Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2013–14

HC 10

Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2013–14

(For the period ended 31 March 2014)

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

My priorities for the Department for Environment, Food and Rural Affairs are to grow the rural economy, improve the environment and safeguard both animal and plant health. Underpinning these priorities is the Government's objective to boost economic growth.

Food and drink is the largest manufacturing sector in the UK, but there is room for further growth. Demand for top-class UK exports offers opportunities for businesses to expand. In 2013 we opened 112 new markets, contributing to a £179m increase in exports to non-EU countries. There are also opportunities at home; 24 percent of the food eaten in the UK is imported despite world-class production in the UK. We are leading a drive into public procurement of domestically-produced food.

In June 2013, in light of the horsemeat fraud, I, along with the Secretary of State for Health, appointed Professor Chris Elliott to carry out an independent review into the integrity and assurance of food supply networks. It is unacceptable that anyone was able to defraud the public by passing off horsemeat as beef. We have taken significant action, working with industry to improve our capability to identify and prevent threats to food safety and food fraud. Government has also increased funding to support local authorities delivery of the national coordinated sampling programme.

This summer, working with the Department for Business, Innovation and Skills and the Department for International Development, we published the first ever Agri-Tech Strategy. We plan to use a new Agri-Tech Business Ambassador to drive forward exports in agricultural technologies and have committed £160m to commercialise new agricultural technologies and establish world class Centres for Agricultural Innovation.

Alongside growing the rural economy and driving for growth, we are committed to improving the environment. The progress we have made in securing reform of the Common Fisheries Policy is an example of where sustainable economic growth and environmental improvement go hand in hand. We have achieved a ban on the wasteful practice of discarding perfectly edible fish and a legally binding commitment to fishing at sustainable levels. We have also decentralised decision making, allowing Member States to agree the measures appropriate to their fisheries. In the last twelve months we have announced the first tranche of 27 Marine Conservation Zones which will help to ensure that our seas are sustainable, productive and healthy. Two further tranches are planned over the next three years.

At the end of 2013, we made a number of important decisions on how we will implement the Common Agricultural Policy (CAP) from 2015, setting out a package of measures that is fair to English farmers and delivers better value for taxpayers. Farming, wildlife, rural businesses and the wider rural economy in England are set to benefit from £15bn from the CAP between now and 2020. Of this over £3bn will be spent on improving the environment.

This has been a very tough year for those affected by flooding, and the impact on homes, farmland and people's livelihoods has been devastating. However, our continued investment in flood defences is benefiting the economy and the environment. Throughout the exceptional flooding this winter, there were around 1.4m properties protected by Environment Agency and local defences together with 2,500 square kilometres of farmland. With the new money announced in the Budget, Government will be now spending more than £3.2bn over the course of this Parliament on flood and erosion risk-management. Going forward, we have made a 6 year commitment of record levels of capital investment in improving defences right up to 2021 and we will have provided a better level of protection to at least 465,000 households. Over the last year, we have also been working extremely hard with industry to reach an agreement on the future of flood insurance.

The health of our animals, and the vital role they play in both our economy and environment, is at the heart of everything Defra does. The task of managing bovine TB and bringing it under control is difficult and complex. We are using every tool available, including tougher movement controls for cattle, culling trials, better biosecurity on farms. We are also working to develop effective and usable cattle and badger vaccines, investing over £1m this year in cattle vaccine safety trials and other development work to design field trials and testing. Our ambition is to achieve official TB freedom for all of England within 25 years.

Primary legislation to encourage responsible dog ownership is now law. The Anti-social Behaviour Crime and Policing Act 2014, which amends the Dangerous Dogs Act 1991, received Royal Assent on 13 March 2014.

We have made rapid progress in implementing the Tree Health and Plant Biosecurity Expert Taskforce's recommendations. A single, prioritised plant health risk register has now been produced and we are using it to identify risks from specific pests and diseases and agree priorities for action. Our new Chief Plant Health Officer, Professor Nicola Spence, will be advising Ministers, industry and others about the risks posed by plant pests and diseases. Professor Spence will work to ensure that measures are in place to manage those risks and minimise their impact. In addition, we are putting in place new procedures for preparedness and contingency planning to ensure we can predict, monitor and control the spread of pests and pathogens. These include pre-border and border activities to reduce the risk of pests and diseases arriving here from overseas and our work with countries beyond the EU to drive up standards. We will also take action inland to step up surveillance and improve preparedness. This will help ensure the UK is ready to deal effectively with future incursions of diseases into this country and is also able to respond better to those that are already established.

We all recognise the crucial role that pollinators play in the security of our food supply and the quality of our natural environment. In the last twelve months, we have called upon all interested parties to work together to develop a more ambitious and integrated approach to address the threats faced by pollinators. These discussions are to form the basis of a National Pollinator Strategy, bringing together pollinator-friendly initiatives and providing a way forward for new action.

Finally, we are committed to reducing burdensome regulation. Since the Red Tape Challenge was launched by the Prime Minister, Defra has reviewed over 1,200 regulations, improving 428 regulations and removing 350 obsolete regulations. We are making it much easier for people to do business with us by simplifying our guidance on regulation and streamlining the way that we collect information. UK businesses are on course to save £300m each year through simplification of environmental, agricultural, water and marine regulation. The savings will amount to £1.5bn for business over five years.

We should not underestimate the challenges ahead, but I am confident that the Department can continue to build on its excellent work in the past year.

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

Over the last year, Defra has continued to deliver strongly on the Government's priorities to grow the economy and our Ministerial priorities for the rural economy, improving the environment and safeguarding animal and plant health.

The extreme weather and subsequent coastal and river flooding in the winter of 2013–14, was a key test of our ability to work with national and local delivery partners to deal with emergency events over a very extended period and in many different parts of the country. I would like to record my thanks to the people in the Department, the Environment Agency and our delivery partners who worked relentlessly through that period to help local communities and businesses. We are now focussed on flood recovery, including assistance to communities and businesses affected and essential repairs and maintenance for defences.

2013 was an important year for Defra in terms of European reform. We worked hard on reform of the Common Agricultural Policy (CAP), although the outcome was not as radical as the UK wanted. We secured a fundamental reform of the Common Fisheries Policy (CFP), including a legally-binding commitment to fishing at sustainable levels, an end to 'fish discards' and decentralisation of decision-making from the EU to member states.

In our wider work, I am pleased at the improvements we have seen across Defra's network. Highlights include:

- a record 95,000 farmers receiving their Single Payments on the first day of the payment window;
- a plant health risk register published, covering nearly 700 pests and diseases (the first of its kind in the world);
- 50,000 pet passports successfully issued; and
- 14m cattle births, deaths and movements recorded (90 percent using online transactions).

We continue to operate in a climate of tough financial and strategic choices, and increasing public expectation. Our Departmental Improvement Plan, published in March, sets out how we will operate more effectively as 'One Business' in the future and improve our capability. I am encouraged by the early progress we have made to bring together Defra and its Network Bodies as a coherent system, to develop more efficient and innovative ways of working.

During the year we completed Triennial Reviews of the Environment Agency and Natural England, the Gangmasters' Licensing Authority, the Veterinary Products Committee, the Joint Nature Conservation Committee, and the National Forest Company to ensure we have the right delivery arrangements in place across the Defra Network and that they are operating effectively and efficiently.

We have continued to implement the Civil Service Reform Plan. A priority for 2013 was our '5-A-Year' campaign to encourage people to take up five days of learning and development activity.

I welcome the contribution made by our four Non-Executive Director Members on the Board. The constructive challenge and the experience they bring from the private and voluntary sectors is particularly valuable.

Finally, none of our achievements would be possible without the commitment and professionalism of people across Defra and its network, and I am grateful for their efforts over the past year.

Contents

Chapter 1 – Strategic Report: Our Organisation

Our Priorities

Defra's Business Plan for 2013–15 was published in June 2013. It sets out the principal actions that Defra will take to implement its Coalition priorities. This Annual Report and Accounts (ARA) reports performance against those actions. Defra's Coalition priorities are as follows.

- **Grow the rural economy**
  Champion a thriving, competitive British food and farming sector and drive sustainable growth in the wider rural economy in support of rural communities.

- **Improve the environment**
  Manage our rural, urban and marine environments, reducing pollution and waste, and ensuring greater resilience to climate change and other environmental risks.

- **Safeguard animal health**
  Minimise risks and increase preparedness for animal disease outbreaks, driving growth and competitiveness through improving standards of animal health and welfare.

- **Safeguard plant health**
  Strengthen capability to minimise and manage plant disease and pest outbreaks, with greater economic and environmental resilience to disease threats.

The Government's top priority of economic growth underpins activities undertaken to deliver these priorities.

Our Ministers, Senior Staff and Non-Executives

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

The Ministerial Team

From October 2013	*Until October 2013*
Rt Hon Owen Paterson MP Secretary of State	**Rt Hon Owen Paterson MP** Secretary of State
George Eustice MP Parliamentary Under-Secretary for Farming, Food and Marine Environment	**David Heath MP** Minister of State for Agriculture and Food
Lord de Mauley Parliamentary Under-Secretary for Natural Environment and Science	**Lord de Mauley** Parliamentary Under-Secretary for Resource Management, the Local Environment and Environmental Science
Dan Rogerson MP Parliamentary Under-Secretary for Water, Forestry, Rural Affairs and Resource Management	**Richard Benyon MP** Parliamentary Under-Secretary for Natural Environment, Water and Rural Affairs

The Senior Team

The Permanent Secretary, Bronwyn Hill, has responsibility for the overall organisation, management and staffing of the Department. She is responsible for the effectiveness and efficiency of all aspects of the Department's work, including management of Defra's operations, staff and financial resources. 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 and is personally accountable to Parliament[1].

Defra has four Directors General (DGs).

DG Strategy, International and Biosecurity, Nick Joicey (from January 2014), (replacing Katrina Williams (until October 2013), DG Evidence and Customers) leads on EU and international work, strategy and communications. He also leads on biosecurity, including policy for animal and plant health.

DG Policy Delivery, Peter Unwin, leads on environmental policy areas, including rural policy, and on working more closely in partnership with our Executive Agencies on delivery, leading relationships with our main Non–Departmental Public Bodies (NDPBs) and many of our external stakeholders.

DG Chief Operating Officer, Ian Trenholm, was responsible for leading corporate services, the Department's Executive Agencies, reform across the Network, key business transformation projects and for strengthening our commercial capability. He was responsible for Spending Review delivery, finance and performance across Defra and its Executive Agencies. Ian Trenholm left Defra at the end of June 2014.

A **Chief Scientific Adviser, Professor Ian Boyd**, at DG level reflects the importance of evidence to our work. Reflecting this emphasis on evidence-based policy, the Chief Scientific Adviser is a member of the Defra Supervisory Board and reports on the progress of the Department's evidence work.

The Non–Executive Directors

There are four Supervisory Board Non–Executive Directors (NEDs) who bring external experience and expertise to the Department's decisions and processes, serve on sub-committees, ensure all appropriate information is considered and take an interest in Defra's relationship with the Network Bodies.

Iain Ferguson
Lead Non–Executive Director
Chair of the Nominations Committee

Paul Rew
Non–Executive Director
Chair of the Audit and Risk Committee

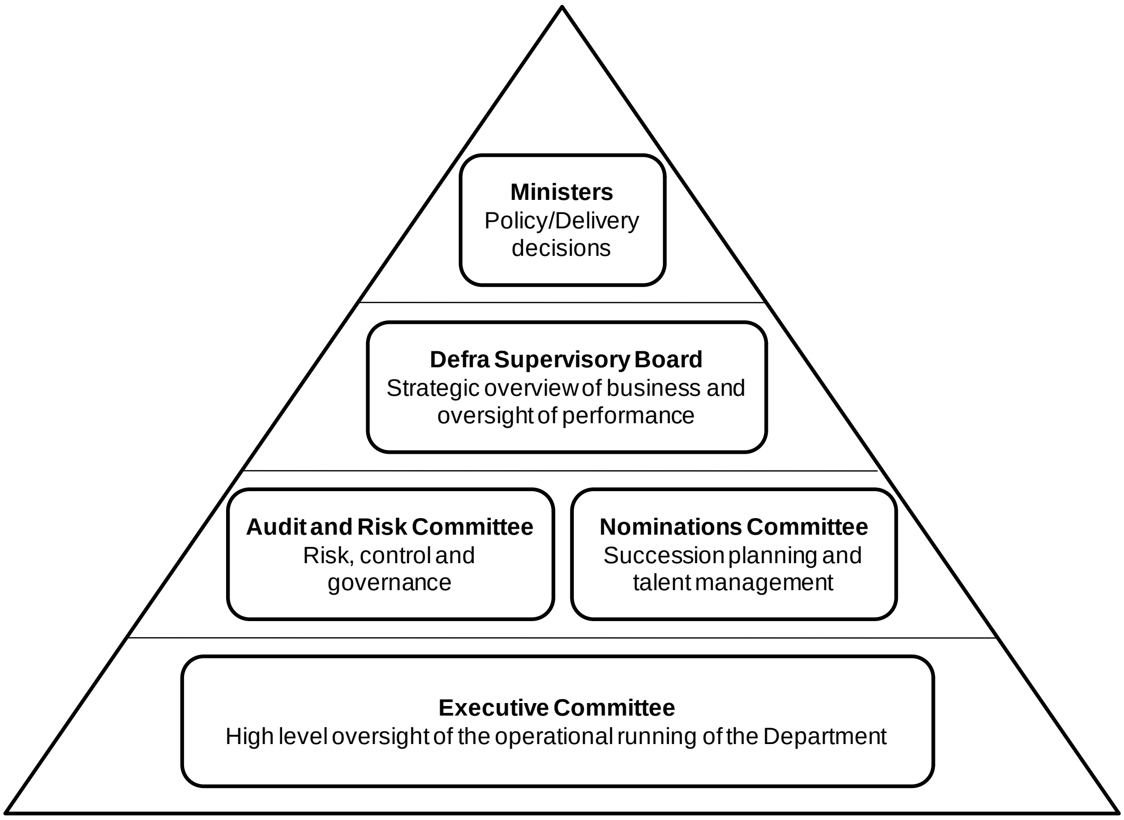
Catherine Doran
Non–Executive Director

Sir Tony Hawkhead
Non–Executive Director

[1] https://www.gov.uk/government/publications/managing-public-money, chapter 3 "Accounting Officers".

Our Operating Structure

The governance structure of the Core Department is illustrated below.



The Defra Supervisory Board (Defra Board), chaired by the Secretary of State, provides collective strategic and corporate leadership to the Department, bringing together Ministers, the Permanent Secretary, the DGs, the Finance and Performance Director (Alastair Bridges from January 2014, Gurdip Juty as interim Finance Director October 2013 to January 2014 and Tom Taylor until October 2013) and the NEDs from outside Government. Board meetings were held every two months until January 2014, when the frequency of Board meetings changed to quarterly.

The Defra Board has two sub-committees.

- **The Audit and Risk Committee** is a non–executive sub-committee. It supports and advises the Defra 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 (including one other Defra Board NED). Officials, including the Finance and Performance Director, the Group Head of Internal Audit and the Defra 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 executive board members and the senior civil service, advises on the extent to which these are effective for improving performance, and considers succession planning for NEDs, other Defra Board members and other key appointments. It is chaired by the Lead NED, and comprises the Permanent Secretary, the Director of Strategic Human Resources and the Head of Talent Management. It meets approximately quarterly.

The Executive Committee has high-level oversight of the operational running of the Department. It comprises the Permanent Secretary, the DGs and, from January 2014, the Finance and Performance Director. To support the work of the Executive Committee there are four panels, each chaired by one of the DGs.

- **The Risk Panel** focuses on strategic risk, risk appetite and risk processes.
- **The Finance Panel** focuses on business plans and scrutiny of business cases.
- **The Operations Panel** focuses on optimisation of business processes and expansion of digital facilities.
- **The People Panel** focuses on workforce planning, people strategy and the framework to develop capability and capacity.

Our Delivery Partners

The delivery of Defra's policies is largely delegated to our Network Bodies, comprising our Executive Agencies, NDPBs and other public bodies.

Defra's Executive Agencies operate with a degree of autonomy within a framework of direct accountability to the Department and to Ministers who remain accountable for their overall performance. They are part of the Department; the Chief Executive Officer (CEO) is appointed as the Accounting Officer for the Agency.

All five Executive Agencies have a business plan measurable against key performance indicators and framework agreements. The DG Chief Operating Officer acts as the Corporate Owner in relation to all of the Executive Agencies, providing line management for the Chief Executives, holding them to account for performance measured against targets and agency internal processes, and taking a longer term strategic view of the Agencies' interaction with Defra.

The governance and performance management of the Executive Agencies is supported by a quarterly review of the Agencies' performance which is assessed and then reported to the Defra Board. A Defra Director 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. Each Agency has a management board, which is chaired by a NED and on which other NEDs and the Agency senior team sit. A Defra Director without policy or financial ties to the Agency also sits on the Management Board in an ex-officio capacity, bringing an understanding of Defra and wider government policy to the Agency. The effectiveness of these arrangements is considered in more detail in the Governance Statement on page 75 of this ARA.

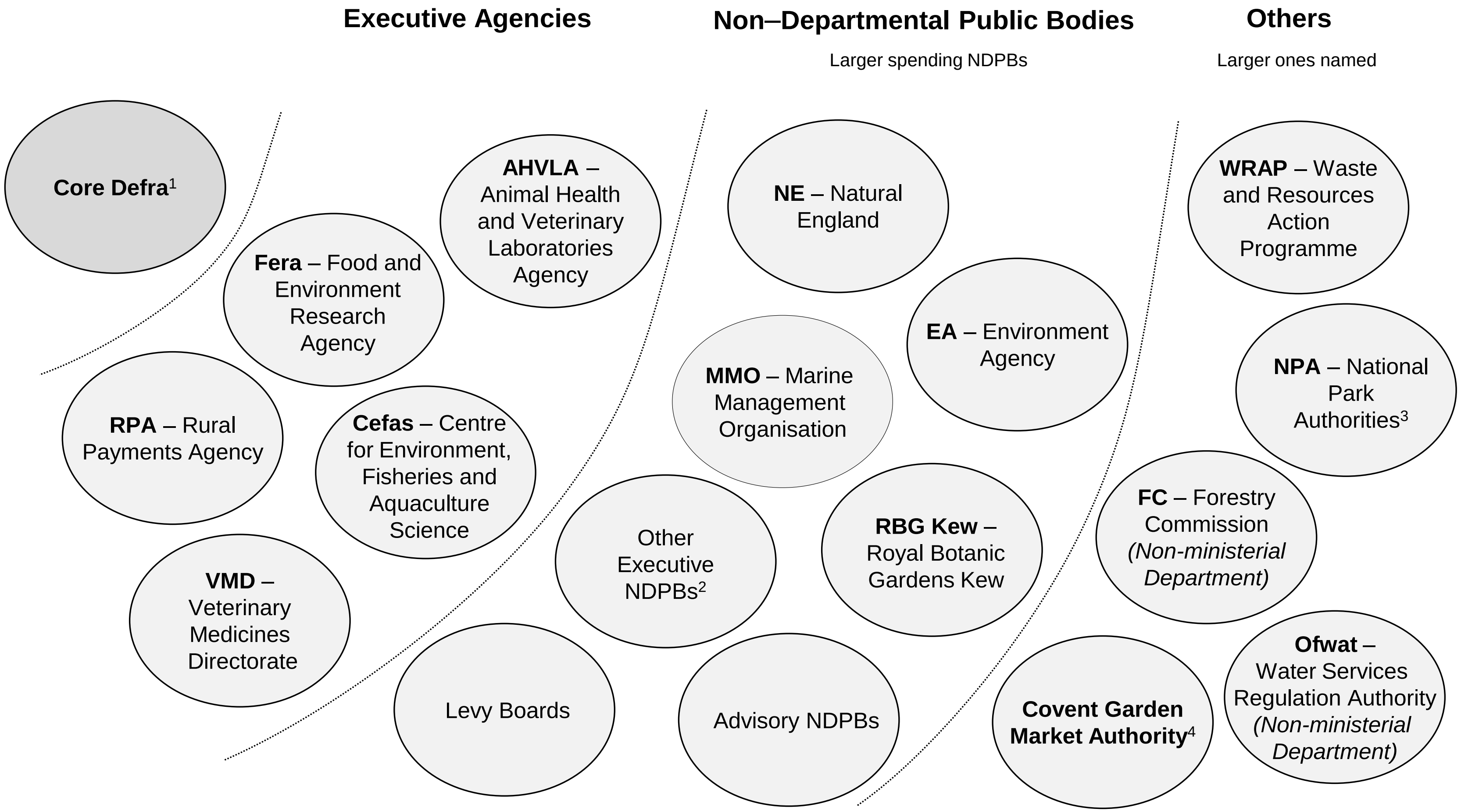
Defra's Executive NDPBs have been established through legislation, which specifies each NDPB's purpose and functions, what powers are invested in it, and how it should be financed. Each has its own independent board, Chairman and Executive Management Team, with the CEO designated as the Accounting Officer for that organisation. NDPBs are not under day-to-day ministerial control, but Ministers agree funding and key objectives for each NDPB and hold them to account. The larger NDPBs provide quarterly performance reports to the Defra Board.

The delivery network map on the following page shows Defra's Network Bodies, and gives an indication of the distance from Core Defra at which they operate.

Each Executive Agency and NDPB publishes its own ARA. A list of these bodies can be found in Note 21 and further information can be found on their websites[2].

[2] http://www.civilservice.gov.uk/about/resources/ndpb

Defra's Network Bodies 2013–14



1. Core Defra also has a number of expert committees which provide evidence and information to help inform policy.
2. Other Executive NDPBs - Consumer Council for Water, Gangmasters Licensing Authority (from April 2014 moved to Home Office), Joint Nature Conservation Committee, National Forest Company.
3. NPAs are autonomous bodies, modelled heavily on local authority lines. Defra is the main funder and also appoints some members to their boards.
4. A Public Corporation.

Risk Management

The Department is responsible for risks to the public and the wider national interest, and risks to delivering its own business objectives. The first category requires Defra to assess the risks within complex environmental systems. Some of these have a strong emergency response component, where Defra has a lead-department role (e.g. for flooding and animal or plant disease outbreaks). Many have important elements that are outside the Department's direct control, and therefore rely on Defra's ability to influence decision makers, stakeholders and partners or to handle scientific uncertainty or gaps in evidence. The second category requires Defra to assess and manage the risks to the delivery of its business priorities, its budget and its reputation, across the Defra Network.

Defra's approach to risk relies on three lines of defence. First, front-line teams (policy, delivery and corporate), identifying and managing risk, reporting progress and escalating concerns. Second, central coordinators, acting as gate-keepers and advisers of good practice, challenging the risk assessments and risk management strategies of teams. This includes: heads of profession, non-executives on programme boards and a departmental risk coordinator. Third, internal and external assurance and audit reviews. Defra aims to implement the recommendations from these 'third-line' reviews to secure improvements in the way it manages risk and delivers ministerial priorities.

The Defra Board is responsible for the Department's approach to risk and for the overall level of risk borne by Defra. The Board leads on strategic risk, and reviews updates of Defra's top risks as part of performance management information. Given the diverse nature and range of Defra's risks, the Board has not developed a departmental statement of risk appetite, but has kept its risk priorities under review.

To develop the robustness of the second line of defence, the Risk Panel was established in April 2013. This supports the Executive Committee's oversight of the operational running of the Department, and has a remit to review Defra's strategic risks and risk management processes. The Risk Panel has developed a more robust method for identifying new strategic risks and refreshing existing strategic risks, and a revised suite of strategic risks has been agreed with the Defra Board. The Panel is now overseeing and challenging the preparation of risk assessments and risk management strategies for each of the strategic risks, through direct dialogue with senior risk owners. The Panel also has oversight of Defra's inputs to the National Risk Assessment (NRA), and Defra's capability to respond to NRA risks is now embedded within the assessment and monitoring of strategic risk.

The Audit and Risk Committee has made risk management a priority this year and has looked at a number of strategic risks including: Common Agricultural Policy (CAP) Delivery, strategic alignment across the Defra Network and major commercial contracts and projects.

Day-to-day management of many of Defra's risks is delegated to the Executive Agencies and NDPBs in the Defra Network, where much of Defra's operational, financial and reputational risks lie. The management of flood risk by EA is a major example of this. 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 the Defra Board. In the case of Executive NDPBs and the Forestry Commission (a non–ministerial department), independent boards hold the Executive to account for their performance, including their management of risk.

Performance Management

The Department has continued to improve its management information. A management information (MI) pack is provided for each Defra Board which covers operational performance of the Department and its Network. The Pack reports on the current and projected financial position, strategic and top legal risks and a wide ranging picture of performance across the Department. This includes update reports against Directors' business plans, the highest spending Network Bodies' business plans and progress on Defra's most significant commercial projects. The Report additionally gives an update on the 10 Point Growth plan[3], Quarterly Data Summaries, human resources and ongoing change or corporate projects designed to improve the way we do business,

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

such as ‘One Business’ (see Chapter 3 for more detail). It also has, on rotation, performance reports against central government targets or requirements such as fraud and error, prompt payments, recruitment freeze, reducing regulation, correspondence, complaints and briefing on parliamentary scrutiny of EU business.

Continuous Improvement of Management Information

There has been a process of continuous improvement to deliver an MI Pack that is more concise and easier to read for Board members. This has included the redesign of the Director Update Reports and Network Body Reports. Both are now much shorter and focus more clearly on a snapshot (RAG rating) of performance against agreed deliverables and any exceptions arising. The Commercial Projects Report has been redesigned in line with these. A new one page summary of issues at the front of the MI Pack draws on the exceptions raised by Directors and Network Bodies, to direct Board Members attention to where it is needed most. Using simple off the shelf IT tools the MI Pack can now be produced electronically, allowing the Pack to be emailed securely to internal and external Board members.

Each year, business areas within the Core Department and Network Bodies prepare business plans setting out their performance expectations for the year ahead. Plans identify the key activities and outputs to be delivered with the resources allocated and how these support delivery of the Department’s strategic priorities (outcomes). Plans identify relevant performance measures, including key milestones and indicators, that managers will review during the year and report regularly to the Defra Board through the MI Report. A summary of these plans is prepared as a tool to help track performance and to help staff to better understand the Department’s work.

Chapter 2 – Strategic Report: Our Performance

Defra's Business Plan for 2012–15 sets out the Department's priorities and objectives in meeting the Coalition Government's Programme for Government Commitments. It was refreshed in June 2013. Progress against the Structural Reform Plan (SRP) actions and indicators in the Business Plan is reported in this chapter. Progress against the SRP actions can also be tracked on the Number 10 transparency website[4], which is updated monthly.

Highlights from 2013–14

The diagram on the following page highlights some of Defra's achievements during 2013–14. It includes a mix of SRP achievements and other activities reflecting the breadth of Defra's responsibilities, including response to emergency situations. All the SRP actions completed in 2013–14 are described in more detail in the following section. More information can be found on all our work areas online[5].

[4] http://transparency.number10.gov.uk/business-plan/10
[5] https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs

April	• Draft Wild Animals in Circuses Bill published.
May	• Tree Health and Plant Biosecurity Task Force Report published.
June	• Common Agricultural Policy (CAP) deal agreed in principle. • Water Bill introduced to Parliament. • Flood insurance agreement reached. • Launch of review of policy, evidence and civil society action on pollinators to form the basis of a National Pollinator Strategy.
July	• Report to Parliament on the first National Adaptation Programme. • Agri-Tech Strategy launched.
August	• Pilot badger culls began.
September	• Successful bids to the third round of the Rural Community Broadband Fund (RCBF) announced. • Proposals for plastic bag charges announced.
October	• Food and Drink Export Plan launched. • Consultation on how to implement the CAP in England from 2015.
November	• First tranche of Marine Conservation Zones (MCZs) announced. • New projects receive £1m from the Air Quality Grant Programme to improve local air quality. • Second Reading of the Water Bill.
December	• Implementation of CAP from 2015 announced. • Elliott Review interim report published. • Waste Prevention Programme for England launched. • Fixed Quota Allocation (FQA) register for fish quotas went live. • New Common Markets Organisation in Fishery Aquaculture and Products Regulation agreed.
January	• 'Plant Health Stakeholder Summit' was held in London, to help develop a coordinated approach across the country for dealing with pests and diseases. • Publication of risk register highlighting 700 possible threats to Britain's trees and plants.
February	• £130m to pay for emergency flood defence repairs and ensure that long term improvement plans can progress as planned. • A package of flood support schemes announced to help homes, businesses and farmers recover from the adverse weather and floods since 1 December 2013. • The UK government hosted an international conference on illegal wildlife trade.
March	• Action Plan announced to better protect Somerset from flooding. • Budget announcement of a further £140m of new funding to repair and restore the condition of vital flood defences that suffered damage. • Consultation on the National Pollinator Strategy launched.

Structural Reform Plan Summary

The 2013–15 SRP specifies 56 actions derived from Coalition priorities which Defra will implement during the current Spending Review (SR) period (2011–15). In 2013–14, Defra completed 29 of the 56 SRP actions due for completion over the SR period. This leaves 27 further actions to be completed during 2014–15. As at 31 March 2014, 5 actions were overdue for completion. A comprehensive list of actions and progress against them is available on the Number 10 Transparency Website.

May 2013

The Smarter Guidance and Data Website was launched.

June 2013

New arrangements for flood insurance beyond 2013 were agreed with industry. The Water Bill was introduced to Parliament; including measures to reform the water sector through increasing competition and legislation to underpin the Flood Re scheme, to help insure households at high risk of flooding to obtain affordable flood insurance.

Defra established, with the Department of Energy and Climate Change, a £15m Rural Community Renewable Energy Fund designed to help communities meet the upfront costs of developing renewable energy projects. Bids are now being accepted.

July 2013

The UK Strategy for Agricultural Technologies was published. It was developed in partnership between industry, the Department for Business, Innovation and Skills, Defra and the Department for International Development. New government investment of £160m in the Strategy will give the food and farming industries opportunities to increase productivity, grow the economy and put UK business at the forefront of their competitors abroad.

On the UK Strategy for Agricultural Technologies which will boost the UK food and farming industries:

"I applaud the strategy for its bold vision. I'm also greatly encouraged by the Government's view of the agriculture and horticulture sector's potential performance and growth prospects. This is also a massive confidence boost to my own organisation, AHDB, in its task of helping to make businesses in our sector more productive, competitive and sustainable."

Ian Crute, Chief Scientist, Agriculture and Horticulture Development Board (AHDB)

Two further Red Tape Challenge themes on agriculture and environmental regulations were launched.

An update on the delivery of Biodiversity 2020 was published.

Defra commenced a consultation on a comprehensive and risk-based bovine TB (bTB) Eradication Strategy for England, including the development and deployment of cattle and badger vaccines.

Defra published a report to Parliament on the first National Adaptation Programme (NAP) to build the country's resilience to climate change and extremes of weather, developed in collaboration with businesses, local government and civil society. The 2013 strategy for exercising the adaptation reporting power of the Climate Change Act 2008 was published alongside this report.

A Defra pilot project to test alternative local management approaches for domestic fishing was completed. Industry will take this forward until the end of December 2014. A successful outcome at judicial review meant that the Government will move ahead with FQA units realignment for under ten metre vessels.

August 2013

The pilot badger culls to test the effectiveness, humaneness and safety of controlled shooting started.

Defra published a full assessment of further opportunities to implement an earned recognition approach to farm inspections.

September 2013

Successful bids to the third round of the RCBF were announced.

The Government's response to the Ecosystems Market Taskforce Report, including a decision on the use of offsetting to improve biodiversity and reduce burdens on business was published.

The consultation on a comprehensive and risk-based bTB Eradication Strategy for England concluded.

October 2013

Defra continued to drive forward engagement in the EU to strengthen fair cost distribution in Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) to avoid excessive costs being inflicted on smaller businesses. This was captured in the recommendations of the Prime Minister's Business Taskforce and is now a priority within the EU.

On the extension of Marine Conservation Zones (MCZs) to conserve the biodiversity of our seas:

"We are pleased by the Government's commitment, demonstrated today, to a second tranche of Marine Conservation Zones. The 27 areas designated at the end of last year were the first step towards an ecologically coherent network. We are buoyed by progress being made towards the next step in its creation."

Joan Edwards, Head of Living Seas, The Wildlife Trusts

November 2013

The first tranche of MCZs was designated.

The pilot badger culls to test the effectiveness, humaneness and safety of controlled shooting concluded.

Actions on marine licensing set out in the Red Tape Challenge and Focus on Enforcement Review were implemented.

An online consultation on proposals to make nature conservation guidance simpler, clearer and easier to find, as a pilot for wider guidance simplification was completed.

On the key decision made to balance Common Agricultural Policy (CAP) funds:

"We are pleased Mr Paterson has listened to the industry and moved 12 percent from Pillar One to Pillar Two rather than choosing the maximum figure allowable of 15 percent.

He has struck a reasonable balance between supporting the environment and rural development and ensuring that farmers in England get a fair deal."

Henry Robinson, President, Country Land and Business Association (CLA)

Regulations to allow the continued sale of second-hand articles containing asbestos were laid, coming into force on 16 December. Cost savings to business are estimated at £34.5m a year.

December 2013

Defra announced key decisions about how the new CAP schemes will be implemented in England from 2015. They will support a resilient and competitive English farming sector and strengthen outcomes for the public good, through rural development funds targeted at improving the environment and growing the rural economy. Simplicity, affordability and effectiveness will underpin implementation and policy choices.

A new CFP was agreed to come into force from 1 January 2014. This will radically transform fishing practices in Europe. Reforms include:

- a ban on the wasteful practice of discarding perfectly edible fish;
- a legally binding commitment to fishing at sustainable levels; and
- decentralised decision making, allowing Member States to agree the measures appropriate to their fisheries.

Details of the first Waste Prevention Programme for England were published, enabling businesses, local authorities and civil society to do more to reduce or reuse waste.

On the historic deal to reform the Common Fisheries Policy (CFP), including a ban on the wasteful practice of discarding edible fish:

"We were pleased that the reforms reflected all of our key asks with a commitment to end overfishing and the wasteful practice of discarding. That means that there is much scope now to deliver more sustainable management in European fisheries and we'll work closely with governments and other marine stakeholders to ensure this is the case."

WWF

Proposals were published to reform the water abstraction licensing system.

Following a Red Tape Challenge review, the Gangmasters Licencing Authority was reformed to allow it to continue to enforce protection for vulnerable workers, while reducing burdens on compliant operators. The protection was focussing more closely on the gross abuse of workers with an increased commitment to tackling any unscrupulous gangmasters, whilst the reduction in burden was aimed as those areas covered by licensing which posed no serious risk of exploitation.

Ministers accepted the remaining recommendations of the Taskforce on Tree Health and Plant Biosecurity.

Defra published a summary of responses to its consultation on options to improve local air quality management, to reduce bureaucracy and increase focus on what local authorities can do to improve local air quality. Defra will consult on revised regulations and guidance in 2014.

March 2014

Over the year to March 2014, Defra Ministers visited key markets to promote UK agriculture, food and drink exports. In 2013 we opened 112 markets in animal and animal products worth £179m of exports to non-EU countries. Defra also concluded agreements in Russia on beef and lamb (including offal) and signed an agreement with China for pig genetics.

On the publication of the Elliott interim report on the integrity and assurance of food supply networks:

"We are pleased that the Government is taking the horsemeat issue seriously in a bid to ensure that consumers can have 100 percent confidence that the meat they buy is exactly what it is supposed to be – and when they want to back British, they can."

Meurig Raymond, President, National Farmers Union

Defra, UK Trade & Investment and the industry are encouraging exporters to populate the Open to Export Website and share information about their experiences. This Website has information to help new exporters to understand how to get started, where to get advice and what support is available.

Defra completed a root and branch review of the environmental information required from businesses to reduce burdens and make it easier to report. In April 2014 it announced plans for implementing reforms, with the ambition by March 2016 to reduce the time businesses spend reporting by 20 percent and release over £10m for regulators to use for more productive activities.

The Anaerobic Digestion Strategy Action Plan is now complete. It achieved its goals of tackling the barriers that stakeholders identified and the Anaerobic Digestion sector is growing.

Primary legislation to encourage responsible dog ownership became law. The Anti-social Behaviour Crime and Policing Act 2014, which amends the dangerous dogs legislation, received Royal Assent on 13 March 2014.

April 2014

The following SRP actions were due in February and March 2014 respectively but completed in April 2014.

Defra published a comprehensive strategy to achieve TB free status in England by 2038. This includes continuing to strengthen cattle movement controls, a grant-funded scheme for badger vaccination projects in the 'edge area' at the frontier of the disease and the introduction of bespoke biosecurity advice for farmers in the areas where badger culling is taking place. Following recommendations from the Independent Expert Panel that assessed the badger cull pilots, a series of changes will be made to improve the effectiveness, humaneness and safety of culling. These changes will be monitored to assess their impact before decisions are taken on the roll out of licenced badger culling.

Defra published a Plant Biosecurity Strategy for Great Britain with a new, strengthened approach to plant biosecurity and the risks posed by pests and diseases. An update on operational activity to manage tree pests and disease, including Chalara fraxinea (ash dieback) was also published.

Outstanding Structural Reform Plan Actions

There are 3 outstanding actions as at 31 March 2014.

Invest £100m from the Rural Development Programme for England (RDPE) to help small businesses improve their skills, facilities and competitiveness. Good progress has been made on the commitment to improve rural competitiveness and skills. As of April 2014, £87.4m of the £100m announced at the Rural Economy Growth Review has been committed to rural businesses through the Farm and Forestry Improvement Scheme (FFIS), Rural Economy Grant and a National Rural Skills Programme.

The launch of the revised RDPE programme saw an unprecedented level of applications for support. The target date for the Rural Economy Growth Review Commitment has been extended into 2014 to coincide with the transition year. As part of this a third round of the FFIS has recently been launched. The new RDPE will now be launched in 2015, with 2014 operating as a transition year in which investment from the current programme can still be made.

Revise and publish environmental guidance so it is simple, clear and easy to find on GOV.UK. This commitment has been expanded to make all Defra and its Network Bodies guidance simple, quick and clear. Guidance reform plans have been prepared for all environmental guidance topics. 70 percent of simplified content for the general reader was on GOV.UK in 2014. A target milestone has now been set to simplify all of Defra and its Network Bodies guidance, including both general reader and specialist guidance by March 2015 with the aim of a reduction in volume of over 80 percent.

Introduce secondary legislation to implement the EU rules on ensuring the welfare of animals when they are slaughtered in England. Ministers have decided that this needs further consideration.

Structural Reform Plan Actions	**2013-14**	**2012-13**
Total number of actions completed during the year	29	34
Total number of actions overdue at the end of the year[1]	5	5
Number of overdue actions that are attributable to external factors	3	4
Total number of actions ongoing (excluding overdue) or yet to start	22	24

1. 5 SRP actions were overdue as at 31 March 2014 but 2 were subsequently completed in April 2014.

For 2013–14, the total number of SRP actions was updated as a result of the exercise to refresh the 2013-15 Defra Business Plan. Some existing SRP actions were carried forward into the refreshed plan, some were removed as they had been achieved and some new ones were agreed, which resulted in a total of 56 SRP actions in the 2013–15 Defra Business Plan.

Additional Major Responsibilities

Flood Risk Management During East Coast Flooding in December 2013 and Southern England Flooding in Winter 2013–14

The winter of 2013–14 was the wettest on record for England and Wales, as the UK experienced a period of extreme weather. Many parts of the country were subjected to flooding from the sea, rivers, surface water or groundwater.

In early December 2013 a tidal surge caused by low pressure, strong winds and high tides led to record sea levels along many parts of the East Coast, some of which were higher than those seen during the devastating floods of January 1953. This is estimated to have caused flooding of around 2,800 properties based on DCLG latest figures collected from local authorities. However, there were no major impacts on national infrastructure, and around 800,000 properties were protected by Environment Agency (EA) defences.

For rainfall, this was a record-breaking winter. New rainfall records were subsequently set for many parts of the UK, with southeast and central southern England having seen well over double the rainfall expected in a normal winter. It was also the stormiest period of weather experienced by the UK for at least 20 years. Some parts of southern England are still at risk of flooding from high groundwater levels.

Over this period as a whole, the latest DCLG figures collected from local authorities indicate that over 7,700 homes and approximately 3,200 commercial properties were affected across England. However, existing flood defences and improvements to the way Defra responds to incidents meant there were around 1.4m properties protected by EA and local defences together with 2,500 square kilometres of farmland protected from flooding. This reinforces the importance of continuing our investment in flood defence schemes and forecasting capability[6].

[6] As we move into recovery a more robust picture is developed as local authorities and other agencies visit flooded areas in order to be able to support those impacted. It also becomes clearer whether flooded properties are all homes, or include a substantial number of businesses, and the impact of the flooding on those businesses. The number of properties reported as flooded generally increases at this stage due to the detailed inspection. The numbers of households and businesses impacted are also likely to increase as awareness of the flood recovery support funding becomes more widely known at a local level. Reports are submitted to the Ministerial Recovery Group so that they can oversee the recovery work.

The Government's national emergencies committee, COBR, met 26 times between December 2013 and March 2014 to ensure that all relevant agencies, organisations and local authorities were given immediate practical support from government. This included authorising the use of military assistance, ensuring the speedy and additional availability of sandbags and temporary defences and ensuring that existing assets, such as pumps, were being shared where necessary.

Defra spent £30m in 2013–14 and will be investing an extra £240m to repair and maintain critical defences over the next two years. This will help EA ensure that the most important defences are returned to, and maintained at, target condition. With the extra funding, this Government will now be spending more than £3.2bn over the course of this parliament on flood and erosion risk management (between 2010–11 and 2014–15). 54 new flood defence improvement projects will begin construction this year (2014–15). When complete these projects will protect more than 42,000 households.

In total, departments have now committed over £560m in financial support packages to help affected households, businesses, communities and local government recover from the recent flooding. This includes a Farming Recovery Fund of up to £10m for farmers to help restore farm land and get it back into production as quickly as possible. Other schemes include a Repair and Renew Grant to fund flood resilience and/or resistance measures for homes and businesses that had been flooded during the winter floods to the value of up to £5,000, and one off adaptations to the EU Fisheries Fund to support fishermen with the cost of replacing storm damaged equipment, such as lobster creels and crab pots. In addition, Defra has announced further support for fishermen affected by the recent flooding, by continuing to pay 'light dues' (Trinity Lighthouse) for a further year.

Integrity and Assurance of Food Supply Networks

In light of the horsemeat fraud in 2013, the Secretaries of State for Defra and Health appointed Professor Chris Elliott on 4 June 2013, to carry out an independent review into the integrity and assurance of food supply networks. The Review has a wide remit and the interim report, published on the 12 December 2013, highlights the complex and international context of food fraud[7].

The report contains 48 recommendations for further discussion with government, industry and others with an interest in ensuring the integrity and assurance of food supply chains and the protection of the interests of consumers.

All the recommendations in the interim report are being considered by government ahead of Professor Elliott's final report due to be published in summer 2014.

Major Projects

Defra manages a portfolio of major commercial projects totalling over £1.5bn in government whole life project costs. These projects deliver major infrastructure (e.g. in flood, waste or water areas); information and communications technology (ICT) (e.g. CAP payment systems); and major procurement or outsourcing (e.g. shared services). The portfolio comprises those projects which exceed Departmental Expenditure Limits or other HM Treasury controls and thus require HM Treasury approval at each business case stage. The Defra Board receives quarterly reports on this portfolio covering progress updates on each project; an assessment of commercial risk and delivery confidence; and a forward plan of approvals and assurance activity.

This portfolio includes three projects that form part of the Government Major Project Portfolio. These are overseen by the Major Projects Authority (MPA), requiring quarterly reporting and a robust assurance regime. They are:

- Thames Estuary 2100, Phase 1 (led by EA);
- Thames Tideway Tunnel (led by Thames Water Utilities Ltd.); and

[7] https://www.gov.uk/government/publications/elliott-review-into-the-integrity-and-assurance-of-food-supply-networks-interim-report

- CAP Delivery Programme (led by Defra).

Information on each project is published annually through the MPA[8].

Input and Impact Indicators

The Business Plan sets out how Defra will measure progress towards achieving the Department's priorities and objectives. A set of indicators has been developed to monitor progress in key areas. These constitute inputs (use of resources) and impacts. Defra's input and impact indicators are based on data which is collected and compared across time periods of varying frequency. 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 usefulness of more frequent surveys.

By their nature, impact indicators can be affected by many factors, including those outside of Defra's control, and it can take some time to see Defra's actions reflected as changes in indicator performance. The set of indicators was not designed to cover the entirety of Defra's work and so should be considered alongside progress on the SRP actions to provide a fuller picture of Defra's performance.

The table on the following page sets out all input and impact indicators, comparing latest performance with the previous dataset. Further information about the nature of the indicators and the measurement detail is available in the Measurement Annex to Defra's Quarterly Data Summary (QDS)[9]. Defra produces a wide range of statistical datasets, all of which are available online[10].

[8] https://www.gov.uk/government/publications/major-projects-authority-annual-report-2014
[9] http://data.gov.uk/dataset/defra-business-plan-quarterly-data-summary
[10] https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/statistics

Input and Impact Indicators

Input indicators	Time periods	Latest data	Previous data	Comment on trend
Total cost to government of bTB control (England)[1]	Latest data: 2013-14 Previous data: 2012-13	£101.75m	£85.08m	As noted in last year's report, the indicator for 2012-13 was affected by over-estimated accruals in 2011-12. After adjusting for those, the 2013-14 indicator still shows a net increase in investment in measures to tackle bTB. That is despite the biggest element (compensation for cattle slaughtered) having fallen in 2013-14.
Cost per Single Payment Scheme (SPS) claim	Latest data: 2012-13 Previous data: 2011-12	£691	£727	Audited SPS Cost per Claim data for 2013-14 will not be available until the end of July 2014.
Funding to EA for water quality	Latest data: 2012-13 Previous data: 2011-12	£78m	£84.6m	The amount of funding granted to the EA for water quality fell between 2011-12 and 2012-13.
Cost of local authority waste management per household	Latest data: 2012-13 Previous data: 2011-12	£140.4	£139.9	In nominal terms, the cost has increased by 0.4% with respect to 2012–13 but continues to decrease in real terms for the third consecutive year.
Total government capital investment in flood and coastal erosion risk management[2]	Latest data: 2012-13 Previous data: 2011-12	£287.6m	£291m	The figures reported in this table include local levy which is raised through the Regional Flood and Coastal Committees for flood management schemes and spent through the EA. Total government capital spend was £260.7m in 2011–12 with additional funds of £30.3m raised through local levy and £269.1m in 2012–13 with £18.5m additional raised in local levy.
Impact indicators	**Time periods**	**Latest data**	**Previous data**	**Comment on trend**
Cattle herds that are officially bTB-free (England)	Latest data: 2013 Previous data: 2012	86.5%	87.1%	The percentage of cattle herds that are officially bTB-free in England decreased further in 2013. Future trends will be determined, in part, by the Government's programme of interventions and levels of TB testing. Earlier detection of disease should, all other things being equal, eventually feed through into improvements in this indicator over the longer term.
Agricultural soils nitrogen balance (England) (kg N / ha / year)	Latest data: 2012 Previous data: 2011	90.9	87.8	The increase between 2011 and 2012 is largely the result of the poor weather conditions in 2012, which led to less nitrogen being removed from the soil by harvested crops. Since 2000, there has been an overall long-term decline in the nitrogen balance per hectare. A reduction in the balance per hectare broadly indicates a reduced environmental risk.
Total Factor Productivity of UK Agricultural Industry (base year 2010 = 100)	Latest data: 2013 (First estimate) Previous data: 2012	98.7	98.8	This is the second year in a row that productivity has fallen. The bad weather in 2012 saw productivity fall by 3.7% in 2012 and a further 0.1 % fall in 2013.
Proportion of Sites of Special Scientific Interest (SSSIs) in favourable or unfavourable recovering condition	Latest data: at March 2014 Previous data: at March 2013	96.2%	96.1%	The proportion of SSSIs in favourable or unfavourable recovering condition has remained stable above 96% since 2011.

Input and Impact Indicators continued

Impact indicators	Time periods	Latest data	Previous data	Comment on trend
Proportion of Sites of Special Scientific Interest (SSSIs) in favourable condition	Latest data: at March 2014 Previous data: at March 2013	37.6%	37.7%	Since 2011, there has been a small increase in the proportion of SSSIs in favourable condition, from 36.6% to 37.6% in 2014.
Farmland Birds Index (base year 1970 = 100)	Latest assessed data: 2011 Baseline for assessment: 2006	47	50	The index shows a statistically significant decline of 6% in the farmland bird index between 2006 and 2011.
Net improvement in water quality elements (percentage point change from previous three year average)	Latest data: 2009-11 (2012 report) Previous data: 2008-10 (2011 report)	-0.2%	-0.7%	This in-year index showed small negative changes in both 2011 and 2012 reports ; -0.7 percentage points and -0.2 percentage points respectively. These were not statisticially significant changes.
Household recycling rate	Latest data: 2012-13 Previous data: 2011-12	43.2%	43.0%	Household recycling rate reached 43.2% in England in 2012–13, slightly up from 43% in 2011–12. The rate of increase has been levelling off, with 2012–13 being the lowest year on year increase for over ten years.
Estimate of the number of households where the risk of damage from flooding and coastal erosion has been markedly reduced	Latest data: 2013-14 Previous data: 2012-13	40,500	59,200	Despite the exceptional weather over the winter period and the battering our defences have taken, we are on track to meet the SR10 goal of better protecting 165,000 households by 2015, exceeding our initial goal by 20,000.
Number of domestic, business and other premises in hard-to-reach rural areas that have the potential to receive superfast broadband as a result of Rural Community Broadband Fund investment in England (Cumulative predicted and actual)[3]	Latest data: 2013-14 Previous data: 2012-13	1,595	1,537	The Fund is targeted in the 'final 10%' areas of each county. In many cases, these areas were not known until later in 2013 impacting on progress of applications under the Fund. Further projects are now expected to be contracted in early 2014–15.

Input and Impact Indicators continued

General indicators	Time periods	Latest data	Previous data	Comment on trend
Estimated net cost to business of Defra's regulations (where monetised)	Latest data: 2012 Previous data: 2011	£3.7bn pa	£3.7bn pa[4]	Overall, the estimate of net cost to business increased marginally by £40m p.a. in 2012 £s. These estimates draw on the central estimates used in Impact Assessments of the relevant regulations and are our best estimate of business costs. There is uncertainty in the evidence underpinning these figures and as such they should be treated as indicative. Defra plans to better reflect this uncertainty in future updates. Details on methodology and caveats can be found in Defra's forthcoming update to the Regulatory Stock Assessment.
Estimated benefit to cost ratio of Defra's regulations (where available)	Latest data: 2012 Previous data: 2011	3.0:1	2.9:1[5]	For 2012 this means that where £1 is spent on regulation (mainly by businesses and public authorities), there is an estimated £3 return to society (mainly economic benefits to business and the public and environmental and health benefits). Overall there was a small increase in the estimated benefit-cost ratio from 2.9 in 2011 to 3.0 in 2012. Whilst the estimate of the ratio is somewhat uncertain, the slight increase reflects several regulatory changes. Given the uncertainty in the evidence underpinning these figures they should be treated as indicative. Defra plans to better reflect this uncertainty in future updates. Details on methodology and caveats can be found in Defra's forthcoming update to the Regulatory Stock Assessment.

1. The figures provided are those recorded against the Department's financial reporting system. However, if adjusted for the effect of over-estimated accruals in 2011–12 the indicator would show an increase in total cost to the Government in 2012–13 of around £13m.

2. Since the last version of the ARA Defra has identified some inconsistencies with previously published figures for government funding for flood and coastal erosion risk management. These relate mainly to the complexities of how flood risk management is financed, incorporating government funding, local levies raised through Regional Flood and Coastal Committees, and other contributions. It is important to note that the revisions to the figures do not affect the fact that more is being spent than ever before on flood and coastal erosion risk management.

3. This indicator is forward looking and data are based on approved and contracted projects and subsequent monitoring.

4. Note that the previously published data was £3.6bn p.a. in 2011 £s, the £3.7bn p.a. is in 2012 £s and includes a number of baseline adjustments, as new data comes to light or errors have been corrected.

5. Note that the 2011 figure has changed from 2.4:1 to 2.9:1. This is due a number of baseline adjustments.

In line with standard statistical practice, some indicators for previous years are updated in light of newer and fuller information becoming available often replacing provisional figures. The previous period value in the table above always shows the latest published estimates. As such this may be different to those published in last year's ARA.

The **cost per SPS** claim figure for 2012–13 was £691. In 2013–14 the Rural Payments Agency (RPA) expects to be on target to achieve a further reduction on this, and audited figures for 2013–14 will be available at the end of July 2014.

UK agriculture **total factor productivity** is an indicator for how well inputs are converted into outputs. Over the longer term, total factor productivity for the agricultural industry in the UK has increased by 20 percent between 1988 and 2013. In that time, the volume of final output has remained largely unchanged while the volume of all inputs fell by 18 percent. However, total factor productivity has remained relatively unchanged since 2005 and is estimated to have fallen by 0.1 percent between 2012 and 2013. Compared to 2012 there was an increase of 0.5 percent in the volume of outputs and an increase of 0.7 percent in the volume inputs. This is the second year in a row that total factor productivity has fallen. The effects of the poor weather in 2012 affected the 2013 figures. Autumn planting for wheat and oilseed rape were down and the lack of forage crops produced in 2012 led to increased volumes of animal feed used in 2013.

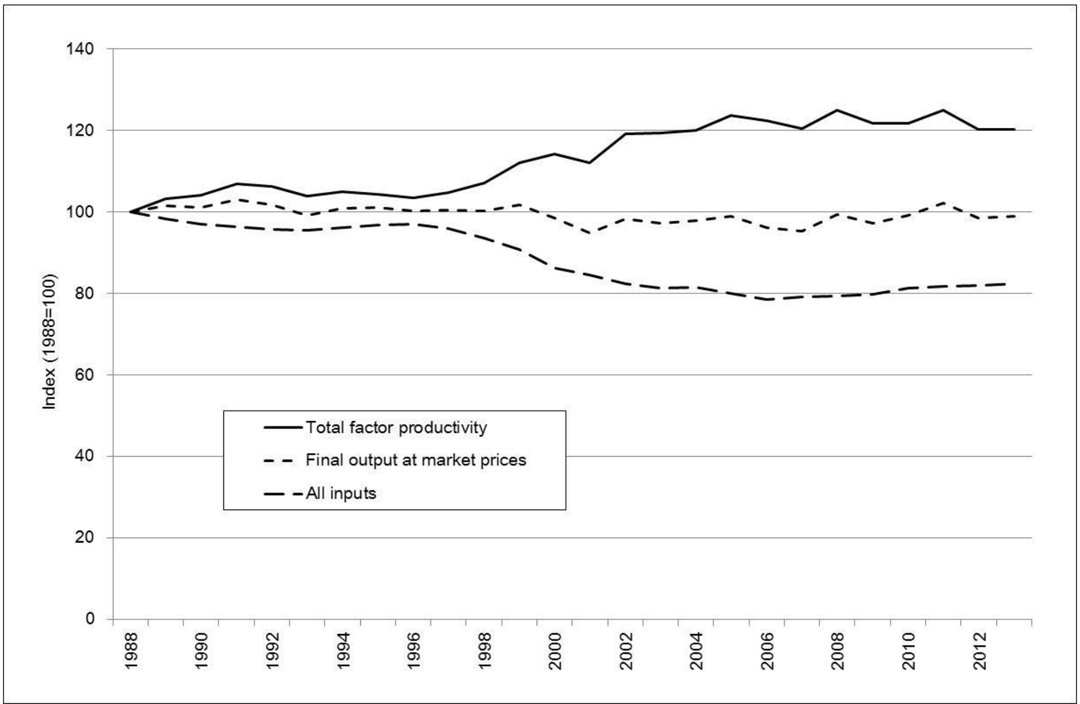


Chart showing the Total Factor Productivity of the UK agricultural industry 1988 to 2013

The joint Defra/Broadband Delivery UK[11] £20m RCBF allows communities in hard-to-reach areas to secure funding for projects that will give them **the potential to receive superfast broadband**. Such communities would otherwise only have the potential to receive standard broadband by 2016 through the Government's £530m investment to support the roll-out of broadband in rural areas and may be disadvantaged. Further government investment in superfast broadband now aims to extend superfast coverage to 95 percent of UK premises by 2017.

Based on contracted projects to the end of 2013–14, a total of 1,595 premises in hard-to-reach areas are expected to have **the potential to receive superfast broadband**. These predicted premises are within two community projects which were approved for funding from the RCBF and contracted by the end of 2013–14. The RCBF had an original target of up to 70,000 premises to have the potential to receive superfast broadband by mid-2015. More explanation on this indicator is available in the latest statistical release. This target is to be revised following final contracts in 2014–15.[12]

[11] www.gov.uk/broadband-delivery-uk
[12] https://www.gov.uk/government/publications/rural-community-broadband-fund-rcbf-output-indicator

The **soil nitrogen balance** is an indicator of the overall environmental pressure from levels of nitrogen in agricultural soils. It measures the difference between nitrogen applied to soils (largely as fertiliser and manures) and the nitrogen removed from soils by crops and grazing. A high nitrogen balance can impact on air quality through ammonia emissions from fertilisers and manures, on water quality through nitrate levels in rivers and on climate change through nitrous oxide emissions. A reduction in the balance per hectare broadly indicates a reduced environmental risk. The 4 percent increase between 2011 and 2012 goes against the longer term trend (see the chart below). The increase has mainly been driven by a decrease in offtake from harvested crops (particularly cereals) and grazed pasture reflecting the poor weather conditions in 2012. This has more than offset a small reduction in inputs from inorganic fertilisers.

Since 2000, there has been an overall long term decline in the nitrogen balance per hectare as shown in the chart below. From 2010 in England, survey data for land and animals are collected only for commercial farms. Data for 2009 have been presented on the new and previous basis for comparability.

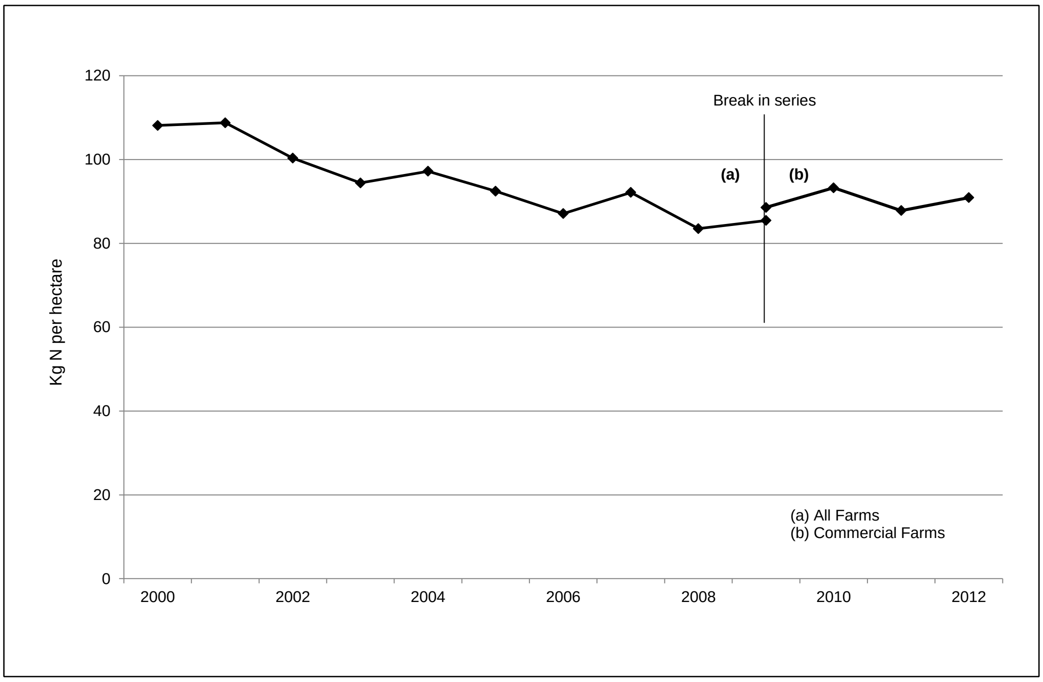


Chart showing the soil nitrogen balance for England over time.

In 2012–13, **funding to EA for water quality** was £78.0m (previous year £84.6m). The **water quality index** is a lagging indicator being reported in the year after the last samples are taken. The indicator is based on the percentage of water bodies that have improved with respect to a number of chemical and biological quality elements. The improvement is net of any deteriorations. The index comprises three years of data, so for instance the results from samples collected in 2009, 2010 and 2011 are averaged to produce the 2012 report. The first two years of reporting in 2008 and 2009 showed a positive change of 1.8 percentage points and 0.5 percentage points respectively. In 2011 and 2012 the index showed a negative change of 0.7 and 0.2 percentage points respectively. These changes are not statistically significant. Measures put in place under the Water Framework Directive would not yet be expected to influence this index; experts suggest it can take between six and fifteen years for measures to make a significant impact on these results.

In 2012, the breeding **farmland birds index** in England was less than half (a decline of 51 percent) of its value in 1970. Most of the declines in farmland birds occurred between the late seventies and the early nineties. The smoothed index shows a statistically significant rate of decline of 6 percent between 2006 and 2011.

Many of the declines in farmland bird populations have been caused by land management changes and intensification of farming that 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 production), increased pesticide and fertiliser use, and the removal of non–cropped features, such as hedgerows.

The rate of these changes, which resulted in the loss of both suitable nesting and feeding habitats and a reduction in available food, was greatest during the late 1970s and early 1980s and hence many farmland bird populations declined most rapidly during that period. This is shown in the chart below. Some species of birds are restricted to, or highly dependent on, particular habitats and these are known as ‘specialists’. Species which are associated with a wider range of habitats are referred to as ‘generalists’. Farmland specialists include corn bunting, goldfinch and grey partridge. Farmland generalists include greenfinch, jackdaw and kestrel.

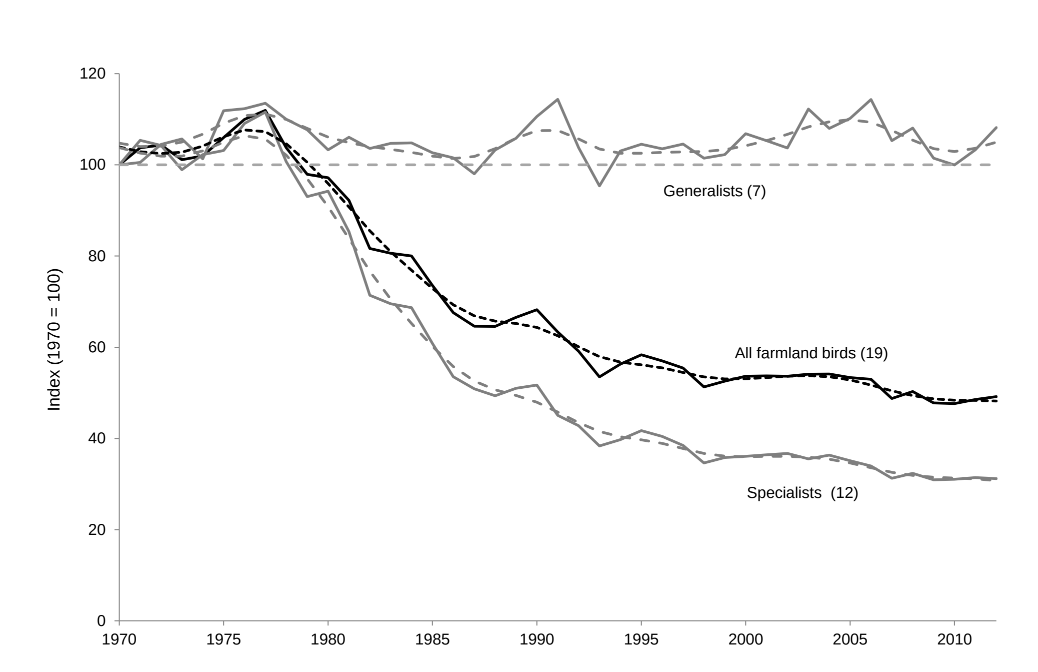


Chart showing the Farmland Birds Index for England.

The England Biodiversity Strategy (Biodiversity 2020) committed to maintain the 95 percent of **SSSIs** at favourable or unfavourable recovering condition, as achieved in 2010, and extend it further to deliver 50 percent of SSSIs into favourable condition by 2020. This is a contribution towards the 2020 mission of halting overall biodiversity loss, supporting healthy well-functioning ecosystems and establishing coherent ecological networks, with more and better places for nature for the benefit of wildlife and people.

The favourable condition commitment requires a shift of focus away from putting management mechanisms in place (to achieve recovering condition) to ensuring tangible and sustained improvement as a result of appropriate site management mechanisms. At March 2014, 96.2 percent of SSSIs are in favourable or unfavourable recovering condition, with 37.6 percent of SSSIs in favourable condition compared with 36.6 percent in March 2011. Natural England (NE) lead on the delivery of this target, putting management measures in place for SSSIs and tracking their performance.

Local Authority waste management cost £140.4 per household in 2012–13. In nominal terms the cost increased 0.4 percent with respect to the previous year and 6.0 percent with respect to 2008–09. In real terms (i.e. when the increase in costs due to general inflation are taken out), the cost decreased by 1.3 percent in the last year and 3.4 percent over the last four years (or 5.7 percent when landfill tax is excluded). Over the same period, the real cost per tonne of material has increased by 7.3 percent; however, when landfill tax is excluded, cost per tonne has decreased by 23.6 percent.

This significant reduction suggests some efficiency savings have been achieved, with reductions in the amount of waste sent to landfill being a key driver. Real figures have been calculated using GDP deflator.

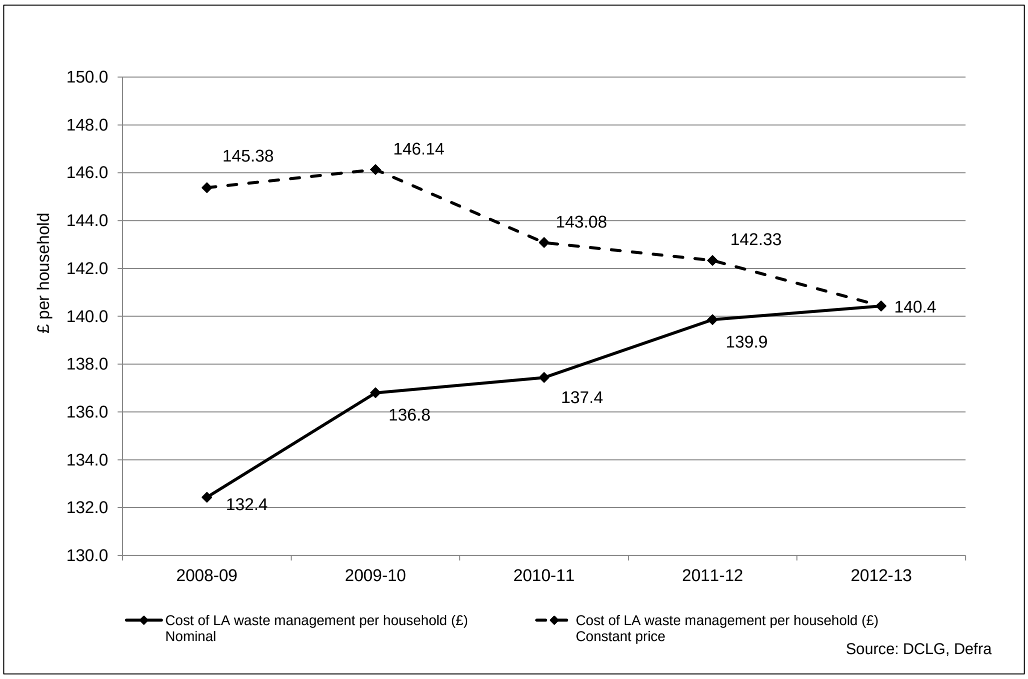


Chart showing cost of local authority waste management per household. Both nominal prices and constant prices are shown. Constant prices have been inflated to 2013 prices so comparisons can be made in real terms.

The household recycling rate reached 43.2 percent in England in 2012–13 with substantial variation between local authorities. The amount of household waste we recycle, compost and reuse is now more than three times what it was in 2000. Though the rate of increase has slowed recently, the Department is keeping progress under review and remains committed to meeting the 2020 EU target for 50 percent of household waste being recycled.

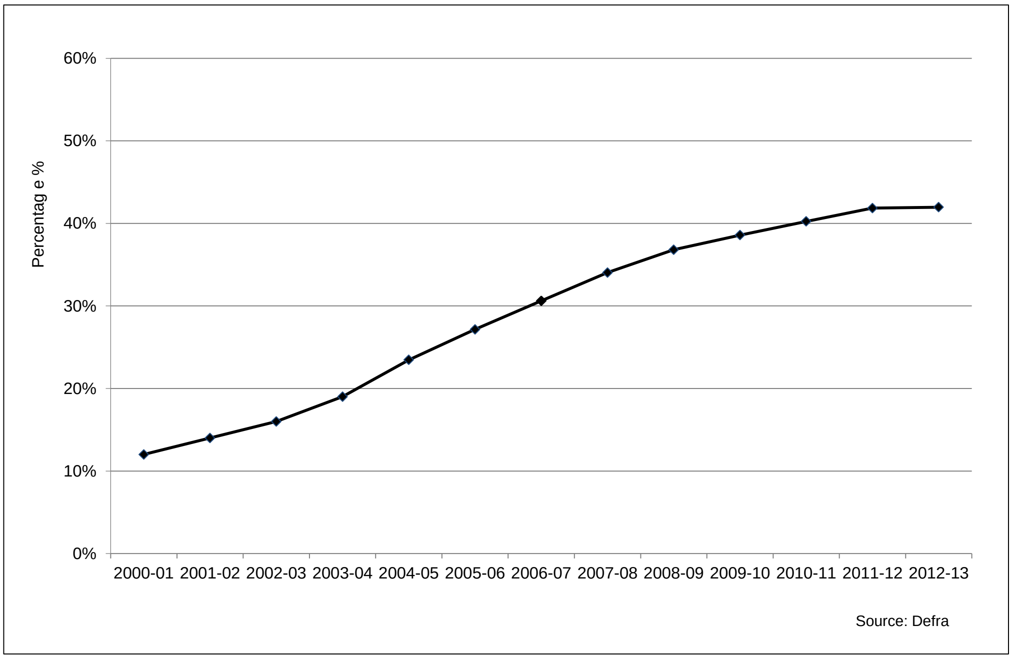


Chart showing recycling rates per household.

The Department will be spending £3.2bn on reducing the risk from **flooding and coastal erosion** in the 5 years from 2010–11 to 2014–15. By March 2015 the Department expects to better protect 165,000 households, exceeding our initial goal by 20,000. In 2012–13 £287.6m was invested in capital schemes to manage flood and erosion risk. 40,500 households were better protected from flooding as a result of schemes completed in 2013–14.

The total **cost to government of bTB** controls in England was first calculated for 2011–12. It is not possible to identify a trend based upon annual spend data for just three years (i.e. just three data points). The **percentage of cattle herds that are officially bTB-free** in England decreased further in 2013. Future trends will be determined, in part, by the Government's programme of interventions and levels of TB testing. Earlier detection of disease should, all other things being equal, eventually feed through into improvements in this indicator over the longer term.

Corporate Performance

People and Culture

Recruitment Practice

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 continuing with an approval process requiring Director General approval to recruit externally into critical business and/or frontline posts.

Diversity and Employment of Disabled People

A refreshed Departmental Diversity Strategy and prioritised action plans to address key equality and diversity issues were published in summer 2013. Good progress is being made on numerous actions to ensure Defra is able to recruit, retain and enable employees from a diverse range of backgrounds to develop and progress on merit. These include actions to promote opportunities for employees with protected characteristics where evidence has shown they are needed.

Defra published a refreshed Public Sector Equality Duty Report in June 2013. This includes two customer objectives and supporting action plans that relate specifically to one of its Executive Agency's disabled customers and the Report will be updated in summer 2014.

Defra continues to strengthen relationships with its diversity staff networks. These are the Lesbian, Gay and Bisexual, Transgender and Asexual Network; the Ethnic Minority Network; the Work Life Balance Network and Disnet (a disability network), all of which are now supported by a senior champion.

The Department operates the 'Two Ticks' disability symbol in recruitment and employment. Comprehensive guidance on making reasonable adjustments at work and supporting disabled employees is provided to managers and all managers with managerial responsibilities are required to complete 'Unconscious Bias' training. Disability leave enables disabled employees to take paid time off work for assessment, treatment and rehabilitation.

Defra has signed up to the 'Time for Change' Initiative. Additionally, an employee led support group called 'Break the Stigma' has recently been set up to provide support and information, and to raise awareness of mental health issues. These are part of a wider government pledge to help create a supportive environment for employees with mental health issues and challenge discrimination in the workplace.

Gender and Defra

Defra continues to monitor the makeup of its workforce by gender which is described in the table below.

Gender Split of Staff at 31 March 2014	**Male**	**Female**
Ministers	4	0
Executives on Supervisory Board (Core Defra only)	5	1
Non-Executive Directors	3	1
Management staff (Senior Civil Service grade or equivalent) *Departmental Group[1] excluding those Executives on Supervisory Board*	215	102
All other staff in the Departmental Group[1]	11,912	10,932
Total Staff	**12,139**	**11,036**

1. Departmental Group includes Core Defra, the 5 Executive Agencies and 10 Non–-Departmental Public Bodies (NDPBs)
This is the first year that data has been collated in this format for the grades above SCS.

Off-Payroll Appointments

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to HM Treasury on 23 May 2012, departments must publish information on their highly paid and/or senior off-payroll engagements. Off-payroll means anyone who is working for the Department but is not paying PAYE (Pay As You Earn) or national insurance via the departmental payroll, i.e. working for Defra but not a civil servant.

Off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months

	Core Department	**Executive Agencies**			**NDPBs**			**Non-Ministerial**	**Total**
	Defra	**AHVLA**	**Fera**	**RPA**	**EA**	**Kew**	**NE**	**FC**	
Number of existing engagements as of 31 March 2014	43	7	2	27	22	17	1	10	129
Of which									
Number of engagements that have existed for less than one year at time of reporting.	33	3	1	2	2	6	1	2	50
Number of engagements that have existed for between one and two years at time of reporting.	8	0	1	24	7	5	0	2	47
Number of engagements that have existed for between two and three years at time of reporting.	1	1	0	0	5	1	0	1	9
Number of engagements that have existed for between three and four years at time of reporting.	0	0	0	0	1	1	0	0	2
Number of engagements that have existed for four or more years at time of reporting.	1	3	0	1	7	4	0	5	21

* All Defra Executive Agencies and NDPBs have participated in this exercise. Any Network Bodies not listed in the table above provided a nil return.

All existing off-payroll engagements, outlined above, have been subject to an assessment to provide assurance as to whether the individual is paying the right amount of tax as a result of their employment by Defra or its Network Bodies.

New off-payroll engagements between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months

	Core Department	Executive Agencies		NDPBs			Non-Ministerial	Total
	Defra	Fera	RPA	EA	Kew	NE	FC	
Number of new engagements between 1 April 2013 and 31 March 2014	65	2	13	2	6	1	2	91
Number of new engagements which include contractual clauses giving the Department the right to request assurance in relation to Income Tax and National Insurance obligations.	65	0 [1]	13	2	6	1	0 [2]	87
Number of engagements for whom assurance has been requested.	44 [3]	2	13	2	6	1	2	70
Of which								
Number of engagements for whom assurance has been received.	22	1 [4]	11	2	1	1	2 [4]	40
Number of engagements for whom assurance has not been received. [5]	22	1 [6]	2	0	5	0	0	30
Number of engagements that have been terminated as a result of assurance not being received or ended before assurance was received.	0	0	0	0	0	0	0	0

* All Defra Executive Agencies and NDPBs have participated in this exercise. Any Network Bodies not listed in the table above provided a nil return.

1. Contracts did not include the specified contractual clauses as engagements were with specialist consultant providers rather than generic labour providers. Food and Environment Research Agency (Fera) now includes these contractual clauses in all off-payroll appointments, regardless of the value or duration of the appointment.

2. Contractors were appointed under the previous Office of Government Commerce Framework Agreement which did not include tax assurance provisions. All contractors have had the Cabinet Office requirements explained to them and have provided appropriate assurances timeously and to the Forestry Commission's specifications. Contractors' terms will be revised to mirror the current Government Procurement framework on renewal.

3. Defra's policy on gathering assurance is to request it either at the six-month stage of an engagement or at the point of a contract renewal, whichever is sooner. Individuals who have not yet had their assurance documents requested have been in post for less than six months.

4. This was not included in the contract, but assurance was still provided by the individuals.

5. Where assurance is shown as not having been received, this is due to the deadline for information to be presented not yet having been reached.

6. One individual left before assurance was requested by Fera. Although this individual agreed to provide assurance on their tax status, they had not done so by 31 March 2014. As required by HM Treasury/Cabinet Office guidance; Fera has passed the details of this engagement to HMRC.

Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2013 and 31 March 2014

		Number of off-payroll engagements at board level and/or senior officials with significant financial responsibility	Total number of individuals that are board members and/or senior officials with significant financial responsibility. This figure includes both off-payroll and on-payroll engagements. [1]
Core Department	**Defra**	0	10
Executive Agencies	**AHVLA**	0	4
	Cefas	0	11
	Fera	0	12
	RPA	0	10
	VMD	0	4
NDPBs	**AHDB**	0	10
	CCW	0	13
	EA	0	17
	GLA	1 [2]	28
	JNCC	0	1
	Kew	1 [3]	8
	MMO	0	14
	NE	0	7
	NFC	0	8
	Seafish	0	13
Non-Ministerial	**FC**	0	16

1. The full heading for this section of the table is: 'Number of posts, as of 31 March 2014, within the bodies that contain, or once filled would contain, individuals that are ‘board members and/or senior officials with significant financial responsibility’. This figure should include both off-payroll and on-payroll engagements.'

2. The Chair of the Board was appointed in 2011 on a three year contract. The terms of this contract predate HM Treasury off-payroll guidance and are therefore outside the scope of this guidance. On expiration of the contract in January 2014, the Chair moved onto the departmental payroll.

3. The Director of Corporate Services was appointed in March 2012. The terms of this contract predate HM Treasury off-payroll guidance and are therefore outside the scope of this guidance. On expiration of the contract in May 2013, the individual moved onto the departmental payroll.

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

Public Appointments for Network Bodies

Between April 2013 and March 2014, the Department advertised for approximately 45 public appointments regulated by the Office of the Commissioner for Public Appointments across 22 public bodies. Advertising costs for 2013–14 are approximately £85,000. Approximately 40 appointments were made by March 2014.

Defra has four chair roles which are subject to pre-appointment scrutiny by the Environment, Food and Rural Affairs (EFRA) Select Committee. These are: the Chair of NE; the Chair of EA; the Chair of GLA[13]; and the Chair of the Water Services Regulation Authority (Ofwat).

Wellbeing and Managing Attendance

A new Attendance Management Policy, based on best practice policy, was introduced across Defra and its Executive Agencies in October 2013 (February 2014 for Fera). For Defra and its Executive Agencies, an average of 5.0 working days per employee was lost to sickness absence during the year to 31 March 2014, compared with 6.5 days in the year to 31 March 2013. There has been a general downward trend in the number of working days lost per employee since September 2008, when it was 8.6 days.

A corporate strategy for managing attendance is in place in Core Defra to support employee recruitment and retention, which involves closely monitoring sickness absence, conducting return-to-work interviews, providing

[13] On 9 April 2014 the Prime Minister announced that GLA would, with immediate effect, become part of the Home Office.

advice from occupational health professionals, providing counselling and other advisory services through an Employee Assistance Programme. Resilience workshops and health kiosks have been used to encourage employees to take responsibility for personal health.

Defra demonstrated its commitment to the Corporate Social Responsibility Agenda by providing information on opportunities to take up volunteering. Defra employees are offered one day special leave with pay each year to use their skills to help others by volunteering individually, or as part of a team, for a non–profit making organisation which serves the public. Reservists are allowed ten days paid special leave a year to participate in training, and Defra is promoting the opportunities that this can offer.

People Survey

The Department and its Executive Agencies participated in the Civil Service People Survey in October 2013. The summary results are provided in the table below. In Core Defra, the overall Engagement Index (measuring the extent to which employees are motivated to contribute to the overall success and performance of their organisation) increased by 2 percentage points to 52 percent. Questions on *leadership and managing change* scored particularly low at 35 percent and have been identified as the area of specific focus for this year's engagement plan. Interventions to improve performance include leadership development through the Civil Service Learning (such as funding for 100 leaders to participate in the Change Leaders Course), delivery of an interactive online Leadership Portal (March 2014) and increased Executive Committee engagement with all staff through Question Time events, team meetings, and Intranet discussions.

	Core Defra	AHVLA	CEFAS	FERA	RPA	VMD	Department Total	Differs from Civil Service 2013
Response rate %	87	64	94	81	63	78	74	-4
Changes from 2012	*-9*	*+4*	*+2*	*+5*	*+22*	*-5*	*+14*	
Employee engagement index %	52	45	62	54	41	66	49	-9
Changes from 2012	*+2*	*-1*	*-3*	*+4*	*+2*	*2*	*+1*	

Health and Safety Reporting

The information for 2013–14 below relates to Core Defra only. The Executive Agencies, NDPBs and the Forestry Commission have their own reporting arrangements, which are detailed in their individual Annual Report and Accounts (ARAs).

Reactive Statistic	Measurement	2013-14
Reportable incidents (including over 7 days)	Number of incidents reported under Reporting of Diseases and Dangerous Occurrences Regulations (RIDDOR)	1
Lost time accidents (those which are not reportable)	Number of injuries that lead to inability to perform normal work activities for between 1 and 7 days.	4
Minor/first aid accidents (all other injuries/ill health not captured above)	Accident with minor injuries that require first aid/no other treatment	31
Near miss incidents (no injury)	Incidents defined as uncontrolled hazards, unsafe acts etc, resulting in no injury or ill health	2
Total incidents		38

Full time equivalents as at 31 March 2014	Core Defra	1,989
Incident rate per 100,000 employees	Reportable incidents/no of staff x 100,000	50
Lost time frequency rate	Lost time or medical treatment accidents/hours worked x 1,000,000	1.61

Defra is committed to providing safe conditions of work and has effective management controls in place to ensure the safety, health and wellbeing of employees and others who may be affected by its activities. In order to learn from accidents or near misses, Defra encourages employees to report incidents regardless of the severity or resulting injury. All incidents are reviewed to identify any potential trends or patterns to inform future priorities for improvement. The top three causes of accidents in 2013–14 were 'lifting/carrying/handling', 'slips/trips/falls' and 'contact with a fixed or stationary object'.

Personal Data Related Incidents

The Defra Network Security and Information Assurance Group[14] works to identify and address information risks, and to promote good and consistent practice. Defra and its Network Bodies monitor the use of removable media devices on Defra laptop computers to protect information. Web blocking and monitoring was implemented in September 2013 to block access to undesirable and potentially harmful sites. The Department regularly tests the robustness of the ICT Network and has achieved certification to connect to the Public Services Network when this goes live later in 2014. Mandatory staff training was carried out to improve understanding of the correct information handling procedures and all staff are required to undertake the online Information Assurance Training Package. Defra's approach takes account of the fact that the vast majority of information handled by the Department is not classified or sensitive, and that our information is held in a number of different systems across the Network.

Defra complies with Her Majesty's Government Infosec Standards – Information Assurance Standards 1 and 2 and the requirements of the Security Policy Framework. There were no protected personal data related incidents formally reported to the Information Commissioner's Office in 2013–14.

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 following table. 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	6
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	7
IV	Unauthorised disclosure	12
V	Other	2

Communications

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 the Office of Public Sector Information guidance.

[14] 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.

Responding to Public Correspondence

The Department has a centralised Customer Contact Unit (CCU) to handle ministerial and public correspondence. Between 1 April 2013 and 31 March 2014, the CCU handled 15,868 letters and emails from the public, answering 85 percent within the target of 15 working days. CCU also handled 10,073 letters from MPs and/or major stakeholders, answering 62 percent within the target of 15 working days. The Defra telephone helplines (Defra Helpline and Pet Travel Scheme) handled 89,972 calls, answering 92.3 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 ARAs.

Publicity and Advertising

The Cabinet Office advertising, marketing and communications freeze (from June 2010) is now covered as part of the wider HM Treasury and Cabinet Office Spending Controls. These measures have helped reduce the dependence on paid communications and advertising (such as external events, printing, and digital design). This has helped the Defra Network focus on low or no cost channels using press and partnership routes. However, this does not necessarily mean overall communication spend has decreased year on year, as it depends on a number of factors, such as major project timings and increased Network Body activity.

Complaints to the Parliamentary and Health Service Ombudsman (PHSO)

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.
- 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. In 2013 the PHSO revised its internal processes including changing the way they decided what to investigate. As expected this increased the number of cases being investigated by a factor of ten (there were 4 in 2012 compared to 42 in 2013).

Core Defra's complaints procedure can be found online[15]. Each Defra Network Body has its own complaints procedures which can be viewed on its website[16].

In the 2013 calendar year, 143 complaints were made to the PHSO relating to the Defra Network, of which 42 were accepted for investigation (EA: 20, RPA: 15, Consumer Council for Water (CCW): 3, Core Defra: 2, NE: 1, Marine Management Organisation (MMO): 1).

The Ombudsman partly upheld one complaint against the RPA. This relates to a complaint that the Agency was unreasonable in deciding to recover overpayments under the SPS in 2005 and 2006, and that the Agency failed to handle the appeal in a customer focussed way. The PHSO did not uphold the complaint in relation to the overpayment recovery. However, they did uphold the complaint that RPA had failed in the principles of *Being Customer Focussed* and *Putting Things Right* due to the delays the customer experienced in the complaint resolution process. The RPA made an appropriate financial remedy and has taken action to address the lessons learned from the case in their new complaints and appeals process.

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

The Ombudsman upheld a complaint against Defra relating to the East Midlands Development Agency's (emda) assessment of displacement regarding an application under the RDPE programme in 2009. The investigation started in January 2012 and concluded in March 2014. The Ombudsman upheld the complaint on the basis that emda's assessment of displacement constituted maladministration. The financial injustice and remedy attributed as a consequence of the maladministration was £2,000 compensation. Defra has taken action to improve the process for considering applications under RDPE funding in the future.

Transparency Framework

Defra is implementing a revised Open Data Strategy which includes publishing more open data, improving the quality of data published, and responding to demands for specific data while respecting the privacy of individuals. This includes Defra's Business Plan[17], performance indicators and the QDS and is available on the GOV.UK and data.gov.uk websites.

Quarterly Data Summary

The QDS provides a summary of the headline spend of the Core Department by quarter to give the public an understanding of how the Department utilises its funds. Each quarter is published online on the Government Interrogating Spending Tool[18]. The Quarter 4 2013–14 QDS data is due to be published in summer 2014. QDS data is also published for the EA, NE and RPA.

Charities Act

Section 70 of the Charities Act sets out a power for Ministers to give financial assistance to charitable, benevolent or philanthropic institutions. Defra and its Network Bodies are required to report to Parliament annually any financial assistance that is given to any charitable institution under the Charities Act. For 2013–14, no such payments were made by Defra or its Network Bodies (2012–13, £Nil).

Human Rights Disclosure

As a government department, Defra, is required to abide by the provisions of the Human Rights Act 1998 and has done so. There has not been any successful litigation against Defra alleging a breach of Human Rights Act 1998. All Defra primary legislation has had a Ministerial certificate under section 19 Human Rights Act 1998 certifying legislation compatible with Human Rights and no Parliamentary Committee had adversely reported other Defra legislation for breach of the Human Rights Act 1998.

[17] http://transparency.number10.gov.uk/business-plan/10
[18] http://www.gist.cabinetoffice.gov.uk/index.html

Chapter 3 – Strategic Report: Our Reforms

Civil Service Reform

Civil Service Reform (CSR) is part of the Government's initiative to reform public services. The Reform Plan identifies 18 actions, covering: future shape and size; improving policy making capability; implementing policy and sharpening accountability; building staff capability; and creating a modern employment offer for staff.

Defra is committed to delivering the CSR Agenda, and many of the themes tie in with initiatives and improvements already being made in Core Defra and its wider Network. Defra has made good progress in implementing the CSR Plan and provides regular progress reports to the Cabinet Office. 'Game Changer' actions are the CSR actions which the Cabinet Office has indicated as the top actions in the Reform Agenda. A summary of these are provided below.

Clarifying Future Shape and Size

Digital by Default

Defra has two exemplar programmes within the pan-government digital services programme; one to deliver the new Common Agricultural Policy (CAP) and the other the Environment Agency's (EA) waste registration project, both using 'agile' project management techniques. These developments demonstrate the approach, skills and capability that Defra will need to cascade to other services and develop across the Core Department and its Network of delivery bodies. Work is also underway to move Defra's Network Bodies websites to GOV.UK.

Shared Services: Transactional Activities

Core Defra transferred just under 200 people, plus all related operations and service customers, to the new cross-departmental Shared Services Connected Ltd at the beginning of November 2013. Defra has established a customer insight function to support the new contract and governance arrangements.

Sharing Services and Expertise

Resource and expertise is being shared within and beyond Defra, having moved legal services to Treasury Solicitors in 2011. Over the course of the last year, Defra has been bringing together its network-wide internal audit services into a virtual shared service group. This group continues to develop and, in due course, will transfer into the recently announced single internal audit service for government; the internal audit service will spend the next year contributing to the implementation project to deliver this service, with a view to transitioning into the new single service in 2015–16.

Defra also delivers property asset management services across virtually all the Defra Network, with the exception of EA. Defra and EA are starting to share professional knowledge, project delivery capability and property solutions to maximise utility from the property, staff and technical resources available under the Defra 'One Business' model. Defra is also actively engaged with the Government Shared Property Services Agenda.

Improving Policy Making Capability

Open Policy Making

Defra and its Delivery Network have made significant innovations in the way they develop and implement policy. In particular, the response to the outbreak of Chalara fraxinea (ash dieback) in 2012 is a good example of open policy-making.

Following the outbreak of Chalara fraxinea in 2012, Defra, the Food and Environment Research Agency and the Forestry Commission worked collaboratively with stakeholders to develop a collective response to the pathogen as set out in the Chalara Management Plan published in March 2013. Since then this has been expanded to cover other tree pests and pathogens. Defra's approach brings together information on risk from the new Plant Health Risk Register, operational advice from stakeholders working on-the-ground and scientific research on epidemiology and genomics. The Defra Network and stakeholders are now better placed to improve the resilience of our trees to pests and pathogens.

Defra has transferred assets to the voluntary sector and engaged more directly with external stakeholders in creating policy through our Animal Health and Welfare Board, which brings together farming experts with the Chief Veterinary Officer and officials to make policy recommendations to Ministers on the health and welfare of farm animals and pets.

The successful reform of the EU Common Fisheries Policy (CFP) in 2013 relied heavily on an open policy making approach. Defra worked with a range of external organisations to develop the UK's objectives for reform, including drawing on international experience, and made effective use of public campaigns such as "Fish Fight" to create the necessary momentum for change both in the UK and across Europe.

Building Capability and Improving Performance

Capabilities Plan

Defra has successfully refreshed its learning and development priorities and relaunched its intranet pages. These now clearly highlight the priority areas identified in the 2013 Annual Skills Review – commercial, project management, digital, leadership and managing change and EU skills. The top priority is leading and managing change – and Defra has developed a portal to enable leaders to test, review and improve their skills.

Talent Management

Defra is actively involved in the Civil Service High Potential Stream with participants on all the development programmes, including the new Fast Stream Scheme. Talent reviews of middle and senior managers were completed in September 2013 and March 2014 respectively, and succession pipelines for all our critical roles are being developed. Talent management has been incorporated into Senior Civil Service objectives.

Creating a Modern Employment Offer

Modern Workplaces

Defra recognises the benefits in promoting flexible ways of working to achieve a modern working environment for all staff. Defra is actively engaged with the Cabinet Office's 'The Way We Work' programme.

Defra employees have access to modern, mobile IT such as laptops and smart phones, with provision based on user-need rather than physical location. Wifi is deployed across the main Defra estate. Work continues to enable staff to access all of their services, irrespective of the host office from which they are working.

Defra is modernising its workplaces and making significant savings in the cost of its estates by exiting more than 100 properties and using those retained more efficiently. For example, the London and York offices have moved to flexible desking, with a variety of different work and meeting spaces for resident and guest workers.

One Business

Defra's response to the challenge of CSR is a portfolio of workstreams designed to enable the entire Defra Network – the Core Department, Executive Agencies and Non–Departmental Public Bodies (NDPBs) – increasingly to operate as 'One Business'. Defra is strengthening the HQ function to 'run the business', to provide strategic direction, commission delivery and set appropriate and consistent standards. Alongside this, the portfolio includes workstreams to improve efficiency of delivery bodies for plant and animal health, consolidate corporate services and communications for the whole network, and deliver customer service to farmers and others in a more efficient and responsive way. These workstreams are being run by people working across the Network, and the portfolio uses a simple and agile change method which brings transparency and rigour to decision making and implementation.

The recently published Defra Departmental Improvement Plan[19] sets out our approach to 'One Business' in more detail.

Evidence Strategy

A new Evidence Strategy was published in June 2014, 'Making the most of our evidence: a strategy for Defra and its Network'[20], is the first strategy that covers the Network as a whole. It provides a robust process for prioritising evidence needs, lays out current priorities and describes how the Department will use new and innovative ways of working, across the Network and with external partners, to co-design evidence programmes and make best use of evidence to meet policy and operational needs. It aims to improve coordination and share best practice in the delivery of evidence to drive up quality and impact.

Changes to the Delivery Network

The Cabinet Office Triennial Review Programme has provided the Department with an opportunity to examine in detail the form and function of several of its NDPBs over 2013–14.[21]

A joint Triennial Review of EA and Natural England (NE) started in December 2012 and reported in June 2013. Government decided that the EA and NE should be retained as two separate NDPBs but with further reform of their functions and ways of working. EA and NE published a joint action plan on 12 December 2013[22] that will deliver more integrated environmental outcomes across Defra's programmes, improve the customer experience through a single voice and closer collaboration and drive further efficiencies and innovation. Progress will be reported in summer 2014.

Other Triennial Reviews are:

- The Veterinary Products Committee (VPC), launched in March 2013 and reported in January 2014. It concluded that the VPC's independent scientific and technical advisory functions remain important and that it should remain in its current format and as an advisory NDPB.

- The Joint Nature Conservation Committee (JNCC), launched in March 2013 and reported in June 2013, concluding that JNCC should be retained as an NDPB with some reforms. JNCC is now taking forward a series of actions to address the conclusions of the Review and will report on progress in autumn 2014.

- The National Forest Company (NFC), launched in July 2013 and was published in November 2013. The Review concluded that NFC should work towards independence from government by 2024 and that plans for achieving this should be set out in its 10-year strategy for 2014–24.

- The Gangmasters Licensing Authority (GLA), launched in September 2013 and published in April 2014[23]. On 9 April 2014 the Prime Minister announced that GLA would, with immediate effect, become part of the Home Office. The move will strengthen the GLA's enforcement and intelligence capabilities, putting it directly alongside the National Crime Agency's considerable resources in tackling the highest harm offenders.

- The Marine Management Organisation (MMO), launched in September 2013 and expected to report early in the 2014–15 financial year.

- Triennial Reviews of the Science Advisory Council and the Advisory Committee on Releases to the Environment were launched in March 2014. Results of both reviews are expected to be published in autumn 2014.

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[19] https://www.gov.uk/government/publications/defra-improvement-plan
[20] https://www.gov.uk/government/publications/evidence-strategy-for-defra-and-its-network
[21] Triennial Reviews are intended to provide a robust challenge to the continuing need for NDPBs and to check whether their functions and form are appropriate. The programme is coordinated across government by the Cabinet Office.
[22] https://www.gov.uk/government/publications/triennial-review-of-the-environment-agency-ea-and-natural-england-ne
[23] https://www.gov.uk/government/publications/triennial-review-of-the-gangmasters-licensing-authority

The Agricultural Wages Board was abolished on 25 June 2013 under provisions in the Enterprise and Regulatory Reform Act 2013 (the Reform Act 2013). Under the provisions of the Reform Act 2013 the Agricultural Dwelling House Advisory Committees and the Agricultural Wages Committees were abolished on 16 December 2013.

Rural Proofing

Defra has continued to work closely with OGDs to support their rural proofing activity and to ensure that they work effectively for rural businesses and communities. Defra published refreshed advice for policy makers on rural proofing policies and programmes in July 2013. This assists policy officials across government to examine the rural context in which their policies will apply and the likely impacts that they will have in different types of rural area. Defra is currently supporting Lord Cameron's Independent Rural Proofing Implementation Review which commenced in September 2013. The Review is gathering evidence through a series of Ministerial level meetings with government departments. Lord Cameron will report to Defra Ministers in autumn 2014.

Examples of government policies and initiatives that have been rural proofed over the past year include the following.

Department for Culture Media and Sport (DCMS) and Broadband Delivery UK (BDUK) – Roll Out of Broadband Across Rural Areas

- **The Government investment of the £530m rural broadband programme** is supporting the rollout of broadband across the country. The aim is to enable at least 90 percent of households and businesses in the UK to have access to a superfast broadband service (on track to be reached by early 2016). It will also provide a minimum of at least two megabits per second to all, including hard to reach areas. An additional government investment of £250m was announced as part of the Spending Review in 2013 to extend superfast broadband coverage to 95 percent of premises across the UK by 2017. A new £10m competitive fund opened for bids on 21 March 2014 to test innovative solutions to deliver superfast broadband services to the most difficult to reach areas of the UK.

- **The Rural Broadband Programme** is making good progress. All 44 projects have completed their procurements and have signed contracts. Rollout is well underway. By June, rollout at a pace of around 25,000 premises per week was reached, and this is expected to increase to 40,000 per week by July 2014. The DCMS Broadband Performance Indicator, published on 15 May, showed over 508,801 premises upgraded with superfast broadband at the end of March 2014. In 2013 the National Audit Office undertook a review of the DCMS rural broadband programme. Their report can be found on the NAO website[24].

- **Rural Community Broadband Fund** - to complement the Government's rural broadband programme, Defra established the £20m Rural Community Broadband Fund, jointly financed by BDUK and Defra and operated through the RDPE. The Fund was specifically designed to extend superfast broadband further into the final 10 percent hard to reach rural communities that will otherwise only receive standard broadband under the BDUK rural broadband programme. The Fund closed in 2013 and will result in around 20 projects. The majority of local authority led projects are being delivered as extensions to main county contracts.

- **Mobile Infrastructure Project (MIP)** - the Government is investing £150m to improve mobile coverage for consumers and businesses in areas where there is no commercially provided service. The MIP aims to address voice 'not spots' and support mobile broadband roll-out across the UK in areas where the case for commercial investment is weak. The MIP is being delivered by BDUK, and it is expected that it will:

    - provide coverage for up to 60,000 premises across the UK in complete not-spots; and
    - address coverage problems along an initial ten key road routes.

- **Other policy measures to support improvement of broadband and mobile services** – Defra has worked with DCMS (as well as DCLG and various stakeholders), on a series of policy measures designed to improve rural connectivity. These include planning changes to support the deployment of both superfast broadband and mobile infrastructure, as well as in drawing up a new code of practice for siting and design of

[24] http://www.nao.org.uk/press-releases/the-rural-broadband-programme-2/

new superfast broadband cabinets and overhead lines, and to update an existing code of practice on deployment of mobile infrastructure.

- **Under the Rural Tourism Package**, 75 projects totalling £6m are being delivered through the RDPE Rural Economy Grant Scheme. This will attract just under an additional 30,000 visitors and support 195 businesses. A range of local businesses will benefit from projects under the Paths for Communities Project to improve local public rights of way and provide safe access to local greenspace.

Transport

- **Setting up a monitoring and evaluation framework around community transport and changes to Bus Service Operators Grant (BSOG)** have resulted in the devolution to local authorities of funding for tendered bus services from 1 January 2014. Work is being carried out by the Department for Transport (DfT) to set up a monitoring and evaluation framework for assessing the impacts of the reforms.

- **Gaps in rural transport provision** - Following the Youth Select Committee on transport and young people, Defra worked with DfT and key stakeholders to identify practical, sector-led responses, to the problems affecting transport in rural areas. The aim is to evaluate the outcome in 2014–15.

Planning and Housing

- **The RCPU's Planning and Housing Team have supported DCLG** on the development of housing and planning policies, a key area has been in relation to the Government's major review of the planning system.

- **Red Tape Planning Challenge** - Defra is working closely with DCLG on the proposed changes including the roles and responsibilities of our agencies as statutory consultees in the planning process to reduce regulatory burdens and speed up the process.

- **Regulation and Process** - Defra has been closely involved with DCLG over the changes to permitted development rights and increasing the flexibility of alternative uses for redundant agriculture buildings without the need for planning permission.

- **Housing** - Defra is working closely with DCLG on a range of housing issues to ensure that the rural implications are met. Defra is also part of the Rural Housing Advisory Group which meets to address rural housing issues.

Rural Services

- **Housing Benefit (specifically the Spare Room Subsidy)** – Defra's RCPU engaged with the Department of Work and Pensions (DWP) on the removal of the Spare Room Subsidy for the social rented sector. As a result, DWP reviewed the Discretionary Housing Fund and announced a package of £35m of additional in-year funding for local authorities, including an additional £5m to support those affected in the 21 least densely populated areas in rural England. DWP is currently evaluating the impacts.

- **Universal Credit** - Rural proofing advice was provided to DWP during 2013 to support their Universal Credit Pilot Programme, resulting in some rural areas being included in the pilots in order to learn early lessons for rural areas**.**

- **Local government finance** - As a result of engagement between Defra's RCPU and DCLG, an additional £9m was allocated for local government funding specifically to support service transformation in sparse local authorities.

- **Rural schools** - Working with the Department for Education (DfE), Defra's RCPU provided rural proofing advice and evidence to inform DfE National Fair Funding Formula for schools. This resulted in a dedicated 'sparsity' factor being included within the funding allocations**.**

Culture

- Defra has been advising the Arts Council for England and supporting their dialogue with rural stakeholders on a new set of principles underpinning their approach to rural communities. These included commitments to review their evidence base to recognise the particular characteristics, needs and strengths of rural communities and rural culture.

Better Regulation and Simplification

One-In, Two-Out

Defra continues to make a contribution to the Government's commitment to reduce the overall burden of regulation by the end of this Parliament. During 2013 Defra had exceeded the requirements of One-In, Two-Out by £1.3m, resulting in an overall net reduction in annual costs to business since 2011 of £170.44m.

Regulatory Policy Committee (RPC)

The RPC appraised 18 Defra full Impact Assessments (IAs) and 46 of the simpler Triage Assessments and Validation Statements during 2013. The RPC's opinions published in the first half of the year showed a noticeable drop in quality performance. This prompted the roll-out of a new training programme for policy staff and a tightening of internal scrutiny of IAs before sign-off. Performance in the second half of the year significantly improved with around 80 percent of assessments judged to be fit-for-purpose on first submission to the RPC compared to 64 percent for the year as a whole.

Red Tape Challenge

Since the launch of Red Tape Challenge in 2011, Defra has been involved in eight separate themes, including environment, water, marine, food labelling and agriculture. These led to the review of more than 1,200 Defra regulations by early 2014. Proposals on the final theme covering 516 agriculture regulations were published on 29 January 2014. Across all themes 428 regulations will be improved and 350 revoked, the majority of which will be implemented this Parliament. An implementation plan reporting both on progress made and the timetable for delivering the remaining commitments was published on 9 April 2014[25].

Alternatives to Regulation

Defra is encouraging the use of alternatives to regulation where possible. A new policy information management system ensures that all new policies are identified at their commencement and early policy appraisals mean that the range of policy options, including alternatives, are explored before IAs are commissioned.

Sunsetting and Review

Defra follows government policy on sunsetting and review clauses for the new regulation. In the case of sunsetting, regulations contain a date at which they automatically expire unless their application is extended following a review. In the case of regulations, when implementing EU obligations, a date is set by which they must be reviewed. To help ensure such reviews are effective, Defra is contributing to the development of cross-government guidance on policy implementation reviews and evaluations. In addition, sunsetting and review dates have now been published within DefraLex, a new online database of Defra's live regulatory stock which was launched on 9 April 2014.

Small Business

IAs on new regulations being introduced from April 2014 will, where appropriate, contain a specific consideration of Small and Medium Enterprise impacts. These will be scrutinised by the independent RPC.

[25] https://www.gov.uk/government/publications/defra-better-for-business-strategic-reform-plan-for-defras-regulations

Consultations

During 2013, Defra commenced a review of its consultation arrangements, taking account of the Government's updated principles for consultation. A number of actions have already been undertaken as a result of this review, which has involved input from a range of external stakeholders. From June 2013, all Defra consultations have been supported by an online survey tool 'Citizen Space'. Since December 2013 these arrangements have been extended across the Defra Network so that all consultations carried out by Defra or its network of Delivery Bodies are now published on GOV.UK, thus providing a single source of information for stakeholders. Since April 2014 engagement has been further enhanced by the use of DefraLex, a dialogue-app to allow online discussions. Its first use has been to seek views on DefraLex – the first such archive of a department's live legislation within Whitehall. To support Defra's commitment to continuing the improvement in the quality of its consultations, Defra will roll-out a training programme and supporting guidance on consultations and the analysis of responses for policy staff by summer 2014.

Reforming Guidance and Data Reporting

Defra has made progress in delivering commitments on rationalising guidance and information reporting obligations in response to its Smarter Environmental Regulation Review.

Guidance

Defra's original commitment to simplify environmental guidance has been extended to all Defra policy areas. Guidance on agricultural regulations has been identified as a priority area for reform after work on environmental guidance in response to the Farming Regulation Taskforce Report (described in more detail further on in this chapter).

Core principles for how and when guidance should be produced have been developed with the Cabinet Office and the Government Digital Service. Guidance will be produced only where government is uniquely placed to do so. It will give confidence about meeting regulatory requirements and content will be designed around the needs of users. By March 2015, Defra expects a reduction in volume of at least 80 percent in the guidance produced by Defra and its Delivery Network, potentially saving businesses and others £100m per year.

Defra is working closely with the Government Digital Service as its Delivery Bodies prepare to move web content onto GOV.UK during 2014. This move will make finding one authoritative source of guidance easier and quicker.

Guidance controls have been implemented across Defra and its Delivery Network to ensure that guidance is produced only when it is needed.

This work is using the principles of open policymaking through a dedicated website. The project sourced initial views on existing guidance and is sharing content plans for all future guidance so that users can feed in their views at a formative stage.

Data Reporting

Defra commissioned an independent review of all the environmental information that is requested from businesses. Over 200 separate reporting requirements were examined. An implementation plan setting out a timetable for reform was published in April 2014. The ambition is to implement the reforms by March 2016.

The measures include stopping the collection of information that is no longer needed or that Defra already have, asking for less information for low risk activities and asking for information that better targets the problems that are being tackled.

It also sets out how Defra will build on a pilot to simplify and design out duplication in the way that the Department collects and manage information and make it publicly available.

It sets ambitions to:

- reduce the time businesses spend providing information by 20 percent;

- free up at least £10m each year for regulators by decommissioning expensive legacy IT systems, reducing costs of processing paperwork and data and reducing customer queries; and

- make sure all the information collected is made available in accessible formats except where there is a substantive reason not to.

The review has been broadened to include all the information that Defra and its Delivery Network request from businesses. Defra will share proposals for reforming agricultural information requests with the industry in June 2014.

Improving Regulatory Delivery

In November 2013, a Marine Concordat between Defra, the Department for Communities and Local Government (DCLG), the Department for Transport (DfT), MMO, EA, NE and the Local Government Association's Coastal Special Interest Group was introduced in response to the Focus on Enforcement Coastal Projects and Investments Review. It sets out the principles according to which the regulatory and advisory bodies propose to work with local planning authorities to enable sustainable growth in the coastal zone and provides a framework within which the separate processes for the consenting of coastal developments in England can be better coordinated.

Defra has been supporting its regulators to ensure that they meet the requirements of the revised Regulators Code before it came into force in April 2014 so as to deliver its main aims of improved accountability and transparency to business. All Defra regulators have also signed up to participate in the Government's Accountability for Regulator Impact, which is a voluntary initiative that aims to improve engagement with business and build capacity within regulators to quantify the impact of proposed changes.

Defra has asked the Health and Safety Executive Laboratory to develop a geographic information systems based, data sharing and inspection planning tool called '*Find It'*. This will enable farm regulators (EA, Rural Payments Agency (RPA), Animal Health and Veterinary Laboratories Agency (AHVLA), NE) to improve targeting of inspections and avoiding duplication of visits. A prototype is being developed with the regulators, with a pilot planned to start in summer 2014.

Regulatory Income

As part of the 2012 Budget, the Government announced that it would place additional budgeting control on regulators in the 2015–16 spending round to drive efficiency and reduce the fees charged to business, stipulating a target of an at least 5 percent real term reduction in the regulatory burden faced by business. Defra expects to provide updates on progress to HM Treasury in 2014–15. Defra agreed that once costs reduce sufficiently, below fee levels, Defra would seek to reduce fees as appropriate. In the meantime, Defra would continue to absorb inflationary impacts without increasing regulatory fees. Overall, Defra continues to drive efficiencies, such as reducing overhead costs, improving IT solutions, procurement and digitisation, to meet Spending Review targets.

Farming Regulation Taskforce

The Farming Regulation Taskforce Implementation Group, chaired by Richard Macdonald, stepped down at the end of March 2014. Their final independent assessment of the progress made by government to reduce regulatory burdens on farmers was published on 9 April 2014[26].

[26] https://www.gov.uk/government/publications/farming-regulation-task-force-implementation-group-final-assessment-of-progress

The Implementation Group's assessment states that although they believe the Government made a relatively slow start to reducing regulatory burdens on farmers, significant progress against the Taskforce agenda has now been made including:

- improving staff engagement, knowledge and training;
- a commitment to reduce the burden of inspections further and to improve coordination between regulators by using new IT systems to share more information;
- a commitment to less paperwork, transforming all guidance issued by Defra and its Executive Agencies to make it easier to use, doing a zero-based review of all information asks, and moving to a digital-by-default approach;
- a central online library of all Defra regulations;
- the Red Tape Challenge and the commitment to get rid of unnecessary regulations;
- an agreed internal set of rules and principles about assessing the need for any new regulations;
- a commitment to a practical working partnership with farmers and key stakeholders, including a more proactive agenda setting approach in the EU; and
- the establishment of an external regulatory challenge group to continue driving forward the better regulation agenda in Defra.

Defra remains committed to ensuring farmers notice a difference on the ground so Defra will:

- look for further opportunities to improve the targeting and coordination of inspections to reduce the burden on those farmers who have a strong track record of reliability and adherence to standards;
- reduce the burden of guidance by making it easier and cheaper for businesses to meet environmental obligations. By March 2015 Defra aims to reduce 100,000 pages of environmental guidance by approximately 80 percent;
- make information reporting easier by making sure only vital information is collected, and in the most efficient way; and
- implement the recommendations made by the Farming Regulation Taskforce in 2016–17 to simplify how Defra defines livestock holdings in England to avoid confusion around the rules. Defra will also phase out cattle tracing links and Sole Occupancy Authorities and is committed to reviewing the six day Standstill Rule, once all of these changes are implemented.

To ensure Defra remains on course to deliver the Better Regulation Agenda it has strengthened the role of the Regulatory Challenge Panel, whose membership includes: Andy Robertson, Director General of the NFU; Christine Tacon, Groceries Code Adjudicator; Nick Joicey, Board Level Better Regulation Champion at Defra and Peter Young, Chairman of the Aldersgate Group.

The Regulatory Challenge Panel will provide continued external scrutiny of how we deliver the Better Regulation Agenda.

EU Regulations

Defra is seeking to minimise the potential regulatory burdens of EU dossiers under negotiation or emerging as proposals, on the basis of the Government's Guiding Principles for EU legislation, which are aimed at maximising the UK's influence in Brussels and ending the gold plating of legislation in the UK. Examples include the following.

- The CFP package, Fundamental reform of EU fisheries management, has been secured through sustained UK engagement across EU institutions. Defra has also influenced the removal of unnecessarily onerous labelling requirements from the Common Market Organisation element of the package.

- A deal has been reached on the Common Agricultural Policy (CAP) where Defra achieved improvements on the European Commission's original proposals, secured the inclusion of some UK priorities and a number of simplifications, and blocked a number of regressive proposals.

- The Seventh Environment Action Plan has now been agreed, setting priority objectives for all EU environment policy up to 2020. Successful lobbying in the EU resulted in significant improvements, including the first specific reference to the European Commission's principles on Smarter Regulation in a formally adopted text.

- All members of the blocking minority on the proposed Soil Framework Directive supported the withdrawal of the proposed Directive as set out in the Annex to the European Commission's document on Regulatory Fitness: 'REFIT'.

- A successful conclusion to negotiations on the European Commission implementing rules for mandatory country of origin labelling of fresh and frozen meat, to ensure that the rules do not interfere unnecessarily with established practice and that they are not burdensome for food businesses to operate.

Performance on Sustainability

Operations Overview

Full details of Defra's action plan and performance on the Green Government Commitments[27] (GGC) can be found in Annex 1, including an overview of the Sustainable Operations and Procurement Strategy.

Small and Medium Enterprise (SME) Contracts

Defra is also working toward the achievement of the Government's target that 25 percent of expenditure goes to SMEs by 2014–15. Actions taken to achieve this include holding supplier events for specific procurement requirements and an SME event.

Summary of Actions for Mainstreaming Sustainable Development (SD)

Overview of Defra's SD Role

Defra has supported the SD Vision[28] by embedding SD government systems; advising other government departments (OGDs) on SD issues in a range of policies; and through its own schemes and activities. SD is central to Defra's work, supporting the Government's vision through its priorities of growing the rural economy; improving the environment; and safeguarding animal and plant health.

Defra's Decision Making and SD

Multidisciplinary evidence and analysis specialists are embedded in Defra policy teams to ensure that evidence is properly considered and used in policy development. Quality assurance and challenge to the Department's evidence activities is provided by Defra's Chief Scientific Adviser who is responsible for ensuring that evidence is robust. Defra's Director of Analysis and Chief Economist is responsible for quality assuring analytical evidence, impact assessments and business cases. Defra's policy development cycle includes SD as an essential assurance mechanism.

Natural Value

Defra has taken a range of actions on developing sustainable policies including mainstreaming the value of nature in decision making across Government. Defra's policy making guidance refers to the need to take account of the value of nature and many of Defra's policies already take account of ecosystem services, for example, biodiversity, water quality, flood management, outdoor recreation and marine policy. Defra has

[27] http://sd.defra.gov.uk/gov/green-government/commitments/
[28] http://sd.defra.gov.uk/gov/vision/

applied the Green Book Supplementary Guidance in relation to appraisal of major programmes, such as the implementation of the Rural Development Programme for England (RDPE) and Marine Conservation Zones.

Defra leads for Government on implementation of the Natural Environment White Paper, which has mainstreaming of the value of nature at its core. This includes work to develop tools and evidence, and initiatives to put this into practice. For example, Defra has funded the National Ecosystem Assessment Follow-On Project, Nature Improvement Areas and the Ecosystems Knowledge Network, run the Green Infrastructure Partnership and taken action to support Payment for Ecosystem Services Schemes.

Defra Support for SD Across Government

This included:

- improved SD guidance for departments' Annual Reports and Accounts;
- liaising with OGDs to identify opportunities for improved SD mainstreaming, planning and reporting. Support for OGDs has led to better business plans;
- research on how well SD and environmental guidance, including on natural value, is incorporated in impact assessments, to highlight good practice and areas for improvement. Defra is working with other departments to consider the conclusions of the report;
- leading the cross-Whitehall SD Group, sharing knowledge and resources with OGDs;
- contributing to the SD Practitioners' Forum on operations and procurement, sharing best practice and advising on GGC reporting requirements;
- analysed cross-government performance against the GGCs and advised the Home Affairs (GGC) Cabinet Sub-Committee to drive delivery of these targets. Defra will publish the 2013–14 annual report of pan-government performance against the GGCs later in 2014; and
- the Sustainable Development Indicators (SDIs) are a set of cross-government measures which provide an overview of national progress. The last set was published by Defra in July 2013[29].

SD Stakeholder Engagement

News on SD in government is now being provided through stakeholder email updates and Defra's Sustainability Twitter account, which has more than 4,000 followers.

Defra's SD People Initiatives

Defra supports departments' performance on SD through its leadership on cross-government SD groups which test ideas, explain new initiatives and share learning and resources. Defra also liaises with individual departments, providing advice on demand.

Other initiatives include:

- work with Civil Service Learning to incorporate SD into its learning programme;
- learning events, including an introductory workshop on SD, and Impact Assessment training;
- creation of a Grade 6 and 7 forum whose aims include sharing information and expertise, for example lessons learned from key projects and master classes; and
- Defra encourages staff to take a day's special leave with pay each year for volunteering so that their experience and skills can help others and support their own learning and development.

[29] https://www.gov.uk/government/publications/sustainable-development-indicators-sdis

Example of SD in Practice - Catch Box (www.catchbox.coop) – Community Supported Fisheries

Defra funded the pilot phase of a project to test the concept of a Community Supported Fishery (CSF) as a model for the creation of a sustainable market for underused fish species which would reduce discards and build stronger links between consumers and their local fishing industry.

The pilots have been well-received, including being shortlisted for the Observer Ethical Awards (Big Ideas Category). An evaluation of the project is due in summer 2014 and the communities involved are already setting up longer term CSFs based on a cooperative model with locally managed boards and volunteers.

Adapting to Climate Change

On 1 July 2013 Defra published the first National Adaptation Programme (NAP) Report fulfilling an obligation under the Climate Change Act 2008. The NAP Report sets out how Defra is building the country's resilience to the impacts identified in the Climate Change Risk Assessment published in January 2012. The NAP Report was developed in close collaboration with more than 600 stakeholders across key sectors, OGDs, local government, businesses, civil society and academia.

The NAP Report includes objectives and actions across seven areas; the built environment, infrastructure, healthy and resilient communities, agriculture and forestry, the natural environment, business and local government. Defra is working with other departments and a wide range of partners including businesses, councils and civil society to implement the actions set out in the NAP Report. Adaptation action is also supported by the Climate Ready Support Service for England, led by the EA.

Defra has invited over 100 organisations from key sectors to report on a voluntary basis on how they are addressing climate risks. Organisations include the following sectors: water, electricity and gas, transport, environmental and historical stewardship organisations, ICT, health, fire and rescue, and insurance regulation. Reports are expected between 2014 and 2016 and will feed into the next Climate Change Risk Assessment and NAP.

Work is now underway on the Second Climate Change Risk Assessment, due for publication in January 2017. The Adaptation Sub-Committee of the Committee on Climate Change is leading on the synthesis of available evidence into an Evidence Report, which will be delivered to Defra in 2016. The second Climate Change Risk Assessment will inform the next iteration of the NAP, due in 2018. The Committee will submit an independent report to Parliament on the implementation of the NAP report by July 2015.

Chapter 4 – Remuneration Report

Remuneration Policy

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

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 2013–14, NCVP for 2012–13 performance was paid to approximately 25 percent of the SCS and was capped at between £9,900 and £14,900 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 an NCVP bonus award measured against achievement of objectives, which for performance in 2012–13 was subject to a maximum of £17,500. Such awards are made by the Permanent Secretaries' Remuneration Committee, which comprises the Chairman of the SSRB (who acts as Chair), two other members of the SSRB, the Cabinet Secretary and the Permanent Secretary of HM Treasury.

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

Service Contracts

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

Unless otherwise stated below, 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 Commission website[30]. All Defra Executive Committee members are on permanent Civil Service contracts, with the exception of Professor Ian Boyd who is on a fixed term contract until 29 August 2015.

Remuneration (Including Salary) and Pension Entitlements (Audited)

The following sections provide details of the remuneration and pension interests of the Ministers and Defra Board members who were employees of the Department, during 2013–14. The following tables in the Remuneration Report have been subject to audit.

[30] http://civilservicecommission.independent.gov.uk/about-us/

Ministers

	2013-14 Salary	2012-13 Salary	2013-14 Pension Benefits*	2012-13 Pension Benefits*	2013-14 Total	2012-13 Total
	£	£	£	£	£	£
Rt Hon Owen Paterson MP	68,169	34,413	25,000	11,000	93,169	45,413
George Eustice MP *(from 7 October 2013)*	11,148	-	4,000	-	15,148	-
Dan Rogerson MP *(from 7 October 2013)*	11,148	-	4,000	-	15,148	-
Lord de Mauley	105,076	52,897	25,000	11,000	130,076	63,897
Ministers who have served during 2013-14, but were not in post as at 31 March 2014 were:						
Richard Benyon MP *(until 6 October 2013)*	11,999	23,697	5,000	12,000	16,999	35,697
David Heath MP *(until 6 October 2013)*	16,694	18,885	5,000	6,000	21,694	24,885

Full year equivalent salary for part year officials were:

	2013-14	2012-13
	£	£
Rt Hon Owen Paterson MP	-	68,827
Richard Benyon MP	23,039	-
George Eustice MP	23,039	-
Dan Rogerson MP	23,039	-
David Heath MP	32,344	33,002
Lord de Mauley	-	105,076

*Ministers Pensions are disclosed to the nearest £000

Ministerial salaries from April 2013

In May 2010, the Government announced that it would impose a Ministerial pay freeze for the lifetime of the Parliament. As a result Ministers reduced their Ministerial salary to ensure that they did not benefit from a 1 percent salary increase awarded to Members of Parliament (MPs).

Senior Officials

	2013-14 Salary £000	2012-13 Salary £000	2013-14 Bonus Payments £000	2012-13 Bonus Payments £000	2013-14 Pension Benefits £000	2012-13 Pension Benefits £000	2013-14 Total £000	2012-13 Total £000
Bronwyn Hill *Permanent Secretary*	160 - 165	160 - 165	-	-	13	10	170 - 175	165 - 170
Peter Unwin *Director General*	130 - 135	130 - 135	10 - 15	10 - 15	7	42	150 - 155	185 - 190
Ian Trenholm *Director General*	140 - 145	115 - 120	-	-	55	46	195 - 200	160 - 165
Professor Ian Boyd *Director General*	95 - 100	55 - 60	-	-	38	24	135 - 140	80 - 85
Nick Joicey *Director General (from 13 January)*	20 - 25	-	-	-	11	-	30 - 35	-
Alastair Bridges *Finance Director (from 13 January)*	15 - 20	-	-	-	2	-	20 - 25	-
Senior Officials who have served during 2013-14, but were not in post as at 31 March 2014 were:								
Katrina Williams *Director General (until 14 October 2013)*	60 - 65	115 - 120	10 - 15	10 - 15	1	8	75 - 80	135 - 140
Martin Nesbit *Interim Director General* *(from 14 October 2013 until 31 January 2014)*	30 - 35	-	-	-	3	-	35 - 40	-
Tom Taylor *Finance Director (until 20 October 2013)*	50 - 55	90 - 95	10 - 15	-	9	13	70 - 75	100 - 105
Gurdip Juty *Interim Finance Director* *(from 1 October 2013 until 31 January 2014)*	35 - 40	-	-	-	(4)	-	30 - 35	-

Full year equivalent salary for part year officials were:

	2013-14 £000	2012-13 £000
Ian Trenholm	-	140 - 145
Professor Ian Boyd	-	95 - 100
Alastair Bridges	85 - 90	-
Nick Joicey	105 - 110	-
Tom Taylor	95 - 100	-
Gurdip Juty	95 - 100	-
Katrina Williams	115 - 120	-
Martin Nesbit	100 - 105	-

The full year equivalent salary for Professor Boyd is based upon his role being 0.8 Full Time Equivalent (FTE). He started his employment at Defra on 30 August 2012.

Ian Trenholm started his employment at Defra on 6 June 2012, during the 2012–13 reporting year.

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 senior officials were in receipt of any benefits in kind during 2013–14 (2012–13, £Nil).

Non–Executive Directors

	2013-14			2012-13		
	Fees Entitlement	**Fees Paid***	**Benefits in Kind**	**Fees Entitlement**	**Fees Paid***	**Benefits in Kind**
	£	**£**	**£**	**£**	**£**	**£**
Iain Ferguson	20,000	20,000	1,451	20,000	20,000	1,242
Catherine Doran	15,000	18,750	-	15,000	7,500	-
Sir Tony Hawkhead	15,000	15,000	2,422	15,000	15,000	2,199
Paul Rew	20,000	20,000	500	20,000	30,000	579

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

All Non–Executive Directors who served during 2013–14 were in post as at 31 March 2014.

Salary

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

This report is based on accrued payments made by the Department and thus recorded in these Accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010, £66,396 from 1 April 2013) 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 Non–Departmental Public Bodies (NDPBs) consolidated into the Departmental Accounts is given in their separate Annual Report and Accounts.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2013–14 relate to performance in 2012–13 and the comparative bonuses reported for 2012–13 relate to the performance in 2011–12.

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 and benefits in kind. It does not include severance payments, employer pension contributions and the Cash Equivalent Transfer Value (CETV) of pensions.

In accordance with HM Treasury guidance, the median pay 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.

The banded remuneration of the highest paid director in Core Defra in the financial year 2013–14 was £160,000–£165,000 (2012–13, £160,000–165,000). This was 5.8 times (2012–13, 6.0 times) the median remuneration of the workforce, which was £28,016 (2012–13, £27,013). The change in the median salary can mainly be attributed to the application of the annual pay award in 2013.

The highest paid director in the Core Department for 2013–14, and 2012–13, was the Accounting Officer.

Remuneration for staff in Core Defra and the Executive Agencies ranged from £9,848 to £211,153 (2012–13, £9,750 to £204,278). The employees receiving the lowest pay in the pay range are employed as apprentices by one of Defra's Executive Agencies. In 2013–14, 3 employees (2012–13, 20) received remuneration in excess of the highest paid director. Two of these were temporary employees in post at 31 March and their earnings were estimated as a percentage of their full-time equivalent cost. The Department did not necessarily incur the full cost of these employees for the entire year. The third person is paid by the Rural Payments Agency (RPA) and is their most senior official who received a performance related bonus during the year.

Pension Benefits

	Accrued Pension at Pension Age as at 31 March 2014	Real Increase in Pension at Pension Age	CETV at 31 March 2014	CETV at 31 March 2013	Real Increase in CETV Funded by Taxpayer
	£000	£000	£000	£000	£000
Rt Hon Owen Paterson MP	5 - 10	0 - 2.5	100	70	17
George Eustice MP *(from 7 October 2013)*	0 - 5	0 - 2.5	3	-	2
Dan Rogerson MP *(from 7 October 2013)*	0 - 5	0 - 2.5	3	-	1
Lord de Mauley	5 - 10	0 - 2.5	100	71	17
Ministers who have served during 2013-14, but were not in post as at 31 March 2014 were:					
Richard Benyon MP *(until 6 October 2013)*	0 - 5	0 - 2.5	34	30	3
David Heath MP *(until 6 October 2013)*	0 - 5	0 - 2.5	12	6	4

Ministerial Pensions

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

Those Ministers who are MPs may accrue an MP's pension under the PCPF (details of which are not included in this report). 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 2013 members pay contributions between 7.9 percent and 16.7 percent, depending on their level of seniority and chosen accrual rate. The contribution rates increased from April 2014.

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.

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

	Accrued Pension as at 31 March 2014 and Related Lump Sum	Real Increase in Pension and Related Lump Sum at Pension Age	CETV at 31 March 2014	CETV at 31 March 2013	Real Increase in CETV	Employer Contribution to Partnership Pension Account
	£000	£000	£000	£000	£000	Nearest £100
Bronwyn Hill *Permanent Secretary*	65 - 70 plus 200 - 205 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	1,262	1,176	8	-
Peter Unwin *Director General*	65 - 70 plus 205 - 210 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	1,547	1,446	6	-
Ian Trenholm *Director General*	60 - 65 no lump sum	2.5 - 5 no lump sum	656	588	27	-
Professor Ian Boyd *Director General*	0 - 5 no lump sum	0 - 2.5 no lump sum	52	19	25	-
Nick Joicey *Director General (from 13 January)*	15 - 20 plus 55 - 60 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	268	259	6	-
Alastair Bridges *Finance Director (from 13 January)*	25 - 30 plus 80 - 85 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	466	461	1	-
Senior Officials who have served during 2013-14, but were not in post as at 31 March 2014 were:						
Katrina Williams *Director General (until 14 October 2013)*	40 - 45 plus 130 - 135 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	777	731	10	-
Martin Nesbit *Interim Director General* *(from 14 October 2013 until 31 January 2014)*	35 - 40 no lump sum	0 - 2.5 no lump sum	513	502	5	-
Tom Taylor *Finance Director (until 20 October 2013)*	20 - 25 plus 65 - 70 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	310	286	8	-
Gurdip Juty *Interim Finance Director* *(from 1 October 2013 until 31 January 2014)*	10 - 15 no lump sum	0 - 2.5 no lump sum	103	102	(2)	-

The actuarial factors used to calculate CETVs were changed in 2013–14. The CETVs at 31 March 2013 and 31 March 2014 have both been calculated using the new factors for consistency.

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 salary-related and range between 1.5 percent and 6.25 percent of pensionable earnings for classic and 3.5 percent and 8.25 percent for premium, classic plus and nuvos. Increases to employee contributions have applied from 1 April 2014. 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 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[31].

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 Executive 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 Executive 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.

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

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.

Chapter 5 – Directors' Report: Financial Overview

Financial Summary

The Statement of Parliamentary Supply on page 92 shows that Defra's total Voted funding for the 2013–14 financial year was £2,882m. This consisted of £2,494m in Departmental Expenditure Limits (DEL), £113m in Annually Managed Expenditure (AME) and £275m outside of the Department's budgetary boundary.

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.

Defra's Resource DEL Budget includes the administrative costs of running Core Defra and its Network Bodies and the programme spend on areas including waste, animal disease, health and welfare, natural environment and floods. Defra's gross spending in the economy is twice the size that its DEL Budget would suggest because Defra's Resource DEL Budget includes payments made in respect of Common Agricultural Policy (CAP) and rural development schemes, net of income received from the EU.

The Resource AME Budget is used largely to record movements in provisions. Defra's AME Budget primarily covers the CAP disallowance provision and the Environment Agency's (EA) pension funds. This explains the unusual pattern of movements in Resource AME reported in Chapter 6. The resource costs of the Levy Funded Bodies, net of levy and other income, are also included within Resource AME.

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

The final area of Defra funding, called Non Budget, is used to account for expenditure and income relating to CAP payments on behalf of the Devolved Administrations and Prior Period Adjustments.

Outturn Against Control Totals

The Department's final Outturn against the budgets within its control was £2,433m in DEL and £95m credit in AME. This amounts to an underspend against budgets of £61m in DEL and £208m in AME. The underspend of £61m against DEL budgets is around 2 percent of the DEL Budget. Within this, there is a £50m underspend against Resource DEL, mainly due to a £30m underspend against disallowance where an element for SPS 2010 and 2011 has not crystallised this year and an £11m underspend against Capital DEL. £20m of the non-disallowance underspend is a managed underspend to be utilised in 2014–15, with HM Treasury agreement, to fund the additional floods costs, this, therefore, leaves a non-disallowance underspend of just £11m. The Outturn on expenditure outside of the Department's budgetary boundary (Non Budget) resulted in an underspend of £162m. Therefore, in total this amounts to an Outturn on Voted expenditure of £2,452m; £431m under combined Voted limits. Explanation of these variances is provided below.

The underspend of £208m against AME budgets is primarily due to the following items.

- £75m of this relates to the estimate made when setting the budget for potential disallowance provision. £68m of this underspend is due to expected disallowance relating to the 2012 and 2013 Single Payment Scheme (SPS) where the actual provision depends on timing of EU audits. As no EU audit has been carried out for these scheme years, the provision was not required. A further £13m relates to writing back provisions no longer required as the expected liability has reduced. This is offset by £6m lower than forecast utilisation of existing provisions into accruals.

- £50m underspend against potential property impairments which were not triggered during 2013–14.

- £37m underspend due to the utilisation of the provision to cover a commitment to provide financial assistance to domestic customers of South West Water. This credit could not be included in the

Supplementary Estimate as, at that time, discussions were still ongoing to determine the correct treatment for this provision.

- £20m underspend against a provision for local authority new burdens relating to Environmental Information Regulations property enquiry searches, where the full analysis of the additional cost for local authorities was not completed in 2013–14.

- £24m within EA relating to a reduction in the bad debt provision of £10m and a reduction in their pension liability of £14m following additional funding found in 2013–14 to reduce this deficit.

- A further £2m of smaller net under and over spends across other portfolios.

The underspend of £162m against Non Budget primarily reflects an underspend against the expected movement for Prior Period Adjustments. At the time of preparing the Supplementary Estimate, the Department was investigating the correct accounting implications for the agreement with South West Water. A prudent estimate was made when assessing the amount of budget cover needed for this Prior Period Adjustment. However, once the correct treatment was determined, the adjustment for the South West Water provision resulted in a lower Prior Period Adjustment than was included in the Supplementary Estimate.

Financial Management

The Department has continued to make good progress with delivering the savings and reforms set out in the 2010 Spending Review (SR10). Compared to the SR10 baseline (2010–11) set by HM Treasury, DEL expenditure in 2013–14 was £680m lower, which is a reduction of 22 percent in nominal terms. Within this Administration expenditure was £237m lower, which is a reduction of 31 percent in nominal terms.

Continuous improvements in financial management contributed to an Outturn around 2 percent of the Resource DEL Budget. In addition to this, the Department was also able to achieve the following.

- Following the winter floods, urgent work was required within EA to repair damaged defences and keep homes protected. To enable this work to be carried out, the Department reprioritised budgets and allocated an additional £30m in 2013–14 to EA.

- Defra supported the rural economy with £1,672m in CAP scheme expenditure for schemes in England plus £542m for rural development schemes. An additional £1,204m was also distributed to the Devolved Administrations for equivalent schemes in the rest of the UK. Despite the considerable challenges of administering this complex scheme of payments:

    - an above target of 96 percent of the 2014 SPS claims were paid by the end of December 2013 with the March 2014 target being achieved in January 2014; and
    - the Department again successfully mitigated the foreign exchange risks associated with the operation of the EU schemes.

As a result of the ongoing work within the Rural Payments Agency (RPA) regarding the qualification relating to audit evidence for the SPS trade receivables and trade payables balances this evidence is now complete and the qualification has been lifted. Further information can be found on page 82 as part of the Governance Statement.

Set against the context of the Government's priorities to boost growth and reduce the fiscal deficit, Defra's financial performance over 2013–14 continued to contribute to both. As Chapter 2 demonstrates, over 2013–14 the Department has delivered against an ambitious set of Structural Reform Plan actions while at the same time reducing DEL spending and living within all Voted limits set for it by Parliament.

- The Department spent 98 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. The Capital Budget has also contributed to essential maintenance of Defra's estate, improvement to our science laboratories and ICT related business change programmes.

- To help reduce the fiscal deficit, the Department economised in back–office Administration spending within Resource DEL to protect front–line Programme spending. By reducing staff costs, estates and other overheads, Defra was able to forecast early in the year a saving against the Administration Budget in 2013–14 of £94m.

Net Cash Requirement

As detailed in the Statement of Parliamentary Supply, Defra's Outturn against its Estimate for the 2013–14 Net Cash Requirement (NCR) is an underspend of £274m. This represents the closing bank balances for Core Defra and its Executive Agencies, adjusted for Consolidated Fund Extra Receipts. A prudent estimate has to be taken when calculating the NCR to mitigate the risk of any of these entities going overdrawn. The majority of the unspent balances are held within the Government Banking Service, therefore ensuring good value for the Exchequer as a whole and ensuring the Debt Management Office has access to the funds.

The variance is primarily due to the following.

- £88m underspend due to EC receipts relating to the European Agricultural Fund for Rural Development (EAFRD). Reimbursement from the EC for the EAFRD schemes is not guaranteed to occur before the end of the financial year. A prudent view, based on previous years' experience, was therefore taken when setting the NCR in the Supplementary Estimate, and cover for non–reimbursement of the entire quarter four EAFRD receipt was sought. A partial reimbursement was received in March 2014.

- £100m underspend in relation to the RPA. Scheme expenditure, mainly relating to the SPS, was lower than forecast during the last quarter of the financial year. This was partly due to improved payment performance in December 2013 and partly due to some payments being delayed until April 2014. In addition to this, RPA received some repayments in respect of disallowance charges from the other UK paying agencies which were not anticipated at the time the NCR was set.

- £86m underspend across Core Defra and the remaining Executive Agencies.

Consolidated Statement of Financial Position

Over the 2013–14 financial year, Defra's total assets less liabilities increased by £55m.

- Non current assets increased by a net £4m over the year, with a number of net additions and revaluations across the Network (including flood defences, IT assets and Kew's heritage assets). This was offset by total depreciation, amortisation and impairment charged in year on non current assets of £219m.

- Current assets have reduced by £31m, mainly due to a reduction in trade and other receivables of £116m, where accrued EU income is £108m lower, offset by an increase in cash balances of £83m.

- Current liabilities have increased by £40m. Trade and other payables increased by £94m, mainly due to an increase in the Consolidated Fund creditor. This was offset by a £37m reduction in provisions, mainly due to utilisation of the CAP disallowance provision.

- Non current liabilities have reduced by £121m, with the main movement being due to repayment of Rural Development Programme England advances becoming due in 2014–15.

Financial Position Risks

The main financial risks relate to the administration of RPA's scheme payments.

Foreign Currency Risk

Excluding RPA, Defra's operations do not expose the Department to any 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 10 to the Accounts.

Liquidity Risk

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

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

Contingent Liabilities

An analysis of contingent liabilities disclosed under International Accounting Standard IAS 37 and contingent assets is given in Note 16.

Defra has entered into a number of agreements resulting in remote contingent liabilities that are disclosed in Note 16 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.

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 EU where the Commission take the view that EU regulations for payments funded through European schemes, including the CAP, 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 Statement of Financial Position (SoFP), 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 SoFP 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 Comprehensive Net Expenditure (SoCNE), as shown in the following table 'Charges to the SoCNE for EU Disallowance'.

- 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 sometime after the penalty has been confirmed (and therefore accrued). Stage 3 payments are accounted for purely through the SoFP, exchanging a current liability (accrual) for a current asset (cash) and so are not shown on the SoCNE.

- Stage 2 may be skipped, and occasionally transactions can move from Stage 1 to Stage 3 within the same financial year. The balances from the SoFP 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

	2013-14		
£m	DEL	AME	**Total**
Stage 1: Allowance created in year for anticipated liabilities due in over 12 months time (provisions)	-	-	**-**
Stage 2: Provisions unwound in-year for liabilities expected to materialise within 12 months (accruals)	36	(36)	**-**
Stage 2: New accruals where no previous provision existed[1]	6	-	**6**
Gross charge	**42**	**(36)**	**6**
Write back in previous accrual/provision (credit)[1]	(11)	(13)	**(24)**
Net charge/(credit)	**31**	**(49)**	**(18)**

During 2013–14 Defra made gross charges to the SoCNE of £6m (2012–13, £33m) for disallowance, of which £42m (2012–13, £20m) was classified as accruals. Adjusting for an £24m (2012–13, £23m) credit to previous accruals/provisions, the net charge to the SoCNE in respect of disallowance was £18m credit (2012–13, £10m debit).

Balances from the SoFP for EU Disallowance

£m	**Total as at 31 March 2014**	2013-14	2012-13	2011-12	Up to 2010-11
Stage 1: Provisions outstanding at year-end on SoFP[2]	**84**	84	133	125	85
Stage 2: Accruals outstanding at year-end on SoFP[3]	**89**	89	165	187	172
Stage 3: Cash payments made to EU[4]	**407**	105	24	32	246
Cumulative total for disallowance as at 31 March 2014	**580**				

1. Note 5, Core Department EU disallowance.
2. Note 14, Core Department disallowance closing balance at 31 March.
3. Note 13, as part of the Core Department accruals and deferred income £336m (2012–13, £454m).
4. The Statement of Changes in Taxpayers Equity, Core Department as part of the funding to Executive Agencies £211m (2012–13, £33m).

As no decisions on recent audits were received in 2013–14, Defra has not had to create any new provisions, although there will be a need in future years as audit decisions are received. Up to 31 March 2014, Defra's Accounts have included cumulative transactions for disallowance penalties totalling £580m. Of this total, £407m has been paid to the EU over time (Stage 3), £89m remains accrued for future liabilities and is awaiting deduction by the EU (Stage 2), and £84m remains in provisions for possible future deductions pending resolution of confirmed liability. Further information can be found in Note 14 and Note 16.3.2.

Pension Liabilities

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

Events after the Reporting Period

Details of the events after the reporting period are included within Note 19.

Going Concern

The SoFP at 31 March 2014 shows Taxpayers' Equity and other reserves of £1,874m (2012–13, £1,819m restated). 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 Consolidated 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 Consolidated 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 approved annually by Parliament. Approval for amounts required for 2014–15 is due to be given before the Parliamentary Recess and there is no reason to believe that future approvals will not be made. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Investment Management Strategy

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*.

Consultancy and Temporary Staff Expenditure

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

	2013-14			2012-13		
£000	**Core Department**	**Core Department and Agencies**	**Departmental Group**	Core Department	Core Department and Agencies	Departmental Group
Consultancy expenditure	9,740	10,119	32,114	7,391	9,583	39,844
Temporary staff expenditure	6,201	27,939	38,542	4,849	24,467	39,875
Total	**15,941**	**38,058**	**70,656**	12,240	34,050	79,719

Core Defra expenditure on temporary and consultancy staff has increased due to the CAP Delivery Programme (CAP DP). EA makes up the bulk of the consultancy spend across the Network due to employing consultants where it is better value for money to do so on specific projects when specialised skills are required. EA projects span a very large range of skill requirements and include unplanned incident work, for example, responding to the 2014 floods to support COBR requirements. The cost of temporary staff in the agencies is mainly due to RPA for support and delivery of the projects which formed the Strategic Improvement Plan (SIP).

Research and Development

In 2013–14 Core Defra spent £149m on evidence, of which some £91m was for research and development. These figures are for evidence work commissioned by the Core Department and do not include work commissioned directly by Defra's Network Bodies. The Core Department investment maintains a balanced portfolio of evidence for policy, aligned to ministerial priorities. The major areas of spend include animal and plant health, agriculture, waste, air quality and marine. Defra evidence priorities are set out in evidence plans published on the GOV.UK website[32].

Auditor

The Comptroller and Auditor General is the auditor for the Department's Annual Report and Accounts. The notional cost to the Core Department for the audit of the Core Accounts and Consolidation was £428,000 (2012–13, £420,000) (see Note 4). The Comptroller and Auditor General also undertakes value for money examinations under Section 6 of the National Audit Office Act 1983. He is also the auditor of the Statement of Accounts for the European Agriculture Guarantee Fund and the European Agricultural Fund for Rural Development. The cash cost for the audit of these funds, for transactions for the UK, was £1.3m (2012–13, £1.2m) (see Note 5). During the year RPA and Fera reimbursed the NAO a total of £125,000 (2012–13, £24,000) for the cost of two secondments into the agencies. Other than that the Department did not purchase any non-audit services from its auditor.

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

[32] https://www.gov.uk/government/publications/evidence-plans

Chapter 6 – Directors' Report: Core Tables 2013–14

The aim of the published tables is to provide an explanation of what Defra spends money on. The analysis shows departmental expenditure split 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 8376)[33] that explains the majority 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[34].

Tables 1 and 2 – Defra's Resource and Capital Budget

Table 1 sets out a summary of the Resource and Capital Budget expenditure for the Department, covering the period from 2009–10 to 2015–16. It shows Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) elements separately for control purposes. Future years' figures reflect the budgeted figures agreed with HM Treasury for the Department.

Table 2 shows the Administration costs of running the Department in more detail. The Administration Budget includes staff costs, resource expenditure on accommodation, utilities and services etc., where they are not directly associated with front-line service delivery. The commentary on Administration costs is included in the detailed analysis below, but in general terms, the Administration Budget reflects the savings required by the 2010 Spending Review (SR10) and the 2013 Spending Round (SR13).

These tables follow the layout of the Part II Table of the Estimate and have been produced from HM Treasury's Online System for Central Accounting and Reporting (OSCAR) database, as required by HM Treasury. They follow the 2013–14 HM Treasury rules and are therefore produced on the same basis as the Statement of Parliamentary Supply.

As part of the 2014–15 Main Estimate two Machinery of Government changes took place which affected the years 2009–10 to 2015–16. The first relates to the transfer of responsibility for energy using products policy from Defra to the Department of Energy and Climate Change. The second relates to the transfer from the Department for Business Innovation and Skills (BIS) to Defra of the aerial photography contract to provide an aerial view of England to support Defra's business and legal requirements. The Core Tables do not reflect these Machinery of Government changes, to ensure consistency with the rest of the Annual Report and Accounts (ARA).

Resource Budget (Programme and Administration) DEL

Support and develop British farming

The changing profile of spend is primarily due to the profile of Common Agricultural Policy (CAP) disallowance payments. The CAP Disallowance Budget has been transferred between years to match the expected profile of payments. These transfers were agreed with HM Treasury and are in line with the SR10 settlement to allow flexibility between years to handle the timing of disallowance costs which are outside the Department's control, being dependent on the timing of EC decisions. Budget has been transferred into 2014–15 from 2012–13 and 2013–14 as the Department is awaiting decisions on SPS 2012–13, Rural Development Programme England (RDPE) 2011–13, Fruit and Vegetable Scheme 2012–13 and Cross Compliance 2012–13. Decisions are expected in 2014–15.

[33] https://www.gov.uk/government/publications/public-expenditure-statistical-analyses-2013
[34] https://www.gov.uk/government/publications/supply-estimates-guidance-manual

Help to enhance the environment and biodiversity

The reduction towards the end of the SR10 period is primarily due to the RDPE. This is because more payments are expected to be funded by the EU rather than the Exchequer, when compared to previous years. 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 and fewer new agreements are signed. This is reflected in the decreases from 2012–13 onwards.

Support a strong and sustainable green economy

The 2011–12 Outturn included one off funding for the International Climate Fund (ICF), which is included within the 'Support and develop British farming' Capital DEL for the years 2012–13 onwards. The Regional Development Agency funding transferred to BIS in 2012–13 contributing towards the reduction from 2011–12.

Prepare for and manage risk from animal and plant diseases

Administration 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 (AHVLA). The increase from 2013–14 is primarily due to a net increase in measures to tackle endemic disease.

Prepare for and manage risk from environmental emergencies

The increase from 2012–13 is due to the Department standing 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

There has been a general decrease due to significant savings made by rationalising the estate. The Department has also looked to economise in Administration costs and to reprioritise to frontline services.

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

The downward trend, going forward from 2013–14, reflects the savings identified by an internal efficiency programme and recent budget reductions.

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

The decrease in Outturn is due to the closure of the Sustainable Development Commission (SDC) and the Commission for Rural Communities (CRC). The SDC was closed as part of the Government's reform of public bodies.

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

The increases in 2014–15 and 2015–16 reflect the additional funding allocated to flood management announced in the 2014 Budget.

Resource Budget AME

Resource AME balances vary greatly over the years due to the volatility of provisions recorded as AME. A debit (a positive) is recorded as provisions are created, and a credit (a negative) recorded when a provision is utilised.

Support and develop British farming

As described in the DEL section earlier, the changing profile of spend in this area is primarily due to the profile of the CAP disallowance provision. Budget has been transferred between years so that the AME credit entries recorded here match the expected profile of the payments recorded under Resource DEL. In addition to this, any revaluations to the CAP disallowance provision are recorded in this section. Debit balances are seen where increases to the provision are higher than payments made in that particular year. As with the timing of disallowance payments, changes in the value of the provision are also reliant on European Commission (EC) decisions.

Help to enhance the environment and biodiversity

The decrease in 2013–14 is due to the £37m utilisation of the South West Water provision created to cover a commitment to provide financial assistance to domestic customers of South West Water. Subsequent increases from 2014–15 onwards are due to the reallocation of the Environment Agency (EA) closed pension scheme provision AME entries from the Core Department to the EA in line with HM Treasury's guidance.

Prepare for and manage risk from animal and plant diseases

The increase in Outturn for 2012–13 and 2013–14 relates to dilapidation provisions at AHVLA for the Weybridge site.

Departmental operating costs

The budgets for future years 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.

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

The decrease from 2014–15 onwards is mainly due to the reallocation of the EA closed pension scheme provision AME entries from the Core Department to EA in line with HM Treasury's guidance.

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 ICF. The remainder of the Capital DEL Budget for the latter half of the SR10 and SR13 period is largely held centrally and will be allocated each year, in accordance with the Department's prioritisation of capital projects.

Support and develop British farming

The increase from 2012–13 relates to the ring-fenced budget for the ICF. There is a further increase from 2013–14 relating to spend on the CAP delivery programme. This decreases in 2015–16 as the new CAP payments system is launched.

Support a strong and sustainable green economy

The decrease from 2011–12 is due to the end of a scheme in which the Waste Programme made Waste Infrastructure Capital Grants to Local Authorities.

Prepare for and manage risk from animal and plant diseases

The reduction in budget in 2014–15 and 2015–16 is due to capital budgets not being fully allocated. These will be reviewed and allocated during the year in line with Ministers' priorities.

Departmental operating costs

The increased Capital Budget for 2014–15 and 2015–16 is due to some capital budgets currently being held centrally, prior to being allocated in accordance with the Department's prioritisation of capital projects.

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

Capital budgets for 2014–15 and 2015–16 have not been fully allocated, these will be reviewed and allocated during the year in line with Ministers' priorities.

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

The increase from 2013–14 reflects additional investment in flood management. This includes additional funding announced in the 2012 Autumn Budget Statement and the 2014 Budget.

Table 1 – Defra's Resource and Capital Budget

	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Plans £000	2015-16 Plans £000
Resource DEL							
Support and develop British farming	475,098	476,836	338,429	242,459	243,019	394,782	237,259
Help to enhance the environment and biodiversity	496,436	465,561	473,498	467,959	399,937	324,356	327,018
Support a strong and sustainable green economy	165,795	142,329	195,618	138,677	134,227	146,699	146,126
Prepare for and manage risk from animal and plant diseases	258,488	226,426	189,921	206,481	225,733	238,487	228,463
Prepare for and manage risk from environmental emergencies	14,173	16,447	5,798	22,623	23,886	28,115	24,719
Departmental operating costs	261,507	213,356	172,327	164,452	138,646	110,871	83,157
Support and develop British farming (NDPB) (Net)	(314)	12	409	644	735	1,146	1,047
Help to enhance the environment and biodiversity (NDPB) (Net)	489,110	489,243	477,799	493,100	479,572	431,035	377,857
Support a strong and sustainable green economy (NDPB) (Net)	9,774	9,336	628	-	-	-	-
Prepare for and manage risk from environmental emergencies (NDPB) (Net)	291,198	336,278	343,789	318,288	305,524	318,054	337,354
Total Resource DEL	**2,461,265**	**2,375,824**	**2,198,216**	**2,054,683**	**1,951,279**	**1,993,545**	**1,763,000**
Resource AME							
Support and develop British farming	(6,761)	(132,028)	26,007	(1,925)	(54,362)	(96,968)	34,032
Help to enhance the environment and biodiversity	(27,421)	(102,548)	(36,136)	(42,696)	(81,806)	(434)	(434)
Support a strong and sustainable green economy	22	(382)	162	-	1,000	-	-
Prepare for and manage risk from animal and plant diseases	18,415	1,203	(435)	10,065	10,252	165	-
Prepare for and manage risk from environmental emergencies	-	-	-	-	-	118	-
Departmental operating costs	(60,631)	(2,153)	(4,698)	(4,864)	6,390	49,420	39,420
Support and develop British farming (NDPB) (Net)	2,108	(14,695)	(4,621)	(3,060)	2,149	17	(534)
Help to enhance the environment and biodiversity (NDPB) (Net)	2,719	(97,472)	(15,452)	2,053	(4,387)	(48,452)	(41,943)
Support a strong and sustainable green economy (NDPB) (Net)	(70)	222	(204)	-	-	-	-
Prepare for and manage risk from environmental emergencies (NDPB) (Net)	(1,237)	(89,601)	(18,003)	11,310	26,285	41,744	41,744
Total Resource AME	**(72,856)**	**(437,454)**	**(53,380)**	**(29,117)**	**(94,479)**	**(54,390)**	**72,285**
Total Resource Budget	**2,388,409**	**1,938,370**	**2,144,836**	**2,025,566**	**1,856,800**	**1,939,155**	**1,835,285**
Of which:							
Depreciation[1]	244,539	226,132	213,136	209,573	217,604	191,196	187,176
Capital DEL							
Support and develop British farming	25,106	11,963	6,232	28,818	60,863	72,727	49,300
Help to enhance the environment and biodiversity	47,655	28,501	27,663	21,117	18,857	19,000	19,000
Support a strong and sustainable green economy	127,037	53,806	8,343	-	-	-	-
Prepare for and manage risk from animal and plant diseases	35,522	21,232	9,695	11,888	13,264	4,224	-
Prepare for and manage risk from environmental emergencies	1,886	4,856	-	-	-	-	-
Departmental operating costs	6,848	3,794	(995)	12,026	14,351	48,997	38,700
Support and develop British farming (NDPB) (Net)	86	-	16	-	44	-	-
Help to enhance the environment and biodiversity (NDPB) (Net)	56,137	57,126	43,420	50,887	38,365	9,252	3,000
Support a strong and sustainable green economy (NDPB) (Net)	-	-	(5)	-	-	-	-
Prepare for and manage risk from environmental emergencies (NDPB) (Net)	392,676	386,959	290,859	289,489	336,586	403,800	383,000
Total Capital DEL	**692,953**	**568,237**	**385,228**	**414,225**	**482,330**	**558,000**	**493,000**
Capital AME							
Support and develop British farming (NDPB) (Net)	657	861	19	(1,502)	(836)	1,000	1,000
Help to enhance the environment and biodiversity (NDPB) (Net)	-	-	16	228	93	-	-
Total Capital AME	**657**	**861**	**35**	**(1,274)**	**(743)**	**1,000**	**1,000**
Total Capital Budget	**693,610**	**569,098**	**385,263**	**412,951**	**481,587**	**559,000**	**494,000**
Total departmental spending[2]	**2,837,480**	**2,281,336**	**2,316,963**	**2,228,944**	**2,120,783**	**2,306,959**	**2,142,109**
Of which:							
Total DEL	2,953,529	2,743,331	2,372,985	2,279,745	2,230,336	2,360,545	2,069,000
Total AME	(116,049)	(461,995)	(56,022)	(50,801)	(109,553)	(53,586)	73,109

1. Includes impairments

2. Total departmental spending is the sum of the Resource Budget and the Capital Budget less depreciation. Similarly, total DEL is the sum of the Resource Budget DEL and Capital Budget DEL less depreciation in DEL, and total AME is the sum of Resource Budget AME and Capital Budget AME less depreciation in AME.

The figures for 2011–12 and 2012–13 now reflect the Machinery of Government changes included in the 2013–14 Main Estimate and are therefore different to those published in the 2012–13 ARA and the prior period figures in the Accounts section of the 2013–14 ARA.

2014–15 and 2015–16 plans figures are based on provisional allocations and are subject to change, following further business planning decisions.

The 2014–15 figures relating to flood management include the £80m additional funding allocated in the 2014 Budget, but exclude the additional £100m announced in February 2014 that the Department will allocate to flood management from within its existing budget. This allocation will be processed in the 2014–15 Supplementary Estimate. The 2015–16 figures relating to flood management include the £60m additional funding allocated in the 2014 Budget.

Table 2 – Defra's Administration Costs

	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Plans £000	2015-16 Plans £000
Resource DEL							
Support and develop British farming	147,933	146,479	107,088	111,556	111,705	125,003	123,011
Help to enhance the environment and biodiversity	48,506	48,737	30,949	40,179	37,632	37,502	37,514
Support a strong and sustainable green economy	19,612	15,380	15,493	13,961	13,469	12,636	12,644
Prepare for and manage risk from animal and plant diseases	44,326	49,365	(6,781)	(118)	(4,290)	11,298	11,306
Prepare for and manage risk from environmental emergencies	2,164	2,591	1,658	1,903	2,207	2,181	2,181
Departmental operating costs	193,945	187,988	165,038	149,194	128,450	162,945	111,452
Support and develop British farming (NDPB) (Net)	(336)	12	336	644	559	1,146	1,047
Help to enhance the environment and biodiversity (NDPB) (Net)	174,367	178,563	174,190	155,010	165,094	152,344	150,091
Support a strong and sustainable green economy (NDPB) (Net)	9,774	9,336	628	-	-	-	-
Prepare for and manage risk from environmental emergencies (NDPB) (Net)	99,722	102,449	105,145	79,949	73,829	66,754	66,754
Total administration budget	**740,013**	**740,900**	**593,744**	**552,278**	**528,655**	**571,809**	**516,000**

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

Table 3 details Defra's Outturn for 2013–14, comparing this to the final allocations published in the 2013–14 Supplementary Estimate and also to the initial allocations published in the 2013–14 Main Estimate. In line with convention it is produced using the same layout as the Parliamentary Estimate, detailing spend on DEL and AME.

When comparing the original Main Estimate to the Outturn in 2013–14, the Department is reporting an under-spend of £144m for the combined total of DEL and AME (excluding Non Budget). When comparing the later Supplementary Estimate to the Outturn in 2013–14, the Department is reporting an under-spend of £269m for the combined total of DEL and AME (excluding Non Budget). A high level summary of the most significant variances of Outturn to the Supplementary Estimate are provided earlier in Chapter 5.

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

Resource	2013-14 Main Estimate	2013-14 Supplementary Estimate	2013-14 Outturn
	Net Resource Outturn	Net Resource Outturn	Net Resource Outturn
	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)			
Voted expenditure			
Of which:			
Support and develop British farming	407,681	288,125	243,019
Help to enhance the environment and biodiversity	366,773	406,740	399,937
Support a strong and sustainable green economy	150,297	146,130	134,227
Prepare for and manage risk from animal and plant diseases	233,752	234,821	225,733
Prepare for and manage risk from environmental emergencies	28,090	25,652	23,886
Departmental operating costs	175,485	160,227	138,646
Support and develop British farming (NDPB) (Net)	1,376	1,376	735
Help to enhance the environment and biodiversity (NDPB) (Net)	454,290	450,681	479,572
Prepare for and manage risk from environmental emergencies (NDPB) (Net)	303,886	287,164	305,524
Total spending in DEL	**2,121,630**	**2,000,916**	**1,951,279**
Spending in Annually Managed Expenditure (AME)			
Voted expenditure			
Of which:			
Support and develop British farming	(91,000)	26,000	(54,362)
Help to enhance the environment and biodiversity	(28,532)	(53,493)	(81,806)
Support a strong and sustainable green economy	-	-	1,000
Prepare for and manage risk from animal and plant diseases	117	117	10,252
Prepare for and manage risk from environmental emergencies	152	152	-
Departmental operating costs	50,000	95,911	6,390
Support and develop British farming (NDPB) (Net)	(133)	(133)	2,149
Help to enhance the environment and biodiversity (NDPB) (Net)	2,102	2,102	(4,387)
Prepare for and manage risk from environmental emergencies (NDPB) (Net)	10,786	41,744	26,285
Total spending in AME	**(56,508)**	**112,400**	**(94,479)**
Total	**2,065,122**	**2,113,316**	**1,856,800**
Of which:			
Voted expenditure	2,065,122	2,113,316	1,856,800

Capital	2013-14 Main Estimate	2013-14 Supplementary Estimate	2013-14 Outturn
	Net Resource Outturn	Net Resource Outturn	Net Resource Outturn
	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)			
Voted expenditure			
Of which:			
Support and develop British farming	30,962	34,512	60,863
Help to enhance the environment and biodiversity	20,949	20,311	18,857
Prepare for and manage risk from animal and plant diseases	7,961	11,752	13,264
Departmental operating costs	41,705	66,996	14,351
Support and develop British farming (NDPB) (Net)	-	-	44
Help to enhance the environment and biodiversity (NDPB) (Net)	20,623	37,791	38,365
Prepare for and manage risk from environmental emergencies (NDPB) (Net)	293,800	321,950	336,586
Total spending in DEL	**416,000**	**493,312**	**482,330**
Spending in Annually Managed Expenditure (AME)			
Voted expenditure			
Of which:			
Support and develop British farming (NDPB) (Net)	1,000	1,000	(836)
Help to enhance the environment and biodiversity (NDPB) (Net)	-	-	93
Total spending in AME	**1,000**	**1,000**	**(743)**
Total for Estimate	**417,000**	**494,312**	**481,587**
Of which:			
Voted expenditure	417,000	494,312	481,587

Table 4 – Capital Employed

The figures for the years 2013–14 and earlier are extracted from the audited ARAs for those years, including those of the Non–Departmental Public Bodies (NDPBs).

2010–11 reductions in intangible assets reflect the spending controls introduced by the Coalition Government ahead of the SR10 settlement.

During the SR10 period (2011–12 to 2014–15) there has been a reduction in land and buildings, through a disposal programme, further disposals being planned in 2014–15 and 2015–16.

Current assets reduced by £230m in 2012–13, mainly because of a reduction in bank account balances, reflecting an initiative by HM Treasury and Government Banking Service to hold smaller balances.

Payables reduced in 2011–12 because Consolidated Fund Extra Receipts (CFER) balances were eliminated in that year due to the introduction of Clear Line of Sight, and again in 2012–13 as the Consolidated Fund balance reduced. In 2013–14 the overall balance is largely unchanged, but non current payables have become current as payment becomes due in 2014–15.

Provisions reduced in 2010–11, mainly due to utilisation of the CAP disallowance provision as amounts for SPS Scheme years 2007, 2008 and 2009 crystallised.

There was an increase in 2012–13 due to the creation of a provision for South West Water obligations, offset by a reduction in Defra's provision for the EA closed pension scheme due to ongoing contributions into the scheme for pensions in payment. The 2013–14 reduction was mainly due to utilisation of the CAP disallowance, South West Water and EA closed pension provisions.

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

NDPBs' net assets increased in 2010–11 as the EA pension liability reduced, future pension increases being linked to the Consumer Price Index and not the Retail Price Index, a change introduced in the 2010 Budget Statement. This increase was partially offset by the recognition of a long term liability in respect of the EA Reservoir Agreement.

In 2012–13 the EA pension liability increased. This increase, offset by an increase in EA's infrastructure assets, was the main reason for the decrease in NDPBs' net assets.

Table 4 – Capital Employed

	2009-10 Outturn £m	2010-11 Outturn £m	2011-12 Outturn £m	2012-13 Outturn £m	2013-14 Outturn £m	2014-15 Plans £m	2015-16 Plans £m
Assets and liabilities on the statement of financial position at end of year:							
Assets							
Non current assets							
Intangible	256	230	191	148	142	150	135
Property, plant and equipment	590	589	537	501	457	440	425
of which:							
Land and buildings	409	427	402	384	341	325	310
Fixtures and fittings	68	61	56	50	46	45	45
Vehicles, plant and machinery	51	51	44	42	37	35	35
Equipment and IT	46	35	21	14	10	10	10
Assets under construction	16	15	14	11	23	25	25
Receivables > 1 year	9	15	14	14	12	10	10
Investments	5	5	-	-	-	-	-
Current Assets	1,125	1,136	1,091	861	846	845	845
Liabilities							
Payables <1 year	(1,193)	(1,145)	(903)	(729)	(794)	(835)	(835)
Payables >1 year	(146)	(159)	(143)	(136)	(39)	(40)	(40)
Provisions/liabilities	(1,430)	(991)	(961)	(1,032)	(915)	(880)	(880)
Capital employed within Core Department and Agencies	(784)	(320)	(174)	(373)	(291)	(310)	(340)
NDPB net assets	1,971	2,304	2,303	2,192	2,165	2,165	2,165
Total capital employed in the Departmental Group	1,187	1,984	2,129	1,819	1,874	1,855	1,825

Table 5 – Staff in Post

Table 5 shows the number of payroll and non-payroll staff in Defra, its Executive Agencies and NDPBs as at 31 March 2011, 2012, 2013 and 2014 in full-time equivalents (FTE). The data in this table is taken from the Monthly Workforce Management Information returns sent to the Cabinet Office. In order to ensure consistency with other Cabinet Office returns, the Forestry Commission is excluded.

Payroll Staff

The total number of payroll staff at 31 March 2014 was 21,881 FTEs, a reduction of 2,735 (11 percent) against the 24,616 staff at 31 March 2011 (the reduction in Core Defra was 19 percent).

Overall payroll staff numbers decreased by 1,836 FTEs during 2013–14, mainly due to reductions of 1,299 in the Environment Agency (EA), 227 in RPA and 131 in AHVLA.

In Core Defra 188 FTEs transferred to Shared Services Connected Ltd., a joint venture company, under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). This was partially offset by recruitment and transfers into Core Defra from Other Government Departments during 2013–14.

AHVLA reduced its staff numbers in 2013–14 due to a mixture of natural wastage, voluntary exit and redundancy schemes. There were 150 FTE leavers in this period due to a mixture of resignation, end of contracts and transfers to Other Government Departments. A further 111 FTEs left on voluntary exits/redundancies. This decrease has been partially offset by 73 FTE direct new starters and 75 FTE staff transfers under Cabinet Office Statement of Practice (COSOP) from Fera.

EA achieved a reduction in staff in 2013–14 through recruitment controls, reduction in temporary staff, the use of voluntary early release scheme, transfer of staff under TUPE from HR and Finance to Shared Services Connected Ltd., plus natural wastage. EA has prioritised the resilience needed to manage flood incidents and recovery and therefore Frontline Flood and Coastal Risk Management posts have been largely unaffected.

During 2013–14 RPA closed its Northallerton site (to take advantage of a lease break) and as part of the closure a Voluntary Exit Scheme was run specifically for those people who were unable to travel to other RPA sites. Under this scheme around 100 people were released.

Non-payroll Staff

Non–payroll staff have increased by 246 FTEs (30 percent) between 31 March 2011 and 31 March 2014 This was largely due to an increase of non–payroll staff employed by the CAP Delivery Programme.

Defra approved up to 204 posts for the CAP Delivery Programme – Fixed Term Appointments (FTAs) and interim staff. The CAP Delivery Programme was initially an RPA funded programme. In November 2012 the Programme was moved to Core Defra. There was a transition of all programme staff (interims, FTAs and loans) to Defra contracts, therefore resulting in an increase in Defra expenditure.

In December 2013, the programme had 93 interims and consultants on the programme and 9 new FTAs. At this time the Programme also had 41 people, on loan to Defra (but not on payroll), from Natural England, Forestry Commission and RPA. Core Defra is charged for salary costs from these delivery bodies, but staff remain on their home department's payroll.

Table 5 – Staff in Post

Defra staff in post and non-payroll staff (full-time equivalents)	31 March 2011			31 March 2012			31 March 2013			31 March 2014		
	Payroll staff	Non-Payroll staff	Total	Payroll staff	Non-Payroll staff	Total	Payroll staff	Non-Payroll staff	Total	Payroll staff	Non-Payroll staff	Total
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
Department for Environment Food & Rural Affairs [1]	2,457	119	2,576	2,085	73	2,158	2,091	73	2,164	1,989	91	2,080
Executive Agencies												
Animal Health and Veterinary Laboratories Agency [2]	2,622	56	2,678	2,355	104	2,459	2,180	93	2,273	2,049	90	2,139
Centre for Environment Fisheries & Aquaculture Science	513	12	525	520	7	527	542	13	555	532	1	533
Food and Environment Research Agency	846	5	851	865	4	869	848	10	858	773	11	784
Rural Payments Agency	2,521	32	2,553	2,348	54	2,402	2,102	150	2,252	1,875	206	2,081
Veterinary Medicines Directorate	151	7	158	150	7	157	150	14	164	153	10	163
Executive Agencies Total	**6,653**	**112**	**6,765**	**6,238**	**176**	**6,414**	**5,822**	**280**	**6,102**	**5,382**	**318**	**5,700**
Executive Non-Departmental Public Bodies												
Agriculture and Horticulture Development Board	437	73	510	446	34	480	366	18	384	369	38	407
Commission for Rural Communities [3]	66	-	66	4	-	4	2	-	2	-	-	-
Consumer Council for Water	75	-	75	66	-	66	70	2	72	75	1	76
Environment Agency	11,194	349	11,543	10,984	687	11,671	11,765	764	12,529	10,466	403	10,869
Gangmasters Licensing Authority	82	-	82	66	-	66	65	-	65	64	-	64
Joint Nature Conservation Committee	136	-	136	146	-	146	161	-	161	167	-	167
Marine Management Organisation	244	2	246	276	-	276	315	-	315	297	-	297
National Forest Company	19	-	19	15	-	15	15	-	15	17	-	17
Natural England	2,519	124	2,643	2,158	131	2,289	2,279	135	2,414	2,228	181	2,409
Royal Botanic Gardens, Kew	624	41	665	629	28	657	682	48	730	736	36	772
Sea Fish Industry Authority	72	1	73	72	1	73	84	-	84	91	-	91
Sustainable Development Commission [4]	38	1	39	-	-	-	-	-	-	-	-	-
Executive NDPBs Total	**15,506**	**591**	**16,097**	**14,862**	**881**	**15,743**	**15,804**	**967**	**16,771**	**14,510**	**659**	**15,169**
Total	**24,616**	**822**	**25,438**	**23,185**	**1,130**	**24,315**	**23,717**	**1,320**	**25,037**	**21,881**	**1,068**	**22,949**

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, 100 legal staff transferred from Defra to Treasury Solicitors on 1 September 2011 and 188 staff transferred from Defra to Shared Services Connected Limited on 1 November 2013.

2. AHVLA was created from the merger of the former Animal Health Executive Agency and the Veterinary Laboratories Agency on 1 April 2011.

3. CRC was abolished on 31 March 2013. From 1 April 2011, the CRC significantly reduced its staffing levels and the scale of its operation.

4. SDC closed on 31 March 2011.

In order to ensure consistency with other Cabinet Office returns, the Forestry Commission is excluded from the above table.

The non-payroll staff at 31 March 2014 in RPA includes staff currently working on the CAPD project. The costs of these staff are included within the Core Department in the Annual Accounts section.

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 in the November 2013 release[35]. The figures were largely taken from OSCAR during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals).

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, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2013[36].

The data features both identifiable and non-identifiable spending:

- identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions; and

- expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

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 (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2013 release. These are not the same as the strategic priorities shown elsewhere in the report.

[35] https://www.gov.uk/government/publications/country-and-regional-analysis-2013
[36] https://www.gov.uk/government/publications/public-expenditure-statistical-analyses-2013

Table 6 – Total Identifiable Expenditure on Services by Country and Region, 2009–10 to 2012–13

	2009-10 Outturn £m	2010-11 Outturn £m	2011-12 Outturn £m	2012-13 Outturn £m
North East	260	229	286	243
North West	499	438	473	414
Yorkshire and the Humber	555	507	551	470
East Midlands	588	607	523	478
West Midlands	466	439	463	399
East	884	844	680	739
London	142	116	195	240
South East	678	586	603	618
South West	851	739	850	747
Total England	**4,923**	**4,505**	**4,624**	**4,348**
Scotland	-	1	8	3
Wales	1	4	5	3
Northern Ireland	-	-	2	-
UK identifiable expenditure	**4,924**	**4,510**	**4,639**	**4354**
Outside UK	156	184	42	9
Total identifiable expenditure	**5,080**	**4,694**	**4,681**	**4,363**
Non-identifiable expenditure	-	-	-	-
Total expenditure on services	**5,080**	**4,694**	**4,681**	**4,363**

Table 7 – Total Identifiable Expenditure on Services by Country and Region, per Head 2009–10 to 2012–13

	2009-10 Outturn £ per head	2010-11 Outturn £ per head	2011-12 Outturn £ per head	2012-13 Outturn £ per head
North East	101	89	110	93
North West	71	62	67	58
Yorkshire and the Humber	106	96	104	88
East Midlands	131	135	115	105
West Midlands	84	79	83	71
East	154	146	116	125
London	18	14	24	29
South East	80	68	70	71
South West	163	140	160	140
England	94	86	87	81
Scotland	-	-	1	1
Wales	-	1	2	1
Northern Ireland	-	-	1	-
UK identifiable expenditure	**79**	**72**	**73**	**68**

Table 8 – Total Identifiable Expenditure on Services by Function, Country and Region, for 2012–13

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	Outside UK	Not Identifiable	Totals
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Economic affairs																
Agriculture, forestry, fishing and hunting	185	291	354	409	322	540	90	485	615	3,291	1	2	-	2	-	3,296
of which: forestry	*-*	*-*	*-*	*1*	*-*	*-*	*-*	*-*	*-*	*1*	*-*	*-*	*-*	*-*	*-*	*1*
of which: market support under CAP	*99*	*164*	*219*	*253*	*192*	*297*	*33*	*252*	*372*	*1,881*	*-*	*-*	*-*	*2*	*-*	*1,883*
of which: other agriculture, food and fisheries policy	*86*	*127*	*135*	*155*	*130*	*243*	*57*	*233*	*243*	*1,409*	*1*	*2*	*-*	*-*	*-*	*1,412*
Total economic affairs	185	291	354	409	322	540	90	485	615	3,291	1	2	-	2	-	3,296
Environment protection																
Waste management	-	1	1	1	1	1	1	1	1	8	1	-	-	-	-	9
Pollution abatement	2	5	3	3	3	4	6	6	4	36	-	-	-	-	-	36
Protection of biodiversity and landscape	14	26	27	22	18	26	6	28	45	212	2	1	-	6	-	221
Environment protection	42	89	84	43	54	166	136	96	82	792	-	-	-	-	-	792
Total environment protection	58	121	115	69	76	197	149	131	132	1,048	3	1	-	6	-	1,058
Housing and community amenities																
Water supply	-	1	1	1	1	1	1	2	1	9	-	-	-	-	-	9
Total housing and community amenities	-	1	1	1	1	1	1	2	1	9	-	-	-	-	-	9
Total	243	413	470	479	399	738	240	618	748	4,348	4	3	-	8	-	4,363

Bronwyn Hill 7 July 2014

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

This signature covers pages 3 – 73 and the contents required by the 2013–14 Government Financial Reporting Manual (FReM) of the Strategic Report, Directors' Report and Remuneration Report.

Chapter 7 – 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 (NDPBs) designated by order made under the GRAA by Statutory Instrument 2013 no. 488 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at Note 21 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, application of resources, changes in taxpayers' equity 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by NDPBs;
- state whether applicable accounting standards as set out in the 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 (Ian Gambles) 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 appointed the Chief Executives of the Executive Agencies and sponsored NDPBs as accounting officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its 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 they are answerable, for keeping proper records and for safeguarding the assets of the Department or NDPB for which they are responsible, are set out in *Managing Public Money* published by HM Treasury.

Governance Statement

This Statement evaluates for the financial year 2013–14, the effectiveness of the Department's governance arrangements, risk management, and the system of internal control and stewardship of resources. The Statement also reflects the effectiveness of governance arrangements in the Network Bodies[37] who deliver many of Defra's policies and services, and account for approximately 80 percent of the budget.

The Department has continued to improve and strengthen elements of its governance and internal controls and those of the Network Bodies over the last twelve months. Overall, assurance and audit checks confirm that the governance structures and processes, risk management and internal controls within the Core Department and in the Network Bodies were effective.

The Department and its Network Bodies responded effectively to a series of major coastal storm surges and record levels of rainfall recorded in parts of England over the period from early December through to March 2014. The latest DCLG figures collected from local authorities indicated that over 7,700 homes and nearly 3,200 commercial properties were affected across England. However, existing flood defences and improvements to the way we respond to incidents meant there were around 1.4m properties protected by Environment Agency and local defences together with 2,500 square kilometres of farmland protected from flooding. The response to the winter weather required the deployment of significant resources in the Department and the Environment Agency (EA) to warn and inform communities and other organisations and to prepare for and deal with the flooding that resulted. This involved significant and sustained engagement over four months with government bodies, Local Authorities and the emergency services. In February, Defra announced a package of flood support schemes to help homes, businesses and farmers recover from the effects of the adverse weather. EA are leading work to repair flood defences to ensure that we are prepared for next winter and a series of reviews are in progress to learn lessons for the future.

Throughout the year, Defra continued to make good progress on its wider government priorities as set out in Chapter 2. The Department has continued to improve its capability for the future. Key highlights from 2013–14 include a skills audit and actions to improve our capability in leadership and management of change; commercial, digital, and project management; and to maintain our European capability. We have worked on the 'game changers' in the Civil Service reform plan with good progress on the majority of actions. More detail is provided in Chapter 3. The Department has made good progress on its programme to improve the way it operates on a cross network basis through a 'One Business' approach. We published our Departmental Improvement Plan in March 2014 which sets out progress to date and priorities for future action. Other changes have arisen as a result of our programme of Triennial Reviews of Non–Departmental Public Bodies (NDPBs) and the move to a new basis for shared services provision which are described in Chapter 3.

Governance Arrangements

Governance Structures

The Department's governance structures and processes are described in Chapter 1. The review that follows focuses on events during 2013–14, and an assessment of effectiveness. There have been changes in Board membership over the year, with two new Ministers (from October), and a new Finance Director and Director General (Strategy International and Biosecurity) from January 2014. The Board effectiveness assessment concluded that the Board is operating well and has maintained its performance.

[37] References to Network Bodies refer collectively to Defra's Executive Agencies, Non–Departmental Public Bodies (NDPBs), Public Corporations and Non-Ministerial Department.

Defra's Supervisory Board (the Board) met every other month for most of the year, moving to quarterly from January 2014. Members attended all meetings with the following exceptions:

- Owen Paterson, Secretary of State, July, September 2013 and February 2014;
- George Eustice, Parliamentary Under-Secretary of State, November 2013;
- Dan Rogerson, Parliamentary Under-Secretary of State, February 2014;
- Katrina Williams, Director General, September 2013;
- Nick Joicey, Director General, February 2014;
- Ian Boyd, Chief Scientific Adviser, July 2013;
- Sir Tony Hawkhead, Non–Executive Director (NED), September 2013; and
- Catherine Doran, NED, May 2013 and July 2013.

The Board regularly reviewed performance management information on finance, strategic risk, major projects, Defra Network Bodies, human resources and other key indicators of departmental performance. In-depth reviews were carried out during the year on the Thames Tideway Tunnel, Common Agricultural Policy (CAP) Delivery, Thames Estuary 2100, Bovine TB Strategy, Animal Health Disease Response Capability, Commercial Capability, the Water Bill and Price Review, and the Departmental Improvement Plan.

The Board has two sub-committees. During 2013–14 the Audit and Risk Committee's (ARC) work included scrutiny of the Department's Annual Report and Accounts; internal and external audit arrangements and results; the Department's approach to strategic risk and specific strategic risks. In 2013–14 the Nominations Committee considered, senior appointments, the Defra Senior Civil Service pay award, review of talent management and NEDs' succession planning.

An Internal Audit review of the Department's governance arrangements in June 2013 confirmed that they were broadly effective. It recommended that work should be done to define more clearly the respective roles, responsibilities and accountabilities of the different committees within the governance structure, to clarify the interrelationships and the routes for decision making. These recommendations have now been implemented and are reflected in a revised Board Operating Framework.

The Performance of the Board

The Year Three Board Effectiveness review led by the Lead NED concluded in March 2014 and determined that the Board was effective. It recognised areas of progress since the previous review: notably the confidence in the financial data provided to the Board; support provided by NEDs to the business and their input to challenge groups; improvements made to the Management Information reports provided to the Board; and the work of the Board's sub-committees. There has been good progress on the management of risk, with strong encouragement for and support to the Risk Panel. In the year ahead, the Board will be looking more closely at its definition of 'appetite for risk' beyond financial risks and will focus more on long-term planning and strategy and evolving 'One Business'.

Quality of Information used by the Board

Defra has continued to improve the presentation and quality of Management Information reports to the Board. Particular improvements which the Board have welcomed were on better visibility of programmes, major projects, Network Bodies and Director portfolios, and a more complete overview of the Department's activities and operations. Further improvements to strategic risk and commercial projects reporting are in progress.

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 one area. 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 ARC to take on oversight of governance, as they feel the ARC is better placed to take on this responsibility.

Conflicts of Interest

Defra has in place procedures that follow the requirements of the 'Corporate Governance Code' to handle conflicts of interest for all Board members. Board members are required on appointment to complete a form listing interests which could emerge as a conflict of interest. There is a standing agenda item at the start of every Board meeting on declarations of interest. Board papers are not circulated to Board members who have declared a specific conflict of interest. Board members with a specific conflict of interest are requested to leave the meeting during discussion of that item. A conflict of interest register is maintained for Board members and during 2013–14 four conflicts of interest were identified and managed in line with these procedures. They arose in the context of discussions on the procurement of future IT delivery systems for the CAP, on the Thames Tideway Tunnel project, the Water Bill and Price Review, and the Thames Estuary project.

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. Their governance arrangements, including how they are held to account for their performance by Ministers and the Department, are described in Chapter 1.

Each of the Network Bodies produces its own governance statement in their Annual Report and Accounts. These statements have been reviewed and confirm that governance, risk management and internal controls were generally effective across the Network, and that bodies will address any issues where these are identified. No materially significant issues have been identified, and this is supported by the Audit Report and Opinions of the Heads of Internal Audit (HIA) for each Network Body and by Defra's Group Chief Internal Auditor's Opinion which confirms that governance and controls were sufficient. To ensure continuing good financial management Defra will review and reissue guidance on handling special payments to all of its Network Bodies.

The Department is actively assessing options to ensure it has the right capabilities in future from its science and operational agencies. Major changes were announced at the end of April 2014. The inspectorate functions of the Food and Environment Research Agency (Fera) (Bee Inspectorate, the Plant Health and Seeds Inspectorate, and the GM Inspectorate) together with the Plant Variety and Seeds Group will join the Animal Health and Veterinary Laboratories Agency (AHVLA) to form a new agency by October 2014. The new agency will maintain and enhance our operational effectiveness, flexibility and emergency response capability whilst responding to the challenges ahead.

Fera will retain its core science business and Ministers have announced the launch of a procurement process to find a joint venture partner. This approach is consistent with Civil Service Reform Plan focus on Better Business Models, and is designed to enhance Fera's core business, while creating new growth opportunities.

During 2013–14, AHVLA was subject to a Crown Censure by the Health and Safety Executive (HSE) as a consequence of a number of failings in 2011–12. Health and safety has subsequently been strengthened and the Agency is focussed on improving the health and safety culture throughout the organisation. HSE have recognised the progress made and AHVLA are broadly or fully compliant in the areas subject to inspection in 2013–14. They have no outstanding actions with HSE. During 2013–14, Fera also reported to the HSE an incident under RIDDOR[38] following a gas leak at the Sand Hutton site.

[38] The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

Local Government

The Department provides a number of grants to local authorities, for example for flood prevention or waste recycling work. 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.

The Department of Communities and Local Government's Accounting Officer 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 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 also required to have an annual external audit, and the certification of 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 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. These accountability arrangements are explained in more detail in Defra's 'Accountability System Statement'[39].

As part of the response to the winter flooding Defra has worked with local authorities to introduce a repair and renew grant of up to £5,000 each for affected homeowners and businesses to build some additional flood resilience into repairs. These grants will be administered by local authorities.

Risk Management

Defra's risk management processes are described in Chapter 1 and the Department believes they are effective.

Throughout 2013–14, Defra's external risk environment has remained challenging. The Executive Committee established a new Risk Panel, which has developed a new suite of strategic risks for the Board. Defra's emergency management arrangements have been activated to help us respond effectively to the extensive coastal, fluvial and groundwater flooding in the winter of 2013–14. Defra and EA participated in national-level COBR emergency arrangements over a four-month period.

The Department is responsible within government for three projects that form part of the Government's Major Projects Portfolio: Thames Estuary 2100, Phase 1 (led by EA); Thames Tideway Tunnel (TTT) (led by Thames Water Utilities Ltd.); and the CAP Delivery Programme (led by Defra). These expose Defra to a complex mix of commercial and delivery risks and have been considered by the Board and the Executive Committee during the year. More information about these projects is provided later in this Statement on page 80.

During 2013–14 improvements in risk handling included the following.

- Defra and EA's leadership of the response to the winter flooding of 2013–14, which relied heavily on emergency planning and exercising across the emergency response network.
- Implementation of the recommendations of the independent Task Force on Tree Health and Plant Biosecurity. This reflected the lessons from Ash dieback in 2012–13 and included the publication of the UK Plant Health Risk Register. This new register prioritises the response to over 700 possible threats to Britain's trees and plants. Monitoring of the whole biosecurity risk landscape (animal, plant and tree, aquatic and invasive non-native species) has improved significantly, as a result of new biosecurity risk assessment and reporting processes, which feed into monthly ministerial reviews of biosecurity risks.

[39] Available at https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs

Stewardship of Resources

The system of internal control has been in place in Defra for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance[40]. This conclusion is informed by the work of internal and external 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.

Internal Audit Opinion

Our Group Chief Internal Auditor has confirmed in her Assurance Opinion for 2013–14, that the Department has systems of internal control which are, overall, adequate and effective. She also confirms that the structures and arrangements in place to identify and manage risk are appropriate, and that Defra's governance arrangements are satisfactory in most respects. Whilst there is more to be done, she has identified a trend of continuous improvement through the embedding of better governance structures and a renewed approach to the identification and management of strategic risk.

The Department's financial performance is described in Chapter 5. This confirms that expenditure in 2013–14 was within the control totals set by HM Treasury. Excluding ring-fenced items, Defra underspent against DEL budgets by £61m, around 2 percent of the DEL Budget. By reducing staff costs and other overheads the Department was also able to forecast early in the year a saving against the Administration Budget of £94m and recycled around 57 percent of this saving into front-line areas. The Department has sustained its financial capacity and capability, and financial management within the Department and across the Network has been effective and is supported by the HIAs in their annual Audit Opinions

Defra has continued to improve collective capability in the Department and its Network Bodies in business planning and performance management so that resources are allocated optimally to deliver the outcomes the Department is seeking, and to ensure value for money. During the early part of the year, Defra Directors prepared business plans for 2013–14, setting out what they expected to achieve with their resources and how they would do it. This process reinforced the link between setting performance expectations through business planning and reviewing delivery progress through in-year performance reporting. The business planning process for 2014–15 has simplified the planning and reporting processes in order to improve consistency in quality and coverage of plans, and support increasing alignment in approaches across the Department and the Network.

Information Management

Defra and its Network Bodies continue to handle a comparatively low volume of classified, sensitive and personal information and a proportionate approach to the management of security risks is therefore taken. There was an overall improvement in security standards across the Defra Network during 2012–13. The Information Assurance Maturity Model scores for 2013–14 reflect a further improvement. There were no reported significant data losses during 2013–14.

Defra has improved its email and internet technical controls. Web blocking and monitoring was successfully implemented in September 2013. Suitable products for an email and document labelling facility to support the new Government Security Classifications have been identified, with implementation planned for summer 2014. When in place, this will enable Defra to monitor and potentially block unencrypted sensitive material sent via external email and to internet sites.

[40] HM Treasury's *Managing Public Money* available online at https://www.gov.uk/government/publications/managing-public-money

Defra's Acceptable Use Policy which informs staff about email/information handling and good practice, was updated and posted online in January 2013. It was further updated in March 2014 to reflect the new Government Security Classifications. An updated Personal Commitment Statement exercise was completed in January 2013, and all staff using official computer equipment to access online information have signed-up. A further annual update is scheduled during 2014, alongside other training initiatives on the Government Security Classification and 'Responsible for Information' schemes. Device control software (Lumension) rollout was completed in January 2013 providing a capability to monitor and control the use of removable media and unauthorised devices on the Defra IT Network. Network Bodies have agreed to trial a number of device blocking policies during 2014.

The Defra Board has been briefed on cyber security, and intends to review this at least once a year, together with regular updates on cyber security health status across the Network.

Business Critical models

Defra has continued to implement the recommendations of the 2013 Macpherson Review of business critical models and their quality assurance. A list of all business critical models used within the Department and its Network Bodies is publicly available[41]. Each has a senior responsible owner who is responsible for effective quality assurance. The models have been quality assured according to a range of recognised practices. Many parts of the Defra Network have an established quality framework but we do not yet have a single system in place across the Network. The Department will be promoting use of the Analytical Quality Assurance guide in 2014, and will be drawing on this to develop a consistent framework for assurance of evidence for release in spring 2015. This will be used across the Defra Network and will be applied to new and existing models.

Major Projects

Defra has taken forward preparation for the implementation of new CAP schemes in 2015. The CAP Delivery Programme is developing an IT system, control environment, and the associated business change to deliver the new schemes in 2015. The programme is part of the wider Government Digital Transformation Programme. The service will be digital-by-default with an assisted digital service for those in particular need. CAP Delivery remains a complex, high risk programme and is therefore subject to extensive assurance activities. The Major Project Authority 2014 annual report rated the CAP Delivery Programme (as at September 2013) as Amber. This rating reflected the work the programme needed to do to improve resource and capability levels and business change planning; and firm up the scope of off-the-shelf IT products being used. Significant progress is being made on these and other issues and the programme remains on track despite the challenges faced.

The programme is releasing functionality via a series of controlled releases, starting at the end of July 2014 which should reduce the risks associated with a single go-live event. An agile method has been adopted which enables better visibility of progress and the ability to make corrections as new challenges emerge. Procurement has been carried out in a series of lots, using frameworks to maximise the opportunity for Small and Medium Sized Enterprises' (SME) to offer services and reduce the risk exposure to a single large contractor. This approach has also enabled closer, more detailed management of individual suppliers.

[41] Available alongside the 2013–14 Annual Report and Accounts at https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs

The TTT Project aims to underwrite the extreme risks which may arise during the building by the private sector of a new sewage tunnel under London. The tunnel is the most cost effective, comprehensive and timely solution to address the problem of combined sewer overflows into the Thames in London. The main contracts are expected to be awarded in 2015 and construction to begin in 2016, with completion in 2023. In principle, the duty to build the tunnel falls to Thames Water (who lead the project) and oversight of customer interests falls to Ofwat. As lead department, Defra is responsible for the regulatory regime for the water sector and is exposed to the risk of fines arising from European Court of Justice rulings. As we expect the project to require some form of government support to enable the capital markets to finance the Tunnel, Defra is the lead department to manage the risks to the taxpayer. Defra is working with Ofwat, Infrastructure UK and HM Treasury to ensure the costs of this large and complex project are minimised and it is delivered with a structure and financing mechanism that delivers value for money for Thames Water customers and UK taxpayers[42]. The project is progressing and is on track for delivery despite the high level of challenge.

The Thames Estuary Programme Phase 1 (TEP1) is part of a long-term flood prevention programme for the Thames Estuary to protect the 1.25m people who live and work in the Thames flood plain in and around London. It forms part of EA's Thames Estuary 2100 (TE2100) Plan which is a strategy for protecting London and the Thames Estuary from tidal flooding to the year 2100 and beyond. The TE2100 Strategic Outline Programme (SOP) describes the delivery of the programme through a number of phases, and was approved by Defra and HM Treasury in 2012. The focus has now moved to the business case for the first package of works within that strategy – the TEP1 project. The scope of this is a proposed contract with a private sector partner to deliver a 10-year programme of capital works and a procurement exercise was begun by EA during 2013–14. Contract award is expected before the end of 2014.

Facilities Management

Over the past two years, Defra has been acting to identify and resolve the poor performance of a 15-year contract, signed in 2009, for the provision of facilities management (FM) services across its estates including the Core Department, four of our Executive Agencies and a number of our NDPBs. The contract was renegotiated in 2012 in order to secure better performance, and improvements in performance monitoring, value for money, and assurance provisions. Over the last 12 months, work to embed better management of the contract has continued, particularly around compliance with service delivery, and broader audit and assurance work on service delivery and commercial and contract management.

Defra has enhanced the compliance capability in its estates FM team, and introduced a number of initiatives to improve consistency of performance across the Network. For example, the team carried out 107 contract assurance visits in the course of the year (covering each of the sites covered by the contract) and has developed a risk-based approach for 2014 to target key high-risk science buildings. The Department is centralising estates functions to improve the consistency with which the service provider is managed and held to account across the network. We are driving use of the Key Performance and Critical Performance Indicators suite to trigger financial penalties when the supplier fails to deliver against the contract, as a means of focusing the contractor's attention and improving service delivery. Substantial focus on health and safety work over the last 12–18 months has led to significant improvements. However, issues arising at high-risk science facilities have indicated to the Department where more work needs to be done.

Considerable internal audit activity covering the first three years of the contract has assisted in identifying issues relating to the way the original contract operated; as a result of which we have challenged the contractor to provide better information. Discussions about the financial implications of these audits are underway and we expect this to result in repayments by the contractor under the terms of the contract.

[42] The National Audit Office has recently published a report looking at 'Thames Tideway Tunnel – Early review of the risks to Value for Money' which is available on their website at http://www.nao.org.uk/report/thames-tideway-tunnel-early-review-potential-risks-value-money/

Defra has brought in additional contract management expertise to enhance capability and respond to the emerging conclusions of audit work on the contract. A comprehensive performance improvement plan is in place, with agreed timelines to ensure that significant improvements are made. Further reviews have also been commissioned from Internal Audit.

Shared Services

In November 2013, as part of the Government's 'Strategy for Next Generation Shared Services' to improve efficiency and realise significant savings, Defra transferred just under 200 people and the operations for transactional HR and financial services to the new cross-departmental joint venture Shared Services Connected Ltd (SSCL). An intelligent customer function has been established within the Department to support the operation of the new contract. There was a high degree of service continuity during the transition, although governance and assurance arrangements are still being embedded. Assurance has also been received from Cabinet Office who provide the oversight function for the joint venture.

One Business

Defra and the Network are undertaking a rolling programme of work to align our people, processes and systems more fully so that we can operate increasingly as 'One Business', in order to reduce costs and improve services to customers. The programme's work streams are described in Chapter 3.

Business Continuity Plans

Business Continuity Plans (BCP) and IT systems recovery plans are now in place and there have been 'table-top' exercises to test local BCPs. Further work is being done to develop a fully co-ordinated approach across the Network.

Rural Payments Agency

During 2013–14, the Rural Payments Agency (RPA) successfully completed its Strategic Improvement Plan (SIP) to stabilise and improve the Agency's performance in delivering Single Farm Payments (SPS) and associated CAP schemes. The Programme was formally closed at the end of March 2014 and has been key to the transformation in the Agency's performance. For the 2013 SPS claim year, RPA paid out £1.61bn to more than 100,000 farmers in England on the first day of the payment window and exceeded Ministerial targets to pay more than 97 percent of those eligible and 97 percent of the fund value by 31 March 2014. This is the Agency's best ever performance and exceeded the benchmark set by the EU by more than five months.

The SIP itself formed Phase 1 of the RPA's 5-year plan published in 2012. Phase 2 of the 5 year plan was the Future Options Programme, which was renamed the CAP Delivery Programme and its ownership transferred to Defra because of its wider significance.

Significant Issues

The C&AG applied a qualification (a Limitation of Scope) to RPA's 2012–13 Financial Statements because of insufficient audit evidence to support the completeness in their accounts of receivables and payables (over and under payments) arising from SPS. Because of materiality this was also applied to Defra's Annual Report and Accounts. During 2013–14, RPA undertook significant further work to address the problems in this area, and sufficient audit evidence has been provided to allow the C&AG to lift the qualification applied in previous years.

Disallowance penalties are imposed by the European Commission as a result of problems with the administration of EU schemes including those under the CAP. More detailed background on these penalties is set out in Chapter 5 of these Accounts. For 2013–14, the Department have accepted and accrued £42m (gross) of disallowance penalties relating mainly to the 2010–11 SPS. In previous years the C&AG has applied a Qualified Opinion on Regularity to Defra's Annual Report and Accounts (ARA) because of material levels of disallowance penalties accrued in year. However, a qualification was not applied to the Department's 2012–13 ARA and will not be applied to the 2013–14 accounts because the C&AG considered the level of disallowance penalties accrued in year were not material.

As explained in previous Statements, we continue to work hard to mitigate and contain SPS and other disallowance risks. We are using the opportunity of the introduction of new schemes as part of CAP reform, to apply the lessons of the last reform and to build in effective controls from the start in the new business processes and the IT systems which are needed. However, because there is a significant time lag between Scheme payments and the outcome of EU audits, we expect to incur further disallowance penalties in future.

Bronwyn Hill 7 July 2014

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

Non–Executive Directors' Report

Context

The last year has been exceptionally busy for Defra, even given its skill and expertise in dealing with a wide range of natural challenges and emergencies. The year began with the horse meat scandal which required a very large amount of focussed work at short notice. This was followed by preparation for, and then implementation of, a pilot badger cull in Somerset and Gloucestershire alongside a considerable range of other activity to deal with the long term and intractable challenge of bovine TB. The latter part of the year was dominated by the huge level of activity required to cope with widespread flooding caused by the wettest recorded winter in the country's history. There were two new Ministers out of four which, following the three changes in the previous year, means that Defra's entire ministerial team has changed in the past 24 months. There have also been substantial changes at Director General and at Director level, particularly in core functions such as Finance and Human Resources (HR). Good replacements have been appointed but it will inevitably take time for the new staff to bed in. The Non–Executive Director (NED) team has remained the same throughout the year which we believe has provided valuable continuity. We continue to be grateful for the support we have received within the Department from the Executive Team at Board level and beyond enabling us to make useful contributions to the work of the Board and the Department.

Strategic Clarity of the Department

Last year's agreement on a sharper and shared purpose for the Defra Network has unquestionably helped focus business plans and direct attention to outcomes. Inevitably, however, there has been a significant impact across the Department caused by the year's many unpredictable challenges, in particular those around adulterated meat and floods. This has meant that more time at Board meetings has been spent on dealing with a number of major, urgent, issues rather than on longer term plans. It will be important to focus in 2014–15 on the delivery of Defra's ambitious strategy.

The Department has a wide range of commercial activities, which represent substantial and sometimes unusual risks. The Department is fortunate in having good senior staff to manage these commercial activities but these staff are stretched and strong commercial knowledge and experience is confined to a relatively small group. In our view, this represents a risk that needs careful monitoring and review especially given the continuing downward pressure on resources. We noted last year that new methods of delivery and working would be required in order to achieve Defra's four key objectives. One of the most important tools is the 'One Business' programme, which aims to introduce a unified approach to systems, process and procurement. There now needs to be a rapid and clear definition of what will be delivered by 'One Business'. Achieving progress on this will require clarity about timescale and implementation plus strong top level drive and encouragement.

Linkages between the Department and its Network Bodies continue to improve. There is a stronger and more interactive relationship between Defra's core senior executive team and the leadership teams in the Network Bodies. The Triennial Review of the Environment Agency and Natural England, published in June 2013, is being implemented. Considerable work is underway to define the best structures and arrangements to meet Defra's scientific and regulatory needs. Much of this will come to fruition in 2014–15.

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

The Boards of the Common Agricultural Policy Delivery Programme and Thames Tideway Tunnel Programme have both made good progress in getting the right people and right focus at the table. This is important as both programmes represent substantial commercial and other risks. As noted above, one of the biggest challenges for Defra is its dependence on a relatively small number of staff with the right levels of commercial experience. The use of programme boards has mitigated that risk by allowing expertise to be brought in from other government departments and the private sector and allowing the Department's NEDs to play a role using their own commercial experience. Indeed, the Department continues actively to seek advice and input from its non–executive team. The crucial role of the Finance Director has been emphasised by formally including him as a member of the Executive Committee.

Management of Talented People

There has been a welcome if modest improvement in this year's Engagement Index scores for the Department in the People Survey. The Executive is, however, acutely conscious that considerable further improvement is required and has tasked the new HR Director with leading work on addressing this. Given the dependence on the goodwill of staff to achieve Defra's ambitious plans and during emergencies, it is critically important that the improvements in the Engagement Index are maintained and accelerated.

As noted above, there has been substantial turnover among senior staff this year, particularly at Director level. This follows a two year period of relatively little senior staff movement.

The Nominations Committee, chaired by the Lead NED, has an overview of progress within the Department on talent management and there have been improvements in both the identification of individuals and in the talent schemes available across the Department.

Focus on Results and Implementation

The Department has faced very substantial challenges during the year and coped very well despite the pressures. This has inevitably reduced the Department's ability to devote as much time as expected on other, planned, activities. A key objective for the year ahead will be to make substantial progress with the 'One Business' objectives since these will be key to allowing Defra to achieve its wider business objectives within a challenging fiscal climate. The Departmental Improvement Plan helpfully brings together the key actions and drivers of change.

The Core Department is relatively small but has a wide and challenging remit. For delivery it relies upon working closely with many third parties including the Defra Network Bodies, other government departments, local authorities and civil society organisations. Last year, we identified that strengthening Defra's influencing ability remains an important area for the Department. It is, therefore, pleasing to report an excellent Board discussion on the role of civil society which has resulted in a shared understanding of how the two can best work together. This can provide a model for other joint working.

Quality of Management Information

Refinement of already good management information provided to the Board has continued this year and gives a clear picture over the breadth of the main aspects of the Department's and Network Bodies' activities. Issues which need consideration by the Board are highlighted. The Risk Panel has developed new structures for assessing and reporting the Department's and Network's biggest, most strategic risks, tackling the difficulties of defining both the current level of risk and the way management actions are designed to reduce the risks to acceptable levels. Ministers and officials have derived reporting mechanisms that help assess and adjust priorities on a regular basis, which will be essential to managing Defra's activities and ambitions within the tight financial constraints. It is also good to see that the Programme Boards responsible for the most important projects in the Department are also driving good management information and reporting.

Impact of the Enhanced Board in 2013–14 and Board Effectiveness Reviews

In a departure from previous years, substantial feedback was sought from people in the Department who have had interactions with the Board about its performance. This was a very useful exercise and the output will be reflected in the 2014–15 Board Action Plan. We are confident that the work we have done as a Board has allowed us to produce a balanced and honest assessment of Board effectiveness. The Review was, as last year, led by the Board's Lead NED. Action has been agreed to address all of the Review's conclusions.

Our assessment is that in overall terms the Board maintained but did not build on progress from previous years. This was probably inevitable given the substantial changes to the ministerial team, the huge distraction caused by the numerous and very demanding issues that arose as the year progressed and the big influx of new senior staff.

However, the Year 3 Board Effectiveness Review did recognise some areas of progress: notably the confidence in the financial data provided to the Board; support provided by NEDs to the business and their input to challenge groups; improvements made to the Management Information reports provided to the Board; and the work of the Board's subcommittees. The Year 3 Review highlighted areas for the Board to focus on over the coming year including: long-term planning and strategy; evolving 'One Business'; more informal time together; and clarity on the role and remit of the Board. There has been good progress on the management of risk, with strong encouragement for and support to the Risk Panel. In the year ahead, we will be looking more closely at the Board's definition of appetite for risk beyond financial risks.

The demands of day to day business meant that there was no Board away day during the year although there was a useful half day discussion involving the NEDs and senior executive team. We have agreed a date for a full Board away day early summer in 2014–15. This will enable the Board to have a fuller discussion on the strategic vision and challenges for the Department. It was agreed at the start of 2013–14 that the frequency of meetings would change to four Supervisory Board meetings, an annual away day in the year, plus a half day discussion involving the NEDs and senior executive team. We will review the effectiveness of this meeting pattern at the upcoming away day. The NEDs believe that our added value often lies in the more informal work that we do outside Board meetings. This has often allowed us to help identify problems and opportunities at an early stage and ensure that these are escalated to a suitable level.

In overall terms, we believe that Defra remains online or ahead of the Cabinet Office guidelines for Enhanced Boards.

Iain Ferguson
Catherine Doran
Tony Hawkhead
Paul Rew

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 2014 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 2013. 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 Strategic and Directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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.

Opinion on Regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the Outturn against voted Parliamentary control totals for the year ended 31 March 2014 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.

Opinion on Financial Statements

In my opinion:

- 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 2014 and of the Department's net operating cost and 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.

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 Strategic and Directors 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

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the 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.

Report

My report, detailing matters arising during the audit, can be found on pages 89 to 91.

Sir Amyas C E Morse 8 July 2014
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 policy and related funding on behalf of the UK. The Department receives funding from the European Commission (the Commission) to deliver the Common Agricultural Policy (CAP) and other initiatives, some £3.4 billion in 2013–14 (2012–13 £3.3 billion).

Purpose of this report

This report explains the nature of the Department's historic qualifications and progress made in addressing the issues that led to those qualifications, primarily those encountered during the implementation of the previous CAP. In addition, I have set out the actions being taken by the Department to manage future risks in the context of significant CAP reforms.

Unqualified opinion on regularity - financial penalties arising from European Commission funded schemes

I qualified my audit opinion on regularity as a result of material financial penalties incurred by the Department and accrued in the financial statements, from 2008–09 until 2011–12. The requirement to pay financial penalties ("disallowance"), where Commission funded scheme regulations are not correctly applied, results in a loss to the UK Exchequer, which is recognised within the financial statements of the Department. This loss is outside Parliament's intentions in relation to the proper administration of European funding and is therefore considered irregular. The qualification was removed in 2012–13 as penalties accrued in year were not considered to be material. In 2013–14, the level of penalties accrued in year was again not considered to be material. I have therefore issued an unqualified opinion on regularity on the 2013–14 financial statements in this respect. I will continue to assess the value of penalties accrued in each year, to determine the impact on my opinion on subsequent financial statements.

Unqualified opinion on financial statements - completeness of Single Payment Scheme trade receivables and payables balances

In 2012–13, I limited the scope of my audit opinion, as the Department and Rural Payments Agency (the Agency) was unable to provide me with sufficient audit evidence to support the completeness of trade receivables and payables balances relating to over and underpayments to claimants under the Single Payment Scheme. These amounts are administered and accounted for by the Agency, and consolidated into the Department's financial statements. The Agency has made significant progress in 2013–14 in respect of demonstrating the completeness of these trade receivables and payables balances and I am therefore able to provide a clear opinion on Single Payment Scheme trade receivables and payables balances reported at both 31 March 2014 and 31 March 2013.

Financial penalties reported to 2013–14

Where the Commission takes the view that the detailed scheme regulations have not been applied correctly in processing Commission funded transactions, financial penalties are incurred. These penalties are payable by the Department as a deduction from future Commission funding and are known as disallowance.

In anticipation of these financial penalties, the Department makes a provision in its financial statements for disallowance arising in respect of the Single Payment Scheme, a number of smaller on-going schemes and for Single Payment Scheme predecessor schemes.

The Department accrues penalties when either the Commission confirms a penalty or the Department has decided not to contest it. At this point the value of disallowance becomes certain and I consider it to be irregular. The total value of disallowance penalties accrued or provided for since the introduction of the CAP 2005 in 2008–09, is currently £580 million.

The value of penalties accrued in 2013–14, and therefore deemed irregular expenditure, is £42 million (2012–13: £20 million). This includes £30 million in relation to the Single Payment Scheme. Whilst I still consider this level of cost to the taxpayer significant, I do not consider this to be material in the context of the £6.3 billion of expenditure recognised in the Department's financial statements and the £3.4 billion of Commission funded expenditure managed by the Department.

I have therefore not qualified my opinion on regularity on the Department's 2013–14 financial statements.

Future financial penalties

The Department's 2013–14 financial statements include a provision for £84 million in respect of estimated future disallowance penalties (2012–13: £133 million), which remain subject to challenge and so are not yet sufficiently certain to be accrued. This includes £38 million in respect of the 2010 and 2011 Single Payment Schemes which the Department is contesting with the Commission.

Due to the nature of disallowance, penalties are not incurred in the financial year of scheme payments, but in subsequent years. As a result, there are penalties yet to be recognised in the financial statements for historic scheme expenditure, which the Commission is yet to review. The Department's current expectation is that disallowance penalties incurred for schemes under the current CAP, which is due to end in 2014–15, will be fully calculated and settled by 2019–20.

The Single Payment Scheme represents approximately 80 per cent of Commission funded expenditure under the current CAP. The Department currently expects disallowance penalties going forward, in respect of the Single Payment Scheme, at 2 per cent of scheme expenditure; with weaknesses in quality of data and cross checks considered to be the root cause.

The disallowance expectation across all schemes and scheme years is approximately 2.8 per cent. This is in excess of the 2 per cent Single Payment Scheme forecast due to significantly higher rates of disallowance expected to be applied by the Commission to some of the smaller schemes, such as the Fresh Fruit and Vegetables Aid scheme.

As a result of the £84 million provision balance and scheme penalties not yet recognised in the financial statements, I expect the level of penalties accrued will increase going forward, and this may lead me to qualify my regularity opinion in future years. In order to determine the impact on my opinion, I will continue to assess the materiality of the value of penalties accrued in each year.

Completeness of Single Payment Scheme trade receivables and payables balances

The Agency experienced considerable problems in capturing and processing the data required to process payments for the first two years of the Single Payment Scheme. As a result, in 2012–13, I was unable to obtain evidence to support whether the reported trade receivables and payables balances included all unsettled overpayments and underpayments to claimants. I therefore limited the scope of my audit opinion around the completeness of trade receivables and payables balances relating to the Single Payment Scheme on both the Department's and Agency's financial statements.

In preparation for the new CAP schemes being introduced from 2015, in April 2012, the Agency implemented a 3 year "Strategic Improvement Plan" with the aim of stabilising the Agency in preparation for CAP reform. This included a risk-based assessment and review of claimant overpayments and underpayments, in order to demonstrate the completeness of the Single Payment Scheme trade receivables and payables balances recorded in the financial statements.

Based on the work performed by the Agency and the testing I have performed, I have obtained sufficient evidence to support the completeness of Single Payment Scheme trade receivables and payables balances as reported in the 2013–14 accounts. I am therefore able to provide a clear opinion on the balances reported at both 31 March 2014 and 31 March 2013. Further details are set out in my report on the Agency's 2013–14 accounts (HC229).

Common Agricultural Policy reforms

The problems experienced by the Department in implementing the 2005 CAP reforms led to the issues around Single Payment Scheme trade receivables and payables and have undoubtedly contributed to the level of disallowance penalties since its introduction in 2005. However, the Commission is planning major changes to the way CAP works to create a more effective policy for a more competitive and sustainable agriculture industry and vibrant rural areas. The Department has been involved in the negotiations on the reform, with the key aims of improving the simplicity, affordability and effectiveness of the CAP for farmers and authorities. There are a number of significant risks to implementing CAP reform; the Department will need to ensure that the lessons learned from the previous CAP implementation are applied to the current reforms.

Although CAP reform will be introduced in 2015, with most payments under the current CAP fully disbursed in 2014–15, the Department will continue to meet commitments entered into under the current schemes beyond this date. The Department has been working with its agencies and other delivery bodies to ensure the successful delivery of the new schemes, which are more complex and based on regulations which are not yet fully confirmed.

To do this, the CAP Delivery Programme (the Programme) was established by the Department. The programme was initially owned by the Chief Operating Officer; however a dedicated Senior Responsible Officer, with experience of major project delivery, has now taken up post. The project owner is supported by a Board, led by the Accounting Officer, which includes representatives from all bodies responsible for delivering CAP. Delivery of the Programme is critical to the successful provision of CAP reform: to correctly apply scheme regulations to pay claimants accurately and efficiently; and to minimise penalties.

The Programme incorporates the procurement, development and implementation of new systems that will be delivered through an agile approach, involving outsourcing to multiple IT providers. In 2013–14, the total IT expenditure was £35m, of which £26m was capitalised, against an overall forecast for the life of the project of £155m. The IT system will be brought into use over a number of releases with the first release due in July 2014 and expected completion in early 2016.

The Department has commissioned external consultants to undertake a high level review of the impact that the implementation of the Programme will have on disallowance under the reformed CAP. This review forms the first stage of providing the Department with an understanding of the risks likely to have the greatest impact on the rate of disallowance, and will provide an understanding of where the greatest effort to minimise the impact should be directed going forward.

In addition, the Department is currently undertaking a number of business improvements and re-alignment initiatives. Further to the achievement of efficiency savings, these will seek to supplement the Programme to achieve effective delivery of the reformed CAP.

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

8 July 2014

Statement of Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires Defra to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show Resource Outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

Summary of Resource and Capital Outturn 2013–14

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

			2013-14		2012-13
	Note	**Estimate Voted**	**Outturn Voted**	**Voted Outturn Compared With Estimate: Saving/ (Excess)**	Outturn Total
		£000	**£000**	**£000**	£000
Departmental Expenditure Limit					
Resource	SoPS 2.1	2,000,916	1,951,279	49,637	2,077,333
Capital	SoPS 2.2	493,312	482,330	10,982	414,225
Annually Managed Expenditure					
Resource	SoPS 2.1	112,400	(94,479)	206,879	(29,117)
Capital	SoPS 2.2	1,000	(743)	1,743	(1,274)
Total		**2,607,628**	**2,338,387**	**269,241**	2,461,167
Non Budget					
Non Budget	SoPS 2.1	275,000	113,281	161,719	2,258
Total		**2,882,628**	**2,451,668**	**430,960**	2,463,425
Total Resource	SoPS 3.1	2,113,316	1,856,800	256,516	2,048,216
Total Capital	SoPS 2.2	494,312	481,587	12,725	412,951
Total Non Budget	SoPS 3.1	275,000	113,281	161,719	2,258
Total		**2,882,628**	**2,451,668**	**430,960**	2,463,425

The 2013–14 figures above are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the Administration Budget will also result in an excess vote.

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

Net Cash Requirement 2013–14

		2013-14			2012-13
	Note	**Estimate**	**Outturn**	**Net Total Outturn Compared With Estimate: Saving/ (Excess)**	Outturn
		£000	**£000**	**£000**	£000
Net Cash Requirement	SoPS 4	2,500,714	2,226,246	274,468	2,197,610

Administration Costs 2013–14

		2013-14			2012-13
	Note	**Estimate**	**Outturn**	**Net Total Outturn Compared With Estimate: Saving/ (Excess)**	Outturn
		£000	**£000**	**£000**	£000
Net Administration Costs	SoPS 3.2	622,856	528,655	94,201	552,278

Explanations of variances between Estimate and Outturn are given in SoPS Note 2 and Chapter 5.

The Department has a Prior Period Adjustment (PPA) detailed in Note 20. It is proper for the Department to seek Parliamentary authority for the provision that should have been sought previously. In 2013–14 the PPA has been included within voted supply in the Estimate as Non Budget. In 2012–13 this would have been an increase of £113.7m to Resource AME.

The notes on pages 110–159 form part of these accounts.

Notes to the Departmental Accounts (SoPS)

SoPS 1 Statement of Accounting Policies

The SoPS and supporting notes show Outturn against Estimate and have been prepared in accordance with the 2013–14 FReM issued by HM Treasury. The SoPS accounting policies are consistent with the requirements set out in the 2013–14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SoPS 1.1 Accounting Convention

The SoPS and supporting notes have been prepared consistently with HM Treasury budgetary control and supply Estimates. These are compiled on a consistent basis to National Accounts. Estimates comply with the European System of Accounts (ESA95), the accounting basis for all National Accounts in the EU.

The SoPS is a parliamentary accounting statement and consequently has different objectives to the IFRS based financial statements. The budgeting system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

SoPS 1.2 Comparison between SoPS and the IFRS based Financial Statements

Many transactions are treated in the same way in National Accounts and IFRS based financial statements, but there are some significant differences. A reconciliation between the two is provided in the SoPS Note 3.

SoPS 1.3 Private Finance Initiatives (PFIs) and other Service Concession Arrangements (SCAs)

PFIs recorded in the IFRS based financial statements as service concessions are defined as in IFRIC 12. These are determined using control tests, but are recorded in budgets on the balance of risks and rewards of ownership on a National Accounts basis. This has led to different treatments of the asset on the Statement of Financial Position, which is on-balance sheet for the financial accounts and off-balance sheet for budgets. The SoPS does not include additions or disposals of assets or repayment of the imputed loan in Capital. Annual payments under the PFI contract, the unitary charge, include service charges, interest charged on the loan and depreciation of the asset. These are all included in the Statement of Comprehensive Net Expenditure (SoCNE), together with any adjustments to the asset value, but only the service charge is included in the SoPS and hence the difference is included in the reconciliation within SoPS Note 3.

Please also see Note 1.5.2 of the financial accounts accounting policy.

SoPS 1.4 Capital Grants

Grant expenditure and income used for capital purposes are treated as Capital (DEL) items in the SoPS. In the IFRS based financial statements, there is no distinction between capital grants and other grants, and they are both included as expenditure in the SoCNE.

SoPS 1.5 Capital Works Expensed in Year

Capital works expensed in year are included in the SoPS under Capital (DEL) but are included in the IFRS based financial statements as resource expenditure in the SoCNE.

Please also see Note 1.14 of the financial accounts accounting policy.

SoPS 1.6 Prior Period Adjustments (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the Department, are included in the SoPS in the current year, as they need to be voted by Parliament, whereas in the IFRS based financial statements they are treated as adjustments to previous years if material. PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in estimates, so there is no misalignment.

SoPS 1.7 Provisions – Administration and Programme Expenditure

Provisions recognised as expenditure in the IFRS based financial statements are not recognised for National Accounts purposes until the actual accrued liability is recognised or cash is paid. In order to meet the requirements of both, adjustments are made in the SoPS across AME and DEL control totals, which do not affect the SoCNE. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the SoPS is different from that reported in the IFRS based financial statements.

SoPS 1.8 Sugar Levies

In accordance with the FReM, the Rural Payments Agency (RPA) collect sugar levies on behalf of the European Commission. The European Commission has acknowledged that sugar levy rates advised by regulation during the period between 2002 and 2006 were incorrect, leading to incorrect levies applied and charged on producers. Following the receipt of a claim from British Sugar in February 2013 and the subsequent settlement of the claim in April 2013, payment has been represented in the Statement of Parliamentary Supply for parliamentary accounting purposes but is excluded from the IFRS based financial statements of the Department.

SoPS 1.9 Elimination of Intercompany Transactions

In the IFRS based financial statements, intercompany income and expenditure is eliminated where it is recognised. As per HM Treasury guidance, the majority of Defra's Executive Agencies, and a small amount of NDPB expenditure, are classed as Administration, but the expenditure incurred by the Core Department on the intercompany transactions is classified as Programme. This means that the Core Department Programme expenditure and Network Body Administration income is eliminated, leaving the expenditure showing as Administration expenditure in the SoCNE.

In the Estimate and Budget, expenditure is shown as Programme in the SoPS, as per HM Treasury guidance.

Therefore, a misalignment exists between the SoCNE and the required budgetary treatment in the SoPS. In order to realign this, an adjustment is recognised in SoPS Note 2 and 3.2 to reclassify the amount from Administration to Programme, in line with the Estimate.

SoPS 1.10 Consolidated Fund Income

Consolidated Fund Extra Receipts (CFER) relate to operating income in the IFRS based financial statements payable to the Consolidated Fund. As this type of income is not allowed to be retained by the Department, it is excluded from the SoPS (see SoPS Note 5).

SoPS 2 - Net Outturn

SoPS 2.1 - Analysis of Net Resource Outturn by Section

	2013-14										2012-13
	Outturn							Estimate			
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net Total Compared to Estimate	Net Total Compared to Estimate Adjusted for Virements	Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)											
Voted											
Support and develop British farming	136,580	(24,875)	111,705	1,836,438	(1,705,124)	131,314	243,019	288,125	45,106	30,106	242,459
Help to enhance the environment and biodiversity	58,845	(21,213)	37,632	837,021	(474,716)	362,305	399,937	406,740	6,803	4,903	442,862
Support a strong and sustainable green economy	13,470	(1)	13,469	120,832	(74)	120,758	134,227	146,130	11,903	1,060	138,677
Prepare for and manage risk from animal and plant diseases	61,116	(65,406)	(4,290)	250,829	(20,806)	230,023	225,733	234,821	9,088	9,088	206,481
Prepare for and manage risk from environmental emergencies	2,210	(3)	2,207	21,679	-	21,679	23,886	25,652	1,766	1,766	25,260
Departmental operating costs	134,977	(6,527)	128,450	20,815	(10,619)	10,196	138,646	160,227	21,581	2,073	164,452
Support and develop British farming (NDPB)(net)	559	-	559	176	-	176	735	1,376	641	641	644
Help to enhance the environment and biodiversity (NDPB)(net)	165,094	-	165,094	314,478	-	314,478	479,572	450,681	(28,891)	-	518,197
Prepare for and manage risk from environmental emergencies (NDPB)(net)	73,829	-	73,829	231,695	-	231,695	305,524	287,164	(18,360)	-	338,301
Total	**646,680**	**(118,025)**	**528,655**	**3,633,963**	**(2,211,339)**	**1,422,624**	**1,951,279**	**2,000,916**	**49,637**	**49,637**	2,077,333
Spending in Annually Managed Expenditure Limits (AME)											
Voted											
Support and develop British farming	-	-	-	(54,362)	-	(54,362)	(54,362)	26,000	80,362	66,945	(1,925)
Help to enhance the environment and biodiversity	-	-	-	(81,806)	-	(81,806)	(81,806)	(53,493)	28,313	28,313	(42,696)
Support a strong and sustainable green economy	-	-	-	1,000	-	1,000	1,000	-	(1,000)	-	-
Prepare for and manage risk from animal and plant diseases	-	-	-	10,252	-	10,252	10,252	117	(10,135)	-	10,065
Prepare for and manage risk from environmental emergencies	-	-	-	-	-	-	-	152	152	152	-
Departmental operating costs	-	-	-	6,390	-	6,390	6,390	95,911	89,521	89,521	(4,864)
Support and develop British farming (NDPB)(net)	-	-	-	2,149	-	2,149	2,149	(133)	(2,282)	-	(3,060)
Help to enhance the environment and biodiversity (NDPB)(net)	-	-	-	(4,387)	-	(4,387)	(4,387)	2,102	6,489	6,489	2,053
Prepare for and manage risk from environmental emergencies (NDPB)(net)	-	-	-	26,285	-	26,285	26,285	41,744	15,459	15,459	11,310
Total	**-**	**-**	**-**	**(94,479)**	**-**	**(94,479)**	**(94,479)**	**112,400**	**206,879**	**206,879**	(29,117)

SoPS 2.1 - Analysis of Net Resource Outturn by Section continued

	2013-14										2012-13
	Outturn							Estimate			
	Administration			Programme							
	Gross	**Income**	**Net**	**Gross**	**Income**	**Net**	**Total**	**Net Total**	**Net Total Compared to Estimate**	**Net Total Compared to Estimate Adjusted for Virements**	Net Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	£000
Spending in Non-Budget Expenditure Limits											
Support and develop British farming	-	-	-	1,203,886	(1,204,305)	(419)	(419)	10,000	10,419	10,419	433
Prior Period Adjustments	-	-	-	113,700	-	113,700	113,700	265,000	151,300	151,300	1,825
Total	**-**	**-**	**-**	**1,317,586**	**(1,204,305)**	**113,281**	**113,281**	**275,000**	**161,719**	**161,719**	2,258
Resource Outturn	**646,680**	**(118,025)**	**528,655**	**4,857,070**	**(3,415,644)**	**1,441,426**	**1,970,081**	**2,388,316**	**418,235**	**418,235**	**2,050,474**
Netted off expenditure: NDPB income	1,715	(1,715)	-	524,064	(524,064)	-	-				
Netted off expenditure: Other	528	(528)	-	-	-	-	-				
Intercompany transactions	228,231	-	228,231	(228,231)	-	(228,231)	-				
Capital grants	-	-	-	124,024	(14,346)	109,678	109,678				
Provisions adjustment	(3,252)	-	(3,252)	3,252	-	3,252	-				
Capital works expensed in year	-	-	-	210,634	-	210,634	210,634				
Prior Period Adjustment	-	-	-	(113,700)	-	(113,700)	(113,700)				
Other adjustments	1,425	(9,242)	(7,817)	-	-	-	(7,817)				
Net Operating Cost	**875,327**	**(129,510)**	**745,817**	**5,377,113**	**(3,954,054)**	**1,423,059**	**2,168,876**				

*The intercompany transactions adjustment is needed due to the differing methods of eliminating intercompany transactions in the Estimate and Budget compared to the ARA. Further information can be found in SoPS Note 1.9.

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown on pages 54 and 55.

SoPS 2.2 - Analysis of Net Capital Outturn by Section

	2013-14						2012-13
	Outturn			Estimate			
	Gross	Income	Net	Net	Net Total Compared to Estimate	Net Total Compared to Estimate Adjusted for Virements	Net
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)							
Voted							
Support and develop British farming	61,279	(416)	60,863	34,512	(26,351)	416	28,818
Help to enhance the environment and biodiversity	19,212	(355)	18,857	20,311	1,454	-	20,722
Prepare for and manage risk from animal and plant diseases	14,435	(1,171)	13,264	11,752	(1,512)	1,171	11,888
Prepare for and manage risk from environmental emergencies	-	-	-	-	-	-	(10,829)
Departmental operating costs	19,909	(5,558)	14,351	66,996	52,645	9,395	12,026
Support and develop British farming (NDPB)(net)	44	-	44	-	(44)	-	-
Help to enhance the environment and biodiversity (NDPB)(net)	38,365	-	38,365	37,791	(574)	-	51,282
Prepare for and manage risk from environmental emergencies (NDPB)(net)	336,586	-	336,586	321,950	(14,636)	-	300,318
Total	**489,830**	**(7,500)**	**482,330**	**493,312**	**10,982**	**10,982**	414,225
Annually Managed Expenditure (AME)							
Voted							
Support and develop British farming (NDPB)(net)	(836)	-	(836)	1,000	1,836	1,743	(1,502)
Help to enhance the environment and biodiversity (NDPB)(net)	93	-	93	-	(93)	-	228
Total	**(743)**	**-**	**(743)**	**1,000**	**1,743**	**1,743**	(1,274)
Capital Outturn	**489,087**	**(7,500)**	**481,587**	**494,312**	**12,725**	**12,725**	412,951

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

SoPS 3.1 - Reconciliation of Net Resource Outturn to Net Operating Cost

			Note	**2013-14 Outturn**	2012-13 Restated Outturn
				£000	£000
Total Resource Outturn in SoPS		Budget	SoPS 2.1	1,856,800	2,048,216
		Non Budget	SoPS 2.1	113,281	2,258
				1,970,081	2,050,474
	Add:	Capital grants / income		109,678	59,868
		Capital works expensed in year		210,634	212,007
		Sugar levy payment		-	(13,900)
		Adjustment to IFRIC 12		1,425	(1,288)
		CFER adjustment		(9,242)	-
		Prior Period Adjustments	Resource	(113,700)	114,002
			Capital	-	(2,127)
				198,795	368,562
Net Operating Cost				**2,168,876**	2,419,036

For explanation of the treatment of the reconciling items see SoPS 1.2–1.10.

The Non Budget Outturn for 2013–14 includes the Prior Period Adjustments from 2012–13 for resource.

SoPS 3.2 - Outturn against Final Administration Budget and Administration Net Operating Cost

	2013-14	2012-13
	£000	£000
Estimate - Administration Costs Limit	**622,856**	622,904
Outturn - gross administration costs	646,680	664,392
Outturn - gross income relating to administration costs	(118,025)	(112,114)
Outturn - Net Administration Costs	**528,655**	552,278
Reconciliation to operating costs:		
Less: provisions utilised (transfer from programme)	(3,252)	(8,802)
Less: elimination of intercompany transactions	228,231	238,998
Less: CFER adjustment	(9,242)	-
Less: other	1,425	(1,288)
Administration Net Operating Costs	**745,817**	781,186

SoPS 4 - Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	**2013-14 Outturn**	2012-13 Restated Outturn
		£000	£000
Resource Outturn	SoPS 2.1	1,970,081	2,050,474
Capital Outturn	SoPS 2.2	481,587	412,951
Accruals to cash adjustments (Core and Agencies only):			
Accrual to cash basis - capital expenditure		(6,428)	(2,904)
Accrual to cash basis - capital disposals		191	847
Service concession adjustment		2,710	726
Adjustments to remove non cash items (Core and Agencies only):			
Depreciation / amortisation / impairment	4,5	(93,086)	(93,212)
New provisions and adjustment to provisions	5	(28,357)	(185,568)
Prior Period Adjustments		(113,700)	112,183
Other non cash items		(4,507)	(3,708)
Adjustments for NDPBs:			
Remove voted resource		(793,211)	(855,508)
Remove voted capital		(374,252)	(350,326)
Add cash Grant-in-Aid		980,587	1,055,369
Adjustments to reflect movements in working capital balances (Core and Agencies only) :			
Increase/(decrease) in inventories	SoCF	1,759	(4,199)
Increase/(decrease) in receivables excluding derivatives	SoCF	(135,231)	(89,763)
Adjustment for derivative financial instruments	SoCF	9,307	(19,555)
Sugar levy adjustment through working capital	SoCF	13,900	(13,900)
(Increase)/decrease in payables excluding derivatives	SoCF	31,665	195,424
Movement in payables affecting items not passing through the SoCNE	SoCF	120,328	(133,198)
Use of provisions/pension liabilities	SoCF	160,275	121,277
Funding to / from other bodies	SoCF	2,628	200
Net Cash Requirement		**2,226,246**	2,197,610

SoPS 5 - Income Payable to the Consolidated Fund

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

	Outturn 2013-14		Outturn 2012-13	
	Income	***Receipts***	Income	*Receipts*
	£000	***£000***	£000	*£000*
Income outside the ambit of the Estimate	9,242	*9,242*	-	-
Total income payable to the Consolidated Fund	**9,242**	***9,242***	**-**	-

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

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

	Note	2013-14 Core Department	2013-14 Core Department and Agencies	2013-14 Departmental Group	2012-13 Restated Core Department	2012-13 Restated Core Department and Agencies	2012-13 Restated Departmental Group
		£000	£000	£000	£000	£000	£000
Administration costs							
Staff costs	3.1	106,644	306,198	413,412	103,218	303,807	393,073
Other costs	4	114,048	336,599	461,915	120,970	361,304	502,341
Income	6.1	(30,043)	(136,023)	(129,510)	(22,997)	(122,019)	(114,228)
		190,649	**506,774**	**745,817**	201,191	543,092	781,186
Programme costs							
Staff costs	3.1	7,377	64,483	501,651	6,794	66,824	532,934
Other costs	5	1,285,337	4,038,359	4,875,462	1,480,998	4,213,159	5,062,654
Income	6.1	(497,040)	(3,426,378)	(3,954,054)	(521,636)	(3,422,684)	(3,957,738)
Grant-in-Aid to NDPBs	5	902,487	902,487	-	975,469	975,469	-
		1,698,161	**1,578,951**	**1,423,059**	1,941,625	1,832,768	1,637,850
Net Operating Cost		**1,888,810**	**2,085,725**	**2,168,876**	2,142,816	2,375,860	2,419,036
Total expenditure	3,4,5	2,415,893	5,648,126	6,252,440	2,687,449	5,920,563	6,491,002
Total income	6.1	(527,083)	(3,562,401)	(4,083,564)	(544,633)	(3,544,703)	(4,071,966)
Net Operating Cost		**1,888,810**	**2,085,725**	**2,168,876**	2,142,816	2,375,860	2,419,036
Non Operating Activities							
Gain on transfer of the Sand Hutton estate from Fera to Defra*		(93,698)	-	-	-	-	-
Gain on net assets transferred to Natural Resource Wales from EA**		-	-	(33,088)	-	-	-
Net Expenditure		**1,795,112**	**2,085,725**	**2,135,788**	2,142,816	2,375,860	2,419,036
Other Comprehensive Expenditure							
Items that will not be reclassified to Net Operating Costs							
Net (gain)/loss on							
Revaluation of PPE	SoCTE	5,320	10,608	(104,342)	191	7,731	(60,584)
Charitable funds revaluation	SoCTE	-	-	(8,707)	-	-	(2,176)
Revaluation of intangibles	SoCTE	(2,097)	(2,685)	(3,986)	151	1,829	(2,553)
Pension actuarial loss	SoCTE	38,370	38,370	140,737	19,096	19,096	162,689
Net (gain)/loss on revaluation of hedging instruments	SoCTE	-	(1,827)	(1,827)	-	8,011	8,011
Items that may be reclassified subsequently to Net Operating Costs							
Net (gain)/loss on							
Revaluation of financial assets	SoCTE	-	-	(7)	-	6	(26)
Total Comprehensive Expenditure		**1,836,705**	**2,130,191**	**2,157,656**	2,162,254	2,412,533	2,524,397

EU funding for the Department totalling £3,371m (2012–13, £3,310m) is included within the Administration and Programme income totals. Further details can be found in Note 6.1.

Non-operating transactions occur from the transfer of assets/liabilities between government bodies.

*The Sand Hutton Estate, £94m, was transferred in year from Fera as ownership and management responsibility moved to the Core Department.

**On 1 April 2013, the activities of the Environment Agency in Wales (EAW) were transferred to a new single body for the Environment in Wales, called Natural Resources Wales (NRW). £33m is the gain on transfer to NRW.

The notes on pages 110–159 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2014

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

		31 March 2014			31 March 2013		
		Core Department	**Core Department and Agencies**	**Departmental Group**	Restated Core Department	Restated Core Department and Agencies	Restated Departmental Group
	Note	**£000**	**£000**	**£000**	£000	£000	£000
Non current assets							
Property, plant and equipment	7.1, 7.2	199,461	457,410	2,995,622	124,751	501,104	3,004,968
Heritage assets	7.3	-	-	198,030	-	-	179,163
Agricultural assets		-	-	165	-	-	154
Intangible assets	8	72,160	142,308	292,510	60,251	148,195	303,509
Financial assets		-	175	491	-	175	483
Net pension assets	15.2	-	-	9,700	-	-	1,800
Receivables falling due after more than one year	12	11,320	11,561	11,568	13,404	13,773	13,878
Total non current assets		**282,941**	**611,454**	**3,508,086**	198,406	663,247	3,503,955
Current assets							
Assets classified as held for sale		10,881	10,881	17,960	7,755	7,755	16,599
Inventories		477	6,767	7,390	604	5,008	5,682
Other financial assets	12	-	2,133	2,133	-	3,628	3,628
Trade and other receivables	12	228,401	548,099	656,807	261,427	681,174	772,730
Cash and cash equivalents	11	69,887	278,044	422,075	34,103	163,409	338,606
Total current assets		**309,646**	**845,924**	**1,106,365**	303,889	860,974	1,137,245
Total assets		**592,587**	**1,457,378**	**4,614,451**	502,295	1,524,221	4,641,200
Current liabilities							
Trade and other payables	13	(670,351)	(794,453)	(1,152,685)	(657,228)	(728,970)	(1,058,383)
Provisions	14.1	(115,904)	(120,999)	(126,737)	(149,590)	(156,054)	(163,964)
Net pension liability	15.2	(76,337)	(76,337)	(76,357)	(80,345)	(80,345)	(80,345)
Other financial liabilities	13	(688)	(1,191)	(1,191)	(935)	(14,556)	(14,629)
Total current liabilities		**(863,280)**	**(992,980)**	**(1,356,970)**	(888,098)	(979,925)	(1,317,321)
Non current assets plus/less net current assets/liabilities		**(270,693)**	**464,398**	**3,257,481**	(385,803)	544,296	3,323,879
Non current liabilities							
Provisions	14.1	(65,055)	(68,117)	(73,381)	(110,324)	(114,136)	(123,813)
Net pension liability	15.2	(647,963)	(647,963)	(1,122,470)	(667,429)	(667,429)	(1,055,504)
Other payables	13	(19,431)	(39,168)	(46,005)	(20,226)	(135,878)	(143,945)
Other financial liabilities	13	-	(298)	(141,898)	-	(56)	(181,506)
Total non current liabilities		**(732,449)**	**(755,546)**	**(1,383,754)**	(797,979)	(917,499)	(1,504,768)
Assets less liabilities		**(1,003,142)**	**(291,148)**	**1,873,727**	(1,183,782)	(373,203)	1,819,111
Taxpayers' equity and other reserves							
General Fund	SoCTE	(1,048,940)	(391,865)	(60,158)	(1,221,235)	(503,082)	(90,899)
Revaluation Reserve	SoCTE	45,798	100,722	1,792,076	37,453	131,711	1,781,512
Hedging Reserve	SoCTE	-	(5)	(5)	-	(1,832)	(1,832)
Charitable Funds - restricted funds	SoCTE	-	-	16,749	-	-	12,315
Charitable Funds - unrestricted funds	SoCTE	-	-	125,065	-	-	118,015
Total equity		**(1,003,142)**	**(291,148)**	**1,873,727**	(1,183,782)	(373,203)	1,819,111

Bronwyn Hill 7 July 2014

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

The notes on pages 110–159 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2014

This statement shows the changes in cash and cash equivalents of Defra during the reporting period. It shows how Defra generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by Defra. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to Defra's future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows.

		2013-14		2012-13	
		Core Department and Agencies	**Departmental Group**	Restated Core Department and Agencies	Restated Departmental Group
	Note	**£000**	**£000**	£000	£000
Cash flows from operating activities					
Net Operating Cost	SoCNE	(2,085,725)	(2,168,876)	(2,375,860)	(2,419,036)
Adjustments for non cash transactions		125,950	330,915	282,488	462,421
Decrease in trade and other receivables excluding derivatives	12	135,231	118,177	89,763	101,661
less movements in receivables relating to items not passing through the SoCNE		-	(4,410)	-	-
Adjustments for derivative financial instruments		(9,307)	(9,307)	19,555	19,555
(Increase) / decrease in inventories		(1,759)	(1,708)	4,199	4,150
Increase / (decrease) in trade payables and other liabilities excluding derivatives	13	(31,665)	(43,999)	(195,424)	(225,931)
less movements in payables relating to items not passing through the SoCNE		(120,328)	(67,290)	133,198	198,507
Use of provisions/ pension liabilities		(160,275)	(219,522)	(121,277)	(169,661)
Net cash outflow from operating activities		**(2,147,878)**	**(2,066,020)**	(2,163,358)	(2,028,334)
Cash flows from investing activities					
Purchase of PPE, heritage and agricultural assets	7	(26,795)	(128,213)	(28,193)	(114,323)
Purchase of intangible assets	8	(31,706)	(51,850)	(6,068)	(38,281)
Purchase of financial assets		-	-	(17)	(17)
Proceeds of disposal of PPE, heritage and agricultural assets		7,283	22,227	2,107	8,178
Proceeds of disposal of intangible assets		26	83	23	(34)
Net cash outflow from investment activities		**(51,192)**	**(157,753)**	(32,148)	(144,477)
Cash flows from financing activities					
From Consolidated Fund (Supply): current year		2,337,305	2,337,305	2,070,275	2,070,275
Advances from the Contingencies Fund		2,300,000	2,300,000	1,850,000	1,850,000
Repayments to the Contingencies Fund		(2,300,000)	(2,300,000)	(1,850,000)	(1,850,000)
Capital element of payments in respect of service concession arrangements and finance leases and on-balance sheet PFI contracts		(1,406)	(1,921)	(1,904)	(2,663)
RPA settlement of sugar levy claim		(13,900)	(13,900)	-	-
Transfer to NRW		-	(5,973)	-	-
Funding to / from other bodies		(2,628)	(2,603)	(200)	(193)
Net financing		**2,319,371**	**2,312,908**	2,068,171	2,067,419
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**120,301**	**89,135**	(127,335)	(105,392)
Payments of amounts due to the Consolidated Fund		(5,666)	(5,666)	-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	11	114,635	83,469	(127,335)	(105,392)
Cash and cash equivalents at the beginning of the period	11	163,409	338,606	290,744	443,998
Cash and cash equivalents at the end of the period	11	**278,044**	**422,075**	163,409	338,606

The notes on pages 110–159 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

This Statement shows the movement in the year on the different reserves held by Defra. The General Fund reflects financing and balances from the provision of services, i.e. it reflects the contribution from the Consolidated Fund. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other specific reserves are shown separately where there are statutory restrictions of their use. The Hedging Reserve recognises the effective portion of changes in the fair value of 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 2014

Departmental Group

		2013-14						
		General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
	Note	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013		22,801	1,781,512	(1,832)	1,802,481	12,315	118,015	1,932,811
Restatement - South West Water provision	20	(113,700)	-	-	(113,700)	-	-	(113,700)
Restated balance at 1 April 2013		**(90,899)**	**1,781,512**	**(1,832)**	**1,688,781**	**12,315**	**118,015**	**1,819,111**
Net Parliamentary Funding - drawn down	SoCF	2,337,305	-	-	2,337,305	-	-	2,337,305
Net Parliamentary Funding - deemed		163,409	-	-	163,409	-	-	163,409
Funding to / from other bodies		(2,603)	-	-	(2,603)	-	-	(2,603)
Supply (payable) adjustment		(274,468)	-	-	(274,468)	-	-	(274,468)
Payable to the Consolidated Fund		(9,242)	-	-	(9,242)	-	-	(9,242)
Net Operating Costs for the year	SoCNE	(2,171,653)	-	-	(2,171,653)	4,427	(1,650)	(2,168,876)
Non cash adjustments								
Non cash charges - auditors' remuneration	4, 5	1,193	-	-	1,193	-	-	1,193
Non cash charges - other		220	-	-	220	-	-	220
Movement in reserves								
Recognised in Other Comprehensive Expenditure:								
Revaluation of PPE	OCE	-	104,342	-	104,342	-	-	104,342
Charitable funds revaluation	OCE	-	-	-	-	7	8,700	8,707
Revaluation of intangibles	OCE	-	3,986	-	3,986	-	-	3,986
Revaluation of investments	OCE	-	7	-	7	-	-	7
Pension actuarial loss	OCE	(140,737)	-	-	(140,737)	-	-	(140,737)
Revaluation/impairments - Hedging Reserve	OCE	-	-	27,425	27,425	-	-	27,425
Contributions in respect of unfunded benefits		11,000	-	-	11,000	-	-	11,000
Release of reserves to SoCNE	OCE	-	-	(25,598)	(25,598)	-	-	(25,598)
Transfers between reserves		97,774	(97,771)	-	3	-	-	3
Transfer to General Fund - net asset transfer		(431)	-	-	(431)	-	-	(431)
RPA settlement of sugar levy claim		(13,900)	-	-	(13,900)	-	-	(13,900)
Transfer to NRW		33,088	-	-	33,088	-	-	33,088
Non Operating General Fund movements		(214)	-	-	(214)	-	-	(214)
Balance at 31 March 2014		**(60,158)**	**1,792,076**	**(5)**	**1,731,913**	**16,749**	**125,065**	**1,873,727**

for the year ended 31 March 2013

Departmental Group

		2012-13						
		General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
	Note	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2012		232,176	1,764,223	6,179	2,002,578	11,467	115,380	2,129,425
Net Parliamentary Funding - drawn down	SoCF	2,070,275	-	-	2,070,275	-	-	2,070,275
Net Parliamentary Funding - deemed		290,744	-	-	290,744	-	-	290,744
Funding to / from other bodies		(193)	-	-	(193)	-	-	(193)
Supply (payable) adjustment		(163,409)	-	-	(163,409)	-	-	(163,409)
Net Operating Costs for the year	SoCNE	(2,420,343)	-	-	(2,420,343)	815	492	(2,419,036)
Non cash adjustments								
Non cash charges - auditors' remuneration	4, 5	1,262	-	-	1,262	-	-	1,262
Non cash charges - other		(52)	-	-	(52)	-	-	(52)
Movements in reserves								
Recognised in Other Comprehensive Expenditure:								
Revaluation of PPE	OCE	-	60,584	-	60,584	-	-	60,584
Charitable funds revaluation	OCE	-	-	-	-	33	2,143	2,176
Revaluation of intangibles	OCE	-	2,553	-	2,553	-	-	2,553
Revaluation of investments	OCE	-	26	-	26	-	-	26
Pension actuarial loss	OCE	(162,689)	-	-	(162,689)	-	-	(162,689)
Revaluation/impairments - Hedging Reserve	OCE	-	-	(196,865)	(196,865)	-	-	(196,865)
Contributions in respect of unfunded benefits		11,500	-	-	11,500	-	-	11,500
Release of reserves to SoCNE	OCE	-	-	188,854	188,854	-	-	188,854
Transfers between reserves		45,874	(45,874)	-	-	-	-	-
Transfer to General Fund - net asset transfer		4,107	-	-	4,107	-	-	4,107
Non Operating General Fund movements		(151)	-	-	(151)	-	-	(151)
Restated balance at 31 March 2013		(90,899)	1,781,512	(1,832)	1,688,781	12,315	118,015	1,819,111

for the period ended 31 March 2014

Core Department and Agencies

		2013-14						
		General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
	Note	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013		(389,382)	131,711	(1,832)	(259,503)	-	-	(259,503)
Restatement - South West Water provision	20	(113,700)	-	-	(113,700)	-	-	(113,700)
Restated balance at 1 April 2013		**(503,082)**	**131,711**	**(1,832)**	**(373,203)**	**-**	**-**	**(373,203)**
Net Parliamentary Funding - drawn down	SoCF	2,337,305	-	-	2,337,305	-	-	2,337,305
Net Parliamentary Funding - deemed		163,409	-	-	163,409	-	-	163,409
Funding to / from other bodies		(2,628)	-	-	(2,628)	-	-	(2,628)
Supply (payable) adjustment		(274,468)	-	-	(274,468)	-	-	(274,468)
Payable to the Consolidated Fund		(9,242)	-	-	(9,242)	-	-	(9,242)
Net Operating Costs for the year	SoCNE	(2,085,725)	-	-	(2,085,725)	-	-	(2,085,725)
Non cash adjustments								
Non cash charges - auditors' remuneration	4, 5	1,193	-	-	1,193	-	-	1,193
Non cash charges - other		220	-	-	220	-	-	220
Movement in reserves								
Recognised in Other Comprehensive Expenditure:								
Revaluation of PPE	OCE	-	(10,608)	-	(10,608)	-	-	(10,608)
Revaluation of intangibles	OCE	-	2,685	-	2,685	-	-	2,685
Pension actuarial loss	OCE	(38,370)	-	-	(38,370)	-	-	(38,370)
Revaluation/impairments - Hedging Reserve	OCE	-	-	27,425	27,425	-	-	27,425
Contributions in respect of unfunded benefits		11,000	-	-	11,000	-	-	11,000
Release of reserves to SoCNE	OCE	-	-	(25,598)	(25,598)	-	-	(25,598)
Transfers between reserves		23,066	(23,066)	-	-	-	-	-
Transfer to General Fund - net asset transfer		(417)	-	-	(417)	-	-	(417)
RPA settlement of sugar levy claim		(13,900)	-	-	(13,900)	-	-	(13,900)
Non Operating General Fund movements		(226)	-	-	(226)	-	-	(226)
Balance at 31 March 2014		**(391,865)**	**100,722**	**(5)**	**(291,148)**	**-**	**-**	**(291,148)**

for the year ended 31 March 2013

Core Department and Agencies

		2012-13						
	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 1 April 2012		(312,711)	132,247	6,179	(174,285)	-	-	(174,285)
Net Parliamentary Funding - drawn down	SoCF	2,070,275	-	-	2,070,275	-	-	2,070,275
Net Parliamentary Funding - deemed		290,744	-	-	290,744	-	-	290,744
Funding to / from other bodies		(200)	-	-	(200)	-	-	(200)
Supply (payable) adjustment		(163,409)	-	-	(163,409)	-	-	(163,409)
Net Operating Costs for the year	SoCNE	(2,375,860)	-	-	(2,375,860)	-	-	(2,375,860)
Non cash adjustments								
Non cash charges - auditors' remuneration	4, 5	1,262	-	-	1,262	-	-	1,262
Non cash charges - other		(38)	-	-	(38)	-	-	(38)
Movements in reserves								
Recognised in Other Comprehensive Expenditure:								
Revaluation of PPE	OCE	-	(7,731)	-	(7,731)	-	-	(7,731)
Revaluation of intangibles	OCE	-	(1,829)	-	(1,829)	-	-	(1,829)
Revaluation of investments	OCE	-	(6)	-	(6)	-	-	(6)
Pension actuarial loss	OCE	(19,096)	-	-	(19,096)	-	-	(19,096)
Revaluation/impairments - Hedging Reserve	OCE	-	-	(196,865)	(196,865)	-	-	(196,865)
Contributions in respect of unfunded benefits		11,500	-	-	11,500	-	-	11,500
Release of reserves to SoCNE	OCE	-	-	188,854	188,854	-	-	188,854
Transfers between reserves		(9,030)	9,030	-	-	-	-	-
Transfer to General Fund - net asset transfer		3,631	-	-	3,631	-	-	3,631
Non Operating General Fund movements		(150)	-	-	(150)	-	-	(150)
Restated balance at 31 March 2013		(503,082)	131,711	(1,832)	(373,203)	-	-	(373,203)

for the year ended 31 March 2014

Core Department

		2013-14						
		General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
	Note	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013		(1,107,535)	37,453	-	(1,070,082)	-	-	(1,070,082)
Restatement - South West Water provision	20	(113,700)	-	-	(113,700)	-	-	(113,700)
Restated balance at 1 April 2013		**(1,221,235)**	**37,453**	**-**	**(1,183,782)**	**-**	**-**	**(1,183,782)**
Net Parliamentary Funding - drawn down	SoCF	2,337,305	-	-	2,337,305	-	-	2,337,305
Net Parliamentary Funding - deemed		163,409	-	-	163,409	-	-	163,409
Funding to Agencies, OGDs and FC		(210,786)	-	-	(210,786)	-	-	(210,786)
Supply (payable) adjustment		(274,468)	-	-	(274,468)	-	-	(274,468)
Payable to the Consolidated Fund		(9,242)	-	-	(9,242)	-	-	(9,242)
Net Operating Costs for the year	SoCNE	(1,888,810)	-	-	(1,888,810)	-	-	(1,888,810)
Non cash adjustments								
Non cash charges - auditors' remuneration	4, 5	428	-	-	428	-	-	428
Movement in reserves								
Recognised in Other Comprehensive Expenditure:								
Revaluation of PPE	OCE	-	(5,320)	-	(5,320)	-	-	(5,320)
Charitable funds revaluation	OCE	-	-	-	-	-	-	-
Revaluation of intangibles	OCE	-	2,097	-	2,097	-	-	2,097
Pension actuarial loss	OCE	(38,370)	-	-	(38,370)	-	-	(38,370)
Contributions in respect of unfunded benefits		11,000	-	-	11,000	-	-	11,000
Transfers between reserves		(11,568)	11,568	-	-	-	-	-
Transfer to General Fund - net asset transfer		(301)	-	-	(301)	-	-	(301)
Transfer of Sand Hutton to Fera		93,698	-	-	93,698	-	-	93,698
Balance at 31 March 2014		**(1,048,940)**	**45,798**	**-**	**(1,003,142)**	**-**	**-**	**(1,003,142)**

for the year ended 31 March 2013

Core Department

		2012-13						
	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 1 April 2012		(1,237,945)	40,276	-	(1,197,669)	-	-	(1,197,669)
Net Parliamentary Funding - drawn down	SoCF	2,070,275	-	-	2,070,275	-	-	2,070,275
Net Parliamentary Funding - deemed		290,744	-	-	290,744	-	-	290,744
Funding to Agencies, OGDs and FC		(33,033)	-	-	(33,033)	-	-	(33,033)
Supply (payable) adjustment		(163,409)	-	-	(163,409)	-	-	(163,409)
Net Operating Costs for the year	SoCNE	(2,142,816)	-	-	(2,142,816)	-	-	(2,142,816)
Non cash adjustments								
Non cash charges - auditors' remuneration	4, 5	420	-	-	420	-	-	420
Non cash charges - other		(1,637)	-	-	(1,637)	-	-	(1,637)
Movements in reserves								
Recognised in Other Comprehensive Expenditure:								
Revaluation of PPE	OCE	-	(191)	-	(191)	-	-	(191)
Revaluation of intangibles	OCE	-	(151)	-	(151)	-	-	(151)
Pension actuarial loss	OCE	(19,096)	-	-	(19,096)	-	-	(19,096)
Contributions in respect of unfunded benefits		11,500	-	-	11,500	-	-	11,500
Transfers between reserves		2,481	(2,481)	-	-	-	-	-
Transfer to General Fund - net asset transfer		1,281	-	-	1,281	-	-	1,281
Restated balance at 31 March 2013		(1,221,235)	37,453	-	(1,183,782)	-	-	(1,183,782)

The notes on pages 110–159 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 2013–14 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).

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. 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 – Single Payment Scheme (SPS) (see Note 1.4.1) and Rural Development Programme Expenditure (RDPE) (see Note 1.4.2);
- service concession arrangements (see Note 1.5.2);
- Environment Agency (EA) accrued and deferred income (see Note 1.10);
- EA capital works expensed (see Note 1.14);
- foreign exchange (see Note 1.16.3); and
- disallowance provision (see Note 14.3 and Chapter 5).

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 certain financial assets and liabilities, where material.

1.3 Basis of Consolidation

These accounts comprise a consolidation of the Core Department, Executive Agencies and those other Network Bodies which fall within the departmental boundary as defined in the FReM and make up the 'Departmental Group'. A list of those entities within the departmental boundary is given in Note 21. This includes the Forestry Commission (FC), which is included within the results of the Core Department and Executive Agencies. Transactions between entities included in the consolidation have been eliminated.

1.4 Scheme Costs and Grants

1.4.1 RPA Reported Income and Expenditure

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

SPS income for England is recognised by RPA when it is probable that it will receive a reimbursement from the European Commission (EC) for scheme expenditure incurred and the amount to be received from the EC 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.

Where appropriate, SPS expenditure is reported net of National Modulation and EC Modulation for SPS 2007 and subsequent years. For further details see RPA's Annual Report and Accounts (ARA).

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

Scheme expenditure in relation to funding provided by RPA is recognised when RPA has a present obligation to make payment to the other UK Paying Agencies and the amount payable is considered reliably measurable and probable. These conditions are deemed to be met upon the receipt of a funding request from the other UK Paying Agencies, adjusted for amounts unspent by the paying agencies at period end.

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

1.4.2 Other Reported Scheme Income and Expenditure

Rural development expenditure under the RDPE is managed by RPA and Forestry Commission (FC) on behalf of Defra and reported in Core Defra's ARA. Defra delegates authority to RPA to make payments on eligible claims as authorised by Natural England (NE) and the RDPE Delivery Team. 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. EU income is recognised at the same time as the EU element of the expenditure is recognised.

1.5 Property, Plant and Equipment

1.5.1 Recognition and Valuation

With the exception of the EA's Infrastructure Assets (see below), Freehold land and buildings and, where appropriate, Assets under Construction, are subject to professional valuation at no more than five yearly intervals. These are carried out by professionally qualified independent valuers, who adhere to the principles outlined in the Royal Institution of Chartered Surveyors (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 or existing use value. In use non-specialised properties are stated at open market for existing use. Between professional valuations, annual desk top revaluations are conducted, which have regard to prevailing local and national conditions.

EA's infrastructure 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 at depreciated replacement cost and are indexed biannually.

Non-property tangible assets have been stated at fair value.

Minimum levels of capitalisation within the departmental boundary are usually in the ranges of £1,000–£10,000 although, for certain elements of land at the EA and buildings at FC, no de minimis threshold is in force.

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. The substance of the contract is that the Department has a finance lease and payments comprise of two elements – the imputed finance lease charges and service charges. A matching asset has been raised to reflect the benefit that the Department will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Department's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

1.5.3 Lease Breaks

The Estates Strategy states that the default position is that lease breaks are exercised. Defra undertakes a detailed annual review on the material lease exits. 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.

1.6 Heritage Assets

NE fulfils a stewardship role in respect of National Nature Reserves (NNRs). NNR land is classified as non-operational heritage assets, and is treated in line with Financial Reporting Standard (FRS) 30. The NNR land is stated at market value, and is subject to professional internal valuation at five yearly intervals. In between valuations, values are updated using indices from the Rural Market Survey indices produced by RICS. 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 (SoCNE) and Statement of Changes in Taxpayers' Equity (SoCTE).

Royal Botanic Gardens Kew (RBG Kew) also holds heritage assets. Only new acquisitions are capitalised, as the cost of obtaining valuations for older collections and buildings is onerous compared to the benefit to the readers of the Accounts.

1.7 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.

The Department's expenditure on research activities is written off to the SoCNE as incurred. Capitalisation of development costs is contingent on fulfilment of the criteria noted in IAS 38 (Intangible Assets). CIP is not amortised until the completed asset is brought into service.

Internally developed computer software includes capitalisation of internal IT staff costs on projects. The Department does not hold any intangible assets with an indefinite useful life. The capitalisation threshold for the Defra Network ranges between £2,000 and £100,000.

When fully operational in the business, internally generated software is stated at a proxy for fair value, which generally, if it is not income generating, is indexed depreciated replacement cost.

1.8 Depreciation and Amortisation

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

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

Assets are depreciated over the following periods.

- Infrastructure assets (EA) 15 to 100 years
- Freehold and leasehold buildings Up to 80 years of remaining life of lease
- Vehicles, plant, machinery and equipment Up to 30 years
- Intangible assets Up to 25 years

1.9 Impairment

Impairments are recognised when the recoverable amount of non current assets falls below their carrying amount. Impairments are reviewed on an annual basis.

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 SoCNE. 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 SoCNE.

1.10 Income

Operating income relates directly to the operating activities of the Department. Income is recognised on an accruals basis and the amounts are recorded at fair value. The method adopted for measuring the stage of completion is as described in IAS 18.

Accrued and deferred income have been included for EA’s fees and charges balances where there is a surplus or deficit. These have been included due to the fact that charging schemes are required to break even over a reasonable period of time. The balances are considered when setting future years’ fees and charges, to enable a break even position to be achieved over a reasonable time period, which is currently considered to be three years.

1.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions.

1.12 Grant–in–Aid Funding

Grant–in–Aid from the Core Department to Non–Departmental Public Bodies (NDPBs), both in respect of capital and revenue expenditure, is treated as funding.

1.13 Administration and Programme Expenditure and Income

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.

1.14 Capital Works Expensed

Expenditure which is capital in nature, but for which EA does not retain the risks and rewards in the future, or cannot reliably estimate the useful life of the assets, is expensed in year. It also includes assets where it is not possible to check for impairment, so they are written off in year.

1.15 Foreign Currency Transactions

The functional and presentational currency of the Department is sterling.

Transactions in foreign currencies are translated into sterling using the rate at the date of the transactions. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the Statement of Financial Position (SoFP).

Exchange differences are recognised in the SoCNE in the period in which they arise, except for exchange differences on transactions entered into to hedge certain foreign currency risks (RPA only, see Note 1.17).

1.16 Financial Instruments

1.16.1 Financial Assets

The Department holds receivables and other financial assets (including derivatives) with a positive fair value in this category. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

1.16.2 Financial Liabilities

These comprise trade and other payables and other financial liabilities (including derivatives). They are initially recognised at fair value and are subsequently measured at amortised cost.

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

1.16.3 Derivative Financial Instruments

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

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

1.17 Hedge Accounting

In accordance with IAS 39, RPA elected to designate certain foreign currency derivatives as cash flow hedges.

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

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

1.18 Pensions

Generally pension benefits are provided through the civil service pension arrangements, full details of which can be found in the Remuneration Report and in Note 3.

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. Details of this can be found in Note 15.

1.19 Provisions

The Department provides for obligations arising from past events where the Department has a present obligation at the SoFP date, and where it is probable that it will be required to settle the obligation and a reliable estimate can be made. Where material, future costs have been discounted using the rates as directed by HM Treasury. Details of the Department's policy on disallowance provisions can be found in Note 14.3 and Chapter 5.

1.20 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, 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 Note 16.

1.21 Carbon Reduction Commitment

Defra is required to purchase and surrender allowances on the basis of Carbon Dioxide emissions. As Carbon Dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date.

1.22 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. IFRS 9 and 13 are still subject to consultation by HM Treasury. The Department will review and assess the impact following the outcome of these consultations.

Defra has reviewed IAS 27, IFRS 10, 11 and 12 changes in the FReM and determined that there will be no significant impact on the Accounts from 2014–15.

2 Statement of Operating Costs by Operating Segment

The segmental analysis detailed below covers the key spending areas of the Department and is aligned with the internal reporting to the Executive Committee and Finance Panel. Defra reports on this basis monthly and performance is monitored against these areas. The composition of the segmental reporting has changed from the previous year's ARA. This is to ensure that it is consistent with internal reporting. 2012–13 information has also been restated on the same basis to give a meaningful comparison.

The basis for accounting for any transactions between reportable segments is compliant with the rest of the ARA and eliminates transactions between Defra's Network Bodies.

In 2013–14 Defra received £3,371m, 83 percent of its income from the EU (£3,310m, 81 percent in 2012–13), which falls mainly to the Executive Agencies and Rural Development segments. Of the remaining income Defra does not rely on any one major customer.

	2013-14			2012-13 Restated		
Programme	**Gross Expenditure**	**Gross Income**	**Net Total**	Gross Expenditure	Gross Income	Net Total
	£000	**£000**	**£000**	£000	£000	£000
Animal and Plant Health Scanning and Trade Policy Directorate	62,675	(778)	61,897	83,406	(2,140)	81,266
Animal Health and Welfare: Disease Control Directorate	155,451	(25,662)	129,789	116,623	(23,604)	93,019
Marine and Fisheries	75,046	(22,268)	52,778	78,906	(21,388)	57,518
Operations[1]	242,590	(62,930)	179,660	283,211	(39,161)	244,050
Climate, Waste and Atmosphere	127,285	(21)	127,264	134,128	(111)	134,017
Rural Development, Sustainable Communities and Crops	615,411	(452,175)	163,236	656,938	(433,990)	222,948
Sustainable Land Management and Livestock Farming[2]	313,424	(73,988)	239,436	318,548	(77,244)	241,304
Water and Flood Risk Management[3]	1,270,140	(428,708)	841,432	1,428,969	(491,218)	937,751
Executive Agencies[4]	3,390,418	(3,017,034)	373,384	3,390,273	(2,983,110)	407,163
Net Operating Cost	**6,252,440**	**(4,083,564)**	**2,168,876**	6,491,002	(4,071,966)	2,419,036

1. Operations: provides central support functions and specialist advice to allow the Department to operate effectively and deliver on its objectives. It also includes CAP disallowance.

2. The Net Total includes £178,525 for NE made up of Gross Expenditure £187,390 and Gross Income £8,865 (Net Total £177,137, Expenditure £188,027, Income £10,890 for 2012–13).

3. The Net Total Includes £828,129 for EA made up of Gross Expenditure £1,249,901 and Gross Income £421,772 (Net Total £854,606, Expenditure £1,287,110, Income £432,504 for 2012–13).

4. The Net Total Includes £146,059 for RPA made up of Gross Expenditure £3,056,178 and Gross Income £2,910,119 (Net Total £166,396, Expenditure £3,047,244, Income £2,880,848 for 2012–13).

3 Staff Numbers and Related Costs

3.1 Staff Costs

Staff costs comprise:

	2013-14					2012-13
	Permanent Employed Staff	**Others**	**Ministers**	**Special Advisors**	**Total**	Total
	£000	**£000**	**£000**	**£000**	**£000**	£000
Salaries and wages	744,507	63,318	224	125	808,174	817,721
Social security costs	59,176	177	24	13	59,390	61,533
Other pension costs	71,946	4,614	2	33	76,595	73,292
Sub total	**875,629**	**68,109**	**250**	**171**	**944,159**	952,546
Less: recoveries in respect of outward secondments	(3,357)	-	-	-	(3,357)	(1,572)
Total net costs	**872,272**	**68,109**	**250**	**171**	**940,802**	950,974

Of which:	**2013-14** Charged to Administration Budgets	Charged to Programme Budgets	Total	2012-13 Charged to Administration Budgets	Charged to Programme Budgets	Total
	£000	**£000**	**£000**	£000	£000	£000
Core Department	106,644	7,377	114,021	103,218	6,794	110,012
Agencies	199,554	57,106	256,660	200,589	60,030	260,619
NDPBs	107,214	437,168	544,382	89,266	466,110	555,376
Net Total SoCNE	**413,412**	**501,651**	**915,063**	393,073	532,934	926,007
Staff costs capital:						
Core Department			693			-
Agencies			-			-
NDPBs			28,403			26,539
Less: recoveries in respect of outward secondments			(3,357)			(1,572)
Total net costs			**940,802**			950,974

Senior staff remuneration is included in the Remuneration Report in Chapter 4.

For 2013–14, out of the total, £3.4m (£0.5m Core Department) recoveries in respect of outward secondments have been netted off, £29.1m (£0.7m Core Department) has been charged to capital and the balance of £915.1m (£114.0m Core Department) has been charged in the SoCNE.

For 2012–13, out of the total, £1.6m (£1.0m Core Department) recoveries in respect of outward secondments were netted off, £26.5m (£Nil Core Department) was charged to capital and the restated balance of £926.0m (£110.0m Core Department) was charged in the SoCNE.

Principal Civil Service Pension Scheme (PCSPS)

Pension benefits for most employees of the Department are provided through the PCSPS. The PCSPS is an unfunded multi–employer defined benefit scheme. Defra is unable to identify its share of the underlying assets and liabilities. The last 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[43].

An actuarial valuation of the PCSPS is currently underway, with an effective date of 31 March 2012. This valuation is being conducted in line with Directions made by HM Treasury, made under the Public Service Pensions Act 2013. Provisional results of the valuation indicate that there will be an increase of 2.2 percentage points in the average employer contribution rate paid to the scheme from 1 April 2015, with the average

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

employer contribution rising from 18.9 percent to 21.1 percent. The full results of the valuation, which will also set an employer cost cap for the scheme, will be published in the coming months.

For 2013–14, employer's contributions of £59.7m (2012–13, £57.4m) 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 2013–14 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. For 2013–14 employer's contributions of £12.4m (2012–13, £11.5m) were paid to one or more 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 2013–14 (2012–13, £7,000), 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 reporting period date were £11,000 (2012–13, £98,000). Contributions prepaid at that date were £Nil (2012–13, £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 ARAs of the relevant Network Bodies.

There were no individuals in the Core Department (2012–13, one individual) who retired early on ill health grounds. The total additional accrued pension liabilities in the year amounted to £Nil (2012–13, £2,903).

Loans are made to staff to cover season ticket advances and to relocate. As at 31 March 2014, there were no outstanding balances to Executive Committee members.

3.2 Average Number of Persons Employed

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

	2013-14					2012-13
	Permanently Employed Staff	**Others**	**Ministers**	**Special Advisors**	**Total**	Total Restated
Activity	**Number**	**Number**	**Number**	**Number**	**Number**	Number
Animal and Plant Health Scanning and Trade Policy Directorate	98	1	-	-	99	74
Animal Health and Welfare: Disease Control Directorate	96	1	-	-	97	85
Marine and Fisheries	480	2	-	-	482	474
Operations[1]	1,734	126	4	2	1,866	1,829
Climate, Waste and Atmosphere	174	4	-	-	178	201
Rural Development, Sustainable Communities and Crops	831	56	-	-	887	870
Sustainable Land Management and Livestock Farming[2]	3,042	219	-	-	3,261	3,221
Water and Flood Risk Management[3]	9,836	472	-	-	10,308	11,161
Executive Agencies[4]	5,531	150	-	-	5,681	6,181
Staff engaged on capital projects	1,137	101	-	-	1,238	1,332
Total	**22,959**	**1,132**	**4**	**2**	**24,097**	**25,428**
Of which:						
Core Department	2,016	162	4	2	2,184	2,064
Agencies	6,111	204	-	-	6,315	6,809
NDPBs	14,832	766	-	-	15,598	16,555
Total	**22,959**	**1,132**	**4**	**2**	**24,097**	**25,428**

1. Operations: provides central support functions and specialist advice to allow the Department to operate effectively and deliver on its objectives. It also includes CAP disallowance.

2. Includes 2,372 for NE (2,336 for 2012–13).

3. Includes 10,058 for EA (10,939 for 2012–13).

4. Includes 2,138 for RPA (2,389 for 2012–13).

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

Departmental Group

	2013-14			2012-13		
				Restated	Restated	Restated
	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	9	32	41	2	47	49
£10,000 - £25,000	7	166	173	16	209	225
£25,001 - £50,000	-	169	169	7	125	132
£50,001 - £100,000	3	106	109	3	56	59
£100,001 - £150,000	-	19	19	-	10	10
£150,001 - £200,000	-	13	13	-	4	4
£200,001 - £250,000	-	2	2	-	-	-
£250,001 - £300,000	-	-	-	-	-	-
£300,001 - £350,000	1	-	1	-	-	-
Total number of exit packages by type	**20**	**507**	**527**	28	451	479
Total resource cost (£000)	**692**	**21,593**	**22,285**	673	14,031	14,704
Of which:						
Number of cases	**Number**	**Number**	**Number**	Number	Number	Number
Core Department	3	5	8	-	52	52
Agencies	2	201	203	14	341	355
NDPBs	15	301	316	14	58	72
Total	**20**	**507**	**527**	28	451	479
Resource cost	**£000**	**£000**	**£000**	£000	£000	£000
Core Department	48	190	238	-	1,564	1,564
Agencies	8	5,956	5,964	212	9,300	9,512
NDPBs	636	15,447	16,083	461	3,167	3,628
Total	**692**	**21,593**	**22,285**	673	14,031	14,704

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.

During 2013–14 there were two exits in the above table that related to board level employees. AHDB and GLA have both reported departures and the full disclosures can be found in the remuneration report within their respective ARAs.

4 Other Administration Costs

	2013-14			2012-13		
	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	10,677	13,900	19,266	14,806	18,388	24,779
Interest charges	366	527	527	647	938	938
Off balance sheet PFIs service charges	266	266	1,070	(54)	(54)	987
Fees and commissions	9,833	9,833	12,623	8,341	8,341	17,413
Official veterinarian costs	-	25,712	25,712	-	24,957	24,957
Research and development expenditure	-	-	4,207	-	-	5,682
Travel, subsistence and hospitality	4,388	13,724	19,463	2,946	12,258	18,259
Vessels	-	5,247	5,247	-	5,077	5,077
Consumables	-	23,336	22,825	3	31,780	33,860
IT service costs	36,426	80,783	119,594	37,726	89,219	122,368
Estate management	14,459	67,412	104,539	21,001	69,322	119,328
Consultancy	6,180	6,559	10,623	4,572	6,694	7,850
Training	1,057	2,639	6,956	1,326	2,962	6,897
Publicity, marketing and promotion	1,063	1,156	1,559	1,203	1,290	1,524
Stationery and printing	129	1,151	1,668	292	1,595	2,229
Office services	2,130	2,256	3,029	1,588	1,675	2,461
Early retirement	1	3,118	3,288	(1,713)	2,488	2,563
NAO auditors' remuneration	-	-	459	-	-	489
Other external audit fees	-	-	-	-	-	125
Internal audit fees	-	170	342	-	119	166
Exchange rate (gains)/losses - realised	-	(16)	(16)	-	229	229
Other	4,299	23,418	23,507	3,566	26,256	26,745
Non cash items						
Depreciation	14,549	29,382	44,053	12,644	31,968	43,090
Amortisation	7,790	22,095	26,558	9,907	23,461	30,318
Profit on the disposal of PPE	(1,051)	(1,328)	(1,359)	(16)	(16)	(29)
Loss on the disposal of PPE	408	1,134	1,979	602	1,110	2,578
Impairment	650	2,741	2,812	1,163	15	173
NAO auditors' remuneration	428	1,164	1,164	420	1,231	1,231
Other non cash items	-	220	220	-	1	54
Total	**114,048**	**336,599**	**461,915**	120,970	361,304	502,341

5 Programme Costs

	2013-14			2012-13		
	Core Department	**Core Department and Agencies**	**Departmental Group**	Restated Core Department	Restated Core Department and Agencies	Restated Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Rentals under operating leases	45	45	26,977	43	43	27,517
Travel, subsistence and hospitality	461	3,482	21,972	385	3,132	24,671
Off balance sheet PFIs and other service concession arrangement s	-	-	7,900	-	-	10,919
Research and development expenditure	91,453	92,304	122,164	100,821	101,623	128,830
Consumables	-	51	18,052	-	100	25,397
IT service costs	30	11,982	103,877	412	12,929	111,325
Estate management	1	4,505	13,826	1	4,148	18,711
Consultancy	3,560	3,560	21,491	2,819	2,889	31,994
Training	47	418	5,344	27	255	6,534
Publicity, marketing and promotion	(3)	(3)	14,222	14	14	14,258
Stationery and printing	37	37	1,933	61	61	2,016
Office services	86	86	835	45	45	1,002
Early retirement	(584)	2,164	4,331	-	3,944	4,994
Exchange rate gains - realised	(15)	(1,468)	(1,454)	-	(10,353)	(10,324)
Exchange rate (gains)/losses - unrealised	(90)	(1,756)	(1,756)	157	(123)	(123)
NAO auditors' remuneration	-	-	178	-	-	184
Other audit fees	-	1,253	1,253	-	1,185	1,231
Internal audit fees	-	-	70	-	-	-
Flood and coastal defence works	-	-	206,745	-	-	208,024
Operational maintenance	-	-	52,869	-	-	72,781
Fees and commissions	19	19	16,184	9	9	23,237
Reservoir operating agreements	-	-	20,322	-	-	26,513
Transport and plant costs	-	-	785	-	-	817
Aerial, surface and satellite surveillance	-	-	3,687	-	-	8,384
EU disallowance	(5,482)	(5,482)	(5,482)	(18,128)	(18,128)	(18,128)
Levy collection costs	-	-	872	-	-	881
Corporation tax paid by NDPBs	-	-	44	-	-	(24)
Payments to Defra Executive Agencies	231,713	-	-	238,794	-	-
Bad debt expense	-	235	1,359	-	315	973
Other	42,395	72,016	69,403	37,256	71,343	68,181
Non cash items						
Depreciation	-	1,403	72,149	-	1,416	82,134
Amortisation	8,112	21,336	43,700	8,112	21,912	39,077
Profit on the disposal of PPE	-	-	(3,266)	-	-	(1,907)
Loss on the disposal of PPE	-	390	535	-	131	3,238
Impairment	7,122	16,129	30,012	2,173	14,440	19,555
NAO auditors' remuneration	-	29	29	-	31	31
Pensions provided for in year/(written back)	29,366	29,366	114,794	38,945	38,945	94,370
Non pension liability provided for in year/(written back)*	(2,753)	(1,048)	(5,674)	142,041	146,506	147,351
Unwinding of discount on provisions	-	39	39	-	117	117
Other non cash items	-	-	-	-	-	(105)
Grants and subsidies: EU						
Current grants - Single Payment Scheme	-	1,671,523	1,671,523	-	1,679,256	1,679,256
Current grants - Rural Development Programme for England	448,559	448,559	448,559	412,249	412,249	412,249
Current grants - payments to other paying agencies	-	1,203,886	1,203,886	-	1,172,910	1,172,910
Other EU current grants	66	34,038	44,110	-	33,369	33,536
Unrealised gains	-	(1,811)	(1,811)	-	(273)	(273)
Grants and subsidies: other						
Capital grants	49,906	49,906	124,024	39,644	39,644	83,815
Current grants - Grant-in-Aid to NDPBs	902,487	902,487	-	975,469	975,469	-
Current grants - Rural Development Programme for England	93,749	93,749	93,749	141,395	141,395	141,395
Other current grants	287,537	287,417	311,101	333,723	337,680	365,130
Total	**2,187,824**	**4,940,846**	**4,875,462**	2,456,467	5,188,628	5,062,654

*Included in the above is £13m credit (2012–13, £28m debit) relating to disallowance. The total charge to the SoCNE for disallowance is £18m credit (2012–13, £10m debit).

Other audit fees do not relate to NAO work undertaken on the audit of the ARA but, primarily, to the EU Agricultural Funds audit.

6 Income

6.1 Analysis of Operating Income

	2013-14 Core Department	2013-14 Core Department and Agencies	2013-14 Departmental Group	2012-13 Core Department	2012-13 Core Department and Agencies	2012-13 Departmental Group
	£000	£000	£000	£000	£000	£000
Total administration income						
Sales of goods and services						
Scientific advice, analysis and research	-	31,318	31,775	-	32,349	33,156
Animal disease surveillance and diagnostics	-	7,389	7,389	-	7,248	7,248
Veterinary research and development	-	3,759	3,759	-	3,550	3,550
Scientific products	-	864	864	-	890	890
Other services (including Defra Network)	20,326	22,742	14,627	22,997	20,198	10,598
Fees, levies and charges						
Veterinary medicines authorisations	-	7,451	7,451	-	7,328	7,328
Veterinary medicine residues surveillance	-	3,689	3,689	-	3,722	3,722
Plant health inspections and seeds charges	-	7,746	7,746	-	6,609	6,609
Other fees, levies and charges	-	-	841	-	-	915
EU funding	-	5,645	5,809	-	7,665	7,736
Recoveries for secondments outside Defra Network	475	475	475	-	-	-
Interest receivable	-	1	61	-	1	1
AHVLA Income from Devolved Administrations	-	32,508	32,508	-	30,667	30,667
Other income	9,242	12,436	12,516	-	1,792	1,808
Administrative DEL income	**30,043**	**136,023**	**129,510**	22,997	122,019	114,228
Total programme income						
EU Funding						
Single Payment Scheme	-	1,705,129	1,705,129	-	1,707,769	1,707,769
Income payable to other paying agencies	-	1,204,305	1,204,305	-	1,172,477	1,172,477
Structural Funds / RDPE income	448,559	448,559	448,559	412,249	412,249	412,249
TSE surveillance	713	713	713	1,988	1,988	1,988
Fisheries guidance	5,957	5,957	5,957	7,332	7,332	7,332
Other services	70	70	920	9	9	26
Sales of goods and services						
British Waterways cost of capital	-	-	-	7,700	7,700	7,700
Ofwat licence fee	5,130	5,130	5,130	5,130	5,130	5,130
TB compensation salvage receipts	19,761	19,761	19,761	23,507	23,507	23,507
Sale of other goods	3,215	3,215	7,614	1,550	1,550	4,251
Other services (including Defra Network)	13,635	33,539	59,965	7,487	28,289	36,599
Fees, levies and charges						
Environmental protection charges	-	-	169,016	-	-	187,615
Abstraction charges	-	-	120,735	-	-	146,122
Flood risk levies	-	-	41,064	-	-	32,259
Agriculture and horticulture levies	-	-	54,075	-	-	55,061
Sea Fish industry levies	-	-	8,410	-	-	8,213
Licences						
Fishing licence duties	-	-	21,340	-	-	23,593
Navigation licence income	-	-	7,854	-	-	6,710
Marine and coastal licencing	-	-	2,022	-	-	2,049
Other licences	-	-	647	-	-	735
Current grant income - EU	-	-	402	-	-	20
Current grant income - non EU	-	-	36,634	43,460	43,460	79,238
Capital grant income - non EU	-	-	18,746	11,224	11,224	23,947
Charity income	-	-	14,406	-	-	12,861
Other interest receivable	-	-	554	-	-	184
Other income	-	-	96	-	-	103
Programme income	**497,040**	**3,426,378**	**3,954,054**	521,636	3,422,684	3,957,738
Total operating income	**527,083**	**3,562,401**	**4,083,564**	544,633	3,544,703	4,071,966

Included above is £9m (2012–13, £Nil) payable to the Consolidated Fund (see SoPS 5)

6.2 Miscellaneous Core Department Income

In 2013–14, Defra provided corporate services to its Network Bodies for which the Department received an income. The cost to Defra in year was £4.5m (2012–13 £8.7m). The full cost was recovered in accordance with HM Treasury's *Managing Public Money.* There was no surplus or deficit generated from this activity.

Defra also received income for Drinking Water Inspectorate charges of £2.0m, which cost the Department £1.7m. There was a small surplus of £0.3m (2012–13, £Nil).

Income from the Sale of Goods and Services provided by the Executive Agencies and NDPBs can be found in their respective ARAs.

7 Property, Plant and Equipment

7.1 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 2013	82,524	520,978	22,158	3,646,048	95,693	188,214	591,509	45,062	121,476	**5,313,662**
Additions	310	8,337	56	30,432	7,058	8,019	14,659	3,231	52,052	**124,154**
Transfers	(1,288)	(55,553)	-	(43,923)	(12,552)	(5,143)	(6,564)	(1,803)	(6,060)	**(132,886)**
Disposals	(3,337)	(5,675)	(342)	(2,944)	(5,134)	(6,644)	(11,207)	(3,794)	(61)	**(39,138)**
Impairment	(182)	(19,689)	-	(53,966)	(2,929)	-	(212)	-	(7,203)	**(84,181)**
Reclassifications	667	(8,882)	51	6,358	(1,153)	2,016	66	65	555	**(257)**
Reclassified as held for sale	(1,917)	(3,025)	(2,110)	(710)	-	-	-	-	-	**(7,762)**
Revaluation	4,400	1,230	970	147,987	(3,005)	462	(6,196)	(617)	-	**145,231**
At 31 March 2014	**81,177**	**437,721**	**20,783**	**3,729,282**	**77,978**	**186,924**	**582,055**	**42,144**	**160,759**	**5,318,823**
Depreciation										
At 1 April 2013	-	124,980	1,533	1,563,645	63,324	102,831	434,770	25,720	-	**2,316,803**
Charges in year	-	13,133	48	52,073	6,751	15,424	19,734	5,520	-	**112,683**
Transfers	-	(52,044)	-	(6,079)	(2,965)	(2,702)	(3,784)	(803)	-	**(68,377)**
Disposals	-	(587)	-	(2,036)	(5,011)	(6,356)	(9,423)	(3,407)	-	**(26,820)**
Impairment	-	(265)	-	(54,699)	(2,234)	-	(125)	-	-	**(57,323)**
Reclassifications	-	(4,730)	11	5,147	(1,301)	767	13	65	-	**(28)**
Revaluation	-	(695)	(77)	58,818	(1,943)	102	(3,932)	(344)	-	**51,929**
At 31 March 2014	**-**	**79,792**	**1,515**	**1,616,869**	**56,621**	**110,066**	**437,253**	**26,751**	**-**	**2,328,867**
Net Book Value 31 March 2014	**81,177**	**357,929**	**19,268**	**2,112,413**	**21,357**	**76,858**	**144,802**	**15,393**	**160,759**	**2,989,956**
Net Book Value 31 March 2013	82,524	395,998	20,625	2,082,403	32,369	85,383	156,739	19,342	121,476	2,996,859
Assets financing										
Owned	81,177	357,687	19,268	2,112,413	21,298	76,858	144,264	15,393	160,759	**2,989,117**
Finance leased	-	242	-	-	59	-	538	-	-	**839**
Net Book Value 31 March 2014	**81,177**	**357,929**	**19,268**	**2,112,413**	**21,357**	**76,858**	**144,802**	**15,393**	**160,759**	**2,989,956**
Of which:										
Core Department	14,826	108,383	380	-	27	44,753	5,850	-	22,621	**196,840**
Agencies	19,876	197,735	-	-	6,094	891	30,520	386	923	**256,425**
NDPBs	46,475	51,811	18,888	2,112,413	15,236	31,214	108,432	15,007	137,215	**2,536,691**
Total	**81,177**	**357,929**	**19,268**	**2,112,413**	**21,357**	**76,858**	**144,802**	**15,393**	**160,759**	**2,989,956**

	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 2012	86,657	539,629	17,099	3,533,958	88,980	179,146	558,410	42,108	147,273	5,193,260
Additions	1,147	15,010	-	47,747	11,042	8,667	28,306	9,054	(7,102)	113,871
Transfers	-	10,760	-	-	(299)	(67)	(584)	(85)	(11,777)	(2,052)
Disposals	(2,026)	(3,630)	(1,578)	(4,226)	(6,679)	(5,526)	(5,004)	(3,453)	-	(32,122)
Impairment	(113)	(10,207)	-	78	100	-	-	-	-	(10,142)
Reclassifications	-	(4,601)	5,721	(1,120)	(251)	612	-	-	(6,918)	(6,557)
Reclassified as held for sale	(4,175)	(7,009)	-	(315)	-	-	-	-	-	(11,499)
Revaluation	1,034	(18,974)	916	69,926	2,800	5,382	10,381	(2,562)	-	68,903
At 31 March 2013	82,524	520,978	22,158	3,646,048	95,693	188,214	591,509	45,062	121,476	5,313,662
Depreciation										
At 1 April 2012	-	117,756	3,709	1,489,981	59,000	92,338	419,211	27,210	-	2,209,205
Charges in year	-	14,074	710	51,544	13,655	15,009	19,550	5,762	-	120,304
Transfers	-	-	-	-	(305)	(83)	(313)	(122)	-	(823)
Disposals	-	(2,163)	(60)	(3,048)	(6,322)	(4,785)	(4,671)	(3,218)	-	(24,267)
Impairment	-	(52)	-	-	-	-	2,807	-	-	2,755
Reclassifications	-	2,928	(2,881)	(47)	(2,373)	-	-	-	-	(2,373)
Revaluation	-	(7,563)	55	25,215	(331)	352	(1,814)	(3,912)	-	12,002
At 31 March 2013	-	124,980	1,533	1,563,645	63,324	102,831	434,770	25,720	-	2,316,803
Net Book Value 31 March 2013	82,524	395,998	20,625	2,082,403	32,369	85,383	156,739	19,342	121,476	2,996,859
Net Book Value 31 March 2012	86,657	421,873	13,390	2,043,977	29,980	86,808	139,199	14,898	147,273	2,984,055
Assets financing										
Owned	82,524	395,998	20,625	2,082,403	32,090	85,383	156,471	19,342	121,476	2,996,312
Finance leased	-	-	-	-	279	-	268	-	-	547
Net Book Value 31 March 2013	82,524	395,998	20,625	2,082,403	32,369	85,383	156,739	19,342	121,476	2,996,859
Of which:										
Core Department	11,406	43,132	1,465	-	-	48,721	5,747	47	10,599	121,117
Agencies	27,239	301,005	-	-	8,006	1,741	35,174	632	188	373,985
NDPBs	43,879	51,861	19,160	2,082,403	24,363	34,921	115,818	18,663	110,689	2,501,757
Total	82,524	395,998	20,625	2,082,403	32,369	85,383	156,739	19,342	121,476	2,996,859

Plant and machinery includes vessels owned by Cefas with a Net Book Value of £10m (2012–13, £11m). Infrastructure assets include flood defences owned by EA, including the Thames Barrier with a Net Book Value of £1,049m (2012–13, £1,038m).

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

7.2 Right of Use Assets – Service Concession Arrangements

The following assets are included in the SoFP under Property, Plant and Equipment, together with those detailed in Note 7.1.

Departmental Group

	2013-14	2012-13
	£000	£000
At 1 April	8,109	18,239
Depreciation	(1,678)	(3,124)
Adjustment to the service concession arrangement	(765)	(7,006)
At 31 March	**5,666**	8,109
Of which:		
Core Department	2,621	3,634
Agencies	1,524	2,368
NDPBs	1,521	2,107
Total	**5,666**	8,109

7.3 Heritage Assets

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

Heritage assets are held by both NE and RBG Kew. Further details can be found in their ARAs.

Departmental Group

	2013-14			2012-13		
	Operational	**Non Operational**	**Total**	Operational	Non Operational	Total
	£000	**£000**	**£000**	£000	£000	£000
Valuation						
At 1 April	145,933	58,400	204,333	142,453	56,277	198,730
Additions	-	717	717	780	35	815
Impairment	-	-	-	-	(153)	(153)
Reclassifications	-	172	172	-	-	-
Revaluation	10,930	10,717	21,647	2,700	2,241	4,941
At 31 March	**156,863**	**70,006**	**226,869**	145,933	58,400	204,333
Depreciation						
At 1 April	25,170	-	25,170	22,925	-	22,925
Charged in year	1,841	-	1,841	1,797	-	1,797
Revaluation	1,828	-	1,828	448	-	448
At 31 March	**28,839**	**-**	**28,839**	25,170	-	25,170
Net Book Value at 31 March	**128,024**	**70,006**	**198,030**	120,763	58,400	179,163
Net Book Value at 1 April	120,763	58,400	179,163	119,528	56,277	175,805
Assets financing						
Owned	128,024	70,006	198,030	120,763	58,400	179,163
Net Book Value 31 March	**128,024**	**70,006**	**198,030**	120,763	58,400	179,163

7.4 Cash Additions

Cash additions (adjusted for capital accruals) for property, plant and equipment, heritage assets and agricultural assets amount to £128m (2012–13, £114m) as per the Consolidated Statement of Cash Flows (SoCF).

8 Intangible Assets

Departmental Group

	2013-14				2012-13			
	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	590,656	45,857	88,977	725,490	575,957	37,515	68,067	681,539
Additions	7,954	17,350	31,260	56,564	7,507	8,203	22,227	37,937
Disposals	(22,678)	(2,413)	(715)	(25,806)	(2,315)	(280)	-	(2,595)
Impairments	(6,930)	(712)	(1,464)	(9,106)	(1,697)	(837)	(5,792)	(8,326)
Transfers	6,488	(319)	(1,162)	5,007	4,405	603	(1,359)	3,649
Reclassifications	-	-	-	-	723	-	5,834	6,557
Revaluation	9,963	(914)	-	9,049	6,076	653	-	6,729
At 31 March	**585,453**	**58,849**	**116,896**	**761,198**	590,656	45,857	88,977	725,490
Amortisation								
At 1 April	401,204	20,777	-	421,981	329,595	16,787	-	346,382
Charged in year	65,765	4,493	-	70,258	64,884	4,511	-	69,395
Disposals	(21,998)	(2,285)	-	(24,283)	(1,840)	(207)	-	(2,047)
Impairments	(2,705)	(434)	-	(3,139)	(1,945)	(328)	-	(2,273)
Transfers	(1,193)	58	-	(1,135)	3,786	189	-	3,975
Reclassifications	(57)	-	-	(57)	2,373	-	-	2,373
Revaluation	5,736	(673)	-	5,063	4,351	(175)	-	4,176
At 31 March	**446,752**	**21,936**	**-**	**468,688**	401,204	20,777	-	421,981
Net Book Value at 31 March	**138,701**	**36,913**	**116,896**	**292,510**	189,452	25,080	88,977	303,509
Net Book Value at 1 April	189,452	25,080	88,977	303,509	246,362	20,728	68,067	335,157
Assets financing								
Owned	138,701	36,913	116,896	292,510	189,344	25,080	88,977	303,401
Finance leased	-	-	-	-	108	-	-	108
Net Book Value 31 March	**138,701**	**36,913**	**116,896**	**292,510**	189,452	25,080	88,977	303,509
Of which:								
Core Department	44,422	18	27,720	72,160	58,501	345	1,405	60,251
Agencies	55,860	2,596	11,692	70,148	78,433	3,489	6,022	87,944
NDPBs	38,419	34,299	77,484	150,202	52,518	21,246	81,550	155,314
Total	**138,701**	**36,913**	**116,896**	**292,510**	189,452	25,080	88,977	303,509

The Net Book Value for internally generated software includes:

- £8m for the software system used by RPA to process SPS claims with a remaining amortisation period of 1 year;
- £39m for the Genesis system held by the Core Department with a remaining amortisation period of 4 years. Genesis is the IT system used by NE to deliver Environmental Stewardship Schemes; and
- £26m for the CAPD Programme, which is all included in CIP.

Cash additions (adjusted for capital accruals) shown in the SoCF amount to £52m (2012–13, £38m).

9 Financial Commitments

9.1 Capital Commitments

Departmental Group

	2013-14	2012-13
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made:		
PPE	57,924	50,164
Intangible assets	7,082	184
Total	**65,006**	50,348
Of which:		
Core Department	10,179	5,327
Agencies	1,011	1,263
NDPBs	53,816	43,758
Total	**65,006**	50,348

9.2 Commitments under Leases

9.2.1 Operating Leases

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

Departmental Group

	2013-14			2012-13		
	Core Department	**Core Department and Agencies**	**Departmental Group**	Core Department	Core Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Land and Buildings						
Not later than one year	12,915	18,950	30,432	16,315	22,749	37,371
Later than one year and not later than five years	53,256	72,645	106,402	46,220	64,055	110,361
Later than five years	75,607	93,171	131,761	95,689	113,069	160,362
Total	**141,778**	**184,766**	**268,595**	158,224	199,873	308,094
Other						
Not later than one year	8	406	11,092	-	268	10,436
Later than one year and not later than five years	-	198	16,484	-	113	12,172
Total	**8**	**604**	**27,576**	-	381	22,608

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 £33.4m in respect of 3–8 Whitehall Place for 2013–14 (2012–13, £37.7m). Although the current legal title is with Defra, in economic reality the Department of Energy and Climate Change (DECC) enjoy complete beneficial occupation. This is further reflected in that the Government Property Unit and the Cabinet Office view the building as DECC property for various property returns. DECC is recharged with the costs of this building lease.

9.2.2 Right of Use Assets – Service Concession Arrangements

For details of the Department's service concession arrangement, regarding the provision of IT services, see Note 1.5.2.

The imputed finance lease charge for the Departmental Group at 31 March 2014 is £10m (2012–13, £11m)

Details of the service charge commitments are disclosed in Note 9.4 Other Financial Commitments.

The total amount charged to the SoCNE, in regard to the service element, is shown in Note 4 and Note 5.

9.3 Commitments under Private Finance Initiative (PFI) Contracts

9.3.1 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 0.4 percent (2012–13, 0.4 percent) of the building and recharges other occupiers for their share of the costs, with Natural England occupying 16.9 percent (2012–13, 19.7 percent) of the site, Fera occupying 1.5 percent (2012–13, Nil) and RPA occupying 1.3 percent (2012–13, Nil).

In addition, EA has entered into two Public-Private Partnership (PPP) Contracts.

- Broadland Flood Alleviation Project. In February 2001, a 20 year contract costing in excess of £120m to restore flood defences commenced. Currently the future commitment is £19m.

- Pevensey Bay Sea Defences. In May 2000, EA and Pevensey Coastal Defence Ltd signed a £27m contract for 25 years for the sea defences. Currently the future commitment is for £15m.

Full details of these PPP contracts can be found in EA's ARA.

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

The total amount charged to the SoCNE, in respect of off–balance sheet (SoFP) transactions is shown in Note 4 and Note 5. The total payments to which the Department is committed are as follows:

Departmental Group

	2013-14	2012-13
	£000	£000
Not later than one year	9,137	9,490
Later than one year and not later than five years	18,026	22,873
Later than five years	29,378	36,283
Total	**56,541**	68,646
Number of off-balance sheet PFI contract	3	3
Total	**3**	3
Estimated capital value of off-balance sheet PFIs	179,728	184,157
Of which:		
Core Department	469	489
Agencies	1,844	-
NDPBs	54,228	68,157
Total	**56,541**	68,646

9.4 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:

	2013-14			2012-13		
	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	136,559	198,422	295,376	121,029	182,068	282,475
Later than one year and not later than five years	509,591	677,845	881,018	465,158	655,813	941,950
Later than five years	1,217,475	1,313,780	1,321,868	976,593	1,091,337	1,102,600
Total	**1,863,625**	**2,190,047**	**2,498,262**	1,562,780	1,929,218	2,327,025

Within the other financial commitments disclosure, £330m (2012–13, £349m) relates to facilities management costs associated with the occupation of buildings that are either owned or leased by Defra or specialised properties held on Executive Agencies' SoFPs. 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.

Also included for the Departmental Group is the commitment of £298m (2012–13, £363m) to pay IBM for IT maintenance as referred to in Note 9.2.2.

The Core Department entered into a 7 year contract with Shared Services Connected Ltd. (SSCL) in November 2013 for the provision of shared services across HR, payroll and finance. The future commitment is £26m. Further details on the contract can be found on page 82.

The Core Department has agreements with local authorities on 21 Waste Infrastructure Grant Projects (formerly Waste PFI projects) that are receiving grant payments. Defra will continue to support these projects while they meet the terms of their agreement with Defra. Future commitments are £1,576m (2012–13, £1,286m)

EA has a commitment of £184m (2012–13, £234m) relating to a contract with Capgemini to provide a modern robust, secure and sustainable ICT service. The contract started in November 2009 and will reduce by 20 percent over the term. The commitment is to February 2017. Full details regarding the contract can be found in EA's ARA.

10 Financial Instruments

IFRS requires disclosures in the financial statements that enable users to evaluate the significance of financial instruments to the financial position and performance, and the nature and extent of risks arising from financial instruments to which the Defra is exposed during the year and at the financial year end, and how those risks are being managed.

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non–public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk, except where detailed below.

10.1 Categories of Financial Instruments

Details of financial instruments held by the Department are included in Notes 11, 12 and 13 (non–financial instrument balances relating to taxation, accruals and prepayments are also included in these notes). Further details are given below only where the risks are significant.

10.2 Exposure to Risk

10.2.1 Credit Risk

A significant proportion of the Department's customers and counterparties are other public sector organisations. Minimal credit risk arises from these organisations.

For those customers and counterparties that are not public sector organisations the Department has policies and procedures in place to ensure credit risk is kept to a minimum.

The Department is not exposed to material credit risk.

10.2.2 Liquidity Risk

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

RPA has maintained liquidity, wherever possible, through timely submission of funding claims to the European Commission. RPA does not undertake borrowing of funds other than from HM Treasury. Such borrowing, arising from short term in–year fluctuations in expenditure, if required, would be affected by Defra drawing monies from HM Treasury's Contingencies Fund, on behalf of RPA. This facility is the subject of a formal standing arrangement agreed by HM Treasury. Drawings are repayable within the financial year.

10.2.3 Market Risk - Foreign Currency Risk

Excluding RPA, there is no significant foreign currency risk.

RPA's activities expose it to the financial risks of changes in foreign currency exchange rates. RPA enters into forward foreign exchange contracts to manage its exposure to foreign currency risk relating to euro denominated receipts from the EC for SPS and RDPE scheme expenditure (including Scotland, Wales and Northern Ireland, in addition to England).

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

For further information on the hedge contracts see Note 1.17 and RPA's ARA.

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 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Euro denominated	**361,969**	435,312	**110,398**	112,591

The following table details RPA's, and therefore the Department's, sensitivity to a 10 percent increase and decrease in sterling against the euro.

	Impact of Movement in Euro/Sterling Rate		**Impact of Movement in Euro/Sterling Rate**	
	Sterling Appreciates by 10%		**Sterling Depreciates by 10%**	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Net Operating Cost *	**(25,092)**	(32,003)	**25,092**	32,003
Derivative instruments:				
Net Operating Cost **	**34,235**	14,360	**(33,764)**	(12,903)
Other equity ***	**2,161**	24,100	**(2,161)**	(22,643)

*This is attributable to the exposure outstanding on euro receivables and payables at the SoFP 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.

10.2.4 Market Risk - Inflation

EA is exposed to the risk of changes in the rate of inflation regarding the reservoir operating agreements (see Note 1.16.2). The RPI rate has fluctuated significantly over the life of these financial liabilities. The average rate over the 26 years since 1989 is 3.3 percent, however the range in this period is between 10 percent and -1 percent. This is a macro-economic risk that EA cannot itself manage in any way. However, EA is able to recover the full cost of reservoir operating agreements through its charges on water abstraction.

11 Cash and Cash Equivalents

	2013-14			2012-13		
	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	34,103	163,409	338,606	78,456	290,744	503,504
Net change in cash balance	35,784	114,635	83,469	(44,353)	(127,335)	(164,898)
Balance at 31 March	**69,887**	**278,044**	**422,075**	34,103	163,409	338,606
The following balances at 31 March are held at:						
Government Banking Services	69,378	276,456	379,786	32,784	160,818	290,288
Commercial bank accounts and cash in hand	509	1,588	31,078	1,319	2,591	38,416
Short term investments	-	-	11,211	-	-	9,902
Balance at 31 March	**69,887**	**278,044**	**422,075**	34,103	163,409	338,606

At 1 April 2012 the balances brought forward in the SoCF included an overdraft of £60m, previously included in Note 13. This overdraft was purely a timing difference as a result of EA investing funds internally overnight, and was therefore not a true cleared deficit.

12 Trade Receivables, Financial and Other Assets

	31 March 2014 Core Department	31 March 2014 Core Department and Agencies	31 March 2014 Departmental Group	31 March 2013 Core Department	31 March 2013 Core Department and Agencies	31 March 2013 Departmental Group
	£000	£000	£000	£000	£000	£000
Amounts falling due within one year						
Trade receivables	15,016	22,436	74,321	21,207	42,026	68,088
Bad debt impairment	(2)	(2,535)	(13,214)	(264)	(4,125)	(19,259)
Deposits and advances	556	569	628	595	613	655
Other receivables	15,802	22,964	28,326	13,639	25,872	36,004
VAT	7,042	9,087	32,577	8,229	13,152	44,581
Prepayments and accrued income	140,300	128,364	166,295	142,859	128,665	167,185
Accrued income relating to EU funding	49,687	367,214	367,874	75,162	474,971	475,476
Trade and other receivables	**228,401**	**548,099**	**656,807**	261,427	681,174	772,730
Current part of derivative financial instrument asset	-	2,133	2,133	-	3,628	3,628
Other financial assets	**-**	**2,133**	**2,133**	-	3,628	3,628
Amounts falling due after one year						
Trade receivables	13	13	13	15	15	15
Deposits and advances	7	7	7	8	8	8
Other receivables	11,300	11,424	11,431	13,381	13,385	13,490
Prepayments and accrued income	-	117	117	-	309	309
Derivative financial instrument asset	-	-	-	-	56	56
Receivables due after more than one year	**11,320**	**11,561**	**11,568**	13,404	13,773	13,878
Total receivables	**239,721**	**561,793**	**670,508**	274,831	698,575	790,236

12.1 Intra–Government Balances

	Amounts Due Within a Year		Amounts Due After a Year	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Balances with other central government bodies	57,361	60,365	195	1,929
Balances with local authorities	6,654	4,911	-	-
Balances with NHS bodies	58	58	-	-
Balances with public corporations and trading funds	289	227	-	-
Subtotal: intra government balances	**64,362**	65,561	**195**	1,929
Balances with bodies external to government	594,578	710,797	11,373	11,949
Total receivables	**658,940**	776,358	**11,568**	13,878

13 Trade Payables and Other Current Liabilities

	31 March 2014			31 March 2013		
	Core Department	**Core Department and Agencies**	**Departmental Group**	Core Department	Core Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Amounts falling due within one year						
VAT	-	1,329	2,382	-	1,234	2,104
Other taxation and social security	2,160	7,261	22,321	2,289	7,072	19,555
Trade payables	49,512	19,641	43,668	32,912	27,945	48,083
Other payables:						
EU	-	93,832	93,832	-	-	-
Other	3,359	15,588	80,150	3,507	20,832	83,289
Accruals and deferred income	335,951	376,526	629,287	454,004	506,146	738,889
Current part of finance leases	1,325	2,232	3,001	1,107	2,332	3,054
Amounts issued from the Consolidated Fund for supply but not spent at year end	274,468	274,468	274,468	163,409	163,409	163,409
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund Received	3,576	3,576	3,576	-	-	-
Trade and other payables	**670,351**	**794,453**	**1,152,685**	657,228	728,970	1,058,383
Current part of derivative financial instrument liability	298	801	801	107	13,728	13,728
Other financial liabilities	390	390	390	828	828	901
Other financial liabilities	**688**	**1,191**	**1,191**	935	14,556	14,629
Amounts falling due after more than one year						
Other payables, accruals and deferred income	15,918	33,307	38,105	16,319	129,382	134,898
Finance leases	3,513	5,861	7,900	3,907	6,496	9,047
Other payables	**19,431**	**39,168**	**46,005**	20,226	135,878	143,945
Derivative financial instrument liability	-	298	298	-	56	56
Environment Agency reservoir agreement	-	-	141,600	-	-	181,450
Other financial liabilities	**-**	**298**	**141,898**	-	56	181,506
Total payables	**690,470**	**835,110**	**1,341,779**	678,389	879,460	1,398,463

13.1 Intra–Government Balances

	Amounts Due Within a Year		Amounts Due After a Year	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Balances with other central government bodies	330,282	195,056	2,010	2,512
Balances with local authorities	12,631	10,065	-	-
Balances with NHS bodies	-	4	-	-
Balances with public corporations and trading funds	362	657	-	93
Subtotal: intra government balances	**343,275**	205,782	**2,010**	2,605
Balances with bodies external to government	810,601	867,230	185,893	322,846
Total payables	**1,153,876**	1,073,012	**187,903**	325,451

14 Provisions for Liabilities and Charges

14.1 Provisions for Liabilities and Charges (Excluding Pension Liabilities)

	CAP Disallowance	**South West Water**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**
Departmental Group				
Balance at 1 April 2012	125,391	-	57,547	**182,938**
Provided in the year	33,256	113,700	13,777	**160,733**
Provisions not required written back	(5,405)	-	(7,977)	**(13,382)**
Provisions utilised in year	(20,215)	-	(22,065)	**(42,280)**
Unwinding of discount	-	-	117	**117**
Transfers	-	-	(349)	**(349)**
Balance at 31 March 2013 (Restated)	133,027	113,700	41,050	**287,777**
Provided in the year	-	-	17,189	**17,189**
Provisions not required written back	(12,783)	(678)	(9,402)	**(22,863)**
Provisions utilised in year	(36,339)	(37,222)	(8,463)	**(82,024)**
Unwinding of discount	-	-	39	**39**
Transfers	-	-	-	**-**
Balance at 31 March 2014	**83,905**	**75,800**	**40,413**	**200,118**
Of which:				
Prior Year				
Core Department	133,027	113,700	13,187	259,914
Agencies	-	-	10,276	10,276
NDPBs	-	-	17,587	17,587
Total	133,027	113,700	41,050	287,777
Current Year				
Core Department	83,905	75,800	21,254	**180,959**
Agencies	-	-	8,157	**8,157**
NDPBs	-	-	11,002	**11,002**
Total	**83,905**	**75,800**	**40,413**	**200,118**

14.2 Analysis of Expected Timing of Discounted Flows (Excluding Pension Liabilities)

	CAP Disallowance	South West Water	Other Provisions	Total
	£000	£000	£000	£000
Departmental Group				
Not later than one year	69,229	37,700	19,809	**126,738**
Later than one year and not later than five year	14,676	38,100	20,135	**72,911**
Later than five years	-	-	469	**469**
Total	**83,905**	**75,800**	**40,413**	**200,118**
Of which:				
Core Department	83,905	75,800	21,254	180,959
Agencies	-	-	8,157	8,157
NDPBs	-	-	11,002	11,002
Total	**83,905**	**75,800**	**40,413**	**200,118**

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 other provisions with a value of over £10m can be found in Note 14.5.

14.3 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 EU 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 2013–14 Accounts, the closing provision balance for disallowance is £84m. This consists of £38m relating to SPS 2010 and 2011, £24m for Cross Compliance, £6m for RDPE 2010–11, £12m for Fruit and Vegetable Trader Schemes and £4m relating to other small schemes. 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 2013–14 Accounts show accruals totalling £89m. This relates to SPS 2010–11 of £29m and non–SPS of £60m. The non–SPS element includes the Fruit and

Vegetable Trader Scheme 2009–11 of £50m, and other smaller schemes amounting to £10m. In terms of 'cash refusals' actually deducted in 2013–14 (i.e. physically transacted out of Defra's bank account), £105m was deducted relating to SPS in 2007–09 and RDPE 2007–08.

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), based on the most recent confirmed penalties, the liability position would increase from £34m per annum to £85m, an annual increase of £51m. This will only be known upon receipt of an Article 11 letter of notification from the EU, which will detail the level of disallowance, following an audit and will be depending on any findings of that audit. There is an ongoing potential liability in respect of financial corrections which is uncertain and unquantifiable at present.

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The Department does not make provision relating to the risk of disallowance in respect of the UK Devolved Administrations. Disallowance provisions are not discounted due to the uncertainty around timing, estimates and foreign exchange fluctuations.

14.4 South West Water Provision

Defra has committed to providing financial assistance to domestic customers of South West Water in the form of a £50 per annum discount to water bills from 1 April 2013. Defra's obligation to South West Water customers has been recognised up to 31 March 2016. However all future payments are contingent on the outcome of any future Spending Reviews and government policy. The provision of £76m reflects Defra's best estimate of the amounts payable between 1 April 2014 and 31 March 2016. Defra and South West Water have entered into an agreement that may be terminated by either party subject to one-year's notice; neither the agreement nor the recognition of a provision is a guarantee of future payments beyond one year.

14.5 Other Provisions

The Habitats Directive (92/43/EEC) obliges the UK to select and submit sites to the European Commission for adoption as Sites of Community Importance and subsequent designation as Special Areas of Conservation. The designation of Bolton Fell Moss is part of the UK Government's response to Commission infraction proceedings with regard to sufficiency of designated sites. The provision currently stands at £10m in pursuance of this.

The Core Department, Executive Agencies and NDPBs have a total of £30m relating to smaller provisions with an individual value equal to or less than £10m.

15 Pension Liabilities

The Department also contributes to the PCSPS as noted in the Remuneration Report. Although the 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.

The following pension schemes are managed by and included within the Core Department disclosures (the liabilities for Core Department and Executive Agencies solely relate to the Core Department):

- EA Pension Liability (Closed Scheme) (funded);
- Nature Conservancy Council (NCC) Pension (by-analogy);
- Former Countryside Agency (CA) Pension Schemes (RCC and Ex–Chairmen Schemes) (by-analogy); and
- Horticultural Research International (HRI) Pension Scheme (by-analogy).

The following pension schemes are managed by and included within the NDPB disclosures:

- Home Grown Cereals Authority (HGCA) Pension Scheme (funded);
- EA Active Pension Scheme (funded);
- Natural England (NE) Pension Scheme (by-analogy);
- Sea Fish Industry Authority (SFIA) (funded); and
- Meat and Livestock Commission (MLC) Pension Scheme (funded).

All by-analogy schemes are unfunded schemes.

The details for the material schemes are noted below, full details for the other schemes can be found in the Network Bodies' ARAs where appropriate.

Net liabilities represent the gap between the money held by the scheme and the total present value of the funded and unfunded obligations. The assumptions underlying the calculation of the net liability are only used for accounting purposes as prescribed under IAS 19. In particular, IAS 19 has no impact on the level of cash contributions paid by the Department and there is no requirement for the net liability to be met as a lump sum or otherwise. Cash contributions will continue to be set by reference to assumptions agreed at each actuarial valuation of the scheme.

15.1.1 EA Pension Liability (Closed Scheme)

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

All calculations have been made by a qualified independent actuary. As required under IAS 19, the projected unit credit method of valuation has been used. The last formal valuation of the Fund was carried out as at 31 March 2013, the results of this valuation have been projected forward to 31 March 2014 using approximate methods.

The estimated sponsor's contributions for the year to 31 March 2015 will be approximately £84m.

15.1.2 EA Active Pension Scheme

The EA operates a defined benefit pension scheme for employees and transferees from the former Defra, National Rivers Authority, Her Majesty's Inspectorate of Pollution, London Waste Regulation Authority 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.

All calculations have been made by a qualified independent actuary. As required under IAS 19, the projected unit credit method of valuation has been used. The last formal valuation of the Fund was carried out as at 31 March 2013, the results of this valuation have been projected forward to 31 March 2014 using approximate methods.

£52m showing against 'Effect of settlements' in Notes 15.2 and 15.3 relates to the transfer of pension liabilities to Natural Resources Wales (NRW). This is included within the transfer value to NRW reported within Non-Operating Activities in the SoCNE.

The estimated employers' contributions for the year to 31 March 2015 will be approximately £42m.

15.1.3 MLC Pension Scheme

The 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 SoCNE and are determined by a qualified actuary on the basis of annual valuations using the projected unit method.

The expected contributions for the year to 31 March 2015 is £600,000 (£400,000 employer contributions, £200,000 scheme participants' contributions).

15.2 Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability - Totals

as at 31 March 2014		Total Core Department and Core and Agencies			Total Departmental Group				Pension Asset MLC Pension Scheme			
		Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Adjustment	Net (liability) /asset	Assets	Liabilities	Adjustment	Net (liability) /asset
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets		166,800	-	166,800	2,337,066	-	-	2,337,066	205,100	-	-	205,100
Present value of funded liabilities		-	(769,600)	(769,600)	-	(3,322,066)	-	(3,322,066)	-	(198,000)	-	(198,000)
Present value of unfunded liabilities		-	(144,974)	(144,974)	-	(149,631)	-	(149,631)	-	-	-	-
Less irrecoverable surplus		-	-	-	-	-	(1,218)	(1,218)	-	-	(5,300)	(5,300)
Opening Position as at 31 March 2013		**166,800**	**(914,574)**	**(747,774)**	**2,337,066**	**(3,471,697)**	**(1,218)**	**(1,135,849)**	**205,100**	**(198,000)**	**(5,300)**	**1,800**
Service cost												
- Current service cost		-	-	-	-	(65,426)	-	(65,426)	-	(1,200)	-	(1,200)
- Past service cost (including curtailments)		-	-	-	-	(3,773)	-	(3,773)	-	-	-	-
- Effect of settlements (transfer to NRW)		-	-	-	(203,870)	255,828	-	51,958	-	-	-	-
- Other expenses		(700)	-	(700)	(729)	-	-	(729)	-	-	-	-
Total service cost		**(700)**	**-**	**(700)**	**(204,599)**	**186,629**	**-**	**(17,970)**	**-**	**(1,200)**	**-**	**(1,200)**
Net interest												
- Interest income on plan assets		6,900	-	6,900	95,526	-	-	95,526	8,400	-	-	8,400
- Interest cost on defined benefit obligation		-	(35,566)	(35,566)	-	(139,492)	-	(139,492)	-	(8,100)	-	(8,100)
Total net interest		**6,900**	**(35,566)**	**(28,666)**	**95,526**	**(139,492)**	**-**	**(43,966)**	**8,400**	**(8,100)**	**-**	**300**
Total defined benefit cost recognised in profit or (loss)		**6,200**	**(35,566)**	**(29,366)**	**(109,073)**	**47,137**	**-**	**(61,936)**	**8,400**	**(9,300)**	**-**	**(900)**
Cashflows												
- Plan participants' contributions		-	-	-	22,395	(22,398)	-	(3)	200	(200)	-	-
- Employer contributions		78,100	-	78,100	134,980	-	-	134,980	400	-	-	400
- Contributions in respect of unfunded benefits		11,000	-	11,000	11,000	-	-	11,000	-	-	-	-
- Benefits paid		(74,700)	76,810	2,110	(140,105)	142,223	-	2,118	(11,100)	11,100	-	-
- Unfunded benefits paid		(11,000)	11,000	-	(11,000)	11,000	-	-	-	-	-	-
Expected closing position		**176,400**	**(862,330)**	**(685,930)**	**2,245,263**	**(3,293,735)**	**(1,218)**	**(1,049,690)**	**203,000**	**(196,400)**	**(5,300)**	**1,300**
Remeasurements												
- Change in demographic assumptions		-	(13,100)	(13,100)	-	(85,083)	-	(85,083)	-	-	-	-
- Change in financial assumptions		-	(38,938)	(38,938)	-	(11,489)	-	(11,489)	-	2,200	-	2,200
- Other experience		-	24,198	24,198	-	(105,879)	-	(105,879)	-	1,700	-	1,700
- Return on assets excluding amounts included in net interest		(10,600)	-	(10,600)	53,383	-	-	53,383	1,500	-	-	1,500
- Transfers in		-	70	70	-	70	-	70	-	-	-	-
- Changes in asset ceiling		-	-	-	-	-	(139)	(139)	-	-	3,000	3,000
Total remeasurements recognised in Other Comprehensive Income (OCI)		**(10,600)**	**(27,770)**	**(38,370)**	**53,383**	**(202,381)**	**(139)**	**(149,137)**	**1,500**	**3,900**	**3,000**	**8,400**
Fair value of employer assets		165,800	-	165,800	2,298,646	-	-	2,298,646	204,500	-	-	204,500
Present value of funded liabilities		-	(749,700)	(749,700)	-	(3,351,348)	-	(3,351,348)	-	(192,500)	-	(192,500)
Present value of unfunded liabilities		-	(140,400)	(140,400)	-	(144,768)	-	(144,768)	-	-	-	-
Less irrecoverable surplus		-	-	-	-	-	(1,357)	(1,357)	-	-	(2,300)	(2,300)
Closing position as at 31 March 2014		**165,800**	**(890,100)**	**(724,300)**	**2,298,646**	**(3,496,116)**	**(1,357)**	**(1,198,827)**	**204,500**	**(192,500)**	**(2,300)**	**9,700**
Of which:												
EA Closed Scheme (within Core Department)	15.3				165,800	(852,600)	-	(686,800)				
EA Active Scheme (within NDPB)	15.3				2,078,329	(2,542,741)	-	(464,412)				
Other (all other schemes)	15.3				54,517	(100,775)	(1,357)	(47,615)				
					2,298,646	**(3,496,116)**	**(1,357)**	**(1,198,827)**				

as at 31 March 2013		**Total Core Department and Core and Agencies**			**Total Departmental Group**				**Pension Asset MLC Pension Scheme**			
		Assets	**Liabilities**	**Net (liability) /asset**	**Assets**	**Liabilities**	**Adjustment**	**Net (liability) /asset**	**Assets**	**Liabilities**	**Adjustment**	**Net (liability) /asset**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fair value of employer assets		152,500	-	152,500	2,052,944	-	-	2,052,944	197,900	-	-	197,900
Present value of funded liabilities		-	(786,700)	(786,700)	-	(2,915,232)	-	(2,915,232)	-	(185,500)	-	(185,500)
Present value of unfunded liabilities		-	(148,896)	(148,896)	-	(153,314)	-	(153,314)	-	-	-	-
Less irrecoverable surplus		-	-	-	-	-	(2,266)	(2,266)	-	-	(10,400)	(10,400)
Opening Position as at 31 March 2012		**152,500**	**(935,596)**	**(783,096)**	**2,052,944**	**(3,068,546)**	**(2,266)**	**(1,017,868)**	**197,900**	**(185,500)**	**(10,400)**	**2,000**
Service cost												
- Current service cost		-	(26)	(26)	-	(54,071)	-	(54,071)	-	(700)	-	(700)
- Past service cost (including curtailments)		-	-	-	-	(700)	-	(700)	-	-	-	-
- Other expenses		(800)	-	(800)	(800)	-	-	(800)	-	-	-	-
Total service cost		**(800)**	**(26)**	**(826)**	**(800)**	**(54,771)**	**-**	**(55,571)**	**-**	**(700)**	**-**	**(700)**
Net interest												
- Interest income on plan assets		5,000	-	5,000	106,344	-	-	106,344	9,600	-	-	9,600
- Interest cost on defined benefit obligation		-	(43,119)	(43,119)	-	(145,743)	-	(145,743)	-	(8,300)	-	(8,300)
Total net interest		**5,000**	**(43,119)**	**(38,119)**	**106,344**	**(145,743)**	**-**	**(39,399)**	**9,600**	**(8,300)**	**-**	**1,300**
Total defined benefit cost recognised in profit or (loss)		**4,200**	**(43,145)**	**(38,945)**	**105,544**	**(200,514)**	**-**	**(94,970)**	**9,600**	**(9,000)**	**-**	**600**
Cashflows												
- Plan participants' contributions		-	-	-	22,894	(22,897)	-	(3)	200	(200)	-	-
- Employer contributions		79,900	-	79,900	125,111	-	-	125,111	300	-	-	300
- Contributions in respect of unfunded benefits		11,500	-	11,500	11,500	-	-	11,500	-	-	-	-
- Benefits paid		(80,700)	82,663	1,963	(144,839)	146,809	-	1,970	(10,100)	10,100	-	-
- Unfunded benefits paid		(11,500)	11,500	-	(11,500)	11,500	-	-	-	-	-	-
Expected closing position		**155,900**	**(884,578)**	**(728,678)**	**2,161,654**	**(3,133,648)**	**(2,266)**	**(974,260)**	**197,900**	**(184,600)**	**(10,400)**	**2,900**
Remeasurements												
- Change in financial assumptions		-	(26,496)	(26,496)	-	(26,505)	-	(26,505)	-	-	-	-
- Other experience		-	(3,500)	(3,500)	-	(311,544)	-	(311,544)	7,200	(13,400)	-	(6,200)
- Return on assets excluding amounts included in net interest		10,900	-	10,900	175,412	-	-	175,412	-	-	-	-
- Changes in asset ceiling		-	-	-	-	-	1,048	1,048	-	-	5,100	5,100
Total remeasurements recognised in Other Comprehensive Income (OCI)		**10,900**	**(29,996)**	**(19,096)**	**175,412**	**(338,049)**	**1,048**	**(161,589)**	**7,200**	**(13,400)**	**5,100**	**(1,100)**
Fair value of employer assets		166,800	-	166,800	2,337,066	-	-	2,337,066	205,100	-	-	205,100
Present value of funded liabilities		-	(769,600)	(769,600)	-	(3,322,066)	-	(3,322,066)	-	(198,000)	-	(198,000)
Present value of unfunded liabilities		-	(144,974)	(144,974)	-	(149,631)	-	(149,631)	-	-	-	-
Less irrecoverable surplus		-	-	-	-	-	(1,218)	(1,218)	-	-	(5,300)	(5,300)
Closing position as at 31 March 2013		**166,800**	**(914,574)**	**(747,774)**	**2,337,066**	**(3,471,697)**	**(1,218)**	**(1,135,849)**	**205,100**	**(198,000)**	**(5,300)**	**1,800**
Of which:												
EA Closed Scheme (within Core Department)	15.3				166,800	(879,600)	-	(712,800)				
EA Active Scheme (within NDPB)	15.3				2,114,192	(2,492,059)	-	(377,867)				
Other (all other schemes)	15.3				56,074	(100,038)	(1,218)	(45,182)				
					2,337,066	**(3,471,697)**	**(1,218)**	**(1,135,849)**				

15.3 Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability – Material Schemes

as at 31 March 2014	EA Closed Scheme (within Core Department)			EA Active Scheme (within NDPB)			Other (all other schemes - excluding MLC)			
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Adjustment	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	166,800	-	166,800	2,114,192	-	2,114,192	56,074	-	-	56,074
Present value of funded liabilities	-	(769,600)	(769,600)	-	(2,492,059)	(2,492,059)	-	(60,407)	-	(60,407)
Present value of unfunded liabilities	-	(110,000)	(110,000)	-	-	-	-	(39,631)	-	(39,631)
Less irrecoverable surplus	-	-	-	-	-	-	-	-	(1,218)	(1,218)
Opening Position as at 31 March 2013	**166,800**	**(879,600)**	**(712,800)**	**2,114,192**	**(2,492,059)**	**(377,867)**	**56,074**	**(100,038)**	**(1,218)**	**(45,182)**
Service cost										
- Current service cost	-	-	-	-	(64,914)	(64,914)	-	(512)	-	(512)
- Past service cost (including curtailments)	-	-	-	-	(3,680)	(3,680)	-	(93)	-	(93)
- Effect of settlements (transfer to NRW)	-	-	-	(203,870)	255,828	51,958	-	-	-	-
- Other expenses	(700)	-	(700)	-	-	-	(29)	-	-	(29)
Total service cost	**(700)**	**-**	**(700)**	**(203,870)**	**187,234**	**(16,636)**	**(29)**	**(605)**	**-**	**(634)**
Net interest										
- Interest income on plan assets	6,900	-	6,900	86,282	-	86,282	2,344	-	-	2,344
- Interest cost on defined benefit obligation	-	(34,300)	(34,300)	-	(101,219)	(101,219)	-	(3,973)	-	(3,973)
- Impact of asset ceiling on net Interest	-	-	-	-	-	-	-	-	-	-
Total net interest	**6,900**	**(34,300)**	**(27,400)**	**86,282**	**(101,219)**	**(14,937)**	**2,344**	**(3,973)**	**-**	**(1,629)**
Total defined benefit cost recognised in profit or (loss)	**6,200**	**(34,300)**	**(28,100)**	**(117,588)**	**86,015**	**(31,573)**	**2,315**	**(4,578)**	**-**	**(2,263)**
Cashflows										
- Plan participants' contributions	-	-	-	22,262	(22,262)	-	133	(136)	-	(3)
- Employer contributions	78,100	-	78,100	56,237	-	56,237	643	-	-	643
- Contributions in respect of unfunded benefits	11,000	-	11,000	-	-	-	-	-	-	-
- Benefits paid	(74,700)	74,700	-	(62,668)	62,668	-	(2,737)	4,855	-	2,118
- Unfunded benefits paid	(11,000)	11,000	-	-	-	-	-	-	-	-
Expected closing position	**176,400**	**(828,200)**	**(651,800)**	**2,012,435**	**(2,365,638)**	**(353,203)**	**56,428**	**(99,897)**	**(1,218)**	**(44,687)**
Remeasurements										
- Change in demographic assumptions	-	(13,100)	(13,100)	-	(71,437)	(71,437)	-	(546)	-	(546)
- Change in financial assumptions	-	(36,200)	(36,200)	-	24,749	24,749	-	(38)	-	(38)
- Other experience	-	24,900	24,900	-	(130,415)	(130,415)	-	(364)	-	(364)
- Return on assets excluding amounts included in net interest	(10,600)	-	(10,600)	65,894	-	65,894	(1,911)	-	-	(1,911)
- Transfers in	-	-	-	-	-	-	-	70	-	70
- Changes in asset ceiling	-	-	-	-	-	-	-	-	(139)	(139)
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(10,600)**	**(24,400)**	**(35,000)**	**65,894**	**(177,103)**	**(111,209)**	**(1,911)**	**(878)**	**(139)**	**(2,928)**
Fair value of employer assets	165,800	-	165,800	2,078,329	-	2,078,329	54,517	-	-	54,517
Present value of funded liabilities	-	(749,700)	(749,700)	-	(2,542,741)	(2,542,741)	-	(58,907)	-	(58,907)
Present value of unfunded liabilities	-	(102,900)	(102,900)	-	-	-	-	(41,868)	-	(41,868)
Less irrecoverable surplus	-	-	-	-	-	-	-	-	(1,357)	(1,357)
Closing position as at 31 March 2014	**165,800**	**(852,600)**	**(686,800)**	**2,078,329**	**(2,542,741)**	**(464,412)**	**54,517**	**(100,775)**	**(1,357)**	**(47,615)**

as at 31 March 2013	**EA Closed Scheme (within Core Department)**			**EA Active Scheme (within NDPB)**			**Other (all other schemes - excluding MLC)**			
	Assets	**Liabilities**	**Net (liability) /asset**	**Assets**	**Liabilities**	**Net (liability) /asset**	**Assets**	**Liabilities**	**Adjustment**	**Net (liability) /asset**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fair value of employer assets	152,500	-	152,500	1,849,112	-	1,849,112	51,332	-	-	51,332
Present value of funded liabilities	-	(786,700)	(786,700)	-	(2,074,092)	(2,074,092)	-	(54,440)	-	(54,440)
Present value of unfunded liabilities	-	(112,500)	(112,500)	-	-	-	-	(40,814)	-	(40,814)
Less irrecoverable surplus	-	-	-	-	-	-	-	-	(2,266)	(2,266)
Opening Position as at 31 March 2012	**152,500**	**(899,200)**	**(746,700)**	**1,849,112**	**(2,074,092)**	**(224,980)**	**51,332**	**(95,254)**	**(2,266)**	**(46,188)**
Service cost										
- Current service cost	-	-	-	-	(53,578)	(53,578)	-	(493)	-	(493)
- Past service cost (including curtailments)	-	-	-	-	(630)	(630)	-	(70)	-	(70)
- Other expenses	(800)	-	(800)	-	-	-	-	-	-	-
Total service cost	**(800)**	**-**	**(800)**	**-**	**(54,208)**	**(54,208)**	**-**	**(563)**	**-**	**(563)**
Net interest										
- Interest income on plan assets	5,000	-	5,000	98,143	-	98,143	3,202	-	-	3,202
- Interest cost on defined benefit obligation	-	(41,400)	(41,400)	-	(99,918)	(99,918)	-	(4,425)	-	(4,425)
Total net interest	**5,000**	**(41,400)**	**(36,400)**	**98,143**	**(99,918)**	**(1,775)**	**3,202**	**(4,425)**	**-**	**(1,223)**
Total defined benefit cost recognised in profit or (loss)	**4,200**	**(41,400)**	**(37,200)**	**98,143**	**(154,126)**	**(55,983)**	**3,202**	**(4,988)**	**-**	**(1,786)**
Cashflows										
- Plan participants' contributions	-	-	-	22,746	(22,746)	-	147	(151)	-	(4)
- Employer contributions	79,900	-	79,900	44,520	-	44,520	691	-	-	691
- Contributions in respect of unfunded benefits	11,500	-	11,500	-	-	-	-	-	-	-
- Benefits paid	(80,700)	80,700	-	(61,715)	61,715	-	(2,424)	4,394	-	1,970
- Unfunded benefits paid	(11,500)	11,500	-	-	-	-	-	-	-	-
Expected closing position	**155,900**	**(848,400)**	**(692,500)**	**1,952,806**	**(2,189,249)**	**(236,443)**	**52,948**	**(95,999)**	**(2,266)**	**(45,317)**
Remeasurements										
- Change in financial assumptions	-	(27,300)	(27,300)	-	-	-	-	795	-	795
- Other experience	-	(3,900)	(3,900)	-	(302,810)	(302,810)	-	(4,834)	-	(4,834)
- Return on assets excluding amounts included in net interest	10,900	-	10,900	161,386	-	161,386	3,126	-	-	3,126
- Changes in asset ceiling	-	-	-	-	-	-	-	-	1,048	1,048
Total remeasurements recognised in Other Comprehensive Income (OCI)	**10,900**	**(31,200)**	**(20,300)**	**161,386**	**(302,810)**	**(141,424)**	**3,126**	**(4,039)**	**1,048**	**135**
Fair value of employer assets	166,800	-	166,800	2,114,192	-	2,114,192	56,074	-	-	56,074
Present value of funded liabilities	-	(769,600)	(769,600)	-	(2,492,059)	(2,492,059)	-	(60,407)	-	(60,407)
Present value of unfunded liabilities	-	(110,000)	(110,000)	-	-	-	-	(39,631)	-	(39,631)
Less irrecoverable surplus	-	-	-	-	-	-	-	-	(1,218)	(1,218)
Closing position as at 31 March 2013	**166,800**	**(879,600)**	**(712,800)**	**2,114,192**	**(2,492,059)**	**(377,867)**	**56,074**	**(100,038)**	**(1,218)**	**(45,182)**

15.4 History of Experience Gains and Losses

	EA Closed Scheme (funded)					**EA Active Scheme (funded)**					**MLC Scheme (funded)**				
Year Ended :	31/03/14	31/03/13	31/03/12	31/03/11	31/03/10	31/03/14	31/03/13	31/03/12	31/03/11	31/03/10	31/03/14	31/03/13	31/03/12	31/03/11	31/03/10
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	165,800	166,800	152,500	133,700	127,300	2,078,329	2,114,192	1,849,112	1,747,696	1,635,451	204,500	205,100	197,900	215,400	213,000
Present value of defined benefit obligation	(852,600)	(879,600)	(899,200)	(925,600)	(1,233,500)	(2,542,741)	(2,492,059)	(2,074,092)	(1,868,429)	(2,123,707)	(192,500)	(198,000)	(185,500)	(173,100)	(201,700)
(Deficit)/surplus	(686,800)	(712,800)	(746,700)	(791,900)	(1,106,200)	(464,412)	(377,867)	(224,980)	(120,733)	(488,256)	12,000	7,100	12,400	42,300	11,300
Experience gains/(losses) on assets	(10,600)	10,900	22,000	(1,500)	10,300	65,894	161,386	(41,465)	(38,748)	401,956	1,500	7,200	(19,500)	2,000	(12,300)
Experience gains/(losses) on liabilities	24,900	(3,900)	(20,200)	177,700	3,500	(130,415)	-	(21,606)	8,913	(278)	1,700	(2,000)	(1,700)	10,900	800
Actuarial gains/(losses) on employer assets	(10,600)	10,900	22,000	(1,500)	10,300	65,894	161,386	(41,465)	(38,748)	401,956	1,500	7,200	(19,500)	2,000	(12,300)
Effect of limit of asset ceiling											3,000	5,100	30,500	(33,200)	6,300
Actuarial gains/(losses) on obligation	(24,400)	(31,200)	(25,100)	217,600	(213,500)	(177,103)	(302,810)	(83,193)	158,261	(566,294)	3,900	(13,400)	(11,600)	15,500	(600)
Actuarial gains/(losses) recognised in SoCTE	(35,000)	(20,300)	(3,100)	216,100	(203,200)	(111,209)	(141,424)	(124,658)	119,513	(164,338)	8,400	(1,100)	(600)	(15,700)	(6,600)

15.5 Fair Value of Assets in the Fund

The assets in the scheme and the expected rate of return were:

as at 31 March 2014	EA Closed Scheme	EA Active Scheme	Pension Asset MLC Pension Scheme
	£000	£000	£000
Equities	-	1,332,638	69,700
Bonds	153,800	619,443	-
Property	-	80,435	-
Cash	12,000	45,813	200
Insurance policy	-	-	134,600
Total 31 March 2014	165,800	2,078,329	204,500

Percentage of Closing Fair Value	%	%	%
Equity	-	64	34
Bonds	93	30	-
Property	-	4	-
Cash	7	2	66
Total	100	100	100

as at 31 March 2013	£000	£000	£000
Equities	-	1,435,206	72,365
Bonds	157,400	605,889	-
Property	-	56,340	-
Cash	9,400	16,757	324
Insurance policy	-	-	132,411
Total 31 March 2013	166,800	2,114,192	205,100

Percentage of Closing Fair Value	%	%	%
Equity	-	67	35
Bonds	94	29	-
Property	-	3	-
Cash	6	1	65
Total	100	100	100

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.

15.6 Financial Assumptions

The major financial assumptions used by the Actuary when providing the assessment of the accrued liabilities as at the following dates.

	EA Closed Scheme	EA Active Scheme	Pension Asset MLC Pension Scheme
	% pa	% pa	% pa
as at 31 March 2014			
Inflation/pension increase rate (CPI)	2.5	2.5	2.5
Salary increase rate	-	3.8	3.5
Discount rate	4.4	4.3	4.3
as at 31 March 2013			
Inflation/pension increase rate (CPI)	1.7	2.5	2.5
Salary increase rate	3.5	4.6	3.5
Discount rate	4.1	4.5	4.2

15.7 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:

	EA Closed Scheme		EA Active Scheme		MLC Pension Scheme	
	Male	Female	Male	Female	Male	Female
Average future life expectancies at age 65						
Current pensioners (years)	20.8	22.7	22.6	24.5	23.0	25.4
Future pensioners (years)	21.5	24.4	24.7	27.0	24.6	27.2

15.8 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 2014	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	6	51,598
1 year increase in member life expectancy	3	25,577
0.5% increase in pension increase rate	6	52,324

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 2014	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	11	284,121
1 year increase in member life expectancy	3	76,282
0.5% increase in salary increase rate	4	109,288
0.5% increase in pension increase rate	7	170,458

The sensitivities regarding the principal assumptions used to measure the MLC Pension Scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2014	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in discount rate	7.6	14,630
0.2% decrease in RPI-CPI gap	2.5	4,813
0.25% increase in RPI price inflation	2.8	5,390
0.5% increase in salary growth	0.5	963
Mortality increase of long term trend from 1.5% pa to 1.75% pa	1.4	2,695

16 Contingent Liabilities and Contingent Assets

16.1 Contingent Liabilities

The Department has the following quantifiable contingent liabilities at 31 March 2014.

- Liability for landfill sites that do not reach the standards required by the Environmental Permitting regulations if the permit holder becomes insolvent. Potential liability to the Core Department is estimated at £15–30m.

- The Core Department has a potential liability of £20m (2012–13, £16m) in relation to dilapidations for failing to maintain properties in accordance with the terms of their leases.

- Defra has committed to providing financial assistance to domestic customers of South West Water in the form of a £50 per annum discount to water bills from 1 April 2013. Defra has a potential liability estimated at £142m (2012–13, £Nil) for payments from 1 April 2016 to 31 March 2020. These commitments are subject to the outcome of any future Spending Reviews and government policy.

- Small potential liabilities against Defra, its Executive Agencies and NDPBs are estimated at no more than £4m (2012–13, £14m).

The Department has entered into the following contingent liabilities which are unquantifiable due to their variable nature.

- Infringements of the Urban Waste Water Treatment Directive could lead to substantial fines for the Core Department from the EU.

- Potential future claims (both civil and criminal) against the Core Department for pollution that may arise from FMD farm burial grounds.

- 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 the Core Department.

- The Core Department has a potential liability for restitution of property enquiry searches.

- The Core Department has liabilities at the year-end relating to certain elements of its 'Renew and Repair' and 'Farming Recovery' grant schemes, in circumstances where works funded by either of these grants has occurred by 31 March 2014 or where planned works cover eligible restoration and repair of damage that has already occurred at that date. These grants are available to homes, businesses and farmers affected by recent flooding events but the total amount of the liability will not be known until all applications have been received and validated.

- There is a potential liability in respect of the CAP where the European Commission have questioned the debt management procedures. This liability to the Core Department is uncertain at present.

- RPA is currently in receipt of appeals from scheme claimants against the non-payment of claims covering the Single Payment Scheme and trader related schemes. If the appeals are successful they could either result in a liability for EU or Exchequer funded payments.

16.2 Contingent Assets

At 31 March 2014, the main items under this heading were as follows.

- The Core Department is entitled to a future share of enhancement in value on a number of properties and land previously sold. These enhancements generally arise from the planning and development process and are based on a number of trigger points, planning thresholds and increased values (unquantifiable).

- The Department has other potential small assets, with an estimated value of £2m (2012–13, £5m).

16.3 Remote Liabilities Included for Parliamentary Reporting and Accountability Purposes

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

16.3.1 Quantifiable

Defra has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort.

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 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 (2012–13, £10m). Funding would not be available to CGMA until after 1 April 2015. To reduce the risk of the liability crystallising Defra maintains a senior level oversight of the Project through senior representation at CGMA Board meetings where the development is discussed.

- Indemnity signed by Defra, Canal & River Trust and British Waterways pension trustees in relation to the historic public sector pension liability. The potential liability is estimated at £125m (2012–13, £125m).

- Small potential liabilities are estimated at no more than £4m (2012–13 £2m).

16.3.2 Unquantifiable

Defra has entered into the following contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. Due to the variable nature of these contingent liabilities they are classified as unquantifiable.

- 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 formerly controlled, may give rise to a future remediation liability.

- Defra may be liable for a potential penalty following an EU cross compliance audit disallowance through the European Court of Justice.

- Defra has a contract with the National Institute of Agricultural Botany (NIAB) for them to supply seed certification services for Defra. NIAB indemnifies Defra against all potential actions, costs and expenses made as a result of their or their sub-contractor actions. Defra remains responsible for all potential actions, costs and expenses where these are due to any wilful or negligent actions by Defra or an agent of the Crown. Defra cannot quantify the value of any such possible future actions.

17 Losses and Special Payments

17.1 Losses Statement

	2013-14			2012-13		
	Core Department	**Core Department and Agencies**	**Departmental Group**	Core Department	Core Department and Agencies	Departmental Group
	£000	**£000**	**£000**	£000	£000	£000
Losses Values						
Cash losses	47	2,450	3,264	20	1,815	3,466
Stores losses	252	246	255	238	238	249
Administrative write-offs	-	81	1,708	-	14	1,442
Fruitless payments	-	-	16	-	-	34
Claims abandoned	20	(160)	(160)	561	709	709
Total	**319**	**2,617**	**5,083**	819	2,776	5,900

	Core Department	**Core Department and Agencies**	**Departmental Group**	Core Department	Core Department and Agencies	Departmental Group
	Number	**Number**	**Number**	Number	Number	Number
Number of Cases						
Cash losses	13	448	904	27	278	578
Stores losses	1	1	25	1	1	95
Administrative write-offs	-	96	1,149	-	20	768
Fruitless payments	-	-	1	-	-	28
Claims abandoned	3	1,000	1,000	3	20,489	20,489
Total	**17**	**1,545**	**3,079**	31	20,788	21,958

Included under 'claims abandoned' is a credit balance of £213,000 within RPA. This is due to the release of costs accrued in previous years which were in excess of payments made in 2013–14.

Details of Cases over £300,000

- Ensors Gloucestershire Ltd received grant funding from RPA for the creation of a new abattoir, meat processing and parking facilities from 2010 to 2013. In September 2013 the company entered into administration and the business sold to a non-compliant company resulting in the grant being invalid. The loss of £891,000 represents the exchequer funding provided, less amounts expected to be received from the administrator.

17.2 Special Payments

	2013-14			2012-13		
	Core Department	**Core Department and Agencies**	**Departmental Group**	Core Department	Core Department and Agencies	Departmental Group
Value (£000)	**3**	**(372)**	**(372)**	-	8,040	8,041
Number of cases	**1**	**463**	**463**	-	181	189

Included within special payments is a credit balance of £464,000 within RPA relating to the release of costs accrued in previous years in excess of payments made in 2013–14; these mostly relate to Fruit and Vegetable Aid Scheme payments made to producer organisations following a producer organisation review. HM Treasury had previously granted approval for these payments to be made ex-gratia.

18 Related Party Transactions

The Department is the sponsor of the Executive Agencies, NDPBs and Levy Funded Bodies, all of which are within the departmental accounting boundary, shown in Note 21. Public Corporations are outside the accounting boundary, and are shown in Note 22. All the bodies above are regarded as related parties with which the Department has had various material transactions during the year. These bodies also trade with each other and have had material transactions during the year.

In addition, the Department has had a number of transactions with other government departments and the Devolved Administrations.

A number of Defra Board members, or other related parties, 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 until 14 October 2013) husband is employed by Defra as a permanent, full time member of staff. He does not receive any preferential treatment.

Richard Benyon (Parliamentary Under-Secretary of State until 6 October 2013) is entitled to income from a family trust, Englefield Estate Trust Corporation Limited and Sir William Benyon (as trustees). During the year to the time when Mr Benyon left Defra, the Trust received grants for English Woodland Grant Scheme and Other Forestry Schemes, totalling £66,157. Richard Benyon's children are entitled to a benefit from Englefield Estate Trust Corporation Limited (as trustees). During the year to the time of Mr Benyon's departure, the Trust received grant payments relating to Countryside Stewardship Scheme totalling £16,371.

Lord de Mauley (Parliamentary Under-Secretary of State) received £17,322 in respect of grants for SPS, Woodland Grant Scheme, Farm Woodland Premium Scheme and Entry Level Stewardship.

Details for related party transactions for Executive Agencies, NDPBs and Levy Funded Bodies can be found in the notes to their ARAs.

Other than those disclosed above, none of the Defra Board members or other related parties have undertaken any material transactions with the Department during the year.

19 Events After the Reporting Period

Defra's Financial Statements are laid before the House of Commons by HM Treasury. IAS 10: *Events after the reporting period* requires Defra to disclose the date on which the Accounts are authorised for issue.

The Accounting Officer authorised these financial statements for issue on 8 July 2014.

On 9 April 2014, the Prime Minister announced that the Gangmasters Licensing Authority (GLA – an NDPB of the Department for Environment, Food and Rural Affairs) was being transferred to the Home Office. The GLA was formed following the Morecambe Bay cockling disaster of 2004. The remit of the GLA is to licence businesses that supply temporary workers and prevent their exploitation.

The Water Act 2014 received Royal Assent on 14 May and it contained powers to ensure that domestic householders in high risk flood areas can access affordable insurance. The proposals will be developed through secondary legislation later in 2014 and will lead to the creation of a new body to administer a flood reinsurance scheme. The new body will be run by the insurance industry with direct accountability and reporting to Parliament. The body (with a working title of 'Flood Re') will have the power to raise levies from all domestic household insurers. The classification of the levies and of Flood Re itself will be determined by the Office for National Statistics (ONS) prior to its inception. It is likely that some or all of Flood Re's activities will be classified as falling to the public sector and any public expenditure would score as AME and be consolidated in

Defra's ARA. A control framework for limiting the impact on AME budgets has been agreed with HM Treasury but this is subject to the details being determined with ONS.

In April 2014, the Secretary of State approved the merger of the inspectorate functions of Fera (the Bee Inspectorate, the Plants Health and Seeds Inspectorate and the GM Inspectorate) and the Plant Variety and Seeds Group with AHVLA to form a new agency from October 2014. It is intended that the new agency will maintain and enhance Defra's operational effectiveness, flexibility and emergency response capability.

The Government Decontamination Service (GDS) is due to transfer from Fera to Core Defra in August 2014. Fera's Plant Health staff are also due to transfer to Core Defra in October 2014.

Defra published a procurement notice in respect of the proposed Fera joint venture in the Official Journal of the European Union on 7 May 2014. This set out the Pre-Qualification Questionnaire Process that potential bidders will undertake and is expected to be finalised in summer 2014. A Ministerial decision is expected around the end of 2014 to enable the transaction to complete before the end of the 2014–15 financial year.

On 5 June 2014, the Secretary of State announced in a Written Ministerial Statement (WMS) to Parliament that he had that day 'specified' the Thames Tideway Tunnel Project under the Specified Infrastructure Project Regulations 2013. Specification requires Thames Water Utilities Ltd to tender the entity that will design, build, finance and operate the Tunnel. The WMS also confirmed that the project will be supported by a government package of contingent finance which, under specified circumstances, will provide for remote risks that the market is unwilling or unable to cover.

20 Prior Period Adjustments

A Prior Period Adjustment has been made to reflect a provision that arose in 2012–13 where Defra is committed to providing some financial assistance to domestic customers of South West Water from 1 April 2013 (for more details see Note 14.4).

20.1 Effect on Major Statements

In the SoFP the adjustment has resulted in an increase in provisions liabilities of £113.7m (£37.9m current and £75.8m non current) and a corresponding increase to other programme costs in the SoCNE and the deficit on the General Fund in the SoCTE.

21 Entities within the Departmental Boundary

The entities within the departmental boundary during 2013–14 comprise supply financed agencies and those entities listed in the Designation and Amendment Orders presented to Parliament. They are:

Executive Agencies

Animal Health and Veterinary Laboratories Agency (AHVLA)
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' ARAs 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.

Executive NDPBs

Consumer Council for Water
Environment Agency
Food from Britain (to be formally abolished summer 2014)
Gangmasters Licensing Authority (moved to Home Office on 9 April 2014)
Joint Nature Conservation Committee
Marine Management Organisation
National Forest Company
Natural England
Royal Botanic Gardens, Kew

The Executive NDPBs' ARAs are published separately.

Advisory NDPBs (Defra Funded)

Agricultural Dwelling House Advisory Committees (England) (abolished Dec 2013)
Advisory Committee on Pesticides (ACP)
Advisory Committee on Releases to the Environment (ACRE)
Committee on Agricultural Valuation (dormant)
Independent Agricultural Appeals Panel
Science Advisory Council
Veterinary Products Committee

Executive NDPBs (Defra Funded)

Agricultural Wages Board for England and Wales (abolished June 2013)
Agricultural Wages Committees for England (abolished Dec 2013)

Levy Bodies

Agriculture and Horticulture Development Board
Sea Fish Industry Authority

The Levy Bodies' ARAs are published separately.

Tribunal NDPBs (Defra Funded)

Agricultural Land Tribunal (England) (transferred to HM Courts & Tribunals service July 2013)
Plant Varieties and Seeds Tribunal (dormant)

22 Entities outside the Departmental Boundary

The public sector bodies which have not been consolidated in these Accounts, but for which Defra's Ministers had lead policy responsibility during the year, are as follows:

Public Corporations

Covent Garden Market Authority

Other Bodies

National Parks Authorities (x9)
Water Services Regulation Authority (Ofwat)
Waste and Resources Action Programme (WRAP)
British Wool Marketing Board
Broads Authority

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 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 2013–14.

The information contained within this Annex has not been subject to audit and does not form part of the auditors' opinion on the Accounts.

Introduction

This Annex is divided into two sections. Section A outlines Defra's performance and Section B covers Core Department only.

The main drivers for improving sustainability across Defra are the Greening Government Commitments (GGC). These are a set of targets which drive reductions in greenhouse gas emissions (GHG), waste arisings, water use and embed the procurement of more sustainable goods and services.

Defra is committed to achieving the GGC by April 2015 and it is against this set of targets that the sustainability performance of Defra is measured. The targets, which are measured from a 2009–10 baseline, are:

- reduce GHG from the whole estate and business related transport by 25 percent;
- reduce the amount of waste generated by 25 percent;
- reduce water consumption and report on office water use against best practice benchmarks;
- reduce the number of domestic flights by 20 percent;
- ensure that more sustainable and efficient products are bought and undertake engagement with suppliers to understand and reduce the impacts of the supply chain; and
- cut paper use by 10 percent (2012 'in year' target).

In order to assess in-year performance against the targets, a series of milestones have been put in place. Performance is measured using the following scale:

- *exceeding target:* the target for April 2015 has been exceeded;
- *on target:* performance is ahead of the milestone and is expected to reach the target by 2015;
- *behind milestone:* performance has not reached the required level and therefore needs to improve in order to meet the 2015 target;
- *increase from baseline:* no reduction made and performance in this area has worsened since the baseline year; and
- *continues to exceed target:* where a target was completed before 2013 and yet performance is still being measured and is exceeding the original target requirement.

About The Data

The data in Table 1 and the accompanying charts, present the GHG, energy consumption, water use and waste arisings figures as reported as part of the GGC and report performance for 1 April 2013 to 31 March 2014. Cost data is not reported as part of the GGC, therefore all financial data presented in this report is sourced from accounting records for this period.

Energy and water data is primarily taken from supplier invoices. In most cases, the data in these invoices is informed by manual meter readings or half hourly Smart meter readings. This gives a high level of assurance that the data is accurate and robust.

Waste data is derived from figures provided by Defra's waste contractors. Wherever possible actual weights are used but where this is not possible waste data is calculated using a metric based on the number of bins emptied. Audits have been undertaken to validate and improve the accuracy of this data for common waste streams, using a number of key sites to establish the average weights and waste ratios. This estimation methodology will result in a small margin of error. It is not currently cost effective to weigh all waste streams.

Section A

Departmental Performance

This section of the report provides an overview of the sustainability strategy and Departmental performance against the GGC targets for the following Network Bodies:

- Core Department;
- Executive Agencies;
    - Animal Health and Veterinary Laboratories Agency (AHVLA),
    - Centre for Environment, Fisheries and Aquaculture Science (Cefas),
    - Food and Environment Research Agency (Fera),
    - Rural Payments Agency (RPA),
    - Veterinary Medicines Directorate (VMD),
- Non–Departmental Public Bodies;
    - Environment Agency (EA),
    - Marine Management Organisation (MMO),
    - Natural England (NE),
    - Royal Botanic Gardens Kew (RBG Kew),
- Forestry Commission (FC); and
- Other Defra Network Bodies and Other Government Departments
  (Under the 'major occupier' rule, Defra reports the environmental impact of Other Government Departments which occupy its buildings.

Governance

Defra's sustainable operations strategy is developed and delivered through the Sustainability Governance Board. Progress against the GGC targets is reported to Defra's Executive Committee Operations Panel on a quarterly basis.

Quality assurance is managed through the central Estates team who are responsible for producing Defra's sustainability reports. These have been subject to internal audit and found to be compliant to GGC and HM Treasury guidelines.

GGC Performance and Future Strategy

Defra aims to operate in the most sustainable and environmentally responsible manner: improving the way we use our work space; reducing energy and water use; reducing the amount of waste generated; making strategic energy and waste savings from IT services; and assessing the products and services that are purchased to support all operational activities.

Historically, Defra has performed well against government sustainability targets and was an early adopter of efficiency improvements through sustainable development principles. This makes it more difficult to identify further savings, but Defra is committed to identifying innovative ways of improving performance and contributing to the delivery of efficiency savings.

Defra's 'One Business' programme is developing a business model across Defra which is more strategic, flexible and resilient and will drive sustainability improvements.

- A key element of 'One Business' is making more efficient use of space, reducing the number of buildings where possible and sharing space across the network.

- The 'Future of Science delivery' programme is looking at how Defra can deliver its science from a smaller footprint, as science accounts for 33 percent of Defra's GHGs.

- A 'Single Design Policy' will define a consistent approach to the design of work spaces throughout the estate. This will use environmental best practice as standard.

Estates

Defra's estates portfolio is diverse; it includes office buildings, storage facilities, pumping stations, forests, botanic gardens, experimental farms and complex laboratory campus facilities.

The wide range of activities undertaken presents considerable challenge in delivering savings in energy, water and waste. Performance and future plans for meeting the GGC targets are as follows.

GGC Greenhouse Gas (GHG) Emissions target

GHG Reduction 2013-14 vs. 2009-10	Current in Year Milestone	Target 2015	Current Performance
19%	20%	25%	Behind milestone

More detail on the carbon figures can be found in Table 1.

In 2013–14 Defra's measures to reduce GHG included the following.

- Building improvements, including the upgrade of insulation.
- Plant and machinery upgrades, including:
    - a waste heat capture system for chilled services at a laboratory in Weybridge. This is expected to save 430 tonnes CO_2e and £90,000 per annum; and
    - a collaborative project with EA to install a new wood biomass burner and highly efficient oil boilers at a remote site in Exeter, which will deliver financial and GHG savings.
- Introducing a monitoring and targeting (M&T) system on the Core Department and Executive Agencies estate. This captures half hourly data from all gas and electricity meters with an annual spend over £500. This data is analysed to identify consumption anomalies for remedial action. In 2013–14 this pilot M&T

system identified savings of over £100,000. The initiative has been supported by training for Facilities Management staff.

There are a number of factors which limit Defra’s opportunity to reduce its energy use further. These include the following.

- The EA’s requirement to run flood pumps and water distribution pumps. During winter 2013–14 over 2,000,000 litres of oil were used by pumps across the country. This activity alone accounts for 5 percent of the Department’s annual carbon emissions.

- The Laboratory Estate’s requirement for high containment scientific facilities to undertake research into, and respond to, animal and plant disease outbreaks requires intensive energy use.

Initiatives planned for the 2014–15 year include the following.

- Further improvements to Defra’s energy M&T system. This will enable smarter targeting of consumption at a building level, enabling quicker response times to rectify excessive consumption.

- Continued installation and upgrade of plant and machinery controls across the portfolio to improve building management. This is being rolled out in parallel with contract changes in Defra’s Facilities Management (FM) contract which makes the FM provider more accountable for building energy use.

- Continued estate rationalisation will deliver additional energy savings, although this is expected to be smaller properties.

Waste

Waste Reduction 2013-14 vs. 2009-10	Current in Year Milestone	Target 2015	Current Performance
32%	20%	25%	Exceeding target

Defra has exceeded the 2013–14 milestone. Performance against the waste target has improved significantly during 2013–14. The key contributing factors are:

- paper waste reduction as a result of a 2012–13 project to rationalise printers and measures to reduce paper use;

- general reductions in waste arisings across the estate through greater awareness as a result of communications campaigns;

- desks, chairs and other items removed from Defra’s vacated buildings are resized and refurbished by inmates at Kirkham Prison. This innovative partnership enables inmates to gain carpentry, welding and upholstery skills, which are useful to them in finding employment on release. The economic and environmental benefits to Defra are evident, with financial savings and a reduction in waste arisings. This is a low cost, sustainable solution which Defra is encouraging other departments to adopt; and

- anomalies identified in EA and FC data led to a re-baseline of Defra’s waste target.

Initiatives planned for the 2014–15 year and beyond include the following.

- Renewal of Defra’s general waste contract in May 2014 incorporates industry best practice, including a commitment to the Government’s Responsibility Deal. This presents an opportunity to reassess waste management processes and work with the new service provider to identify further improvements.

- Making further improvements to waste collection services, in particular, increasing the recording of data that is derived from actual weights rather than using estimation metrics.

- Working closely with the Waste and Resources Action Programme (WRAP) on resource optimisation review schemes and continuing our work on the Hospitality and Food Services Agreement.

Water

Water Reduction 2013-14 vs. 2009-10	Current in Year Milestone	Target 2015	Current Performance
-1%	n/a	Reduce from baseline	Increase from baseline

The water reduction target requires an absolute reduction on the 2009–10 baseline of scope 2 water. The 1 percent increase on the baseline was largely due to an underground water leak at Kew Gardens which occurred in late summer 2013. It was identified through data analysis and rectified in November. Were it not for this leak, it is estimated that Defra's performance would be a 15 percent reduction on the baseline.

Water use across the estate is diverse and consumption varies significantly across business activities and from year to year. Factors which limit Defra's opportunity to reduce water consumption further include:

- management, research and care of horticultural and agricultural estates and forests including two botanical gardens; and

- a large laboratory estate that requires significant volumes of water for research and effective scientific practices.

Despite these limitations, Defra has continued to implement initiatives to minimise water use. For example, the installation of an innovative rainwater harvesting scheme at buildings on the Weybridge laboratory site, has already saved 630m^3 of mains water in 2013–14. These units provide potable quality water from a sustainable source for scientific purposes. This involves the use of ultra violet (UV) and carbon based filtration systems to ensure consistency.

Initiatives planned for the 2014–15 year and beyond include the following.

- Improving water monitoring and targeting, incorporating it into the existing M&T system. This will enable smarter targeting of consumption at a building level, enabling quicker response times to rectify excessive consumption.

- Continued estate rationalisation to deliver additional water savings, although this is expected to be for smaller properties.

Defra currently has an average performance of 5.97m^3 of water per Full Time Equivalent (FTE) per annum within the office estate. An average of 6m^3 or less per FTE per annum represents 'Good practice' against the GGC benchmark.

There is no target for scope 1 water reduction.

Data are not available for the impact of embedded water within Defra's operations however this indirect water consumption is considered to be immaterial.

Domestic Flights

Domestic Flights Reduction 2013-14 vs. Baseline	Current in Year Milestone	Target 2015	Current Performance
5%	16%	20%	Behind milestone

Defra has underperformed in this area. In most cases, Defra's domestic flights are to and from locations such as London to Scotland, Mainland UK to Belfast and Northeast to Southwest England, and for operational priorities. The Department is exploring opportunities to achieve the target set for the reduction in domestic flights by the end of 2014–15, including more effective management challenge and scrutiny. The figures for domestic flights are under review and will be subject to independent check, following which, published data may need to be revised.

Paper Use Reduction

Paper Use Reduction 2013-14 vs. Baseline	Current in Year Milestone	Target 2012	Current Performance
24%	n/a	10%	Continues to exceed target

Defra is achieving a 24 percent reduction in the amount of paper purchased, exceeding the 10 percent target. This target ended in April 2012 and Defra achieved a 23 percent reduction. Defra will continue to monitor progress on paper use.

Biodiversity

Sites at Rhydymwyn, North Wales; Watchtree, Cumbria and Tow Law, County Durham are managed as nature reserves by Wildlife Trusts. These sites provide an array of habitats and the enhancement of biodiversity forms a key part of their management.

NE operate biodiversity and management plans on a number of Natural Nature Reserves (NNRs) across England and readers of this report are advised to refer to NE's own ARA for detail on NNRs management.

When building and refurbishment work is carried out, biodiversity is considered, in accordance with current building regulations and where applicable Building Research Establishment Environmental Assessment Method (BREEAM) requirements to ensure habitats are preserved and enhanced wherever possible. Features, such as bird and bat boxes and indigenous plant species are incorporated, to encourage biodiversity.

Environmental Management System

Defra operates an Environmental Management System (EMS) which is externally certified to the internationally recognised standard ISO14001:2004. The EMS includes 36 sites that carry the most significant environmental risk. Achieving and retaining the standard recognises continuing commitment to reducing environmental impact, and implementing sound environmental practice.

Sustainable Procurement

Defra will continue to promote sustainable procurement across government to influence procurement practice and will aim to meet commitments on Green Operations and Procurement within the Defra Business Plan.

Many of Defra's contracts are awarded through pan Government frameworks operated by the Crown Commercial Services (CCS). Defra works with the CCS to promote the use of GBS within these frameworks.

Where Defra leads on procurement for contracts over £25,000, a sustainability appraisal is carried out and GBS applied where possible. For contracts where there are no applicable standards, alternative sustainability clauses are incorporated in the specification and terms and conditions.

Defra is also working toward achieving the Government's target that 25 percent of expenditure goes to SMEs by 2014–15.

Green ICT

Defra continues to drive down its non-recyclables from disposal of its ICT assets. When IT hardware is no longer required, Defra's ICT provider seeks to reuse it across the Department, in other departments or charitable organisations. Items that cannot be reused or recycled are, as a last resort, sent for disposal. This accounts for about 2 percent of the total waste.

Defra is committed to the HMG Greening Government ICT Strategy and adopting green ICT best practice[44].

A regular monthly footprint report is provided by Defra's major ICT supplier IBM. This tracks carbon emissions generated by ICT equipment across Defra and the ICT Service Providers Server Farms. The report for March 2014 indicates a significant reduction in the footprint for our IBM delivered services of around 3t CO_2e.

ICT initiatives in 2013–14 included the following.

- Deployment of new laptops to some 7,500 staff with energy efficiencies of around 50 percent over the previous model, and facilities to enable smarter, more flexible working including:
    - in-built Web cameras to support virtual meeting facilities;
    - Microsoft Live meeting web conference software for secure internal conferences; and
    - access to Level 3 web meeting service for unsecured conferences with external participants.
- Refresh of Internet gateway infrastructure to enable wider adoption of Cloud services from the web and the government's Cloud Store, and higher levels of remote working.

Transparency Reporting

Defra also publishes a transparency statement on Climate Change Adaptation, Biodiversity and Natural Environment, Procurement of Food and Catering Services, Sustainable Construction and People[45].

To monitor progress against the GGC, Defra has developed a series of milestones to measure performance and indicate expected future performance. Quarterly updates on Defra's performance can be found online[46].

Further information is set out in the Annual Report and Accounts produced by each of Defra's Network Bodies.

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[44] https://www.gov.uk/government/publications/greening-government-ict-strategy
[45] https://whitehall-admin.production.alphagov.co.uk/government/uploads/system/uploads/attachment_data/file/139525/defra-ggc-performance.pdf
[46] https://www.gov.uk/government/organisations/Department-for-environment-food-rural-affairs/about/our-energy-use

Sustainability Data – Table 1

ENERGY			2009-10	2010-11	2011-12	2012-13	2013-14
Non financial indicators **(kWh)**	Energy consumption	Total energy consumption	291,610,954	273,541,593	243,656,417	264,937,353	263,559,507
		Total electricity	136,895,995	128,395,465	127,988,561	122,830,212	114,626,912
		Electricity: brown	32,068,407	16,106,901	15,448,287	14,173,807	11,105,976
		Electricity: green	104,701,448	112,147,345	111,537,697	107,656,220	102,726,592
		Electricity: combined heat and power (CHP)	126,140	141,219	1,002,577	1,000,185	794,344
		Gas	115,479,097	112,829,874	83,640,166	93,426,642	104,085,078
		Oil	23,701,612	24,766,722	19,904,435	30,180,394	35,090,862
		Biomass	2,604,841	893,655	565,512	3,043,271	1,600,098
		CHP	10,727,109	4,521,129	10,472,205	14,336,557	6,566,350
		Whitehall district heating system (WDHS)	343,300	451,300	-	-	-
		Self generated renewables	135,293	24,844	660,349	590,897	721,749
		LPG	555,812	444,852	418,809	529,380	643,462
		Other	1,167,895	1,213,752	6,380	-	224,996
Financial indicators **(£000)**	Total energy costs		17,202	15,298	16,434	18,634	17,896

WASTE		2009-10	2010-11	2011-12	2012-13	2013-14
Non financial indicators **(000 kgs)**	Total waste	8,454	6,699	6,670	6,807	5,712
	Hazardous waste	1,063	1,393	114	356	116
	Recycled	2,947	1,894	1,867	2,748	2,292
	Reused	n/a	n/a	n/a	n/a	n/a
	Composted	n/a	n/a	n/a	n/a	n/a
	Incinerated with energy recovery	1,309	1,012	1,051	1,858	1,338
	Incinerated without energy recovery	568	828	775	689	631
	Landfill	3,587	1,572	1,699	1,512	1,356
Financial indicators **(£000)**	Total disposal cost	3,374	3,347	3,422	3,750	3,580
	Hazardous waste	n/a	n/a	n/a	611	918
	Reused, recycled, composted (combined)	n/a	n/a	n/a	789	401
	Incinerated with energy recovery	n/a	n/a	n/a	87	70
	Incinerated without energy recovery	n/a	n/a	n/a	n/a	n/a
	Landfill	n/a	n/a	n/a	322	249

WATER			2009-10	2010-11	2011-12	2012-13	2013-14
Non financial indicators **(m^3)**	Water Consumption	Total water consumption	711,610	635,444	536,397	597,835	718,366
		Supplied (office estate)	126,867	117,240	119,327	103,769	111,120
		Supplied (non office estate)	584,743	518,204	417,070	494,066	607,246
		Abstracted	-	37,968,472	37,961,172	15,984,722	n/a
Financial indicators **(£000)**	Water supply costs		1,492	1,196	1,561	1,409	1,807

GREEN HOUSE GAS EMISSIONS		2009-10	2010-11	2011-12	2012-13	2013-14
Non financial indicators **(000 kgs CO_2e)**	Scope 1: direct emissions	42,550	39,629	36,981	38,288	43,818
	Scope 2: indirect emissions	67,855	72,543	67,145	59,246	51,064
	Scope 3: emissions from official business travel	22,885	8,336	3,375	14,539	14,515
	Total emissions	133,290	120,508	107,501	112,073	109,397
	Emissions eligible for CRC scheme	n/a	n/a	90,427	80,111	n/a
Financial indicators **(£000)**	Carbon Reduction Commitment (CRC)	n/a	n/a	1,085	961	n/a
	Expenditure on accredited offsets (e.g. GCOF)	51	16	10	n/a	n/a
	Expenditure on official business travel	23,359	22,810	23,660	29,698	30,403

OTHER TARGET AREAS		2009-10	2010-11	2011-12	2012-13	2013-14
Non financial indicators	Number of domestic flights	n/a	n/a	2,277	1,820	2,155
	Paper use (reams)	151,529	n/a	117,257	120,947	114,924

Notes to Table 1

(i) Under GGC reporting, areas of a building occupied by non-government occupants are not included. Where this is the case buildings have been apportioned according to floor space occupancies.

(ii) 'Scope 3: Emissions from Official Business Travel' data does not include international travel in accordance with the GGC reporting requirements.

(iii) The abstracted water figure for 2013–14 is not available at the time of publication.

(iv) Gas used in CHP units is not included in the 'gas' figure as GGC reporting guidance states that this energy is reported as CHP output.

(v) The first Carbon Reduction Commitment payment was made for 2011–12. Payment for 2013–14 is not due to be made until August 2014.

(vi) All consumption data presented in this report reflects reported GGC figures. Cost figures reflect the accounting records for the respective year.

(vii) Data for waste component categories do not always equal the total waste figure. This is due to additional waste streams that are not required to be reported. Additionally, hazardous waste is included in the landfill waste figure as per GGC reporting.

(viii) Historically, a breakdown of waste costs was not available due to the contractual agreement in place at this time.

(ix) No further Government Carbon Offsetting fund payments were made after 2011–12 due to budget constraints.

(x) Some previous years' data has been revised from last year's publication to incorporate any corrections and adjustments including a revision of electricity carbon conversion factors of the last 5 years. For this reason charts and performance may appear differently to previous year's reports.

(xi) Most 2009–10 data has been revised from previous publications to reflect the data reported for the purposes of GGC. This includes some estimates in the form of substituted data from subsequent years where data from 2009–10 was not available. In such instances data from subsequent years was substituted as per the GGC guidance. A re-baselining exercise was carried out in September 2013 which has adjusted the water and waste figures for 2009–10. For this reason, charts and performance may appear differently to previous year's reports.

(xii) RBG Kew do not have a provision for capturing domestic travel data, however, the emissions are understood to be not material.

(xiii) Composted and reused waste data was not available across the network as a separate stream to recycled waste prior to 2013–14. From 2013–14 some parts of the network provide separated compost and reused waste figures but these do not cover the entire Department.

(xiv) Emissions from electricity in 2012–13, 2013–14 and 2009–10 are captured in both scope 2 and 3 as electricity generated and supplied to the national grid and due to losses in transmission and distribution of electricity through the national grid to the consumer, as defined by the GHG Protocol.

(xv) Oil figures have been updated from previously published accounts.

(xvi) Travel data in 2011–12 was not separated into Scope 1, 2 and 3. All grey fleet transport for this period is therefore included in the Scope 1 total. This has the effect of showing a slight increase in Scope 1 emissions and a significant decrease in Scope 3 emissions compared to the baseline.

(xvii) Travel data from Cefas in quarter four 2013–14 was not available in time for publication. It is estimated that this missing data is immaterial representing only 0.06 percent of the Department's GHG emissions for the year.

Section B

Core Department Performance

The Core Department represents 5 percent of the total departmental estate (by floor space).

The scope for the Core Department is buildings, or parts of buildings occupied by Core Department staff.

The travel data relates to Core Department staff.

Targets

	Reduction 2013-14 vs. 2009-10	Current in Year Milestone	Target 2015	Current Performance
GHG Reduction	39%	20%	25%	Exceeding target
Waste Reduction	30%	20%	25%	Exceeding target
Water Reduction	1.60%	n/a	Reduce from baseline	Exceeding target
Domestic Flights Reduction	-42%	16%	20%	Increase from baseline
Paper Reduction	21%	n/a	10% (2012 target)	Continues to exceed target

More detail on the carbon figures can be found in Table 2.

Overall, performance is positive with the Core Department exceeding the GHG, Waste and Water targets.

Performance against the water target is not as strong as in previous years due to an increase in the occupation density of the Core Department's main headquarters buildings, Nobel House, London and Kings Pool, York. Reducing the number of domestic flights remains a challenge and further management action is planned. The figures for domestic flights are under review and will be subject to independent check following which published data may need to be revised.

Sustainability Data – Table 2

ENERGY			2009–10	2010–11	2011–12	2012–13	2013–14
Non financial indicators **(kWh)**	Energy consumption	Total energy consumption	11,499,719	10,598,033	7,381,222	7,256,492	6,404,837
		Total electricity	5,261,184	4,467,425	4,024,062	3,788,040	3,382,382
		Electricity: brown	1,591,249	145,376	123,742	160,315	43,734
		Electricity: green	3,669,921	4,317,179	3,896,609	3,617,245	3,338,539
		Electricity: CHP	14	4,870	3,711	10,480	109
		Gas	4,899,283	4,641,394	3,026,221	3,370,778	2,850,819
		Oil	-	-	-	-	111,936
		Biomass	32,700	70,681	48,539	66,646	42,904
		CHP	1,147,195	1,219,194	264,198	21,816	-
		WDHS	132,926	174,743	-	-	-
		Self generated renewables	26,431	24,596	18,202	9,212	16,796
		LPG	-	-	-	-	-
		Other	-	-	-	-	-
Financial indicators **(£000)**	Total energy costs		815	644	529	561	582

WASTE		2009–10	2010–11	2011–12	2012–13	2013–14
Non financial indicators **(000 kgs)**	Total waste	338	377	461	358	239
	Hazardous waste	2	1	3	-	1
	Reused, recycled, composted	247	297	403	300	198
	Incinerated with energy recovery	69	45	28	25	27
	Incinerated without energy recovery	7	-	1	-	-
	Landfill	13	34	26	33	13
Financial indicators **(£000)**	Total disposal cost	n/a	n/a	n/a	n/a	n/a

WATER			2009–10	2010–11	2011–12	2012–13	2013–14
Non financial indicators **(m^3)**	Water consumption	Total water consumption	14,261	9,016	22,209	9,254	14,040
		Supplied (office estate)	14,261	9,016	22,209	9,254	14,040
		Supplied (non office estate)	-	-	-	-	-
Financial indicators **(£000)**	Water supply costs		43	28	109	42	52

GREEN HOUSE GAS EMISSIONS		2009–10	2010–11	2011–12	2012–13	2013–14
Non financial indicators **(000kg CO_2e)**	Scope 1: direct emissions from buildings	1,169	1,101	602	623	550
	Scope 2: indirect emissions from buildings	2,897	2,476	2,111	1,983	1,636
	Total building emissions	4,066	3,577	2,713	2,606	2,186
	Scope 1: direct emissions from business travel	-	-	56	74	55
	Scope 3: emissions from official business travel	-	-	829	323	446
	Total travel emissions	-	-	885	397	501
Financial indicator **(£000)**	Expenditure on official business travel	-	-	1,541	1,866	2,787

OTHER TARGET AREAS		2009–10	2010–11	2011–12	2012–13	2013–14
Non financial indicators	Number of domestic flights	n/a	n/a	426	264	605
	Paper use (reams)	22,069	20,819	13,768	16,334	17,514

Notes to Table 2

(xviii) Occupancy does not include vacant areas of space.

(xix) Core Department's occupancy is calculated on a floor space apportionment basis.

(xx) Water consumption at Nobel House has been incorrectly billed in 2009–10 and 2010–11. It was subsequently reconciled in 2011–12. This is responsible for most of the increase seen in the 2011–12 figures.

(xxi) Travel emissions data for the Core Department is not available prior to 2011–12. Travel data does not include international travel in accordance with GGC guidance.

(xxii) Breakdown of waste costs for the Core Department cannot be extrapolated from the figure for the whole Department.

(xxiii) Paper data for quarter 4 2011–12 was not available and so an estimate has been made using the average quarters 1, 2 and 3 of 2012–13.

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