elements			
Total Annually Managed Expenditure (AME)			
Up to top 5 contributory elements			

Financial Indicators	2011–12	2010–11
Accuracy of Cash Forecasting (+/-%)	14.45	15.01
Working Capital Forecast (% variance of Actual v Forecast)	25.7	24.3
Net Book Value (% variance of Actual v Forecast)	0.7	0.6

Common Areas of Spend		2011–12	2010–11
Estate Costs[1]	Total office estate (m2)	n/a	255,959
	Total cost of office estate (£million)	n/a	76.2
	Cost per FTE (£)	n/a	4,156
	Cost per m2 (£)	n/a	298
Procurement	Total Procurement Spend (£million)[2]	1,267.28	1,369.78
	Price of standard box of A4 white copier paper (£/2500 sheets)	11.29	10.87
	Average price of Energy (£/KWH)	0.0572	0.042
IT	Total 3rd Party ICT Cost (£million)[2]	277.8	293.1
	Cost of desktop provision per FTE (£)[3]	440.76[4]	648.00
Corporate Service Cost[5]	Human Resoures (£million)	3.85	5.546
	Finance (£million)	13.478	13.681
	Procurement (£million)	3.915	5.35
	Legal (£million)	7.682	7.81
	Communications (£million)	3.863	5.249
Fraud[6], Error, Debt[7]	Total Identified Fraud (£million)	3.59	0.46
	Total known Errors (£million)	n/a	n/a
	Total Debt (£million)	n/a	n/a
	Debtor Days	n/a	n/a
Voluntary and community sector (VCS)/Small and medium enterprises (SME)	Procurement spend with SME (£million)[8]	262.5	207.8
	Procurement spend with VCS (£million)[9]	n/a	n/a
	Grants to VCS (£million)	n/a	n/a

Major Projects (Top 5)	Cost
Project A: EA's Thames Estuary 2100 project (£million)[10]	2,391
Project B: RPA Future Options programme (£million)[11]	11
Project C: New Waterways Charity project (£million)[12]	892
Project D: Covent Garden Market Authority Redevelopment project (£million)	n/a
£m whole life cost of ALL major Projects	3,294

RESULTS

Input Indicators	2011–12	2010–11
Cost per Single Payment Scheme (SPS) Claim (£)	See Chapter 3 – Priority 1	
Unit cost of delivery of HLS schemes (£)	See Chapter 3 – Priority 2	
Total Government funding to the EA for management of environmental quality of surface water bodies (£million)	See Chapter 3 – Priority 2	
Cost of local authority waste management per household (£)	See Chapter 3 – Priority 3	
Total cost to Government of bTB control in animals in England (£million)	See Chapter 3 – Priority 1	
Total Government capital investment in flood and coastal erosion risk management (£million)	See Chapter 3 – Priority 2	
Impact Indicators	**2011–12**	**2010–11**
Farmland birds index (smoothed index)	See Chapter 3 – Priority 1	
Agricultural soils nitrogen balance (kg N/year)	See Chapter 3 – Priority 1	
Productivity of UK agricultural industry (volume index)	See Chapter 3 – Priority 1	
Uptake of HLS schemes (% of Utilisable Agricultural Area)	See Chapter 3 – Priority 2	
Net improvement in surface water bodies in England (% net improvement in water quality elements)	See Chapter 3 – Priority 2	
Household recycling rates (%)	See Chapter 3 – Priority 3	
Cattle herds that are officially bTB free (OTF) (%) (England)	See Chapter 3 – Priority 1	
Number of households where the risk of damage from flooding and coastal erosion has been markedly reduced (cumulative number of households)	See Chapter 3 – Priority 2	
Other Data Sets	**2011–12**	**2010–11**
Net cost to business of Defra's regulations (£million per annum)	See Chapter 2 – Better Regulation and Simplification	
Benefit to cost ratio of Defra's regulations		

Structural Reform Plan Actions	2011–12
Total number of actions completed during the year	46
Total number of actions overdue at the end of the year	4
Number of overdue actions that are attributable to external factors	0
Total number of actions ongoing	16

PEOPLE

Whole Department Family - Workforce Size		31 March 2012	31 March 2011
Payroll Staff	Department and Agencies	**See Core Table 5**	
	Non–Departmental Public Bodies		
	Department Family		
Average Staff Costs (£)		36,924	39,621
Contingent Labour	Department and Agencies	**See Core Table 5**	
	Non–Departmental Public Bodies		
	Department Family		
Department and Agencies Only		Year ended 31 March 2012	Year ended 31 March 2011
Workforce Shape	Administrative Assistants and Administrative Officers	32.4%	33.1%
	Executive Officers	23.9%	22.9%
	Higher and Senior Executive Officers	28.7%	28.4%
	Grade 7/6	13.4%	13.8%
	Senior Civil Servants	1.6%	1.7%
	Part Time	19.1%	19.1%
Workforce Dynamics	Recruitment Exceptions	712	296
	Annual Turnover Rate	12.7%	9.3%
Workforce Diversity	Black and Minority Ethnic	6.9%	5.8%
	Women	53.4%	54.3%
	Disabled[13]	12.4%	9.0%
Workforce Diversity (Senior Civil Servants only)	Black and Minority Ethnic	0.9%	3.6%
	Women	32.8%	31.1%
	Women (Top Management Posts)	35.7%	31.3%
	Disabled	2.9%	4.2%
Attendance (Average Working Days Lost)	Actual	6.4	7.5
	Standardised	n/a	8.5
Department only; People Survey Metrics		2011 survey	2010 survey
Engagement Index (%)		47	50
Theme scores (%)	Leadership and Managing Change	27	29
	My Work	66	68
	My Line Manager	60	62
	Organisational Objectives and Purpose	67	75

Notes to Annualised QDS:

1. Excludes buildings acquired or disposed of within the financial year, vacant space and non–offices space (including mixed use labs).

2. Includes VAT.

3. Includes organisations which share Defra's contract with IBM. EA is the largest organisation not included.

4. At the time of preparing the 2010–11 Accounts the definition of this indicator was still being agreed, and ultimately some software costs that previously had been included were excluded from the figures for the second, third and fourth quarters in 2011–12. Therefore, the apparent fall in cost from £648/Full Time Equivalent (FTE) to £440.76/FTE should not be viewed as a reduction in costs, but rather as the result of an adjustment to the definition of the indicator.

5. Corporate Services costs cover the Core–Department only.

6. The increase in 2011–12 reflects the detection by RPA of a number of sizable grant frauds. The Agency have put significant additional effort into fraud prevention and detection over the last 18 months.

7. Analysis of Error, and the associated Debt and Debtor Days is not available for the period of the report. A process is being put in place for analysis of this data to be available for future years.

8 .SME procurement coverage: Core–Defra, Natural England, Animal Health, Marine Management Organisation, VLA (Jan, Feb, March 2012 only), Veterinary Medicines Directorate, EA, Gangmasters Licensing Authority (2011–12 only), Joint Nature Conservation Committee (2011–12 only), National Forest Company (Sept 2011– March 2012 only).

9. The analysis of procurement spend by VCS suppliers is not available for the period of the report. A process is being put in place and this data will be available in future years.

10. The whole life cost excludes non–government spend.

11. The Rural Payment Agency Future Options programme whole life cost represents the procurement phase only. Total cost of the programme will depend on the option selected and could range from £50m to £100m.

12. The whole life cost includes also the Grant–in–Aid of British Waterways for 2010–11 and 2011–12 and excludes non–Government spend.

13. Excludes the Centre for Environment Fisheries and Aquaculture Science, for which disability data is unavailable.

Chapter 4: Public Interest Information

People and Culture

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 an approval process requiring Permanent Secretary approval to recruit externally into business critical and/or frontline posts.

Diversity and Employment of Disabled Persons

Under the Equality 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 its Trade Unions and all its diversity staff networks, which include: the Lesbian, Gay and Bisexual people, Transgender people and Asexual people network; the Ethnic Minority network; the Work Life Balance network; and Disnet (Disability network). The Environment Agency (EA), one of Defra's Non–Departmental Public Bodies (NDPBs), was awarded star performer status in the Stonewall benchmarking index for LGBT equality. The Cabinet Office has assessed government departments' progress on the Civil Service Diversity Strategy and 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 to increase 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 gain familiarity with the new Equality Act and apply the correct approach to decisions and policy development affecting colleagues, customers and other stakeholders.

The 'Two Ticks' disability symbol in recruitment and in employment is widely in operation across the Defra network. A central budget is available to meet the cost of reasonable adjustments for disabled employees, although Forestry Commission (GB and England) funds reasonable adjustments locally. Disability leave is usually available, which provides for paid time off work for the purposes of assessment, treatment and rehabilitation for disabled employees. Where this is not the case, special leave is allowed in appropriate circumstances.

Wellbeing and Corporate Social Responsibility, and Managing Attendance

Corporate strategies for Wellbeing and Corporate Social Responsibility, 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 sickness 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. For Defra and its Executive Agencies, an average 6.4 days per employee were lost to sickness absence during the reporting year ending 31 March 2012. This represents a decrease compared to the average of 7.5 days per employee for the year ending 31 March 2011. In Defra's NDPBs, the average number of sickness absence days per employee in 2011–12 was 6.3, whilst the equivalent figure in 2010–11 was 6.2 days.

Defra has continued to demonstrate its commitment to the Corporate Social Responsibility 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.

Health and Safety Reporting

Defra is committed to providing, sustaining and improving a healthy and safe working environment where a positive attitude to the safety, health and wellbeing of staff, and others, is embedded into normal working practices and business decisions. The information for 2011–12 below relates to Core–Defra only as the Executive Agencies and NDPBs have their own reporting arrangements, which are detailed in their individual Annual Report and Accounts.

In 2011–12, 42 members of Core–Defra staff reported work–related incidents or ill health. Further analysis of data can be found in the table below.

Reactive Statistic	Measurement	2011-12
Reportable incidents (including over 3 days)	Number of incidents reported under Reporting of Diseases and Dangerous Occurances Regulations	1
Lost time accidents (those which are not reportable i.e any time off work up to 3 days)	Number of accidents with >8 hours lost time attributed	5
Minor/first aid accidents (all other injuries/ill health not captured above)	Accident with minor injuries that require first aid/no other treatment	28
Near miss incidents (no injury)	Incidents defined as uncontrolled hazards, unsafe acts etc, resulting in no injury	8
Total incidents		**42**
FTE as at 31 March 2012	Core-Department	2,158
Incident rate per 100,000 employees	Reportable accidents/no of staff x 100,000	43.2
Lost time frequency rate	Lost Time or Medical Treatment accidents/hours worked x 1,000,000	1.66

Personal Data Related Incidents

Defra and its network of delivery partners[19] work together proportionately to identify and address information risks. The Department has a rolling plan for monitoring and addressing risks to key IT systems and has rolled out software for monitoring the use of removal media devices on Defra laptop computers, to protect information. The Department has 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 any significant incidents and promote the sharing of lessons learned with our delivery partners. Defra's approach will continue to take account of the fact that the Department does 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.

[19] The Defra Network Security and Information Assurance Groups include the Core–Department, EA, RPA, Marine Management Organisation (MMO), Natural England, AHVLA, CEFAS, GLA, Fera, VMD

There were no protected personal data related incidents formally reported to the Information Commissioners Office in 2011–12.

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. The table below includes the Core–Department, Executive Agencies and NDPBs.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	5
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	9
V	Other*	4

*Relates to encrypted removable media incidents.

Performance on Sustainability

Information on the Department's programmes, targets and performance relating to sustainability can be found in the Commentary on Sustainable Performance at Annex 1.

Summary of Actions for Mainstreaming Sustainable Development (SD)

Defra leads for government on SD and in February 2011, the Government published its vision for mainstreaming sustainable development which stated that "Government wants to mainstream SD so that it is central to the way we make policy, run our buildings and purchase goods and services"[20].

Embedding SD in policy making

- During 2011–12, Defra's SD team has taken the lead responsibility for reviewing all departmental business plans in relation to SD principles, and has provided expertise to the central process of business plan appraisals, including the annual refresh. The SD team provided the Cabinet Office Minister for Government Policy with lines of enquiry for his quarterly challenge sessions with Secretaries of State. Defra's SD team held a seminar with departments to discuss embedding SD in business plans, and provided advice to officials across Whitehall, seeking stakeholder expertise to inform our advice. Defra's own business plan has been subjected to the same scrutiny by the SD team to ensure that SD is embedded throughout.

- During 2011–12, the Secretary of State used her membership of the Home Affairs, Economic Affairs and Reducing Regulation Cabinet Committees to review policies submitted for clearance through those Committees to ensure that agreed policies are consistent with the Government's vision for SD. The aim is to ensure that policies are scrutinised for their SD credentials, to raise awareness of sustainable development and to identify key opportunities to enhance policy.

- Using these arrangements and working in close partnership with other government departments, Defra has made a significant contribution towards advising Ministers on the sustainable development issues in a range of policies and projects. These include:

[20] http://sd.defra.gov.uk/gov/vision/

- National Planning Policy Framework;
- Natural Environment White Paper;
- High Speed Rail 2;
- National Ecosystem Assessment;
- Water White Paper;
- Biodiversity Strategy;
- Local Transport White Paper and development of the Local Sustainable Transport Fund;
- The UK's approach on transposing the European Union (EU) directive on intelligent transport systems;
- EU Air Fare transparency regulation enforcement regime;
- Public health outcomes framework; and
- Housing Strategy.

Leading by Example: The Greening Government Commitments

- Defra holds the policy lead for the Greening Government Commitments (GGC)[21] which commit central government, by 2015 from a 2009–10 baseline, to reduce its carbon emissions by 25 percent, reduce waste generated by 25 percent, and water use to best practice standards, as well as procure sustainably through embedding the Government Buying Standards into contracts. During 2011–12, a new Cabinet sub–committee has been set up to monitor progress on the GGC, co–chaired by Defra's Secretary of State and the Rt. Hon. Oliver Letwin MP.

- Defra has taken on a significant delivery role in respect of the GGC, and on procurement in particular, seeking to put in place arrangements to enable practitioners to share information and expertise, as well as to pull together a report on the pan–government picture for the new sub–committee.

- Defra is seeking to meet the objectives of the GGC in respect of its own operations and those of the Defra family. It is reporting quarterly in respect of these commitments except in respect of sustainable procurement on which it reports annually.

Transparency and SD indicators

- In the Mainstreaming SD vision, Government committed to enhancing the transparency of its progress to mainstream SD. During 2011–12, Defra has published two six–monthly progress reports via its online SD newsletter SD Scene, as well as monthly newsletters highlighting a range of updates on SD from across government.[22]

- The Government has committed to measure and report its progress through a new set of SD indicators. Defra is leading the Government's work to develop these. An initial survey was carried out in 2011 to ensure that stakeholders were given the opportunity to challenge and inform the process of drawing up an appropriate set of indicators. Over 200 stakeholders responded to this pre–consultation, which will be followed with a further consultation exercise in the summer of 2012, after a draft set of indicators has been developed.

Other activities to support the mainstreaming of SD in policy across Government

- During 2011–12, a Defra–chaired cross–Whitehall SD Group has been set up to test ideas, explain new initiatives and share learning – for example of use of the Sustainable Development Research Network (SDRN), transparency, stakeholder engagement, and departmental business planning. From March 2012, this group has been co–chaired by other government departments in order to further mainstream the leadership of SD across Government.

[21] http://sd.defra.gov.uk/gov/green-government/commitments/
[22] http://sd.defra.gov.uk/news/

- Defra agreed a further 3 years' funding for the SDRN until July 2014, giving us continued access to research providers' work in support of using sound evidence in our sustainable development work. During 2011–12, we have broadened SDRN's scope to cover priority and cross–Government policy areas, including the Green Economy, wellbeing and fairness, natural environment, food security, Big Society, mainstreaming SD within Government, and the social impacts of adapting to climate change.

- During 2011–12, Defra has supported development of additional SD guidance for impact assessments and policy appraisal i.e. on calculating social and natural impacts; developed an e–module on impact assessments with Civil Service Learning (CSL); and contributed to CSL's review of civil service core competences, and the development of its policy curriculum.

- During 2011–12 we have run two round–table events to access stakeholder expertise in our mainstreaming SD work.

- Defra is also leading on driving international efforts on SD at a global level and is led on Whitehall preparations for the Rio+20 UN Conference on Sustainable Development.

- Defra co–chairs the London 2012 Sustainability Group, helping to deliver the "Greenest Games of modern times", and using the Games to secure an economically, socially, and environmentally sustainable legacy. During 2011–12, this has included taking lessons from the sustainable Games build project and seeking to apply them more broadly across other future infrastructure projects; and working with civil society organisations and the private sector to use the inspirational power of the Games to encourage individuals and communities to adopt more pro–environmental behaviours.

Forward–looking commitments on SD for 2012–13

- SD is being strengthened and made more explicit in Defra's policy and project development cycles.

- Under the Greening Government Commitments, Defra has committed to publishing, along with Cabinet Office, a pan–government report on progress under GGC for their first year, 2011–12.

Adapting to Climate Change

In January 2012, Defra laid before Parliament the Government's Climate Change Risk Assessment. This sets out the top risks to the UK from climate change, if no adaptation actions are adopted. The Department continues to ensure that climate change adaptation is built into its own policies and more widely across government through the Adapting to Climate Change Programme. The next key stage in the process of embedding adaptation in government policy is the production of a National Adaptation Programme in 2013, as set out in the Climate Change Act 2008.

Floods

In July 2011, EA produced the National Flood and Coastal Erosion Risk Management (FCERM) Strategy for England, jointly with Defra to ensure that it reflected government policy on FCERM and related issues. This strategy describes what needs to be done by all organisations involved in flood and coastal erosion risk management. These include local authorities, internal drainage boards, water and sewerage companies, highways authorities, and EA. The strategy sets out a statutory framework that will help communities, the public sector and other organisations to work together to manage flood and coastal erosion risk. It will support local decision–making and engagement in FCERM, making sure that risks are managed in a co–ordinated way across catchments and along each stretch of coast. This includes the development of local flood risk management strategies by lead local flood authorities, as well as Defra's strategic overview of all sources of flooding and coastal erosion.

Water

The Water White Paper (December 2011) included a focus on increasing the resilience of the UK's water supplies to future pressures such as climate change.

Among the reforms set out were:

- over the long–term, to introduce a reformed water abstraction regime, as signalled in the Natural Environment White Paper;
- with regulators, to provide clearer guidance to water companies on planning for the long–term, and keeping demand down; and
- to consult on the introduction of national standards and a new planning approval system for sustainable drainage.

Natural Environment

In June 2011 the UK Government published 'The Natural Choice: securing the value of nature', the first natural environment White Paper in 20 years. Adaptation is a theme that ran through the White Paper. The White Paper also highlighted the challenges of protecting and enhancing nature whilst at the same time tackling pressures brought about by climate change on other resources such as water, food production and land and soil erosion.

In August 2011, the UK Government published its ambitious new biodiversity strategy 'Biodiversity 2020: A strategy for England's wildlife and ecosystem services', setting out the strategic direction for biodiversity policy for the next decade on land (including rivers and lakes) and at sea. This responded to the challenges set out in the earlier report by Professor Sir John Lawton which concluded that England's collection of wild areas did not represent a coherent and resilient ecological network capable of responding to climate change and other pressures.

Rural Proofing

Defra is responsible for overseeing Rural Proofing across Government. Its rural responsibilities are reflected in its Business Plan and a key element of this is working closely with other departments to help them to understand the rural impacts of their policies and to ensure that they work effectively for rural businesses and communities. As part of this function, Defra has published advice for policy makers to assist them in rural proofing their policies and programmes.

Many of Defra's policies, for example in relation to agriculture and land management, apply principally or exclusively in rural areas and these are naturally designed with rural interests in mind. Others may affect both urban and rural places, or impact only indirectly on rural businesses or communities, but Defra expects all policy–makers to consider the rural impacts of their work and to address these as appropriate. Examples of Defra policies and initiatives that have been rural proofed over the past year include: the reform of Fisheries Management, which acknowledged the impact of change on small seaside communities; the creation of the new Waterways Charity, which acknowledged the significance of canals in rural areas; the Natural Environment White Paper, which highlighted among other things the important role that rural communities can play in managing their local environment; the review of Controlled Waste Regulations, which retained a duty on local authorities to ensure that those in remote rural areas can be sure their waste will be collected, even if private waste contactors refuse to collect from these places; and the consultation on registration of new town and village greens, which acknowledged the significance of village greens at the heart of rural communities.

Defra plans to publish a new package of rural proofing guidance and other materials in 2012. This is intended to help all policy officials, in Defra as well as other departments, to understand the rural context in which their policies will apply and the likely impacts that they will have in different types of rural area.

Other Public Interest Information

Charging and Cost Allocation Policies

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 customers. In 2011, the CCU handled 22,683 letters and emails from the public, answering 95 percent within the target of 15 working days. CCU also handled 10,423 letters from MPs and/or major stakeholders answering 80 percent within the target of 15 working days. The Defra Telephone Helplines (Defra Helpline, Pet Travel Scheme Helpline and Poultry Register Helpline) handled 119,482 calls, answering 87 percent within the target of 20 seconds.

Defra's Executive Agencies and NDPBs have enquiry centres that deal with public correspondence relating to their areas of work and expertise. Further information and statistics can be found within their individual annual report and accounts.

Publicity and Advertising

The Cabinet Office marketing and advertising freeze (from June 2010) significantly reduced paid publicity and advertising activity for the 2010–11 financial year and this continued into 2011–12. Communications activity in Defra has therefore refocused to exploit low or no cost channels using press and partnership routes.

Complaints to the Parliamentary Ombudsman

	Complaints accepted for investigation	Complaints reported on	Complaints fully upheld	Complaints partly upheld	Complaints not upheld
Rural Payments Agency (RPA)	13	1	100%	0%	0%
TOTAL Defra	**13**	**1**	**100%**	**0%**	**0%**

Source: This data is obtained from Appendix figure 5 on page 44 of the Parliamentary and Health Service Ombudsman Annual Report 2010–11 and relates to complaints accepted during 2010–11. Outcome details obtained from the Office of the Parliamentary and Health Service Ombudsman.

Number of Ombudsman recommendations: 2

- Complied with: 2
- Not complied with: 0

The Ombudsman recommendations were for an apology and a consolatory payment of £1,000 to the complainant for lost opportunity.

Lessons learnt by the Department for this complaint

The complaint related to RPA's failure to carry out Single Payment Scheme entitlement transfers in a timely manner, which resulted in additional cost to the complainant, hindrance to his business dealings and damage to his reputation with business associates. The RPA now monitors and more closely manages entitlement transfer–related problems.

Complaints handling in the Core–Department

Complaints are received and dealt with at three levels within the Department:

- Level one – at the point where the problem occurred;
- Level two – at a senior level within the relevant business unit; and
- Level three – by the Service Standards Complaints Adjudicator.

Most complaints are resolved at levels one and two. Complainants who remain dissatisfied can take their complaint to the Ombudsman once level three has been completed.

Defra's complaints procedure can be found online[23]. Defra's Executive Agencies have their own complaints procedures which can be viewed on their individual websites[24].

[23] http://www.defra.gov.uk/corporate/contacts/complaints/
[24] http://www.defra.gov.uk/corporate/about/with/delivery/a-z/

Remuneration Report

Remuneration Policy

The remuneration of the Senior Civil Service (SCS) 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 develops its SCS Reward Strategy within the Cabinet Office framework, ensuring that the overall pay awards for the SCS are within the cost ceiling allowed.

Members of the SCS, excluding the Permanent Secretary, are eligible to be considered for individual levels of bonus as non–pensionable non–consolidated variable pay (NCVP), based on their performance. NCVP is paid in the financial year after that in which it was earned. During 2011–12, NCVP for 2010–11 performance was paid to approximately 25 percent of the SCS and was capped at between £8,000 and £15,000 per individual. NCVP values, informed by each 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 performance in 2010–11 was subject to a maximum of 15 percent 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.

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

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit, on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, 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 Commissione website[25]. All Defra Executive Management Committee members are on permanent Civil Service contracts, with the exception of Professor Sir Robert Watson who is on a fixed term contract due to end on 16 September 2012, and Graham Ledward who was on secondment to Defra from EA until 30 April 2012.

Salary and Pension Entitlements (Audited)

The following sections provide details of the remuneration and pension interests of the Ministers and Supervisory Board members who were employees of the Department, during 2011–12. The following tables in the Remuneration Report have been subject to audit.

[25] http://civilservicecommission.independent.gov.uk/about-us/civil-service-commissioners/

Ministers

	Salary as defined below	Prior year salary as defined below	Real increase in pension at pension age	Total accrued pension at pension age as at 31 March 2012	CETV at 31 March 2011*	CETV at 31 March 2012	Real increase in CETV
	£	£	£000	£000	£000	£000	£000
Ministers							
Rt Hon Caroline Spelman MP	68,827	61,056	0 - 2.5	0 - 5	17	39	13
James Paice MP	33,002	29,187	2.5 - 5	5 - 10	44	99	46
Richard Benyon MP	23,697	20,894	0 - 2.5	0 - 5	9	18	5
Lord Taylor of Holbeach** *(from 16 September 2011)*	53,250	-	-	-	-	-	-
Ministers who have served during 2011-12, but are not in post as at 31 March 2012 were:							
Lord Henley *(until 15 September 2011)*	48,452	92,648	5 - 7.5	10 - 15	81	165	78

Full year equivalents for part year officials were:

	2011-12	2010-11
Lord Taylor of Holbeach	105,076	-
Lord Henley	105,076	105,076

*The actuarial factors used to calculate Cash Equivalent Transfer Values (CETVs) were changed in 2011–12. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

**Lord Taylor opted out of a ministerial pension.

Senior Officials

Officials	Salary as defined below £000	Bonus payments 2011-12 £000	Prior year salary as defined below £000	Bonus payments 2010-11 £000	Real increase in pension and related lump sum at pension age £000	Total accrued pension at pension age as at 31 March 2012 and related lump sum £000	CETV at 31 March 2011* £000	CETV at 31 March 2012 £000	Real increase in CETV £000
Bronwyn Hill Permanent Secretary	160 - 165	-	0 - 5	-	7.5 - 10 plus 27.5 - 30 lump sum	60 - 65 plus 185 - 190 lump sum	856	1,104	170
Tom Taylor *Finance Director* *(from 25 July 2011)*	60 - 65	10 - 15	-	-	0 - 2.5 plus 0 - 2.5 lump sum	20 -25 plus 60 - 65 lump sum	246	263	-
Katrina Williams *Director General*	115 - 120	10 - 15	115 - 120	10 - 15	(2.5) - 0 plus (2.5) - 0 lump sum	40 - 45 plus 120 - 125 lump sum	641	684	(10)**
Peter Unwin *Director General*	135 - 140	15 - 20	130 - 135	10 - 15	(2.5) - 0 plus (5.0) - (2.5) lump sum	60 - 65 plus 185 - 190 lump sum	1,238	1,321	(33)**
Professor Sir Robert Watson *Chief Scientific Advisor*	135 - 140	-	135 - 140	5 - 10	2.5 - 5 no lump sum	20 - 25 no lump sum	231	319	68
Executive Management Committee members who have served during 2011-12, but were not in post as at 31 March 2012 were:									
Bill Stow *Director General* *(Until 6 January 2012)*	55 - 60	-	70 - 75	0 - 5	0 - 2.5 plus 0 - 2.5 lump sum	70-75 † plus 230 - 235 lump sum ††	1,535	1,597	1
Mike Anderson *Director General* *(until 17 July 2011)*	35 - 40	10 - 15	125 - 130	10 - 15	(2.5) - 0 no lump sum	15 - 20 no lump sum	219	237	(1)**
Executive Management Committee members who have served during 2010-11, but were not in post as at 31 March 2011 were:									
Helen Ghosh *Permanent Secretary* *(Until 31 December 2010)*	-	-	105 - 110	-					
Sonia Phippard *Acting Director General* *(From 1 January to 27 March 2011)*	-	-	30 - 35	-					

Full year equivalents for part year officials were:

	2011-12	2010-11
Tom Taylor	90 - 95	
Bill Stow	70 - 75	
Mike Anderson	125 - 130	
Bronwyn Hill		160-165
Helen Ghosh		140-145
Sonia Phippard		115-120

*The actuarial factors used to calculate Cash Equivalent Transfer Values (CETVs) were changed in 2011–12. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

** Taking account of inflation, the CETV funded by the employer has decreased in real terms.

† Of which 65–70 is in payment.

†† Of which 220–225 has been paid.

In addition to the senior officials reported in the table above, Graham Ledward was seconded to Defra from the EA for the period 18 July 2011 to 30 April 2012, as Director–General: Corporate Services. Defra was recharged a total in the band £90,000 – £95,000 for his salary for the period 18 July 2011 to 31 March 2012. Full salary and pension details for the year can be found in EA's Annual Report and Accounts.

Salary

Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as 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.

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

Non–Executive Directors

Non–Executive Supervisory Board members were entitled to the following fees for their services during 2011–12: Bill Griffiths £3,333 (paid £5,833); Iain Ferguson £20,000 (paid £20,000); Paul Rew £15,000 (paid £Nil); Sir Tony Hawkhead £11,250 (paid £7,500); Catherine Doran £5,000 (fee waived). Differences between the entitlements and amounts paid arise due to timing of claims. Where the amount paid exceeds the entitlement for 2011–12, this relates to fees for previous periods.

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 2011–12 (2010–11 £Nil).

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2011–12 relate to performance in 2010–11 and the comparative bonuses reported for 2010–11 relate to the performance in 2009–10.

Pay Multiples

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

The banded remuneration of the highest paid director in Core–Defra in the financial year 2011–12 was £170,000 – 175,000 (2010–11, £175,000 – £180,000). This was 6.6 times (2010–11, 6.9 times) the median remuneration of the workforce, which was £25,981 (2010–11, £25,903).

As the banded remuneration used above is based on a full time equivalent calculation, this differs to the figure used in the Remuneration Report, as this requires the actual salary to be disclosed.

In accordance with HM Treasury guidance, this calculation is limited to employees of the Core–Department and Executive Agencies and does not include employees of the NDPBs. The calculation is based on the annualised, full–time equivalent of staff in post as at the reporting date. Similarly, following HM Treasury guidance, the scope of the highest paid director is limited to the Core–Department. For the reporting periods 2010–11 and 2011–12, the highest paid director was not the Accounting Officer.

In 2011–12, 19 employees (2010–11, 25) received remuneration in excess of the highest–paid director. Remuneration ranged from £14,250 to £249,600 (2010–11, £13,951 to £341,800).

All those employees reported as earning in excess of the highest paid director are temporary employees and following HM Treasury guidance, their earnings have been estimated as a percentage of their annualised, full–time equivalent total cost. These individuals were in post as at the 31 March, however, the Department did not necessarily incur the full cost of these employees for the entire year. The reduction in the number of temporary staff shown above reflects the Department's policy of bearing down on staff costs.

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 (MP) may also accrue an 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 MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are revalued annually in line with Pensions Increase Legislation. From 1 April 2009 members pay contributions of 5.9 percent of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9 percent of salary if they have opted for the 1/50th accrual rate or 11.9 percent of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution of 28.7 percent of the ministerial salary paid by the Exchequer representing the balance of cost as advised by the Government Actuary. Increases to member and Exchequer contributions will apply from April 2012.

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 percent of pensionable earnings for classic and 3.5 percent for premium, classic plus and nuvos. Increases to employee contributions have applied from 1 April 2012. 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 percent 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 percent and 12.5 percent (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 percent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 percent of pensionable salary to cover the cost of centrally–provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found on the Civil Service website[26].

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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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.

[26] http://www.civilservice.gov.uk/pensions

Chapter 5: Finance Overview

Introduction

This section provides a high–level overview of Defra's financial performance in 2011–12 to assist the reader with interpretation of the detailed information provided in the Core Tables, Financial Statements, and Notes to the Departmental Accounts. Parliament's Clear Line of Sight (CLoS) initiative has delivered increased alignment between Departmental budgets, Estimates and financial accounts, which is reflected in this combined commentary.

Financial Summary

The Statement of Parliamentary Supply on page 88 shows that Defra's total Voted funding for the 2011–12 financial year was £3,038m. This consisted of £2,686m in Departmental Expenditure Limits (DEL), £342m in Annually Managed Expenditure (AME), and £10m outside of the Department's budgetary boundary – for expenditure incurred on behalf of the Devolved Administrations in Scotland, Wales and Northern Ireland – referred to as 'Non–Budget'.

The Department's final outturn against the budgets within its control was £2,602m in DEL and (£51m) in AME. This amounts to an underspend against budgets of £84m in DEL and £394m in AME. The outturn on expenditure outside of the Department's budgetary boundary (Non–Budget) resulted in an underspend of £9m. Therefore in total this amounts to a total outturn on Voted expenditure of £2,552m; £487m under combined Voted limits. Explanation of these variances is provided below.

Departmental Expenditure Limits

DEL is the budget total, issued by HM Treasury on behalf of Parliament, that Defra uses to fund its strategic objectives. Including an allowance for the consumption of assets over time (depreciation), these are the totals that are issued to business units across the Defra network as budgets to fund Ministerial outcomes.

Set against the context of the Government's priorities to simultaneously boost growth and reduce the fiscal deficit, Defra's financial performance over 2011–12 contributed to both. As Chapter 3 demonstrates, over 2011–12 the Department has delivered against an ambitious set of Structural Reform Plan actions while at the same time reducing DEL spending by 14 percent compared to 2010–11, and living within all Voted limits set down for it by Parliament[27].

- To help boost growth, the Department spent 99 percent of its Capital DEL budget. This was achieved by rigorous prioritisation of investment, largely in vital infrastructure projects to protect communities against the risks of flood and coastal erosion.

- To help reduce the fiscal deficit, the Department economised in back–office Administration spending within Resource DEL to protect front–line Programme spending. By bearing down on staff costs, estates and other overheads Defra was able to forecast early in the year that the Department would spend 10 percent less in Resource Administration compared to 2010–11[28]. This yielded a saving against the Administration budget in 2011–12 of £132m.

- Through in–year reprioritisation, the Department was then able to recycle around 40 percent of this Administration saving into front–line areas, deliberately exceeding its plans for Resource Programme spending (which is not a control total) by £53m and thereby further enabling delivery of Ministerial priorities.

- £79m of Resource DEL saving was returned to the Exchequer to help reduce pressure on the fiscal deficit.

[27] Total DEL including depreciation, outturn in 2011-12 compared to 2010-11. Real terms equivalent is a 16 percent lower outturn compared to 2010-11 (using GDP deflator).

[28] Administration including depreciation, outturn in 2011-12 compared to 2010-11. Real terms equivalent is a 12 percent lower outturn compared to 2010-11 (using GDP deflator).

In total this amounted to an underspend against DEL budgets of £84m (£5m on Capital DEL and £79m on Resource DEL). Of this total, £22m was in the ring–fenced (non–cash) depreciation budget and a further £9m was in other ring–fenced budgets (disallowance of £8m and £1m for Regional Development Agencies). Under HM Treasury rules underspends in ring–fenced budgets cannot be used for other purposes. Excluding these ring–fenced items the underspend against DEL budgets in 2011–12 was £53m.

Other Budgets

In contrast to some government departments, AME in Defra is used largely for technical accounting treatments only. Therefore, Defra's AME budget does not directly fund the achievement of Ministerial priorities but instead is used largely for accounting treatment associated with the movement into and out of liabilities on the Consolidated Statement of Financial Position. This explains the unusual pattern of movements in Resource AME reported in Core Table 1.

The above is also important context for understanding Defra's underspend on Resource AME of £393m and Capital AME of £1m in 2011–12.

- £280m of this total is due to adjustments for pension liabilities, the largest of which relates to the Environment Agency's (EA) active Pension Scheme. Based on actuarial advice and observed uncertainty in bond markets at the time, the EA took a cautious position on the possibility of higher liabilities being determined for its active Pension Scheme. This led to the Department securing agreement from HM Treasury, on a precautionary basis, for additional AME budget in the 2011–12 Supplementary Estimate. The final valuation from actuaries, in May 2012, concluded that the additional AME cover was not in fact required. This results in a simple reversal in the provision, appearing as an under–spend on the AME budget. This is tied–funding that could not have been spent on other activities.

- The remaining £114m of underspend on the AME budget was mainly due to the following items:

  - Based on possible legal outcomes, and in agreement with HM Treasury, the Department budgeted for £70m of provisions relating to Sea Fish Industry Authority (SFIA). This was to cover an Appeal Court ruling requiring SFIA to pay back past levy income to the industry. Following a subsequent judgement handed down by the Supreme Court, the risk did not materialise so no provision was required.
  - £17m underspend in the Rural Payments Agency (RPA) where, due to the strength of the pound against the euro at the end of March, there was a gain on outstanding foreign exchange balances.
  - Natural England (NE) utilising its Voluntary Exit Scheme (VES) provision of £14m earlier than anticipated, to accelerate savings in staff costs.
  - Increased income for SFIA, being £7m higher than anticipated.

There is one other area of funding for Defra, called Non–Budget, which is used to account for expenditure and income within RPA, as the sole UK Paying Agency, relating to Common Agricultural Programme (CAP) payments for the Devolved Administrations. The Department's outturn against Non–Budget in 2011–12 was an underspend of £9m, which was largely due to RPA not requiring the forecast additional expenditure for the Devolved Administrations, mainly due to foreign exchange gains.

Net Cash Requirement

Even under the increased alignment introduced by the CLoS changes, there will invariably be a difference between Defra's budgets (as described above) and the Net Cash Requirement (NCR) Voted from the Consolidated Fund to pay for that resource and capital consumption when falling due. This is because, in line with standard accounting practice, spending is recorded in the Accounts on an accruals basis and as such reflects the consumption of resource and not necessarily the payment of cash.

As detailed in the Statement of Parliamentary Supply, Defra's Outturn against its Estimate in the 2011–12 NCR is an underspend of £288m. This variance is caused mainly by:

- £87m underspend arising from a one–off substantial increase to the NCR to cover February and March Single Payment Scheme (SPS) payments, where reimbursement by the European Union (EU) was not until 2012–13. This increase in the NCR was agreed with HM Treasury in the Supplementary Estimate, on a precautionary basis, as part of implementing the CLoS changes. It was needed because there is a two month time delay between making SPS payments and receiving the reimbursement from the EU. Under CLoS, instead of the EU income being surrendered to HM Treasury, it is retained by Defra and used to offset SPS expenditure. This change in treatment results in a much lower NCR than in previous years. In order to avoid exceeding the 2011–12 NCR for these February and March SPS payments, the NCR was increased to cover the outstanding EU income. The NCR will have to be assessed each year during the preparation of the Supplementary Estimate because of this change in treatment under CLoS. However, 2011–12 should be the only year where a substantial increase is needed. This is because the EU income outstanding will be received at the beginning of the next financial year, thereby increasing the cash flow in that year and so alleviating the need to substantially raise the NCR in the subsequent year.

- £119m underspend resulting from the cash element of the outturn in Resource and Capital budgets as described above.

- £128m underspend resulting from various movements in working capital across consolidated entities, in the normal course of business.

- Various other smaller under and overspends, making up the remaining offsetting difference of £46m.

Consolidated Statement of Financial Position

This section provides a high level analysis of the difference between this year's and last year's Statement of Financial Position.

Over the 2011–12 financial year, Defra's total assets less liabilities increased by £151m. In the main this was due to an accounting adjustment of £268m required by HM Treasury to allow for the removal of Consolidated Fund Extra Receipts (CFERs), under the CLoS changes. In previous years' Accounts, reimbursement of CAP payments from the EU were treated as outside of Defra's Estimate and were returned to HM Treasury as CFERs. For the 2011–12 financial year, these reimbursements have been treated as negative DEL and so, although there was an opening balance on CFERs, there was no corresponding closing balance. This is offset by an increase in pension liabilities, and accruals and deferred income during the year. Assets reduced by £9m over the year reflecting a number of net additions and revaluations across the Network (including flood defences and IT assets) offset by total depreciation charged in year on non–current assets of £192m.

Financial Position Risks

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, on the whole, maintained liquidity by timely submission of funding claims to the EU. Where necessary, RPA draws from HM Treasury's Contingency Fund on a short term basis and borrowings are repayable within a year.

Foreign Currency Risk

Excluding RPA, there is no significant foreign currency risk. RPA enters into forward foreign exchange contracts to manage its risk relating to the euro denominated receipts from the EU. Full details of the financial derivatives relating to RPA are given in Note 12 to the Accounts.

Remote Contingent Liabilities

An analysis of contingent liabilities disclosed under International Accounting Standard (IAS) 37 and contingent assets is given in Note 25.

Defra has entered into a number of remote contingent liabilities that are disclosed in Note 26 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.

Other Information

This section covers other key financial information which may be of interest to readers of the Accounts.

Disallowance

'Disallowance' arises as a result of financial corrections applied by the European Union (EU) where they take the view that EU regulations for payments funded through European Schemes, including the Common Agricultural Policy, have not been applied correctly. The financial correction typically materialises as a deduction by the EU from a UK claim for reimbursement under European Schemes – in essence, a penalty.

Disallowance is accounted for in Defra's Accounts in three stages.

- Stage 1: Money is initially set aside for disallowance (via a 'provision') when there is sufficient evidence that a penalty is likely, but not certain, to be incurred in a future accounting period. These amounts are held on the Consolidated Statement of Financial Position (CSoFP), often referred to as the "balance sheet", as non–current liabilities (provisions).

- Stage 2: Disallowance penalties are confirmed in the Accounts (via an 'accrual') when the disallowance has been decided by the EU and will not be contested by the Department. These amounts, typically unwinding a previous provision, are held on the CSoFP as current liabilities (accruals). Both Stage 1 and Stage 2 transactions result in charges to Resource (either AME or DEL), and are therefore charged to the Statement of Consolidated Net Expenditure (SoCNE), as shown in the *Charges to the SoCNE for EU Disallowance* table below. Depending on when notification is received from the EU, Stage 1 may be skipped, and occasionally transactions can move from Stage 1 to Stage 3 within the same financial year.

- Stage 3: Disallowance penalties are finally transacted when the EU decides to deduct the owed amount from a claim for reimbursement under European Schemes made by the UK, typically some time after the penalty has been confirmed (and therefore accrued). Stage 3 payments are accounted for purely through the CSoFP, exchanging a current liability (accrual) for a current asset (cash) and so are not shown on the SoCNE. The *Balances from the CSoFP for EU Disallowance* table shows the accumulation over time of Stage 1, 2 and 3 transactions in Defra's Accounts.

Charges to the SoCNE for EU Disallowance

	2011–12		
£m	DEL	AME	**Total**
Allowance created in-year (less write back) for anticipated liabilities due in over 12 months time (provisions)[1]	-	69	**69**
Provisions unwound in-year for liabilities expected to materialise within 12 months (accruals)	29	(29)	**-**
New accruals where no previous provision existed[2]	17	-	**17**
Gross Charge	**46**	**40**	**86**
Adjustment in previous accrual (credit)[2]	(9)	-	**(9)**
Net Charge	**37**	**40**	**77**

During 2011–12 Defra made gross charges to the SoCNE of £77m for Disallowance, of which £46m was classified as accruals resulting in a qualification on the grounds of regularity. This includes £29.2m in respect of the Fruit and Vegetable Scheme, £10.5m of Cross Compliance and £6.6m structural funds penalties. (Adjusting for a £9m credit to previous accruals, the net charge to the SoCNE in respect of Disallowance was £37m.) The equivalent charge to the 2010–11 SoCNE was £175m.

Balances from the CSoFP for EU Disallowance

£m	**Total as at 31/03/2012**	2011–12	2010–11	2009–10	2008–09	2007–08
Stage 1: Provisions outstanding at year–end on CSoFP[3]	**125**	125	85	223	247	320
Stage 2: Accruals outstanding at year–end on CSoFP[4]	**187**	187	172	142	-	-
Stage 3: Cash payments made to EU[5]	**278**	32	147	9	83	7
Cumulative total for Disallowance as at 31 March 2012	**590**					

1. Note 8, as part of the Core–Department non–pension provisions provided for in year/written back figure of £68,958,000 (2010–11 £34,399,000).
2. Note 8, Core–Department EU Disallowance.
3. Note 19.1.1, Core–Department Disallowance closing balance at 31 March.
4. Note 18.1, as part of the Accruals and deferred income £470,239,000 (2010–11 £386,706,000).
5. The Consolidated Statement of Changes in Taxpayers Equity, Core–Department as part of the funding to Executive Agencies £474,334,000 (2010–11 £2,060,682,000).

Up to 31 March 2012, Defra's Accounts have included cumulative transactions for Disallowance penalties totalling £590m. Of this total, £278m has been paid to the EU over time (Stage 3), £187m remains accrued for accepted liabilities and is awaiting deduction by the EU (Stage 2), and £125m remains in provisions for possible future deductions pending resolution of confirmed liability.

Key Contracts Managed by the Core–Department on Behalf of the Network

IBM

In 2010, Defra signed a renegotiated contract with IBM for the supply of IT services. The original contract was let in 2004 and now runs until January 2018. Annual average payments are £100m.

Performance is reported through a series of governance boards (including IBM and key stakeholders who subscribe to the IBM contract) which meet on a monthly basis. The governance is acknowledged as working well, providing good collaboration across Defra and with IBM. Management of the contract places a high level of focus on measuring the strength of the relationship between the parties.

Details of how the contract is accounted for can be found in the accounting policy Note 1.5.2 in the Accounts. Disclosures relating to the value of the right to use assets can be found in Note 10.2, and the amount of the contract relating to the maintenance element of the contract is included in Note 24 of the Accounts.

Interserve

Defra has established a unique 15 year partnership with Interserve Plc which will deliver sustainable workplace support throughout its estate. This involves support service delivery, maintenance of the estate and utilities management. The value of the contract for the network as disclosed in the 2011–12 statutory accounts was £376m for the remainder of the contract (12 years) which is an average of £31m per year. This is included in Note 24 of the Accounts.

Performance is currently reported through a series of Governance Boards within Defra Estates and the operational output is monitored by the Management Committee via performance indicators which form part of the Estates quarterly reporting. Risks and issues are identified, as is the mitigating action required or taken.

Details of key contracts managed by Network Bodies can be found in their individual Accounts where appropriate.

Pension Liabilities

Details of the pension liabilities can be found in Note 20 to the Accounts.

Supplier Payment Policies

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. 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, is committed to pay all valid invoices for Small and Medium Enterprises within 10 days. This target was amended to 80 percent within 5 days in December 2009. Defra has exceeded the target since October 2010 for the majority of supplier payments regardless of the size of the supplier. However, the contractual terms of payment with each supplier still apply.

The Core–Department paid suppliers within an average of 6 days in 2011–12 (8 days in 2010–11). The Core–Department made no payments during 2011–12 under the Late Payment of Commercial Debts (Interest) Act 1998 (2010–11, £483.00). Details relating to Executive Agencies and Non–Departmental Public Bodies (NDPBs) can be found in their individual Annual Report and Accounts.

Events after the Reporting Period

Details of the events after the reporting period are included within Note 29.

Going Concern

The Statement of Financial Position at 31 March 2012 shows Taxpayers Equity and other reserves of £2,316,453,000 (2010–11, £2,165,070,000). 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 2012–13 is due to be given before the Parliamentary Recess 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.

Investment Management Strategy

The net book value of the tangible property, plant and equipment controlled by Defra including its Executive Agencies and NDPBs is approximately £3bn. 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.

Consultancy Spend

Below is a table showing the total consultancy and temporary staff expenditure incurred by the Defra network.

	2011–12			2010–11		
£000	Core–Department	Core–Department and Agencies	Departmental Group	Core–Department	Core–Department and Agencies	Departmental Group
Consultancy expenditure	5,175	5,438	37,067	3,432	9,191	32,219
Temporary staff expenditure	5,285	13,349	28,110	12,446	27,725	47,950
Total	**10,460**	**18,787**	**65,177**	**15,878**	**36,916**	**80,169**

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. The increase in consultancy staff in 2011–12 relates to flood and coastal erosion risk management and maintenance activity at EA.

Research and Development

In 2011–12 Core–Defra allocated £198m on evidence, covering both natural and social sciences and supporting evidence–based policy development and service delivery. £108m of this total is research and development with £90m other non–research evidence activities, including monitoring and surveillance. These figures exclude the analysis work carried out by Defra’s network bodies.

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 Accounts and Consolidation was £450,000. During the year the Department did not purchase any non–audit services from its auditor, the Comptroller and Auditor General.

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.

Core Tables 2011–12

The aim of the published tables is to provide an explanation of what Defra spends money on. They provide an analysis of departmental expenditure between resource consumption and capital investment. The tables also show how Defra spends its money by country and region, staff numbers employed by body and capital employed. The format of the tables is dictated by HM Treasury.

HM Treasury publishes a glossary in the Public Expenditure Statistical Analyses report (CM 8104)[29] that explains most of the terms used in the Core Tables and in the commentary below so these are not all repeated here.

Details of the Parliamentary Main Estimate and Parliamentary Supplementary Estimate are published separately[30].

Table 1 – Defra's Resource and Capital Budget

This table sets out a summary of the Resource and Capital Budget expenditure for the Department, covering the period from 2006–07 to 2014–15. It shows 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 took place in 2010 (SR10) and covers 2011–12 to 2014–15.

The Resource DEL Budget includes the administrative costs of running the Core–Department and its Network Bodies (referred to as 'Administration') and the programme spend on areas including waste, animal disease, health and welfare, natural environment, and floods (referred to as 'Programme'). CAP scheme payments (mainly the SPS) are also included within Programme DEL, net of income received from the EU.

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 HM Treasury and Parliament.

Defra's AME budget is all classified as Programme, as there is no split between Administration and Programme within Resource AME, and includes movements on liabilities, including CAP disallowance and the Environment Agency (EA) Pension Funds, as well as the resource costs of the Levy Funded Bodies, net of levy and other income.

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

Table 2 – Defra's Administration Costs

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 reflects the savings required by SR10.

[29] http://www.hm-treasury.gov.uk/pespub_pesa11.htm
[30] http://www.hm-treasury.gov.uk/psr_estimates_index.htm

Detailed Analysis on Tables 1 and 2

These tables have both been produced directly from HM Treasury's COINS database and, as required by HM Treasury, follow the 2012–13 HM Treasury rules. These rules have not substantially changed since 2011–12. These tables are therefore produced on the same basis as the Statement of Parliamentary Supply.

These tables are consistent with the layout of the Part II Table of the Estimate. The Estimate was restructured in the 2011–12 Supplementary Estimate and is now based on Defra's Priorities and Risk responsibilities, as set out in the Department's Business Plan[31]. Consequently, the layout of these tables has changed since the production of the 2010–11 tables.

Resource Budget (Programme and Administration) DEL

Support and develop British farming

The increased 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.

The decrease in spend in 2011–12 is primarily due to a decrease in the CAP disallowance payments. This reflects a change in the profile of the CAP disallowance provision. Disallowance penalties for a number of years became due in 2010–11 on the finalising of EU disallowance judgements covering SPS 2007, 2008 and 2009. Defra agreed with HM Treasury to transfer £46m of the provision from 2011–12 to 2010–11 in the 2010–11 Spring Supplementary Estimate to fund these penalties. This was in line with the SR10 settlement to allow flexibility in disallowance funding between years to handle the timing of disallowance costs, which is outside the Department's control. The overall disallowance costs during the Spending Review period, however, are still expected to be within the funding available.

Help to enhance the environment and biodiversity

The increase in outturn in 2009–10 relates to expenditure on the Rural Development Programme for England (RDPE). The Exchequer element of this spend has gradually increased from 2007–08 through to 2010–11, but reduces in 2012–13 as more payments are expected to be funded by the EU. The RDPE scheme provides a degree of flexibility over the percentage split between Exchequer and EU funded payments across years, as long as the overall total is in line with the scheme rules. There is also a planned decrease in RDPE spend through SR10 as several RDPE schemes come to an end, fewer new agreements are signed under on–going schemes and a reduction in the average national co–financing rate takes effect.

From 2011–12 onwards, this budget section includes income from the Welsh Assembly Government to fund the Environment Agency's work in Wales. This funding is recorded as income within Defra to comply with HM Treasury's Clear Line of Sight requirement to route all funding for an NDPB through the primary sponsor department.

The 2011–12 outturn includes a one off payment of £25m to the British Waterways Board Pension Fund to enable the transfer of its historic public sector pension liabilities to the new Canal and River Trust.

Support a strong and sustainable green economy

Spend decreased 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 Department of Energy and Climate Change (DECC) and there was a modest delay in the establishment of the London Waste and Recycling Board.

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

The funding for the Regional Development Agencies (RDAs) included a one–off decrease in 2008–09, as agreed with HM Treasury. In addition, a small element of the RDAs' funding was transferred to DECC for 2008–09 onwards. Over the course of SR10, budgets for the RDAs have been transferred to the Department for Business, Innovation and Skills in order to facilitate their wind down.

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 to sponsoring departments. This includes the transfer of Waste PFI credits in support of the Waste Infrastructure Development Programme to Defra, to pay Local Authorities.

Prepare for and manage risk from animal and plant diseases

Spending decreased in 2011–12 as a result of Animal Health merging with the Veterinary Laboratories Agency to form the Animal Health and Veterinary Laboratories Agency. The sponsorship for this new combined body is split across various parts of the Core–Department.

The decrease in 2013–14 and 2014–15 is mainly due to a decrease in budgets allocated to Endemic Diseases and the Veterinary Science Team. Budgets for future years are still under review.

Prepare for and manage risk from environmental emergencies

The increase in outturn for 2009–10 is due to spend on Floods and Coastal Erosion Risk Management, which increased into 2010–11 before decreasing in 2011–12 as part of the overall decrease in public spending. For 2012–13 onwards the Department has stood by its commitment to fund new burdens under the Flood and Water Management Act and the EU Floods Directive, with grants being provided directly to Lead Local Flood Authorities.

Departmental operating costs

The increase in 2007–08 is partly due to the costs of an early departure scheme together with an increase in impairments against a number of surplus properties.

There has been a decrease in outturn from 2007–08 through to 2011–12, with several different items contributing to this decrease in expenditure. There have been significant savings made due to rationalising the Estate, including the disposal of the Page Street property in central London.

The increase from 2011–12 arises as some budgets are held centrally until they are allocated in line with the Department's emerging business priorities. For example, the Evidence Budget will be allocated out to business areas annually over the SR10 years to align with the Department's priorities. Overall, planned spend decreases towards the end of the SR10 period as efficiencies and the re–sizing of the Department takes full effect.

Support and develop British farming (NDPB)(Net)

The decrease from 2009–10 is a result of the closure of Food From Britain on 31 March 2009. The remaining budget relates to the Gangmasters Licensing Authority.

Help to enhance the environment and biodiversity (NDPB)(Net)

The increase in outturn for the period of the 2007 Comprehensive Spending Review (CSR07 which covered the period 2007–08 to 2010–11) is due to a temporary increase in staff costs as a result of EA undertaking additional projects. The increase in outturn for 2011–12 is due to an increase in allocations to EA as part of the Water Framework Directive.

Support a strong and sustainable green economy (NDPB)(Net)

The decrease in outturn for 2011–12 is due to the closure of the Sustainable Development Commission (SDC) and a significant decrease in operations at the Commission for Rural Communities (CRC). The SDC was closed as part of the Government's reform of public bodies. The abolition of the CRC was announced by the Secretary of State in June 2010 and it is expected to close in 2012–13.

Prepare for and manage risk from environmental emergencies (NDPB)(Net)

EA Flood spending shows an increase to 2011–12 and then decreases as part of the overall reduction in public spending.

Resource Budget AME

Under CLoS, the credit entry for the utilisation of provisions moved from DEL to AME. This results in a relatively high number of credit figures and some volatility in trends due to the changing rates of utilisation within Resource AME. The debit entry for the utilisation of provisions remains in DEL. The creation of new provisions also scores under Resource AME.

Support and develop British farming

The positive outturn in 2006–07 reflects an increase in the provision for CAP disallowance. The negative values for the years that follow reflect the utilisation of this provision, which peaked in 2010–11 as described in the DEL section above. A positive figure appears in 2011–12 as the utilisation in this year was lower, due to the budget transfer of £46m from 2011–12 to 2010–11, so it does not fully offset the annual increase to the provision as happens in 2012–13 and 2013–14. The current CAP scheme finishes in 2013, therefore the provision creation held in the budget drops significantly in 2014–15 as any new provision will be considered once more details on the new CAP scheme are known.

Help to enhance the environment and biodiversity

The large credit figure that occurs in the 2010–11 outturn is due to the Government decision to index public service benefits using the Consumer Prices Index (CPI) rather that the Retail Prices Index (RPI). This had a significant impact on the EA Closed Pension Scheme provision.

Departmental operating costs

The outturn for 2007–08 included a provision for early departure. This provision was subsequently utilised, leading to a drop in outturn in the following years. The negative outturn for 2009–10 is caused by the early release of a provision for an onerous lease held for the Page Street office. The balances for future years' budgets were agreed with HM Treasury as part of the SR10 settlement and reflect budget cover held centrally which may be utilised in the respective years.

Support and develop British farming (NDPB)(Net)

The negative outturn for 2010–11 relates to the government decision to index public service benefits using the CPI rather than the RPI and reflects the impact this had on the Agriculture and Horticulture Development Board's Pension scheme.

Help to enhance the environment and biodiversity (NDPB)(Net)

The decrease in outturn for 2010–11 relates to the Government decision to index public service benefits using the CPI rather than the RPI and reflects the impact this had on the EA Pension Fund (EA Protection). The 2011–12 outturn reflects the utilisation of some provisions and an increase in fees, levies and charges income at the Sea Fish Industry Authority (SFIA) due to the outcome of a legal case, which allowed SFIA to reclaim the levies from those companies that import fish via air–freight rather than sea.

Prepare for and manage risk from animal and plant diseases

The increase in outturn for 2009–10 relates to a property write–down at the Veterinary Laboratories Agency (VLA).

Prepare for and manage risk from environmental emergencies (NDPB)(Net)

The negative outturn for 2010–11 relates to the Government decision to index public service benefits using the CPI rather than the RPI and reflects the impact this had on the EA Pension Fund (EA Flood).

Capital Budget DEL

The largest element of the Capital DEL budget relates to flood management. Also included within the Capital DEL budget for future years is a ring–fenced budget for the International Climate Fund. The remainder of the Capital DEL budget for the SR10 period is largely held centrally and will be allocated in accordance with the Department's prioritisation of capital projects each year.

Help to enhance the environment and biodiversity

The increase occurring in 2008–09 is primarily caused by extra funding granted to the British Waterways Board to carry out essential works. This was a one off increase so there is a corresponding drop in the 2009–10 outturn. A decrease occurs in 2010–11, primarily due to the transfer of the Contaminated Land Capital Grant Scheme to the EA, who from July 2010 were responsible for all technical and financial aspects of that programme. Also contributing to the drop in 2010–11 was the impact of the 2008 Pre–Budget Report Fiscal Stimulus Package which brought forward some capital spend from 2010–11 into 2009–10 for the British Waterways Board. The decrease in 2012–13 onwards is due to some of the Capital budget being centrally held and awaiting allocation in accordance with the Department's prioritisation of capital projects.

Support a strong and sustainable green economy

The increase in outturn for 2009–10 is due to added investment in the London Waste and Recycling Board. Throughout the period of CSR07, the Waste programme has made Waste Infrastructure Capital Grants to Local Authorities. This scheme finished at the end of CSR07, hence the decrease in the 2011–12 outturn. This section increases towards 2014–15 due to the ring–fenced International Climate Fund.

Prepare for and manage risk from environmental emergencies

The decrease in outturn for 2008–09 is due to the responsibility for administering flood grants to local authorities and Internal Drainage Boards passing to the Environment Agency on 1 April 2008.

The negative outturn for 2011–12 onwards is due to the income received from the Welsh Assembly Government to fund the capital costs of the Environment Agency in Wales. This funding is recorded as income within Defra to comply with HM Treasury's Clear Line of Sight requirement to route all funding for an NDPB through the primary sponsor department.

Departmental operating costs

The outturn for 2006–07 was higher than in other years as the budgets for IT project capital spend were held centrally. The same was true for 2007–08 but partially offset by receipts from the disposal of various property sites. In subsequent years to 2011–12 the IT budgets have been progressively delegated out to business areas to increase accountability.

The negative outturn for 2008–09 relates to Capital receipts from the sale of the Guildford site. As this was a one off receipt, the outturn increases again for 2009–10.

The increased Capital budget for the remaining SR10 years is due to Capital budgets currently being held centrally, prior to being allocated in accordance with the Department's prioritisation of capital projects.

Prepare for and manage risk from environmental emergencies (NDPB)(Net)

The increase in outturn for 2008–09 was caused in part by the transfer of responsibility for issuing Capital grants to Local Authorities from the Core–Department to EA. Defra also provided additional Capital budget to EA in 2008–09, which was used for building flood defences.

There was a further increase in EA's flood capital allocation for 2009–10, including the impact of the 2008 Pre–Budget Report Fiscal Stimulus Package which brought forward capital spend from 2010–11 into 2009–10.

Support and develop British farming

The decrease that occurs in 2010–11 is due to a decrease in RPA's Capital expenditure. From 2006–07 onwards their Capital expenditure had been increased due to investment in their recovery plan over that period. Budgets for future years are still under review.

Prepare for and manage risk from animal and plant diseases

The increase in the 2007–08 outturn relates to Animal Health holding a large number of IT assets in the course of construction. Also contributing to the 2007–08 increase is the Veterinary Laboratories Agency (VLA) expenditure on new laboratory facilities. As this expenditure was specific to 2007–08 there is a decrease in the outturn for 2008–09. This long term investment does not need repeating and therefore the costs decrease in 2010–11 and further in 2011–12.

Table 1 – Defra's Resource and Capital Budget

	2006-07 Outturn £000	2007-08 Outturn £000	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Plans £000	2013-14 Plans £000	2014-15 Plans £000
Resource DEL									
Section A: Support and develop British farming	434,568	500,807	463,676	475,098	476,836	333,041	391,981	392,529	364,264
Section B: Help to enhance the environment and biodiversity	466,492	461,213	472,957	496,436	465,561	453,698	374,064	366,289	346,152
Section C: Support a strong and sustainable green economy	258,229	282,122	140,668	165,795	142,329	195,618	172,129	162,780	175,894
Section D: Prepare for and manage risk from animal and plant diseases	248,571	256,745	256,047	258,488	226,426	189,537	223,473	110,510	97,930
Section E: Prepare for and manage risk from environmental emergencies	6,203	4,119	3,333	14,173	16,447	9,733	33,120	35,364	47,966
Section F: Departmental operating costs	264,658	314,309	288,393	261,507	213,356	172,327	216,794	229,400	199,699
Section G: Support and develop British farming (NDPB)(net)	6,149	7,214	12,341	(314)	12	409	1,418	1,376	1,291
Section H: Help to enhance the environment and biodiversity (NDPB)(net)	438,409	448,485	477,247	489,110	489,243	513,775	489,337	446,462	423,340
Section I: Support a strong and sustainable green economy (NDPB)(net)	8,266	7,660	6,589	9,774	9,336	628	500	-	-
Section J: Prepare for and manage risk from environmental emergencies (NDPB)(net)	283,771	284,254	290,400	291,198	336,278	350,458	331,446	316,886	302,386
Total Resource DEL	**2,415,316**	**2,566,928**	**2,411,651**	**2,461,265**	**2,375,824**	**2,219,224**	**2,234,262**	**2,061,596**	**1,958,922**
Of which:									
-Pay[1]	995,019	1,074,405	1,073,425	1,158,288	1,154,885	1,010,555	-	-	-
-Net current procurement[2]	802,171	724,374	678,696	661,065	536,969	471,118	690,256	622,683	539,610
-Current grants and subsidies to the private sector and abroad	352,537	380,742	335,932	323,859	331,798	399,438	322,418	283,405	270,835
-Current grants to local government	34,962	23,527	48,894	33,675	49,803	92,595	55,134	54,952	48,313
-Depreciation[3]	155,711	211,033	192,928	200,689	200,730	217,510	192,000	190,000	191,000

	2006-07 Outturn £000	2007-08 Outturn £000	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Plans £000	2013-14 Plans £000	2014-15 Plans £000
Resource AME									
Section K: Support and develop British farming	264,106	(20,286)	(48,470)	(6,761)	(132,028)	25,506	(4,000)	(4,000)	(75,000)
Section L: Help to enhance the environment and biodiversity	(32,007)	(32,200)	(18,403)	(27,421)	(102,548)	(36,136)	(32,534)	(28,877)	(30,375)
Section N: Departmental operating costs	13,068	23,533	(7,324)	(60,631)	(2,153)	(4,698)	50,000	50,000	50,000
Section O: Support and develop British farming (NDPB)(net)	(4,195)	(338)	11,177	2,108	(14,695)	(4,620)	(3,290)	(3,290)	(3,290)
Section P: Help to enhance the environment and biodiversity (NDPB)(net)	3,245	9,754	1,519	2,719	(97,472)	(15,796)	9,170	(665)	(303)
Section M: Support a strong and sustainable green economy	-	131	28	22	(382)	162	-	-	-
Prepare for and manage risk from animal and plant diseases	35	2,087	3,152	18,415	1,203	2,353	-	-	-
Support a strong and sustainable green economy (NDPB)(net)	1,004	665	(278)	(70)	222	(204)	-	-	-
Prepare for and manage risk from environmental emergencies (NDPB)(net)	1,800	-	2,842	(1,237)	(89,601)	(18,003)	-	-	-
Total Resource AME	**247,056**	**(16,654)**	**(55,757)**	**(72,856)**	**(437,454)**	**(51,436)**	**19,346**	**13,168**	**(58,968)**
Of which:									
-Pay[1]	26,216	25,038	24,414	23,259	20,333	21,788	-	-	-
-Net current procurement[2]	37,193	37,693	34,341	32,508	32,759	34,510	31,734	30,876	30,876
-Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-
-Current grants to local government	-	-	-	-	-	-	-	-	-
-Net public service pensions[4]	-	-	-	-	-	-	-	-	-
-Take up of provisions	280,491	37,412	75,110	93,742	57,710	128,734	172,860	149,860	78,860
-Release of provisions	(91,421)	(99,052)	(196,492)	(264,594)	(298,066)	(207,972)	(198,976)	(182,402)	(183,538)
-Depreciation[3]	464	860	6,044	43,850	25,402	2,677	834	940	940
Total Resource Budget	**2,662,372**	**2,550,274**	**2,355,894**	**2,388,409**	**1,938,370**	**2,167,788**	**2,253,608**	**2,074,764**	**1,899,954**
Of which:									
-Depreciation[3]	156,175	211,893	198,972	244,539	226,132	220,187	192,834	190,940	191,940

	2006-07 Outturn £000	2007-08 Outturn £000	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Plans £000	2013-14 Plans £000	2014-15 Plans £000
Capital DEL									
Section B: Help to enhance the environment and biodiversity	39,393	38,323	64,699	47,655	28,501	27,663	14,500	17,000	19,000
Section C: Support a strong and sustainable green economy	80,073	83,086	93,408	127,037	53,806	8,343	19,974	30,260	41,860
Section E: Prepare for and manage risk from environmental emergencies	67,187	39,588	1,124	1,886	4,856	(10,850)	(9,476)	(9,476)	(9,476)
Section F: Departmental operating costs	67,058	31,120	(6,860)	6,848	3,794	(995)	79,790	64,290	85,290
Section H: Help to enhance the environment and biodiversity (NDPB)(net)	65,254	43,276	55,706	56,137	57,126	43,416	3,000	3,000	3,000
Section J: Prepare for and manage risk from environmental emergencies (NDPB)(net)	201,500	249,626	339,898	392,676	386,959	301,709	273,186	273,186	273,186
Section A: Support and develop British farming	28,263	22,219	23,929	25,106	11,963	6,232	-	-	-
Section D: Prepare for and manage risk from animal and plant diseases	33,266	49,652	37,797	35,522	21,232	7,572	-	-	-
Section G: Support and develop British farming (NDPB)(net)	961	26	5	86	-	16	-	-	-
Section I: Support a strong and sustainable green economy (NDPB)(net)	88	7	5	-	-	(5)	-	-	-
Total Capital DEL	**583,043**	**556,923**	**609,711**	**692,953**	**568,237**	**383,101**	**380,974**	**378,260**	**412,860**
Of which:									
-Net capital procurement[5]	199,483	185,919	178,008	201,143	187,209	114,602	142,573	127,073	148,073
-Capital grants to the private sector and abroad	221,851	204,620	220,881	278,368	248,714	229,751	200,951	210,951	220,951
-Capital support for local government	140,189	67,707	170,100	169,477	44,471	48,631	32,452	32,452	32,452
-Capital support for public corporations	7,640	15,618	28,459	24,614	18,048	18,240	14,500	17,000	19,000
Capital AME									
Section O: Support and develop British farming (NDPB)(net)	175	192	626	657	861	19	1,000	1,000	1,000
Section P: Help to enhance the environment and biodiversity (NDPB)(net)	208	40	98	-	-	16	-	-	-
Total Capital AME	**383**	**232**	**724**	**657**	**861**	**35**	**1,000**	**1,000**	**1,000**
Of which:									
-Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-
-Net lending to the private sector and abroad	-	-	-	-	-	-	-	-	-
-Capital support for public corporations	-	-	-	-	-	-	-	-	-
Total Capital Budget	**583,426**	**557,155**	**610,435**	**693,610**	**569,098**	**383,136**	**381,974**	**379,260**	**413,860**
Total departmental spending[6]	**3,089,623**	**2,895,536**	**2,767,357**	**2,837,480**	**2,281,336**	**2,330,737**	**2,442,748**	**2,263,084**	**2,121,874**
of which:									
-Total DEL	2,842,648	2,912,818	2,828,434	2,953,529	2,743,331	2,384,815	2,423,236	2,249,856	2,180,782
-Total AME	246,975	(17,282)	(61,077)	(116,049)	(461,995)	(54,078)	19,512	13,228	(58,908)

1. These pay figures are compiled using National Accounts Codes. Definitions of pay are therefore different to those used in the staff costs note of the Accounts. The main difference being due to pay and pension related provisions.

2. Net of income from sales of goods and services

3. Includes impairments

4. Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non–cash items

5. Expenditure on tangible and intangible fixed assets net of sales

6. Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2 – Defra's Administration Costs

	2006-07 Outturn £000	2007-08 Outturn £000	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Plans £000	2013-14 Plans £000	2014-15 Plans £000
Section A: Support and develop British farming	199,393	201,833	187,179	147,933	146,479	107,088	146,656	128,081	116,789
Section B: Help to enhance the environment and biodiversity	50,564	44,967	45,267	48,506	48,737	37,878	42,323	40,164	37,079
Section C: Support a strong and sustainable green economy	36,764	23,537	19,360	19,612	15,380	15,493	14,979	14,897	14,819
Section D: Prepare for and manage risk from animal and plant diseases	60,214	35,697	39,684	44,326	49,365	(7,165)	8,324	7,874	7,936
Section E: Prepare for and manage risk from environmental emergencies	4,340	68	1,950	2,164	2,591	1,658	1,778	1,728	1,761
Section F: Departmental operating costs	180,927	222,697	194,275	193,945	187,988	165,038	188,257	186,329	184,402
Section G: Support and develop British farming (NDPB)(net)	305	1,531	2,164	(336)	12	336	1,418	1,376	1,291
Section H: Help to enhance the environment and biodiversity (NDPB)(net)	155,039	157,922	163,945	174,367	178,563	171,010	160,915	153,153	146,978
Section I: Support a strong and sustainable green economy (NDPB)(net)	8,266	7,660	6,589	9,774	9,336	628	500	-	-
Section J: Prepare for and manage risk from environmental emergencies (NDPB)(net)	107,445	93,748	96,311	99,722	102,449	108,389	77,754	69,254	60,754
Total administration budget	**803,257**	**789,660**	**756,724**	**740,013**	**740,900**	**600,353**	**642,904**	**602,856**	**571,809**
Of which:									
-Paybill[1]	463,952	480,981	476,625	500,087	427,861	399,681	-	-	-
-Expenditure	572,802	547,206	376,781	331,748	400,335	321,189	-	-	-
-Income	(233,497)	(238,527)	(96,682)	(91,822)	(87,296)	(120,517)	-	-	-

1. These pay figures are compiled using National Accounts Codes. Definitions of pay are therefore different to those used in the staff costs note of the Accounts. The main difference being due to pay and pension related provisions.

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

Table 3 details Defra's outturn for 2011–12, comparing this to the final allocations published in the 2011–12 Supplementary Estimate and also to the initial allocations published in the 2011–12 Main Estimate. In line with convention it is produced using the same layout as the Parliamentary Estimate; detailing spend on DEL, AME and voted Non–budget.

Due to the restructure of Defra's Estimate in the 2011–12 Supplementary Estimate, to reflect the government–wide move away from Departmental Strategic Objectives, it is difficult to compare the published Main Estimate to outturn. The Main Estimate is therefore shown as originally published and also as restated in the restructured format, to enable comparisons.

When comparing the original Main Estimate to the outturn in 2011–12, the Department is reporting an under–spend of £232m. When comparing the later Supplementary Estimate to the outturn in 2011–12, the Department is reporting an under–spend of £487m. The most significant variances of outturn to the Supplementary Estimate are explained below. This augments the summary provided earlier in this Chapter.

Resource DEL

The underspend against Support and develop British farming is primarily due to an underspend on administration costs at RPA, which is partially due to reduced depreciation. There is also an underspend against the utilisation of the CAP disallowance provision because notifications expected from the EU, which are necessary to trigger the transfer from provisions to accruals, were delayed.

The overspend against Help to enhance the environment and biodiversity is primarily due to a one–off payment to the British Waterways Board Pension Fund to enable the transfer of its public sector pension liabilities to the new waterways charity, the Canal and River Trust. There is also an overspend on the Rural Development Programme for England (RDPE), because of a deliberate choice to fund a higher share of payments in 2011–12 from the Exchequer, rather than the EU. This is in return for an offsetting reversal in 2012–13, because the RDPE scheme provides the Department a degree of flexibility over the split between Exchequer and EU funded payments across years as long as the overall total is in line with the scheme rules.

The underspend on Prepare for and manage risk from animal and plant diseases relates to a number of small items, including reduced depreciation at the Animal Health and Veterinary Laboratories Agency.

The underspend on Departmental operating costs primarily relates to forecasted impairments not materialising. Following a professional valuation of the Estate, in line with the Department's accounting policy, impairments were less than originally budgeted for. In addition, the centrally–held voluntary exit scheme (VES) funding was not fully allocated because some business units were able to absorb their own VES costs by recycling savings in pay and overheads.

The overspend on Prepare for and manage risk from environmental emergencies (NDPB)(Net) is primarily due to expenditure on flood management where work has been brought forward from 2012–13, in line with Ministerial priorities.

Resource AME

The underspend against Support and develop British farming primarily relates to the accounting treatment for exchange rate gains on outstanding currency balances at RPA. There is also an underspend against the creation of additional CAP disallowance provision, and an overspend due to delayed utilisation of existing CAP disallowance provision, both because notifications expected from the EU were delayed.

The overspend against Help to enhance the environment and biodiversity is primarily due to the Estimate including cover for the utilisation of a provision, relating to wildlife habitats and biodiversity, that could not be utilised this year due to agreements being delayed.

The underspend against Departmental operating costs is primarily due to budget for a provision in relation to the Sea Fish Industry Authority (SFIA), agreed by HM Treasury on a precautionary basis, which was subsequently not required as the risk of the provision did not materialise (see below).

The underspend against Help to enhance the environment and biodiversity (NDPB)(Net) primarily relates to restructuring and voluntary exits at Natural England where a provision was included in the Estimate which was not required. The underspend on this line also results from an increase in fees, levies and charges income at the SFIA due to the outcome of a legal case, which allowed the SFIA to reclaim levies from those companies that "land" fish via air–freight rather than sea.

The underspend against Prepare for and manage risk from environmental emergencies (NDPB)(Net) is primarily due to adjustments for pension liabilities relating to the Environment Agency's active Pension Scheme. More information on this is found on page 42. Based on actuarial advice at the time, additional budget was secured from HM Treasury in the Supplementary Estimate to cover these potential pension adjustments, on a precautionary basis. The final valuation from actuaries, in May 2012, concluded that the additional AME budget was not in fact required. This results in a reversal in the provision, resulting in an underspend as shown here.

Capital DEL

The underspend against Departmental operating costs primarily relates to centrally held capital budgets which are allocated in response to business requirements through the year. Actual costs incurred were recorded against the relevant business area, and monitored against the centrally–held budget, with a small underspend remaining overall.

This is partially offset by the overspend against Prepare for and manage risk from environmental emergencies (NDPB)(Net), primarily due to expenditure on flood management where work has been brought forward from 2012–13, in line with Ministerial priorities.

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

Resource

	2011-12 Main Estimate	2011-12 Main Estimate following Estimate restructure	2011-12 Supplementary Estimate	2011-12 Outturn
	Net Resource Outturn	Net Resource Outturn	Net Resource Outturn	Net Resource Outturn
	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)				
Voted expenditure				
Of which:				
Support and develop British farming	-	352,384	352,219	333,041
Help to enhance the environment and biodiversity	-	427,488	408,920	453,698
Support a strong and sustainable green economy	-	206,900	200,700	195,618
Prepare for and manage risk from animal and plant diseases	-	216,634	216,634	189,537
Prepare for and manage risk from environmental emergencies	-	(2,540)	11,625	9,733
Departmental operating costs	-	279,460	251,288	172,327
Support and develop British farming (NDPB)(net)	-	1,635	1,935	409
Help to enhance the environment and biodiversity (NDPB)(net)	-	500,432	515,100	513,775
Support a strong and sustainable green economy (NDPB)(net)	-	600	600	628
Prepare for and manage risk from environmental emergencies (NDPB)(net)	-	363,263	338,748	350,458
Adapting to climate change	19,641	-	-	-
A healthy natural environment	368,631	-	-	-
Sustainable consumption and production	140,718	-	-	-
Addressing environmental risk and emergencies	237,997	-	-	-
Championing sustainable development	3,448	-	-	-
A thriving farming and food sector	97,915	-	-	-
A sustainable, secure and healthy food supply	4,404	-	-	-
Strong rural communities	52,650	-	-	-
A respected Department	284,416	-	-	-
Rural Payments Agency EC funded	7,000	-	-	-
Rural Payments Agency running costs	173,913	-	-	-
Rural Payments Agency other	44,000	-	-	-
Forestry Commission	45,593	-	-	-
A healthy natural environment (NDPB)(net)	500,432	-	-	-
Addressing environmental risk and emergencies (NDPB)(net)	363,263	-	-	-
A thriving farming and food sector (NDPB)(net)	1,635	-	-	-
Strong rural communities (NDPB)(net)	600	-	-	-
Total Spending in DEL	**2,346,256**	**2,346,256**	**2,297,769**	**2,219,224**
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
Of which:				
Support and develop British farming	-	42,000	52,000	25,506
Help to enhance the environment and biodiversity	-	(52,427)	(48,458)	(36,136)
Support a strong and sustainable green economy	-	(278)	(278)	162
Prepare for and manage risk from animal and plant diseases	-	-	-	2,353
Departmental operating costs	-	50,000	48,831	(4,698)
Support and develop British farming (NDPB)(net)	-	(1,309)	(1,309)	(4,620)
Help to enhance the environment and biodiversity (NDPB)(net)	-	10,664	10,664	(15,796)
Support a strong and sustainable green economy (NDPB)(net)	-	-	-	(204)
Prepare for and manage risk from environmental emergencies (NDPB)(net)	-	-	280,000	(18,003)
A healthy natural environment	33,395	-	-	-
Sustainable consumption and production	-	-	-	-
A respected Department	50,000	-	-	-
Rural Payments Agency other	42,000	-	-	-
Forestry Commission	(2,800)	-	-	-
A healthy natural environment (NDPB)(net)	(72,636)	-	-	-
A thriving farming and food sector (NDPB)(net)	(1,309)	-	-	-
Total Spending in AME	**48,650**	**48,650**	**341,450**	**(51,436)**
Non-Budget spending				
Voted expenditure				
Of which:				
Support and develop British farming	-	5,000	10,000	836
Rural Payments Agency EC funded	5,000	-	-	-
Total Non-Budget spending	**5,000**	**5,000**	**10,000**	**836**
Total for Estimate	**2,399,906**	**2,399,906**	**2,649,219**	**2,168,624**
Of which:				
Voted expenditure	2,399,906	2,399,906	2,649,219	2,168,624

Capital

	2011-12 Main Estimate Net Capital Outturn £000	2011-12 Main Estimate following Estimate restructure Net Capital Outturn £000	2011-12 Supplementary Estimate Net Capital Outturn £000	2011-12 Outturn Net Capital Outturn £000
Spending in Departmental Expenditure Limits (DEL)				
Voted expenditure				
Of which:				
Support and develop British farming	-	5,301	5,301	6,232
Help to enhance the environment and biodiversity	-	21,332	23,682	27,663
Support a strong and sustainable green economy	-	18,000	8,000	8,343
Prepare for and manage risk from animal and plant diseases	-	12,841	12,841	7,572
Prepare for and manage risk from environmental emergencies	-	(9,476)	(9,000)	(10,850)
Departmental operating costs	-	28,779	14,538	(995)
Support and develop British farming (NDPB)(net)	-	-	-	16
Help to enhance the environment and biodiversity (NDPB)(net)	-	25,747	42,788	43,416
Support a strong and sustainable green economy (NDPB)(net)	-	-	-	(5)
Prepare for and manage risk from environmental emergencies (NDPB)(net)	-	270,476	290,000	301,709
Adapting to climate change	10,000	-	-	-
A healthy natural environment	15,800	-	-	-
Sustainable consumption and production	2,000	-	-	-
Addressing environmental risk and emergencies	6,300	-	-	-
A thriving farming and food sector	240	-	-	-
Strong rural communities	6,000	-	-	-
A respected Department	45,490	-	-	-
Rural Payments Agency running costs	2,120	-	-	-
Forestry Commission	(11,000)	-	-	-
A healthy natural environment (NDPB)(net)	34,530	-	-	-
Addressing environmental risk and emergencies (NDPB)(net)	261,000	-	-	-
A thriving farming and food sector (NDPB)(net)	520	-	-	-
Total Spending in DEL	**373,000**	**373,000**	**388,150**	**383,101**
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
Of which:				
Support and develop British farming (NDPB)(net)	-	10,650	1,000	19
Help to enhance the environment and biodiversity (NDPB)(net)	-	-	-	16
A thriving farming and food sector (NDPB)(net)	10,650	-	-	-
Total Spending in AME	**10,650**	**10,650**	**1,000**	**35**
Total for Estimate	**383,650**	**383,650**	**389,150**	**383,136**
Of which:				
Voted expenditure	383,650	383,650	389,150	383,136

Table 4 – Capital Employed

The figures for the years 2010–11 and earlier are extracted from the audited Resource Accounts for those years, including those of the Non Departmental Public Bodies (NDPB's) that were not consolidated into Defra's own accounts but which formed part of the Budgetary group. From 2011–12 as part of the Clear Line of Sight project the NDPB's are now consolidated into the Departments accounts.

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

2010–11 reductions in Intangible and Property Plant and Equipment reflect the spending controls introduced by the Coalition Government ahead of the Spending Review 2010 (SR10) settlement.

During the SR10 period (2011–12 to 2014–15) 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 (CF) for Supply and payment of Consolidated Funds Extra Receipt (CFER) balances.

Additionally, a change in accounting policy for the recognition of income and expenditure for SPS England 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 Payables (<1 year), with reductions in CF 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 have been eliminated altogether in 2011–12, due to the introduction of Clear Line of Sight (CLoS).

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

Arms Length Bodies (ALB) net assets decreased in 2009–10 because of a devaluation of Environment Agency tangible assets as a result of the economic downturn, and a substantial increase in their pension liability. This pension liability reduced in 2010–11, future pension increases being linked to CPI and not the RPI, a change introduced in the June 2010 budget statement. This was the main reason for the 2010–11 increase in ALB net assets.

Table 4 – Capital Employed

	2007-08 outturn £m	2008-09 outturn £m	2009-10 outturn £m	2010-11 outturn £m	2011-12 outturn £m	2012-13 plans £m	2013-14 plans £m	2014-15 plans £m
Assets and liabilities on the statement of financial position at end of year:								
Assets								
Non Current Assets								
Intangible	12	6	256	224	188	205	220	245
Property, Plant & Equipment	960	912	590	576	535	530	520	525
of which:								
Land and buildings	551	527	409	417	399	380	360	335
Fixtures and Fittings	47	65	68	61	56	55	55	55
Vehicles, Plant & Machinery	28	27	51	50	44	45	45	45
Equipment & IT	212	235	46	33	21	35	45	75
Assets under construction	122	58	16	15	15	15	15	15
Receivables > 1 year	-	4	9	13	14	15	15	15
Investments	8	6	5	5	-	-	-	-
Current Assets	2,160	2,363	1,125	1,127	1,092	1,090	1,090	1,090
Liabilities								
Payables <1 year	(2,528)	(2,501)	(1,193)	(1,160)	(904)	(635)	(635)	(635)
Payables >1 year	(50)	(120)	(146)	(171)	(151)	(150)	(150)	(150)
Provisions/Liabilities	(1,534)	(1,341)	(1,430)	(945)	(949)	(960)	(960)	(960)
Capital employed within Core-Department	(972)	(671)	(784)	(331)	(175)	95	100	130
ALB net assets	2,554	2,310	1,971	2,475	2,491	2,495	2,495	2,495
Total capital employed in the Departmental Group	1,582	1,639	1,187	2,144	2,316	2,590	2,595	2,625

Table 5 – Staff in Post

The table below shows people in post as at 31 March, therefore this cannot be reconciled to these accounts where Note 6.2 shows average Full Time Equivalent (FTE).

	31 March 2010			31 March 2011			31 March 2012		
Department/Agency/NDPB	**Payroll staff**	**Non-Payroll staff**	**Total**	**Payroll staff**	**Non-Payroll staff**	**Total**	**Payroll staff**	**Non-Payroll staff**	**Total**
Department for Environment Food & Rural Affairs [1]	2,516	362	**2,878**	2,457	119	**2,576**	2,085	73	**2,158**
Executive Agencies									
Animal Health and Veterinary Laboratories Agency [2]	2,800	133	**2,933**	2,622	56	**2,678**	2,355	104	**2,459**
Centre for Environment Fisheries & Aquaculture Science	534	14	**548**	513	12	**525**	520	7	**527**
Food and Environment Research Agency	854	15	**869**	846	5	**851**	865	4	**869**
Rural Payments Agency	2,936	320	**3,256**	2,521	32	**2,553**	2,348	54	**2,402**
Veterinary Medicines Directorate	153	7	**160**	151	7	**158**	150	7	**157**
Executive Agencies Total	**7,277**	**489**	**7,766**	**6,653**	**112**	**6,765**	**6,238**	**176**	**6,414**
Executive Non-Departmental Public Bodies									
Agriculture and Horticulture Development Board	435	-	**435**	437	73	**510**	446	34	**480**
Commission for Rural Communities [3]	75	1	**76**	66	-	**66**	4	-	**4**
Consumer Council for Water	83	1	**84**	75	-	**75**	66	-	**66**
Environment Agency	12,313	868	**13,181**	11,194	349	**11,543**	10,984	687[6]	**11,671**
Gangmasters Licensing Authority	79	-	**79**	82	-	**82**	66	-	**66**
Joint Nature Conservation Committee	118	-	**118**	136	-	**136**	146	-	**146**
Marine Management Organisation [4]	233	59	**292**	244	2	**246**	276	-	**276**
National Forest Company	19	-	**19**	19	-	**19**	15	-	**15**
Natural England	2,694	183	**2,877**	2,519	124	**2,643**	2,158	131	**2,289**
Royal Botanic Gardens, Kew	656	35	**691**	624	41	**665**	629	28	**657**
Sea Fish Industry Authority	93	-	**93**	72	1	**73**	72	1	**73**
Sustainable Development Commission [5]	46	11	**57**	38	1	**39**			
Executive NDPBs Total	**16,844**	**1,158**	**18,002**	**15,506**	**591**	**16,097**	**14,862**	**881**	**15,743**
Total	**26,637**	**2,009**	**28,646**	**24,616**	**822**	**25,438**	**23,185**	**1,130**	**24,315**

1. 44 Veterinary staff transferred from Defra to AHVLA on 1 April 2011, 99 staff transferred to Defra from the former Regional Development Agencies on 1 July 2011, and 100 Legal staff transferred from Defra to Treasury Solicitors on 31 August 2011.
2. AHVLA was created from the merger of the former AH Executive Agency and VLA on 1 April 2011.
3. CRC is due to be abolished. From 1 April 2011, CRC significantly reduced its staffing levels and the scale of its operation.
4. The Marine Management Organisation was created on 1 April 2010 from the Marine and Fisheries Agency (an executive agency of Defra).
5. SDC closed on 31 March 2011.
6. The increase in non–payroll staff in 2011–12 relates to flood and coastal erosion risk management and maintenance activity at EA.
7. In order to ensure consistency with other Cabinet Office returns the Forestry Commission is excluded from the above table.

Tables 6, 7 and 8 – Regional Tables

Tables 6, 7 and 8 show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury as part of the October 2011 Public Expenditure Statistical Analyses (PESA) National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2011 and the regional distributions were completed by autumn 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 local authorities or local authorities own expenditure.

TES is a cash equivalent measure of public spending. The tables do not include depreciation 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 A of the CRA October 2011 release. 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 2006–07 to 2010–11

	2006-07 outturn £m	2007-08 outturn £m	2008-09 outturn £m	2009-10 outturn £m	2010-11 outturn £m
North East	274	208	251	275	265
North West	496	429	506	516	462
Yorkshire and the Humber	531	407	506	588	534
East Midlands	609	426	564	624	631
West Midlands	484	372	461	485	455
East	706	598	756	938	866
London	136	128	142	139	109
South East	638	567	959	705	598
South West	848	662	876	869	796
Total England	**4,722**	**3,797**	**5,021**	**5,139**	**4,716**
Scotland	2	2	2	2	8
Wales	1	1	1	1	5
Northern Ireland	-	-	-	-	-
UK identifiable expenditure	4,725	3,800	5,024	5,142	4,729
Outside UK	2	4	5	3	6
Total identifiable expenditure	**4,727**	**3,804**	**5,029**	**5,145**	**4,735**
Non-identifiable expenditure	-	2	2	3	4
Total expenditure on services	**4,727**	**3,806**	**5,031**	**5,148**	**4,739**

Table 7 – Total Identifiable Expenditure on Services by Country and Region, per Head 2006–07 to 2010–11

	2006-07 outturn £ per head	2007-08 outturn £ per head	2008-09 outturn £ per head	2009-10 outturn £ per head	2010-11 outturn £ per head
North East	107	81	98	106	102
North West	72	63	74	75	67
Yorkshire and the Humber	103	79	97	112	101
East Midlands	140	97	127	140	141
West Midlands	90	69	85	89	83
East	126	106	132	163	149
London	18	17	18	18	14
South East	78	68	115	84	70
South West	166	128	168	166	151
England	93	74	98	99	90
Scotland	-	-	-	-	2
Wales	-	-	-	-	2
Northern Ireland	-	-	-	-	-
UK identifiable expenditure	**78**	**62**	**82**	**83**	**76**

Table 8 – Total Identifiable Expenditure on Services by Function, Country and Region for 2010–11

	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	8.0	10.3	7.6	4.1	7.6	3.4	-	4.4	5.6	51.0	-	-	-	51.0	-	51.0	-	51.0
Agriculture, forestry, fishing and hunting	202.0	280.2	390.0	503.2	338.9	684.4	22.1	351.1	590.4	3,362.3	2.2	0.7	-	3,365.2	0.3	3,365.5	-	3,365.5
of which: forestry	*3.5*	*4.8*	*4.4*	*4.3*	*4.7*	*4.7*	*1.3*	*7.9*	*8.1*	*43.7*	*1.7*	*0.7*	-	*46.1*	-	*46.1*	-	*46.1*
of which: market support under CAP	*129.5*	*186.1*	*318.4*	*448.3*	*274.8*	*601.8*	*8.5*	*285.3*	*427.0*	*2,679.7*	-	-	-	*2,679.7*	-	*2,679.7*	-	*2,679.7*
of which: other agriculture, food and fisheries policy	*69.0*	*89.3*	*67.2*	*50.6*	*59.4*	*77.9*	*12.3*	*57.9*	*155.3*	*638.9*	*0.5*	-	-	*639.4*	*0.3*	*639.7*	-	*639.7*
Other industries	-	-	-	-	-	-	2.0	-	-	2.0	-	-	-	2.0	-	2.0	-	2.0
R&D economic affairs	0.4	0.4	0.3	0.3	0.4	0.5	-	1.0	0.8	4.1	4.9	1.0	-	10.0	-	10.0	-	10.0
Total economic affairs	**210.4**	**290.9**	**397.9**	**507.6**	**346.9**	**688.3**	**24.1**	**356.5**	**596.8**	**3,419.4**	**7.1**	**1.7**	**-**	**3,428.2**	**0.3**	**3,428.5**	**-**	**3,428.5**
Environment protection																		
Waste management	8.1	8.7	8.9	9.2	8.8	9.8	7.0	9.2	10.7	80.4	-	-	-	80.4	-	80.4	-	80.4
Waste water management	0.5	1.3	1.0	0.8	1.0	1.1	1.4	1.6	1.0	9.7	-	-	-	9.7	-	9.7	-	9.7
Pollution abatement	1.5	3.9	4.0	3.0	3.2	3.7	6.7	6.1	3.4	35.5	-	-	-	35.5	-	35.5	-	35.5
Protection of biodiversity and landscape	15.7	31.6	27.5	19.2	21.1	29.8	8.7	32.9	61.6	248.1	0.8	0.5	-	249.4	3.2	252.6	3.9	256.5
Environment protection n.e.c	28.4	124.7	93.7	90.1	73.2	132.7	60.1	190.5	121.6	915.0	-	3.0	-	918.0	2.3	920.3	-	920.3
Total environment protection	**54.2**	**170.2**	**135.1**	**122.3**	**107.3**	**177.1**	**83.9**	**240.3**	**198.3**	**1,288.7**	**0.8**	**3.5**	**-**	**1,293.0**	**5.5**	**1,298.5**	**3.9**	**1,302.4**
Housing and community amenities																		
Community development	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	3.6	-	-	-	3.6	-	3.6	-	3.6
Water supply	0.2	0.5	0.3	0.3	0.4	0.4	0.5	0.6	0.3	3.5	-	-	-	3.5	-	3.5	-	3.5
Total housing and community amenities	**0.6**	**0.9**	**0.7**	**0.7**	**0.8**	**0.8**	**0.9**	**1.0**	**0.7**	**7.1**	**-**	**-**	**-**	**7.1**	**-**	**7.1**	**-**	**7.1**
Education																		
Pre-primary and primary eduction	-	-	0.1	0.1	0.1	0.2	-	0.1	0.1	0.7	-	-	-	0.7	-	0.7	-	0.7
of which: primary education	-	-	*0.1*	*0.1*	*0.1*	*0.2*	-	*0.1*	*0.1*	*0.7*	-	-	-	*0.7*	-	*0.7*	-	*0.7*
Total education	**-**	**-**	**0.1**	**0.1**	**0.1**	**0.2**	**-**	**0.1**	**0.1**	**0.7**	**-**	**-**	**-**	**0.7**	**-**	**0.7**	**-**	**0.7**
Defra Total	**265.2**	**462.0**	**533.8**	**630.7**	**455.1**	**866.4**	**108.9**	**597.9**	**795.9**	**4,715.9**	**7.9**	**5.2**	**-**	**4,729.0**	**5.8**	**4,734.8**	**3.9**	**4,738.7**

Bronwyn Hill 6 July 2012

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

Chapter 6: The Accounts

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Environment, Food and Rural Affairs to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its Executive Agencies) and its sponsored non–departmental public bodies designated by order made under the GRAA by Statutory Instrument 2011 no. 723 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at Note 32 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the departmental group and of the net resource outturn, resources applied to objectives, recognized gains and losses and cash flows of the departmental group for the financial year.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non–departmental public bodies;
- 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. In addition, HM Treasury has appointed an additional Accounting Officer (Tim Rollinson) to be accountable for those parts of the Department's accounts relating to the Forestry Commission. This appointment does not detract from the Head of Department's overall responsibility as Accounting Officer for the Department's accounts.

The Accounting Officer of the Department has also appointed the Chief Executives of its Executive Agencies and sponsored non–departmental public bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

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 assets of the Department or non–departmental public body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

Governance Statement

This statement explains the Department's governance arrangements, describes how risk is managed, and outlines our system of internal control and the stewardship of resources. It evaluates the effectiveness of these arrangements, and how they support the Accounting Officer's responsibilities for the use of resources by the Department.

The statement, whilst focussing on the Core–Department, also reflects the governance arrangements of our Network bodies[32], including Executive Agencies and NDPBs, who deliver many of our policies and services, and spend approximately 80 percent, of our budget. Each of these bodies produces its own governance statement in their Annual Report and Accounts. The conclusions of the statements from the Network bodies are reflected in the content of this departmental statement.

The last 12 months have been challenging for the Department as we continue to work to deliver the priorities of the Coalition Government, within a Spending Review settlement that represents an overall reduction of 30 percent in the Department's budget across the network by 2015. During this time, the governance structures and processes, risk management and internal controls within the Core**–**Department were effective, and were strengthened by improvements during the year. For example we have recruited a strong team of Non–Executive Directors to the Defra Board, and the new ways of working for the Board introduced at the end of 2010–11 have been embedded during 2011–12.

In response to the challenge of reducing budgets; to changes in our partners (including other government departments, local authorities, businesses, civil society organisations); and the Government's priorities for transparency and openness to the public in how we deliver services, the Department has begun a major change programme during 2011–12. This has introduced a new structure at senior levels (Director and Director–General), designed to help us work more effectively as one team across the whole of our business, including with our Network bodies. We have reshaped the Department to support "one team" working and to make things simpler and more efficient by removing duplication and improving accountability. Defra's 'Capability Review'[33] published on 12 April 2012 concluded that the Department "has already achieved much to meet the requirements of the Spending Review and plans are in place, through a programme of transformational change, to ensure that it is flexible and responsive for the future". We still face significant challenges including the recruitment and retention of the specialist staff that we need which is particularly difficult during a period of public sector pay restraint.

Each of our Network bodies have their own governance arrangements in place which materially comply with the relevant code of good practice[34]. Major governance challenges within the Network during the year have included the merger on 1 April 2011 of two existing Executive Agencies to form the Animal Health and Veterinary Laboratories Agency and work since then to bring together processes and procedures, accounting systems, and to a certain extent, differing cultures. At the Rural Payments Agency (RPA) under the leadership of the new Chief Executive there has been substantial change to address the significant problems associated with the Single Payment Scheme (SPS). The level of planning, monitoring and control now in place for SPS ensured the best ever payment performance was achieved in December 2011 and March 2012. A significant amount of corrective work was also undertaken to deal with errors in SPS base data. In February 2012, the RPA published its 'Five Year Plan'. The Plan sets out the critical steps required to mitigate the risk of inaccurate payments by improving data quality, to address the issues leading to accounts qualification and deliver a better service to customers. The Plan also outlines the RPA's preparations for the forthcoming reform of the EU's Common Agricultural Policy through the Future Options Programme which aims to ensure that processes and systems are in place to meet the demands created by the reforms.

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[32] References to 'Network bodies' refers collectively to Defra's Executive Agencies, Non-Departmental Public Bodies (NDPBs), Public Corporations and non-Ministerial Department.
[33] The full 'Capability Review' is a available at http://www.defra.gov.uk/publications/2012/04/12/capability-review-2012/
[34] For the Core Department and Executive Agencies, the relevant code is HM Treasury/Cabinet Office 'Corporate governance in central government departments: Code of good practice 2011'; for NDPBs it is the Cabinet Office's 'Principles of Good Governance in Executive NDPBs' which are contained in their 'Guidance on Reviews of Non-Departmental Public Bodies' published in June 2011.

Governance Arrangements

Governance Structures

The Secretary of State is responsible and answerable to Parliament for the exercise of the powers on which the administration of the Department depends. She has a duty to Parliament to account, and to be held to account, for the policies, decisions and actions of the Department including its Executive Agencies and NDPBs[35]. Whilst in practice, NDPBs operate with some independence and are not under day–to–day ministerial control, ministers are nevertheless ultimately accountable to Parliament for NDPBs' efficiency and effectiveness. This is because they are responsible for NDPBs' founding legislation; have influence over NDPBs' strategic direction; (usually) appoint their boards; and have the ultimate sanction of abolition or reform subject to Parliament's approval where this requires a change in statute.

The Permanent Secretary is appointed by HM Treasury as Defra's Principal Accounting Officer, and may be called to account in Parliament for the stewardship of the resources within the Department's control[36]. She in turn confirms that the CEOs of Executive Agencies and NDPBs are the Accounting Officers for these bodies.

Defra's Supervisory Board provides collective strategic and corporate leadership to the Department. It was established in December 2010, and its remit is to advise on strategic and operational issues affecting the Department's performance, and to scrutinise and challenge on departmental policies and performance. It brings together the Ministerial Team, the Permanent Secretary, four Directors–General, the Finance Director, and four Non Executive Directors (NEDs). It met quarterly until January 2012, and since then has met every other month. Its membership is set out on page 5 of these accounts. The membership was amended in January 2012 to align with the 'Corporate Governance Code'[37] which sets out that the number of Ministers, Executive and Non–Executive Members should be roughly equivalent. All members have attended all meetings with the following exceptions:

- Richard Benyon who had other Ministerial engagements in September 2011, December 2011, January 2012 and March 2012; and
- Tony Hawkshead who had other engagements in September and December 2011.

The four NEDs have been appointed by the Secretary of State for three years, with the possibility of extension for a further three years. They exercise their role through influence and advice, supporting as well as challenging the executive; they cover performance and operational issues, and the effective management of the Department; and they provide support, guidance and challenge on the progress and implementation of the operational business plan. They prepare an annual 'Non–Executive Directors' Report' for the Annual Report and Accounts which can be found on page 79.

The Board has three sub–committees: the Management Committee, the Audit and Risk Committee (ARC), and the Nominations Committee. The Audit and Risk Committee, chaired by a Non–Executive, advises the Accounting Officer and Supervisory Board on issues of risk, control and governance. The Nominations Committee was set up in October 2011 and met for the first time in November 2011. It is chaired by the Lead NED and ensures that there are satisfactory systems for identifying and developing leadership and high potential, and scrutinises the incentives and succession planning for the Board and the senior leadership of the Department.

The Management Committee has focussed on operations, performance and risk. It has comprised all the members of the Board apart from the Ministers and since January 2012, has met once every two months. It has three sub–groups; the Central Approvals Panel, the Strategy Group and the Contingency Planning Board.

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[35] HMT/Cabinet Office 'Corporate governance in central government departments: Code of good practice 2011'.
[36] 'Managing Public Money' paragraph 3.1.2 available online at http://www.hm-treasury.gov.uk
[37] References throughout the Governance Statement to the 'Corporate Governance Code' are to the 'Corporate governance in central government departments: Code of good practice 2011'.

The Central Approvals Panel is responsible for resource allocation within the framework delegated by the Board. Chaired by a Director–General, the Panel has scrutinised, challenged and authorised significant investment decisions with respect to the Department's Programmes and Network Bodies. It has also approved requests for the reallocation of funds within specific Group activities and has overseen the resources which are delegated to Senior Responsible Owners. Membership has been drawn from the executive only.

The Strategy Group advises on Defra's strategy, with reference to policy and delivery priorities, the evidence base, strategic communications and stakeholder relations. The membership has been drawn from the executive only, and its remit and function has been under review to ensure that it fully meets the needs of the Business. The Group met once during the year, in June 2011, and has now been reconvened following the review, meeting again in June 2012 with regular meetings planned thereafter.

The Contingency Planning Board has advised and offered assurance to both the Board and Ministers about Defra's overall state of preparedness to address emergencies, and to continue with its business in the face of any serious disruption to its staff or infrastructure. The Board met quarterly and among the issues it considered during 2011–12 was the Department's Contingency Planning Annual Preparedness Report, IT disaster recovery, and Olympic preparations.

During 2011 and 2012, governance arrangements have been improved. This has included determining clearer roles for the Board and the Management Committee, and establishing the Nominations Committee. Membership of the Board has been reviewed and new Board members appointed, including the formal appointment to the Board of the Finance Director and three new Non– Executive Board Members. Frequency of Board meetings have been changed from quarterly to once every two months, and we have established planned forward agendas for both the Board and Management Committee. An effective and dedicated Board Secretariat team has been established, including the appointment of the Board Secretary. We have improved information flow between the business, the Board and Management Committee through changes to the management information reports.

The Performance of the Board

Defra undertook a Supervisory Board Effectiveness Evaluation, led by the Lead NED, in January 2012 reflecting the draft Cabinet Office guidance. The Board Effectiveness questionnaire completed by the Supervisory Board focussed on roles and responsibilities; working together; making decisions; support; and strategic approach. The conclusion of the effectiveness evaluation was that the Supervisory Board and its sub–committees are all in place and effectively chaired. Members of the Supervisory Board interact well and there is good quality of information flow and support.

Looking forward, the Supervisory Board identified that more work is needed to clarify its roles and responsibilities in relation to the role of Ministers and their accountability to Parliament. There is a need to be clearer about the Board's purpose, i.e. to act as an advisory board for Ministers, and in particular to take a strategic view. To take this forward an action plan has been drawn up to ensure that the Board is developing its functions and delivering its objectives. Progress will be assessed again in 2012–13.

The Board regularly reviews progress against the Department's Business Plan, and management information on finance, strategic risk, Structural Reform Plan priorities, business delivery, human resources and other key indicators of Departmental performance. More in depth reviews carried out during 2011–12 include the Thames Tideway Tunnel, implementation Plan for the Natural Environment White Paper, the Rural Payment Agency's strategic improvement plan and Future Options Programme, and the redevelopment of the New Covent Garden Market.

Highlights from the Management Committee meetings of 2011–12 included a discussion about the transfer of British Waterways' responsibilities to the new charity, the Canal and River Trust; developing a commercial strategy; Olympics preparedness; and plans to improve the operational performance of the Rural Payments Agency.

The Audit and Risk Committee's work in 2011–12 included: scrutiny of the Department's handling of compliance with the 'Corporate Governance Code'; scrutiny of risk management, governance, financial control, business continuity and emergency preparedness; scrutiny of internal and external audit arrangements and results; oversight of the Department's accounts to the new Clear Line of Sight specifications and timetable; and specific strategic risks including the estates maintenance position, Defra's exposure to foreign currency fluctuations and progress in implementing the Spending Review budget reductions.

Quality of Information used by the Board

The report of our NEDs on page 79 confirms that the quality of Management Information improved considerably during 2011–12 and provides a solid source of information to support the Board. They welcome in particular the incorporation of data from the Network bodies, but highlight the need to establish a single prioritised business plan, create greater transparency about resource use, and develop more outcome based KPIs.

Compliance with 'Corporate Governance Code'

Defra is in full compliance with the good practice requirements of the 'Corporate Governance Code' for central government departments, except for two areas. The Code stipulates that the Nominations Committee should advise on and scrutinise the Department's implementation of corporate governance policy. However, Defra's Board have asked the Audit and Risk Committee to take on oversight of Governance as they feel the ARC is better resourced and qualified to undertake this responsibility. This is an exception to the 'Corporate Governance Code' agreed by the Board. Also, we do not have a second NED as a member of the ARC but will agreed to review this when a vacancy arises on the Committee.

Conflicts of Interest

The 'Corporate Governance Code' requires Defra to put in place arrangements to handle conflicts of interest of Members of the Supervisory Board and to use the Governance Statement to explain how conflicts, and potential conflicts, of interest of Board Members are managed.

On appointment, Board Members are required to provide a list of all interests which might be thought to give rise to a conflict of interest. At every Board meeting a standing agenda item on declarations of interest is included and brought to the attention of Board Members by the Chair. Board papers are not circulated to Board Members who have declared or are deemed to have a specific conflict of interest. Board Members with a conflict of interest on specific agenda discussions will leave the Board meetings for that item. Three conflicts of interest were indentified and managed during 2011–12 in line with this agreed procedure. They arose in the context of discussions on the procurement of future IT delivery systems for the Common Agricultural Policy; on the Thames Tideway Tunnel project; and on the water industry.

Governance of Network Bodies

The major organisations that make up the Defra Network and which deliver many of our policies and services are shown in the diagram on page 7 of these accounts. There are different types of bodies within the Network including Executive Agencies, NDPBs, Public Corporations and a non–Ministerial department which have different governance arrangements, in some cases based on statute.

The Governance Statements prepared by our Executive Agencies and NDPBs confirm that each has internal governance arrangements in place that comply in most respects with relevant HM Treasury and Cabinet Office codes of good practice[38], and which the bodies themselves consider effective. In many cases, these governance arrangements are long established and well tested. As indicated earlier, the most significant governance issues faced by Defra Network bodies in 2011–12 were the merger of the existing Animal Health and Veterinary Laboratories Agency (AHVLA) into a single new agency, and the work to improve the RPA's operation of the Single Payment Scheme. In both cases, significant progress was made during the year, and the Executive Agencies themselves have confirmed that despite the challenges they faced, sound governance

[38] See footnote 29 above.

and risk management processes were in place during 2011–12. In the case of RPA, this included the recruitment of an experienced team of directors and strengthening of its Management Board and committees through the appointment of a full complement of five Non–Executives. Beneath the Agency's Management Board and Executive Team, control has been tightened by a set of committees with clear lines of accountability. For AHVLA, the challenges created by the merger of the existing Agencies will continue into 2012–13, focussing particularly on a move away from the use of two existing financial operating systems to a single set of processes and procedures.

A quarterly report on Network bodies' performance is presented to the Defra Supervisory Board to allow them to scrutinise the performance of these bodies. The framework documents for these bodies which set out details of the relationship between each body and the Core–Department, and performance indicators and use of resources are being updated to reflect reporting arrangements and consolidation within the departmental accounts.

'Corporate Owners' are the link between the Core–Department and its Executive Agencies. They are senior Defra officials to whom responsibility is delegated for supervision and oversight over particular Executive Agencies. As Directors–General they are also members of the Supervisory Board and the Management Committee, thus providing a direct line of accountability and communication between the Department and its Executive Agencies. A significant development will be the arrival in June 2012 of a Director–General Chief Operating Officer who will become the single Corporate Owner for the Department's five Executive Agencies. Clear sponsorship arrangements also exist for our NDPBs and other bodies. Led by a senior Defra official, usually at Director level, these arrangements provide a means of oversight and challenge to help ensure that Network bodies deliver their objectives during the year.

The Department's arrangements to ensure accountability of its Network bodies are explained in more detail in the Defra Accounting Officer's 'Accountability System Statement' which is available on the Department's website[39].

The programme of public bodies reform announced in the summer of 2010 has continued, with the closure at the start of 2011–12 of the Sustainable Development Commission. The closure of the Regional Development Agencies (RDA) resulted in the transfer to the Core–Department in July 2011 of the delivery of the socio–economic element of the Rural Development Programme for England (RDPE) together with 100 ex–RDA staff.

Seafish is an NDPB sponsored by Defra and the Devolved Administrations. On 15 June 2011, the Supreme Court upheld the legality of their power to collect levies on imported sea fish and sea fish products. The legal challenge had raised serious concerns about the future of the organisation and threatened significant liabilities. The Court's decision removes the threat of levy liabilities. Government subsequently agreed through the Arms' Length Body Reform Programme that Seafish should be "retained on the grounds of performing a technical function which requires impartiality".

The Department is undertaking a Science Agency Review which is assessing options to secure a sustainable future for Defra's science agencies, with a particular focus at present on the Food and Environment Research Agency (Fera). Health and Safety in the laboratories has been a high priority and an improved position has been achieved but with more still to be done. As part of this work, there has been a strategic review of our outsourced facilities management contract. Although the overall weaknesses of the contract remained during the majority of 2011–12, and are reported by Fera and Cefas as issues in their Governance Statements, there has been a significant improvement in the relationship with the supplier. The supplier has also now appointed staff with specific experience of managing laboratory facilities and the early indications are that this has made a positive difference.

Other issues affecting our Network bodies during 2011–12 included a deficit of £8m in the Forestry Commission's budget caused by the decision to suspend the sale of forest land assets. This shortfall was managed through receipt of some additional income in the early months of 2011–12 coupled with efficiencies and other budget saving measures. We have also worked successfully to establish the Canal and River Trust

[39] Available at: http://www.defra.gov.uk

(CRT) which will take over the remit and responsibilities of British Waterways from July 2012. A package of financial measures was agreed with HM Treasury and the new Board of CRT Trustees. This provides the CRT Trustees with assurance that the new charitable model will be financially sustainable.

Local Government

The Department provides from its budgets a number of grants to local authorities. In accordance with the Coalition Government's policy, these grants are not ring–fenced. However, there is a robust audit process in place for such funds through the accountability requirements placed on local authorities.

Local authority resources from central government sources are pooled at a local level, mostly through Local Services Support Grant. The Department of Communities and Local Government's Accounting Officer, as lead Accounting Officer across central government with respect to local government, provides the assurance that a core framework is in place that requires local authorities to act with regularity, propriety and value for money in the use of all of these resources.

Within this core framework, local authorities are responsible and accountable for the legal use of funds, and every local authority has a responsibility to make arrangements for the proper administration of their financial affairs and to ensure that one of their officers has responsibility for the administration of those affairs. A system of legal duties requires councillors to spend money with regularity and propriety. Local authorities are required to have an annual external audit, and the certification of an authorities' annual accounts by the auditor provides general assurance that the totality of their expenditure is within their legal powers. Local authority auditors also assess whether authorities have used their resources effectively as part of their annual audit of accounts.

As well as the accountability provided through this core framework, specific Defra grants are often provided in recognition of a statutory obligation on local authorities to perform a function or provide a service. Other Defra grants may be made to address a specific need, for example for a time–limited programme or project and can be demand–led, reimbursing expenditure in areas where it is difficult to forecast, or 'pump priming', or piloting new approaches or policies. In such cases, value for money is scrutinised in the relevant approvals process and outcomes are specified explicitly in the agreement and claim processes. These arrangements are established in a way that allows local authorities the flexibility to respond to local priorities, pursue balanced outcomes and choose their own methods of achieving desired outcomes, whilst taking into account the policy intentions of Defra.

These accountability arrangements are explained in more detail in the Defra Accounting Officer's 'Accountability System Statement'.

Risk Management

Defra's Risk Profile

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 requires Defra to assess the risks within complex environmental systems (e.g. air, waste, soil, water, marine), to enable it to target its risk management activities effectively. Some of these risks (e.g. flooding and animal disease outbreaks) have a strong emergency response component, where Defra has a lead–department role. Many have important elements that are outside the Department's direct control, and therefore rely on Defra's ability to influence key decision makers, stakeholders and partners or to handle significant scientific uncertainty or gaps in evidence, particularly around the potential impacts of a changing climate. Throughout 2011–12, Defra's risk environment has become more difficult, as the Department in common with many of its partners and delivery bodies, including local authorities and farmers, has had to manage its risks with fewer resources and deal with a number of events including drought, floods and new livestock diseases, such as Schmallenberg Virus.

Risk Strategy

Defra's Supervisory Board leads on issues of strategic risk, and reviews the Department's top risks at each meeting. The Defra risk management strategy relies on three lines of defence. First, skilled front–line individuals and teams mitigating and managing residual risk, reporting progress and escalating risks. Second, central co–ordinators and those with an oversight function, who act as gate–keepers and custodians of good practice, challenging business areas and helping them to improve performance and capability. This includes: heads of profession, centres of excellence, approvals panels, sponsor teams for NDPBs and Non–Executives on programme boards. Third, internal and external assurance reviews. This includes: Defra's Audit and Risk Committee, Internal Audit, the National Audit Office, the Public Accounts Committee, the Major Projects Authority, and Gateway Review teams. Defra aims to implement the recommendations from these reviews to secure improvements in the way it manages risk and delivers Ministerial priorities.

Day–to–day management of Defra's delivery risks (e.g. building new flood defence schemes, working with the livestock industry to improve biosecurity on farms and working with the water industry to put plans in place now to deal with the prospect of a third dry winter) is delegated to the Executive Agencies and NDPBs in the Defra Network. This accounts for much of the operational, financial and reputational risk in Defra's portfolio. Chief Executives of Network Bodies are responsible for ensuring that effective approaches to risk management are in place locally, and provide quarterly performance reports to Defra's Supervisory Board. In the case of executive NDPBs, independent boards hold the executive to account for their performance, including their management of risk.

Because of the diverse nature and range of risks in delivering Defra's business objectives, the Board has not sought to develop a departmental statement of risk appetite, but has indicated its risk priorities throughout the year in relation to specific elements of its work, for example: in making decisions on how to live within its Spending Review allocation; in specific investment decisions; in its regular review of the Department's strategic risk register; and in reviewing the performance of its Network Bodies, both through regular management information and more in–depth reviews. The main strategic risks that Defra's Supervisory Board has reviewed during 2011–12 include:

- improving the Rural Payments Agency's administration of the Single Payment Scheme;
- controlling Bovine TB;
- preparing for the transfer of British Waterways to the charitable sector;
- retaining talented staff and maintaining continuity during a period of downsizing;
- reforming the Common Agricultural Policy and the Common Fisheries Policy and preparing for implementation;
- designating Marine Conservation Zones;
- handling a range of open and potential EU infraction risks;
- managing health and safety risks across the laboratory estate; and
- preparing to respond effectively to emergencies (particularly flooding and animal disease).

Throughout 2011–12, Defra has co–funded the Risk Centre at Cranfield University and commissioned a range of risk research to help build Defra's environmental risk management capability. Two flagship pieces of research came to fruition in 2011. First, the development of a tool to help senior managers compare different environmental risks, by providing an assessment of the current, national level of residual risk across a range of Defra's environmental risks. This was reviewed by the Supervisory Board in December, and is being taken forward in 2012–13 through research into the public perception of environmental risks. Second, the publication of revised government guidance on assessing and managing environmental risks[40].

[40] Available at: http://www.defra.gov.uk/environment/quality/risk/

One notable risk management milestone in 2011–12 was the publication (January 2012) of the first UK Climate Change Risk Assessment[41]. This ground–breaking risk research is critical to an effective national response to the challenge of a changing climate. The research reviewed the evidence for over 700 potential impacts of climate change in a UK context and conducted detailed analysis for over 100 of these impacts across 11 key sectors, on the basis of their likelihood, the scale of their potential consequences and the urgency of action. The outputs have provided an evidence base that can be used by government and others to identify priorities for action and adaptation measures that will be required to minimise risks to our economy, environment and society.

Stewardship of Resources

The system of internal control has been in place in Defra for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance[42]. This conclusion 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 a formal annual assurance statement on the system of internal control and report areas of weakness. This also takes account of comments made by external auditors in their management letter and other reports.

Financial Management

The National Audit Office (NAO) concluded in their report on 'Financial Management in Defra' published on 25 November 2011[43] that overall the Department had improved its financial management and reporting processes since 2008. The report highlighted in particular, improved management reporting within the Department and its Network bodies, and a revised Management Information pack that combines financial, performance and risk–based analysis for the Management Committee and Supervisory Board meetings enabling better strategic decision–making. NAO also made a number of recommendations to which the Department is responding. These include further embedding a culture of sound financial management, particularly outside of the finance function. Also, the Department's financial monitoring and forecasting is not always accurate or robust. Defra is improving this through stronger analysis of the causes of under spends and looking at trend analysis to target persistent areas. In 2011–12, underspend against budget for the whole of Defra and the Network was approximately 2 percent. Our Head of Internal Audit has also confirmed in her Assurance Opinion for 2011–12, that the Department has systems of internal control including finance which are adequate and effective.

The Department has sustained its financial capacity and capability by maintaining the number of permanent, qualified finance staff and by developing business partnering skills to support and challenge operational managers to manage their budgets more effectively. Defra has supported these improvements, by providing finance training courses for non–finance staff who manage budgets. In addition, the Department is improving its commercial skills, such as contract management through recruiting permanent staff to replace contractors whilst ensuring the knowledge base is not reduced.

Although processes are in place to delegate and manage resources effectively, the Department and its network needs to improve its collective capability in business planning and performance management so that we can be certain that resources are allocated optimally to deliver the outcomes we are seeking and to ensure value for money. Through the Department's change programme, action is being taken to reform our business planning processes. All work areas in the Core–Department will produce Delivery Agreements for 2012–13, setting out what Directors will achieve with their resources and how they will do it. This will be a stepping stone to a more comprehensive and integrated business planning process for 2013–14 and beyond. This will be used to identify and prioritise resourcing requirements for all activities across the Defra network.

We will also continue work to improve the quality of the financial information available to us and also the evidence we have about what drives costs particularly in our Network bodies and how this relates to outcomes. We are also taking forward the recommendations of an Internal Audit report on fraud risk to ensure that our policies and procedures meet all current requirements and to raise awareness of this important risk.

[41] Available at: http://www.defra.gov.uk/environment/climate/government/risk-assessment/
[42] HMT's 'Managing Public Money' available online at http://www.hm-treasury.gov.uk
[43] Available at: http://www.nao.org.uk/publications/1012/defra_financial_management.aspx

In recent years, the Department has managed the risk of significant foreign exchange losses by adopting a proactive currency hedging strategy with a hedge provider. Currency fluctuations in the euro market may mean that the cost of hedge contracts increases in future as providers charge premiums to reflect increased risk. Hedge contracts are still, however, likely to represent value for money compared to potential exchange rate losses. We are also looking with the EU at payment mechanisms to see what might be done to limit the potential for losses, and working with our contract provider to see what we can do differently and better.

Information Management

Defra's approach to the management of security risks is proportionate to the nature of the risks and the comparatively low amount of personal or sensitive information handled by the Department and its Delivery Network. There have been no reported significant data losses in the course of the year. Our assessment of the management of our security risks for 2011-12 is that, despite some variability in the levels of compliance, there have been improvements and the Defra Network as a whole meets the relevant security requirements. However, although there are currently no technical controls to intercept and monitor inappropriate email and internet traffic by users of the shared IT service (i.e. the core Department, AHVLA, Fera, Gangmasters Licensing Authority, Marine Management Organisation and Natural England), the potential risk of data loss is being mitigated through staff awareness and good management practice. Action will be taken to strengthen these controls and improve awareness through staff training in 2012-13.

Significant Issues

Rural Payments Agency

The new executive team at RPA has made good progress in tackling the issues surrounding the performance of the Agency. In previous years, The Agency received a large number of recommendations from NAO on its financial controls and considerable effort has been made to implement these. This has included additional controls on the use of Government Procurement cards, and tightening the processing of manually calculated payments. Progress has also been made this year by the Agency to improve the accuracy of payments.

Despite this progress there are two major issues that have led the Comptroller & Auditor General (C&AG) to qualify Defra's 2011-12 accounts. Firstly the C&AG has applied a Qualified Opinion on Regularity to Defra's Accounts because of the recognition of £46 million of disallowance penalties, £39m of which are for schemes administered by RPA. Disallowance penalties are imposed by the European Commission as a result of problems with the administration of EU schemes including those under the Common Agricultural Policy (CAP). More detailed background on these disallowance penalties is set out on pages 44 and 45 of these accounts. The total includes £29.2m in respect of the Fruit and Vegetable Scheme which results from an EC decision that Producer Organisations receiving support were not constituted and operating in line with scheme requirements. The amounts disallowed depend in each specific case on the assessed severity of the breach of regulations and on subsequent clarification negotiations with the EC. In the case of the Fruit and Vegetable Scheme the disallowance penalties were equivalent to 50 percent of the funding provided, and relate to programme years 2008 and 2009.

Defra's Accounts have previously had disallowance penalties applied by the EC in respect of the Single Payment Scheme (SPS), and other schemes: we have made provision for future disallowance penalties, full details of which are provided in Chapter 5. We aim to contain SPS disallowance risk down to 2%.

The C&AG has also applied a qualification (a Limitation of Scope) to RPA's 2011-12 Financial Statements, which because of materiality, has also been applied to Defra's Accounts. As in previous years, the Agency has been unable to provide sufficient audit evidence to support the accuracy in their accounts of debtors and creditors (under and over payments) arising from the SPS. During 2011-12, work at RPA has focussed on improving the understanding of where the issues lie, and of what needs to be corrected. RPA have developed a way forward on overpayments that will remove the requirement to revisit claims paid during the 2005-2008 scheme years unless a customer is found to have intentionally over-claimed, and will significantly reduce the changes that need to be made to scheme years 2008 to 2011. They have not yet made the same progress on the problem of potential underpayments to customers but aim to have tackled this by the end of the 2012 claim payment window. There is still work to be done, and RPA have put a plan in place to take further corrective action.

Defra has approved the RPA's plans for improvement set out in their Five Year Plan published in February 2012, and has allocated additional resources in 2012–13 to enable the agency to improve its in–year performance and prepare for CAP reform. The Five Year Plan sets out the critical steps required to improve data quality, address the issues leading to accounts qualification and deliver a better service to customers. The plan will achieve its aims through a defined list of projects to improve the database for SPS payments and to improve scheme processes and controls.

The Plan also covers the RPA's preparations for CAP reform. These will be taken forward by their Future Options Programme (FOP). The primary objective of the FOP established in 2011–12 with the RPA Chief Executive Officer as its Senior Responsible Officer, and with Defra overseeing it, is to ensure that the government has processes and systems in place to implement the forthcoming reform of the EU's Common Agricultural Policy. The programme will examine options for the IT and wider business systems needed to meet an implementation deadline of 2015 for the revised scheme. The programme takes account of the need to provide continuity of service during the transition from the existing to new CAP schemes, and the fact that the new scheme specifications will depend on EU negotiations which are still in train.

The C&AG has also qualified his opinion (a Limitation of Scope) on the 2011–12 accounts of AHVLA because of weaknesses in the records available to support income invoiced. AHVLA will be working to ensure that adequate systems and processes are in place to address this and other financial systems weaknesses during 2012–13.

Bronwyn Hill 6 July 2012

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

Non–Executive Directors' Report

Context

- The new Board structure has been established during 2011–12, three new Non–Executive Directors (NEDs) have been appointed from deliberately diverse backgrounds, the Secretary of State (SoS) has chaired quarterly Supervisory Boards (bi–monthly from January 2012) and an effective Board secretariat function has been established.
- The Audit and Risk Committee and the Nominations Committee are chaired by NEDs.
- A Board Effectiveness Review was carried out in January 2012 and an action plan has been agreed.
- There have been several new senior appointments during 2011; Permanent Secretary (April), Finance Director (July), Change Programme Director (June) and Commercial Director (June).
- Significant restructuring and resource reductions to be achieved in Core–Defra and the key ALBs following the 2010 CSR settlements.
- Critical capability review and change management projects initiated with dedicated team leaders and resources. Capability Review completed and action plan agreed. Good progress on change management but new organisation and new ways of working still at early stages of implementation.
- A good induction process for new NEDs was provided.

Strategic Clarity of the Department

Critical strategic issues are clearly identified individually (e.g. Bovine Tuberculosis, Rural Payments Agency, Common Agricultural Policy renegotiation, Spending Review response etc). The Defra team has expended considerable effort on refining the strategic process, undertaking a capability review and conducting a change management project. Active NED participation was sought and facilitated by the Defra teams in this work. The Business Plan is organised by projects and programmes and it is effectively a 'bottom–up' process rather than a priority driven 'top–down' process. However, the absence of an overall prioritisation process has resulted in the 'bunching' of delivery deadlines which have then had to be renegotiated.

The individual ALBs have their own Strategic Processes and there are varying levels of interaction with Core–Defra (and varying degrees of interdependence). The relationships with the individual Arm's Length Bodies (ALBs) vary considerably and are the subject of review and discussion in Defra as in other departments. The SoS has taken an active role in building relationships with the largest ALBs. The NED team has agreed individually to take a special interest in assigned ALBs. As in other departments there are issues of independence and governance which are to be resolved. This area will be the subject of further scrutiny in the Triennial Review process.

It is difficult to easily determine resource levels for individual projects and programmes and to see where overlap and gaps exist. It is also difficult to determine which resources are 'specialised' and which are 'fungible'. The Secretary of State (SoS) and her Ministerial Team are willing and keen to engage in resource / prioritisation discussions and workshops. However, it is clear that this will be more productive once the Defra team are better equipped to show the resources used in projects and programmes in a more consistent and accessible way.

Commercial Acumen and role of the Commercial and Finance Directors in the Department

Today, control of direct costs and appraisal of investment decisions within Core–Defra and the key ALBs appears to be satisfactory and there is evidence of increasing awareness of the need for better commercial judgement within the Department and more robust challenge from the Finance Department. There is a need to improve forecasting and modelling capabilities. However, there are a significant number of legacy issues which must call into question the robustness of the investment challenge and the commercial judgement of the Department in the past. These include issues in the Rural Payments Agency, Food and Environment Research

Agency, and Core–Defra facilities management. The current team are clearly dealing with these issues within the constraints of the pertaining agreements and contracts.

The relationship with the National Audit Office (NAO) is clearly improving. A number of legacy issues leading to accounts qualifications continue to pose considerable challenges. The NAO has met with the NEDs and we are keen to play a role in improving the NAO relationship. Also Defra's Audit and Risk Committee (ARC) has an important role to play here.

We have agreed that the Defra ARC will take responsibility for overseeing the Department's compliance with the Corporate Governance Code.

Management of Talented People

There is good evidence of high calibre resource being directed to critical issues, e.g. the move of Defra's previous Finance Director to the RPA, appointment of a Director to lead Change Management in Defra and the recruitment of a new top team in RPA. NED involvement in the selection process for ALB Chairs has brought an external perspective to the process. Going forward there is clearly more that can be done to look at resources across the Defra network. The Voluntary Exit Scheme (VES) was well handled and core skills / capabilities were maintained.

Focus on Results and Implementation

There are implementation plans and associated risk analyses for key projects and programmes. Many of the Key Performance Indicators are input based rather than outcome orientated. It is a challenge to define cogent outcome targets / KPIs for many of Defra's activities, particularly in the short term.

The overall Risk Register is reviewed at Supervisory Board and Management Committee meetings. The format used facilitates identification of key risks and corresponding mitigating actions. Changes in risks from previous meetings are highlighted which is helpful. The ARC takes an overview of overall risk for Core–Defra and the key ALBs. NEDs have been involved in internal and NAO discussions to improve the risk management process.

The lack of an internal prioritised operational Business Plan makes it difficult for the Board to measure / determine overall progress. Interdependency with other department's priorities and the need for collective agreement is challenging and can lead to difficulties for the Department and Ministers in achieving delivery according to the milestones in the Structural Reform Plan in Defra's published Business Plan.

Providing clear implementation advice to Ministers is a vital role for the Department and for the Board. 2011–12 has witnessed a range of outcomes where the Board has been influential.

Quality of Management Information (MI)

The MI in Defra has evolved considerably over the last year or so and now provides a solid source of information to support the Board. The MI team have actively engaged with the NEDs to encompass our needs as they develop the material. The recent incorporation of the ALB data will help to build understanding and familiarity with the Defra network. Going forward from the NED perspective the priorities are, establish a single prioritised business plan, create greater transparency about resource usage and deployment, measure more outcome based KPIs and be clearer about trade–offs between individual projects and programmes.

Actions from the Board Effectiveness Review.

- **Focus more on key strategic issues**. This will be facilitated by more proactive forward agenda planning and active commissioning of strategic agenda items from the Defra network.

- **Improve Collaborative Working**. The Board wishes to spend more time working together, an 'Away Day' will be programmed as a first action.

- **Clarify Roles and Responsibilities**. This is particularly important in relation to the responsibilities of Ministers, Executives and The Board.

- **Review frequency of meetings**. It is important that the Board meeting timetable is effective in relation to the Defra business cycle.

Impact of the Enhanced Board in 2011–12.

Defra has undergone significant organisational change in 2011–12 as it responded to SR2010 and to the focus on the Coalition agenda. Internally, the arrival of a new Permanent Secretary signalled a new focus on delivery and operational excellence which has resulted in a new top structure and the implementation of a major change project. NEDs have been consulted and have offered advice on an on–going basis through this process.

Working closely with the Top Team the NEDs have been involved in a number of key activities; Recruitment (two board chairs, two Directors–General, three NEDs), Reviews (Capability Review, Board Effectiveness Review), Business Advice (RPA future options, Covent Garden Market Authority options appraisal, Thames Tunnel, Fera options) and Board Practice (Budget and performance monitoring, Risk management, ALB performance monitoring). It is pleasing to note that increasingly NED advice is being sought at an early stage.

Quality of discussion. It is noticeable that the dynamic of the Board is changing as we learn to work together in the new way and that whilst final policy decisions must always remain with Ministers there is now undoubtedly a more balanced discussion and contribution around the table. Whilst it is still much too early to claim major impact, there are encouraging examples of decisions improved by collective debate. Importantly there is also a collective desire to continue to try to improve as we go forward.

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 and of its Departmental Group for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2011. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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 and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

The European Commission has confirmed disallowance penalties of £46.3 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 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 Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 Single Payment Scheme trade receivables balance of £7.5 million (being receivables of £14.9 million less a provision for doubtful debt of £7.4 million) and the Single Payment Scheme trade payables of £56.9 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 and the Departmental Group's affairs as at 31 March 2012 and of the Department's net operating cost and the Departmental Group's 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.

My report on pages 85 to 87 provides further details of my qualified opinions on the financial statements and on the regularity of expenditure.

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 "Our Ministers, Senior Staff and Non-Executives" section of chapter 1, the Management Commentary which comprises chapter 5 "Finance Overview", the progress against agreed performance indicators as shown in chapter 3 "Performance", and the "Commentary on Sustainable Performance" in the Annex of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect solely of the limitation on our work relating to the Single Payment Scheme trade receivables and 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse 11 July 2012

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 (the Department) 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 (the Commission) to deliver the Common Agricultural Policy and other initiatives.

I have reported previously on the problems experienced by the Rural Payments Agency (the Agency), an executive agency of the Department, in implementing the Single Payment Scheme (the Scheme). The 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.

Purpose of this report

The financial statements on the following pages represent the results of the Department for the period from 1 April 2011 to 31 March 2012. This report explains the nature of Scheme related qualifications in 2011–12 and progress made by the Agency in correcting the problems experienced in the past.

I have qualified my opinion on the 2011–12 accounts on the grounds of regularity. The requirement to pay material financial penalties ("disallowance") where Scheme regulations are not correctly applied results in a loss to the UK Exchequer which is outside Parliament's intentions in relation to the proper administration of European funding. I qualified my opinion in this respect in 2010–11 and 2009–10.

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 Scheme trade receivables of £14.9 million and Scheme trade payables of £56.9 million which are recorded in the Department's accounts. These amounts are administered and accounted for by the Agency, but consolidated into the Department's financial statements. I qualified my opinion in this respect in 2010–11 and 2009–10.

Qualified opinion on regularity due to financial penalties

Where the 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 or disallowance under the Scheme. These penalties are payable by the Department 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.

During 2011–12 the Department finalised disallowance penalties of £46.3 million, which are reflected in the 2011–12 Statement of Comprehensive Net Expenditure. This includes £29.2 million in respect of administration of the Fruit and Vegetable Scheme, £10.5 million of Cross Compliance penalties and £6.6 million of penalties relating to Structural Funds. I have therefore qualified my audit opinion on the Department's accounts on the grounds of regularity. The Department incurred disallowance penalties of £175.2 million in 2010–11, £160.3 million in 2009–10, (£9m of which has since been reclaimed by the Department), and £92.2 million in 2008–09.

The Department's 2011–12 accounts include a provision for a further £125.4 million in respect of estimated disallowance penalties. This sum includes a total of £20.1 million in respect of the Fruit and Vegetable Scheme (2010 and 2011), £10.8 million in respect of the Rural Development for England (2009, 2010 and 2011), and £94.5 million in respect of the Single Payment Scheme (2010 and 2011). The total value of disallowance penalties finalised since 2008–09 or provided for currently is £590.4 million. Once disallowance penalties are finalised this represents a cash loss to the UK Exchequer.

The problems experienced by the Agency in implementing the 2003 Common Agricultural Policy reforms undoubtedly contributed to the disallowance penalties since the Scheme's introduction in 2005. The Department and Agency continue to contest the amounts of disallowance and are working to ensure that as a minimum the level of disallowance does not increase in future. All European Union member states have been subject to disallowance penalties and the rate of penalties applied to the UK is similar to a number of other member states.

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

The 2011–12 financial statements record Scheme trade receivables of £14.9 million (2010–11: £24.5 million) owing to the Agency in relation to overpayments to farmers. The Agency has provided for doubtful debts against this balance of £7.4 million (2010–11: £13.0 million). The 2011–12 financial statements also record Scheme trade payables of £56.9 million (2010–11: £54.5 million) in respect of amounts owing to farmers due to underpayments.

I have been unable to obtain assurance that the balances recorded for Scheme trade receivables and trade payables are at the appropriate amount and represent the total value of Scheme trade payables. As these balances are consolidated into the Department's accounts I have therefore limited the scope of my audit opinion in respect of the valuation, existence and completeness of these balances. This is the fourth year in which the Agency has been unable to provide sufficient audit evidence to support the trade receivables balance arising from Scheme overpayments. It is the third year in which the Agency has been unable to provide sufficient audit evidence to support the trade payables balance arising from Scheme underpayments.

Progress made since the report on the 2010–11 financial statements

The difficulties experienced by the Agency, which have contributed to the disallowance penalties and unsupported Scheme trade receivables and trade payables balances, have led to three value for money reports by the National Audit Office, the most recent of which was in 2009.

During 2011–12 the Agency made some progress in addressing the issues on which I have previously reported. It has continued to work to quantify the value of Scheme trade receivables and Scheme trade payables by resolving the underlying issues in the quality of data. In particular, the Agency has developed an understanding of the underlying profile of Scheme trade receivables in its books and, in turn, has recovered some historic overpayments and agreed recovery plans with farmers who have made a claim against the Single Payment Scheme 2011.

However, the Agency has not made sufficient progress during 2011–12 to identify all Scheme trade receivables and trade payables, and to confirm their value. For this reason, the value, existence and completeness of underlying data in relation to Scheme trade receivables and trade payables has not been demonstrated sufficiently and I am unable to remove my qualification.

Looking ahead

During 2010–11 there were a large number of changes within the Agency which included the appointment of a permanent Chief Executive in January 2011 and the replacement of the Senior Leadership team. During 2011–12 the new team, known as the 'Arc' has shown positive signs that it is addressing the underlying operational issues and rectifying the causes which lead to my qualifications.

In particular I note that the Agency published, in February 2012, a Five Year Plan to consider the key priorities for the Agency. It will be delivered in two phases, being the Strategic Improvement Plan to redress the problems in administering the current Scheme, and the Future Options Programme to meet the challenges of the Common Agricultural Policy reforms due in 2014.

This is the fourth year that I have qualified my opinion. Much remains for the Agency to do before it is in a position to present the Scheme trade receivables and the Scheme trade payables as true and fair in the accounts. In particular, the Agency needs to maintain focus on gaining assurance that the Scheme overpayments population is complete and pay the right amount of money on time to farmers to prevent the overpayment population increasing. The Agency must also continue to resolve the operational issues which prevent it from being able to accurately assess these balances and ensure that the losses borne by the UK Exchequer are minimised.

After the problems experienced by the Agency in introducing the Common Agricultural Policy in 2005, the Department and Agency are aware of the challenges posed by the reform of the programme from 2013. The complexity of European Commission Regulations, and the resulting administrative burden, has been a key driver of disallowance in the past, and the Department and the Agency will be mindful of this in their negotiations. In implementing the reforms, the Department will be able to use its experience from the previous Scheme to ensure appropriate arrangements are in place to monitor, challenge and support the Agency. However, I am hopeful that the progress made by the Agency during the last financial year, including the publication of the Strategic Improvement Plan, will continue to improve the situation and place it in a stronger position for the introduction of the next Common Agricultural Policy.

I have reported in more detail in my report accompanying the Rural Payments Agency's 2011–12 financial statements (HC 230).

Amyas C E Morse 11 July 2012
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria, London SW1W 9SP

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2011–12

The table below includes the results for the Core–Department, Executive Agencies, Forestry Commission (FC) and NDPBs.

		2011–12			2010–11
	Note	**Estimate Voted**	**Outturn Voted**	**Voted Outturn compared with Estimate: saving/ (excess)**	Outturn Total
		£000	**£000**	**£000**	£000
Departmental Expenditure Limit					
- Resource		2,297,769	2,219,224	78,545	2,430,549
- Capital		388,150	383,101	5,049	582,975
Annually Managed Expenditure					
- Resource		341,450	(51,436)	392,886	(490,374)
- Capital		1,000	35	965	872
Total Budget		3,028,369	2,550,924	477,445	2,524,022
Non-Budget					
- Resource	3.1	10,000	836	9,164	(831)
Total		**3,038,369**	**2,551,760**	**486,609**	**2,523,191**
Total Resource	3.1	2,649,219	2,168,624	480,595	1,939,344
Total Capital		389,150	383,136	6,014	583,847
Total		**3,038,369**	**2,551,760**	**486,609**	**2,523,191**

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

Net Cash Requirement 2011–12

		2011–12			2010–11
	Note	**Estimate**	**Outturn**	**Net total Outturn compared with Estimate: saving/ (excess)**	Outturn
		£000	**£000**	**£000**	£000
Net Cash Requirement	4	2,907,103	2,618,618	288,485	2,961,615

Administration Costs 2011–12

		2011–12			2010–11
	Note	**Estimate**	**Outturn**	**Net total Outturn compared with Estimate: saving/ (excess)**	Outturn
		£000	**£000**	**£000**	£000
Total Administration Costs	3.2	731,950	600,353	131,597	666,038

Explanations of variances between Estimate and Outturn are given on pages 41–43.

The notes on pages 98–180 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	Note	2011–12 Core–Department	2011–12 Core–Department and Agencies	2011–12 Departmental Group	2010–11 Core–Department	2010–11 Core–Department and Agencies	2010–11 Departmental Group
		£000	£000	£000	£000	£000	£000
Administration costs							
Staff costs	6.1	111,284	305,091	405,447	132,885	343,261	480,039
Other costs	7	133,628	380,613	544,523	149,609	416,604	556,606
Income	9.1	(23,767)	(127,670)	(121,009)	(23,637)	(134,105)	(128,098)
		221,145	**558,034**	**828,961**	258,857	625,760	908,547
Programme costs							
Staff costs	6.1	5,468	70,259	488,407	3,175	77,592	521,597
Other costs	8	1,551,455	4,659,281	5,479,877	1,420,263	4,132,655	4,769,664
Income	9.1	(539,854)	(3,839,947)	(4,360,122)	(442,189)	(3,358,520)	(3,873,454)
Grant–in–Aid to NDPBs	8	1,022,815	1,022,815	-	1,032,539	1,032,539	-
		2,039,884	**1,912,408**	**1,608,162**	2,013,788	1,884,266	1,417,807
Net Operating Cost for the year ended 31 March 2012		**2,261,029**	**2,470,442**	**2,437,123**	2,272,645	2,510,026	2,326,354
Total expenditure		2,824,650	6,438,059	6,918,254	2,738,471	6,002,651	6,327,906
Total income	9.1	(563,621)	(3,967,617)	(4,481,131)	(465,826)	(3,492,625)	(4,001,552)
Net Operating Cost for the year ended 31 March 2012		**2,261,029**	**2,470,442**	**2,437,123**	2,272,645	2,510,026	2,326,354
Other Comprehensive Expenditure							
Other revaluation of PPE		(4,804)	11,732	(90,586)	3,775	(11,017)	(49,486)
Other revaluation of intangibles		1,614	1,933	2	(1,067)	(1,967)	(9,961)
Other revaluation of financial assets	13	-	-	2	(9)	(15)	(22)
Pension actuarial (gain)/loss	20.3	3,850	3,850	134,903	(217,942)	(217,942)	(327,803)
Net (gain)/loss on revaluation of hedging reserve		-	(104,263)	(104,263)	-	24,316	24,316
Total Comprehensive Expenditure for the year ended 31 March 2012		**2,261,689**	**2,383,694**	**2,377,181**	2,057,402	2,303,401	1,963,398

The notes on pages 98–180 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2012

		31 March 2012			31 March 2011			1 April 2010		
		Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group	Core–Department	Core–Department and Agencies	Departmental Group
	Note	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Non-current assets										
Property, plant and equipment	10.1, 10.2	135,684	535,109	3,010,744	154,745	588,964	3,042,863	176,298	604,316	2,995,848
Heritage assets	10.4	-	-	178,014	-	-	164,519	-	-	159,342
Agricultural assets	10.5	-	-	94	-	-	67	-	-	71
Intangible assets	11	79,413	188,003	323,866	99,079	229,985	334,117	115,626	262,399	373,092
Financial assets	13	-	164	440	4,952	5,116	5,394	5,318	5,493	5,763
Net pension assets	20.3	-	-	2,000	-	-	1,400	-	-	3,600
Receivables falling due after more than one year	16.1	13,500	13,636	13,791	14,821	15,010	13,143	9,215	9,402	9,597
Total non-current assets		**228,597**	**736,912**	**3,528,949**	273,597	839,075	3,561,503	306,457	881,610	3,547,313
Current assets										
Assets classified as held for sale	10.3	2,450	2,450	6,984	5,480	5,480	13,359	2,108	3,068	7,499
Inventories	15	197	9,142	9,767	2,986	36,928	37,599	4,140	46,070	46,664
Other financial assets	16.1	-	17,648	17,648	288	923	923	704	7,766	7,766
Trade and other receivables	16.1	244,829	771,846	879,474	355,829	753,643	868,190	518,559	949,092	1,047,823
Cash and cash equivalents	17	78,456	290,744	503,504	91,229	339,100	474,076	64,633	141,766	271,074
Total current assets		**325,932**	**1,091,830**	**1,417,377**	455,812	1,136,074	1,394,147	590,144	1,147,762	1,380,826
Total assets		**554,529**	**1,828,742**	**4,946,326**	729,409	1,975,149	4,955,650	896,601	2,029,372	4,928,139
Current liabilities										
Trade and other payables	18.1	(789,418)	(897,407)	(1,259,710)	(826,213)	(1,144,541)	(1,459,483)	(688,663)	(1,171,717)	(1,428,553)
Provisions	19.1.1	(92,421)	(106,138)	(113,893)	(93,273)	(99,274)	(131,032)	(210,689)	(217,300)	(242,849)
Net pension liability	20	(81,826)	(81,826)	(81,843)	(93,364)	(93,364)	(97,981)	(88,599)	(88,599)	(107,207)
Other financial liabilities	18.1	(6,157)	(6,287)	(6,360)	(13,736)	(28,951)	(28,951)	(5,232)	(5,944)	(5,944)
Total current liabilities		**(969,822)**	**(1,091,658)**	**(1,461,806)**	(1,026,586)	(1,366,130)	(1,717,447)	(993,183)	(1,483,560)	(1,784,553)
Non-current assets plus/less net current assets/liabilities		**(415,293)**	**737,084**	**3,484,520**	(297,177)	609,019	3,238,203	(96,582)	545,812	3,143,586
Non-current liabilities										
Provisions	19.1.1	(51,831)	(59,631)	(71,568)	(14,465)	(22,987)	(30,692)	(58,339)	(66,804)	(70,329)
Net pension liability	20	(701,270)	(701,270)	(936,474)	(734,132)	(734,132)	(855,432)	(1,059,301)	(1,059,301)	(1,546,787)
Other payables	18.1	(24,496)	(141,862)	(151,246)	(31,300)	(158,697)	(173,531)	(33,580)	(150,367)	(171,330)
Other financial liabilities	18.1	(8,779)	(8,779)	(8,779)	(13,478)	(13,478)	(13,478)	(11,486)	(11,486)	(11,486)
Total non-current liabilities		**(786,376)**	**(911,542)**	**(1,168,067)**	(793,375)	(929,294)	(1,073,133)	(1,162,706)	(1,287,958)	(1,799,932)
Assets less liabilities		**(1,201,669)**	**(174,458)**	**2,316,453**	(1,090,552)	(320,275)	2,165,070	(1,259,288)	(742,146)	1,343,654
Taxpayers' equity and other reserves										
General fund	SCTE	(1,241,945)	(308,993)	420,897	(1,130,579)	(473,888)	293,326	(1,306,877)	(897,033)	(540,757)
Revaluation reserve	SCTE	40,276	128,356	1,762,530	40,027	156,975	1,753,479	47,589	154,820	1,765,249
Hedging reserve	SCTE	-	6,179	6,179	-	(3,362)	(3,362)	-	67	67
Charitable Funds - Restricted Funds	SCTE	-	-	11,467	-	-	11,653	-	-	11,652
Charitable Funds - Unrestricted Funds	SCTE	-	-	115,380	-	-	109,974	-	-	107,443
Total equity		**(1,201,669)**	**(174,458)**	**2,316,453**	(1,090,552)	(320,275)	2,165,070	(1,259,288)	(742,146)	1,343,654

Bronwyn Hill 6 July 2012

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

The notes on pages 98–180 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	Note	**2011–12 £000**	2010–11 £000
Cash flows from operating activities			
Net operating cost	CSCNE	(2,437,123)	(2,326,354)
Adjustments for non–cash transactions		314,260	110,270
(Increase) / Decrease in trade and other receivables	16.1	(28,657)	182,930
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		103,975	(255,606)
(Increase) / Decrease in inventories	15	27,832	9,065
Increase / (Decrease) in trade payables and other liabilities	18.1	(249,348)	58,130
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		331,536	(14,792)
Use of provisions/ pension liabilities		(207,972)	(381,726)
Net cash outflow from operating activities		**(2,145,497)**	(2,618,083)
Cash flows from investing activities			
Purchase of PPE, heritage and agricultural assets	10.6	(93,907)	(159,151)
Purchase of intangible assets	11	(51,088)	(45,012)
Proceeds of disposal of property, plant and equipment		8,594	8,480
Proceeds of disposal of intangibles		-	1
Proceeds of disposal of investments		-	87
Net cash outflow from investment activities		**(136,401)**	(195,595)
Cash flows from financing activities			
From Consolidated Fund (Supply): current year		2,573,912	5,026,728
From Consolidated Fund (Supply): prior year		-	230,874
Advances from the Contingencies Fund		2,150,000	-
Repayments to the Contingencies Fund		(2,150,000)	-
Capital element of payments in respect of finance leases and on–balance sheet PFI contracts		(3,618)	(5,219)
Transfer to OGDs		-	(22,340)
Funding received by other bodies		(1,270)	57,145
Net financing		**2,569,024**	5,287,188
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**287,126**	2,473,510
Payments of amounts due to the Consolidated Fund		(270,337)	(2,302,860)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	17	**16,789**	170,650
Cash and cash equivalents at the beginning of the period	17	427,209	256,559
Cash and cash equivalents at the end of the period	17	**443,998**	427,209

The notes on pages 98–180 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

Departmental Group

		2011–12						
	Note	General Fund £000	Revaluation Reserve £000	Hedging Reserve £000	Taxpayers' equity £000	Charitable Funds – Restricted/ Endowment £000	Charitable Funds – Unrestricted £000	Total Reserves £000
Balance at 31 March 2011		(480,495)	150,579	(3,362)	(333,278)	11,653	109,974	(211,651)
Changes in accounting policy (Agencies only)		4,154	-	-	4,154	-	-	4,154
Changes in accounting policy (Forestry Commission only)		2,453	6,396	-	8,849	-	-	8,849
Changes in accounting policy (NDPBs only)		767,214	1,596,504	-	2,363,718	-	-	2,363,718
Restated balance at 1 April 2011		**293,326**	**1,753,479**	**(3,362)**	**2,043,443**	**11,653**	**109,974**	**2,165,070**
Net Parliamentary Funding - drawn down		2,573,912	-	-	2,573,912	-	-	2,573,912
Net Parliamentary Funding - deemed		333,191	-	-	333,191	-	-	333,191
Grant in Aid income received by NDPBs		(1,270)	-	-	(1,270)	-	-	(1,270)
Supply (payable)/receivable adjustment		(290,744)	-	-	(290,744)	-	-	(290,744)
Payable to the Consolidated Fund		(2,609)	-	-	(2,609)	-	-	(2,609)
Net Operating Costs for the year	CSCNE	(2,430,626)	-	-	(2,430,626)	(188)	(6,309)	(2,437,123)
Non-cash adjustments								
Non-cash charges - auditors' remuneration	7, 8	1,320	-	-	1,320	-	-	1,320
Non-cash charges - other		(73)	-	-	(73)	-	-	(73)
Movement in reserves								
Recognised in Statement of Other Comprehensive Expenditure	OCE	(134,903)	78,865	104,263	48,225	2	11,715	59,942
Contributions in respect of unfunded benefits		11,600	-	-	11,600	-	-	11,600
Release of reserves to Comprehensive Net Expenditure		-	-	(94,722)	(94,722)	-	-	(94,722)
Transfers between reserves		69,734	(69,814)	-	(80)	-	-	(80)
Transfer to general fund - net asset transfer		(3,753)	-	-	(3,753)	-	-	(3,753)
Non-operating general fund movements		1,792	-	-	1,792	-	-	1,792
Balance at 31 March 2012		**420,897**	**1,762,530**	**6,179**	**2,189,606**	**11,467**	**115,380**	**2,316,453**

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves.

The Revaluation Reserve reflects the unrealised elements of the cumulative balance of revaluation and indexation adjustments on non–current assets and inventories (excluding donated assets and charitable funds).

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.

Charitable funds represent the fair value of donations, including revaluation, given to Royal Botanic Gardens Kew. Unrestricted reserves are those donations that have no restrictions on their use, or income flow. Restricted reserves are those donations that have restrictions.

for the year ended 31 March 2011

Departmental Group

	Note	2010–11 General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds – Restricted/ Endowment	Charitable Funds – Unrestricted	Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010		(928,338)	144,415	67	(783,856)	-	-	(783,856)
Changes in accounting policy (Agencies only)		11,493	1,502	-	12,995	-	-	12,995
Changes in accounting policy (Forestry Commission only)		19,812	8,903	-	28,715	-	-	28,715
Changes in accounting policy (NDPBs only)		356,276	1,610,429	-	1,966,705	11,652	107,443	2,085,800
Restated balance at 1 April 2010		(540,757)	1,765,249	67	1,224,559	11,652	107,443	1,343,654
Net Parliamentary Funding – drawn down		5,026,728	-	-	5,026,728	-	-	5,026,728
Transfers to OGDs		(35,009)	-	-	(35,009)	-	-	(35,009)
Funding received by other bodies		57,145	-	-	57,145	-	-	57,145
Supply (payable)/receivable adjustment		(333,191)	-	-	(333,191)	-	-	(333,191)
Payable to the Consolidated Fund		(2,106,450)	-	-	(2,106,450)	-	-	(2,106,450)
less non–reimbursement by EC of late payments		147,033	-	-	147,033	-	-	147,033
less unrealised Income		(4,909)	-	-	(4,909)	-	-	(4,909)
Net Operating Costs for the year	CSCNE	(2,326,493)	-	-	(2,326,493)	(8)	147	(2,326,354)
Non-cash adjustments								
Non–cash charges – auditors' remuneration	7, 8	1,177	-	-	1,177	-	-	1,177
Non–cash charges – other		761	-	-	761	-	-	761
Movements in reserves								-
Recognised in Statement of Other Comprehensive Expenditure	OCE	327,803	57,076	(24,316)	360,563	9	2,384	362,956
Contributions in respect of unfunded benefits		11,700	-	-	11,700	-	-	11,700
Release of reserves to Comprehensive Net Expenditure		-	-	20,887	20,887	-	-	20,887
Transfers between reserves		72,391	(65,727)	-	6,664	-	-	6,664
Other movements in reserves		-	(3,119)	-	(3,119)	-	-	(3,119)
Transfer to general fund – net asset transfer		(4,598)	-	-	(4,598)	-	-	(4,598)
Non-operating general fund movements		(5)	-	-	(5)	-	-	(5)
Balance at 31 March 2011		293,326	1,753,479	(3,362)	2,043,443	11,653	109,974	2,165,070

for the year ended 31 March 2012

Core–Department and Agencies

	Note	General Fund £000	Revaluation Reserve £000	Hedging Reserve £000	Taxpayers' equity £000	Charitable Funds – Restricted/ Endowment £000	Charitable Funds – Unrestricted £000	Total Reserves £000
		2011–12						
Balance at 31 March 2011		(480,495)	150,579	(3,362)	(333,278)	-	-	(333,278)
Changes in accounting policy (Agencies only)		4,154	-	-	4,154	-	-	4,154
Changes in accounting policy (Forestry Commission only)		2,453	6,396	-	8,849	-	-	8,849
Restated balance at 1 April 2011		**(473,888)**	**156,975**	**(3,362)**	**(320,275)**	**-**	**-**	**(320,275)**
Net Parliamentary Funding - drawn down		2,573,912	-	-	2,573,912	-	-	2,573,912
Net Parliamentary Funding - deemed		333,191	-	-	333,191	-	-	333,191
Supply (payable)/receivable adjustment		(290,744)	-	-	(290,744)	-	-	(290,744)
Payable to the Consolidated Fund		(2,609)	-	-	(2,609)	-	-	(2,609)
Net Operating Costs for the year	CSCNE	(2,470,442)	-	-	(2,470,442)	-	-	(2,470,442)
Non-cash adjustments								
Non-cash charges - auditors' remuneration	7, 8	1,320	-	-	1,320	-	-	1,320
Non-cash charges - other		(73)	-	-	(73)	-	-	(73)
Movement in reserves								
Recognised in Statement of Other Comprehensive Expenditure	OCE	(3,850)	(13,665)	104,263	86,748	-	-	86,748
Contributions in respect of unfunded benefits		11,600	-	-	11,600	-	-	11,600
Release of reserves to Comprehensive Net Expenditure		-	-	(94,722)	(94,722)	-	-	(94,722)
Transfers between reserves		14,954	(14,954)	-	-	-	-	-
Transfer to general fund - net asset transfer		(3,900)	-	-	(3,900)	-	-	(3,900)
Non-operating general fund movements		1,536	-	-	1,536	-	-	1,536
Balance at 31 March 2012		**(308,993)**	**128,356**	**6,179**	**(174,458)**	**-**	**-**	**(174,458)**

for the year ended 31 March 2011

Core–Department and Agencies

	Note	General Fund £000	Revaluation Reserve £000	Hedging Reserve £000	Taxpayers' Equity £000	Charitable Funds – Restricted/ Endowment £000	Charitable Funds – Unrestricted £000	Total Reserves £000
		2010–11						
Balance at 31 March 2010		(928,338)	144,415	67	(783,856)	-	-	(783,856)
Changes in accounting policy (Agencies only)		11,493	1,502	-	12,995	-	-	12,995
Changes in accounting policy (Forestry Commission only)		19,812	8,903	-	28,715	-	-	28,715
Restated balance at 1 April 2010		(897,033)	154,820	67	(742,146)	-	-	(742,146)
Net Parliamentary Funding – drawn down		5,026,728	-	-	5,026,728	-	-	5,026,728
Transfers to OGDs		(35,009)	-	-	(35,009)	-	-	(35,009)
Supply (payable)/receivable adjustment		(333,191)	-	-	(333,191)	-	-	(333,191)
Payable to the Consolidated Fund		(2,106,450)	-	-	(2,106,450)	-	-	(2,106,450)
less non-reimbursement by EC of late payments		147,033	-	-	147,033	-	-	147,033
less unrealised Income		(4,909)	-	-	(4,909)	-	-	(4,909)
Net Operating Costs for the year	CSCNE	(2,510,026)	-	-	(2,510,026)	-	-	(2,510,026)
Non-cash adjustments								
Non–cash charges – auditors' remuneration	7, 8	1,177	-	-	1,177	-	-	1,177
Non–cash charges – other		(454)	-	-	(454)	-	-	(454)
Movements in reserves								-
Recognised in Statement of Other Comprehensive Expenditure	OCE	217,942	12,999	(24,316)	206,625	-	-	206,625
Contributions in respect of unfunded benefits		11,700	-	-	11,700	-	-	11,700
Release of reserves to Comprehensive Net Expenditure		-	-	20,887	20,887	-	-	20,887
Transfers between reserves		7,722	(7,725)	-	(3)	-	-	(3)
Other movements in reserves		-	(3,119)	-	(3,119)	-	-	(3,119)
Transfer to general fund – net asset transfer		887	-	-	887	-	-	887
Non-operating general fund movements		(5)	-	-	(5)	-	-	(5)
Balance at 31 March 2011		(473,888)	156,975	(3,362)	(320,275)	-	-	(320,275)

for the year ended 31 March 2012

Core–Department

	Note	General Fund £000	Revaluation Reserve £000	Hedging Reserve £000	Taxpayers' equity £000	Charitable Funds – Restricted/ Endowment £000	Charitable Funds – Unrestricted £000	Total Reserves £000
		2011–12						
Balance at 31 March 2011		(1,123,442)	40,027	-	(1,083,415)	-	-	(1,083,415)
Changes in accounting policy		(7,137)		-	(7,137)	-	-	(7,137)
Restated balance at 1 April 2011		**(1,130,579)**	**40,027**	-	**(1,090,552)**	-	-	**(1,090,552)**
Net Parliamentary Funding - drawn down		2,573,912	-	-	2,573,912	-	-	2,573,912
Net Parliamentary Funding - deemed		333,191	-	-	333,191	-	-	333,191
Funding to Agencies, OGDs and FC		(474,334)	-	-	(474,334)	-	-	(474,334)
Supply (payable)/receivable adjustment		(290,744)	-	-	(290,744)	-	-	(290,744)
Net Operating Costs for the year	CSCNE	(2,261,029)	-	-	(2,261,029)	-	-	(2,261,029)
Non-cash adjustments								
Non-cash charges - auditors' remuneration	7, 8	450	-	-	450	-	-	450
Non-cash charges - other		(30)	-	-	(30)	-	-	(30)
Movement in reserves								
Recognised in Statement of Other Comprehensive Expenditure	OCE	(3,850)	3,190	-	(660)	-	-	(660)
Contributions in respect of unfunded benefits		11,600	-	-	11,600	-	-	11,600
Transfers between reserves		2,941	(2,941)	-	-	-	-	-
Transfer to general fund - net asset transfer		(3,473)		-	(3,473)	-	-	(3,473)
Balance at 31 March 2012		**(1,241,945)**	**40,276**	**-**	**(1,201,669)**	**-**	**-**	**(1,201,669)**

for the year ended 31 March 2011

Core–Department

	Note	General Fund £000	Revaluation Reserve £000	Hedging Reserve £000	Taxpayers' Equity £000	Charitable Funds – Restricted/ Endowment £000	Charitable Funds – Unrestricted £000	Total Reserves £000
		2010–11						
Balance at 31 March 2010		(1,298,606)	47,589	-	(1,251,017)	-	-	(1,251,017)
Changes in accounting policy		(8,271)	-	-	(8,271)	-	-	(8,271)
Restated balance at 1 April 2010		(1,306,877)	47,589	-	(1,259,288)	-	-	(1,259,288)
Net Parliamentary Funding – drawn down		5,026,728	-	-	5,026,728	-	-	5,026,728
Funding to Agencies, OGDs & FC		(2,060,682)	-	-	(2,060,682)	-	-	(2,060,682)
Supply (payable)/receivable adjustment		(333,191)	-	-	(333,191)	-	-	(333,191)
Payable to the Consolidated Fund		(368,825)	-	-	(368,825)	-	-	(368,825)
Net Operating Costs for the year	CSCNE	(2,272,645)	-	-	(2,272,645)	-	-	(2,272,645)
Non-cash adjustments								
Non–cash charges – auditors' remuneration	7, 8	350	-	-	350	-	-	350
Non–cash charges – other		(49,928)	-	-	(49,928)	-	-	(49,928)
Movements in reserves								-
Recognised in Statement of Other Comprehensive Expenditure	OCE	217,942	(2,699)	-	215,243	-	-	215,243
Contributions in respect of unfunded benefits		11,700	-	-	11,700	-	-	11,700
Transfers between reserves		1,744	(1,744)	-	-	-	-	-
Other movements in reserves		-	(3,119)	-	(3,119)	-	-	(3,119)
Transfer to general fund – net asset transfer		3,105	-	-	3,105	-	-	3,105
Balance at 31 March 2011		(1,130,579)	40,027	-	(1,090,552)	-	-	(1,090,552)

The notes on pages 98–180 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 2011–12 Government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions issued by the Secretary of State for the Environment, Food and Rural Affairs.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector context, 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 Voted Control totals, administration costs and the net cash requirement.

Where the FReM permits a choice of accounting policy, a judgment 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 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 Note 1.4.1) and RDPE (see Note 1.4.2);
- Service concession arrangements (see Note 1.5.2);
- Lease breaks (see Note 1.5.3);
- Foreign exchange (see Note 1.18);
- Disallowance provisions(see Note 19); and
- EA pension liabilities (see Note 20.1.1 and 20.1.6).

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 and Clear Line of Sight Requirements

Under Clear Line of Sight (CLoS), it is now a requirement to consolidate all of Defra's sponsored public bodies into the accounting boundary. The Accounts have therefore been prepared to include the full departmental boundary as defined in the FReM. A list of those entities within the departmental boundary is given in Note 32. This includes Forestry Commission, which is included within the results of the Core–Department and Executive Agencies. Transactions between entities included in the consolidation have been eliminated.

In accordance with International Accounting Standard (IAS) 1, comparative figures have been restated to reflect the change in accounting boundary and an analysis of the adjustments is provided in Note 30.1.

In addition to the change in accounting boundary, the Accounts reflect the changes required under the Clear Line of Sight project for NDPBs who receive Grant–in–Aid funding from more than one sponsoring department. These changes require the Grant–in–Aid to be routed through a single department. No prior year restatement has been required as the decision to implement this change was a political policy change. The income figures included within Note 9.1 for 2011–12 will include additional amounts relating to the joint funding grant income for the affected Defra NDPBs. There will also be Grant–in–Aid recorded against the Core–Department in Note 8 to reflect the increased funding for the affected Defra NDPBs.

1.4 Scheme Costs and Grants

1.4.1 RPA Reported Income and Expenditure

Single Payment Scheme (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 Union (EU) for scheme expenditure incurred and the amount to be received from the EU 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 a corresponding EU receivable. Similarly, any element paid in advance of these accrual points is treated as a prepayment. In accordance with EU regulations, RPA collects and surrenders both sugar and isoglucose production charges and other charges to fund the restructuring of the sugar regime. Production charges were formally recognised as income with the associated liability to HM Treasury, and these funds were remitted to the EU via HM Treasury. With effect from 1 April 2010, these charges are excluded from income. Sugar restructuring receipts are remitted directly to the EU through the monthly reimbursement process and are not reported in these accounts.

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 EU.

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 EU for scheme expenditure incurred and the amount to be received from the EU 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 EU are borne by RPA and accordingly recognised within the Statement of Comprehensive Net Expenditure. With effect from the year ended 31 March 2012, certain foreign exchange gains and losses are shared with the other UK Paying Agencies. RPA's foreign exchange figures are presented net of these recharges.

1.4.2 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 RDPE Delivery Team (RDT). 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.
- RDT'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.

This income and expenditure is reported in Defra's Accounts. Expenditure is reported as a movement through the General Fund. Prior to 2011–12, income transfers were paid through intra–government reimbursement, rather than general fund transfers. The impacts of any foreign exchange movements between the claim date and the date of actual reimbursement by the EU are borne by RPA and recognised within the Statement of Comprehensive Net Expenditure.

1.4.3 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 EU and national legislation. Under these arrangements, there are two types of modulation – National (or Voluntary) Modulation and EU (or Compulsory) Modulation.

National Modulation is managed on behalf of Defra with the cash retained in RPA's bank accounts. The funds are accounted for as deferred income to fund future Rural Development expenditure in Defra's account. From SPS 2007 onwards, scheme payments are reclaimed by RPA from the EU net of all modulation. National Modulation funds for the UK are reclaimed when the Rural Development expenditure is incurred.

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

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

1.5 Property, Plant and Equipment

1.5.1 Recognition and Valuation

With the exception of the EA's Operational Assets (see below), Freehold land and buildings and, where appropriate, Construction in Progress (CIP), are subject to professional valuation at five yearly intervals with some entities within the accounting boundary also conducting an interim valuation. These are carried out by professionally qualified independent valuers, who adhere to the principles outlined in the RICS Red Book. The most recent valuation at the Core–Department was conducted in March 2010 by DTZ Ltd. under the guidance of a qualified director in their valuation department, whilst NE and EA commissioned a full quinquennial valuation exercise in March 2011 performed by the Valuation Office Agency and Chartered Surveyors King

Sturge respectively. Land and Buildings are stated at fair value, which in practice is either depreciated replacement cost, open market value, existing use value or based on discounted cash flow. In use non specialised properties are stated at open market for existing use, in line with stated requirements in the FReM. Between professional valuations, annual desk top revaluations are conducted, which have regard for prevailing local and national conditions.

EA's Operational Asset category represent those assets used in their service delivery and are specific in either nature, location or function. It is not possible to effectively revalue these assets using market comparatives or professional valuations. These assets are held in the Statement of Financial Position at depreciated replacement cost and are indexed biannually using an appropriate index. Typically, these assets include flood defence works, such as barriers and flood meadows, and water resource assets such as telemetry stations and boreholes.

Non property tangible assets have been stated at fair value using appropriate indices.

Minimum levels of capitalisation within the departmental boundary are usually in the ranges of £2,000–£10,000 although, for certain elements of land at the EA and buildings at FC, no de minimis threshold is in force.

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 10.

1.5.2 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 eight years from February 2010. The contract falls within the scope of IFRIC 12 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.

There has been a change in the method for apportioning the assets and liabilities inherent in the service concession arrangement. In previous financial years assets and liabilities were apportioned between Defra entities based on the percentage of end user equipment, it has been changed to an apportionment based on the percentages of cost recharged to the respective entities for the consumption of the services under the IBM contract. The adjustment is a refinement of the current apportionment method and takes into account the overall usage of the assets.

1.5.3 Lease Breaks

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

1.5.4 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 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.

Further details are provided in Note 10.3.

1.6 Agricultural Biological Assets

Biological assets are held by NE and are breeding cows and sheep. These are measured at fair value less costs to sell. The fair value is the market price less transport and other costs. Biological assets are not depreciated, but revalued at the end of each reporting period, and changes in fair value less cost are charged to the Statement of Comprehensive Net Expenditure.

Further details are provided in Note 10.5.

1.7 Heritage Assets

NE fulfils a stewardship role in respect of National Nature Reserves (NNRs). NNRs are land that is held in support of NE's strategic outcome to support a healthy natural environment and continue to ensure that our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change. Although open to the public for quiet recreation, NNRs are held principally for their contribution to knowledge and culture. NNR land is classified as non operational heritage assets, and is treated in line with the requirements of Financial Reporting Standard (FRS) 30. The NNR land is stated at market value, and subject to professional internal valuation at five yearly intervals. In between valuation, values are updated using indices from the Property Market Report issued by the Valuation Office. Any surplus or deficit of the NNRs compared to their historic cost is recognised in the revaluation reserve, and is reported in the Statement of Comprehensive Net Expenditure and Statement of Changes in Taxpayers' Equity.

NE also holds operational heritage assets, which comprise buildings attached to the NNR land. These include visitor and information centres, and offices for NNR staff. These operational support buildings are not classified as heritage assets, and are therefore treated in line with IAS 16. The NNR buildings are stated at market value, and subject to professional external valuation at five yearly intervals. In between valuations, values are updated using indices from the Property Market Report issued by the Valuation Office.

RBG Kew also holds heritage assets. These are generally represented by collections and buildings. Although new acquisitions are capitalised, this is considered inexpedient for older collections and buildings, where the cost of obtaining valuations far exceeds the benefits of so doing.

Further details are provided in Note 10.4.

1.8 Intangible Non–Current Assets

These comprise software licences and internally developed IT software, including Construction In Progress (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 to research or to development phases. The Department's expenditure on research activities is written off to 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 £5,000 for FC (GB/E), EA and NE, £20,000 for Fera, £50,000 for the Core–Department and AHVLA 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 appropriate indices.

Further details are provided in Note 11.

1.9 Depreciation

Depreciation and amortisation are provided at rates estimated to write off the valuation of freehold buildings, 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, where this has deemed to be appropriate. In these instances, each component of an asset with a value deemed material to the total fair value of the asset is capitalised and depreciated separately. 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. Estimated useful lives at initial recognition are normally in the following ranges:

Operational assets (EA)	15 to 100 years
Freehold buildings	4 to 80 years
Property on lease	Remaining life of lease
Buildings on leased land	Average component life and length of lease
Scientific equipment	5 to 15 years
IT hardware	2 to 12 years
IT software	2 to 20 years
Software licences	5 to 20 years (exceptionally 40 years)
Furniture and fittings	1 to 30 years
Vehicles, plant and machinery	3 to 25 years
Office equipment	3 to 11 years
Vessels	15 to 30 years

Further details are provided in Notes 10 and 11.

1.10 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.

1.11 Inventories and Work in Progress

1.11.1 Inventories

The Core–Department, AHDB, AHVLA, Fera, FC (GB/E), RBG Kew, RPA and NE 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.

1.11.2 Work in Progress

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

1.11.3 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 EU. Further details of inventories are provided in Note 15.

1.12 Cash and Cash Equivalents

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

1.13 Income

Operating Income

Operating income relates directly to the operating activities of the Department, including income from the EU.

Two levy funded bodies are included in the accounting boundary. AHDB raises a statutory levy from the meat and livestock (cattle, sheep and pigs) sector in England; commercial horticulture, milk and potato sectors in Great Britain; and cereals and oilseeds sector in the UK. SFIA is funded primarily by a levy on the first hand sale of fish, shellfish, and seafood products landed, imported or cultivated in the UK.

1.14 Other Income

With the advent of Clear Line of Sight, and the abolishment of capital charging, 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.

1.15 Capital Grants and Grant–in–Aid funding

In accordance with the FReM, Grants paid by the Core–Department to its NDPBs to fund specific capital items are treated as income in the accounts of the beneficiary, unless it can be demonstrated that the funding is made subject to a condition. In that instance, it is treated as deferred income, with amounts being released to the Statement of Comprehensive Net Expenditure to offset depreciation and impairment charges relating to the asset.

Grant–in–Aid from the Core–Department, both in respect of capital and revenue expenditure, is treated as contributions from controlling parties given rise to a financial interest in the residual interest of the receiving entity (i.e. it is treated as funding), and is credited to General Reserves in the accounts of NDPBs within the accounting boundary.

1.16 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.

1.17 Capital Works Expensed

Capital work expensed in year is expenditure incurred by EA which, although capital in nature, does not provide access to risks and rewards in the future or results in assets whose useful life cannot be reliably estimated. This includes items such as flood assets built on land which is not owned by EA where it has permissive powers and assets where it is not possible to check for impairment so it is more prudent to write the asset off in year, including beach replenishment.

1.18 Foreign Exchange

The function and presentation currency of the Department is sterling. Transactions in foreign currencies are translated into sterling using the rate at the date of the transactions. Exchange differences are recognised in the Statement of Comprehensive Net Expenditure in the period in which they arise, except for exchange differences on transactions entered in to hedge certain foreign currency risks (RPA only).

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.

RPA receives reimbursements from the EU in euros for funds administered by the Agency and other UK Paying Agencies in relation to the Single payment Scheme, the Rural Development Programme and Trader Schemes in accordance with the respective scheme rules and regulations. Furthermore, the Agency makes a portion of payments under the Single Payment Scheme in euros to farmers, and funds other UK Paying Agencies in euros. These foreign currency transactions are recognised as scheme income and scheme expenditure at the rates of exchange prevailing on the dates of recognition of those transactions. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date, see Note 12.2.2.

In agreement with HM Treasury, RPA hedges against currency movements associated with the EU reimbursement process. Reporting and disclosure is in line with IAS 39 and is discussed in Note 1.19.3: Derivative Financial Instruments.

1.19 Financial Instruments

1.19.1 Financial Assets

The Department holds loans and receivables and 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.

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. The equity share investments comprise a small quantity of stocks and shares and the entire share capital of Cefas Technology Limited. Financial assets are measured at fair value, with all unrealised gains or losses are set against equity reserves, with gains or losses on disposal recognised in the Statement of Comprehensive Net Expenditure.

1.19.2 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.

1.19.3 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 EU 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.

In December 2011 RPA entered into forward exchange contracts to hedge the exposure on the repayment of the European Fisheries Fund advance held by Defra. As the underlying liability is with Defra an internal hedge has been established to transfer the risk exposure on the contracts. There is no deferral of gains or losses under these contracts to the cash flow hedge reserve.

1.20 Employee Benefits

1.20.1 Pensions

Generally speaking, pension benefits are provided through the civil service pension arrangements, full details of which can be found in the Remuneration Report and in Note 6.

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. The PCSPS pension scheme undergoes a reassessment of the contribution rates by the Government Actuary at four–yearly intervals.

In respect of defined contribution schemes, the Department recognises the contributions payable for the year.

Where the Department is responsible for pension schemes 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.

With the advent of Clear Line of Sight, the Department has incorporated a number of funded schemes into the accounting boundary. These are a mixture of defined benefit and defined contribution schemes. The EA Pension Fund (known as the 'Active Fund') is the largest of these. Being funded schemes, the liabilities are not subject to HM Treasury discount rate, but are instead determined by an appropriate authority and comply fully with the requirements of IAS 19. Some of these schemes are vested and administered independently of the Department. Full details of contribution rates, along with further details on pensions, are disclosed in Note 20.

1.20.2 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.

1.21 Early Departure 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 through the Government Banking Service for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments. Further information is provided in Note 19.

1.22 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 percent, as directed by HM Treasury. 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 EU when a breach in the EU'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 19. The Department no longer makes provisions relating to the risk of disallowance in respect of the UK Devolved Administrations.

1.23 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 (PPP), 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 re–valued 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.

1.24 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.

Defra's NDPBs and other consolidated Network Bodies are separately registered for VAT and are subject to the normal VAT 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.

1.25 Corporation Tax

Corporation tax is levied at a small number of the Department's NDPBs, and is restricted to trading income and returns on investments.

1.26 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 25 and 26.

1.27 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:

- IAS 27 Separate Financial Statements;
- IFRS 9 Financial Instruments, classification and measurement;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- IFRS 13 Fair Value Measurement.

These standards have not been adopted by the Department ahead of their implementation date. The future impact of IFRS 10, 11 and 12 is not considered to be significant. The Department is reviewing the likely impact of the adoption of IFRS 9 and 13.

Defra has also reviewed the changes in the FReM and determined that there will be no significant impact on the accounts from 2012–13.

2 Net Outturn

2.1 Analysis of Net Resource Outturn by Section

	2011-12									2010-11
	Outturn									
	Administration			Programme						
								Estimate	Net Total compared to	
	Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Estimate	Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)										
Voted										
Support and develop British Farming	133,649	(26,561)	107,088	2,271,145	(2,045,192)	225,953	333,041	352,219	19,178	504,189
Help to enhance the environment and biodiversity	59,017	(21,139)	37,878	906,278	(490,458)	415,820	453,698	408,920	(44,778)	477,663
Support a strong and sustainable green economy	15,527	(34)	15,493	180,308	(183)	180,125	195,618	200,700	5,082	141,463
Prepare for and manage risk from animal and plant diseases	55,850	(63,015)	(7,165)	219,249	(22,547)	196,702	189,537	216,634	27,097	189,788
Prepare for and manage risk from environmental emergencies	1,659	(1)	1,658	24,894	(16,819)	8,075	9,733	11,625	1,892	16,388
Departmental Operating Costs	172,596	(7,558)	165,038	14,955	(7,666)	7,289	172,327	251,288	78,961	224,217
Support and develop British Farming (NDPB)(net)	336	-	336	73	-	73	409	1,935	1,526	1,118
Help to enhance the environment and biodiversity (NDPB)(net)	171,010	-	171,010	342,765	-	342,765	513,775	515,100	1,325	602,797
Support a strong and sustainable green economy (NDPB)(net)	628	-	628	-	-	-	628	600	(28)	8,523
Prepare for and manage risk from environmental emergencies (NDPB)(net)	108,389	-	108,389	242,069	-	242,069	350,458	338,748	(11,710)	264,403
Total	**718,661**	**(118,308)**	**600,353**	**4,201,736**	**(2,582,865)**	**1,618,871**	**2,219,224**	**2,297,769**	**78,545**	**2,430,549**
Spending in Annually Managed Expenditure Limits (AME)										
Voted										
Support and develop British Farming	-	-	-	25,506	-	25,506	25,506	52,000	26,494	(136,419)
Help to enhance the environment and biodiversity	-	-	-	(36,136)	-	(36,136)	(36,136)	(48,458)	(12,322)	(102,668)
Support a strong and sustainable green economy	-	-	-	162	-	162	162	(278)	(440)	(382)
Prepare for and manage risk from animal and plant diseases	-	-	-	2,353	-	2,353	2,353	-	(2,353)	1,126
Departmental Operating Costs	-	-	-	(4,698)	-	(4,698)	(4,698)	48,831	53,529	(2,670)
Support and develop British Farming (NDPB)(net)	-	-	-	(4,620)	-	(4,620)	(4,620)	(1,309)	3,311	(14,021)
Help to enhance the environment and biodiversity (NDPB)(net)	-	-	-	(15,796)	-	(15,796)	(15,796)	10,664	26,460	(131,284)
Support a strong and sustainable green economy (NDPB)(net)	-	-	-	(204)	-	(204)	(204)	-	204	222
Prepare for and manage risk from environmental emergencies (NDPB)(net)	-	-	-	(18,003)	-	(18,003)	(18,003)	280,000	298,003	(104,278)
Total	**-**	**-**	**-**	**(51,436)**	**-**	**(51,436)**	**(51,436)**	**341,450**	**392,886**	**(490,374)**
Spending in Non-Budget Expenditure Limits										
Support and develop British Farming	-	-	-	1,236,553	(1,235,717)	836	836	10,000	9,164	(831)
Total	**-**	**-**	**-**	**1,236,553**	**(1,235,717)**	**836**	**836**	**10,000**	**9,164**	**(831)**
Resource Outturn	**718,661**	**(118,308)**	**600,353**	**5,386,853**	**(3,818,582)**	**1,568,271**	**2,168,624**	**2,649,219**	**480,595**	**1,939,344**
Netted off expenditure: NDPB Income	2,378	(2,378)	-	509,642	(509,642)	-	-			
Netted off expenditure: Other	323	(323)	-	2,111	(2,111)	-	-			
Internal Income	250,231	-	250,231	(250,231)	-	(250,231)	-			
Capital Grants	-	-	-	298,286	(29,787)	268,499	268,499			
Provisions Adjustment	(21,623)	-	(21,623)	21,623	-	21,623	-			
Net Operating Cost	**949,970**	**(121,009)**	**828,961**	**5,968,284**	**(4,360,122)**	**1,608,162**	**2,437,123**			

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown on pages 41–43.

2.2 Analysis of Net Capital Outturn by Section

	2011-12					2010-11
	Outturn			Estimate		
	Gross	Income	Net	Net Total	Net total compared to Estimate	Net Total
	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)						
Voted						
Support and develop British Farming	7,633	(1,401)	6,232	5,301	(931)	10,793
Help to enhance the environment and biodiversity	30,692	(3,029)	27,663	23,682	(3,981)	27,797
Support a strong and sustainable green economy	8,343	-	8,343	8,000	(343)	53,805
Prepare for and manage risk from animal and plant diseases	7,825	(253)	7,572	12,841	5,269	21,231
Prepare for and manage risk from environmental emergencies	-	(10,850)	(10,850)	(9,000)	1,850	4,856
Departmental Operating Costs	5,240	(6,235)	(995)	14,538	15,533	3,707
Support and develop British Farming (NDPB)(net)	16	-	16	-	(16)	-
Help to enhance the environment and biodiversity (NDPB)(net)	43,416	-	43,416	42,788	(628)	8,044
Support a strong and sustainable green economy (NDPB)(net)	(5)	-	(5)	-	5	(13)
Prepare for and manage risk from environmental emergencies (NDPB)(net)	301,709	-	301,709	290,000	(11,709)	452,755
Total	**404,869**	**(21,768)**	**383,101**	**388,150**	**5,049**	**582,975**
Spending in Annually Managed Expenditure Limits (AME)						
Voted						
Support and develop British Farming (NDPB)(net)	19	-	19	1,000	981	860
Help to enhance the environment and biodiversity (NDPB)(net)	16	-	16	-	(16)	12
Total	**35**	**-**	**35**	**1,000**	**965**	**872**
Capital Outturn	**404,904**	**(21,768)**	**383,136**	**389,150**	**6,014**	**583,847**

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

3.1 Reconciliation of Net Resource Outturn to Net Operating Cost

		Note	**2011–12 Outturn £000**	2010–11 Outturn £000
Total Resource Outturn in Statement of Parliamentary Supply	Budget	2	2,167,788	1,940,175
	Non Budget	2	836	(831)
			2,168,624	1,939,344
Add:	Capital grants		43,695	139,732
	Capital works expensed in year		219,564	247,278
	NLF Loan repayment		5,240	-
			268,499	387,010
Net operating cost			**2,437,123**	**2,326,354**

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 and Administration Net Operating Cost

	2011–12 £000	2010–11 £000
Published: Estimate – Administration Budget	731,950	282,088
SR10 and Machinery of Government adjustments	-	479,029
Revised: Estimate – Administration Budget	**731,950**	761,117
Outturn – Gross administration costs	718,661	793,435
Outturn – Gross income relating to administration costs	(118,308)	(127,397)
Outturn – Net administration costs	**600,353**	666,038
Reconciliation to operating costs:		
Less: provisions utilised (transfer from programme)	(21,623)	(12,114)
Less: elimination of internal income	250,231	254,623
Administration Net Operating Costs	**828,961**	908,547

The SR10 and Machinery of Government adjustments predominantly relate to SR10 changes in programme and administration cost allocations and the change in accounting boundary.

4 Reconciliation of Net Cash Requirement to Increase/(Decrease) in Cash

	Note	**2011–12 £000**	2010–11 £000
Net cash requirement: Core – Department and Agencies		(2,618,618)	(2,961,615)
From the Consolidated Fund (Supply): current year	SCTE	2,573,912	5,026,728
From the Consolidated Fund (Supply): prior year		-	230,874
Remitted to consolidated fund		(2,609)	(1,697,553)
Transfer to OGDs		-	(22,340)
Amounts due to the Consolidated Fund received in prior year and paid over		(1,041)	(378,760)
Increase/(decrease) in cash held by Core – Department and Agencies	17	**(48,356)**	197,334
Add – increase/(decrease)in cash held by Arms Length Bodies		65,145	(26,684)
Net – increase/(decrease)in cash held by departmental group	17	**16,789**	**170,650**

5 Statement of Operating Costs by Operating Segment

The prior year segmental reporting note in the 2010–11 annual report and accounts was based around the main programmes in existence in 2010–11. For 2011–12, the segmental analysis detailed below, is aligned to the Structural Reform Priorities and Risks, as set out in the Departmental Business Plan[44]. Further detail on the risks and priorities is provided in chapter 3. An additional segment is included in this note to cover Departmental operating costs.

Chapter 3 reviews performance against the three priorities and the two other areas of major responsibility. Management information on Departmental performance is reviewed by the Management Committee and Supervisory Board in alternate months. A set of indicators are used to quantify and monitor progress in the key areas under each priority. These are published on a quarterly basis as part of the Quarterly Data Summary.

The basis for accounting for any transactions between reportable segments is compliant with the rest of the Annual Report and Accounts, and eliminates transactions between Defra's network bodies.

Defra receives 83 percent of its income from the EU. Defra does not rely on any one major customer for the remaining income.

	2011–12			2010–11 Restated		
Programme	**Gross Expenditure £000**	**Gross Income £000**	**Net Total £000**	Gross Expenditure £000	Gross Income £000	Net Total £000
Support and develop British Farming	3,727,667	(3,372,467)	355,200	3,341,329	(2,987,293)	354,036
Help to enhance the environment and biodiversity	1,646,074	(691,076)	954,998	1,801,365	(874,510)	926,855
Support a strong and sustainable green economy	204,576	(271)	204,305	205,751	(2,119)	203,632
Prepare for and manage risk from animal and plant diseases	277,454	(85,564)	191,890	277,466	(86,552)	190,914
Prepare for and manage risk from environmental emergencies	878,544	(315,523)	563,021	461,568	(32,921)	428,647
Departmental Operating Costs	183,939	(16,230)	167,709	240,427	(18,157)	222,270
Net Operating Cost	**6,918,254**	**(4,481,131)**	**2,437,123**	**6,327,906**	**(4,001,552)**	**2,326,354**

44 http;//www.number10.gov.uk/wp-content/uploads/DEFRA-Business-Plan1.pdf; and http://www.number10.gov.uk/wp-content/uploads/DEFRA-Annex-A.pdf

6 Staff Numbers and Related Costs

6.1 Staff Costs

Staff costs comprise:

	2011–12					2010–11
	Permanent employed staff	**Others**	**Ministers**	**Special advisors**	**Total**	Total
	£000	**£000**	**£000**	**£000**	**£000**	£000
Salaries and wages	746,635	33,760	234	112	**780,741**	888,159
Social security costs	57,587	1,707	26	11	**59,331**	66,176
Other pension costs	72,495	4,359	1	24	**76,879**	82,328
Sub-total	**876,717**	**39,826**	**261**	**147**	**916,951**	1,036,663
Less: recoveries in respect of outward secondments	(2,608)	-	-	-	**(2,608)**	(4,420)
Total net costs	**874,109**	**39,826**	**261**	**147**	**914,343**	1,032,243
Of which:						
Core–Department	106,026	7,891	261	147	114,325	131,922
Agencies	247,150	11,267	-	-	258,417	284,963
NDPBs	520,933	20,668	-	-	541,601	615,358
	874,109	**39,826**	**261**	**147**	**914,343**	1,032,243

Details of senior management remuneration is contained in the Remuneration Report in chapter 4.

For 2011–12, out of the total, £2,608,000 (£2,427,000 Core–Department) recoveries in respect of outward secondments have been netted off, £23,097,000 (£Nil Core–Department) has been charged to capital and the balance of £893,854,000 (£116,752,000 Core–Department) has been charged in the Statement of Comprehensive Net Expenditure.

For 2010–11, out of the total, £4,420,000 (£4,138,000 Core–Department) recoveries in respect of outward secondments were netted off, £35,027,000 (£Nil Core–Department) was charged to capital and the restated balance of £1,001,636,000 (restated £136,060,000 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. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Annual Accounts of the Cabinet Office: Civil Superannuation[45].

For 2011–12, employer’s contributions of £71,859,000 (Restated 2010–11, £77,638,000) were payable to the PCSPS at one of four rates in the range 16.7 percent to 24.3 percent 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 2011–12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Other Pension Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer’s contributions of £425,000 for 2011–12 (2010–11, £567,000) were paid to one or more

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

of the panel of three appointed stakeholder pension providers. Employer contributions are age–related and range from 3 percent to 12.5 percent of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. In addition, employer contributions of £8,000 for 2011–12 (2010–11, £76,000), 0.8 percent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £112,000. Contributions prepaid at that date were £Nil.

In addition to the schemes listed above, some NDPBs also operate small defined contribution schemes. Details of these schemes can be found in the accounts of the relevant Network Bodies.

One individual in the Core–Department (2010–11, two individuals) retired early on ill health grounds: the total additional accrued pension liabilities in the year amounted to £2,422 (2010–11, £9,715).

Loans are made to staff to cover season ticket advances and to relocate. As at 31 March 2012, there were no outstanding balances to Management Committee members.

6.2 Average Number of Persons Employed

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

	2011–12					2010–11
	Permanently employed staff	**Others**	**Ministers**	**Special Advisors**	**Total**	Total
Activity	**Number**	**Number**	**Number**	**Number**	**Number**	Number
Support and develop British Farming	4,054	78	-	-	4,132	4,411
Help to enhance the environment and biodiversity	9,052	703	-	-	9,755	9,030
Support a strong and sustainable green economy	269	2	-	-	271	400
Prepare for and manage risk from animal and plant diseases	2,794	75	-	-	2,869	3,034
Prepare for and manage risk from environmental emergencies	5,397	356	-	-	5,753	7,768
Departmental Operating Costs	947	66	4	2	1,019	1,169
Staff engaged on capital projects	1,114	42	-	-	1,156	1,113
Total	**23,627**	**1,322**	**4**	**2**	**24,955**	**26,925**
Of which:						
Core–Department	2,171	89	4	2	2,266	2,495
Agencies	7,066	185	-	-	7,251	7,730
NDPB's	14,390	1,048	-	-	15,438	16,700
Total	**23,627**	**1,322**	**4**	**2**	**24,955**	**26,925**

6.3 Reporting of Civil Service and Other Compensation Schemes – Exit Packages

Departmental Group

	2011–12			2010–11		
	Number of compulsory redundancies	**Number of other departures agreed**	**Total number of exit packages**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	**Number**	**Number**	Number	Number	Number
Cost Band						
<£10,000	11	84	95	42	199	241
£10,000 – £25,000	10	321	331	37	253	290
£25,001 – £50,000	3	265	268	47	313	360
£50,001 – £100,000	4	158	162	24	289	313
£100,001 – £150,000	1	29	30	8	64	72
£150,001 – £200,000	1	5	6	1	15	16
£200,001 – £250,000	-	-	-	-	4	4
£250,001 – £300,000	-	-	-	-	3	3
£300,001 – £350,000	-	-	-	-	3	3
Total number of exit packages by type	30	862	892	159	1,143	1,302
Total resource cost (£000)	834	33,956	34,790	5,318	49,210	54,528

Core–Department and Agencies

	2011–12			2010–11		
	Number of compulsory redundancies	**Number of other departures agreed**	**Total number of exit packages**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	**Number**	**Number**	Number	Number	Number
Cost Band						
<£10,000	-	38	38	13	127	140
£10,000 – £25,000	-	185	185	3	129	132
£25,001 – £50,000	-	149	149	2	129	131
£50,001 – £100,000	-	58	58	3	99	102
£100,001 – £150,000	-	15	15	-	37	37
£150,001 – £200,000	-	2	2	-	12	12
£200,001 – £250,000	-	-	-	-	4	4
£250,001 – £300,000	-	-	-	-	3	3
£300,001 – £350,000	-	-	-	-	3	3
Total number of exit packages by type	-	447	447	21	543	564
Total resource cost (£000)	-	16,687	16,687	398	23,023	23,421

Core–Department

	2011–12			2010–11		
	Number of compulsory redundancies	**Number of other departures agreed**	**Total number of exit packages**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	**Number**	**Number**	Number	Number	Number
Cost Band						
<£10,000	-	-	-	2	12	14
£10,000 – £25,000	-	-	-	-	97	97
£25,001 – £50,000	-	7	7	-	90	90
£50,001 – £100,000	-	4	4	1	77	78
£100,001 – £150,000	-	8	8	-	27	27
£150,001 – £200,000	-	1	1	-	12	12
£200,001 – £250,000	-	-	-	-	3	3
£250,001 – £300,000	-	-	-	-	2	2
£300,001 – £350,000	-	-	-	-	1	1
Total number of exit packages by type	-	20	20	3	321	324
Total resource cost (£000)	-	1,720	1,720	87	17,072	17,159

Timing differences for the creation of provisions for early departure costs have resulted in differences between the above table and departure costs in Notes 7 and 8.

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.

The Core–Department's average resource cost per individual is greater than the Core–Department and Executive Agencies and Consolidated amounts. This is due to a greater number of the Core–Department's Senior Civil Servants (SCS) leaving through the early exit scheme compared to the rest of the Department.

Compensation payments associated with the departure of senior officials are reported in the Remuneration Report. There were no such payments in 2011–12.

7 Other Administration Costs

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Depatment and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Rentals under operating leases	14,895	19,958	26,563	13,875	22,101	36,573
Interest charges	1,413	1,890	1,890	1,220	1,623	1,623
PFI and other service concession arrangement service charges	29	29	1,153	(15)	(15)	1,004
Fees and commissions	6,647	29,285	31,767	2,882	26,480	27,873
Research and development expenditure	-	-	3,236	-	-	7,803
Travel, subsistence and hospitality	3,278	11,404	18,658	4,474	13,559	22,006
Vessels	-	5,039	5,039	-	4,830	4,830
Consumables	2	25,158	27,598	-	28,315	29,813
ITservices/software/hardware	39,577	87,790	125,970	43,256	88,996	110,949
Estate management	23,836	70,127	122,947	18,702	69,534	118,559
Consultancy/subcontracting	1,640	1,680	9,550	3,071	8,575	13,167
Training	1,175	3,359	8,235	2,029	4,750	12,175
Publicity, marketing and promotion	863	914	1,660	1,664	1,716	4,973
Stationery and printing	389	2,226	2,588	462	2,940	4,494
Office services	2,351	2,482	2,831	7,514	7,746	7,746
Early retirement	10,947	20,326	20,346	17,028	18,406	21,147
Auditors' remuneration	-	15	481	-	-	520
Exchange rate (gains) / losses - Realised	-	29	30	-	127	183
Other	880	31,614	49,973	5,790	33,172	40,825
Non-cash items						
Depreciation	13,757	33,326	46,186	12,770	34,598	39,112
Amortisation	8,637	21,843	24,692	13,564	46,217	47,290
Profit on the disposal of Property, Plant and Equipment	(1,027)	(1,024)	(1,030)	(359)	(418)	(429)
Loss on the disposal of Property, Plant and Equipment	3,460	3,696	4,713	1,332	1,490	2,142
Impairment	459	8,189	8,189	-	716	1,090
Auditors' remuneration	450	1,289	1,289	350	1,177	1,177
Other non-cash items	(30)	(31)	(31)	-	(31)	(39)
Total	**133,628**	**380,613**	**544,523**	149,609	416,604	556,606

Within the Consolidated 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.

8 Programme Costs

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Rentals under operating leases	22	22	9,396	44	2,111	4,974
Interest charges	2,111	2,111	2,111	477	477	477
PFI and other service concession arrangement service charges	-	-	15,300	-	-	15,200
Travel, subsistence and hospitality	359	3,244	27,096	121	3,266	28,819
Research and development expenditure	108,179	108,998	133,541	105,269	106,232	129,881
Consumables	-	643	17,640	-	893	10,705
IT services/software/hardware	216	11,045	101,233	7,005	18,008	95,024
Estate management	2	3,850	16,131	-	1,976	7,103
Consultancy/subcontracting	3,535	3,758	27,517	361	616	19,052
Training	17	385	3,616	18	528	994
Publicity, marketing and promotion	6	6	12,383	-	-	11,167
Stationery and printing	62	62	1,541	40	40	865
Office services	66	66	1,322	19	19	19
Early retirement	-	5,588	7,985	-	112	557
Exchange rate (gains)/losses - Realised	433	3,060	3,075	112	17,992	17,980
Exchange rate (gains)/losses - Unrealised	369	(8,111)	(8,111)	2,885	2,911	2,911
Auditors' remuneration	-	-	232	-	23	306
Flood and coastal defence works	-	-	219,564	-	-	241,242
Operational maintenance	-	-	68,311	-	-	83,053
Fees and commissions	4	4	12,092	(19)	(19)	19,121
Reservoir operating agreements	-	-	25,329	-	-	24,347
Transport and plant costs	-	-	1,385	-	-	-
Aerial, surface and satellite surveillance	-	-	9,719	-	-	10,101
EU disallowance	7,735	7,735	7,735	(2,804)	(2,804)	(2,804)
Levy collection costs	-	-	896	-	-	986
Corporation tax paid by NDPBs	-	-	34	-	-	33
Payments to Defra agencies	243,961	-	-	253,603	-	-
Bad debt expense	-	92	9,469	-	56	3,374
Other	85,175	106,691	106,657	85,345	101,148	111,182
Non-cash items						
Depreciation	-	199	79,137	-	-	95,714
Amortisation	8,112	23,539	40,784	8,112	8,112	17,269
Profit on the disposal of Property, Plant and Equipment	-	-	(2,226)	-	-	(446)
Loss on the disposal of Property, Plant and Equipment	-	9	7,575	-	17	17
Impairment	26	26	21,199	4,214	5,635	25,510
Auditors' remuneration	-	31	31	-	-	-
Pensions provided for in year/(written back)	46,167	46,167	87,455	(4,077)	(4,077)	(188,806)
Non-pension provisions provided for in year/(written back)	68,958	86,150	85,349	34,399	39,639	59,793
Unwinding of discount on provisions	124	149	158	215	112	121
Other non-cash items	-	-	(80)	-	(23)	(23)
Grants and subsidies: EU						
Capital Grants	-	-	-	74	74	74
Current Grants - Single Payment Scheme	-	1,989,371	1,989,371	-	1,698,542	1,698,542
Current Grants - Rural Development Programme for England	411,593	411,593	411,593	367,639	367,639	367,639
Current Grants - Payments to Other Paying Agencies	-	1,236,553	1,236,553	-	1,154,512	1,154,512
Other EU current grants	-	27,506	27,739	8,939	39,364	39,682
Unrealised gains/losses	-	(6,707)	(6,707)	-	(4,752)	(4,752)
Derivative ineffectiveness	-	72	72	-	176	176
Grants and subsidies: Other						
Capital Grants	28,531	28,531	73,482	80,817	80,817	152,626
Current Grants - Grant in aid to NDPBs	1,022,815	1,022,815	-	1,032,539	1,032,539	-
Current Grants - Rural Development Programme for England	164,467	164,467	164,467	199,067	199,067	199,067
Other current grants	371,225	402,376	430,726	268,388	294,216	316,280
Total	**2,574,270**	**5,682,096**	**5,479,877**	2,452,802	5,165,194	4,769,664

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.

9 Income

9.1 Analysis of Operating Income

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Total administration income						
Sales of goods and services						
Scientific advice, analysis and research	-	34,594	35,368	-	35,740	36,298
Animal disease surveillance and diagnostics	-	8,190	8,190	-	7,028	7,028
Veterinary research and development	-	6,710	6,710	-	4,054	4,054
Scientific products	-	804	804	-	862	862
Other services (including Defra family)	23,767	19,865	11,162	23,634	18,732	10,224
Fees, levies and charges						
Veterinary medicines authorisations	-	7,494	7,494	-	7,352	7,352
Veterinary medicine residues surveillance	-	3,682	3,682	-	3,945	3,945
Plant health inspections and seeds charges	-	4,796	4,796	-	3,514	3,514
Dairy Hygiene inspections	-	2,004	2,004	-	1,112	1,112
Health Check Wales	-	-	-	-	2,084	2,084
Other fees, levies and charges	-	-	1,024	-	1,131	2,256
EU funding	-	7,291	7,360	-	4,023	4,248
Interest receivable	-	2	169	3	5	75
Income from Devolved Administrations	-	30,428	30,428	-	35,009	35,009
Other income	-	1,810	1,818	-	9,514	10,037
Administrative DEL income	**23,767**	**127,670**	**121,009**	23,637	134,105	128,098
Total programme income						
EU Funding						
Single Payment Scheme	-	2,042,670	2,042,670	-	1,737,625	1,737,625
Income payable to Other Paying Agencies	-	1,235,717	1,235,717	-	1,155,343	1,155,343
Structural Funds (EU) / RDPE income	411,593	411,593	411,593	367,033	367,033	367,033
TSE Surveillance	2,018	2,018	2,018	4,880	4,880	4,880
Fisheries Guidance	5,533	5,533	5,533	824	824	824
Other services	324	324	557	309	309	323
Sales of goods and services						
British Waterways cost of capital	26,800	26,800	26,800	25,400	25,400	25,400
Ofwat water licence fee	5,130	5,130	5,130	5,102	5,102	5,102
TB compensation salvage receipts	22,292	22,292	22,292	21,282	21,282	21,282
Covent Garden Market capital subsidy	-	-	-	2,030	2,030	2,030
Sale of other goods	997	997	7,934	3,023	3,023	6,304
Other services (including Defra family)	10,557	32,263	51,480	10,691	31,948	51,821
Fees, levies and charges						
Environmental Protection charges	-	-	168,814	-	-	176,700
Abstraction charges	-	-	136,124	-	-	135,073
Flood risk levies	-	-	38,651	-	-	36,866
Agriculture and horticulture levies	-	-	55,347	-	-	50,535
Sea fish industry levies	-	-	7,585	-	-	7,948
Other fees, levies and charges	-	-	5	-	-	220
Licences						
Fishing licence duties	-	-	26,779	-	-	24,166
Navigation licence income	-	-	5,967	-	-	6,528
FEPA licences	-	-	2,118	-	-	2,064
Other licences	-	-	273	1,138	1,138	1,384
Grant income	52,499	52,499	97,595	-	2,106	44,384
Charity income	-	-	6,603	-	-	7,952
Recoveries for secondments outside Defra family	-	-	-	-	-	616
Interest on NLF loans on–lent to British Waterways	2,111	2,111	2,111	477	477	477
Other interest receivable	-	-	165	-	-	261
Other income	-	-	261	-	-	313
Programme income	**539,854**	**3,839,947**	**4,360,122**	442,189	3,358,520	3,873,454
Total operating income	**563,621**	**3,967,617**	**4,481,131**	465,826	3,492,625	4,001,552

The Core–Department receives rental income of £531,148 (2010–11, £729,858) from external customers. Within Grant income is £51,806,208 received from the Welsh Assembly Government to fund the Environment Agency in Wales. This funding is recorded as income within Defra to comply with HM Treasury's Clear Line of Sight requirement to route all funding for an NDPB through the primary sponsor department.

9.2 Miscellaneous Core–Department Income

	2011-12			2010-11		
	Income	**Full Cost**	**Surplus / (Deficit)**	Income	Full Cost	Restated Surplus / (Deficit)
	£000	£000	£000	£000	£000	£000
Service						
Provision of Corporate Services to Network Bodies	7,283	7,283	0	8,048	8,048	0
	7,283	**7,283**	**0**	8,048	8,048	0

The above income forms part of the Sale of Goods and Services Income shown in Note 9.1. Income from services provided by the Executive Agencies and NDPBs can be found in their respective accounts. The provision of corporate services to network bodies 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 £765,114 (2010–11, £260,000), against costs of £769,449 (2010–11, £269,000), giving a deficit of £4,335 (2010–11, £9,000).

10 Property, Plant and Equipment

10.1 Non–Current – Departmental Group

	Land	Buildings excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2011	77,822	554,932	18,421	3,382,039	98,458	175,192	562,835	48,416	196,679	**5,114,794**
Additions	910	5,325	60	52,336	6,055	8,391	16,043	2,076	2,151	**93,347**
Transfers	-	(6,294)	-	-	24	-	12	-	(2,985)	**(9,243)**
Disposals	(679)	(2,190)	(174)	(6,571)	(4,643)	(9,418)	(17,274)	(7,272)	-	**(48,221)**
Impairment	(435)	(1,539)	-	882	182	22	71	6	(16,338)	**(17,149)**
Reclassifications	4,624	1,646	(1,755)	(4,624)	(80)	3,932	74	-	(28,007)	**(24,190)**
Reclassified as held for sale	2,431	(42)	-	1,276	-	-	-	-	-	**3,665**
Revaluation	1,775	(17,064)	547	109,511	1,289	1,028	807	(1,118)	-	**96,775**
At 31 March 2012	**86,448**	**534,774**	**17,099**	**3,534,849**	**101,285**	**179,147**	**562,568**	**42,108**	**151,500**	**5,209,778**
Depreciation										
At 1 April 2011	-	106,851	9,921	1,405,310	51,851	87,216	418,099	30,185	-	**2,109,433**
Charges in year	-	12,031	499	50,070	14,988	14,735	19,695	5,885	-	**117,903**
Transfers	-	(282)	-	-	27	2	(15)	-	-	**(268)**
Disposals	-	(773)	(9)	(3,391)	(4,576)	(9,212)	(14,088)	(6,844)	-	**(38,893)**
Impairment	-	(61)	-	-	-	-	5,929	-	-	**5,868**
Reclassifications	-	290	(290)	-	(80)	-	-	-	-	**(80)**
Reclassified as held for sale	-	-	-	-	-	-	-	-	-	**-**
Revaluation	-	(288)	(6,412)	37,992	687	(403)	(6,251)	(2,015)	-	**23,310**
At 31 March 2012	**-**	**117,768**	**3,709**	**1,489,981**	**62,897**	**92,338**	**423,369**	**27,211**	**-**	**2,217,273**
Net book value 31 March 2012	**86,448**	**417,006**	**13,390**	**2,044,868**	**38,388**	**86,809**	**139,199**	**14,897**	**151,500**	**2,992,505**
Net book value 31 March 2011	77,822	448,081	8,500	1,976,729	46,607	87,976	144,736	18,231	196,679	3,005,361
Assets financing										
Owned	86,448	416,996	13,390	2,044,868	37,824	86,809	138,830	14,897	151,500	**2,991,562**
Finance leased	-	10	-	-	564	-	369	-	-	**943**
Net book value 31 March 2012	**86,448**	**417,006**	**13,390**	**2,044,868**	**38,388**	**86,809**	**139,199**	**14,897**	**151,500**	**2,992,505**

	Land	Buildings excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2010	88,942	516,241	15,853	3,362,744	91,348	177,809	554,841	52,655	141,120	**5,001,553**
Additions	1,194	8,917	50	46,335	18,363	4,181	18,057	4,200	56,749	**158,046**
Transfers	540	1,538	1,325	-	(3,803)	(1,571)	371	30	(8,793)	**(10,363)**
Disposals	(562)	(4,958)	(275)	(5,920)	(7,248)	(3,762)	(9,531)	(6,606)	-	**(38,862)**
Impairment	(3,616)	(7,458)	(13)	(1,002)	(324)	(30)	(101)	(10)	(9,943)	**(22,497)**
Reclassifications	(2,009)	7,915	-	(9,907)	8,188	(318)	(2,179)	(23)	17,546	**19,213**
Reclassified as held for sale	(3,996)	(5,980)	(135)	(231)	-	-	-	-	-	**(10,342)**
Revaluation	(2,671)	38,717	1,616	(9,980)	(8,066)	(1,117)	1,377	(1,830)	-	**18,046**
At 31 March 2011	**77,822**	**554,932**	**18,421**	**3,382,039**	**98,458**	**175,192**	**562,835**	**48,416**	**196,679**	**5,114,794**
Depreciation										
At 1 April 2010	-	89,829	5,789	1,388,823	51,690	78,459	410,180	32,767	-	**2,057,537**
Charges in year	-	13,500	281	47,398	25,774	14,287	19,664	6,283	-	**127,187**
Transfers	-	(2,030)	2,129	-	(1,531)	(103)	87	(1)	-	**(1,449)**
Disposals	-	(3,273)	-	(5,462)	(7,178)	(3,618)	(8,951)	(6,310)	-	**(34,792)**
Impairment	-	(1,265)	-	-	(2)	-	-	-	-	**(1,267)**
Reclassifications	-	3,812	(3)	(4,568)	(5,975)	(1,378)	1	(7)	-	**(8,118)**
Reclassified as held for sale	-	(89)	-	-	-	-	-	-	-	**(89)**
Revaluation	-	6,367	1,725	(20,881)	(10,927)	(431)	(2,882)	(2,547)	-	**(29,576)**
At 31 March 2011	**-**	**106,851**	**9,921**	**1,405,310**	**51,851**	**87,216**	**418,099**	**30,185**	**-**	**2,109,433**
Net book value 31 March 2011	**77,822**	**448,081**	**8,500**	**1,976,729**	**46,607**	**87,976**	**144,736**	**18,231**	**196,679**	**3,005,361**
Net book value 31 March 2010	88,942	426,412	10,064	1,973,921	39,658	99,350	144,661	19,888	141,120	2,944,016
Assets financing										
Owned	77,822	448,045	8,500	1,976,729	45,756	87,976	144,335	18,231	196,679	**3,004,073**
Finance leased	-	36	-	-	851	-	401	-	-	**1,288**
Net book value 31 March 2011	**77,822**	**448,081**	**8,500**	**1,976,729**	**46,607**	**87,976**	**144,736**	**18,231**	**196,679**	**3,005,361**

Plant and machinery includes vessels owned by Cefas valued at £14,499,000 (2010–11, £21,261,000). Infrastructure assets include flood defences owned by EA, including the Thames Barrier at £1,018,434,000 (2010–11, £1,011,042,000).

Additions include a non–cash element represented by payables and transfers.

The net book value of leasehold land and buildings at 31 March 2012 comprises £7,638,000 for short leasehold and £4,712,000 for long leasehold.

Core–Department and Agencies

	Land	Buildings excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2011	42,131	479,963	1,468	-	33,472	115,006	108,613	4,418	15,093	**800,164**
Additions	-	4,416	-	-	1,878	124	5,015	100	3,609	**15,142**
Transfers	-	(6,294)	-	-	24	-	12	-	(142)	**(6,400)**
Disposals	-	(2,126)	-	-	(3,825)	(2,056)	(6,879)	(447)	-	**(15,333)**
Impairment	(53)	(2,011)	-	-	7	-	-	1	-	**(2,056)**
Reclassifications	-	-	-	-	(80)	3,932	74	-	(4,006)	**(80)**
Reclassified as held for sale	-	675	-	-	-	-	-	-	-	**675**
Revaluation	(258)	(20,394)	-	-	496	1,497	991	34	-	**(17,634)**
At 31 March 2012	**41,820**	**454,229**	**1,468**	**-**	**31,972**	**118,503**	**107,826**	**4,106**	**14,554**	**774,478**
Depreciation										
At 1 April 2011	-	96,069	30	-	24,197	54,104	58,420	3,252	-	**236,072**
Charges in year	-	9,836	31	-	3,359	9,132	6,522	439	-	**29,319**
Transfers	-	(282)	-	-	27	2	(15)	-	-	**(268)**
Disposals	-	(772)	-	-	(3,781)	(1,922)	(6,587)	(366)	-	**(13,428)**
Impairment	-	(61)	-	-	-	-	5,929	-	-	**5,868**
Reclassifications	-	-	-	-	(80)	-	-	-	-	**(80)**
Revaluation	-	(6,532)	-	-	275	1,039	344	2	-	**(4,872)**
At 31 March 2012	**-**	**98,258**	**61**	**-**	**23,997**	**62,355**	**64,613**	**3,327**	**-**	**252,611**
Net book value 31 March 2012	**41,820**	**355,971**	**1,407**	**-**	**7,975**	**56,148**	**43,213**	**779**	**14,554**	**521,867**
Net book value 31 March 2011	42,131	383,894	1,438	-	9,275	60,902	50,193	1,166	15,093	564,092
Assets financing										
Owned	41,820	355,971	1,407	-	7,411	56,148	42,844	779	14,554	**520,934**
Finance leased	-	-	-	-	564	-	369	-	-	**933**
Net book value 31 March 2012	**41,820**	**355,971**	**1,407**	**-**	**7,975**	**56,148**	**43,213**	**779**	**14,554**	**521,867**

	Land	Buildings excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2010	46,504	457,284	1,620	-	38,360	113,351	107,346	5,199	14,571	**784,235**
Additions	-	8,257	-	-	2,481	1,195	5,678	177	5,469	**23,257**
Transfers	540	(688)	-	-	(3,803)	404	195	(283)	(3,103)	**(6,738)**
Disposals	(500)	(4,204)	-	-	(3,552)	(47)	(6,100)	(647)	-	**(15,050)**
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	(1,956)	25,183	(4)	-	(5)	(920)	673	(27)	-	**22,944**
At 31 March 2011	**42,131**	**479,963**	**1,468**	**-**	**33,472**	**115,006**	**108,613**	**4,418**	**15,093**	**800,164**
Depreciation										
At 1 April 2010	-	81,763	-	-	25,826	45,346	56,237	3,554	-	**212,726**
Charges in year	-	11,545	33	-	3,476	8,470	6,804	504	-	**30,832**
Transfers	-	(127)	-	-	(1,574)	123	43	(189)	-	**(1,724)**
Disposals	-	(2,987)	-	-	(3,508)	(39)	(5,867)	(617)	-	**(13,018)**
Impairment	-	(685)	-	-	(2)	-	-	-	-	**(687)**
Reclassifications	-	-	(3)	-	-	-	-	-	-	**(3)**
Revaluation	-	6,560	-	-	(21)	204	1,203	-	-	**7,946**
At 31 March 2011	**-**	**96,069**	**30**	**-**	**24,197**	**54,104**	**58,420**	**3,252**	**-**	**236,072**
Net book value 31 March 2011	**42,131**	**383,894**	**1,438**	**-**	**9,275**	**60,902**	**50,193**	**1,166**	**15,093**	**564,092**
Net book value 31 March 2010	46,504	375,521	1,620	-	12,534	68,005	51,109	1,645	14,571	571,509
Assets financing										
Owned	42,131	383,894	1,438	-	8,424	60,902	49,792	1,166	15,093	**562,840**
Finance leased	-	-	-	-	851	-	401	-	-	**1,252**
Net book value 31 March 2011	**42,131**	**383,894**	**1,438**	**-**	**9,275**	**60,902**	**50,193**	**1,166**	**15,093**	**564,092**

Core–Department

	Land	Buildings excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2011	14,037	54,426	1,468	-	160	109,043	10,989	1,420	4,021	**195,564**
Additions	-	-	-	-	-	124	768	-	2,016	**2,908**
Transfers	-	(5,850)	-	-	(10)	-	-	-	-	**(5,860)**
Disposals	-	(1,205)	-	-	-	(1,982)	(442)	(309)	-	**(3,938)**
Impairment	(53)	(51)	-	-	7	-	-	1	-	**(96)**
Reclassifications	-	-	-	-	-	3,932	74	-	(4,006)	**-**
Reclassified as held for sale	-	675	-	-	-	-	-	-	-	**675**
Revaluation	(336)	3,600	-	-	-	1,451	252	17	-	**4,984**
At 31 March 2012	**13,648**	**51,595**	**1,468**	**-**	**157**	**112,568**	**11,641**	**1,129**	**2,031**	**194,237**
Depreciation										
At 1 April 2011	-	819	30	-	118	50,553	4,243	939	-	**56,702**
Charges in year	-	1,398	31	-	27	8,502	947	228	-	**11,133**
Transfers	-	(28)	-	-	-	-	-	-	-	**(28)**
Disposals	-	(50)	-	-	-	(1,875)	(184)	(235)	-	**(2,344)**
Impairment	-	(61)	-	-	-	-	-	-	-	**(61)**
Revaluation	-	(10)	-	-	-	1,026	169	25	-	**1,210**
At 31 March 2012	**-**	**2,068**	**61**	**-**	**145**	**58,206**	**5,175**	**957**	**-**	**66,612**
Net book value 31 March 2012	**13,648**	**49,527**	**1,407**	**-**	**12**	**54,362**	**6,466**	**172**	**2,031**	**127,625**
Net book value 31 March 2011	14,037	53,607	1,438	-	42	58,490	6,746	481	4,021	138,862
Assets financing										
Owned	13,648	49,527	1,407	-	12	54,362	6,466	172	2,031	**127,625**
Net book value 31 March 2012	**13,648**	**49,527**	**1,407**	**-**	**12**	**54,362**	**6,466**	**172**	**2,031**	**127,625**

	Land	Buildings excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2010	19,016	65,445	1,620	-	3,578	107,333	8,375	1,965	2,400	**209,732**
Additions	-	-	-	-	-	1,163	1,441	-	4,052	**6,656**
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**	**10,989**	**1,420**	**4,021**	**195,564**
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**	**6,746**	**481**	**4,021**	**138,862**
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	6,746	481	4,021	**138,862**
Net book value 31 March 2011	**14,037**	**53,607**	**1,438**	**-**	**42**	**58,490**	**6,746**	**481**	**4,021**	**138,862**

The net book value of long leasehold land and buildings at 31 March 2012 is £Nil (2010–11, £Nil).

10.2 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 10.1.

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	£000	£000	£000	£000
At 1 April	15,883	24,872	37,502	19,811	32,807	51,832
Extension to the service concession arrangement	-	888	691	-	-	57
Adjustment to the service concession arrangement	(5,363)	(8,377)	(8,842)	(1,723)	(3,937)	(4,778)
Depreciation	(2,461)	(4,042)	(5,570)	(2,205)	(3,782)	(5,988)
Impairment	-	(99)	(3,649)	-	-	(2,196)
Disposals	-	-	-	-	(216)	(516)
Revaluation	-	-	(1,893)	-	-	(909)
At 31 March	**8,059**	**13,242**	**18,239**	15,883	24,872	37,502

10.3 Assets Held for Sale

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	£000	£000	£000	£000
At 1 April	5,480	5,480	13,359	2,108	3,068	7,499
Reclassification	(675)	(675)	(3,665)	6,805	6,805	10,253
Revaluation	1,087	1,087	1,088	(200)	(200)	(200)
Impairment	(32)	(32)	(32)	(275)	(275)	(275)
Disposals	(3,410)	(3,410)	(3,766)	(2,958)	(3,918)	(3,918)
At 31 March	**2,450**	**2,450**	**6,984**	5,480	5,480	13,359

Reclassifications include assets transferred back to operational assets, in addition to those reclassified into Held for Sale.

10.4 Heritage Assets

	2011–12			2010–11		
	Operational	**Non-Operational**	**Total**	Operational	Non-Operational	Total
	£000	**£000**	**£000**	£000	£000	£000
Valuation						
At 1 April	127,517	54,190	181,707	124,097	50,387	174,484
Additions	826	20	846	53	37	90
Transfers	2,843	-	2,843	-	-	-
Disposals	(881)	-	(881)	-	-	-
Impairment	(3,637)	(132)	(3,769)	-	-	-
Revaluation	15,785	4,408	20,193	3,367	3,766	7,133
At 31 March	**142,453**	**58,486**	**200,939**	127,517	54,190	181,707
Depreciation						
At 1 April	17,188	-	17,188	15,142	-	15,142
Charged in year	1,686	-	1,686	1,667	-	1,667
Disposals	(776)	-	(776)	-	-	-
Impairment	878	-	878	-	-	-
Revaluation	3,949	-	3,949	379	-	379
At 31 March	**22,925**	**-**	**22,925**	17,188	-	17,188
Net book value at 31 March	**119,528**	**58,486**	**178,014**	110,329	54,190	164,519
Net book value at 1 April	110,329	54,190	164,519	108,955	50,387	159,342
Assets Financing						
Owned	119,528	58,486	178,014	110,329	54,190	164,519
Net book value 31 March	**119,528**	**58,486**	**178,014**	110,329	54,190	164,519

A heritage asset is a tangible asset with historical, artistic, scientific, chronological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Heritage assets are held by both Natural England and RBG Kew. Further details can be found in the Annual Report and Accounts for NE[46] and on RBG Kew's website[47].

[46] www.naturalengland.org.uk
[47] www.kew.org

10.5 Agricultural Assets

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Cost or Valuation						
As at 1 April	-	-	67	-	-	71
Additions	-	-	55	-	-	-
Disposals	-	-	(37)	-	-	(4)
Revaluation	-	-	9	-	-	-
At 31 March	**-**	**-**	**94**	-	-	67
Depreciation						
As at 1 April	-	-	-	-	-	-
Charges in Year	-	-	-	-	-	-
At 31 March	**-**	**-**	-	-	-	-
Net book value 31 March	**-**	**-**	**94**	-	-	67
Assets Financing						
Owned	-	-	94	-	-	67
Net book value 31 March	**-**	**-**	**94**	-	-	67

Agricultural assets are biological assets held by Natural England and are the breeding cows and sheep held on National Nature Reserves.

10.6 Cash Additions

Cash additions for PPE, heritage assets and agricultural assets amount to £93,907,000 (2010–11, £159,151,000) as per the Consolidated Statement of Cash Flows.

11 Intangible Assets

Departmental Group

	2011–12				2010–11			
	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	531,162	27,897	70,543	629,602	502,231	25,242	95,071	622,544
Additions	22,901	11,105	4,382	38,388	18,980	1,537	26,697	47,214
Disposals	(14,345)	(3,296)	(2,752)	(20,393)	(10,570)	(836)	(362)	(11,768)
Impairments	(6,447)	-	(1,630)	(8,077)	(5,027)	(5)	(1,065)	(6,097)
Transfers	504	4,339	(2,113)	2,730	22,807	1,652	(21,207)	3,252
Reclassifications	12,374	80	11,736	24,190	9,217	161	(28,591)	(19,213)
Revaluation	(1,806)	366	-	(1,440)	(6,476)	146	-	(6,330)
At 31 March	**544,343**	**40,491**	**80,166**	**665,000**	531,162	27,897	70,543	629,602
Amortisation								
At 1 April	279,409	16,076	-	295,485	236,616	12,836	-	249,452
Charged in year	63,520	3,609	-	67,129	61,209	3,321	-	64,530
Disposals	(12,214)	(3,064)	-	(15,278)	(9,633)	(741)	-	(10,374)
Impairments	(6,371)	30	-	(6,341)	(744)	-	-	(744)
Transfers	3,000	-	-	3,000	553	244	-	797
Reclassifications	-	80	-	80	7,743	372	-	8,115
Revaluation	(2,998)	57	-	(2,941)	(16,335)	44	-	(16,291)
At 31 March	**324,346**	**16,788**	**-**	**341,134**	279,409	16,076	-	295,485
Net book value at 31 March	**219,997**	**23,703**	**80,166**	**323,866**	251,753	11,821	70,543	334,117
Net book value at 1 April	251,753	11,821	70,543	334,117	265,615	12,406	95,071	373,092
Assets Financing								
Owned	219,781	23,703	80,166	323,650	251,429	11,821	70,543	333,793
Finance leased	216	-	-	216	324	-	-	324
Net book value 31 March	**219,997**	**23,703**	**80,166**	**323,866**	251,753	11,821	70,543	334,117

Internally generated software includes:

- £25.0m for the software system used by RPA to process SPS claims with a remaining amortisation period of 2 years; and
- £49.5m for the Genesis system held by the Core–Department with a remaining amortisation period of 6 years.

Cash additions shown in the Consolidated Statement of Cash Flows amount to £51,088,000 (2010–11, £45,012,000).

Core–Department and Agencies

	2011–12				2010–11			
	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	453,788	15,428	24,376	493,592	422,685	14,432	39,699	476,816
Additions	1,294	726	8,800	10,820	2,103	966	21,414	24,483
Disposals	(13,693)	(2,262)	(2,752)	(18,707)	(10,239)	(836)	(362)	(11,437)
Impairments	(6,531)	-	-	(6,531)	(5,027)	-	(716)	(5,743)
Transfers	504	3,000	(775)	2,729	22,807	731	(20,166)	3,372
Reclassifications	12,266	80	(12,266)	80	15,493	-	(15,493)	-
Revaluation	(2,142)	236	-	(1,906)	5,966	135	-	6,101
At 31 March	**445,486**	**17,208**	**17,383**	**480,077**	453,788	15,428	24,376	493,592
Amortisation								
At 1 April	253,149	10,458	-	263,607	205,337	9,080	-	214,417
Charged in year	45,444	1,591	-	47,035	52,487	1,813	-	54,300
Disposals	(11,673)	(2,128)	-	(13,801)	(9,330)	(742)	-	(10,072)
Impairments	(6,371)	-	-	(6,371)	(744)	-	-	(744)
Transfers	3,000	-	-	3,000	1,326	246	-	1,572
Reclassifications	-	80	-	80	-	-	-	-
Revaluation	(1,512)	36	-	(1,476)	4,073	61	-	4,134
At 31 March	**282,037**	**10,037**	**-**	**292,074**	253,149	10,458	-	263,607
Net book value at 31 March	**163,449**	**7,171**	**17,383**	**188,003**	200,639	4,970	24,376	229,985
Net book value at 1 April	200,639	4,970	24,376	229,985	217,348	5,352	39,699	262,399
Assets Financing								
Owned	163,233	7,171	17,383	187,787	200,315	4,970	24,376	229,661
Finance leased	216	-	-	216	324	-	-	324
Net book value 31 March	**163,449**	**7,171**	**17,383**	**188,003**	200,639	4,970	24,376	229,985

Core–Department

	2011–12				2010–11			
	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	180,382	3,077	7,728	191,187	174,668	2,995	12,542	190,205
Additions	654	89	3,613	4,356	1,134	311	4,578	6,023
Donations	-	-	-	-	-	-	-	-
Disposals	(13,693)	(210)	(2,752)	(16,655)	(9,697)	(229)	(362)	(10,288)
Impairments	(6,789)	-	-	(6,789)	(2,428)	-	-	(2,428)
Transfers	-	-	(185)	(185)	3,314	-	(240)	3,074
Reclassifications	7,486	-	(7,486)	-	8,790	-	(8,790)	-
Reclassified as held for sale	-	-	-	-	-	-	-	-
Revaluation	(462)	-	-	(462)	4,601	-	-	4,601
At 31 March	**167,578**	**2,956**	**918**	**171,452**	180,382	3,077	7,728	191,187
Amortisation								
At 1 April	90,476	1,632	-	92,108	73,129	1,450	-	74,579
Charged in year	18,089	313	-	18,402	21,307	340	-	21,647
Disposals	(11,673)	(76)	-	(11,749)	(8,788)	(158)	-	(8,946)
Impairments	(6,371)	-	-	(6,371)	(32)	-	-	(32)
Transfers	-	-	-	-	1,326	-	-	1,326
Revaluation	(351)	-	-	(351)	3,534	-	-	3,534
At 31 March	**90,170**	**1,869**	**-**	**92,039**	90,476	1,632	-	92,108
Net book value at 31 March	**77,408**	**1,087**	**918**	**79,413**	89,906	1,445	7,728	99,079
Net book value at 1 April	89,906	1,445	7,728	99,079	101,539	1,545	12,542	115,626
Assets Financing								
Owned	77,408	1,087	918	79,413	89,906	1,445	7,728	99,079
Finance leased	-	-	-	-	-	-	-	-
Net book value 31 March	**77,408**	**1,087**	**918**	**79,413**	89,906	1,445	7,728	99,079

12 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.

12.1 Categories of Financial Instruments

Details of financial instruments held by the Department are included in Notes 13, 16, 17 and 18 (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.

12.1.1 Financial Assets

Details of book values are given in Notes 13, 16 and 18. Financial Assets include the entire share capital of Cefas Technology Limited.

12.1.2 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:

	2011-12	2010-11
	£000	£000
Amounts falling due within one year	6,105	13,726
Amounts falling due after more than one year	8,779	8,526
Total liability	**14,884**	22,252

12.1.3 Derivatives

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

	2011-12	2010-11
	£000	£000
Derivative assets classified as held for trading	52	635
Derivative assets in designated hedge accounting relationships	17,596	-
Derivative liabilities classified as held for trading	(145)	(124)
Derivative liabilities in designated hedge accounting relationships	(37)	(14,813)
	17,466	(14,302)

These are discussed in Note 12.2.2 below.

12.1.4 Cash Securities

Traders wishing to undertake certain transactions under EU 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 £2.1m were deposited with RPA at 31 March 2012 (£2.0m at 31 March 2011), with the corresponding liability included in trade and other payables.

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

12.1.5 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 £292.3m and euro guarantees totalling €217.7m (£181.5m) were held at 31 March 2012 (£638.1m and €147.1m (£129.6m) at 31 March 2011).

The interest rate applicable to these guarantees is nil.

12.2 Exposure to Risk

12.2.1 Liquidity Risk

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

RPA has maintained liquidity, wherever possible, through timely submission of funding claims to the EU. 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 2012	31 March 2011
	£000	£000
Derivative Liabilities		
Gross settled: Foreign exchange forward contracts		
Less than or equal to 3 months	(53)	(14,485)
More than 3 months but less than or equal to 6 months	(118)	(573)
Total	**(171)**	(15,058)
Derivative Assets		
Gross settled: Foreign exchange forward contracts		
Less than or equal to 3 months	14,401	-
More than 3 months but less than or equal to 6 months	3,436	-
Total	**17,837**	-

12.2.2 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 EU 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 EU in euros. However, the majority of distributions by RPA are paid in sterling, which creates an exposure to gains or losses from fluctuations in foreign exchange rates between the euro and sterling. RPA has managed its exposure to this risk through the purchase of forward foreign currency contracts.

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

	Assets		Liabilities	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	£000	£000	**£000**	£000
Euro denominated	**588,753**	483,586	**111,467**	117,777

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

	Impact of movement in euro/sterling rate Sterling appreciates by 10%		Impact of movement in euro/sterling rate Sterling depreciates by 10%	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	£000	£000	**£000**	£000
Net operating cost *	**(45,777)**	(38,543)	**45,777**	38,543
Derivative instruments:				
Net operating cost **	**(2,320)**	317	**2,320**	(317)
Other equity ***	**62,378**	61,485	**(62,378)**	(61,485)

* 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 held for trading.

***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 31 March 2012	Foreign currency 31 March 2012	Notional value 31 March 2012	Fair value 31 March 2012
	euro: sterling	€000	£000	£000
Current derivative assets	0.85689	775,870	664,835	17,596
Non-current derivative assets	0.85275	19,296	16,455	52
Current derivative liabilities	0.83696	(55,672)	(46,596)	(130)
Non-current derivative liabilities	0.85275	(19,296)	(16,455)	(52)

In September 2011 RPA entered into forward exchange contracts to hedge the monthly euro denominated receipts in relation to the SPS. As at 31 March 2012, the aggregate amount of gains under forward foreign exchange contracts deferred in the cash flow hedge reserve relating to the exposure on these anticipated future receipts is £4.63m.

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 2012, 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 £1.55m.

In December 2011 RPA entered into forward exchange contracts to hedge the exposure on the repayment of the European Fisheries Fund advance held by Defra. As the underlying liability is with Defra, an internal hedge has been established to transfer the risk exposure on the contracts. There is no deferral of gains or losses under these contracts to the cash flow hedge reserve.

For the period ended 31 March 2012 a loss of £0.07m has been recognised in the Statement of Comprehensive Net Expenditure arising from the hedges.

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:

	2011-12
	£000
Agency - Scheme income	4,511
Other paying agencies - Scheme income	1,920
Gains - Scheme expenditure	88,291
Total transferred to Statement of Comprehensive Net Expenditure	94,722

13 Financial Assets

	British Waterways NLF loan on-lent	Stocks and shares Charities Official Investment Fund	Stocks and shares RBG Kew Enterprises Ltd	Stocks and shares Sutton Bridge Experimental Unit Ltd	Stocks and shares CEFAS Technology Ltd	Stocks and shares Other	Total
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Balance at 1 April 2010	5,240	255	-	1	150	117	**5,763**
Disposals	-	-	-	-	-	(86)	**(86)**
Impairment	-	-	-	-	-	(17)	**(17)**
Revaluations	-	7	-	-	-	15	**22**
Loan repayable within 12 months transferred to receivables	(288)	-	-	-	-	-	**(288)**
Balance at 31 March 2011	**4,952**	**262**	**-**	**1**	**150**	**29**	**5,394**
Revaluations	-	(2)	-	-	-	-	**(2)**
Loan repayments	(4,952)	-	-	-	-	-	**(4,952)**
Balance at 31 March 2012	**-**	**260**	**-**	**1**	**150**	**29**	**440**
Of which:							
Agencies	-	-	-	-	150	14	164
NDPBs	-	260	-	1	-	15	276
Balance at 31 March 2012	**-**	**260**	**-**	**1**	**150**	**29**	**440**

Receipts from the disposal of financial assets total £Nil (2010–11, £87,000).

The Department's share of the net assets and results of RBG Kew Enterprises Ltd, Sutton Bridge Experimental Unit Ltd and Cefas Technology Limited are summarised below.

	RBG Kew Enterprises Ltd	**Sutton Bridge Experimental Unit Ltd**	**CEFAS Technology Ltd**
	£000	**£000**	**£000**
Net Assets at 31 March 2012	**325**	**630**	**1,088**
Turnover	5,742	-	528
Surplus/profit for the year (before financing)	881	(20)	205
Net Assets at 31 March 2011	**325**	**650**	**833**
Turnover	5,049	-	567
Surplus/profit for the year (before financing)	767	-	68

14 Impairments

		2011–12			2010–11		
		Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	Note	**£000**	**£000**	**£000**	£000	£000	£000
Property, Plant and Equipment		67	8,055	27,652	1,818	1,335	21,230
Intangibles		418	160	1,736	2,396	4,999	5,353
Investments		-	-	-	-	17	17
Total impairment charge for the year	7, 8	**485**	**8,215**	**29,388**	4,214	6,351	26,600
Of which:							
Amount released from revaluation reserve to general fund		-	4,112	4,115	-	(1)	-

15 Inventories

	31 March 2012			31 March 2011			1 April 2010		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Raw materials and consumables	-	3,799	3,799	-	2,263	2,263	-	2,049	2,049
Finished and resale goods	197	323	863	2,986	3,155	3,750	4,140	4,300	4,816
Intervention inventories	-	2,132	2,132	-	27,755	27,755	-	36,743	36,743
Work in progress	-	2,888	2,973	-	3,755	3,831	-	2,978	3,056
	197	**9,142**	**9,767**	2,986	36,928	37,599	4,140	46,070	46,664

16 Trade Receivables and Other Current Assets

16.1 Analysis by Type

	31 March 2012			31 March 2011			1 April 2010		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Amounts falling due within one year									
Trade receivables	34,269	54,516	84,082	21,556	54,100	101,610	24,120	70,501	100,458
Less bad debt impairment	(13)	(8,664)	(24,437)	(12)	(20,824)	(29,372)	(19)	(21,040)	(30,269)
Deposits and advances	625	644	674	756	759	777	678	682	720
Other receivables	14,570	27,957	36,991	126,226	160,559	169,214	113,966	117,845	128,844
VAT	6,750	6,671	43,456	4,774	11,545	44,519	7,438	13,931	40,720
Prepayments and accrued income	188,628	183,257	230,725	202,529	91,961	125,262	141,502	71,770	111,734
Accrued income relating to EU funding	-	507,465	507,983	-	455,543	456,180	-	464,529	464,742
Amounts due from the Consolidated Fund in respect of supply	-	-	-	-	-	-	230,874	230,874	230,874
Trade and other receivables	**244,829**	**771,846**	**879,474**	355,829	753,643	868,190	518,559	949,092	1,047,823
Current part of NLF loan	-	-	-	288	288	288	704	704	704
Derivative financial instrument asset	-	17,648	17,648	-	635	635	-	7,062	7,062
Other financial assets	**-**	**17,648**	**17,648**	288	923	923	704	7,766	7,766
Amounts falling due after one year									
Trade receivables	18	18	18	26	26	26	97	97	97
Deposits and advances	13	13	13	48	69	69	57	82	82
Other receivables	13,469	13,536	13,691	13,877	14,002	12,135	7,283	7,433	7,626
Prepayments and accrued income	-	69	69	870	913	913	1,778	1,790	1,792
Receivables due after more than one year	**13,500**	**13,636**	**13,791**	14,821	15,010	13,143	9,215	9,402	9,597
Total Receivables	**258,329**	**803,130**	**910,913**	370,938	769,576	882,256	528,478	966,260	1,065,186

Included within receivables is £Nil (2010–11 £266,687,000) that will be due to the Consolidated Fund once the debts are collected.

16.2 Intra–Government Balances

	Amounts due within one year			Amounts due after one year		
	31 March 2012	31 March 2011	1 April 2010	**31 March 2012**	31 March 2011	1 April 2010
	£000	£000	£000	**£000**	£000	£000
Balances with other central government bodies	58,487	77,844	291,206	12,717	12,011	8,455
Balances with local authorities	3,742	2,626	4,076	-	-	-
Balances with NHS bodies	47	137	200	-	-	-
Balances with public corporations and trading funds	8	1,176	94	-	-	-
Subtotal: intra–government balances	**62,284**	81,783	295,576	**12,717**	12,011	8,455
Balances with bodies external to government	834,838	787,330	760,013	1,074	1,132	1,142
Total Receivables as at 31 March	**897,122**	869,113	1,055,589	**13,791**	13,143	9,597

17 Cash and Cash Equivalents

17.1 Analysis of Cash and Cash Equivalents

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	£000	£000	£000	£000
Balance at 1 April	91,229	339,100	474,076	64,633	141,766	271,074
Net change in cash balance	(12,773)	(48,356)	29,428	26,596	197,334	203,002
Balance at 31 March	**78,456**	**290,744**	**503,504**	91,229	339,100	474,076
The following balances at 31 March are held at:						
Government Banking Services	77,607	284,850	306,571	90,780	335,518	342,833
Commercial bank accounts and cash in hand	849	5,894	37,047	449	3,582	34,351
Short term inter-government investments	-	-	159,886	-	-	96,892
Balance at 31 March	**78,456**	**290,744**	**503,504**	91,229	339,100	474,076

17.2 Reconciliation to Cash Flow for the Departmental Group

	Note	31 March 2012	31 March 2011	31 March 2010
		£000	£000	£000
Cash and cash equivalents		503,504	474,076	271,074
Bank overdraft	18.1	(59,506)	(46,867)	(14,515)
Total		**443,998**	**427,209**	**256,559**

The overdraft shown above is purely a timing difference as a result of the EA investing funds internally overnight and is therefore not a true cleared deficit.

18 Trade Payables and Other Current Liabilities

18.1 Analysis by Type

	31 March 2012			31 March 2011			1 April 2010		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Amounts falling due within one year									
VAT	-	892	2,377	-	556	2,835	-	138	2,152
Other taxation & social security	2,266	6,309	17,072	2,651	6,241	18,092	2,665	12,784	24,170
Trade payables	20,955	49,032	73,716	8,763	55,377	73,619	28,775	55,411	60,810
Other payables:									
EU	107	107	107	505	505	505	24,086	24,086	24,086
Other	3,337	15,807	44,495	3,528	11,646	57,020	4,678	(591)	26,996
Bank overdraft	-	-	59,506	-	-	46,867	-	-	14,515
Accruals and deferred income	470,239	531,168	767,248	386,706	464,605	652,818	345,352	468,663	661,529
Current part of finance leases	1,770	3,348	4,445	2,662	4,692	6,808	2,742	5,012	8,081
Amounts issued from the Consolidated Fund for supply but not spent at year end	290,744	290,744	290,744	333,191	333,191	333,191	-	-	-
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund									
Received	-	-	-	86	1,041	1,041	250,693	379,715	379,715
Receivable	-	-	-	88,121	266,687	266,687	29,672	226,499	226,499
Trade and other payables	**789,418**	**897,407**	**1,259,710**	826,213	1,144,541	1,459,483	688,663	1,171,717	1,428,553
Derivative financial instrument liability	52	182	182	-	14,937	14,937	-	712	712
Current part of NLF loan	-	-	-	288	288	288	704	704	704
Other financial liabilities	6,105	6,105	6,178	13,448	13,726	13,726	4,528	4,528	4,528
Other financial liabilities	**6,157**	**6,287**	**6,360**	13,736	28,951	28,951	5,232	5,944	5,944
Amounts falling due after more than one year									
Other payables, accruals and deferred income	16,148	127,615	131,824	17,478	136,320	140,166	16,835	121,346	126,515
Finance leases	8,348	14,247	19,422	13,822	22,377	33,365	16,745	29,021	44,815
Imputed finance lease element of on-balance sheet PFI contracts	-	-	-	-	-	-	-	-	-
Other payables	**24,496**	**141,862**	**151,246**	31,300	158,697	173,531	33,580	150,367	171,330
NLF loan	-	-	-	4,952	4,952	4,952	5,240	5,240	5,240
Other financial liabilities	8,779	8,779	8,779	8,526	8,526	8,526	6,246	6,246	6,246
Other financial liabilities	**8,779**	**8,779**	**8,779**	13,478	13,478	13,478	11,486	11,486	11,486
Total Payables	**828,850**	**1,054,335**	**1,426,095**	884,727	1,345,667	1,675,443	738,961	1,339,514	1,617,313

Amounts of £4,005,000 within the current part of finance leases and £18,887,000 within finance leases due after more than one year, relate to the service concession arrangement.

18.2 Intra–Government Balances

Departmental Group

	Amounts due within one year			Amounts due after one year		
	31 March 2012	31 March 2011	1 April 2010	**31 March 2012**	31 March 2011	1 April 2010
	£000	£000	£000	**£000**	£000	£000
Balances with other central government bodies	374,835	620,361	721,293	5,059	15,195	20,821
Balances with local authorities	7,204	22,522	14,622	-	-	-
Balances with NHS bodies	81	-	3	-	-	-
Balances with public corporations and trading funds	1,335	9,221	6,605	-	-	-
Subtotal: intra-government balances	**383,455**	652,104	742,523	**5,059**	15,195	20,821
Balances with bodies external to government	882,615	836,330	691,974	154,966	171,814	161,995
Total Payables at 31 March	**1,266,070**	1,488,434	1,434,497	**160,025**	187,009	182,816

19 Provisions

19.1 Provisions for Liabilities and Charges

19.1.1 Provisions for Liabilities and Charges (excluding Pension Liabilities)

	Early departure costs	Disallowance	Other provisions	Total
	£000	£000	£000	£000
Departmental Group				
Balance at 1 April 2010	16,185	222,541	74,452	313,178
Provided in the year	21,666	55,119	20,304	97,089
Provisions not required written back	(651)	(11,585)	(24,853)	(37,089)
Provisions utilised in year	(5,509)	(180,646)	(25,366)	(211,521)
Unwinding of discount	(94)	-	215	121
Transfers	(76)	-	22	(54)
Balance at 31 March 2011	**31,521**	**85,429**	**44,774**	**161,724**
Balance at 1 April 2011	31,521	85,429	44,774	161,724
Provided in the year	6,642	70,726	21,323	98,691
Provisions not required written back	(897)	(1,594)	(10,851)	(13,342)
Provisions utilised in year	(23,944)	(29,170)	(8,404)	(61,518)
Unwinding of discount	34	-	124	158
Transfers	(87)	-	(165)	(252)
Balance at 31 March 2012	**13,269**	**125,391**	**46,801**	**185,461**
Core and Agencies				
Balance at 1 April 2010	13,155	222,541	48,408	284,104
Provided in the year	3,260	55,119	6,379	64,758
Provisions not required written back	(651)	(11,585)	(12,676)	(24,912)
Provisions utilised in year	(4,367)	(180,646)	(16,734)	(201,747)
Unwinding of discount	(103)	-	215	112
Transfers	-	-	(54)	(54)
Balance at 31 March 2011	**11,294**	**85,429**	**25,538**	**122,261**
Balance at 1 April 2011	11,294	85,429	25,538	122,261
Provided in the year	6,610	70,726	19,323	96,659
Provisions not required written back	2	(1,594)	(8,917)	(10,509)
Provisions utilised in year	(8,011)	(29,170)	(5,358)	(42,539)
Unwinding of discount	25	-	124	149
Transfers	(87)	-	(165)	(252)
Balance at 31 March 2012	**9,833**	**125,391**	**30,545**	**165,769**
Core–Department				
Balance at 1 April 2010	3,909	222,541	42,578	269,028
Provided in the year	59	55,119	2,928	58,106
Provisions not required written back	(336)	(11,585)	(11,786)	(23,707)
Provisions utilised in year	(777)	(180,646)	(14,481)	(195,904)
Unwinding of discount	-	-	215	215
Balance at 31 March 2011	**2,855**	**85,429**	**19,454**	**107,738**
Balance at 1 April 2011	2,855	85,429	19,454	107,738
Provided in the year	274	70,726	7,563	78,563
Provisions not required written back	(16)	(1,594)	(7,995)	(9,605)
Provisions utilised in year	(943)	(29,170)	(2,455)	(32,568)
Unwinding of discount	-	-	124	124
Balance at 31 March 2012	**2,170**	**125,391**	**16,691**	**144,252**

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

	Early departure costs	Disallowance	Other provisions	Total
	£000	£000	£000	£000
Departmental Group				
Within 1 year	7,093	83,805	22,995	113,893
Between 2 and 5 years	4,902	41,586	23,262	69,750
Thereafter	1,274	-	544	1,818
Total	**13,269**	**125,391**	**46,801**	**185,461**
Core and Agencies				
Within 1 year	5,013	83,805	17,320	106,138
Between 2 and 5 years	3,732	41,586	12,712	58,030
Thereafter	1,088	-	513	1,601
Total	**9,833**	**125,391**	**30,545**	**165,769**
Core–Department				
Within 1 year	1,619	83,805	6,997	92,421
Between 2 and 5 years	92	41,586	9,181	50,859
Thereafter	459	-	513	972
Total	**2,170**	**125,391**	**16,691**	**144,252**

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 £3m included within Other provisions can be found in Note 19.1.5.

19.1.3 Early Departure Costs

This includes redundancy payments and injury benefit obligations that transferred to Defra when the Countryside Agency (CA) ceased to exist as an NDPB. This also includes the Modernising Rural Delivery funding of redundancy costs, which relates to the redundancy and relocation elements associated with the set up of NE and the Commission for Rural Communities.

19.1.4 Disallowance Provisions

- The EU can apply financial corrections if Defra (through RPA) does not comply with EU regulations for payments funded through the Common Agricultural Programme (CAP). Any amounts disallowed depend on the assessed severity of the breach of regulations and on subsequent clarification negotiations with the EU, in accordance with the Commission's clearance of accounts procedure. If disallowance is imposed by the EU this materialises as 'cash refused' by the EU (i.e. a deduction) in the UK's claim for reimbursement of claims under CAP. This results in Defra being liable for the amount of deduction.

- Liabilities exist for all schemes 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.

- Liabilities which are expected to impact in future accounting periods are disclosed as provisions, covering all relevant schemes. Where a cash refusal is expected within the next 12 months, the liability is disclosed as an accrual in resource terms. Finally, the point at which the 'cash refused' is physically transacted may come sometime after the accrual point and typically in a later accounting period. Therefore it is important to recognise that liabilities for disallowance can cover a number of scheme years and do not just reflect any disallowance imposed in the financial year covered by any single year's accounts.

- For the 2011–12 Accounts, the closing provision balance for disallowance is £125m. This consists of £94m for the Single Payment Scheme (SPS) 2010 and 2011, and £31m for non–SPS schemes. The non–SPS element includes the Fruit and Vegetable Trader Scheme 2011 of £20m, and RDPE 2009–11 of £11m. The audits for these scheme years have taken place and Defra is currently awaiting final confirmation of the amount to be disallowed.

- For those schemes where Defra has received formal notification of the final amount of disallowance and where this cash refusal is expected within the next 12 months, the 2011–12 Accounts show accruals totalling £187m. This relates to SPS 2007–9 of £130m and non–SPS of £57m. The non–SPS element includes the Fruit and Vegetable Trader Scheme 2009 of £29m, Cross–Compliance between schemes in 2008 of £23m and other smaller schemes amounting to £5m.

- In terms of cash refusals actually deducted in 2011–12 (i.e. physically transacted out of Defra's bank account), £24m was deducted relating to the 2007 Fruit and Vegetable Trader Scheme, and £7m was deducted relating to Structural Funds in previous years.

- There is an assumption that a baseline 2 percent flat rate disallowance for SPS will continue, but if this was to increase to 5 percent (the next flat rate level) the provision position would increase by £77m. Also, it has been assumed that the disallowance arising from the 2011 audit of the Fruit and Vegetable Trader Scheme will be 75 percent, following preliminary results from EU audits. Uncertainty in these assumptions will be resolved upon receipt of an Article 11 letter of notification from the EU, which will detail the level of disallowance. There is an ongoing potential liability in respect of financial corrections which is uncertain and unquantifiable at present.

19.1.5 Other Provisions

Other provisions include:

- The Onerous Lease provision of £6m relates only to 5 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 Habitats Directive (92/43/EEC) obliges the UK to select and submit sites to the EU 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 EU infraction proceedings with regard to sufficiency of designated sites. The provision currently stands at £4.4m. The estimated clearance date is 2014–15.

- Operation provisions in the Environment Agency for £12.9m to cover any dilapidations or insurance claims and any future claims for compensation payments for the flood and coastal risk management capital scheme.

- A total of £23.5m relating to smaller provisions with an individual value of less than £3m.

20 Pension Liabilities

The Department has a number of pension schemes which it manages. The details for the schemes are noted below. The Department also contributes to the PCSPS which is noted in the Remuneration Report.

The liabilities for Core–Department and Executive Agencies solely relate to the Core–Department.

20.1.1 Environment Agency Pension Liability (Closed Scheme)

The EA Closed Fund (the Fund) is vested in EA by Regulation 2(1) of the Local Government Pension Scheme Regulations 1996 and 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).

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 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.

The last formal valuation of the Fund was carried out as at 31 March 2010. The results of this valuation have been projected forward using approximate methods.

20.1.2 Nature Conservancy Council Pension

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

An actuarial valuation was carried out on these schemes as at 31 March 2012 by the Government Actuary’s Department.

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

The former CA Rural Community Councils (RCC) and Ex–Chairman pension liabilities 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).

An actuarial valuation was carried out on these schemes as at 31 March 2012 by the Government Actuary's Department.

20.1.4 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.

An actuarial valuation was carried out on these schemes as at 31 March 2012 by the Government Actuary's Department.

20.1.5 Home Grown Cereals Authority (HGCA) Pension Scheme

The HGCA Pension scheme is closed to new entrants and any new employees to AHDB join the new AHDB Pension Scheme. Actuarial Valuations are prepared on a triennial basis. The latest valuation was completed on 1 April 2010. AHDB pay funds into this scheme as part of the recovery plan agreed under the previous actuarial valuation at 1 April 2007.

20.1.6 Environment Agency Active Pension Scheme

The Environment Agency operates a defined benefit pension scheme for employees and transferees from the former Defra, National Rivers Authority (NRA), Her Majesty's Inspectorate of Pollution (HMIP), London Waste Regulation Authority (LWRA) and other local waste regulation authorities. It is a statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension.

The pension charge relating to the scheme was assessed in accordance with the advice of an independent qualified actuary using the projected unit method of valuation to calculate the service costs.

The estimated contribution payable by the Environment Agency for the year to 31 March 2013 will be approximately £39.4m.

All calculations have been made by a qualified independent actuary. Those for the years ending 31 March 2011 and 31 March 2012 were based on the most recent full actuarial valuation of the fund at 31 March 2010 updated to 31 March 2011 and 31 March 2012 respectively.

20.1.7 Natural England Pension Scheme

The Former and Current chairs of Natural England were prohibited from joining the PCSPS pension scheme, and are included in a separate pension scheme set up by Defra which is described as "by analogy to the main scheme". This is an unfunded scheme, with benefits being paid as they fall due to the employer. There is no fund, and therefore no surplus or deficit.

An actuarial valuation was carried out on these schemes as at 31 March 2012 by the Government Actuary's Department.

20.1.8 Sea Fish Industry Authority (SFIA)

SFIA contributes to the West Yorkshire Pension Fund in respect of the pension obligations to employees employed before 1 April 2006 when it was closed to new members.

In addition to the West Yorkshire Pension Fund, SFIA provisionally operated a scheme on behalf of former Herring Industry Board employees, which was also independently invested and administered. The Sea Fish Industry Pension and Life Assurance Fund (Ex–Herring Industry Board Scheme) was closed to new members and was a fully paid up scheme; however, the Scheme was formerly wound up on 31 May 1999. The annuities which had been established to cover basic pension rights of the existing pensionable members will be met by the Norwich Union. SFIA will continue to meet the indexation costs associated with basic pension rights.

For new employees, SFIA makes contributions to the scheme administered by Legal and General Group.

20.1.9 Meat and Livestock Commission Pension Scheme

The Meat and Livestock Commission (MLC) pension scheme is now closed to new entrants following the creation of the Agriculture and Horticulture Development Board (AHDB). This scheme is a contributory pension scheme. Contributions to the scheme are charged to AHDB's Statement of Comprehensive Net Expenditure and are determined by a qualified actuary on the basis of annual valuations using the projected unit method.

20.2 Charges to be Recognised in the Statement of Comprehensive Net Expenditure Including Other Comprehensive Expenditure

as at 31 March 2012	**Environment Agency Closed Scheme**	**Nature Conservancy Council Scheme**	**Former Countryside Agency RCC Scheme**	**Former Countryside Agency Ex–chairman Scheme**	**Horticultural Research International Scheme**	**Total Core–Department and Core–Department and Agencies**	**HGCA Pension Scheme**	**Environment Agency Active Scheme**	**Natural England Pensions By–Analogy Scheme**	**SFIA Scheme**	**Pension Asset – MLC Pension Scheme**	**Total Departmental Liabilities**
Scheme type	Funded	By–Analogy	By–Analogy	By–Analogy	By–Analogy		Funded	Funded	By–Analogy	Funded	Funded	
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**
Charges to Comprehensive Net Expenditure												
Current Service Cost	-	-	(26)	-	-	**(26)**	(44)	(47,351)	-	-	(700)	**(48,121)**
Interest on Obligation	(49,100)	(992)	(150)	(15)	(784)	**(51,041)**	(803)	(103,283)	-	2,520	(9,300)	**(161,907)**
Expected Return on Employer Assets	5,600	-	-	-	-	**5,600**	930	115,524	-	(2,044)	10,800	**130,810**
Past Service (Cost)/Gain	-	-	-	-	-	**-**	-	(6,105)	-	(349)	-	**(6,454)**
Losses on Curtailments and Settlements	-	-	-	-	-	**-**	-	(1,083)	-	-	-	**(1,083)**
Other expenses	(700)	-	-	-	-	**(700)**	-	-	-	-	-	**(700)**
Total	(44,200)	(992)	(176)	(15)	(784)	**(46,167)**	83	(42,298)	-	127	800	**(87,455)**
Other Comprehensive Expenditure												
Experience Gain/(Loss) on Scheme Liabilities	(20,200)	117	(17)	(11)	(367)	**(20,478)**	(1,134)	(83,058)	(21)	(3,888)	(31,100)	**(139,679)**
Changes in Financial Assumptions Underlying Present Value of Scheme Liabilities	(4,900)	(213)	(34)	(2)	(223)	**(5,372)**						**(5,372)**
	(25,100)	(96)	(51)	(13)	(590)	**(25,850)**	(1,134)	(83,058)	(21)	(3,888)	(31,100)	**(145,051)**
Actuarial Gain/(Loss) on Plan Assets	22,000	-	-	-	-	**22,000**	850	(41,600)		(1,891)	-	**(20,641)**
Actuarial Gain/(Loss) recognised	-	-	-	-	-	**-**	-	-	-	-	-	**-**
Effect of Asset Ceiling	-	-	-	-	-	**-**	289	-	-	-	30,500	**30,789**
Included in the Statement of Changes in Taxpayers' Equity	**(3,100)**	**(96)**	**(51)**	**(13)**	**(590)**	**(3,850)**	**5**	**(124,658)**	**(21)**	**(5,779)**	**(600)**	**(134,903)**
Cumulative Changes in Taxpayers' Equity	(160,400)	(7,841)	(1,000)	(145)	(3,069)	**(172,455)**	**-**	448,600	**-**	**-**	**311,795**	**587,940**

By–Analogy schemes are unfunded schemes and therefore there is no data for assets and related matters.

as at 31 March 2011

	Environment Agency Closed Scheme	Nature Conservancy Council Scheme	Former Countryside Agency RCC Scheme	Former Countryside Agency Ex–chairman Scheme	Horticultural Research International Scheme	Total Core–Department and Core–Department and Agencies	HGCA Pension Scheme	Environment Agency Active Scheme	Natural England Pensions By–Analogy Scheme	SFIA Scheme	Pension Asset – MLC Pension Scheme	Total Departmental Liabilities
Scheme type	Funded	By–Analogy	By–Analogy	By–Analogy	By–Analogy		Funded	Funded	By–Analogy	Funded	Funded	
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**
Charges to Comprehensive Net Expenditure												
Current Service Cost	-	-	(29)	-	-	**(29)**	(120)	(55,502)	(23)	(442)	(900)	**(57,016)**
Interest on Obligation	(54,100)	(862)	(128)	(14)	(716)	**(55,820)**	(919)	(107,823)	(9)	(2,322)	(10,800)	**(177,693)**
Expected Return on Employer Assets	5,800	-	-	-	-	**5,800**	962	113,550	-	2,135	11,200	**133,647**
Past Service (Cost)/Gain	50,800	1,514	277	26	2,309	**54,926**	1,214	216,523	23	4,754	13,500	**290,940**
Losses on Curtailments and Settlements	-	-	-	-	-	**-**	-	(449)	-	-	-	**(449)**
Other expenses	(800)	-	-	-	-	**(800)**	-	-	177	-	-	**(623)**
Total	1,700	652	120	12	1,593	**4,077**	1,137	166,299	168	4,125	13,000	**188,806**
Other Comprehensive Expenditure												
Experience Gain/(Loss) on Scheme Liabilities	177,700	(371)	(41)	(55)	569	**177,802**	2,001	158,213	-	4,850	15,500	**358,366**
Changes in Financial Assumptions Underlying	-	-	-	-	-	-	-	-	-	-	-	**-**
Present Value of Scheme Liabilities	39,900	727	131	(17)	899	**41,640**	-	-	-	-	-	**41,640**
	217,600	356	90	(72)	1,468	**219,442**	2,001	158,213	-	4,850	15,500	**400,006**
Actuarial Gain/(Loss) on Plan Assets	(1,500)	-	-	-	-	**(1,500)**	-	-	-	-	-	**(1,500)**
Actuarial Gain/(Loss) recognised	-	-	-	-	-	**-**	(430)	(38,700)	-	2,182	2,000	**(34,948)**
Effect of Asset Ceiling	-	-	-	-	-	**-**	(2,555)	-	-	-	(33,200)	**(35,755)**
Included in the Statement of Changes in Taxpayers' Equity Gain / (Loss)	**216,100**	**356**	**90**	**(72)**	**1,468**	**217,942**	**(984)**	**119,513**	-	**7,032**	**(15,700)**	**327,803**
Cumulative Changes in Taxpayers' Equity Gain / (Loss)	(157,300)	(7,745)	(949)	(132)	(2,479)	**(168,605)**	-	323,700	-	-	312,395	**467,490**

20.3 Analysis of Movement in the Pension Schemes Liabilities and Pension Asset

2011–12	Environment Agency Closed Scheme	Nature Conservancy Council Scheme	Former Countryside Agency RCC Scheme	Former Countryside Agency Ex–chairman Scheme	Horticultural Research International Scheme	Total Core–Department and Core–Department and Agencies	HGCA Pension Scheme	Environment Agency Active Scheme	Natural England Pensions By–Analogy Scheme	SFIA Scheme	Total Departmental Liabilities	Pension Asset MLC Pension Scheme
Scheme type	Funded	By–Analogy	By–Analogy	By–Analogy	By–Analogy		Funded	Funded	By–Analogy	Funded		Funded
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	**£000**	£000
Liabilities												
Present Value of Funded Obligations	(786,700)	-	-	-	-	**(786,700)**	(16,268)	(2,051,923)	-	(39,219)	**(2,894,110)**	(185,500)
Present Value of Unfunded Obligations	(112,500)	(18,114)	(2,843)	(285)	(15,154)	**(148,896)**	-	(22,193)	(196)	-	**(171,285)**	-
Total Liability	**(899,200)**	**(18,114)**	**(2,843)**	**(285)**	**(15,154)**	**(935,596)**	**(16,268)**	**(2,074,116)**	**(196)**	**(39,219)**	**(3,065,395)**	**(185,500)**
Assets												
Total Assets (Note 20.4)	152,500	-	-	-	-	**152,500**	18,165	1,849,136	-	29,543	**2,049,344**	197,900
Gross (Liability)/Asset	(746,700)	(18,114)	(2,843)	(285)	(15,154)	**(783,096)**	1,897	(224,980)	(196)	(9,676)	**(1,016,051)**	12,400
Less Irrecoverable surplus	-	-	-	-	-	-	(2,266)	-	-	-	**(2,266)**	(10,400)
Net (Liability)/Asset	**(746,700)**	**(18,114)**	**(2,843)**	**(285)**	**(15,154)**	**(783,096)**	**(369)**	**(224,980)**	**(196)**	**(9,676)**	**(1,018,317)**	**2,000**
Movement in Liability												
Opening Liability at 1 April	**(791,900)**	**(18,384)**	**(2,728)**	**(277)**	**(14,207)**	**(827,496)**	**(581)**	**(120,733)**	**(194)**	**(4,409)**	**(953,413)**	**1,400**
Current Service Cost	-	-	(26)	-	-	**(26)**	(44)	(47,351)	-	-	**(47,421)**	(700)
Benefits Payable	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Interest on Obligation	(49,100)	(992)	(150)	(15)	(784)	**(51,041)**	(803)	(103,283)	-	2,520	**(152,607)**	(9,300)
Contributions	80,900	1,358	112	20	427	**82,817**	124	62,708	20	385	**146,054**	400
Pension Payments to Leavers/Transfers	-	-	-	-	-	-	-	1	(1)	-	**-**	-
Past Service (Cost)/Gain	-	-	-	-	-	-	-	(6,105)	-	(349)	**(6,454)**	-
Actuarial Gain/(Loss)	(3,100)	(96)	(51)	(13)	(590)	**(3,850)**	5	(124,658)	(21)	(5,779)	**(134,303)**	(600)
Expected Return on Assets	5,600	-	-	-	-	**5,600**	930	115,524	-	(2,044)	**120,010**	10,800
Losses on Curtailments	-	-	-	-	-	-	-	(1,083)	-	-	**(1,083)**	-
Other Expenses	(700)	-	-	-	-	**(700)**	-	-	-	-	**(700)**	-
Estimated Unfunded Benefits Paid	11,600	-	-	-	-	**11,600**	-	-	-	-	**11,600**	-
Closing Liability at 31 March	**(746,700)**	**(18,114)**	**(2,843)**	**(285)**	**(15,154)**	**(783,096)**	**(369)**	**(224,980)**	**(196)**	**(9,676)**	**(1,018,317)**	**2,000**

By–Analogy schemes are unfunded schemes and therefore there is no data for assets and related matters.

It is assumed that the contributions expected to be paid to the plans for the next financial reporting period are in line with the current reporting period.

2010–11	**Environment Agency Closed Scheme**	**Nature Conservancy Council Scheme**	**Former Countryside Agency RCC Scheme**	**Former Countryside Agency Ex–chairman Scheme**	**Horticultural Research International Scheme**	**Total Core–Department and Core–Department and Agencies**	**HGCA Pension Scheme**	**Environment Agency Active Scheme**	**Natural England Pensions By–Analogy Scheme**	**SFIA Scheme**	**Total Departmental Liabilities**	**Pension Asset MLC Pension Scheme**
Scheme type	Funded	By–Analogy	By–Analogy	By–Analogy	By–Analogy		Funded	Funded	By–Analogy	Funded		Funded
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	**£000**	£000
Liabilities												
Present Value of Funded Obligations	(809,100)	-	-	-	-	**(809,100)**	(14,845)	(1,846,236)	-	(37,887)	**(2,708,068)**	(173,100)
Present Value of Unfunded Obligations	(116,500)	(18,384)	(2,728)	(277)	(14,207)	**(152,096)**	-	(22,193)	(194)	-	**(174,483)**	-
Total Liability	**(925,600)**	**(18,384)**	**(2,728)**	**(277)**	**(14,207)**	**(961,196)**	**(14,845)**	**(1,868,429)**	**(194)**	**(37,887)**	**(2,882,551)**	**(173,100)**
Assets											-	
Total Assets (Note 20.5)	133,700	-	-	-	-	**133,700**	16,819	1,747,696	-	33,478	**1,931,693**	215,400
Gross (Liability)/Asset	(791,900)	(18,384)	(2,728)	(277)	(14,207)	**(827,496)**	1,974	(120,733)	(194)	(4,409)	**(950,858)**	42,300
Less Irrecoverable surplus	-	-	-	-	-	-	(2,555)	-	-	-	**(2,555)**	(40,900)
Net (Liability)/Asset	**(791,900)**	**(18,384)**	**(2,728)**	**(277)**	**(14,207)**	**(827,496)**	**(581)**	**(120,733)**	**(194)**	**(4,409)**	**(953,413)**	**1,400**
Movement in Liability / Assets												
Opening Liability at 1 April	**(1,106,200)**	**(20,714)**	**(3,050)**	**(237)**	**(17,699)**	**(1,147,900)**	**(1,169)**	**(488,256)**	**(399)**	**(16,270)**	**(1,653,994)**	**3,600**
Current Service Cost	-	-	(29)	-	-	**(29)**	(120)	(55,502)	(23)	(442)	**(56,116)**	(900)
Benefits Payable	-	-	-	-		-	-	-	10	267	**277**	-
Interest on Obligation	(54,100)	(862)	(128)	(14)	(716)	**(55,820)**	(919)	(107,823)	(9)	(2,322)	**(166,893)**	(10,800)
Contributions	84,800	1,322	112	20	420	**86,674**	435	81,711	27	437	**169,284**	500
Pension Payments to Leavers/Transfers	-	-	-	-	11	**11**	-	-	-	-	**11**	-
Past Service (Cost)/Gain	50,800	1,514	277	26	2,309	**54,926**	1,214	216,523	23	4,754	**277,440**	13,500
Actuarial Gain/(Loss)	216,100	356	90	(72)	1,468	**217,942**	(984)	119,513	-	7,032	**343,503**	(15,700)
Expected Return on Assets	5,800	-	-	-	-	**5,800**	962	113,550	-	2,135	**122,447**	11,200
Losses on Curtailments	-	-	-	-	-	-	-	(449)	-	-	**(449)**	-
Other Expenses	(800)	-	-	-	-	**(800)**	-	-	177	-	**(623)**	-
Estimated Unfunded Benefits Paid	11,700	-	-	-	-	**11,700**	-	-	-	-	**11,700**	-
Closing Liability at 31 March	**(791,900)**	**(18,384)**	**(2,728)**	**(277)**	**(14,207)**	**(827,496)**	**(581)**	**(120,733)**	**(194)**	**(4,409)**	**(953,413)**	**1,400**

20.4 Fair Value of Employer Assets

31 March 2012	**Environment Agency Closed Scheme**	**Nature Conservancy Council Scheme**	**Former Countryside Agency RCC Scheme**	**Former Countryside Agency Ex–chairman Scheme**	**Horticultural Research International Scheme**	**Total Core–Department and Core–Department and Agencies**	**HGCA Pension Scheme**	**Environment Agency Active Scheme**	**Natural England Pensions By–Analogy Scheme**	**SFIA Scheme**	**Pension Asset MLC Pension Scheme**	**Total Departmental Assets**
	Funded	By–Analogy	By–Analogy	By–Analogy	By–Analogy		Funded	Funded	By–Analogy	Funded	Funded	
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**
Opening Fair Value of Employer Assets	**133,700**	-	-	-	-	**133,700**	**16,819**	**1,747,696**	**-**	**33,478**	**215,400**	**2,147,093**
Expected Return on Assets	5,600	-	-	-	-	**5,600**	930	115,524	-	(2,044)	10,800	**130,810**
Contributions by Members	-	-	-	-	-	**-**	16	21,700	-	-	200	**21,916**
Contributions by Employer	80,900	-	-	-	-	**80,900**	124	62,708	-	-	400	**144,132**
Contributions in Respect of Unfunded Benefits	11,600	-	-	-	-	**11,600**	-	-	-	-	-	**11,600**
Asset Gain / (Loss) during period	-	-	-	-	-	**-**	-	-	-	-	(19,500)	**(19,500)**
Actuarial Gain/(Loss)	22,000	-	-	-	-	**22,000**	850	(41,600)	-	(1,891)	-	**(20,641)**
Other Estimated Outgoings	(700)	-	-	-	-	**(700)**	-	-	-	-	-	**(700)**
Unfunded Benefits Paid	(11,600)	-	-	-	-	**(11,600)**	-	-	-	-	-	**(11,600)**
Benefits Paid	(89,000)	-	-	-	-	**(89,000)**	(574)	(56,892)	-	-	(9,400)	**(155,866)**
Closing Fair Value of Employer Assets	**152,500**	**-**	**-**	**-**	**-**	**152,500**	**18,165**	**1,849,136**	**-**	**29,543**	**197,900**	**2,247,244**

31 March 2011	**Environment Agency Closed Scheme**	**Nature Conservancy Council Scheme**	**Former Countryside Agency RCC Scheme**	**Former Countryside Agency Ex–chairman Scheme**	**Horticultural Research International Scheme**	**Total Core–Department and Core–Department and Agencies**	**HGCA Pension Scheme**	**Environment Agency Active Scheme**	**Natural England Pensions By–Analogy Scheme**	**SFIA Scheme**	**Pension Asset MLC Pension Scheme**	**Total Departmental Group**
	Funded	By–Analogy	By–Analogy	By–Analogy	By–Analogy		Funded	Funded	By–Analogy	Funded	Funded	
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**
Opening Fair Value of Employer Assets	**127,300**	-	-	-	-	**127,300**	**16,314**	**1,635,500**	-	**30,285**	**213,000**	**2,022,399**
Expected Return on Assets	5,800	-	-	-	-	**5,800**	962	113,550	-	2,135	11,200	**133,647**
Contributions by Members	-	-	-	-	-	**-**	15	23,500	-	144	200	**23,859**
Contributions by Employer	84,800	-	-	-	-	**84,800**	435	81,711	-	581	500	**168,027**
Contributions in Respect of Unfunded Benefits	11,700	-	-	-	-	**11,700**	-	-	-	-	-	**11,700**
Actuarial Gain/(Loss)	(1,500)	-	-	-	-	**(1,500)**	(430)	(38,700)	-	2,182	2,000	**(36,448)**
Other Estimated Outgoings	(800)	-	-	-	-	**(800)**	-	-	-	-	-	**(800)**
Unfunded Benefits Paid	(11,700)	-	-	-	-	**(11,700)**	-	(1,500)	-	-	-	**(13,200)**
Benefits Paid	(81,900)	-	-	-	-	**(81,900)**	(477)	(66,365)	-	(1,849)	(11,500)	**(162,091)**
Closing Fair Value of Employer Assets	**133,700**	**-**	**-**	**-**	**-**	**133,700**	**16,819**	**1,747,696**	**-**	**33,478**	**215,400**	**2,147,093**

By–Analogy schemes are unfunded schemes and therefore there is no data for assets and related matters.

20.5 Reconciliation of Defined Benefit Obligation

31 March 2012	Environment Agency Closed Scheme	Nature Conservancy Council Scheme	Former Countryside Agency RCC Scheme	Former Countryside Agency Ex–chairman Scheme	Horticultural Research International Scheme	Total Core–Department	HGCA Pension Scheme	Environment Agency Active Scheme	Natural England Pensions By–Analogy Scheme	SFIA Scheme	MLC Pension Scheme	Total
	Funded	By–Analogy	By–Analogy	By–Analogy	By–Analogy		Funded	Funded	By–Analogy	Funded	Funded	
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**
Opening Defined Benefit Obligation	**(925,600)**	**(18,384)**	**(2,728)**	**(277)**	**(14,207)**	**(961,196)**	**(14,845)**	**(1,868,429)**	**(194)**	**(37,887)**	**(173,100)**	**(3,055,651)**
Current Service Cost	-	-	(25)	-	-	**(25)**	(44)	(47,352)	-	-	(700)	**(48,121)**
Employee Contributions	-	-	(1)	-	-	**(1)**	(16)	(21,698)	(1)	385	(200)	**(21,531)**
Interest on Obligation	(49,100)	(992)	(150)	(15)	(784)	**(51,041)**	(803)	(103,283)	-	2,520	(9,300)	**(161,907)**
Benefits Paid	89,000	-	-	-	-	**89,000**	574	56,892	-	-	9,400	**155,866**
Contributions	-	1,358	112	20	427	**1,917**	-	-	20	-	-	**1,937**
Losses on Curtailments/Settlements	-	-	-	-	-	-	-	(1,083)	-	-	-	**(1,083)**
Transfers In	-	-	-	-	-	-	-	-	-	-	-	**0**
Past Service Gain/(Loss)	-	-	-	-	-	-	-	(6,105)	-	(349)	-	**(6,454)**
Actuarial Gain/(Loss)	(25,100)	(96)	(51)	(13)	(590)	**(25,850)**	(1,134)	(83,058)	(21)	(3,888)	(11,600)	**(125,551)**
Estimated Unfunded Benefits Paid	11,600	-	-	-	-	**11,600**	-	-	-	-	-	**11,600**
Expected return on assets	-	-	-	-	-	-	-	-	-	-	-	**-**
Closing Defined Benefit Obligation	**(899,200)**	**(18,114)**	**(2,843)**	**(285)**	**(15,154)**	**(935,596)**	**(16,268)**	**(2,074,116)**	**(196)**	**(39,219)**	**(185,500)**	**(3,250,895)**

Analysis of Closing Balance of Defined Benefit Obligation

	Environment Agency Closed Scheme	Nature Conservancy Council Scheme	Former Countryside Agency RCC Scheme	Former Countryside Agency Ex–chairman Scheme	Horticultural Research International Scheme	Total Core–Department	HGCA Pension Scheme	Environment Agency Active Scheme	Natural England Pensions By–Analogy Scheme	SFIA Scheme	MLC Pension Scheme	Total
Present Value of Funded Obligations	(786,700)	-	-	-	-	**(786,700)**	(16,268)	(2,051,923)	-	(39,219)	(185,500)	**(3,079,610)**
Present Value of Unfunded Obligations	(112,500)	(18,114)	(2,843)	(285)	(15,154)	**(148,896)**	-	(22,193)	(196)	-	-	**(171,285)**
Total Liability	**(899,200)**	**(18,114)**	**(2,843)**	**(285)**	**(15,154)**	**(935,596)**	**(16,268)**	**(2,074,116)**	**(196)**	**(39,219)**	**(185,500)**	**(3,250,895)**

31 March 2011	Environment Agency Closed Scheme	Nature Conservancy Council Scheme	Former Countryside Agency RCC Scheme	Former Countryside Agency Ex–chairman Scheme	Horticultural Research International Scheme	Total Core–Department	HGCA Pension Scheme	Environment Agency Active Scheme	Natural England Pensions By–Analogy Scheme	SFIA Scheme	MLC Pension Scheme	Total
	Funded	By–Analogy	By–Analogy	By–Analogy	By–Analogy		Funded	Funded	By–Analogy	Funded	Funded	
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**
Opening Defined Benefit Obligation	**(1,233,500)**	**(20,714)**	**(3,050)**	**(237)**	**(17,699)**	**(1,275,200)**	**(17,483)**	**(2,123,707)**	**(399)**	**(46,555)**	**(201,700)**	**(3,665,044)**
Current Service Cost	-	-	(29)	-	-	**(29)**	(120)	(55,502)	(23)	(442)	(900)	**(57,016)**
Employee Contributions	-	-	-	-	-	**-**	(15)	(23,542)	-	(144)	(200)	**(23,901)**
Interest on Obligation	(54,100)	(862)	(128)	(14)	(716)	**(55,820)**	(919)	(107,823)	(9)	(2,322)	(10,800)	**(177,693)**
Benefits Paid	81,900	-	-	-	-	**81,900**	477	66,358	10	1,972	11,500	**162,217**
Contributions	-	1,322	112	20	420	**1,874**	-	-	27	-	-	**1,901**
Losses on Curtailments/Settlements	-	-	-	-	-	**-**	-	(449)	-	-	-	**(449)**
Transfers In	-	-	-	-	11	**11**	-	-	-	-	-	**11**
Past Service Gain/(Loss)	50,800	1,514	277	26	2,309	**54,926**	1,214	216,523	23	4,754	13,500	**290,940**
Actuarial Gain/(Loss)	217,600	356	90	(72)	1,468	**219,442**	2,001	158,213	-	4,850	15,500	**400,006**
Estimated Unfunded Benefits Paid	11,700	-	-	-	-	**11,700**	-	1,500	177	-	-	**13,377**
Expected return on assets	-	-	-	-	-	**-**	-	-	-	-	-	-
Closing Defined Benefit Obligation	**(925,600)**	**(18,384)**	**(2,728)**	**(277)**	**(14,207)**	**(961,196)**	**(14,845)**	**(1,868,429)**	**(194)**	**(37,887)**	**(173,100)**	**(3,055,651)**

Analysis of Closing Balance of Defined Benefit Obligation

Present Value of Funded Obligations	(809,100)	-	-	-	-	**(809,100)**	(14,845)	(1,846,236)	-	(37,887)	(173,100)	**(2,881,168)**
Present Value of Unfunded Obligations	(116,500)	(18,384)	(2,728)	(277)	(14,207)	**(152,096)**	-	(22,193)	(194)	-	-	**(174,483)**
Total Liability	**(925,600)**	**(18,384)**	**(2,728)**	**(277)**	**(14,207)**	**(961,196)**	**(14,845)**	**(1,868,429)**	**(194)**	**(37,887)**	**(173,100)**	**(3,055,651)**

20.6 History of Experience Gains and Losses

		Environment Agency Closed Scheme (funded)					Nature Conservancy Council Scheme (unfunded)					Former Countryside Agency RCC Scheme (unfunded)				
	Year ended :	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Section 1	Fair Value of Employer Assets	152,500	133,700	127,300	111,200	115,600	-	-	-	-	-	-	-	-	-	-
	Present Value of Defined Benefit Obligation	(899,200)	(925,600)	(1,233,500)	(1,055,800)	(1,162,300)	(18,114)	(18,384)	(20,714)	(17,608)	(18,806)	(2,843)	(2,728)	(3,068)	(2,406)	(2,690)
	(Deficit)/Surplus	(746,700)	(791,900)	(1,106,200)	(944,600)	(1,046,700)	(18,114)	(18,384)	(20,714)	(17,608)	(18,806)	(2,843)	(2,728)	(3,068)	(2,406)	(2,690)
Section 2	Experience Gains/(Losses) on Assets	22,000	(1,500)	10,300	(6,500)	9,700	-	-	-	-	-	-	-	-	-	-
	Experience Gains/(Losses) on Liabilities	(20,200)	177,700	3,500	17,500	(139,400)	117	(371)	122	(536)	(534)	(17)	(41)	3	80	(121)
Section 3	Actuarial Gains/(Losses) on Employer Assets	22,000	(1,500)	10,300	(6,500)	9,700	-	-	-	-	-	-	-	-	-	-
	Actuarial Gains/(Losses) on Obligation	(25,100)	217,600	(213,500)	69,800	(100,300)	(96)	356	(3,449)	758	(1,198)	(51)	108	(605)	275	3
	Actuarial Gains/(Losses) recognised in SCTE	(3,100)	216,100	(203,200)	63,300	(90,600)	(96)	356	(3,449)	758	(1,198)	(51)	108	(605)	275	3

		Former Countryside Agency Ex–chairman Scheme (unfunded)					Horticultural Research International Scheme (unfunded)					HGCA Pension Scheme (funded)				
	Year ended :	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Section 1	Fair Value of Employer Assets	-	-	-	-	-	-	-	-	-	-	18,165	16,819	16,314	11,243	12,115
	Present Value of Defined Benefit Obligation	(285)	(277)	(333)	(201)	(206)	(15,154)	(14,207)	(17,699)	(13,183)	(14,531)	(16,268)	(14,845)	(17,483)	(10,565)	(12,362)
	(Deficit)/Surplus before irrecoverable surplus	(285)	(277)	(333)	(201)	(206)	(15,154)	(14,207)	(17,699)	(13,183)	(14,531)	1,897	1,974	(1,169)	678	(247)
Section 2	Experience Gains/(Losses) on Assets	-	-	-	-	-	-	-	-	-	-	850	(430)	2,403	(2,294)	(251)
	Experience Gains/(Losses) on Liabilities	(11)	(55)	(1)	(8)	55	(367)	569	66	(134)	(179)	(1,134)	2,001	(5,371)	2,812	1,321
Section 3	Actuarial Gains/(Losses) on Employer Assets	-	-	-	-	-	-	-	-	-	-	850	(430)	2,403	(2,294)	(251)
	Effect of limit of asset ceiling	-	-	-	-	-	-	-	-	-	-	289	(2,555)	-	-	-
	Actuarial Gains/(Losses) on Obligation	(13)	24	(138)	-	53	(590)	1,468	(4,185)	1,685	1,101	(1,134)	2,001	(5,371)	2,812	1,321
	Actuarial Gains/(Losses) recognised in SCTE	(13)	24	(138)	-	53	(590)	1,468	(4,185)	1,685	1,101	5	(984)	(2,968)	518	1,070

Environment Agency Active Scheme (funded)

	Year ended :	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08
		£000	£000	£000	£000	£000
Section 1	Fair Value of Employer Assets	1,849,100	1,747,696	1,635,451	1,123,615	1,490,615
		-				
	Present Value of Defined Benefit Obligation	(2,075,000)	(1,868,429)	(2,123,707)	(1,441,060)	(1,686,397)
	(Deficit)/Surplus	(225,900)	(120,733)	(488,256)	(317,445)	(195,782)
Section 2	Experience Gains/(Losses) on Assets	(41,600)	(38,748)	401,956	(511,321)	(161,097)
	Experience Gains/(Losses) on Liabilities	(21,600)	8,913	(278)	48	(7,987)
Section 3	Actuarial Gains/(Losses) on Employer Assets	(41,600)	(38,748)	401,956	(511,321)	(161,097)
	Actuarial Gains/(Losses) on Obligation	(83,200)	158,261	(566,294)	402,118	200,841
	Actuarial Gains/(Losses) recognised in SCTE	(124,800)	119,513	(164,338)	(109,203)	39,744

Natural England Pensions By–Analogy Scheme (unfunded)

	Year ended :	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08
		£000	£000	£000	£000	£000
Section 1	Fair Value of Employer Assets	-	-	-	-	-
	Present Value of Defined Benefit Obligation	(216)	(194)	(215)	(166)	(273)
	(Deficit)/Surplus	(216)	(194)	(215)	(166)	(273)
Section 2	Experience Gains/(Losses) on Assets	-	-	-	-	-
	Experience Gains/(Losses) on Liabilities	(2)	(5)	(10)	69	7
Section 3	Actuarial Gains/(Losses) on Employer Assets	-	-	-	-	-
	Actuarial Gains/(Losses) on Obligation	(1)	23	(27)	(53)	8
	Actuarial Gains/(Losses) recognised in SCTE	(1)	23	(27)	(53)	8

SFIA Scheme (funded)

	Year ended :	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08
		£000	£000	£000	£000	£000
Section 1	Fair Value of Employer Assets	29,543	33,478	30,285	23,067	29,713
	Present Value of Defined Benefit Obligation	(39,219)	(37,887)	(46,555)	(32,848)	(38,090)
	(Deficit)/Surplus	(9,676)	(4,409)	(16,270)	(9,781)	(8,377)
Section 2	Experience Gains/(Losses) on Assets	(1,891)	2,135	1,477	2,032	2,122
	Experience Gains/(Losses) on Liabilities	(3,888)	(2,322)	(2,282)	(2,306)	(1,831)
Section 3	Actuarial Gains/(Losses) on Employer Assets	(1,891)	2,135	1,477	2,032	2,122
	Actuarial Gains/(Losses) on Obligation	(3,888)	47	-	-	-
	Actuarial Gains/(Losses) recognised in SCTE	(5,779)	2,182	1,477	2,032	2,122

MLC Scheme (funded)

	Year ended :	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08
		£000	£000	£000	£000	£000
Section 1	Fair Value of Employer Assets	197,900	215,400	213,000	182,100	212,732
	Present Value of Defined Benefit Obligation	(185,500)	(173,100)	(201,700)	(156,500)	(163,100)
	(Deficit)/Surplus before irrecoverable surplus	12,400	42,300	11,300	25,600	49,632
Section 2	Experience Gains/(Losses) on Assets	(31,100)	2,000	(12,300)	(33,800)	(1,600)
	Experience Gains/(Losses) on Liabilities	11,600	10,900	800	(1,100)	1,500
Section 3	Actuarial Gains/(Losses) on Employer Assets	(31,100)	2,000	(12,300)	(33,800)	(1,600)
	Effect of limit of asset ceiling	30,500	(33,200)	6,300	21,400	(36,000)
	Actuarial Gains/(Losses) on Obligation	-	15,500	(600)	9,600	26,200
	Actuarial Gains/(Losses) recognised in SCTE	(600)	(15,700)	(6,600)	(2,800)	(11,400)

20.7 Fair Value Assets of the Fund

The assets in the scheme and the expected rate of return were:

as at 31 March 2012	Environment Agency Closed Scheme	Nature Conservancy Council Scheme	Former Countryside Agency RCC Scheme	Former Countryside Agency Ex–chairman Scheme	Horticultural Research International Scheme	Total Core–Department	HGCA Pension Scheme	Environment Agency Active Scheme	Natural England Pensions By–Analogy Scheme	SFIA Scheme	MLC Pension Scheme	Total
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**
Equities	-	-	-	-	-	**-**	7,266	1,165,436	-	21,277	67,029	**1,261,008**
Bonds	144,700	-	-	-	-	**144,700**	10,536	511,200	-	5,022	-	**671,458**
Property	-	-	-	-	-	**-**	272	59,200	-	1,182	-	**60,654**
Cash	7,800	-	-	-	-	**7,800**	91	113,300	-	2,062	851	**124,104**
Insurance Policy	-	-	-	-	-	-	-	-	-	-	130,020	**130,020**
Total 31 March 2012	**152,500**	**-**	**-**	**-**	**-**	**152,500**	**18,165**	**1,849,136**	**-**	**29,543**	**197,900**	**2,247,244**
Percentage of Closing Fair Value												
	%	**%**	**%**	**%**	**%**		**%**	**%**	**%**	**%**	**%**	
Equity	-	-	-	-	-		40	63	-	72	34	
Bonds	95	-	-	-	-		58	28	-	17	-	
Property	-	-	-	-	-		1	3	-	4	-	
Cash	5	-	-	-	-		1	6	-	7	1	
Insurance Policy	-	-	-	-	-		-	-	-	-	65	
Total	100	-	-	-	-		100	100	-	100	100	
as at 31 March 2011												
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**
Equities	-	-	-	-	-	**-**	7,569	1,170,996	-	25,443	66,558	**1,270,566**
Bonds	126,800	-	-	-	-	**126,800**	8,914	454,400	-	5,357	149,057	**744,528**
Property	-	-	-	-	-	**-**	168	52,400	-	1,302	-	**53,870**
Cash	6,900	-	-	-	-	**6,900**	168	69,900	-	1,376	(215)	**78,129**
Total 31 March 2011	**133,700**	**-**	**-**	**-**	**-**	**133,700**	**16,819**	**1,747,696**	**-**	**33,478**	**215,400**	**2,147,093**
Percentage of Closing Fair Value												
	%	**%**	**%**	**%**	**%**		**%**	**%**	**%**	**%**	**%**	
Equity	-	-	-	-	-		45	67	-	76	31	
Bonds	95	-	-	-	-		53	26	-	16	69	
Property	-	-	-	-	-		1	3	-	4	-	
Cash	5	-	-	-	-		1	4	-	4	-	
Total	100	-	-	-	-		100	100	-	100	100	

By–Analogy schemes are unfunded schemes and therefore there is no data for assets and related matters.

In June 2011 the MLC Trustees concluded an arrangement to purchase a buy–in policy with an insurance provider (Aviva) to cover the future liabilities of the scheme in relation to the in–payment pension obligations at that time.

20.8 Financial Assumptions

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:

as at 31 March 2012	Environment Agency Closed Scheme	Nature Conservancy Council Scheme	Former Countryside Agency RCC Scheme	Former Countryside Agency Ex–Chairmen Scheme	Horticultural Research International Scheme	HGCA Pension Scheme	Environment Agency Active Scheme	Natural England Pensions By–Analogy Scheme	SFIA Scheme	MLC Pension Scheme
	% pa	% pa	% pa	% pa	% pa	% pa	% pa	% pa	% pa	% pa
Inflation/Pension Increase Rate (CPI)	2.0	2.0	2.0	2.0	2.0	2.3	2.2	2.0	2.5	2.3
Salary Increase Rate	3.8	4.3	4.3	4.3	4.3	3.8	4.3	4.3	5.0	3.8
Expected Return on Assets										
Equities	-	-	-	-	-	-	6.2	-	8.1	-
Bonds	3.3	-	-	-	-	-	3.9	-	3.1	-
Property	-	-	-	-	-	-	4.4	-	7.6	-
Cash	3.5	-	-	-	-	-	3.5	-	1.8	-
Other	-	-	-	-	-	5.1	-	-	8.1	5.5
Discount Rate	4.9	4.9	4.9	4.9	4.9	4.6	4.8	4.9	4.7	4.6

as at 31 March 2011	% pa	% pa	% pa	% pa	% pa	% pa	% pa	% pa	% pa	% pa
Inflation/Pension Increase Rate (CPI)	2.7	2.7	2.7	2.7	2.7	3.6	2.5	2.7	2.7	3.6
Salary Increase Rate	4.4	4.9	4.9	4.9	4.9	4.1	4.6	4.9	5.1	4.1
Expected Return on Assets										
Equities	-	-	-	-	-	-	7.5	-	8.4	-
Bonds	4.3	-	-	-	-	-	4.9	-	4.4	-
Property	-	-	-	-	-	-	5.5	-	7.9	-
Cash	4.6	-	-	-	-	-	4.6	-	1.5	-
Other	-	-	-	-	-	5.6	-	-	8.4	5.6
Discount Rate	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.6	5.5	5.5

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

20.9 Mortality Assumptions

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:

	Environment Agency Closed Scheme		Nature Conservancy Council Scheme		Former Countryside Agency RCC Scheme		Former Countryside Agency Ex–chairman Scheme		Horticultural Research International Scheme	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Average future life expectancies at age 65										
Current Pensioners (years)	20.5	22.9	24.0	27.3	24.0	27.3	24.0	27.3	24.0	27.3
Future Pensioners (years)	21.5	24.0	26.9	30.4	26.9	30.4	26.9	30.4	26.9	30.4

	HGCA Pension Scheme		Environment Agency Active Scheme		Natural England Pensions By–Analogy Scheme		SFIA Scheme		MLC Pension Scheme	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Average future life expectancies at age 65										
Current Pensioners (years)	22.0	25.0	21.3	23.3	24.0	27.3	22.3	24.1	21.9	24.9
Future Pensioners (years)	22.2	25.1	23.3	25.2	26.9	30.4	23.8	26.1	24.1	27.1

20.10 Sensitivity Analysis

IAS 1 requires the disclosure of the sensitivity of the results to the methods and assumptions used. Any changes in assumptions would impact on the EA pension schemes.

The sensitivities regarding the principal assumptions used to measure the EA Closed scheme liabilities are set out below:

Change in Assumptions at year ended 31 March 2012	Approximate % increase in Employer Liability	Approximate Monetary Amount
	%	£m
0.5% decrease in real discount rate	3	31
1 year increase in member life expectancy	3	27
0.5% increase in pension increase rate	3	32

The sensitivities regarding the principal assumptions used to measure the EA Active scheme liabilities are set out below:

Change in Assumptions at year ended 31 March 2012	Approximate % increase in Employer Liability	Approximate Monetary Amount
	%	£m
0.5% decrease in real discount rate	11	230
1 year increase in member life expectancy	3	62
0.5% increase in salary increase rate	4	81
0.5% increase in pension increase rate	7	147

21 Capital Commitments

	2011–12			2010–11		
	Core–Department	Core–Department and Agencies	Departmental Group	Core–Department	Core–Department and Agencies	Departmental Group
	£000	£000	£000	£000	£000	£000
Contracted capital commitments at 31 March for which no provision has been made:						
Property, plant and equipment	451	4,370	32,158	603	1,507	41,922
Intangible assets	64	64	437	-	557	921
	515	**4,434**	**32,595**	603	2,064	42,843

22 Commitments under Leases

22.1 Operating Leases

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

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental group
	£000	**£000**	**£000**	£000	£000	£000
Obligations under operating leases comprise						
Land						
Land Operating Leases - Not later than 1 year	8	68	557	6	66	572
Land Operating Leases - 1 to 5 years	23	185	2,243	19	116	2,151
Land Operating Leases - Over 5 years	252	386	3,879	283	862	4,746
Total of Land Operating Leases	**283**	**639**	**6,679**	308	1,044	7,469
Buildings						
Buildings Operating Leases - Not later than 1 yr	17,820	25,475	37,759	17,240	26,070	39,450
Buildings Operating Leases leases - 1 to 5 years	52,874	73,101	110,057	60,972	84,879	126,234
Buildings Operating Leases leases- Over 5 years	108,865	127,561	176,377	120,838	155,841	212,578
Total of Buildings Operating Leases	**179,559**	**226,137**	**324,193**	199,050	266,790	378,262
Other						
Other Operating Leases - Not later than 1 year	-	444	12,697	-	983	15,003
Other Operating Leases - 1 to 5 years	-	408	11,749	-	1,050	16,858
Other Operating Leases - Over 5 years	-	-	-	-	-	-
Total of Other Operating Leases	**-**	**852**	**24,446**	-	2,033	31,861

The consolidated land and buildings figures within this note show 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.

Included within the above figures, is a commitment of £42.0m in respect of 3–8 Whitehall place for 2011–12 (2010–11, £46.3m). 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.

22.2 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:

	2011–12 Core–Department £000	2011–12 Core–Department and Agencies £000	2011–12 Departmental Group £000	2010–11 Core–Department £000	2010–11 Core–Department and Agencies £000	2010–11 Departmental Group £000
Obligations under finance leases comprise						
Buildings						
Buildings Finance Leases – Not later than 1 year	-	-	-	-	-	-
Buildings Finance Leases – 1 to 5 years	-	-	-	-	-	-
Buildings Finance Leases – Over 5 years	-	-	-	-	-	-
	-	-	-	-	-	-
Less: Interest element on Buildings Finance Leases	-	-	-	-	-	-
Total of Buildings Finance Leases	**-**	**-**	**-**	-	-	-
Other						
Other Finance Leases – Not later than 1 year	-	640	640	-	629	629
Other Finance Leases – 1 to 5 years	-	626	626	-	1,165	1,165
	-	1,266	1,266	-	1,794	1,794
Less: Interest element – Other	-	(291)	(291)	-	(536)	(536)
Total of Other Finance Leases	**-**	**975**	**975**	-	1,258	1,258

	2011–12 Core–Department £000	2011–12 Core–Department and Agencies £000	2011–12 Departmental Group £000	2010–11 Core–Department £000	2010–11 Core–Department and Agencies £000	2010–11 Departmental Group £000
Present value of obligations under finance leases comprise						
Buildings						
Buildings Finance Leases – Not later than 1 year	-	-	-	-	-	-
Buildings Finance Leases – 1 to 5 years	-	-	-	-	-	-
Buildings Finance Leases – Over 5 years	-	-	-	-	-	-
Total of present value of obligations under buildings finance leases	**-**	**-**	**-**	-	-	-
Other						
Other Finance Leases – Not later than 1 year	-	530	530	-	517	517
Other Finance Leases – 1 to 5 years	-	445	445	-	741	741
Total of present value of obligations under other finance leases	**-**	**975**	**975**	-	1,258	1,258

22.3 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:

	2011–12 Core–Department £000	2011–12 Core–Department and Agencies £000	2011–12 Departmental Group £000	2010–11 Core–Department £000	2010–11 Core–Department and Agencies £000	2010–11 Departmental Group £000
Obligations under service concession arrangement comprise						
Obligation under service concession arrangement – Not later than 1 year	1,914	3,139	4,359	2,850	4,464	6,729
Obligation under service concession arrangement – 1 to 5 years	8,458	14,172	19,600	12,425	19,454	29,331
Obligation under service concession arrangement – Over 5 Years	2,484	4,074	5,657	6,294	9,854	14,858
	12,856	21,385	29,616	21,569	33,772	50,918
Less: Interest element	(2,738)	(4,765)	(6,724)	(5,085)	(7,961)	(12,003)
Obligations under Service Concession Arrangement	**10,118**	**16,620**	**22,892**	16,484	25,811	38,915

	2011–12 Core–Department £000	2011–12 Core–Department and Agencies £000	2011–12 Departmental group £000	2010–11 Core–Department £000	2010–11 Core–Department and Agencies £000	2010–11 Departmental group £000
Present values of obligations under service concession arrangement comprise						
Right of Use Assets						
Obligation under service concession arrangement – Not later than 1 year	1,770	2,908	4,005	2,662	4,169	6,284
Obligation under service concession arrangement – 1 to 5 years	6,791	11,154	15,363	9,777	15,307	23,080
Obligation under service concession arrangement – Over 5 Years	1,557	2,558	3,524	4,045	6,335	9,551
Total obligation under service concession arrangement	**10,118**	**16,620**	**22,892**	16,484	25,811	38,915

23 Commitments Under PFI Contracts

23.1 Off–balance Sheet

The majority of PFI contracts associated with Defra are funded by NDPBs and Public Corporations.

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 0.39 percent of the building and recharges other occupiers for their share of the costs.

In addition, EA has entered into two Public Private Partnership (PPP) Contracts. These are:

Broadland Flood Alleviation Project

This contract commenced in February 2001. It is a contract costing in excess of £120m over a 20 year period, to restore flood defences to at least the levels measured in a 1995 topographical survey of the area. The improvement works are to be completed by 2015.

Expenditure incurred during the period is charged to the Statement of Comprehensive Net Expenditure. For maintenance work, emergency response and strategy development, costs are accrued based on the agreed annual charge for these services. For planning approvals and improvement works, costs are recognised when the work is completed in accordance with the ‘Framework for the Preparation and Presentation of Financial Statements’. For planning approvals, costs are recognised when formal notification of the granting of planning permission has been received. For improvement works, the flood defence work is recognised when the Environment Agency accepts the work through the issuing of an Improved Service Level Certificate. The contract end date is May 2021.

Pevensey Bay Sea Defences

In May 2000, EA and Pevensey Coastal Defence Ltd (PCDL) signed a £27.4m PPP contract for the Pevensey Bay Sea Defences. The contract is for 25 years and PCDL will carry out improvement works and maintain the sea defences, in return for a monthly fee. In May 2003 the contract was varied to include the Sovereign Harbour frontage. The current contract value with a January 2011 price base is £39.4m. Under the contract PCDL have carried out improvement works, and now continue to maintain the improved sea defences in return for a monthly fee, detailed in an annual payments schedule. The contract is based on the provision of a service rather than the creation of a physical asset. The principal service provided under the contract is protection against the breaching and erosion of the sea defences up to specified service levels.

Full details of the PPP contracts can be found in the EA accounts[48].

[48] www.environment-agency.gov.uk

23.2 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 £16,428,000 (2010–11 £16,218,000). The payments to which the Department is committed are as follows:

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Not later than one year	17	17	13,620	84	100	16,905
Later than one year and not later than five years	78	78	28,924	376	448	39,030
Later than five years	411	411	47,342	2,015	2,400	50,463
	506	**506**	**89,886**	2,475	2,948	106,398
Number of on–balance sheet PFI contracts	-	-	-	-	-	-
Number of on–balance sheet PFIs over £500m	-	-	-	-	-	-
Number of off–balance sheet PFI contract	1	1	3	1	1	3
Number of off–balance sheet PFIs over £500m	-	-	-	-	-	-
	1	**1**	**3**	1	1	3
Estimated capital value of off–balance sheet PFIs	-	-	191,480	-	-	188,950

24 Other Financial Commitments

The Department has entered into non–cancellable contracts (which are not leases, PFI contracts or other service concession arrangements). The payments to which the Department is committed are as follows:

	2011–12			2010–11		
	Core–Department	**Core–Department and Agencies**	**Departmental Group**	Core–Department	Core–Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Not later than one year	75,125	132,872	173,314	81,133	136,979	178,239
Later than one year and not later than five years	178,950	365,624	456,496	234,529	408,887	496,398
Later than five years	93,853	254,857	276,958	149,593	345,906	385,041
	347,928	**753,353**	**906,768**	465,255	891,772	1,059,678

Within the other financial commitments disclosure, £376,207,000 (2010–11, £430,544,000) relate to facilities management costs associated with the occupation of buildings that are either owned or leased by Defra or specialised properties held on Executive 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.

25 Contingent Liabilities Disclosed under IAS 37 and Contingent Assets

25.1 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 2012, 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 to the Core–Department is estimated at £15–30m.

- Infringements of the Urban Waste Water Treatment Directive could lead to substantial fines for the Core–Department from the EU (unquantifiable).

- Potential future claims against the Core–Department for pollution that may arise from FMD Farm Burial Grounds (unquantifiable).

- 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 against the Core–Department over and above the existing provision. The potential liability is £21.2m.

- Possible European Court of Justice fines relating to alleged failure to transpose the Wild Birds Directive. The potential liability to the Core–Department is £7–8m.

- As part of the revised contract with our Facilities Management providers it has been agreed that under certain conditions arising from the rationalisation of the estate and subsequent reduction in demand, any restructuring costs such as redundancies or early retirement will be recharged to Defra (unquantifiable).

- The EU is considering the UK response to a letter of formal notice alleging non–conformity in relation to various aspects of the transposition of the Water Framework Directive. The potential liability is not quantifiable at this stage.

- Fera was awarded a European Regional Development Fund (ERDF) grant, administered by Yorkshire Forward/Department for Communities and Local Government (DCLG), of £2m to refurbish science accommodation and provide supporting infrastructure to let out to small and medium sized science–based enterprises. The works were completed during March 2011. If Fera are unable to meet the objectives and conditions of the grant, some monies may be repayable to ERDF (unquantifiable).

- Fera is responsible for 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 EU has acknowledged that sugar levy rates, advised by regulation, were incorrect leading to overcharged levies during the period 2002 to 2006. The EU has issued new regulations which are being challenged by sugar producers with the EU. The potential liability is held by RPA (unquantifiable).

- RPA is currently in receipt of appeals from scheme claimants against the non payment of claims covering the Single Payment Scheme (SPS) and Trader related schemes. If the appeals are successful they could either result in a liability for EU or Exchequer funded payments. The amount of any such potential liability is unquantifiable.

- Cefas management consider specific risks exist relating to potential claims. The range of these contingent liabilities is currently believed to individually be between no claim and £150,000. The total value of all claims is unquantifiable.

- Potential liabilities arising from small claims, individually less than £3m, against Defra and its Executive Agencies. The potential liability is estimated at no more than £7.2m.

In addition to the liabilities of the Core–Department and Executive Agencies the following NDPB liabilities are included for information:

- JNCC is currently awaiting a hearing date for an industrial tribunal. The case is likely to be heard within the next 12 months but it is not possible to accurately estimate the potential costs as these are subject to legal process.

- Potential obligations for remedial work on contaminated assets should the Environment Agency dispose of the assets and legal claims are made by third parties. Potential liability is estimated at £4.1m.

- Natural England is involved in certain claims and litigation relating to its core purpose. In the opinion of management the liabilities, if any, arising from these claims and litigation will not have a material impact on the financial position or results (unquantifiable).

- Potential liabilities arising from small claims, individually less than £3m, against Defra's NDPBs. The potential liability is estimated at no more than £2.4m.

25.2 Contingent Assets

At 31 March 2012, the main items under this heading were:

- 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 (unquantifiable).

- 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 2012, the UK Government will provide member contributions to CABI, amounting to 29.4 percent of total member state contributions. Under the agreement, the Government is required to underwrite any future deficit or recover any surplus in the event of CABI wind–up in the same proportion as its member contribution. As at December 2011, CABI held net assets to the value of £7.9m. This included financial liabilities relating to a defined benefit pension scheme to which CABI belongs, based on a valuation of the Scheme as at 31 December 2008. The Scheme is currently being re–valued.

- Once correct rates are confirmed by regulation, the repayment of overcharged sugar levy will be reimbursed to RPA by the EU. The above contingent liability is matched by an equal contingent asset (unquantifiable).

- Defra has other potential small assets, individually valued at less than £3m, with an estimated value of £3m.

In addition to the Core–Department and Executive Agency assets the following NDPB asset is included for information:

- Natural England has entered into a management and purchase agreement with a private company relating to land at Bolton Fell Moss, Cumbria. Under the agreement signed in March 2010 the company has agreed to phase out peat extraction from the site by November 2013. Once peat extraction is complete the ownership will transfer to Natural England and the land will be included in the Statement of Financial Position (unquantifiable).

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

26.1 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.

A transfer of economic benefits is 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 (CGMA) 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 (2010–11, £10m). Funding would not be available to CGMA until after 1 April 2015.

- Indemnity signed by the Defra, the Canal and River Trust and British Waterways pension trustees in relation to the historic public sector pension liability. The potential liability is estimated at £125m (new liability in 2011–12).

- Potential liabilities arising from small claims, individually less than £3m, against Defra. The potential liability is estimated at no more than £1m (2010–11, £1m).

26.2 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.

- 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.

27 Losses and Special Payments

27.1 Losses Statement

Losses Values	2011–12 Core–Department	Core–Department and Agencies	Departmental Group	2010–11 Core–Department	Core–Department and Agencies	Departmental Group
	£000	£000	£000	£000	£000	£000
Cash losses	1,024	5,617	6,192	3,271	10,830	11,576
Stores losses	55	55	94	-	11	51
Administrative write–offs	-	101	2,010	-	15	4,101
Fruitless payments	-	-	16	-	13	14
Constructive losses	174	174	174	173	173	1,269
Claims abandoned	225	5,360	5,360	228	1,331	1,331
Realised Exchange Losses	-	2,627	2,627	-	18,325	18,325
Total	**1,478**	**13,934**	**16,473**	3,672	30,698	36,667

Number of Cases	Core–Department	Core–Department and Agencies	Departmental Group	Core–Department	Core–Department and Agencies	Departmental Group
	Number	Number	Number	Number	Number	Number
Cash losses	25	111	357	6	1,286	1,584
Stores losses	2	2	42	-	31	63
Administrative write offs	-	6	838	-	5	1,328
Fruitless payments	-	-	22	-	9	22
Constructive losses	1	1	1	1	1	2
Claims abandoned	15	17,348	17,348	35	12,119	12,119
Realised Exchange Losses	-	1	1	-	1	1
Total	**43**	**17,469**	**18,609**	42	13,452	15,119

Details of Cases over £250,000

- £1,348,000 relating to G Growers Ltd. The company received payments under the 'Fresh Fruit and Vegetable Aid Scheme' 2004–2008. Due to a misinterpretation of EU regulation the company was paid the full purchase cost of 'certified seeds' rather than a proportion of cost. RPA advised the company that the payments would be honoured and after legal advice the resulting overpayments for 2004–2008 have been written off.

- £812,000 relating to G Growers Ltd. The company received payments under the 'Fresh Fruit and Vegetable Aid Scheme' from 2000 onwards. In 2006 the RPA commenced recovery action for ineligible funding. On appeal and further to legal advice the RPA agreed the debt, relating to 2003 and 2004 should be written off.

- £1,611,000 relating to Camel Valley Poultry Ltd. The company received grant aid under the EU Structural Fund in 2002 and 2003. In 2004 the company went into administration and RPA investigated recovery of the grant from sale of assets. This proved impossible as grant payments are not secure, therefore after other creditors were paid the proceeds of sale left nothing for the RPA to recover.

- £582,000 relating to KA and SBM Feakins. This debt relates to claims made under the Sheepmeat Clawback Scheme arising from live sheep exports carried out between 1989 and 1992. The scheme was operated by the then Intervention Board and has been subject to multiple judicial proceedings over a prolonged period of time. Due to an agreement to settle the debt being reached, RPA is writing off the remaining debt.

- £2,627,000 RPA losses due to fluctuations in exchange rates.

- £583,000 was written off to correct over–recognition of EU reimbursement in a past period, this does not constitute a real loss of income.

- £434,000 currency loss incurred on the European Fisheries Fund which is part funded by the EU. The loss was caused by a 5 percent drop in the value of the euro against sterling in the time between the claim submission by Defra and reimbursement by the EU.

27.2 Special Payments

	2011–12			2010–11		
	Core–Department	Core–Department and Agencies	Departmental Group	Core–Department	Core–Department and Agencies	Departmental Group
Value (£000)	-	8,129	8,136	-	846	1,092
Number of cases	-	720	733	-	1,249	1,254

Details of Cases over £250,000

- £868,000, £1,144,000, £441,000, £430,000, £334,000 and £254,000 relating to Intergrow, G Growers Ltd, Northway Mushrooms Ltd, Farm Fresh (PO) Ltd, Northern Mushrooms Ltd and The Asplins Producer Organisation Ltd respectively. During a Producer Organisation review of the Fruit and Vegetable Aid Scheme all payments for aid accrued during the 2010 scheme year were held pending the outcome. Based on legal advice, Ministers took a decision to make payments to all Producer Organisations involved, including those interpreted as non–compliant by the EU. HM Treasury granted approval that these payments could be made ex–gratia due to being subject of disallowance if paid from the EU fund.

- £2,600,000 relating to Nu–Star. The claim relates to damage to rented premises used during the BSE crisis.

28 Related Party Transactions

The Department is the parent of the Executive Agencies, NDPBs and Levy Funded Bodies (LFBs), all of which are within the Departmental accounting boundary, shown in Note 32. Public Corporations are outside the accounting boundary, and are shown in Note 33. All the bodies within, and outside, the accounting boundary are regarded as related parties with which the Department has had various material transactions during the year. These bodies also trade with each other and have had material transactions during the year.

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 Supervisory Board 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 AHVLA as a permanent, full–time member of staff. She does not receive any preferential treatment.

Lord Taylor (Parliamentary Under Secretary) owns a one third share in the family business, OA Taylor and Sons Bulbs Ltd, which has been converted to a family trust from which Lord Taylor draws no direct benefit. The company sold bulbs to Defra's NDPB Royal Botanic Gardens Kew and sister site of Wakehurst Place. The value of payments during the year was approximately £25,000. The company also received Single Farm Payment of £162,000 during the year.

James Paice (Minister of State for Agriculture and Food) claimed Single Farm Payment and Higher Level Stewardship in 2011–12 and received approximately £2,000.

Richard Benyon (Parliamentary Under Secretary for Natural Environment and Fisheries) is entitled to income from a family trust named "Englefield Estates Trust Corporation Ltd and Sir William Benyon (as trustees)". During the year, the following was received by the trust: £10,788 – Single Farm Payment; £65,533 – English Woodland Grant Scheme; £17,131 – Other Forestry Grants (including those for support of biodiversity public access and safeguarding SSSI); £5,742 – Hampshire County Council Leader Forestry grant. Richard Benyon is also entitled to receive a benefit from "Englefield Estate Trust Corporation Limited (as trustee)". His children are the main beneficiaries from this. During the year, the following was received by the trust: £214,572 – Single Farm Payment income from its hand in farmland; £23,143 – Countryside Stewardship Scheme grants; £23,935 – Environmental Stewardship Scheme grants; £309 – Farm Woodland Premium Scheme. Richard Benyon's wife has a 2.5 percent interest in a farming partnership which received Single Farm Payment. The share of the payment relating to Mr Benyon's wife was estimated at £1,000 for 2011–12.

In January 2003 RPA signed a contract with Accenture to provide IT services. 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. The value of payments made to Accenture during the 2011–12 year was £6,754,000 including VAT. The balance owed to Accenture on 31 March 2012 was £17,000.

Details for related party transactions for Board members, including Non–Executive members, at Executive Agencies, NDPBs and LFBs can be found in the notes to their accounts.

29 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 Accounting Officer authorised these financial statements for issue on 11 July 2012.

John Griffiths, Welsh Government (WG) Minister for the Environment announced on 22 May 2012 the final decision to proceed to create a single body for vesting on 1 April 2013, made up of the Forestry Commission for Wales, Countryside Council for Wales and Environment Agency Wales. Defra will work with the WG over the coming months to help them achieve this aim. There is no impact on the 2011–12 Accounts. It is not possible to estimate the future financial effect at this time.

30 Prior Year Adjustments

30.1 Effect on Major Statements

Prior year adjustments have been made to reflect the following:

30.1.1 Change in Accounting Boundary

Under Clear Line of Sight the requirement is now to consolidate all Defra's sponsored public bodies into the accounting boundary. This involves the full consolidation of all the Department's NDPBs (including Levy Funded, Charitable, Advisory, Tribunal and Executive NDPBs).

The published 2010–11 consolidated accounts reported the results of the Core–Department and its Executive Agencies. Funding provided by the Core–Department to NDPBs was classified as Grant–in–Aid (GiA) and charged to the Statement of Comprehensive Net Expenditure. The 2011–12 accounts include the results of the Core–Department, its Executive Agencies, Forestry Commission and the NDPBs. In accordance with IAS 1, comparative figures have been restated to reflect the change in accounting boundary. The results of the Forestry Commission have now been consolidated in the accounts and reported within the Core–Department and Executive Agencies results and are therefore an adjustment to the published 2010–11 accounts as shown in the tables below.

The tables show the effect of the change on the primary statements of this change in accounting boundary.

The net effect on the Consolidated Statement of Comprehensive Net Expenditure of the change in accounting boundary is a credit of £139,844,000. The impact on the assets and liabilities and taxpayers' equity is also shown in the tables.

30.1.2 Creation of Animal Health and Veterinary Laboratories Agency (AHVLA)

On 1 April 2011, Animal Health (AH) and Veterinary Laboratories Agency (VLA) merged to create the new Animal Health and Veterinary Laboratories Agency (AHVLA). The merger created a new agency, which is not funded but charges for services, including charges to Devolved Administrations, outside the Defra accounting boundary. The effect on prior year results of this change is a net credit to the Statement of Comprehensive Net Expenditure of £35,009,000 in 2010–11.

In addition, a transfer of the VET function from the Core–Department to AHVLA also took place. This resulted in the transfer of staff and associated costs and intangible assets. The restatement to reflect this transfer only affects the prior year Core–Department results as any impact is eliminated once the Executive Agencies are consolidated.

30.1.3 Budget Changes Between Administration and Programme Expenditure

HM Treasury's Alignment Project has resulted in departmental accounts showing a greater alignment between Estimate, budget and accounts figures. As part of this process of alignment, in following HM Treasury's Consolidated Budgeting Guidance, certain items of expenditure now have different allocations between Administration and Programme categories and these have therefore been restated for 2010–11 and are disclosed in the tables below.

30.1.4 Transfer of the Area of Natural Beauty (AONB) Function from NE to the Core–Department

This transfer took effect on 1 April 2011. The restatement for 2010–11 affects the Core–Department and the Core–Department and Executive Agencies but is eliminated for the Department as a whole, once the results of NE are brought in. The function was transferred to the Core–Department and predominantly affects the Statement of Financial Position, reflecting the cash balances (an amount for 2010–11 of £2,765,000) and associated liability (an amount for 2010–11 of £2,765,000) in the Core–Department rather than NE. Within the

Core results, the related expenditure for 2010–11 of £8,914,000 has been reclassified from Grant–in–Aid expenditure to programme expenditure.

30.1.5 Disclosure of Current and Non–Current Provisions and Pension Liabilities

Provisions and pension liabilities were all previously disclosed as non–current liabilities. For 2011–12, the current and non–current values of these liabilities have been disclosed. Therefore the 2010–11 figures have been restated to disclose the comparative split of liabilities.

30.1.6 Core–Department Adjustment for AHDB Cash

Prior year adjustments have been made to both the 2009–10 and 2010–11 Core–Department Statement of Financial Position, of £2,033,000 and £2,036,000, respectively, to reflect the amount due from AHDB to the Core–Department which had been omitted in error.

30.1.7 RPA Sugar Levies

An adjustment has been made to the 2009–10 published assets and liabilities relating to RPA sugar levies of £11,560,000. In the 2010–11 published accounts, a correction was made to remove these levies from operating income in 2009–10. The corresponding assets and liabilities also require adjustment and as such the 2009–10 prior year comparatives have been restated to reduce the assets and, correspondingly, reduce the liabilities.

30.2 Statement of Comprehensive Net Expenditure

Administration expenditure	Staff costs	Other costs	Income	Total Admin Costs
Consolidated	£000	£000	£000	£000
Published in 2010–11	236,575	268,818	(84,757)	420,636
Change in accounting boundary	144,937	155,205	(6,228)	293,914
AHVLA	62,323	69,703	(41,218)	90,808
Budget changes between admin and programme	36,204	66,932	4,110	107,246
Other	-	(4,052)	(5)	(4,057)
Published in 2011–12	**480,039**	**556,606**	**(128,098)**	**908,547**
Core plus agencies				
Published in 2010–11	236,575	268,818	(84,757)	420,636
Change in accounting boundary	8,159	15,202	(12,237)	11,124
AHVLA	62,323	69,703	(41,218)	90,808
Budget changes between admin and programme	36,204	66,932	4,110	107,246
Other	-	(4,051)	(3)	(4,054)
Published in 2011–12	**343,261**	**416,604**	**(134,105)**	**625,760**
Core				
Published in 2010–11	135,693	156,978	(23,634)	269,037
AHVLA	(2,808)	(3,318)	-	(6,126)
Other	-	(4,051)	(3)	(4,054)
Published in 2011–12	**132,885**	**149,609**	**(23,637)**	**258,857**

Programme expenditure	Staff costs	Other costs	Income	Total Programme Costs
Consolidated	£000	£000	£000	£000
Published in 2010–11	153,164	5,269,465	(3,338,820)	2,083,809
Change in accounting boundary	466,960	(364,321)	(536,397)	(433,758)
AHVLA	(62,323)	(69,704)	6,210	(125,817)
Budget changes between admin and programme	(36,204)	(66,932)	(4,110)	(107,246)
Other	-	1,156	(337)	819
Published in 2011–12	**521,597**	**4,769,664**	**(3,873,454)**	**1,417,807**
Core plus agencies				
Published in 2010–11	153,164	5,269,465	(3,338,820)	2,083,809
Change in accounting boundary	22,955	31,210	(21,461)	32,704
AHVLA	(62,323)	(69,704)	6,210	(125,817)
Budget changes between admin and programme	(36,204)	(66,932)	(4,110)	(107,246)
Other	-	1,155	(339)	816
Published in 2011–12	**77,592**	**5,165,194**	**(3,358,520)**	**1,884,266**
Core				
Published in 2010–11	3,175	2,345,806	(441,051)	1,907,930
AHVLA	-	102,944	-	102,944
Other	-	4,052	(1,138)	2,914
Published in 2011–12	**3,175**	**2,452,802**	**(442,189)**	**2,013,788**

30.3 Statement of Financial Position (SOFP)

Assets in SOFP (at 31 March 2011)

	Non-current assets	Current assets	Total assets
	£000	£000	£000
Consolidated			
Published in 2010-11	818,179	1,127,099	1,945,278
Change in accounting boundary	2,743,324	266,781	3,010,105
Other	-	267	267
Published in 2011-12	**3,561,503**	**1,394,147**	**4,955,650**
Core plus agencies			
Published in 2010-11	818,179	1,127,099	1,945,278
Change in accounting boundary	18,860	5,943	24,803
MOG change NE AONB	-	2,765	2,765
Other	2,036	267	2,303
Published in 2011-12	**839,075**	**1,136,074**	**1,975,149**
Core			
Published in 2010-11	280,733	453,047	733,780
MOG change NE AONB	-	2,765	2,765
AHVLA creation	(9,171)	-	(9,171)
Other	2,035	-	2,035
Published in 2011-12	**273,597**	**455,812**	**729,409**

Liabilities in SOFP (at 31 March 2011)

	Current liabilities	Non-current liabilities	Total liabilities
	£000	£000	£000
Consolidated			
Published in 2010-11	(1,160,002)	(1,116,434)	(2,276,436)
Change in accounting boundary	(328,905)	(184,968)	(513,873)
Disclosure of current and non-current provisions	(131,032)	131,032	-
Disclosure of current and non-current pension liability	(97,981)	97,981	-
Other	473	(744)	(271)
Published in 2011-12	**(1,717,447)**	**(1,073,133)**	**(2,790,580)**
Core plus agencies			
Published in 2010-11	(1,160,002)	(1,116,434)	(2,276,436)
Change in accounting boundary	(11,197)	(4,755)	(15,952)
Disclosure of current and non-current provisions	(99,274)	99,274	-
Disclosure of current and non-current pension liability	(93,364)	93,364	-
MOG change NE AONB	(2,766)	-	(2,766)
Other	473	(743)	(270)
Published in 2011-12	**(1,366,130)**	**(929,294)**	**(2,295,424)**
Core			
Published in 2010-11	(837,183)	(980,012)	(1,817,195)
MOG change NE AONB	(2,766)	-	(2,766)
Disclosure of current and non-current provisions	(93,273)	93,273	-
Disclosure of current and non-current pension liability	(93,364)	93,364	-
Published in 2011-12	**(1,026,586)**	**(793,375)**	**(1,819,961)**

Statement of Financial Position continued

Assets in SOFP (at 1 April 2010)

	Non-current assets	Current assets	Total assets
	£000	£000	£000
Consolidated			
Published in 2010-11	858,567	1,134,261	1,992,828
Change in accounting boundary	2,688,746	258,987	2,947,733
RPA sugar levies	-	(11,560)	(11,560)
Other	-	(862)	(862)
Published in 2011-12	**3,547,313**	**1,380,826**	**4,928,139**
Core plus agencies			
Published in 2010-11	858,567	1,134,261	1,992,828
Change in accounting boundary	23,043	21,509	44,552
MOG change NE AONB	-	2,381	2,381
RPA sugar levies	-	(11,560)	(11,560)
Other	-	1,171	1,171
Published in 2011-12	**881,610**	**1,147,762**	**2,029,372**
Core			
Published in 2010-11	316,758	585,730	902,488
MOG change NE AONB	-	2,381	2,381
Core adjustment for AHVLA VET transfer	(10,301)	-	(10,301)
Core adjustment for AHDB cash	-	2,033	2,033
Published in 2011-12	**306,457**	**590,144**	**896,601**

Liabilities in SOFP (at 1 April 2010)

	Current liabilities	Non-current liabilities	Total liabilities
	£000	£000	£000
Consolidated			
Published in 2010-11	(1,175,691)	(1,590,031)	(2,765,722)
Change in accounting boundary	(271,783)	(559,402)	(831,185)
Disclosure of current and non-current provisions	(242,849)	242,849	-
Disclosure of current and non-current pension liability	(107,207)	107,207	-
RPA sugar levies	11,560	-	11,560
Other	1,417	(555)	862
Published in 2011-12	**(1,784,553)**	**(1,799,932)**	**(3,584,485)**
Core plus agencies			
Published in 2010-11	(1,175,691)	(1,590,031)	(2,765,722)
Change in accounting boundary	(12,566)	(3,271)	(15,837)
Disclosure of current and non-current provisions	(217,300)	217,300	-
Disclosure of current and non-current pension liability	(88,599)	88,599	-
RPA sugar levies	11,560	-	11,560
MOG change NE AONB	(2,381)	-	(2,381)
Other	1,417	(555)	862
Published in 2011-12	**(1,483,560)**	**(1,287,958)**	**(2,771,518)**
Core			
Published in 2010-11	(691,514)	(1,461,994)	(2,153,508)
MOG change NE AONB	(2,381)	-	(2,381)
Disclosure of current and non-current provisions	(210,689)	210,689	-
Disclosure of current and non-current pension liability	(88,599)	88,599	-
Published in 2011-12	**(993,183)**	**(1,162,706)**	**(2,155,889)**

30.4 Statement of Changes in Taxpayers Equity

	General Fund	Revaluation reserve	Hedging reserve	Donated assets reserve	Government Grant Reserve	Charitable - restricted	Charitable - unrestricted
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Published in 2010–11	(480,495)	150,579	(3,362)	14	2,106	-	-
Change in accounting boundary	769,667	1,602,900	-	-	-	11,653	109,974
Other	4,154	-	-	(14)	(2,106)	-	-
Published in 2011–12	**293,326**	**1,753,479**	**(3,362)**	**-**	**-**	**11,653**	**109,974**
Core plus agencies							
Published in 2010–11	(480,495)	150,579	(3,362)	14	2,106	-	-
Change in accounting boundary	2,453	6,396	-	-	-	-	-
Other	4,154	-	-	(14)	(2,106)	-	-
Published in 2011–12	**(473,888)**	**156,975**	**(3,362)**	**-**	**-**	**-**	**-**
Core							
Published in 2010–11	(1,123,442)	40,027	-	-	-	-	-
MOG change AHVLA vet transfer	(9,171)	-	-	-	-	-	-
Other	2,034	-	-	-	-	-	-
Published in 2011–12	**(1,130,579)**	**40,027**	**-**	**-**	**-**	**-**	**-**

30.5 Note format changes

The format of a number of notes has been modified to align the Accounts with the requirements of CLoS and the budgetary regime.

The most significant change has been related to the change in accounting boundary. The previous Consolidated amounts, including Core–Department and Agencies, is renamed Core–Department and Agencies and now includes the results of the Forestry Commission. The new Departmental Group figures include Core–Department, Executive Agencies, Forestry Commission and NDPBs.

Additionally, the presentation of Government Grants and Capital Reserves has been amended in line with changes to the FReM. (See Note 30.4)

Additional information is also provided to reconcile the amounts in the Accounts to those in the Statement of Parliamentary Supply. These are primarily in Notes 3.1, 3.2 and 4.

A change to the disclosure of provisions has resulted in a decrease of £84,800,000 to Grant in Aid, compared to the 2010–11 published figures. There is no change to the overall expenditure.

Given the level of format changes, the majority of schedules and notes have changed from the 2010–11 published accounts.

31 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:

	2011–12			2010–11		
	Core–Department	Core–Department and Agencies	Departmental group	Core–Department	Core–Department and Agencies	Departmental group
	£000	£000	£000	£000	£000	£000
Monetary Assets – Opening Balance	136	3,934	8,575	976	4,335	10,487
Monetary Assets – Gross Inflows	20,664	26,007	26,745	156	6,442	6,720
Monetary Assets – Gross Outflows	(1,001)	(8,361)	(8,464)	(996)	(6,843)	(8,632)
Monetary assets – Closing balances	**19,799**	**21,580**	**26,856**	136	3,934	8,575

The increase in third party assets is due to cash balances held by the Department on behalf of the devolved administrations relating to EFF funding from the EU. Defra, as the Certifying Authority on behalf of the UK, makes the claims and passes the receipts on to the relevant bodies. However, at 31 March 2012 Defra held receipts totalling £19.076m that had not been passed over.

32 Entities within the Departmental Boundary

The entities within the departmental boundary during 2011–12 comprise the Core–Department, its Executive Agencies and NDPBs as follows:

Executive Agencies

Animal Health and Veterinary Laboratories Agency (since 1 April 2011)
Centre for Environment, Fisheries and Aquaculture Science (Cefas)
Food and Environment Research Agency (Fera)
Rural Payments Agency (RPA)
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. Therefore FC has been fully consolidated and is included within the results for the Core–Department and Executive Agencies. In previous years, separate Accounts Directions were issued for Defra and FC which excluded the requirement for full consolidation, the outturn was included in the Statement of Parliamentary Supply only, to enable full comparison against the Estimate.

Executive NDPBs

Commission for Rural Communities
Consumer Council for Water
Environment Agency
Food from Britain (dormant)
Gangmasters Licensing Authority
Joint Nature Conservation Committee
National Forest Company
Natural England
Marine Management Organisation
Royal Botanic Gardens, Kew
Sustainable Development Commission (dormant) ceased activity 31 March 2011

Executive NDPBs (Defra Funded)

Agricultural Wages Board for England and Wales
Agricultural Wages Committee for England x 15

Advisory NDPBs (Defra Funded)

Advisory Committee on Hazardous Substances (ACHS)
Advisory Committee on Pesticides (ACP)
Advisory Committee on Packaging (abolished April 2011)
Advisory Committee on Releases to the Environment (ACRE)
Agricultural Dwelling House Advisory Committees (ADHAC) x 16
Air Quality Expert Group (abolished 31 March 2011)
Committee on Agricultural Valuation (Dormant)
Farm Animal Welfare Council (abolished 31 March 2011)
Independent Agricultural Appeals Panel

Inland Waterways Advisory Council
Pesticides Residues Committee (abolished July 2011)
Science Advisory Council
Veterinary Products Committee
Veterinary Residues Committee (abolished July 2011)

Levy Bodies

Agriculture and Horticulture Development Board
Sea Fish Industry Authority

Tribunal NDPBs (Defra Funded)

Agricultural Land Tribunal (England)
Plant Varieties and Seeds Tribunal

33 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:

Public Corporations

British Waterways
Covent Garden Market Authority

Other Bodies

British Wool Marketing Board
Broads Authority
National Parks Authorities (x9)
Ofwat

Annex

This Annex does not form part of the financial statements and has not been subject to audit.

Annex 1: Commentary on Sustainable Performance

Background

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 environmental data and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting, Guidance for 2011–12 Reporting.

The information contained within this annex has not been subject to audit and does not form part of the auditors' opinion on the accounts.

About Our Data

There are limitations to the accuracy of our financial and non financial sustainability data and we continue to improve the quality of our internal controls. Energy and water consumption figures are based on billed amounts and are therefore subject to adjustments in subsequent periods. We are currently unable to fully capture utility data that forms part of landlord service charges. Work is ongoing to improve the accessibility of this data.

The scope of the report is aligned to the scope of the Greening Government Commitments and includes Defra and its Executive Agencies, Marine Management Organisation, Natural England, Environment Agency, Forestry Commission and Royal Botanic Gardens Kew. The following Defra organisations fall below the minimum threshold requirements for reporting and are therefore not included within the report: National Forest Company, Sea Fish Industry Authority, Joint Nature Conservation Committee, Gangmasters Licensing Authority, Consumer Council for Water and Agriculture and Horticulture Development Board.

Departmental Performance Summary

(Scope: Core–Defra, AHVLA, Fera, Cefas, RPA, NE, MMO, VMD, RBG Kew, Environment Agency, Forestry Commission)

The Greening Government Commitments set out a range of new measures on reducing greenhouse gas emissions, reducing waste, reducing water use and making procurement of goods and services more sustainable.

By 2015, against a 2009–10 baseline, Defra aims to:

- Reduce greenhouse gas emissions from the whole estate and business related transport by 25 percent; Reduce the number of domestic flights by 20 percent;
- Reduce the amount of waste we generate by 25 percent;
- Reduce water consumption and report on office water use against best practice benchmarks;
- Ensure that we buy more sustainable and efficient products and engage with our suppliers to understand and reduce the impacts of our supply chain; and
- Cut our paper use by 10 percent in 2011–12.

Executive Agencies and NDPB's are also developing delivery plans for reducing the CO2 impact of their own operations. Defra Estates are working closely with them to ensure best benefit can be achieved and that proposals are aligned to the Departmental delivery plan. Further information on the Greening Government Commitments[49] is available online.

Latest performance results, to the end of Quarter 3 2011–12, compare the sum of actual consumption in Q1 – Q3 2011–12 against a pro rata baseline figure.

Target Area: Carbon
Performance: 17 percent
RAG Status: GREEN –Defra are currently on track to meet the target

Target Area: Waste
Performance: 4 percent reduction
RAG Status: AMBER – Some reductions achieved

Target Area: Water – excluding abstraction figures
Performance: 25 percent reduction
RAG Status: GREEN – Defra are currently on track to meet the target

Defra's water consumption figures include water abstracted by the Environment Agency (approximately 98 percent of the baseline). These figures are estimate figures based on 2010–11 consumption levels. If abstraction figures are removed from the baseline and year to date reported figures, performance indicates that Defra are on track to achieve a reduction in water consumption by 2014–15.

[49] http://sd.defra.gov.uk/gov/green-government/commitments/

WASTE		2011–12	2010–11	2009–10
Non financial indicators **(tonnes)**	Total waste*	6,436	6,700	4,905
	Hazardous waste	114	1,394	1,056
	Reused, recycled, composted	1,867	1,894	1,707
	Incinerated with energy recovery	1,051	1,012	1,109
	Incinerated without energy recovery	775	828	375
	Landfill	1,699	1,572	658
Financial indicators **(£)**	Total disposal cost	2,752,137	3,346,700	3,374,410

WATER			2011–12	2010–11	2009–10
Non financial indicatiors **(m3)**	Water consumption	Total water consumption*	38,627,734	38,603,916	614,937
		Supplied (office estate)	120,940	117,240	127,907
		Supplied (non office estate)	490,227	518,204	487,030
		Abstracted	37,961,172	37,968,472	-
Financial indicators **(£)**	Water supply costs		1,560,723	1,195,691	1,491,912

ENERGY			2011–12	2010–11	2009–10
Non financial indicators **(kWh)**	Energy consumption	Total energy consumption	227,316,765	252,217,616	245,154,345
		Total electricity	129,446,577	128,395,465	130,950,828
		Electricity: Brown	15,392,959	16,106,901	27,875,541
		Electricity: Green	113,105,542	112,147,345	102,949,147
		Electricity: CHP	948,076	141,219	126,140
		Gas	83,422,561	112,829,874	99,324,042
		Oil	4,344,765	3,442,745	3,264,426
		Biomass	275,230	893,655	243,915
		CHP	8,544,686	4,521,129	10,727,109
		WDHS	-	451,300	343,300
		Self Generated Renewables	814,195	24,844	26,725
		LPG	462,371	444,852	274,000
		Other	6,380	1,213,752	-
Financial indicators **(£)**	Total energy costs		16,434,255	16,297,732	17,201,572

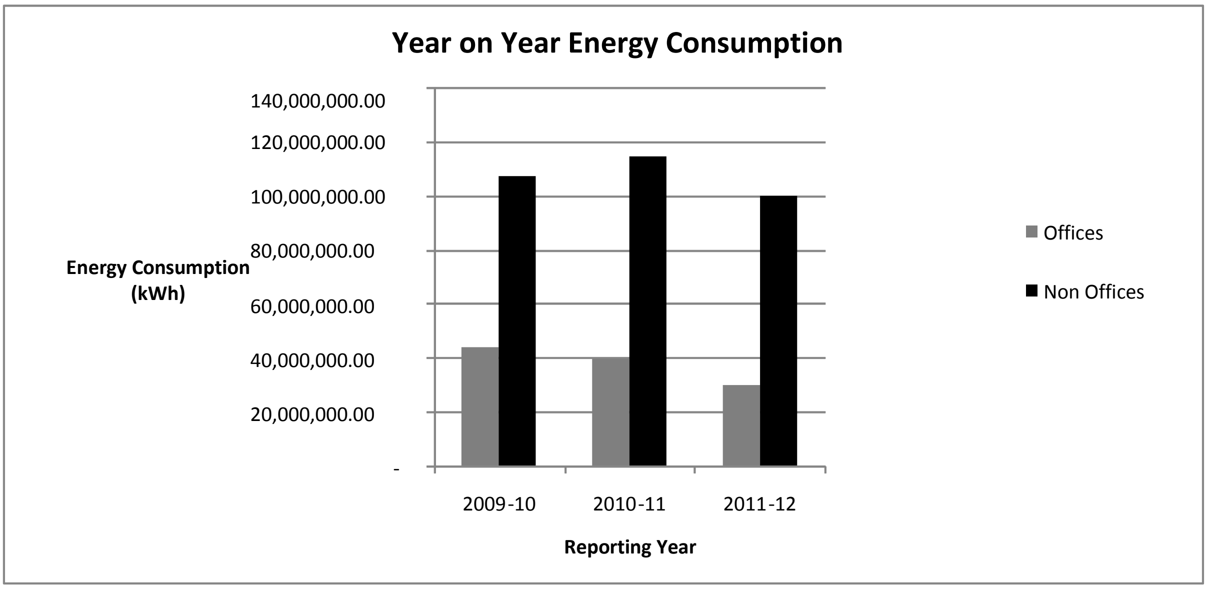
GREEN HOUSE GAS EMISSIONS		2011–12	2010–11	2009–10
Non financial indicators **(tCO2e)**	Scope 1: Direct emissions	30,084	39,630	41,211
	Scope 2: Indirect emissions	67,910	72,543	71,332
	Scope 3: Emissions from official business travel	10,560	8,336	13,995
	Total emissions	108,554	120,509	126,538
Financial indicators **(£)**	Expenditure on accredited offsets (e.g GCOF)	906,324	52,790	50,541
	Expenditure on official business travel	23,659,950	22,810,441	23,359,315

*Figures for Forestry Commission are not included for 2010–11 and 2009–10. For 2011–12 figures for Forestry Commission are available in the total only for waste and water.

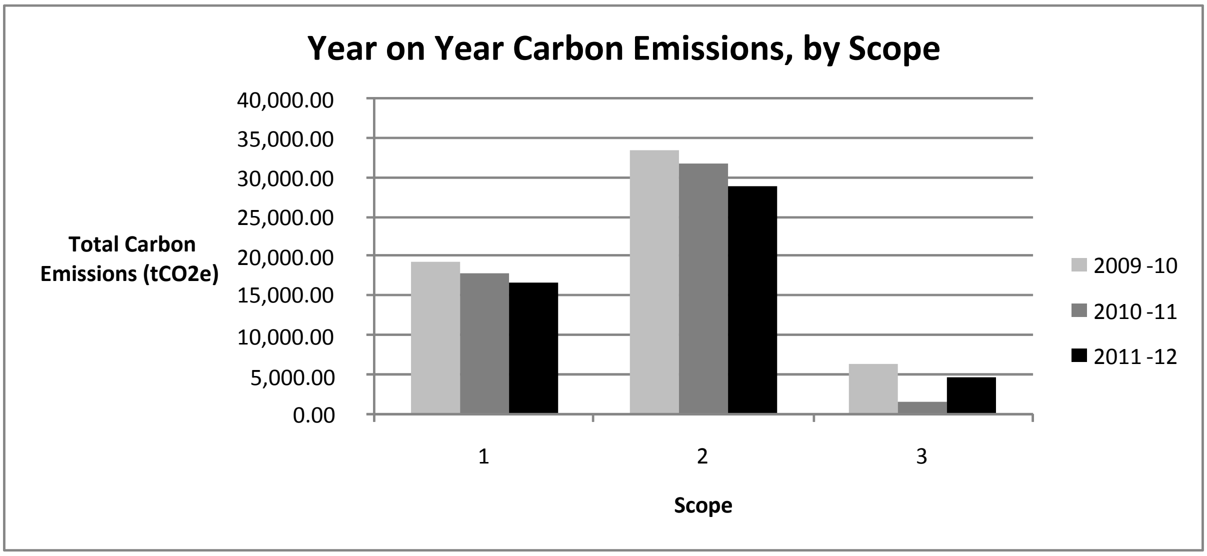
Defra Performance

(Scope: Core–Defra, Animal Health Veterinary Laboratories Agency, Food and Environment Research Agency, Centre for Environment, Fisheries and Aquaculture Science, Rural Payments Agency, Natural England, Marine Management Organisation and Veterinary Medicines Directorate).

Energy and Carbon



Defra have already made significant progress in reducing energy consumption levels and associated carbon emissions across its office estate, achieving a 36 percent reduction in emissions since 2006. This is as a direct result of the implementation of measures through our ongoing Carbon Reduction Programme. Since 2006, this programme has identified and reduced excessive energy consumption across the Network Estate. This has been delivered through a structured approach to the analysis and benchmarking of energy consumption data and a focus on quick win, high carbon saving projects.



Defra has an ongoing delivery plan, developed through its Carbon Reduction programme which is continually identifying and reviewing opportunities for improving energy efficiency and implementing initiatives which will ensure that the Department is on track to meets its CO2 reduction obligations. This plan is updated regularly and informed by regular benchmarking and targeting of energy use at a property level and through in–depth energy surveys. Initiatives fall into four categories:

- Improved management of building plant and machinery through ongoing training and development of facilities management colleagues and implementation of more effective control mechanisms (timers, thermostats etc);

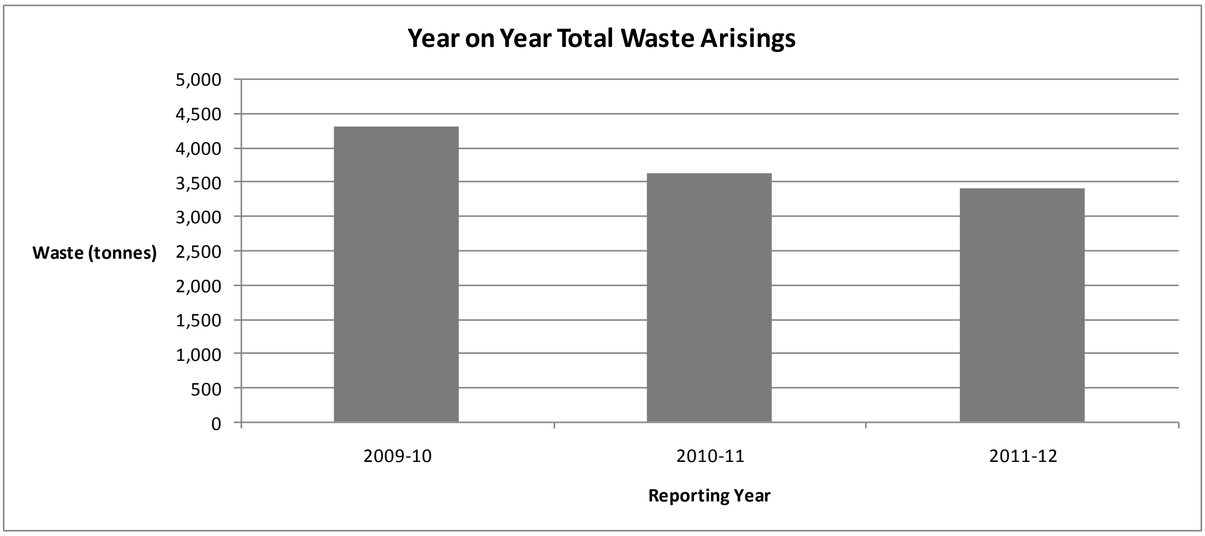
- Implementation of technologies (such as low energy lighting, voltage optimisation) which improve the energy efficiency of buildings;

- Staff behavioural change campaigns to encourage staff to consider more efficient ways of working and to have a greater awareness of the energy they are using; and

- Input to estate strategy decisions enabling the Department to consider energy and sustainability performance in property rationalisation decisions.

Recommendations arising from recent in–depth surveys of Defra's four largest laboratory facilities are being developed into business cases for project implementation in the 2012–13 financial year. These four properties account for over 70 percent of Defra's energy use and implementation of these recommendations is expected to deliver significant CO2 savings.

Waste



Defra has a contract through our facilities management contractor, Interserve, with D.S. Smith Recycling, through which all of our waste is managed according to the Reduce, Reuse, Recycle hierarchy. This arrangement ensures that all waste is disposed of in the most appropriate and environmentally responsible manner. This contract has been in place for over 12 months and has been successful in delivering an improved waste and recycling service with more consistency between site facilities across the portfolio. This contract has also provided more accurate data on the waste we produce and recycle, giving us more information about where we need to focus our attention.

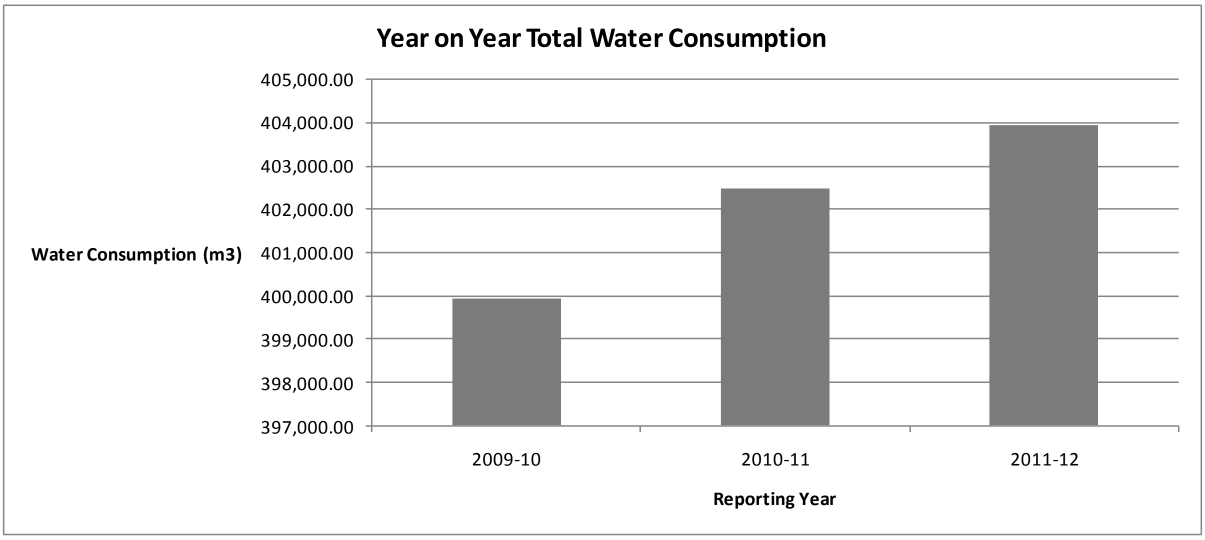
Defra's IT supplier IBM and its sub–contractor Northern Realisation are committed to re–using and recycling ICT kit originally deployed for Defra. They are currently diverting more than 98 percent (by weight) of Defra's redundant ICT equipment from landfill.

Defra's Procurement team are working with suppliers of new contracts to minimise packaging waste and to consider sustainability more widely in their service provision.

Paper

The Print Optimisation programme, which has recently been rolled out across the Defra IBM community, has helped to reduce paper use. As part of this programme, default print settings for back–to–back (duplex) printing and draft settings were initiated. This programme has resulted in a reduction in the number of print and photocopier devices from nearly 2050, to 900 Multi–function devices. The new devices are accredited under the ECMA scheme for energy efficiency and have the functionality to provide statistics on pages printed by each user. This gives managers the means to track and drive down paper consumption for their unit.

Water



Approximately 90 percent of Defra's water is consumed by scientific processes on the Department's laboratory estate. Water is used in many essential processes including ensuring sterile laboratory environments are maintained and to prevent contamination risk. Improvements have already been undertaken to replace water intensive laboratory equipment with more efficient technologies.

Water reductions across the office estate have been achieved through the implementation of water efficiency technologies such as rainwater harvesting tanks, low flow taps, dual flush toilets, cistern hippos and waterless urinals. Work to further improve Defra's washrooms is ongoing.

The Department has recently undertaken in depth water surveys at its four major laboratory sites (accounting for approx 83 percent of Defra's water consumption). Recommendations from these surveys will inform a programme of works to improve performance across the laboratory estate.

Defra Estates are also undertaking a review of washroom facilities across the portfolio. Recommendations from these surveys are being developed into business cases for implementation of initiatives in the 2012 calendar year. Initiatives include: waterless urinals, low flow cisterns and low flow taps.

We are also undertaking a project to install real time monitoring of water consumption at approximately 60 of our sites (over 97 percent of our water consumption). This will provide intelligent data to identify excessive or erratic usage and leaks and will also enable us to benchmark consumption and target poor performance.

Biodiversity

The Department has undertaken biodiversity surveys at several of its office and laboratory sites and plans to use the recommendations from the surveys to make improvements to the biodiversity at these sites. Biodiversity is also considered when sites are refurbished or new sites built to ensure important habitats are preserved. Features, such as bird and bat boxes, are often added, where appropriate, to encourage biodiversity.

The Defra Estate includes four nature reserves which are run by Wildlife Trusts.

Adaptation to Climate Change

Climate change adaptation surveys have been carried out estate wide. These are being used to inform Estate Strategy decisions on rationalisation and office relocations.

Environmental Management System

Defra operates an Environmental Management System (EMS) which is externally certified to the internationally recognised standard ISO14001:2004. This is backed by an Environmental Policy signed by Defra's Commercial Director.

The EMS is in place at 36 sites covering 77 percent of Defra and Agency staff, demonstrating our ongoing commitment to managing environmental risk and continually improving environmental performance.

Governance

Defra's Sustainable Operations and Procurement Strategy is developed and delivered through a Sustainability Governance Board and reported to Defra's Management Committee on a monthly basis.

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