Rural Payments Agency

Annual Report and Accounts 2014-2015

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2014-2015

Presented to the House of Commons pursuant to section 7 of the Government Resource and Accounts Act 2000

Ordered by the House of Commons to be printed 13 July 2015

HC 241

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Print ISBN 9781474 118378
Web ISBN 9781474 118385

ID 07051503 07/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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Foreword by Mark Grimshaw

The agency's work continues to have a significant impact on the rural economy through the range of schemes that we administer.

We delivered our best ever Single Payment Scheme performance in what will be its last year, and I know that this always generates the headlines but I'd like to draw your attention to the continued high performance across the other schemes that we manage. For instance; overseeing the quality and labelling of fruit and vegetables from the point of entry to England right up to retail outlets and the various meat technical schemes which involve ensuring European Union rules are followed within the meat industry.

In 2014-15 we have continued to improve the way that we communicate and engage with our customers and stakeholders. We have worked collaboratively through various forums to help us develop and improve our processes and communications about the Basic Payment Scheme. I am particulary grateful for those from the various industry groups that have contributed so much to this success.

The year also presented a number of challenges none more so than the implementation of a new Common Agricultural Policy and the new Rural Payments Service. The change in approach, moving to use tried and tested forms and processes, announced in mid-March reflected our desire to ensure our customers have the opportunity to submit a Basic Payment Scheme claim by the deadline. This was the right decision to make and has received widespread support across Government and industry.

As I look back on the progress the agency has made over the last few years I would like to take this opportunity to thank the people at the Rural Payments Agency for the successes that are built on their hard work and dedication, supported with the right processes and systems.

I would also like to acknowledge the work that the newest part of the agency, the teams that deal with the socio-economic schemes, have made. I have accompanied them on a number of visits, since they joined in June 2014, to see first-hand the impact that their work has on English businesses across a range of sectors.

In 2015-16 our focus will remain on ensuring that we deliver all the schemes that we run successfully to continue to achieve value for money for taxpayers and to continue to support the growth of the rural economy.

Mark Grimshaw
Chief Executive Officer
9 July 2015

Introduction to RPA

The Rural Payments Agency

The Rural Payments Agency (RPA or the agency) is an executive agency of the Department for Environment, Food and Rural Affairs (Defra). Established in October 2001 as an accredited European Union (EU) Paying Agency, the agency operates according to the accreditation requirements set out in Commission Regulation (EU) No 907/2014 and Council Regulation (EU) No 1306/2013. The RPA also acts as the UK Funding Body under the European Commission regulation.

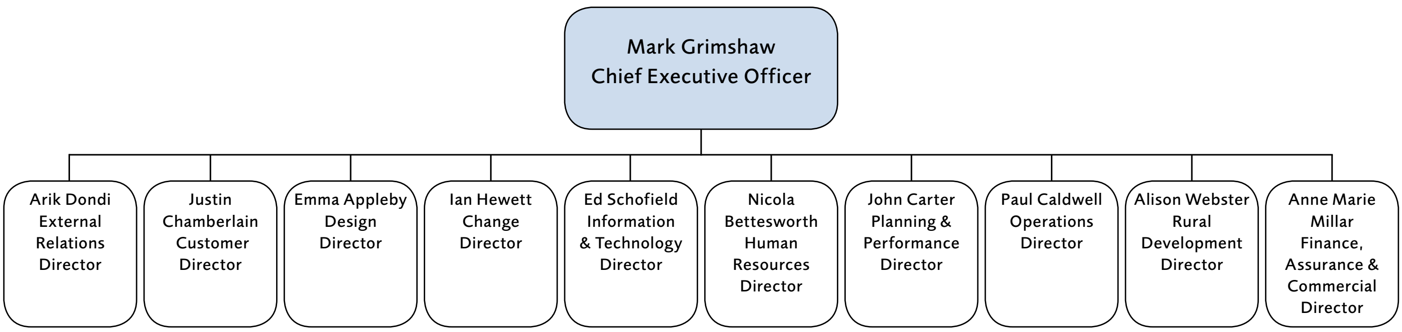
As the only accredited paying agency in England, the RPA has responsibility for making direct aid and rural development payments to farmers in England. The RPA is also the paying agency for market support measures across the UK under the authority of the Secretary of State for Environment, Food and Rural Affairs and as appropriate in agreement with the Scottish Government, the National Assembly for Wales and the Department for Agriculture and Rural Development in Northern Ireland.

The RPA, as a funding body, has responsibility for receiving and administering money from the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development. The agency also has responsibility for livestock identification and traceability services within Great Britain.

The agency has made significant progress over the last four years to successfully implement changes that have resulted in improvements to performance in every aspect of the business and most notably in payments to customers.

Agency structure

The RPA is headed by the Chief Executive Officer (CEO) and a team of executive directors that span ten directorates. This "Arc" structure is a recognised method of sharing executive responsibility for the overall organisation. It ensures that each directorate is responsible for the part it plays in supporting the Arc while acknowledging its impact on other directorates. In 2014-15 the CEO along with the ten executive directors formed the Executive Team. In early 2015-16 a new directorate was created as part of the transfer of CAP Delivery Programme responsibilities.



The Executive Team

Members of the Executive Team share their highlights of the year.

Mark Grimshaw
Chief Executive Officer

This year we have welcomed the Rural Development Team into RPA forming a new directorate, with its director Alison Webster, joining the Executive Team.

The Executive Team have continued to work together to meet the challenges presented to the agency as we reach the end of the Single Payment Scheme (SPS) and prepare for the introduction of the Basic Payment Scheme (BPS). The agency has continued to benefit from the support of our non-executive directors.

Arik Dondi
External Relations Director

Over this year we have contributed to over 300 detailed decisions relating to new CAP schemes. Our role has been to influence policy decisions from a delivery perspective and to inform delivery of the latest policy and regulatory picture. We contributed policy interpretation to inform the build of systems, the design of processes and guidance to customers. While much of the activity this year has been focussed on the Basic Payments Scheme, the Directorate has also played a crucial role on rural development, livestock, trader schemes and in other areas.

Justin Chamberlain
Customer Director

We always said that the third year of the Five Year Plan would be the most challenging as we introduce the new schemes and services of CAP Reform. We have worked hard to roll out the CAP Reform Countdown guidance to customers and the industry to help them transition as smoothly as possible to the new schemes. The last part of the year was dominated by our Claim Rural Payments campaign to ensure that all customers who wish to claim against the Basic Payment Scheme are enabled to do so.

Emma Appleby
Design Director

My highlight has been the contribution Design has made to the agency's best ever Single Payment Scheme performance; designing efficient and streamlined processes and making sure training and guidance is in place for people to do their jobs effectively. I have focused on building capability in the Design directorate as we ramp up to support the work for Basic Payment Scheme 2015; developing the alternative registration route to get access to Rural Payments gives me confidence that we can find solutions for our customers.

Ian Hewett
Change Director

This year we have focussed on preparing the way for the new CAP changes by upgrading our internal technology, building on our Customer Relationship Management (CRM) capabilities, by designing and developing technology to automate Ordnance Survey intelligence onto our land database, and equipping inspectors and travelling officers with modern and highly accurate equipment. We have also set up the capability to support customers who have difficulty engaging with the online service.

Ed Schofield
Information & Technology Director

I&T have been preparing for the transition to BPS and maintaining performance in the final year of SPS processing, including implementing the functionality to support the Financial Discipline Mechanism reimbursement. We implemented new land inspection devices, a new Finance and Human Resources system, improved Customer Service Centre applications and enabled consumption of automated land Intelligence. We ensured suppliers met Service Level Agreements and welcomed new suppliers delivering services to the CAP Delivery Programme.

Nicola Bettesworth
Human Resources Director

My HR team was instrumental in the development and release of the new People Portal software and the transition into RPA of the Rural Development Team. We transferred HR casework support services to a division within the Ministry of Justice, reviewed pay and reward strategies and ran a leadership development programme for middle managers. We continue to drive the development of future leaders through our talent management scheme which was shortlisted for People Management Magazines' 2014 Industry Award.

John Carter
Planning & Performance Director

My highlight this year has been seeing over three years of planning and development within the RPA coming together. Back in 2011 we set about building an agency that had the capability to adapt to any situation and could deliver great service in the most efficient way. Our people, including my own in Planning and Performance, have shown great dedication and ability and it is this that gives me continued confidence that our people will continue to give the best service possible in the most efficient way in the future.

Paul Caldwell
Operations Director

Our people have continued to support customers in making payments and providing advice. Performance and payment targets have been exceeded and we have undertaken preparations for moving information we hold into the new scheme. Our customer service has been a feature of 2014-15 as we registered 82,146 customers onto the new Rural Payments Service. We have had excellent feedback on the helpfulness of our teams and this year has been particularly pleasing in the quality of service we have delivered.

Alison Webster
Rural Development Director

During a transition year from Defra we have drawn the 2007-13 socio-economic programme to a close, managed demand for the Farming and Forestry Improvement Scheme, the Rural Economy Grant investments, an emergency Farming Recovery Fund to support businesses hit by flooding and delivering Defra's £100 million commitment to the Rural Economic Growth Review. The early opening of the 2014-20 Rural Development Programme for England (RDPE) responding to Ministerial priorities and working closely with policy colleagues in core Defra, have been a huge success.

Anne Marie Millar
Finance, Assurance & Commercial Director

My highlights of the year were the successful implementation of new finance systems for the agency's running costs in July 2014, and the excellent work that my team have done preparing for the new scheme costs solution due in 2015. I was delighted the team were shortlisted for the Government Finance Professionals award for "most improved team of the year". Everyone's continued support and dedication across the Directorate has been commendable.

Strategic Report

Five Year Plan

The agency continues to focus on the three core objectives from the Five Year Plan, which are:

- to stabilise the RPA, this will enable the agency to deliver schemes in the remaining CAP period in line with value for money principles, to achieve acceptable payment accuracy and to draw a line under legacy issues
- to work closely with the Defra-led CAP Delivery Programme to develop the specifications and procure the replacement systems that meet the CAP reform obligations and avoid the errors which stemmed from the introduction of CAP 2005
- to implement these new systems at best value for money for the taxpayer without customer service issues or unexpected costs

This year, the third year of the agency's Five Year Plan, proved to be a challenging year as the Single Payment Scheme came to an end and the Basic Payment Scheme came into effect.

SPS performance was a particular highlight and the agency has reduced operational costs to contribute to the Government's budget reductions. The RPA successfully worked with Defra and the Commission to simplify the proposals around the Common Agriculture Policy (CAP), which in turn will facilitate further savings.

The completion of the Strategic Improvement Plan in March 2014 created a stable platform for the agency in preparation for CAP reform. The agency has continued to work with the CAP Delivery Programme to help ensure that the software being developed by the programme for the implementation of the new schemes provides the necessary functionality to make accurate and timely payments that customers have come to expect.

Where issues have arisen with the new systems, the RPA has taken the necessary action to reduce the burden on customers.

The agency will continue to ensure that changes implemented follow the objectives detailed above and that the RPA continues to build on the good service that customers have been provided since the introduction of the Five Year Plan.

Strategic Alignment – One Business

As part of the Strategic Alignment programme to create a more efficient and effective department, 119.7 Full Time Equivalent (FTE) posts responsible for the delivery of the socio-economic elements of the EU Rural Development Programme transferred from Defra to the RPA on 1 June 2014 to create a new Rural Development (RD) directorate. A new director position was created to lead this work.

A phased approach to integration of the new directorate has been undertaken. Initially, handbook terms and conditions, Health and Safety policies, management reporting arrangements and communications were aligned, followed by the adoption of RPA management systems and payroll arrangements towards the end of 2014. Full integration is expected by mid-2015.

A Service Level Agreement (SLA) is in place between RPA and Defra to define the functions to be undertaken by the agency on behalf of the department and to identify specific performance targets to be achieved. The SLA, which covers the period 2014 to 2017, is subject to quarterly reporting arrangements and will be reviewed annually.

Review of the year

The RPA published its business plan on 15 July 2014, setting out what it would achieve having agreed with Defra a challenging set of business indicators to continue to set standards for improved performance across the agency. Progress against these indicators is detailed in the following tables.

Headline indicators

High Level Theme	What success looks like	What RPA did
Delivering Service to Our Customers	An average customer satisfaction score of 8 out of 10 across the year	The agency achieved an average customer satisfaction score of 7.7 out of 10
Timely Payment of the Single Payment Scheme	93% of customers paid 86% of the fund value by 31 December 2014	On the first banking day of December 2014 payment window 95% of customers were paid, over 91% of the fund value. By the end of December 2014, 97% of customer were paid 96% of the fund value
	97% of customers paid 97% of the fund value by 31 March 2015	97% of customers were paid by Monday 22 December 2014, 97% of the fund value was paid by 21 January 2015
Timely payment of Trader Schemes	98% of Fruit and Vegetable producers paid within 100 calendar days	100% of claims have been paid within 100 calendar days
	96% of other schemes paid within 28 calendar days	In excess of 98% of claims have been paid within 28 calendar days
	99% of other schemes paid within 60 calendar days	In excess of 99% of claims have been paid within 60 calendar days
Timely payment of Rural Development Programme for England Schemes	98% of claims processed within 5 working days of receipt	100% of claims were processed within 5 working days of receipt
Getting it Right	99% of payments to be accurate first time, measured against financial value	The agency has maintained a payment accuracy rate of over 99% across SPS, Trader and RDPE Schemes
Maintain Accurate Records of Cattle In Great Britain	At least 96% of notified births, movements and deaths to be entered onto the system within 5 working days of receipt	Over 99% of births, movements and deaths have been entered onto the system within 5 working days of receipt

Customer commitments

What success looks like	What RPA did
Pick-up the majority of calls made to the agency within 25 seconds	The agency picked up the majority, 73%, of calls made within 10 seconds
Resolve calls at the first point of contact wherever possible. Where this is not possible either agree a date for the next contact or return the call within 1 working day	RPA returned all calls to customers within 1 working day of the initial query to the Customer Service Centre
Normally reply to customer letters within 10 working days	Over 99% of letters were responded to within 10 working days
Acknowledge customer emails within 1 day of receipt and reply to the query within 10 working days	100% of emails have been acknowledged within 1 day of receipt and over 99% responded to within 10 working days
Update maps to reflect reported changes within 30 working days or acknowledge the request, outlining any further action required	Over 98% of requests have been acknowledged or maps updated within 30 working days
Normally issue requested cattle passports within 5 working days or within 2 working days if applied for online	Over 99% of passports were issued within 5 working days, and over 99% were issued within 2 working days when applied for online
Register the majority of complaints and agree a resolution plan within 15 working days. Where an agreement is not reached we will normally review the proposed resolution within 15 working days	99% of complaints were resolved or an action plan agreed within 15 working days. Where an agreement wasn't reached, in 100% of cases the proposed resolution was reviewed within 15 working days
Undertake a full review of decisions where complaints cannot be resolved satisfactorily and advise on the outcome within 30 working days	In over 78% of cases RPA were able to review the decision and inform the customer of the outcome within 30 working days

Department and taxpayer commitments

What success looks like	What RPA did
Maintain a focus on costs, living within a reduced budget and reducing the full end-to-end cost of an SPS claim	The agency has stayed within its budget and accepted further cost reductions. There has been a reduction in the SPS cost per claim
Minimise the risk of disallowance by responding to and agreeing a timetable to address all specific audit recommendations including consideration of legal challenge where appropriate	Governance is in place through committees and control of audit recommendations to minimise the risk of disallowance which results from control weaknesses identified in EU audits
Support the government's Digital by Default strategy by agreeing a baseline for digital transaction costs for SPS claims and cattle movements and increasing the number of SPS applications made online	68% of SPS applications were made online in 2014, an increase of 14%, equating to 14,000 more farmers applying online than in 2013. 89% of cattle passport requests were submitted online
Complete all of our compliance activities, including inspections, within regulatory requirements and not to exceed the EU regulatory minimum inspection rate required by more than 5%	All inspections have been completed within regulatory requirements

CAP reform

The new CAP schemes will come into effect for direct payments and rural development schemes in 2015. The negotiation of these replacement schemes, led by Defra, has been taking place between the European Commission, European Parliament and Member States since 2011.

The agency has been working closely in partnership with Defra to help improve understanding of the impact of proposals on the RPA and customers, focusing on reducing complexity and achieving value for money. These aims are shared by paying agencies in all Member States, which have been working together to influence the European Commission on implementation issues.

Within the complexity of the EU regulations the agency has strived to simplify the schemes. The RPA has published all guidance online, sent a hard copy to customers by post and worked with industry bodies and associations to help communicate updates and messages to help make things easier to understand and operate, examples of this include:

- **Greening** The agency has the flexibility to increase the range of Ecological Focus Area options on offer each year, providing the chance to adapt to this new requirement and learn lessons from the first year of implementation.
- **Active Farmer** The RPA have simplified the requirements, in particular over who is subject to the Active Farmer test. The original proposals would have required a significant proportion of customers to provide documentary evidence of income from farming, now only those on the list of non-agricultural activities will have to go through the re-admission process.
- **Cross Compliance** The emphasis for meeting Good Agricultural and Environmental Condition standards means the agency has moved towards an outcome focused approach, allowing farmers to manage their land in the most appropriate way to meet requirements, rather than through completion of forms.

CAP Delivery Programme

The RPA has been and continues to work with colleagues in Defra's CAP Delivery Programme who are developing the new IT systems and the processes required to administer the new rural payment schemes. The new systems and processes for rural payments will provide functionality through a series of regular deployments. Some of the system has been deployed this year and is in use, with the main components expected to be deployed in 2015 and 2016.

This has been a significant year for the agency; the Rural Payments Service was launched and work continues to ensure that future deployments being provided by the CAP Delivery Programme fulfil the requirements of the agency and the regulations of the new schemes. The RPA has been working to address issues identified following deployments that have already gone live.

The Basic Payment Scheme began in January 2015 and RPA invited all customers who had previously claimed for SPS to register for BPS. Initially focus was on assisting agents who managed claims for a third of customers but the agency worked with industry partners to ensure that everyone who wanted to claim for BPS in 2015 had the information and means to do so.

Despite good progress on registrations, customers experienced issues with the initial release of the online service, in particular the portal and land mapping functionality. The agency's priority was to support customers so that they could submit claims before the deadline and to do this the decision was made to revert back to the use of paper forms rather than continue use of the new customer portal. The information provided by customers in the claim forms would then be entered into the new system by RPA who could bypass the customer portal and enter data directly into the back office system thereby ensuring that a claim could be registered before the deadline of 15 June 2015.

As part of the revised claim processing approach, the agency provided farmers and their agent's forms that allowed customers to transfer land and entitlements and make changes to their land alongside the BPS claim form. The agency tailored the support provided to customers based on the nature and complexity of their claims, the majority, where customers were unlikely to be affected by new European Greening legislation or did not need to make changes to their land data were fast tracked through the Rural Payments Service. The remaining customers were offered assistance through their agents or were provided with map packs and claim check lists to prepare their claims.

The Countryside Stewardship application window opens in July 2015, the RPA is focused on making sure that as many people as possible can apply for the scheme in 2015 and therefore along with Natural England, Forestry Commission and Defra have implemented a paper based application system to mirror the process being used for BPS. Applicants for Rural Development Countryside Productivity, Growth Programme and Leader schemes have been advised to register on the Rural Payments system before applying.

The agency continues to support customers through the helpline, via drop-in support centres across England and with ten mobile units which are used to reach the most isolated farmers either at local village halls or via home visits. These support options have been recognised as being best practice across government.

The RPA continues to work in partnership with Defra to ensure that the systems being provided are fit for purpose and that risks are mitigated as much as possible in relation to the transfer to new computer software. The agency decided to postpone the release of the new customer payments system that had been designed by the CAP Delivery Programme, to allow testing to be completed and to work with Defra colleagues to address issues before the system was fully operational.

From May 2015 the Chief Executive Officer, Mark Grimshaw, took on the role of Senior Responsible Owner for the CAP Delivery Programme, further strengthening the partnership and interaction between the agency and Defra. This role includes chairing the Programme Executive meetings and has responsibility for the oversight of the delivery of the programme.

To support the change of CAP Delivery responsibilities, a new directorate has been created and will be managed by Jo Broomfield as an executive team director. The directorate will lead on the design and delivery of the Rural Payments Service with activities not directly related to the online service such as policy, IT hosting and communications moving into the relevant RPA directorate.

The financial management of the CAP Delivery Programme transitioned into the RPA's governance and management structure in April 2015. The financial and budget management team now report into the RPA Finance, Assurance and Commercial Director, Anne Marie Millar, who has taken on responsibility for approving significant financial commitments and reports on CAP Delivery Programme financial management to Alastair Bridges, the Defra Finance Director.

Ian Hewett, the RPA Change Director took on responsibility for the programme management office and the release management of the programme. This encompasses all aspects of rolling-out the service features, the surrounding processes and business readiness to ensure the agency has the structure and control needed to resolve emerging issues.

Following a close and continuing partnership with Defra, the RPA has strengthened its ability to deliver and implement the changes required for the new schemes.

Mark Grimshaw
Chief Executive Officer
9 July 2015

Annual sustainability report

This year the RPA built on previous year's good progress and remains committed to continuous improvement against sustainability targets.

Total greenhouse gas emissions have reduced to a new low of 2,695.2 tonnes of carbon dioxide, a reduction of 58% from the baseline data in 2009-10, exceeding the greening government target for all departments of 25% reduction over five years. The agency has also reduced energy usage, particularly non-renewable electricity which has reduced by a further 88% in the last twelve months.

Although the percentage of waste that the agency has been able to recycle or reuse has reduced to 83% this year, the RPA has reduced the total amount of waste by over 460 tonnes since 2009-10.

Water consumption has reduced due to the investigation and subsequent rectification of leakages. The agency has seen a reduction in the amount of water used to 13,929 cubic metres (2013-14: 17,982). Water costs in 2014-15 have been reduced due to a credit on the account of £16k.

Summary of Performance

This section presents the environmental data and associated financial costs. The RPA has provided this data in a format that is consistent with the requirements of HM Treasury's Sustainability Working Group guidance.

Greenhouse Gas Emissions		2014-15	2013-14	2012-13	2011-12	Baseline
Non financial indicators (tonnes CO^2)	Scope 1 emissions (direct)	**412.6**	351.1	356.0	517.2	1,020.2
	Scope 2 emissions (indirect)	**1,331.8**	1,409.0	2,014.9	3,394.6	3,981.9
	Scope 3 emissions (direct travel)	**950.8**	1,147.1	1,115.0	1,008.9	1,419.3
	Total emissions	**2,695.2**	2,907.2	3,485.9	4,920.7	6,421.4
Related Energy Consumption (kWh)	Electricity non-renewable	**11,979**	96,914	548,219	589,664	7,590,268
	Electricity renewable	**2,466,375**	2,816,421	3,816,556	5,815,909	
	Gas	**1,259,333**	1,902,166	2,087,218	2,810,295	5,556,447
Financial indicators (£)	Expenditure in energy	**416,738**	414,159	555,658	683,941	1,174,738
	Carbon Reduction Commitment (CRC) licence expenditure*	**31,822**	22,950	37,000	55,953	
	Expenditure on official business travel	**2,016,398**	2,418,960	2,134,454	1,714,273	2,268,130

* There was no CRC licence fee in the baseline year of 2009-10.

Waste Management (tonnes)	2014-15	2013-14	2012-13	2011-12	Baseline
Reused or recycled	**95.36**	147.14	234.98	306.80	428.10
Composted	**3.30**	2.21	2.04	1.70	1.98
Incinerated with energy recovery	**29.45**	1.78	13.96	19.20	28.26
Total recovered or reused	**128.11**	151.13	250.98	327.70	458.34
Incinerated without energy recovery	**0.02**	0.00	0.00	0.50	0.04
Landfill	**26.24**	28.53	34.90	37.40	159.82
Total waste	**154.37**	179.66	285.88	365.60	618.20
% recovered or reused	**82.99%**	84.12%	87.79%	89.63%	74.14%

Finite Resource Consumption	2014-15	2013-14	2012-13	2011-12	Baseline
Water Consumption Non-financial indicator (m^3)	**13,929**	17,982	15,899	15,108	16,248
Water Supply Costs financial indicators (£)	**27,081**	80,916	46,015	60,003	77,490

Directors Report

Performance commentary

Once again the RPA achieved record breaking performance against the 2014 Single Payment Scheme paying 95% of customers 91% of the estimated fund value on the first banking day of the payment window. This equates to 912 more customers being paid on the first day than in 2013.

Volume of SPS payments paid

Scheme Year	2014	2013	2012	2011	2010
First banking day of December	**95%**	92%	91%	81%	78%
End of December	**97%**	96%	93%	87%	85%
End of March	**99%**	99%	99%	96%	93%

Value of SPS payments paid

Scheme Year	2014	2013	2012	2011	2010
First banking day of December	**91%**	89%	85%	72%	61%
End of December	**96%**	95%	88%	82%	74%
End of March	**99%**	99%	99%	96%	88%

The agency has also exceeded expectations by meeting the March 2015 payment commitments for volume and value by January 2015, some two months ahead of schedule.

At the end of December 2014 there were 2,602 unpaid SPS customers relating to the 2014 scheme year (December 2013: 3,831). These customers were owed an estimated £23 million (December 2013: estimated £83 million). The agency achieved this improved payment profile whilst working on preparing the 2015 Basic Payment Scheme.

For trader schemes RPA exceeded the payment target of paying 96% of non-fruit and vegetable claims within 28 days by paying over 98% in five working days, 100% were paid within 60 calendar days.

The agency made 100% of payments under the Rural Development Programme for England (RDPE) within five working days of receipt, again meeting the commitment.

In the year April 2014 to March 2015 the agency issued 45,564 import licences and 1,286 export licences within five days of receipt of application and also issued 38,276 Certificates of Free Sale.

Record of over 99% of births, movements and deaths have been registered within 5 working days.

Meat Technical Scheme obligations were met, carrying out over 685 Beef Labelling Inspections and the agency processed 1,543 milk quota claims within 28 days.

The Horticulture and Marketing Inspectors (HMI) delivered 5,087 inspections across the country. Throughout the year, ten traders were moved out of the high risk category and two traders were referred to the Crown Prosecution Service for failure to comply. The agency completed 100% of inspections for all schemes within regulatory deadlines including Land Eligibility and Cross Compliance. The Inspection toolkit was improved to utilise advances in technology, allowing Inspectors to update maps digitally while in the field and submit mapping update requests electronically when back in the office.

In order to meet a shortfall in RPA inspector resource, 848 additional cross compliance inspections and 1,277 sheep and goat inspections were completed by resources from NSF and Hall Mark respectively. There was a slight reduction of 164 cross compliance inspections completed this year.

The British Cattle Movement Service (BCMS) achieved all performance indicators, with performance across the year remaining above targets. Over 99% of birth, movement and death transactions were completed within agreed deadlines. The RPA have continued to process a significant volume of transactions in this area with 2.8 million passports issued, 2.5 million of these passports were requested via an online submission. The agency continues to receive positive feedback from customers on this service.

There were 10,633 requests for mapping changes received across the year. Changes were processed and maps dispatched within 30 days in 98% of cases, or the customer was notified if the change would take longer than 30 days to process.

The Rural Development Directorate has delivered over 3,000 projects supporting and developing rural businesses. This represents over £95 million in grant funding awarded to projects worth nearly £200 million, generating over £105 million of private investment. These projects are directly responsible for creating over 615 jobs in the rural economy.

There have been 1,936 Farming and Forestry Improvement Scheme project grants issued aimed at helping businesses become more efficient, sustainable and to improve animal health and welfare.

The RPA has continued development and delivery of the Farming Recovery Fund, that assists farmers and land owners in bringing their land back to productive use following the floods in the winter of 2013-14. Over 280 farm businesses have received grant funding to assist in this recovery.

The Skills Framework aimed at increasing skills and facilitating knowledge transfer for those working in the farming industry has provided over 30,000 beneficiaries more than 23,000 training days this year.

There have been 75 large grant investments, under the Rural Economy Grant scheme, aimed at assisting rural businesses in making a major change to their business resulting in the creation of rural jobs and growth in the rural economy.

Customer, stakeholder and supplier engagement

Our customers

The RPA has continued to improve the information, support and service it provides to customers, working closely with operational partners and policy colleagues across the Defra network as well as industry stakeholders. The agency has published a suite of CAP Reform Countdown Leaflets to prepare the farming industry for the new direct payments scheme. In line with a Defra Ministerial commitment to notify the industry of forthcoming changes as they emerged, the RPA set out a comprehensive range of regulatory topics including Greening, Active Farmer, New Entrant and Young Farmer requirements as policy and implementation criteria became known. To assist customers in understanding the rules for BPS, the RPA published a handbook in February 2015 titled 'The Basic Payment Scheme in England 2015'.

Customer satisfaction scores

The RPA continues to keep customer feedback at the heart of its decision making. Quarterly customer satisfaction surveys measure farmer's experience of RPA's main service areas including payments, the Customer Service Centre, written communications, physical inspections and the BCMS.

	2014-15	2013-14
Annual customer satisfaction scores	**7.7**	8.6

The annual customer satisfaction score this year is 7.7 out of ten (2013-14: 8.6), the reduction has been attributed to the challenges experienced with the introduction of BPS. The agency will be working closely with customers and stakeholders in the coming year to improve the customer experience.

Complaints and appeals

All complaints received by the agency are recorded. More than 72% of complaints are resolved at the initial stage by the case worker without the need to escalate to the review stage. The target is to resolve 80% of complaints at this initial stage.

Complaints handled	2014-15	2013-14
Prior year complaints unresolved	**551**	364
New complaints received	**2,143**	2,311
Complaints resolved	**2,292**	2,124
Complaints unresolved at end of March	**402**	551

Of the complaints that were escalated to the resolution stage, two-thirds were resolved at that stage and the remaining third were escalated to the review team. If customers are not satisfied with the outcome following review, they can refer their complaint to the Parliamentary and Health Services Ombudsman (PHSO) for service issues or they can ask for an appeal to be heard by the Independent Agricultural Appeals Panel (IAAP) if their complaint is about a decision RPA have made. This panel advises the Farming Minister who takes a final decision on appeals.

IAAP appeals handled	2014-15	2013-14
Prior year appeals unresolved	**40**	57
Appeals received	**42**	52
Of which:		
Upheld	**11**	15
Partially upheld	**18**	3
Not upheld	**27**	49
Appeals withdrawn	**1**	2
Appeals resolved	**57**	69
Appeals unresolved at end of March	**25**	40

The agency has investigated the root cause of complaints which has highlighted the largest areas of complaints were about issues over regulations and inspections, in particular cross compliance reductions resulting from inspections. In February and March 2015, there was an increase in the number of complaints relating to online registration in readiness for the Basic Payment Scheme.

Parliamentary and Health Service Ombudsman

In 2014-15 the Ombudsman carried out 19 investigations of which 15 have been completed.

PHSO	2014-15	2013-14
No. of investigations	**19**	18
Customer complaint upheld	**7**	-
Customer complaint partly upheld	**6**	1
RPA decision upheld	**2**	1
No. of investigations completed	**15**	2

Access to information requests

The agency responded to 937 requests for information this year, of which 97.5% were within the agreed deadlines (2013-14: 925 and 84.3%). These cases involved requests for information under the Data Protection Act 1998, the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. An additional 98 business as usual requests were managed by the Access to Information Helpdesk.

Our stakeholders

As set out in the business plan, working with stakeholders has been essential as the agency moves towards implementation of CAP reform to maintain recent improvements and to help meet performance indicators. The agency also worked closely with a wide range of organisations involved with farming and the countryside, this allowed the RPA to explain various matters including progress on the final Single Payment Scheme and to listen to feedback on subjects that are important to customers which could aid early resolution.

Foreign engagement

The RPA has continued to welcome engagement with government institutions from a number of countries who are keen to share understanding of CAP administration and corporate business. During the year the agency has welcomed missions from Japan, Mexico, Moldova, Serbia and Turkey, the latter three as returning visitors.

Improved guidance

The Common Agricultural Policy reforms are the most significant policy changes affecting farmers in the last 10 years. As part of BPS all applicants need to comply with a range of new rules which are considerably different to the rules supporting SPS. These changes cover obligations such as an Active Farmer test, Land eligibility and agri-environmental measures referred to as Greening. The agency has collaborated extensively with farming industry representatives to develop guidance that sets out these new obligations for farmers as clearly as possible.

The agency has supported Defra and its operational partners in developing and publishing guidance across a full range of schemes and services that meet Cabinet Office GOV.UK digital writing standards. This guidance is fully accessible by customers through a range of channels including the internet, email and printed copies.

Better regulation

The RPA is committed to supporting Defra's contribution to the better regulation goals and achieving simplicity wherever possible. To achieve this, the agency takes every opportunity to minimise the burden on customers by implementing European legislation as appropriately as possible to ensure that when policies are developed they are consistent, targeted, deliverable and proportionate.

In particular, the agency undertook activity in the following areas:

- **The Accountability for Regulator Impact Scheme** is part of a wider package of measures to help regulators enable compliant businesses to grow. Since July 2013 the RPA has introduced internal processes to recognise when a Business Engagement Assessment (BEA) is necessary. The BEA is used to measure and agree the benefits or burdens to businesses that may arise from a significant change to operational policies, processes or practices and provides a quantification of the total expected direct cost.
- **The Revised Regulators' Code** came into effect on 1 April 2014. It provides a clear framework for how regulators should interact with those they regulate. The revised code requires the agency to carry out activities in a way that supports regulated businesses, ensuring that decisions made are transparent to

help customers understand what they can expect from the agency.

- **The Farm Visit Project**, led by Defra, aims to identify opportunities to reduce the burden on compliant farmers through a range of initiatives such as improved data sharing and risk selection, improved co-ordination of cross agency inspections and examination of alternative enforcement methods. The agency has supported Defra and its regulators to provide inspection information and has participated in the Find-it Tool pilot project. The project is aiming to develop a Geographical Information System (GIS) based tool which could be used to co-ordinate selection and performance of cross agency inspections, plan national strategies and develop risk rankings for farm businesses.
- **Regional Inspection Forums** were attended by the RPA; these forums were formed as a result of a Task Force recommendation and through this presence RPA have provided clarity to farmers and other regulators about how inspections are carried out. The agency has also contributed to the development of a Farm Inspections guide published by Defra and continues to work with Defra to explore further opportunities to build earned recognition into inspection regimes.
- **Review of the Cross Compliance Verifiable Standards**, led by Defra in close conjunction with RPA aims to identify areas where more proportionate cross compliance reductions can be applied when farmers are found to be in breach of the cross compliance rules. As a result of a Task Force recommendation, opportunities are being reviewed for making inspections and enforcement more outcome focused. The agency is contributing to the review using the extensive knowledge and experience gained in implementing cross compliance since its introduction in 2005.

Transparency of data

The RPA is committed to supporting greater transparency with regard to third party administrative spend. All government procurement card spend, expenditure with all suppliers greater than £25,000 per transaction and a complete procurement spend analysis of all supplier procurement spend is reported each month. This information is made available on the central government website. Procurement opportunities over £10,000 are recorded on the Contracts Finder website.

Payment of suppliers

The RPA complied with the government's prompt payment targets and the Confederation of British Industry's Prompt Payment Code. In the March 2010 budget, a target was announced for departments to pay 80% of undisputed invoices within five working days of receipt from May 2010.

Supplier payment statistics	2014-15	2013-14
Payment within 5 days	**98.4%**	86.8%
Payment within 10 days	**99.5%**	98.5%

For the year ending 31 March 2015, trade payables to suppliers represents 2 days of expenditure (2013-14: 1 day).

Tax arrangements of public sector appointees

In line with the recommendations of a review of 'Tax Arrangements of Public Sector Appointees' published by HM Treasury in May 2012, which came into effect on 23 August 2012, the RPA put in place controls to ensure its non-payroll people earning greater than £220 per day are contractually obliged to assure the agency that they are meeting their tax obligations; compliance with this requirement has been good. Monitoring continues to take place to enable reports to be supplied to Defra.

Off-payroll engagements

The tables below provide the figures for the number of off-payroll engagements that are more than £220 per day and last for at least six months within the agency.

Number of new engagements	2014-15
Which include contractual clauses giving the department the right to request assurance in relation to income tax and national insurance obligations	**15**
For whom assurance has been requested	**15**
Of which:	
For whom assurance has been received	**15**
For whom assurance has not been received	**-**
That have been terminated as a result of assurance not being received or ended before assurance was received	**-**

Number of existing engagements	2014-15
Existing engagements as of 31 March 2015	**33**
Of which:	
Existed for less than one year at time of reporting	**12**
Existed for between one and two years at time of reporting	**15**
Existed for between two and three years at time of reporting	**6**
Existed for between three and four years at time of reporting	**-**
Existed for four or more years at time of reporting	**-**

The requirement for non-payroll people reflects a hybrid approach to resource planning. The agency is undergoing a significant transformation with the implementation of the CAP Delivery Programme.

Audit of schemes

The RPA continues to maintain a strong focus on demonstrating to external audit bodies that schemes are being delivered in compliance with EU rules. The Compliance Team has applied its experience in negotiating with the EC's audit services and the Conciliation Body across a wide range of schemes. This role has fitted well within Defra's overall approach to disallowance management that also addresses opportunities to influence new EU policy and ensure that these policies are delivered in the most effective and cost efficient way.

The audit activity relating to the agency's EU accounts resulted in fewer recommendations for improvement than in previous years; this is a good indicator of underlying improved performance in delivering SPS and the schemes that support RDPE. Particularly pleasing was the improved position regarding SPS debt, although there is still work to do to improve the accuracy of debt recording for some Rural Development schemes.

The agency has been subject to three new EC audits, looking at Rural Development Capital Grants administered by Natural England and the Forestry Commission, LEADER and Area Aids. The RPA has taken part in bilateral discussions for each audit to discuss the Commission's observations and can expect to see the result of these negotiations in the coming months.

Other audit enquiries have progressed more slowly; results are still awaited from audits of the Fruit and Vegetable scheme and debt management. The Commission have made a disallowance proposal following an audit of Cross Compliance undertaken in 2012 which is currently under consideration.

The agency has used the EU Conciliation procedure on two occasions during the year to challenge the level of financial correction proposed against administration of Area Aids in 2010 and 2011 and Agri-environment measures in 2009 and 2010.

Negotiations with the EC and the Conciliation Body have resulted in greater understanding of control improvements and in some instances significant reductions to disallowance proposals.

In addition to the annual Statement of Assurance audit, the European Court of Auditors has looked at administration of Rural Development Capital Grants and the Skills programme.

The Commission made three reservations in respect of CAP expenditure in England for the 2013-14 EU accounting year on the basis of its estimates of residual error rates. The agency has provided the Commission with formal action plans in respect of improvements to Land Parcel Identification System, Agri-environmental schemes and Fruit & Vegetable Producer Organisations. RPA will monitor the delivery of these plans and report on progress to the Defra and the Commission.

New arrangements for the Commission's conformity audit that will see disallowance proposals emerge within two years of audit observations came into effect in January 2015. The agency is already starting to see the impact of these new arrangements; with less overlap between audit missions making management easier, but giving less time to prepare evidence to challenge any adverse observations.

The EC are also introducing new arrangements for the determination of disallowance; although the basic principles remain the same, the guidelines contain provision for the aggregation of control deficiencies to increase flat rate corrections. The UK Government disagrees with the new provisions in the horizontal regulation and is pressing for reform. The RPA is taking action to address the financial risk associated with individual weaknesses and through early consideration of investment opportunities that have the potential to reduce future exposure to disallowance.

The lessons learned from previous audit observations are being incorporated into a Scheme Control Framework that will underpin the new schemes that will operate from 2015. This framework will provide a useful tool for the future management of external audit activity and the potential disallowance risks associated with specific regulatory controls.

Our people

Organisational design and development

CAP implementation has generated a number of short and medium term organisational requirements with implications across the agency which is supported by the adoption of a highly flexible blended resource approach exemplified by the deployment of colleagues to support customer facing activities for BPS 2015. A balance has been struck between responding to short term resourcing and longer term organisational development.

Capacity and capability

The RPA has invested in learning and development in line with capability gaps identified across the Civil Service. The Operations Task Force was created on 1 April 2014. It offers the agency a flexible and multi-skilled team able to respond to changing demands throughout the year by getting involved in different areas of work as needed.

Developing the workforce

The Talent Management Scheme, which has been recognised as a finalist in the Personnel Today awards, is continuing to provide opportunities to develop talent within the agency, with a focus on developing future senior leaders. There are currently 52 members on the scheme across three cohorts with our first group graduating from the programme in May 2015.

The agency has delivered other development schemes including one to one coaching for senior executives and an HEO and SEO development programme.

Celebrating our success

The scheme has been actively used throughout the year both locally by line managers and centrally by the Executive Team. The awards recognise and reward in-year achievement by RPA people that go above and beyond their normal duties to support successful delivery of business objectives.

The Rural Development Programme Policy Team won the excellence in reform award in this year's Defra Team Awards, working with four government departments, the team led on developing an innovative model which puts local priorities at the heart of £5 billion of EU investment. Two other entries from the agency were shortlisted in the unsung hero and excellence in innovation awards.

Diversity

The RPA is in the process of finalising the Diversity and Inclusion Talent Action Plan, which supports the Defra Diversity and Inclusion Strategy and the Civil Service Talent Action Plan. The agency has also engaged with the Defra Disability Network (DisNet), supporting the "Break the Stigma" campaign to change attitudes to mental health and appointed a member of the Executive Team, Alison Webster, as the DisNet champion to support this activity.

Gender diversity as at 31 March 2015	Male	Female
Executive Team	7	4
Agency (excluding Executive Team)	1,008	1,156
Non Executive Directors	5	1

Employee engagement

The improvement seen in previous years with engagement in the agency has continued, with the index improving to 44% in 2014 (2013: 41%). The overall index for the Civil Service is now at 59% (2013: 58%). The agency continues to focus on the five drivers of engagement through a range of programmes to address highlighted issues and improve communication including the use of roadshows, adopt-a-site initiatives and improvement action plans.

Engagement index	2014	2013
RPA Engagement Index	**44%**	41%
Civil Service Engagement Index	**59%**	58%

Employee relations

The Trade Union engagement framework which was introduced in April 2014 in partnership with the Trade Unions is now embedded within the agency. Monitoring arrangements of facility time used by the Trade Union representatives are in place and the levels have been within the maximum introduced by the Cabinet Office in 2013.

Employment tribunals

There were no employment tribunals between 1 April 2014 and 31 March 2015.

Attendance management

Following the last two years of a new approach to Attendance Management the agency has helped to increase attendance and support people who are too ill to attend work.

Year to March	2015	2014	2013	2012
Annual Working Days Lost (AWDL)	**6.7**	7.0	9.2	8.6

From 6 October 2014, the Defra HR casework moved to a new service called Civil Service HR Casework provided by the Ministry of Justice.

Occupational health and well being

The contracted welfare assistance programme is jointly supplied through Health Management Limited, who provide Occupational Health services, and ATOS Healthcare, branded as 'Help' who provide the Employee Assistance Programme. RPA people suffering from long term health issues are referred to the occupational health service to ensure that the necessary support is provided and any reasonable adjustments recommended by the health professional are then considered.

The agency has also taken part in the Defra 'Know Your Numbers' campaign which enabled people to check their weight, body mass index, heart health and blood pressure. The effectiveness of these activities are now being evaluated which will enable the RPA to consider their long term well-being strategy.

Health and safety

The number of Reporting of Injuries, Diseases and Dangerous Occurrences Regulation (RIDDOR) cases has reduced this year to 1 (2013-14: 2), although there has been a slight increase in the number of overall incidents compared with the previous year.

RIDDOR	2014-15	2013-14
Fatal injuries	**-**	-
Major injuries	**-**	-
Dangerous occurrences	**-**	-
Over 7 day injuries	**1**	2
Occupational diseases	**-**	-
Total	**1**	2

Incident by type	2014-15	2013-14
Animal related	**6**	8
Ill health (inc. musculo-skeletal & stress)	**63**	41
Minor and other	**34**	39
Near misses	**19**	25
Road traffic accidents	**13**	14
Slips, trips, and falls	**36**	23
Violence, aggression and verbal abuse	**8**	10
Total	**179**	160

Security and information risk

The alignment to Information security ISO/IEC 27002:2013, previously ISO/IEC 27002:2005 is audited annually by the NAO. This is a requirement under Commission Regulation 885/2006. The Agency Security Unit conducts compliance reviews of the RPA, suppliers and delegated bodies to ensure assurance of alignment to ISO/IEC 27002:2013. A favourable 2014 Certifying Body report for information security management was received.

Under Commission Regulation 907/2014 there is a new requirement to be certified to ISO/IEC 27001:2013 from 16 October 2016. A pre-audit assessment by the British Standards Institute has indicated that the agency is sufficiently prepared for this certification, which the RPA aims to achieve in 2015.

Information handling

The agency has an established governance structure to ensure that information assets are handled appropriately by the Senior Information Risk Owner (SIRO). To support the SIRO, the Agency Security Officer and Information Asset Coordinator provide a focal point for Information Asset Owners to seek guidance on effective approaches to managing risk within the defined risk tolerance.

Information data handling courses are embedded in induction processes. Each year all RPA people are required to complete the General User Responsible for Information training course. Information Asset Owners and those directly involved in information governance are also required to complete specialist training provided by Civil Service Learning.

In 2014-15 a total of 54 potential incidents were reported, following investigation seven of these incidents related to personal data.

Category	Nature of incident	2014-15	2013-14
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	-	-
III	Insecure disposal or inadequately protected electronic equipment, devices or paper documents	-	-
IV	Unauthorised disclosure	3	-
V	Other	4	-

The category IV incidents include the sharing of diversity information that was incorrectly left in a presentation and circulated to Human Resources senior managers, an Occupational Health referral letter being sent to a colleague of the same name as the intended recipient and reported cases where customers were able to access another customer's data of the same name. All cases are being addressed and processes improved to prevent reoccurrence.

The category V incidents involve the loss of one laptop and three Blackberry's, both types of device have CESG National Technical Authority for Information Assurance approved encryption.

Personal data incidents

There were no personal data incidents that fell within the criteria for reporting to the Information Commissioner's Office.

Fraud

Fraud referrals are reviews undertaken by the agency to consider whether a potential fraud has occurred. The agency takes appropriate recovery action on cases where the recommendation is made to recover funds.

The Defra Investigation Service (DIS) provides, for Defra and its executive agencies, an effective investigation service for alleged criminal or regulatory offences. The DIS team is part of the Assurance Function and works with the RPA to identify fraudulent activity.

External fraud

RPA external fraud	2014-15	2013-14
Number of new external fraud referrals in year	**158**	177
Number of external fraud referrals closed	**153**	160
Value of potential fraud associated with all closed referrals	**£1.12m**	£2.91m
Of which:		
Detected fraud value	**£175,877**	£480,887
Detected fraud number of cases	**17**	37
Prevented fraud value	**£50,864**	£181,876
Prevented fraud number of cases	**24**	17
Number of fraud cases outstanding	**71**	66

Of the value of detected external fraud, £156,572 has been recovered.

Internal fraud

The agency has been working to improve the reporting and identification of possible internal fraudulent activity. This year the RPA has developed its own training that provides a high level overview of fraud in the agency, guidance on the process for reporting any suspicions of fraud, highlighted the indicators of internal as well as external fraud and detailed how our people can best aid any investigations. This training has been completed by the targeted areas of the business.

The Fraud Risk Management Team are responsible for ensuring that the agency mitigates the risk of internal fraud through increasing knowledge and awareness. All people within the agency have completed the Responsible for Information training on Civil Service Learning which introduces aspects on fraud and bribery.

The agency has been working with the CAP Delivery Programme to ensure that processes and systems being developed have considered and taken appropriate action to mitigate the risk of fraud.

Financial review

Preparation of the Annual Report and Accounts

The Statement of Accounts reports the financial results for the year from 1 April 2014 to 31 March 2015. It is prepared in accordance with Section 7(2) of the Government Resources and Accounts Act 2000, the Accounts Direction issued by HM Treasury and the Financial Reporting Manual (FReM) published by HM Treasury.

Auditor

The annual accounts have been audited by the Comptroller and Auditor General who was appointed under the Government Resources and Accounts Act 2000. A notional cost of £270,000 was incurred for the audit of the agency's accounts (2013-14: £320,000).

The Comptroller and Auditor General is also the auditor of the Statement of Accounts for the European Agriculture Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) which have a financial year ending 15 October. The cash cost for the audit of these funds, for transactions for England, was £2.5 million (2013-14: £1.3 million). The auditor has not conducted any non-audit work for the agency in either of the last two years. During the year the RPA reimbursed the NAO for the cost of a secondment into the agency.

The Accounting Officer has taken all the steps necessary to familiarise himself with any relevant audit information and to establish that the agency's auditor is aware of that information. As far as he is aware, there is no relevant audit information of which the agency's auditor has no knowledge.

Financial performance

The RPA normally considers its financial performance in two categories – running costs representing monies needed to provide the service required of the agency by Defra, and scheme costs related to the funds administered.

The running costs are funded by Defra. Payments under the EAGF and EAFRD schemes are initially funded by the UK Exchequer, with subsequent reimbursement sought from the European Commission (EC). When the reimbursement is received by the agency, it is repaid to the UK Exchequer, net of short-term funding requirements.

Gross running costs this year of £152 million were in line with the previous year, despite an increase in headcount and associated costs due to the transfer of the Rural Development Team into the agency in the summer of 2014. Net running costs, allowing for income were £147 million (2013-14: £151 million). The decrease is mainly due to receipts from the Rural Development Programme for England Technical Assistance (RDPE TA) fund which is designed to assist in the transition to the new programming period.

Payments made, and reimbursements claimed, under the schemes administered have reduced slightly to £1.6 billion (2013-14: £1.7 billion).

Funds provided to Scotland, Wales, Northern Ireland and the Forestry Commission for Scotland and Wales were also lower at £1.1 billion (2013-14: £1.2 billion).

Overall net scheme expenditure for the year is £24 million compared to a net income in 2013-14 of £5.2 million. The movement here is due to foreign exchange movements and an increase in scheme provisions.

Financial position

Non-current assets of the agency have continued to reduce in year, by £13 million (68%) to reflect expected replacement under the CAP Delivery Programme in 2015-16.

Trade receivables have grown significantly by £114 million (34%) compared to 31 March 2014. This is due to increases in monies due from the EC related to the EAFRD programme. Consequently there is minimal risk in this short-term increase in receivables.

Trade receivables related to the Single Payment Scheme have continued to fall following the measures introduced in recent years. The balance at 31 March 2015 was £2.3 million, a decrease of 55% on the value at 31 March 2014.

Trade payables have fallen overall by £54 million (36%) mainly due to expected repayments against advances received from the EC in relation to Rural Development programmes.

The overall impact of these movements was to reduce the cash balance of the agency by £76 million (48%) at 31 March 2015, compared to 31 March 2014.

Financial risk

The agency is exposed to two significant financial risks inherent in the process of administering scheme payments.

The first is a foreign exchange risk since scheme payments are predominantly made in Sterling while reimbursements from the EC are received in Euros. Consequently, any differential between the prevailing exchange rate when reimbursement is received and the scheme exchange rates fixed by the EC will result in an exchange gain or loss for the agency.

To mitigate this risk, the RPA enters into derivative contracts for SPS and for the Rural Development Programme for England. No such arrangements are entered into for Trader schemes due to their lower values relative to the costs of hedging.

As at 31 March 2015, these derivative contracts have increased in value, representing a net asset of approximately £23 million to the agency (2013-2014: £1 million). This increase in value is consistent with the foreign exchange movements referred to earlier.

The second significant financial risk relates to the potential that the EC may retrospectively choose not to reimburse the agency for payments the agency makes should there have deemed to be any infringements in scheme regulations. Such disallowances represent a high risk to the agency due to the complexity and extent of scheme regulations. Management of this risk is described further in the Governance statement.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed RPA to prepare for each financial year agency accounts detailing the resources acquired, held or disposed of and the use of resources during the year. The agency accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net operating costs, changes in Taxpayers' Equity and cash flows for the financial year. HM Treasury has approved the Chief Executive Officer as the Accounting Officer with responsibility for preparing the accounts which are required to comply with the requirements of the Government Financial Reporting Manual and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to:

- observe the relevant accounting and disclosure requirements
- apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclosed and explain any material departures in the accounts
- prepare the financial statements on the going concern basis

The responsibilities of the Accounting Officer include responsibility for the propriety and regularity of the public finances for which he is answerable, keeping proper records and for safeguarding RPA assets. These are set out in the Accounting Officer's Memorandum, issued by HM Treasury and published in Managing Public Money.

Corporate governance

The RPA operates within a framework of a strategic plan and an annual business plan. The strategic plan outlines duties and priorities as set by ministers. The business plan details the annual performance indicators as agreed with the department, Defra. Progress against these objectives is recorded in the Annual Report and is subject to scrutiny from Defra and others including the National Audit Office (NAO), Environment, Food and Rural Affairs (EFRA) Select Committee and the Public Accounts Committee (PAC).

Governance framework

Defra's Secretary of State, Rt Hon Elizabeth Truss MP, has overall responsibility for RPA and is accountable to Parliament for all matters concerning the agency, having succeeded Rt Hon Owen Paterson MP in July 2014. Ministerial responsibility for RPA was assigned to Parliamentary Under Secretary of State George Eustice MP from October 2013.

Bronwyn Hill, Defra's Permanent Secretary, is the Principal Accounting Officer and principal adviser to the Secretary of State on matters affecting Defra as a whole, including resource allocations across the department, and is responsible for ensuring a high standard of financial management.

The Chief Executive Officer, Mark Grimshaw, is designated as the agency's Accounting Officer by the Principal Accounting Officer. He must be satisfied that the agency has adequate risk management, financial systems and procedures in place to support the efficient and economical conduct of its business, safeguards financial propriety and regularity, safeguards its reputation, and ensures business continuity. The Chief Executive Officer is managed by the Permanent Secretary.

Relationship with Defra and Parliament

The Permanent Secretary appointed the departments Director General Chief Operating Officer (DG COO), Betsy Bassis, as Corporate Owner in September 2014 to act on her behalf on day to day issues and to generate the close contact needed between Defra and the agency. She replaced Ian Trenholm who left Defra in June 2014. The Corporate Owner is responsible for overseeing the overall performance of the agency and chairs monthly meetings between the Corporate Customer, RPA CEO and Finance, Assurance & Commercial Director. These replace the quarterly performance reviews previously carried out.

The Corporate Owner is responsible for overseeing the overall performance of the agency and has appointed a Corporate Customer, Sarah Hendry, from within the Defra senior management team to provide a high level interface with the agency on all matters relating to the overall delivery and quality of services provided. Sarah Hendry is a Defra Director and during 2014-15 supported the Minister and the Corporate Owner in making sure that the requirements on RPA of Defra and other agencies were met. This was managed primarily through a Customer Board which has been effective in coordinating the policy requests from Defra into the agency.

The Network Executive Committee replaced Defra's Executive Committee and is chaired by the Permanent Secretary. It comprises the Defra Director General's and Defra's Finance Director, along with four network Chief Executives from the Environment Agency, Natural England, the RPA and the Animal and Plant Health Agency. The committee provides a strategic steer and makes decisions where appropriate on cross-network issues.

Within the department, Defra's Corporate Owner Support Team and RPA Customer Policy Team advise the Minister, Corporate Owner and Corporate Customer on their responsibilities in relation to the agency. This involves balancing a range of interests that Defra, and government more broadly, has in the organisation.

Agency Management Board (AMB)

The Agency Management Board is responsible for strategic oversight of the agency's performance, advising and challenging the Chief Executive Officer, and escalating issues to Defra and ministers as appropriate. It provides:

- leadership in the delivery of statutory corporate and business responsibilities
- ensures that risks are effectively identified and managed
- encourages improvements in performance across the agency
- ensures effective governance and control is in place for the agency

The Agency Management Board brings together a Non-Executive Director chair, Trevor Spires, with the Chief Executive Officer and three nominated RPA executive directors, four other non executive directors and a Defra director acting in a non-executive capacity. Other RPA executive directors attend on a rotational basis. The role of RPA's non-executive directors is to advise, support and challenge using their experience and expertise from different areas, including the private sector.

Members of the Agency Management Board for the reporting period:

Trevor Spires, CBE	Non-Executive Director – Chair
John Carter	Planning and Performance Director
Peter Conway	Non-Executive Director – Chair of ARAC
David Cotton	Non-Executive Director
Arik Dondi	External Relations Director
Angela Gillibrand	Non-Executive Director
Mark Grimshaw	Chief Executive Officer
Anne Marie Millar	Finance, Assurance and Commercial Director
Julie Pierce	Defra official
Radburne Thomas	Non-Executive Director

Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee is responsible for advising both the Agency Management Board and Chief Executive Officer as Accounting Officer, on:

- all matters relating to strategic processes for risk and control
- the governance statement
- accounting policies
- the Annual Report and Accounts
- assurance of internal and external audits (including work conducted on behalf of the Certifying Body) and anti-fraud policies

The Audit and Risk Assurance Committee is chaired by Non-Executive Director Peter Conway and formed of four non-executive directors, three of whom also sit on the Agency Management Board. Regular attendees include the Finance, Assurance and Commercial Director, Head of Defra Internal Audit and National Audit Office representatives.

Members of the Audit and Risk Assurance Committee for the reporting period:

Peter Conway	Non-Executive Director – Chair
David Cotton	Non-Executive Director
Angela Gillibrand	Non-Executive Director
Arthur Reeves	Non-Executive Director (Independent member)

Executive Team (ET)

The Executive Team sets the direction for the agency and takes responsibility for the delivery of the Five Year Plan and the Annual Business Plan. It has overall authority to run the agency on a day to day basis. The team spans the organisation in an 'Arc' structure, sharing executive responsibility for the overall organisation. Each directorate plays a part in supporting the Arc while acknowledging the impact of their actions on other directorates.

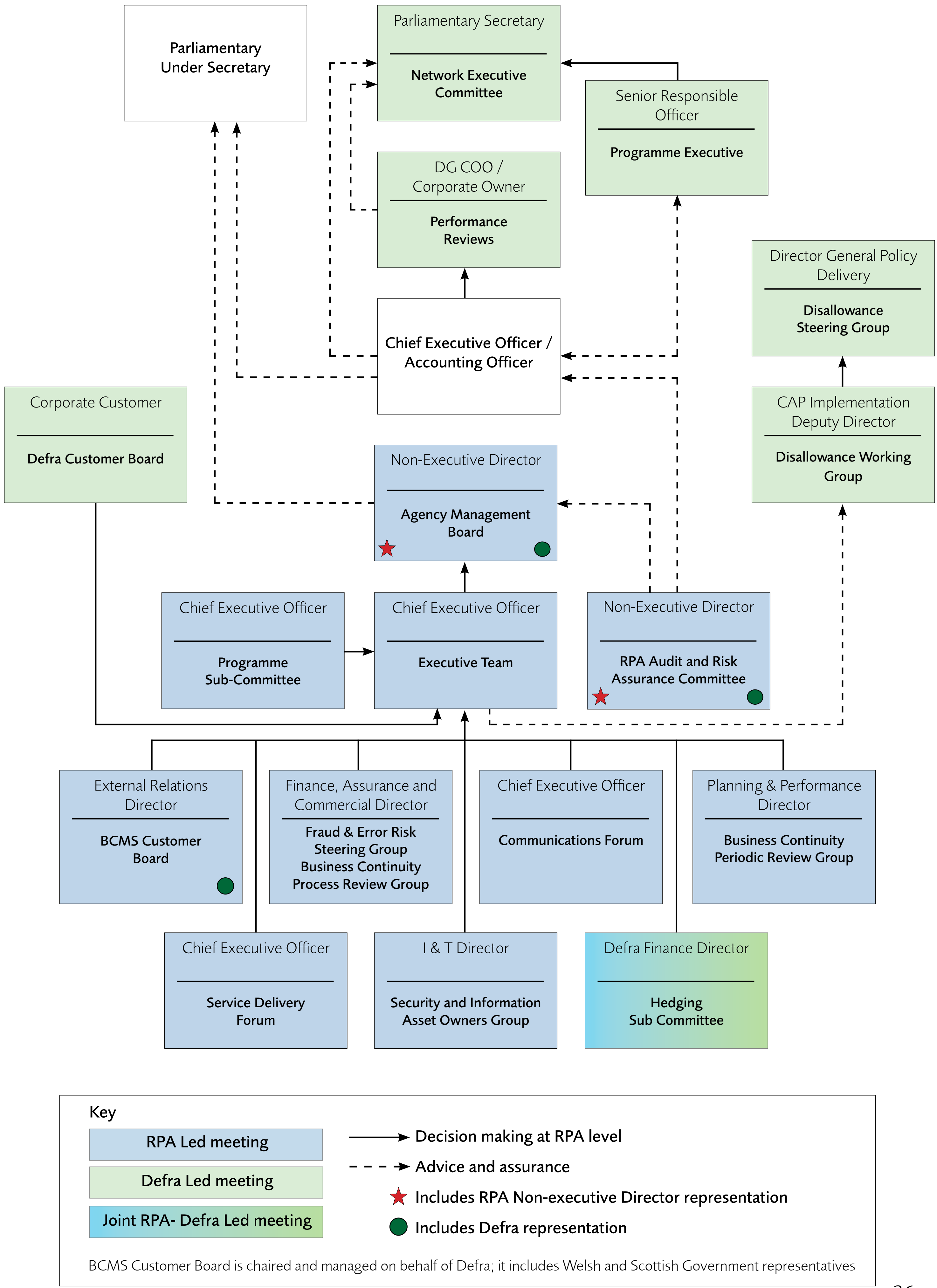
Members also have key roles across the range of governance activity which ensures consistency on the quality and appropriateness of where decisions are made.

The governance framework of the agency is supported by a number of additional groups covering specific elements of the agency's operations. These have central roles in the management of some of the key risks associated with the RPA.

Members of the Executive Team for the reporting period:

Mark Grimshaw	Chief Executive Officer – Chair
Emma Appleby	Design Director
Nicola Bettesworth	Human Resources Director (to 27 October 2014)
Paul Caldwell	Operations Director
John Carter	Planning and Performance Director
Justin Chamberlain	Customer Director
Arik Dondi	External Relations Director
Ian Hewett	Change Director
Sally Mapstone	Acting Human Resources Director (from 28 October 2014 to 31 March 2015)
Anne Marie Millar	Finance, Assurance and Commercial Director
Ed Schofield	Information and Technology Director
Alison Webster	Rural Development Director (from 1 June 2014)

Governance overview



Key business at AMB and ARAC meetings

On appointment, members of the Agency Management Board and the Audit and Risk Assurance Committee have provided a list, in writing, of all possible conflicts of interest. All non-executives update their entry on the RPA register of interests annually. In addition, conflicts of interest are declared at the start of each meeting with the chair managing discussions appropriately.

The Agency Management Board met twelve times in the year. It reviewed and agreed its Terms of Reference which includes a formal schedule of matters which cannot be delegated.

Key business at AMB meetings throughout the year:

April 2014	Directorate Update - Design, AMB Improvement Plan, Health & Safety Report, ARAC Update
May	Directorate Update - HR, Introduction to RDT, Future Size and Shape of the Organisation, Annual Report and Accounts, Business Continuity, Disallowance Reporting
June	Directorate Update - Operations, Guest Speaker: Defra Deputy Director, Annual Report and Accounts, ARAC Annual Report to AMB
July	Directorate Update - Change, Guest Speaker: Parliamentary Under Secretary, Health & Safety Report, Disallowance Reporting
August	Directorate Update - Customer, Guest Speaker: Defra Better Regulation Risk Management, Forecast Disallowance
September	Preparedness for 2015, Livestock Programme Overview, Assisted Digital Update, 2015-16 Budget, 2015 AMB meeting dates
October	Directorate Update - I&T, Guest speaker: Defra Chief Operating Officer, Preparedness for 2015, Health & Safety Report, ARAC Update
November	Directorate Update - RDT, Preparedness for 2015, Executive / Non-Executive Buddying, Business Continuity Report
December	Directorate Update - Design
January 2015	Directorate Update - Customer, Risk Register, Disallowance Reduction Investment Plan, People Survey Results, Board Effectiveness, Health & Safety Report, ARAC Update
February	Directorate Update - Operations, Business Planning, Assurance on Preparedness 2015, Disallowance Reporting
March	New approach to BPS Applications, Finance and HR System Implementation Progress Update, Disallowance Investment Plan, CAP Delivery Governance

Monthly standing items:

- CAP Delivery Programme update
- CAP Reform update
- transition planning (pre CAP delivery)
- performance review
- updates from the Executive Team meetings

The Audit and Risk Assurance Committee met four times in the year. It has reviewed and agreed its Terms of Reference.

Key business at ARAC meetings thoughout the year:

April 2014	June	October	January 2015
Interim 2013-14 Exchequer Accounts Finance and HR System Implementation Progress Report Governance Statement Internal Audit plan Fraud Risk Deep Dive Review of Committee Effectiveness Accounts Qualification Progress Update on Disaster Recovery Tolerance Assurance Mapping Strategic Alignment Legality and Regularity Article 62 Impact (previously Article 69) RDPE Write-off Annual Review of Accounting Practices RPA Risk Register Disallowance Reporting CAP Delivery Programme Update	Endorsement of final 2013-14 Annual Report & Accounts including Governance Statement Review of Risk Management Process Finance and HR system Implementation Progress Report NAO Draft Audit Completion Report Head of Internal Audit's Annual Assessment Fraud and Error Risk Management Update Risk Management Strategy Refresh Strategic Alignment Spend Recovery Audit RPA Risk Register Disallowance Reporting CAP Delivery Programme Update	Exchequer Accounts Timetable Financial Relationship with Devolved Administrations Finance and HR System Implementation Progress Report CAP Delivery Assurance and Risk Management Dates for ARAC 2015 Annual Review of Accounting Policies Update on Fraud and Error Risk Management Update on the RLR Improvement Action Plan RPA Risk Register Disallowance Reporting CAP Delivery Programme Update	Exchequer Accounts Timetable Endorsement of EU Accounts Finance and HR System Implementation Progress Report Update on 2015 Agricultural Funds Audit Draft Audit Planning Report on the 2014-15 Financial Statement Audit Assurance Mapping Feedback from Audit Chairs' Meeting RPA Risk Register Disallowance Reporting CAP Delivery Programme Update

AMB and ARAC Committee Effectiveness Evaluation

Members of both the Agency Management Board and Audit and Risk Assurance Committee have evaluated their performance and considered areas for improvement.

Attendance at AMB and ARAC meetings

	Role	AMB	ARAC
Trevor Spires	AMB Non-Executive Director - chair	11 of 12	-
John Carter	AMB member	8 of 10	-
Peter Conway	AMB Non-Executive Director & ARAC chair	12 of 12	4 of 4
David Cotton	AMB & ARAC Non-Executive Director	11 of 12	4 of 4
Arik Dondi	AMB member	12 of 12	-
Angela Gillibrand	AMB & ARAC Non-Executive Director	11 of 12	4 of 4
Mark Grimshaw	AMB member	12 of 12	-
Anne Marie Millar	AMB member	9 of 12	-
Julie Pierce	Defra official	10 of 12	-
Radburne Thomas	AMB Non-Executive Director	12 of 12	-
Arthur Reeves	ARAC Non-Executive Director	-	4 of 4

Remuneration report

Remuneration policy

Although costs for the Chief Executive Officer and members of the Agency Management Board are included in the agency's annual accounts, they are formally employed by Defra.

The framework for remunerating the Chief Executive Officer and members of the Agency Management Board, as for all Senior Civil Servants (SCS), is set by the Prime Minister following independent advice from the Senior Salaries Review Body. Further details about this body can be found at www.gov.uk/ome. The Cabinet Office advises Defra in March or April each year of the Government's response to the Senior Salaries Review Body's recommendations and produces guidance for departments to follow.

Defra develops its Senior Civil Service Pay Strategy within this Cabinet Office framework, ensuring that the overall pay awards are within the cost ceiling allowed.

Consolidated pay and non-pensionable, performance related pay awards for the civil servant members of the Agency Management Board are based on their performance assessed relative to all others in their peer group within Defra.

Consolidated awards generally differ depending on the level of performance and the relative position of each person in their pay range. Members of the SCS are eligible to be considered for individual levels of bonus as non-pensionable, non-consolidated variable pay (NCVP). NCVP is performance related and is paid in arrears in the financial year after that in which it was earned. During 2014-15, NCVP for 2013-14 performance was paid to approximately 25 percent of the SCS and was capped at between £11,000 and £15,000 per individual depending on grade. NCVP values, informed by each individual's appraisal grade, were paid within Cabinet Office guidelines. The table of salary and non-cash benefits includes NCVP paid to the agency's Executive Team, Chief Executive Officer and the Non Executive Directors.

Service contracts

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

The Chief Executive Officer and Executive Directors are permanent Civil Servants and are required to give three months notice under the terms of their contracts.

Our non-executives are appointed on fixed term contracts with a notice period of one month.

The employment of the Chief Executive Officer and of the other Executive Team members may be terminated in accordance with normal Civil Service procedures. Early termination, other than for misconduct, could result in compensation being payable as set out in the Civil Service Compensation Scheme.

Under arrangements made by Defra, loans may be made to employees to cover season ticket advances and relocation expenses. As at 31 March 2015 there were no outstanding loans to Executive Directors.

No compensation amounts were paid to Executive Directors during the year. Compensation for unpaid leave, where appropriate, is included within the salary figures in the table below.

Pay multiples

The banded remuneration of the highest-paid Director in the agency compared to the median remuneration of the workforce is shown in the table below.

	2014-15	2013-14
Annualised Band of Highest Paid Director Remuneration (£'000)*	**160-165**	175-180
Median Total Remuneration (£)	**25,644**	24,370
Ratio	**6.3**	7.2

* The remuneration of the highest paid director includes bonus payments and benefits in kind, but excludes severance payments, employer pension contributions, and the cash equivalent transfer value of pensions.

No agency employee was paid more than the highest paid director.

Salary

'Salary' includes:

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

This report is based on accrued payments made by the agency and thus recorded in these accounts.

Remuneration (including salary) and pension entitlements (audited)

The following sections provide details of the remuneration and pension interests of the directors of the agency.

Name and Title (Directors)	2014-15					2013-14				
	Salary	Bonus Payments	Benefits in Kind	Pension Benefits	Total Remuneration	Salary	Bonus Payments	Benefits in Kind	Pension Benefits	Total Remuneration
	£000	£000	Nearest £100	Nearest £000	£000	£000	£000	Nearest £100	Nearest £000	£000
Directors in post at 31 March 2015										
Emma Appleby Design Director*	105-110	-	-	34	140-145	125-130	-	-	35	160-165
Nicola Bettesworth Human Resources Director	75-80	-	-	12	85-90	70-75	5-10	-	6	90-95
Paul Caldwell Operations Director	60-65	10-15	-	8	80-85	55-60	-	-	12	70-75
John Carter Planning & Performance Director*	60-65	-	3,000	12	75-80	65-70	5-10	2,400	5	85-90
Justin Chamberlain Customer Director	90-95	-	-	-	90-95	85-90	-	-	-	85-90
Arik Dondi External Relations Director (from 04/11/2013)	60-65	-	-	19	80-85	20-25 (55-60)	-	-	5	25-30
Mark Grimshaw Chief Executive Officer	160-165	-	-	43	200-205	160-165	10-15	-	32	205-210
Ian Hewett Change Director*	85-90	-	2,800	11	100-105	85-90	-	2,800	3	90-95
Anne Marie Millar Finance, Assurance & Commercial Director	135-140	-	-	47	180-185	130-135	-	-	16	145-150
Ed Schofield Information & Technology Director	100-105	10-15	-	37	145-150	100-105	-	-	39	140-145
Alison Webster Rural Development Director (from 01/12/2014)	30-35 (100-105)	-	-	9	40-45	-	-	-	-	-

* Due to a minor change in the calculation process, the salary and remuneration figures for 2013-14 have been restated. For certain Directors, this has resulted in a change in banding.

Remuneration (including salary) and pension entitlements (audited) cont.

Name and Title (Non-Executive Directors)	2014-15					2013-14				
	Salary	Bonus Payments	Benefits in Kind	Pension Benefits	Total Remuneration	Salary	Bonus Payments	Benefits in Kind	Pension Benefits	Total Remuneration
	£000	**£000**	**Nearest £100**	**Nearest £000**	**£000**	£000	£000	Nearest £100	Nearest £000	£000
Peter Conway Non-Executive Director	**20-25**	-	-	-	**20-25**	20-25	-	-	-	20-25
David Cotton Non-Executive Director (from 01/07/2013)	**10-15**	-	-	-	**10-15**	5-10 (10-15)	-	-	-	5-10
Angela Gillibrand Non-Executive Director (from 01/07/2013)	**5-10**	-	-	-	**5-10**	5-10 (10-15)	-	-	-	5-10
Arthur Reeves Non-Executive Director (from 01/07/2013)	**0-5**	-	-	-	**0-5**	0-5 (0-5)	-	-	-	0-5
Trevor Spires Non-Executive Director	**20-25**	-	-	-	**20-25**	20-25	-	-	-	20-25
Rad Thomas Non-Executive Director (from 01/07/2013)	**5-10**	-	-	-	**5-10**	0-5 (5-10)	-	-	-	0-5

Pension benefits (audited) information

Non-Executive Directors are not entitled to a pension so are not included within the following tables:

Name and Title	Accrued Pension at pension age as at 31 March 2015 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2015	CETV at 31 March 2014	Real Increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Directors in post at 31 March 2015						
Emma Appleby Design Director*	5-10 plus lump sum of nil	0-2.5 plus lump sum of nil	47	28	10	-
Nicola Bettesworth Human Resources Director	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 0-2.5	448	418	7	-
Paul Caldwell Operations Director*	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	407	382	5	-
John Carter Planning & Performance Director	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 0-2.5	316	294	6	-
Justin Chamberlain Customer Director	-	-	-	-	-	9,400
Arik Dondi External Relations Director (from 04/11/2013)	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 2.5-5	126	110	8	-
Mark Grimshaw Chief Executive Officer	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 5-7.5	456	395	35	-
Ian Hewett Change Director	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 0-2.5	553	518	9	-
Anne Marie Millar Finance, Assurance & Commercial Director	40-45 plus lump sum of nil	2.5-5 plus lump sum of nil	778	694	43	-
Ed Schofield Information & Technology Director*	5-10 plus lump sum of nil	0-2.5 plus lump sum of nil	77	50	15	-
Alison Webster Rural Development Director (from 01/12/2014)	15-20 plus lump sum of nil	0-2.5 plus lump sum of nil	287	267	8	-

* Minor revisions have been made to the calculations for the CETV as 31 March 2014 for certain Directors. These changes have been incorporated into the above table.

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. In both 2013-14 and 2014-15 John Carter and Ian Hewett had the private use of an allocated car in the circumstances permitted by the Civil Service Management code.

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 2014-15 relate to the performance in 2013-14.

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% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from 1 October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Governance statement

Introduction

As Accounting Officer, I am responsible for maintaining a robust system of internal control that supports the achievement of the agency's policies, aims and objectives, while safeguarding public funds and departmental assets. This is in accordance with the responsibilities assigned in the HM Treasury publication, Managing Public Money.

The governance framework of the agency is described earlier in the Corporate Governance section.

Internal controls

Risk overview

The agency operates in a highly regulated manner in order to maintain control over CAP payments across more than forty schemes, amounting to more than £2 billion annually. Significant organisational changes have seen the Rural Development Team move from Defra into the agency, meaning the full end-to-end process is now completed by the RPA.

The majority of our significant risks during the year have been associated with the preparations for CAP Reform and the implementation of the CAP Delivery Programme, particularly in relation to the deliverability of policy choices and the transition to the new schemes. Whilst the change to the approach for the Basic Payment Scheme for 2015 and the new governance arrangements have reduced these risks, significant challenges still remain. These risks are now being addressed through robust agency governance.

Alongside CAP reform challenges the agency has continued to manage other significant risks, not least those associated with continued budget cuts and demands on people capacity and capability.

Fraud risk management

Following detailed reviews in 2013-14, the RPA's Fraud Risk Management Team has undertaken further development of the agency's approach to fraud. This has included redesigning governance structures. From April 2014 the Head of Internal Audit assumed responsibility for internal fraud referrals, the fraud risk register, training and awareness and fraud reporting together with line management for the Defra Investigation Service (DIS). External referrals and scheme-related fraud remain within the remit of the EU Reporting and Compliance Director who fulfils the role of RPA corporate customer for referring cases to DIS.

As part of the governance changes, the new Fraud and Error Risk Management Steering Group has acted in an advisory committee capacity to the Executive Team and Chief Executive Officer in his role as Accounting Officer. The Steering Group met five times and has monitored development and delivery of the action plan for prevention, detection and awareness of fraud in the RPA. This included new management information reporting, completion of a survey sent to 50% of RPA people, inclusion in the National Fraud Initiative and the development and delivery of bespoke fraud awareness training to a section of customer-facing people. There has also been significant engagement with the CAP Delivery Programme relating to controls within the new service, such as role-based access controls, oversight of which has rested with the Steering Group.

Disallowance risk management

Disallowance remains a risk for the agency largely stemming from increased complexity in the new CAP, which the UK argued against in many instances, and a change of approach by the Commission auditors. A review of disallowance risks and issues is a standing item with our Operational Line of Business meetings. As such we monitor the level of exposure reflected from external audit activity through our Executive Team meetings on a monthly basis and take a more strategic view of this risk area quarterly. Our quarterly reports on the risk of disallowance to the Audit and Risk Assurance Committee have continued alongside new reporting to each Agency Management Board. Defra have led on an enhanced level of scrutiny and monitoring of disallowance through the creation of a Disallowance Steering Group to sit above the already existing Disallowance Working Group.

Effectiveness of risk management

Senior level governance forums take a leading role in risk management. The Executive Team take responsibility for the routine identification and management of the most significant risks. The Agency Management Board provides a strategic and external view on those risks and the Audit and Risk Assurance Committee seek assurance over the effectiveness of risk management.

At the start of the year the risk management team moved into the agency's new Assurance Function which has increased the opportunity for closer working between risk and other assurance-focussed colleagues. The Risk Management Strategy has been refreshed to ensure continuous improvement.

Quality assurance of analytical models

The agency has a quality assurance framework for its business critical analytical models. Regular internal and external review of the model calculates the exchange rate impact of scheme reimbursement.

Information governance

The Information and Technology Director is the agency's Senior Information Risk Owner (SIRO). As an Executive Director he provides board-level accountability and assurance that information risks are addressed.

During the year there were 54 security incidents which were reported to the Agency Security Unit during the year. These ranged from loss of documentation and electronic equipment, such as mobile phones or encrypted laptops, to misdirected correspondence. These were fully investigated and found not to be systemic. None of the personal data incidents fell within the criteria for reporting to the Information Commissioner's Office.

Effectiveness of internal controls

My executive directors completed annual statements of assurance which assess the effectiveness of controls as well as highlighting significant issues for the agency. The Internal Audit team reviewed and challenged each assurance statement and associated evidence log, based on information gathered from its annual programme of work and the agency's risks and gave it a high level of assurance. The Agency Management Board and Audit and Risk Assurance Committee have reviewed and contributed to this governance statement.

The system of internal control is designed to manage risk to an acceptable level rather than to eliminate all risk in relation to achieving its policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

Internal Audit opinion

The Internal Audit team undertook an annual work programme that was approved by the Executive Team and the Audit and Risk Assurance Committee during 2014-15. Our work identified that in most reviews, while there were areas for RPA to improve upon, the basic controls were in place and operating effectively, leading to an overall assessment of 'moderate'. However, we consider that the current residual risk to the RPA CEO is very high. This illustrates that whilst the majority of the RPA outputs in 2014-15 have been successfully delivered through legacy tools, processes and schemes, there is a significant risk to the agency going forward around the successful delivery of BPS. The changes to the governance of the CAP Delivery Programme should help reduce this risk.

Internal governance structures within the agency have remained relatively stable. During 2014-15, the RPA has worked closely with the CAP Delivery Programme, though there are differences in terms of approach to project management, governance and control. Recent changes of governance within the programme (including SRO) and the change to a paper based approach have meant the agency needing to respond quickly. A key priority for the RPA in 2015-16 is going to be its ability to keep governance strong and manage significant BPS resource needs alongside the other requirements of a Paying Agency. This is something that the RPA has been working to address in early 2015-16.

We can confirm that action plans have been put into place to remediate significant findings, and in some cases have already been delivered. There remains a focus on implementing management actions with Internal Audit providing monthly updates to sponsors and quarterly updates to ET and ARAC. These confirm that the number of outstanding management actions remains relatively consistent. Next year the RPA will need to develop and implement key controls relating to finance and core BPS processes and functionality and support Countryside Stewardship development while continuing to meet normal business requirements, financial constraints and the stakeholder and political push to make payments early in the payment window. The IA plan for 2015-16 has been constructed to provide both advisory and review support to the agency during the course of the year, reviewing a number of high priority risks.

Compliance with governance codes

An informal review carried out against the NAO 'Corporate governance in central government departments: Code of good practice 2011 Compliance Checklist' indicated that RPA complies with the code's principles for an agency of our size, status and legal framework.

Effectiveness of governance arrangements

Departmental oversight of the agency has been enhanced with the introduction of monthly performance meetings held between Defra's Corporate Owner and Corporate Customer and the RPA's Chief Executive and Finance, Assurance and Commercial Director. There is a need to further develop our governance as the CAP Delivery Programme becomes part of the agency.

Effectiveness of AMB performance

I have regular meetings with the chair of the Agency Management Board to keep him informed of what is happening across the agency and to discuss the effectiveness of the Board, supplemented by quarterly one-to-one discussions with other non-executive directors.

Both the Agency Management Board and the Audit and Risk Assurance Committee completed assessments of their effectiveness in the last quarter of the year for discussion at their April 2015 meetings.

Significant issues from 2014-15

CAP reform and the new Basic Payments Scheme

The implementation of CAP reform continues to be a major challenge for the agency. It has been widely acknowledged that there is additional complexity for our customers to understand and for us to operate so we are pleased that the Commission will consider additional simplification.

The main focus of the year has been our work with Defra and the CAP Delivery Programme to ready ourselves and our customers for the implementation of new schemes. We have supported the programme in their delivery.

In March 2015 it was announced that while the core and registration parts of the Rural Payments system are working well, there were some performance issues with the online interface that allowed farmers to input/edit their land data directly into the system in real time. As such a decision was made to utilise the registration elements of the service and to allow farmers and their agents to use established forms and processes to complete their BPS application, in the first year of the new scheme, by the deadline.

In May 2015 changes to the governance of the programme were announced and I became the Senior Responsible Owner for the CAP Delivery Programme. Our attention is now focusing on successful delivery of BPS 2015 and BPS 2016 building on the system provision.

Disallowance

Disallowance results from control weaknesses identified in EU audits. This is often calculated as a flat-rate percentage of the total value of the particular scheme. The total amount of disallowance imposed since 2005 amounts to £642 million, which ultimately falls on the taxpayer and is reported in the Defra annual accounts.

Our continued focus on improving systems, error-reduction and compliance is intended to reduce disallowance. However historic errors identified by EU auditors and penalties are often imposed after years of negotiation and consolidation. The Commission plans to increase the speed of the process and the new horizontal regulation also allows them to impose higher penalties. This may lead to increased fines in the next few years. Our management approach focuses on providing clear evidence to EU auditors of effective control where we do not agree with the assessment. Defra and the agency are considering strategies including options for investment to mitigate the new and potentially significant disallowance risks arising from the new CAP Schemes. Defra is also arguing for reform of the horizontal regulation as part of CAP simplification.

Commons

A legal challenge to the way payments are calculated for farmers exercising grazing rights on commons has resulted in changes to the methodology to be used. Farmers who may be entitled to additional funding dating back to 2005 will be contacted and the new calculation method will also apply under BPS. This comes at the same time as the completion of an exercise to map all commons across England.

Conclusion

We have continued to deliver a good level of performance across the range of schemes that we administer. This has relied on the strength of our matured governance and processes. These strengths will be important as we address the challenges we will face across the range of our activity in 2015-16.

Mark Grimshaw
Chief Executive Officer
9 July 2015

Comptroller and Auditor General

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

I certify that I have audited the financial statements of the Rural Payments Agency for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as 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 Rural Payments Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Rural Payments Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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 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 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 Rural Payments Agency's affairs as at 31 March 2015 and of the 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 Report 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

The Rural Payments Agency (the Agency) is an Executive Agency of the Department for Environment, Food and Rural Affairs (the Department). The Agency is responsible for managing Common Agricultural Policy (CAP) schemes in the UK. The European Commission levies disallowance penalties where the application of Scheme regulations is not in line with the Commission's intention. The Department is responsible for paying these penalties and they are recorded in the financial statements of the Department rather than the Agency. My report on the Defra accounts (HC 30) and my report 'Managing disallowance risk' (HC 306) further explain how disallowance penalties arise, how the risk of disallowance is managed, and the extent of future disallowance risk under the new CAP regime.

Sir Amyas C E Morse **9 July 2015**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road, Victoria, London SW1W 9SP

Financial Report

Rural Payments Agency
Resource Accounts
2014-2015

Statement of Comprehensive Net Expenditure for the Year to 31 March 2015

		Year to 31 March 2015		Year to 31 March 2014	
	Note	**£000**	**£000**	£000	£000
Administration costs					
Staff	2	**41,257**		39,705	
Others	3	**45,936**		46,784	
		87,193		86,489	
Running costs administration income	4	**(3,417)**		-	
Programme expenditure					
Staff	2	**38,169**		39,399	
Others	3	**26,485**		25,846	
		64,654		65,245	
Running costs programme income	4	**(1,674)**		(686)	
Net running costs			**146,756**		151,048
Scheme costs					
Rural Payments Agency					
Costs	5	**1,598,534**		1,700,387	
Income	5	**(1,576,362)**		(1,705,129)	
		22,172		(4,742)	
Other paying agencies					
Costs	6	**1,079,046**		1,203,886	
Income	6	**(1,077,233)**		(1,204,305)	
		1,813		(419)	
Net scheme expenditure /(income) programme			**23,985**		(5,161)
Net operating costs			**170,741**		145,887

The agency's expenditure and income is split between administration or programme as defined by HM Treasury, see Note 1.25.

The Notes on pages 63 to 104 form part of these accounts.

Other Comprehensive Expenditure

		Year to 31 March 2015	Year to 31 March 2014
	Note	**£000**	£000
Net operating cost		**170,741**	145,887
Net loss on revaluation of property, plant and equipment	14	**14**	442
Net (gain)/loss on revaluation of intangible assets	14	**(4)**	55
Movement in cash flow hedge reserve		**(256)**	(1,827)
Total comprehensive expenditure for the period		**170,495**	144,557

The Notes on pages 63 to 104 form part of these accounts.

Statement of Financial Position as at 31 March 2015

		Year to 31 March 2015		Year to 31 March 2014	
	Note	**£000**	**£000**	£000	£000
Non-current assets					
Property, plant and equipment	7	**2,159**		3,165	
Intangible assets	8	**3,899**		15,917	
Derivative assets	13	**2,305**		298	
Total non-current assets			**8,363**		19,380
Current assets					
Trade receivables and other current assets	9	**449,258**		335,326	
Derivative asset	13	**25,252**		2,133	
Cash and cash equivalents	10	**80,293**		155,851	
Total current assets			**554,803**		493,310
Total assets			**563,166**		512,690
Current liabilities					
Trade payables and other current liabilities	11	**(33,634)**		(132,400)	
Derivative liability	13	**(890)**		(801)	
Provisions for liabilities and charges	12	**(14,206)**		(1,267)	
Total current liabilities			**(48,730)**		(134,468)
Non-current assets plus net current assets			**514,436**		378,222
Non-current liabilities					
Trade payables and other liabilities	11	**(61,758)**		(16,996)	
Derivative liability	13	**(3,905)**		(298)	
Provisions for liabilities and charges	12	**(3,495)**		(532)	
Total non-current liabilities			**(69,158)**		(17,826)
Assets less liabilities			**445,278**		360,396
Taxpayers' equity					
General fund		**444,905**			359,225
Cash flow hedge reserve		**251**			(5)
Revaluation reserve	14	**122**			1,176
Total taxpayers' equity			**445,278**		360,396

The Notes on pages 63 to 104 form part of these accounts.

Mark Grimshaw
Chief Executive Officer
9 July 2015

Statement of Cash Flows for the Year to 31 March 2015

Cash flows from operating activities	Note	Year to 31 March 2015	Year to 31 March 2014
	Note	£000	£000
Net operating cost		**(170,741)**	(145,887)
Adjustment for non-cash items included in other running costs	3	**13,918**	15,844
Adjustment for non-cash items included in other running costs income	4	**(370)**	(598)
Adjustment for non-cash Rural Development Team costs collected from Defra		**2,935**	-
Adjustment for non-cash Supplier rebate due to Defra		**(349)**	-
Movement in provisions		**15,902**	(2,202)
Adjustment for derivative financial instruments		**(21,174)**	(9,605)
Net operating cash outflow before movements in working capital		**(159,879)**	(142,448)
(Increase)/decrease in trade receivables and other current assets		**(113,932)**	85,829
Decrease in trade payables and other current liabilities		**(52,815)**	(18,785)
Net cash outflow from operating activities		**(326,626)**	(75,404)
Purchase of property plant and equipment		**(774)**	(1,194)
Purchase of intangible assets		**(1,221)**	(526)
Net cash outflow from investing activities		**(1,995)**	(1,720)
Cash flows from financing activities			
Financing by Defra		**2,854,497**	2,761,100
Financing to Defra		**(2,560,000)**	(2,425,000)
Payments for Rural Development Programme for England on behalf of Defra		**(556,904)**	(551,813)
Receipts for Rural Development Programme for England on behalf of Defra		**518,454**	458,435
Disallowance transfer to Defra		**(3,156)**	(104,792)
Capital element of payments in respect of finance leases		**172**	(434)
Net cash inflow from financing activities		**253,063**	137,496
(Decrease)/increase in cash and cash equivalents in the period		**(75,558)**	60,372
Cash and cash equivalents at 1 April	10	**155,851**	95,479
Cash and cash equivalents at 31 March	10	**80,293**	155,851

The Notes on pages 63 to 104 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year to 31 March 2015

		General fund	Cash flow hedge reserve	Revaluation reserve	Total taxpayers' equity
	Note	£000	£000	£000	£000
Balance at 1 April 2014		359,225	(5)	1,176	360,396
Net operating cost		(170,741)	-	-	(170,741)
Transfer from Revaluation Reserve to General fund:					
- Property, plant and equipment	14	14	-	(14)	-
- Intangible assets	14	1,030	-	(1,030)	-
Arising on revaluation during the year (net)		-	-	(10)	(10)
Notional charges		(100)	-	-	(100)
Gain on Cash flow hedges		-	74,654	-	74,654
Transfer to Statement of Comprehensive Net Expenditure on Cash flow hedges	13	-	(74,398)	-	(74,398)
Total recognised expense for period ended 31 March 2015		(169,797)	256	(1,054)	(170,595)
Financing by Defra		2,854,497	-	-	2,854,497
Financing to Defra		(2,560,000)	-	-	(2,560,000)
Financing by Defra for Rural Development Team non-cash		2,935	-	-	2,935
Financing by Defra for Supplier rebate non-cash		(349)	-	-	(349)
Payments for Rural Development Programme for England on behalf of Defra		(556,904)	-	-	(556,904)
Receipts for Rural Development Programme for England on behalf of Defra		518,454	-	-	518,454
Disallowance transfer to Defra		(3,156)	-	-	(3,156)
Balance at 31 March 2015		444,905	251	122	445,278

The Notes on pages 63 to 104 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year to 31 March 2014

		General fund	Cash flow hedge reserve	Revaluation reserve	Total taxpayers' equity
	Note	£000	£000	£000	£000
Balance at 1 April 2013		366,294	(1,832)	2,839	367,301
Net operating cost		(145,887)	-	-	(145,887)
Transfer from Revaluation Reserve to General fund:					
- Property, plant and equipment		48	-	(48)	-
- Intangible assets		1,118	-	(1,118)	-
Arising on revaluation during the year (net)		-	-	(497)	(497)
Notional charges		(278)	-	-	(278)
Gain on Cash flow hedges		-	27,425	-	27,425
Transfer to Statement of Comprehensive Net Expenditure on Cash flow hedges		-	(25,598)	-	(25,598)
Total recognised expense for period ended 31 March 2014		(144,999)	1,827	(1,663)	(144,835)
Financing by Defra		2,761,100	-	-	2,761,100
Financing to Defra		(2,425,000)	-	-	(2,425,000)
Payments for Rural Development Programme for England on behalf of Defra		(551,813)	-	-	(551,813)
Receipts for Rural Development Programme for England on behalf of Defra		458,435	-	-	458,435
Disallowance transfer to Defra		(104,792)	-	-	(104,792)
Balance at 31 March 2014		359,225	(5)	1,176	360,396

The Notes on pages 63 to 104 form part of these accounts.

Notes to the Resource Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS's) as adapted for the public sector.

Where the FReM allows a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the agency for the purpose of giving a true and fair view has been selected. They have been applied consistently in the current and preceding year in dealing with items considered material in relation to the accounts.

The financial statements are prepared on a going concern basis.

1.1 Accounting convention

These accounts have been prepared under the historic cost convention, modified to account for the revaluation of property, plant and equipment, intangibles assets, inventories and certain financial assets and liabilities, where material.

1.2 Property, plant and equipment

Property, plant and equipment is recognised at fair value, with depreciated historic cost as modified by annual revaluations using appropriate price indices issued by UK Office of National Statistics, used as a proxy for fair value for all assets. The unrealised element is credited/debited to the Revaluation Reserve as shown in the Statement of Change in Taxpayers' Equity. Property, plant and equipment assets are reviewed annually for impairment. The agency has set a capitalisation threshold of £2,000. Below this threshold costs are charged directly to the Statement of Comprehensive Net Expenditure. The recognition of "right of use assets" is described in Note 1.6.

These assets are not subject to annual revaluations.

1.3 Intangible assets

Intangible assets are recognised on the same basis as property, plant and equipment, see Note 1.2. Intangible assets comprise internally developed application and bespoke IT software projects, licences and packages developed by third parties. Software projects being developed are capitalised as development expenditure and treated as capital expenditure (but not amortised or revalued until the software is fully developed and brought into use). The agency has set a capitalisation threshold for software projects of £100,000.

1.4 Depreciation and amortisation

Depreciation and amortisation are provided at rates estimated to write off the valuation of property, plant and equipment, and intangibles on a straight line basis, over the estimated useful life of the asset, taking into account residual value (if it applies). Assets are depreciated/amortised from the month after they are available for use.

Estimated useful lives at initial recognition are normally in the following ranges:

Depreciation	Years	Amortisation	Years
IT hardware: Laptops, printers, and similar equipment	3	IT software	5
Communications	5	IT licences	up to 7
Servers	up to 7		
Office machinery	5		
Right of use assets	8		
Others	5-25		

1.5 Impairment

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

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

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

1.6 Right of use assets

The agency benefits from participation in Defra's contract with IBM for the supply of IT services. The contract is for a term of 8 years from February 2010. The contract falls within the scope of IFRIC 12 as interpreted by the FReM and is disclosed within the accounts as a service concession arrangement. Defra has apportioned a share of this arrangement to the RPA based on the agency's usage of the facility.

A lease liability has been included to reflect the agency's share of the capital value of payments to IBM to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the agency will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with Defra's depreciation policy. These IT infrastructure assets, which consist of laptops, servers, and hardware, are classified as right of use assets under property, plant and equipment in Note 7.

1.7 Leased assets

All leases are assessed using the criteria in IAS 17. The determination of a lease is based upon the substance of that arrangement, whether the arrangement is dependent upon the use of a specific asset and conveys the right to use that asset. Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the agency. All other leases are classified as operating leases.

Assets funded through finance leases are capitalised as non-current assets and depreciated/amortised over their estimated useful lives or lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the assets or the present value of the minimum lease payments at the inception of the lease. The resulting lease obligations are included in liabilities net of finance costs. Finance costs are charged directly to the Statement of Comprehensive Net Expenditure.

Rental costs arising under operating leases are charged to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

1.8 Defra properties occupied by the agency

The full cost of occupation of buildings that are either owned or leased by Defra is reflected within the Statement of Comprehensive Net Expenditure. The costs are determined by Defra based on proportionate occupation of the properties and include rates, utilities, management overheads, and associated capital charges. For Defra leasehold properties this also includes rental costs.

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

1.9 Agency scheme income and expenditure

Defra core accounts recognise the income and expenditure for schemes over which it acts as Managing Authority, thereby demonstrating control of policy and prioritisation of spend. Payments made by the agency on such schemes (e.g. rural development expenditure under the Rural Development Programme for England) are reported in the agency accounts as movements through the General Fund.

Income and expenditure relating to all other schemes are recognised in the accounts of the agency. All of the agency's scheme expenditure is pre-funded by the UK Exchequer. Following receipt of reclaims from the European Commission, surplus funds are repaid to HM Treasury.

Single Payment Scheme expenditure for England is recognised by the agency when it has a present obligation to make payments to the claimants as a result of completion of substantive processes to validate each claim against European Commission rules for the scheme, and the amount payable to each claimant is considered reliably measurable and probable.

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

For all other European Agricultural Guarantee Fund schemes administered by the agency an accrual point has been established according to the applicable scheme rules and regulations. Where a present obligation for payment is identified to fall on or before the Statement of Financial Position date, it is shown as a payable in the current year's financial statements with a corresponding European Commission receivable. Similarly, any element paid in advance of these accrual points is treated as a prepayment.

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

1.10 Accounting for sugar charges

In accordance with European Commission regulations, the agency collects and surrenders both Sugar and Isoglucose production charges and other charges to fund the restructuring of the sugar regime. All amounts collected or accrued are subsequently surrendered to the European Commission via HM Treasury.

In accordance with chapter ten of the 'Whole of Government Accounts' of the 2014-15 FReM, the agency has excluded revenue collected from sugar production charges from the financial statements. All related expenditure, assets and liabilities have also been excluded. The agency does not consider these amounts to be material to the entity for either the current or prior year accounting period and separate trust statements have not been prepared. The amounts excluded are disclosed in Note 22 of these financial statements.

1.11 Other UK paying agencies income and costs

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 the RPA and subsequently recovered by the RPA from the European Commission.

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

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

1.12 Modulation

Modulation was a process for redirecting a proportion of Single Payment Scheme payments to farmers and other claimants, to the budget for Rural Development schemes. This process was supported by the European Commission and national legislation. Until scheme year 2013, under these arrangements there were two types of modulation - National (or Voluntary) modulation and European Commission (or Compulsory) modulation.

Both types of modulation reduced the net amounts paid to farmers and other claimants and therefore the scheme expenditure reported within these accounts was net of modulation, with the funds retained in the first instance by the European Commission. Modulation funds were reclaimed from the European Commission when the rural development expenditure was incurred.

From scheme year 2014 modulation was replaced by flexibility between pillars which allows member states to transfer up to 15% of their regulatory national ceiling for Single Payment Scheme to Rural Development schemes. Paying Agencies with the UK have set individual rates with 12% applying to English payments.

The transfer impacts the national ceiling rather than leading to a percentage at claim level as was the case with modulation.

1.13 European Commission funding of schemes administered by the agency

Rural development expenditure under the Rural Development Programme for England is managed by the agency on behalf of Defra. Accordingly, scheme income and expenditure are reported in Defra's resource account with transfers reported as movements through the General Fund.

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

1.14 Value Added Tax (VAT)

Defra and its executive agencies share a single VAT registration. Most activities relating to the group are outside the scope of VAT.

As a result, input tax cannot generally be recovered. However, under a HM Treasury concession applying to government departments, limited input VAT recovery may be possible on certain specified contracted out services attributable to those activities. For those limited activities where output VAT is charged, directly attributable input VAT can be recovered under the normal rules.

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

1.15 Foreign currency transactions

The functional and presentation currency of the RPA is sterling.

The RPA receives reimbursements from the European Commission in euros for funds administered by the agency and other UK paying agencies in relation to the Single Payment Scheme, the Rural Development Programme and Trader Schemes in accordance with the respective scheme rules and regulations.

Furthermore, the agency makes a portion of payments under the Single Payment Scheme in Euros to farmers, and funds other UK paying agencies in Sterling and Euros.

These foreign currency transactions are recognised as scheme income and scheme expenditure at the rates of exchange prevailing on the dates of recognition of those transactions as described in Notes 1.9, 1.11 and 1.13. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in the Statement of Comprehensive Net Expenditure in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks, see Note 1.16 and Note 1.17.

1.16 Derivative financial instruments

The agency enters into a variety of foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 13.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period date. The resulting gain or loss is recognised in the Statement of Comprehensive Net Expenditure immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Net Expenditure depends on the nature of the hedge relationship. The agency 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. The agency does not enter into derivative arrangements for speculative purposes.

1.17 Hedge accounting

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

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

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

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

1.18 Trade receivables

Trade and other receivables primarily represent amounts expected to be received from the European Commission, other government agencies and customers under the various schemes administered by the agency. Trade and other receivables are classified as 'loans and receivables' and are measured at amortised costs using the effective interest method, less any impairment. Impairment on trade and other receivables are recognised in the Statement of Comprehensive Net Expenditure and measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The estimated future cash flows are determined after considering, amongst other things, the impact of agreed payment plans with customers, amounts expected to be recovered through interception (the process of offsetting a customer's receivable against a future payment) and historic collections data for customers who have left the scheme.

1.19 Pensions

Present and past employees of the agency are covered by the provisions of five separate Principal Civil Service Pension Schemes (PCSPS), which are described in Note 2.2. Four of these schemes are defined benefit schemes and one (partnership) is a stakeholder pension with employee contributions. The agency recognises the expected cost of these elements 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 future benefits is a charge on the PCSPS on an accruing basis. In respect of the defined contribution schemes, the agency recognises the contributions payable for the year. The agency does not make contributions to any other pension scheme.

1.20 Provisions

Provisions are recognised when the agency has a legal or constructive present obligation as a result of a past event, it is probable that the agency will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received and the amount of the reimbursement can be measured reliably.

1.21 Early departure costs

The agency is required to meet the additional costs of benefits before normal retirement age in respect of employees who retire under early severance and early retirement schemes. The agency provides for this when a formal letter has been issued to the employee giving a leaving date and severance terms.

1.22 Contingent assets and liabilities

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the entity; or a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation

(ii) the amount of the obligation cannot be measured with sufficient reliability

In addition to contingent liabilities disclosed in accordance with IAS 37, the agency discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting Northern Ireland. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.23 Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the agency that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The agency has identified the Chief Executive Officer as the Chief Operating Decision Maker.

For segmental reporting during 2014-15, Defra uses major areas of spend as reported monthly to Defra's Network Executive Committee. The agency represents one of these discrete areas of spend. As in previous years, the Chief Executive Officer continued to review and monitor the agency's operational and financial performance at this aggregated level as presented in Defra's financial statements.

1.24 Critical accounting judgements and key sources of estimation uncertainty

The Chief Executive Officer, in his capacity as Accounting Officer, uses judgement in making estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, that the Chief Executive Officer, in his capacity as Accounting Officer, has made in the process of applying the agency's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

a) Recoverability and useful lives of intangible assets:

In capitalising internally developed application and bespoke IT software projects and licences and packages developed by third parties, the Chief Executive Officer, in his capacity as Accounting Officer, makes judgements and estimates when assessing whether cost incurred meet the criteria for capitalisation in the accounting standards, whether the capitalised software will continue to provide sufficient benefit to the agency to support its carrying amount, and whether the useful life of the existing capitalised internally generated intangibles assets remains appropriate.

Key factors driving useful life and impairment assessments include estimates of the expected future life span of the current schemes administered by the agency and the expected succession scheme replacement which will incorporate some or in some cases all of the current functionalities of the current capitalised intangibles assets.

b) Allowances for doubtful debt:

The Chief Executive Officer, in his capacity as Accounting Officer, periodically assesses the recoverability of trade receivables and recognises an allowance for doubtful debt for those receivables for which partial or full recovery is not probable. In this assessment the factors considered include the credit quality and ageing of the receivables, historical trends on recoverability, the opportunity to recover through interception of future payments, the ability to net settle with the customer and the ability to agree a payment plan with the customer involved. The agency has a legacy of older receivables resulting from historic data integrity issues on the introduction of the Single Payment Scheme in 2005 for which the ageing and bad debt allowance details are provided in Note 9 of these accounts.

1.25 Administration and programme income and expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme costs. The classification of expenditure and income as administration or programme follows the definition set by HM Treasury Consolidated Guidance 2014-15.

Administration costs reflect the costs of running the agency, as defined under the administration cost control regime, together with associated operating costs. 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-subsidies and other disbursements by the agency, as well as certain staff costs where they relate directly to service delivery. The agency's scheme expenditure and income are classified as programme and are shown in Note 5.

1.26 Cash and cash equivalents

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

1.27 General Fund

The General Fund represents the total assets less liabilities of the agency, to the extent that the total is not represented by other reserves. Financing by Defra is credited to the General Fund. When the agency makes repayments of financing to Defra these are debited to the General Fund.

1.28 Financial penalties

The agency receives income through reimbursement of scheme expenditure from the European Commission. This includes reimbursements of payments made by other UK paying agencies, see Note 1.11.

The European Commission may apply financial penalties to any of the paying agencies if they consider there to be infringement of scheme regulations. These penalties, referred to as "financial corrections" or "disallowance", are typically deducted retrospectively from reimbursements.

Financial penalties attributable to schemes administered by the agency are recognised as a loss in the Statement of Comprehensive Net Expenditure of the department, not within the agency's accounts. The shortfall in reimbursement is shown as a funding transfer through the agency's Statement of Changes in Taxpayers' Equity when the reimbursement takes place.

Financial penalties attributable to the Rural Development Programme for England are also recognised as a loss by the department, not the agency. These are accounted for in the same way as penalties relating to schemes administered by the agency.

Financial penalties attributable to schemes administered by other UK paying agencies are charged on those agencies at the point the European Commission deduct it from their reimbursement. These have no impact on the income or expense reported by the agency.

1.29 Adoption of new and revised standards

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

- IFRS 9 Financial Instruments - Classification measurement
- IFRS 13 Fair Value Measurement
- IFRS 15 Revenue from Contracts with customers

The agency plans to adopt these standards once required to do so by the FReM. For IFRS 13 this will be from 1 April 2015, whereas for IFRS 9 this is unlikely to occur before 2017 and for IFRS 15 no earlier than 1 January 2018.

The agency does not anticipate material adjustments to the financial statements following the introduction of these standards.

2. Staff numbers and related costs

2.1 Staff costs comprise:

	Administration permanently employed staff	Administration short term/ fixed term appointments	Administration Total	Programme permanently employed staff	Programme short term/ fixed term appointments	Programme Total	Year to 31 March 2015 Total
	£000	£000	£000	£000	£000	£000	£000
Wages and salaries	28,017	75	28,092	30,152	165	30,317	58,409
Social security costs	2,162	5	2,167	2,056	11	2,067	4,234
Other pension costs	5,040	14	5,054	5,220	17	5,237	10,291
Early retirement and early severance costs							
Expensed in the year	-	-	-	242	-	242	242
Released	-	-	-	-	-	-	-
Unwinding of discount	-	-	-	10	-	10	10
	35,219	94	35,313	37,680	193	37,873	73,186
Less recoveries in respect of secondments			(2,688)			(156)	(2,844)
Agency staff			113			452	565
Contractors*			8,519			-	8,519
Total staff costs			41,257			38,169	79,426

* Included in contractors costs are remuneration fees for a NAO secondee of £6k (2013-14: £75k).

No staff costs have been capitalised (2013-14: £nil).

2. Staff numbers and related costs (continued)

	Administration permanently employed staff	Administration short term/ fixed term appointments	Administration Total	Programme permanently employed staff	Programme short term/ fixed term appointments	Programme Total	Year to 31 March 2014 Total
	£000	£000	£000	£000	£000	£000	£000
Wages and salaries	24,934	43	24,977	30,418	-	30,418	55,395
Social security costs	2,007	3	2,010	2,070	-	2,070	4,080
Other pension costs	4,623	7	4,630	5,272	-	5,272	9,902
Early retirement and early severance costs							
Expensed in the year	-	-	-	2,710	-	2,710	2,710
Released	-	-	-	(43)	-	(43)	(43)
Unwinding of discount	-	-	-	23	-	23	23
	31,564	53	31,617	40,450	-	40,450	72,067
Less recoveries in respect of secondments			(1,616)			(1,051)	(2,667)
Agency staff			317			-	317
Contractors			9,387			-	9,387
Total staff costs			39,705			39,399	79,104

2. Staff numbers and related costs (continued)

Average number of persons employed

The average number of full time equivalent persons employed (including senior management and agency staff) during the year was as follows:

	Administration	Programme	Year to 31 March 2015	Administration	Programme	Year to 31 March 2014
Permanently employed staff	**817**	**1,201**	**2,018**	751	1,300	2,051
Agency	**7**	**30**	**37**	20	-	20
Contractors	**61**	**-**	**61**	67	-	67
Total	**885**	**1,231**	**2,116**	838	1,300	2,138

Individual contractors engaged to fill temporary or permanent vacancies, or provide additional resource are included within staff costs in Note 2.1. Where firms have been engaged to provide services these are not considered to be employees and are excluded from staff costs in Note 2.1, and are reflected within Other running costs in Note 3.

2.2 Pension schemes

PCSPS provides four pension benefit schemes. These are unfunded multi employer defined schemes. The agency is unable to identify its share of the underlying assets and liabilities for these defined benefit schemes and they are therefore accounted for as defined contribution schemes.

The contribution rates are set to meet the cost of benefits during 2014-15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2014-15 employer's contributions of £9.8m (2013-14: £9.7m) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme actuary is due to review employer contributions every four years following a full scheme valuation and the last review was in 2007.

Employees joining after 1 October 2002 can also opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2014-15 employer's contributions of £116k were paid to one or more of a panel of three appointed stakeholder providers. Employer's contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer's contributions of £8.2k, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits or death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the Statement of Financial Position date were £10.2k (2013-14: £10.2k). There were no prepaid contributions at that date.

2. Staff numbers and related costs (continued)

Further details about Civil Service pension arrangements can be found in the Remuneration Report and on the Civil Service website www.civilservice.gov.uk/pensions/scheme-guides.

No contributions are made in respect of any other pension scheme.

2.3 Reporting of Civil Service and other compensation schemes - exit package

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 agency has agreed early retirements, the additional costs are met by the agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

During 2014-15 there were nil Compulsory Redundancies (2013-14: nil).

	Year to 31 March 2015	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2014
Exit package cost band	Number of other departures agreed		Total value of other departure packages by cost band (total cost) £000	
Up to £10,000	**2**	4	**9**	36
£10,001 - £25,000	**2**	62	**41**	1,010
£25,001 - £50,000	**1**	37	**37**	1,299
£50,001 - £100,000	**-**	4	**-**	238
£100,001 - £150,000	**-**	1	**-**	113
£150,001 - £200,000	**-**	-	**-**	-
Total number of exit packages and costs	**5**	108	**87**	2,696

3. Other running costs

		Administration	Programme	Year to 31 March 2015	Administration	Programme	Year to 31 March 2014
	Note	£000	£000	£000	£000	£000	£000
Rentals under operating leases:							
Rent on buildings		2,879	-	2,879	2,939	-	2,939
Non cash items (including notional charges):							
Auditors remuneration and expenses (notional)*		270	-	270	320	-	320
Loss on disposal of non-current assets		-	-	-	12	364	376
Depreciation	7	1,304	72	1,376	1,698	169	1,867
Amortisation	8	1,293	10,979	12,272	1,321	11,960	13,281
		2,867	11,051	13,918	3,351	12,493	15,844
Other Expenditure:							
Accommodation		4,958	25	4,983	6,605	-	6,605
IT costs		22,931	7,261	30,192	19,724	8,808	28,532
IT costs relating to projects		1,032	-	1,032	6,136	50	6,186
Other running costs		3,620	1,348	4,968	3,269	165	3,434
Non payroll staff costs		2,132	2,061	4,193	1,398	1,825	3,223
Communications costs		4,129	233	4,362	3,219	237	3,456
Non -IT professional services		1,337	2,033	3,370	-	1,015	1,015
Finance lease interest		51	-	51	143	-	143
Certifying Body (NAO) grant certification fee		-	2,473	2,473	-	1,253	1,253
		40,190	15,434	55,624	40,494	13,353	53,847
Total		45,936	26,485	72,421	46,784	25,846	72,630

*In addition to these fees there is a remuneration fee for a NAO secondee of £6k (2013-14: £75k), see Note 2.1.

3. Other running costs (continued)

Included in Notes 2 and 3 are the costs associated with the Co-ordinating Body which are summarised in the following table:

	Administration	Programme	Year to 31 March 2015	Administration	Programme	Year to 31 March 2014
	£000	**£000**	**£000**	£000	£000	£000
Payroll costs	**-**	**502**	**502**	-	496	496
Other costs	**-**	**100**	**100**	-	11	11
Certifying Body (NAO) grant certification fee	**-**	**2,473**	**2,473**	-	1,253	1,253
Total	**-**	**3,075**	**3,075**	-	1,760	1,760

The Co-ordinating Body is an independent body, whose function is to ensure that all paying agencies maintain their accreditation status and effectively administer CAP.

4. Running costs income

	Administration	Programme	Year to 31 March 2015	Administration	Programme	Year to 31 March 2014
	£000	**£000**	**£000**	£000	£000	£000
DIS notional	**-**	**(370)**	**(370)**	-	(598)	(598)
Other running costs income	**(3,417)**	**(1,304)**	**(4,721)**	-	(88)	(88)
Total	**(3,417)**	**(1,674)**	**(5,091)**	-	(686)	(686)

Running costs income includes £0.4m (2013-14: £0.6m) notional income relating to services provided across Defra by the Defra Investigation Services (DIS), which is part of the agency.

A further £4.5m (2013-14: £nil) relates to the agency's ability to claim from the 2007-13 Rural Development Programme for England Technical Assistance (RDPE TA) fund. This helps fund activities designed to ensure the transition from the 2007-13 RDPE programming period to the 2014-20 RDPE programming period.

5. Schemes administered by the agency

	Year to 31 March 2015			Year to 31 March 2014		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	**£000**	**£000**	£000	£000	£000
Single Payment Scheme*	**1,547,934**	**(1,544,718)**	**3,216**	1,671,523	(1,671,773)	(250)
Internal Trade - Horticulture	**25,680**	**(25,625)**	**55**	26,285	(26,141)	144
Internal Trade - other	**2,494**	**(2,447)**	**47**	3,077	(3,111)	(34)
Other scheme	**2,244**	**(1,989)**	**255**	2,835	(2,708)	127
	1,578,352	**(1,574,779)**	**3,573**	1,703,720	(1,703,733)	(13)
Other scheme related costs**	**19,902**	**-**	**19,902**	166	-	166
Cost of hedging contracts	**(2,720)**	**-**	**(2,720)**	(336)	-	(336)
Realised exchange gain	**(1,721)**	**-**	**(1,721)**	(1,453)	-	(1,453)
Unrealised exchange loss/ (gain)	**4,849**	**-**	**4,849**	(1,724)	-	(1,724)
Derivative ineffectiveness	**(128)**	**-**	**(128)**	14	-	14
Other scheme related income	**-**	**(1,583)**	**(1,583)**	-	(1,396)	(1,396)
Total scheme expenditure/(income)	**1,598,534**	**(1,576,362)**	**22,172**	1,700,387	(1,705,129)	(4,742)

*SPS income includes a reduction of £34.7m (2013-14: an increase of £4.4m) resulting from foreign exchange hedging transactions, see Note 13.

**Other scheme related costs include losses, special payments and movements in the allowance for doubtful debts and provisions.

6. Other paying agencies and delegated authorities

	Year to 31 March 2015			Year to 31 March 2014		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Other paying agencies*						
SGRPID	522,488	(521,503)	985	588,943	(589,612)	(669)
WG	252,013	(251,808)	205	289,708	(289,646)	62
DARDNI	303,403	(302,629)	774	323,440	(323,136)	304
	1,077,904	(1,075,940)	1,964	1,202,091	(1,202,394)	(303)
Delegated authorities						
FC	1,142	(1,293)	(151)	1,795	(1,911)	(116)
	1,142	(1,293)	(151)	1,795	(1,911)	(116)
Total scheme expenditure/ (income)	1,079,046	(1,077,233)	1,813	1,203,886	(1,204,305)	(419)

*OPAs income in 2014-15 includes a reduction of £14.0m (2013-14: an increase of £1.6m) resulting from foreign exchange hedging transactions, see Note 13.

SGRPID - Scottish Government Rural Payments & Inspections Directorate
WG - Welsh Government
DARDNI - Department of Agricultural and Rural Development, Northern Ireland
FC - Forestry Commission

The Forestry Commission is funded directly by Defra for payments made within England. The agency funds the Forestry Commission for payments made in Scotland and Wales. This expenditure and associated income is included above.

7. Property, plant and equipment

	Information technology hardware and office machinery	Right of use assets	Others	Total
	£000	£000	£000	£000
Valuation				
At 1 April 2014	17,970	1,051	5	19,026
Additions	296	88	-	384
Disposals	(8,278)	-	(5)	(8,283)
Revaluations	159	-	-	159
At 31 March 2015	10,147	1,139	-	11,286
Depreciation				
At 1 April 2014	15,126	730	5	15,861
Charged in year	1,264	112	-	1,376
Disposals	(8,278)	-	(5)	(8,283)
Revaluations	173	-	-	173
At 31 March 2015	8,285	842	-	9,127
Net Book Value				
At 1 April 2014	2,844	321	-	3,165
At 31 March 2015	1,862	297	-	2,159
Assets Financing				
Owned	1,862	-	-	1,862
Finance leased	-	297	-	297
Net Book Value at 31 March 2015	1,862	297	-	2,159

Included in property, plant and equipment are assets with historic cost of £4.7m (2013-14: £9.6m) which have been fully depreciated. These assets are still in use by the agency.

7. Property, plant and equipment (continued)

	Information technology hardware and office machinery	Right of use assets	Others	Total
	£000	£000	£000	£000
Valuation				
At 1 April 2013	19,047	962	23	20,032
Additions	1,302	89	-	1,391
Disposals	(761)	-	(18)	(779)
Revaluations	(1,618)	-	-	(1,618)
At 31 March 2014	17,970	1,051	5	19,026
Depreciation				
At 1 April 2013	15,291	635	23	15,949
Charged in year	1,772	95	-	1,867
Disposals	(761)	-	(18)	(779)
Revaluations	(1,176)	-	-	(1,176)
At 31 March 2014	15,126	730	5	15,861
Net Book Value				
At 1 April 2013	3,756	327	-	4,083
At 31 March 2014	2,844	321	-	3,165
Assets Financing				
Owned	2,844	-	-	2,844
Finance leased	-	321	-	321
Net Book Value at 31 March 2014	2,844	321	-	3,165

8. Intangible assets

	Information technology	Software licences	Development expenditure	Total
	£000	£000	£000	£000
Valuation				
At 1 April 2014	154,804	7,670	251	162,725
Additions	57	141	52	250
Disposals	(10,782)	(4,200)	-	(14,982)
Reclassifications	251	-	(251)	-
Revaluations	(2,573)	696	-	(1,877)
At 31 March 2015	141,757	4,307	52	146,116
Amortisation				
At 1 April 2014	140,845	5,963	-	146,808
Charged in year	11,681	591	-	12,272
Disposals	(10,782)	(4,200)	-	(14,982)
Revaluations	(2,583)	702	-	(1,881)
At 31 March 2015	139,161	3,056	-	142,217
Net Book Value				
At 1 April 2014	13,959	1,707	251	15,917
At 31 March 2015	2,596	1,251	52	3,899
Assets Financing				
Owned	2,596	1,251	52	3,899
Net Book Value at 31 March 2015	2,596	1,251	52	3,899

During 2014-15 there were £nil impairment losses (2013-14: £nil).

Included in the intangible assets table are assets with a historic cost of £118.2m (2013-14: £44.3m) which have been fully amortised. These assets are still in use by the agency.

Information technology includes the carrying value of internally developed software for the system used to process Single Payment Scheme claims. During 2012-13 capitalised expenditure on this system was re-lifed to 31 March 2015 to align with the CAP reform implementation schedule. The system accounts for £73.8m of the £118.2m quoted.

8. Intangible assets (continued)

	Information technology	Software licences	Development expenditure	Total
	£000	£000	£000	£000
Valuation				
At 1 April 2013	162,398	8,008	113	170,519
Additions	832	423	138	1,393
Disposals	(8,048)	(77)	-	(8,125)
Revaluations	(378)	(684)	-	(1,062)
At 31 March 2014	154,804	7,670	251	162,725
Amortisation				
At 1 April 2013	136,658	5,625	-	142,283
Charged in year	12,359	922	-	13,281
Disposals	(7,684)	(65)	-	(7,749)
Revaluations	(488)	(519)	-	(1,007)
At 31 March 2014	140,845	5,963	-	146,808
Net Book Value				
At 1 April 2013	25,740	2,383	113	28,236
At 31 March 2014	13,959	1,707	251	15,917
Assets Financing				
Owned	13,959	1,707	251	15,917
Net Book Value at 31 March 2014	13,959	1,707	251	15,917

9. Trade receivables and other current assets

Amounts falling due within one year

	31 March 2015	31 March 2014
	£000	£000
Due from Defra and its agencies	**6,803**	2,432
Due from other government departments (including OPAs)	**10,939**	5,679
VAT recoverable	**2,093**	1,607
Total Intra-government balances	**19,835**	9,718
Trade receivables*	**5,167**	8,061
less allowance for doubtful debts*	**(1,820)**	(2,501)
	3,347	5,560
Due from European Agricultural Guarantee Fund/ European Agricultural Fund for Rural Development	**424,604**	317,527
Prepayments and other receivables	**1,472**	2,521
Total other receivables	**429,423**	325,608
Total receivables	**449,258**	335,326

*Included within these balances are £2.3m in relation to Single Payment Scheme receivables, and £0.8m of Single Payment Scheme allowance for doubtful debts (2013-14: £5.1m and £1.7m respectively). Single Payment Scheme trade receivables represent adjustments to amounts previously paid to customers arising as a consequence of errors made by customers, process errors or system errors.

The credit period for trade receivables, once invoiced is generally 30 days except in those instances where an agreement is reached between the agency and the customer to allow for recovery through the interception of future payments or extended repayment terms are agreed. The agency has an ability to charge interest on overdue balances, however it is the agency's policy to not charge interest on Single Payment Scheme balances.

Trade receivables disclosed above include amounts (see following table for aged analysis) which are past due at the reporting date but against which the agency has not recognised an allowance for doubtful debt because the amounts are still considered recoverable. The agency does not hold any collateral or other credit enhancements over these balances.

In determining the recoverability of a trade receivable, the agency considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The average age of the past due but not impaired receivables at 31 March 2015 is 276 days (2013-14: 196 days).

9. Trade receivables and other current assets (continued)

Ageing of past due but not impaired receivables

	31 March 2015	31 March 2014
	£000	£000
30 days - 6 months	**216**	733
6 months - 1 year	**137**	30
1 year - 18 months	**20**	2
Over 18 months	**73**	117
Total	**446**	881

Movement in the allowance for doubtful debts

	31 March 2015	31 March 2014
	£000	£000
Balance at the beginning of the period	**(2,501)**	(3,718)
Reversal of impairment losses	**(221)**	(110)
Amounts written off during the year as uncollectible	**902**	1,327
Balance at the end of the period	**(1,820)**	(2,501)

In determining the recoverability of a trade receivable, the agency considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of impaired trade receivables

	31 March 2015	31 March 2014
	£000	£000
30 days - 6 months	**395**	1,605
6 months - 1 year	**476**	1,236
1 year - 18 months	**662**	990
Over 18 months	**1,162**	1,191
Total	**2,695**	5,022

The agency considers that the carrying amount of trade and other receivables is approximately equal to their fair value.

10. Cash and cash equivalents

	31 March 2015	31 March 2014
	£000	£000
Balances held at 1 April	**155,851**	95,479
Net cash (outflow)/inflow	**(75,558)**	60,372
Total balance	**80,293**	155,851

The following balances were held at 31 March

	31 March 2015	31 March 2014
	£000	£000
Government Banking Services	**80,285**	155,842
Commercial banks and cash in hand	**8**	9
Total balance	**80,293**	155,851

The closing balance of third party money held as cash securities at 31 March 2015 was £2.4m (2013-14: £2.1m). Of this, £2.4m (2013-14: £2.0m) was held in a public bank account.

At 31 March 2015 the cash equivalent balance was £nil (2013-14: £nil).

11. Trade payables and other current liabilities

Amounts falling due within one year

	31 March 2015	31 March 2014
	£000	£000
Due to Defra and its agencies	**4,520**	9,119
Due to other government departments (including OPAs)	**3,166**	5,945
Other taxation and social security	**1,353**	1,183
Total Intra-government balances	**9,039**	16,247
Trade payables*	**9,971**	9,229
Cash securities**	**2,366**	2,074
Scheme accruals	**1,239**	1,569
Running cost accruals	**9,413**	8,003
Other payables	**1,120**	1,284
Finance leases	**278**	162
Advances on Rural Development Programmes	**208**	93,832
Total other payables	**24,595**	116,153
Total payables	**33,634**	132,400

Amounts falling due after more than one year

Advances on Rural Development Programmes	**61,273**	16,567
Finance leases	**485**	429
Total	**61,758**	16,996
Total trade payables and other liabilities	**95,392**	149,396

*Trade payables represent adjustments to amounts paid to customers arising as a consequence of errors made by customers, processing errors or system errors and full claims that have been validated but remain unpaid at the reporting date. Included in these balances are £9.7m in relation to Single Payment Scheme payables (31 March 2014: £8.2m).

**Traders wishing to undertake certain transactions under European Commission regulations are required to guarantee completion of the transaction by lodging a security with the agency. The security may be forfeited (in whole or in part) if the undertaking is not completely fulfilled. The security received is included within cash, see Note 10, with the corresponding liability with the trader shown above.

Trade payables principally comprise amounts outstanding for claims to be paid to customers. The agency considers that the carrying amount of trade and other payables approximates to their fair value.

As at 31 March 2015, the agency considers that the fair value of the advances received on Rural Development Programmes for Defra and OPAs to be £61.5m (2013-14: £110.4m).

The agency consider the fair value of finance lease liabilities at 31 March 2015 to be £0.8m (2013-14: £0.6m), see Note 16.2.

12. Provisions for liabilities and charges

	Running cost provisions	Scheme related provisions	Total
	£000	**£000**	**£000**
Balance at 1 April 2014	**999**	**800**	**1,799**
Provided in the year	**198**	**17,000**	**17,198**
Released	**-**	**-**	**-**
Utilised	**(656)**	**(650)**	**(1,306)**
Unwinding of discount	**10**	**-**	**10**
Balance at 31 March 2015	**551**	**17,150**	**17,701**
Analysed as			
Current	**256**	**13,950**	**14,206**
Non-current	**295**	**3,200**	**3,495**
Balance at 31 March 2015	**551**	**17,150**	**17,701**
Analysis of expected timing of discounted flows			
No later than one year	**256**	**13,950**	**14,206**
Later than one year and not later than five years	**294**	**3,200**	**3,494**
Later than five years	**1**	**-**	**1**
Balance at 31 March 2015	**551**	**17,150**	**17,701**
Balance at 1 April 2013	2,913	1,088	4,001
Provided in the year	146	-	146
Released	(43)	-	(43)
Utilised	(2,040)	(288)	(2,328)
Unwinding of discount	23	-	23
Balance at 31 March 2014	999	800	1,799
Analysed as			
Current	467	800	1,267
Non-current	532	-	532
Balance at 31 March 2014	999	800	1,799
Analysis of expected timing of discounted flows			
No later than one year	467	800	1,267
Later than one year and not later than five years	506	-	506
Later than five years	26	-	26
Balance at 31 March 2014	999	800	1,799

12. Provisions for liabilities and charges (continued)

12.1 Running cost provisions

Running cost provisions include the early retirement and severance costs of former employees to be fully paid by April 2020. During 2013-14 £1.0m of dilapidation provision carried forward from 2012-13, was utilised bringing that provision to £nil.

12.2 Scheme related provisions

The agency has a number of cases where customers have challenged its decisions regarding their claim eligibility for scheme payments. This has been reviewed on a case by case basis, with provisions made where the agency considers payment to be probable and can be measured reliably.

During early 2015, the agency accepted the principles of a customer challenge over the basis on which SPS payments had been calculated for customers claiming on common land. Consequently, the agency has agreed to recalculate and make good any underpayments made between 2009 and 2015. At 31 March 2015, the agency was unable to fully quantify the potential amounts underpaid and had yet to develop the mechanism for allowing customers to make a claim for additional amounts. A provision has been recorded for the estimated value of potential claims which could require settlement after 31 March 2015. The exact timing of these payments is unknown but it is estimated that £13.8m will be paid in the year ended 31 March 2016 and £3.2m will be paid in the year ended 31 March 2017.

13. Financial Instruments

Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 1.

Categories of Financial Instruments

	31 March 2015	31 March 2014
	£000	£000
Financial Assets		
Trade receivables and other current assets	**447,787**	332,805
Cash and cash equivalents	**80,293**	155,851
Derivative instruments classified as held for trading	**24,251**	2,176
Derivative instruments in designated hedge accounting relationships	**3,306**	255
Sub-total of derivatives assets	**27,557**	2,431
Financial Liabilities		
Trade payables and other liabilities	**92,298**	148,661
Derivative instruments classified as held for trading	**4,795**	1,099
Derivative instruments in designated hedge accounting relationships	**-**	-
Sub-total of derivatives liabilities	**4,795**	1,099
Other		
Financial Guarantee Contracts		
Cash securities	**2,366**	2,074
Non cash guarantees	**1,427,147**	1,402,963

Cash on deposit at 31 March 2015 consists of money lodged with Government Banking Services and Commercial Banks.

The sterling denominated accounts held within Government Banking Services are not subject to an interest rate charge, while the euro denominated accounts held are subject to an interest rate charge of 0.35%.

Cash securities are provided by certain traders, see Note 11. No interest is paid to traders on cash balances lodged with the agency as security.

Securities may also be in the form of a non-cash guarantee by a bank or an insurance company acceptable to the agency. Sterling guarantees totalling £630.7m and euro guarantees totalling €1,096.2m (£796.4m) were held at 31 March 2015 (£582.9m and €992.9m (£820.1m) at 31 March 2014).

13. Financial Instruments (continued)

Financial Risk Management Policies

The agency's treasury operations are managed in accordance with the framework document agreed with Defra. The framework document sets out the governance arrangements in respect of the agency's hedge strategy, the review and selection of hedge service providers, the execution of contracts, hedge accounting, the valuation of derivatives, the process for settlement of derivatives and external reporting.

Market risks

The agency's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The agency enters into forward foreign exchange contracts to manage its exposure to foreign currency risk relating to euro denominated receipts from the European Commission for Single Payment Scheme and Rural Development Programme scheme expenditure (including Scotland, Wales and Northern Ireland).

From January 2003, in accordance with Commission Regulation (EC) No.1997/2002 (as amended), non-eurozone member states, such as the UK, are reimbursed by the European Commission in euros. However, the majority of distributions by the agency are transacted in sterling, which creates an exposure to gains or losses from fluctuations in foreign exchange rates between the euro and sterling. The agency has managed its exposure to this risk through the purchase of forward foreign currency contracts.

Foreign currency denominated monetary assets and monetary liabilities

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

	Assets 31 March 2015	Assets 31 March 2014	Liabilities 31 March 2015	Liabilities 31 March 2014
	£000	£000	**£000**	£000
Euro	**141,230**	361, 969	**61,481**	110,398

13. Financial Instruments (continued)

Sensitivity analysis

The following table details the agency's sensitivity to a 10% increase and decrease in sterling against the euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 10% change in foreign currency rates.

For net operating costs a positive number indicates a decrease in net operating costs whereas a negative number indicates an increase in net operating cost. For Taxpayers' equity a positive number indicates an increase in Taxpayers' equity whereas a negative number indicates a decrease in Taxpayers' equity.

	Impact of movement in Euro/Sterling rate Sterling appreciates by 10%		Impact of movement in Euro/Sterling rate Sterling depreciates by 10%	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	**£000**	£000
(Increase)/decrease in Net operating cost*	**(44,563)**	(25,092)	**44,563**	25,092
Derivative instruments				
(Increase)/decrease in Net operating cost**	**41,282**	34,235	**(39,792)**	(33,764)
Increase/(decrease) in Taxpayers' Equity***	**2,661**	2,161	**(2,661)**	(2,161)

*This is attributable to the exposure outstanding on euro receivables and payables in the agency at the Statement of Financial Position date.

**This is the result of the changes in fair value of derivatives instrument held for trading.

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

	Average Exchange Rate 31 March 2015	Foreign Currency 31 March 2015	Notional Value 31 March 2015	Fair Value 31 March 2015
	Euro:Sterling	**€000**	**£000**	**£000**
Current derivative assets	**0.76848**	**625,762**	**480,887**	**25,091**
Current derivative assets	**0.71715**	**(13,721)**	**(9,840)**	**161**
Non-current derivative assets	**0.85275**	**19,296**	**16,455**	**2,305**
Current derivative liabilities	**0.77966**	**(14,383)**	**(11,214)**	**(734)**
Current derivative liabilities	**0.72897**	**27,262**	**19,873**	**(157)**
Non-current derivative liabilities	**0.83223**	**(39,355)**	**(32,752)**	**(3,905)**

13. Financial Instruments (continued)

During the year the agency entered into forward exchange contracts to hedge the monthly euro denominated receipts in relation to the Single Payment Scheme. As at 31 March 2015, the aggregate amount of losses under forward foreign exchange contracts deferred to the cash flow hedge reserve relating to the exposure on these anticipated future receipts is £251k. It is anticipated that the funds will be received during 2015-16, at which time the amount deferred in equity will be reclassified to the Statement of Comprehensive Net Expenditure.

The agency also entered into forward exchange contracts to hedge the quarterly euro denominated receipts in relation to the Rural Development Programmes. As at 31 March 2015, there are no gains or losses deferred to the cash flow hedge reserve in respect of Rural Development Programme contracts.

In December 2011 the agency entered into forward exchange contracts to hedge the exposure on the repayment of the European Fisheries Fund advance held by Defra. As the underlying liability is with Defra an internal hedge has been established to transfer the risk exposure on the contracts.

There is no deferral of gains or losses under these contracts to the cash flow hedge reserve.

In 2014-15 a gain of £128k (2013-14 a loss of £14k) has been recognised in the Statement of Comprehensive Net Expenditure arising from hedge ineffectiveness, see Note 5.

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

Own credit risk and counterparty credit risk.

As the agency is a UK Government entity, the own credit risk for the agency is not significant. All derivative contracts are with a stable international bank therefore the fair value of the counterparty credit risk is also limited.

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

	Year to 31 March 2015
	£000
Agency - scheme income	(34,651)
Other paying agencies - scheme income	(13,977)
Gains - scheme expenditure	123,026
Total transferred to Statement of Comprehensive Net Expenditure	**74,398**

13. Financial Instruments (continued)

Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the agency. As part of its procedures the agency periodically reviews the counterparty credit risk.

Trade receivables consist of a large number of unrelated customers with differing credit qualities, which serves to diversify the agency's credit risk. An ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

Liquidity risks

The agency is funded by HM Treasury through Defra. The agency has maintained liquidity, wherever possible, through timely submission of funding claims to the European Commission.

The agency does not undertake the borrowing of funds other than from HM Treasury. Such borrowing, arising from short term in-year fluctuations in expenditure, if required, would be effected by the agency drawing monies from HM Treasury's Contingencies Fund. This facility is the subject of a formal standing arrangement agreed by HM Treasury. Drawings are normally repayable within the year.

Liquidity tables

The following tables detail the agency's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the agency can be required to pay. The table includes both interest and principal cash flows.

	0 - 3 months	3 months to 1 year	1 - 5 years	Greater than 5 years	Total
	£000	£000	£000	£000	£000
31 March 2015					
Non-interest bearing	**30,054**	**208**	**61,272**	**-**	**91,534**
Finance lease liability	**74**	**222**	**565**	**-**	**861**
31 March 2014					
Non-interest bearing	37,672	93,832	16,567	-	148,071
Finance lease liability	43	130	522	-	695

13. Financial Instruments (continued)

The following table details the agency's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the agency's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	0 - 3 months	3 months to 1 year	1 - 5 years	Greater than 5 years	Total
	£000	**£000**	**£000**	**£000**	**£000**
31 March 2015					
Non-interest bearing	**81,316**	**318,251**	**48,221**	**-**	**447,787**
31 March 2014					
Non-interest bearing	331,417	1,388	-	-	332,805

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

	Less than or equal to 3 months	More than 3 months but less than or equal to 6 months	More than 6 months but less than or equal to 1 year	Greater than 1 year	Total
	£000	**£000**	**£000**	**£000**	**£000**
Derivative Liabilities					
31 March 2015					
Gross settled Foreign exchange forward contracts	**697**	**-**	**-**	**4,161**	**4,858**
31 March 2014					
Gross settled Foreign exchange forward contracts	748	-	-	517	1,265
Derivative Assets					
31 March 2015					
Gross settled Foreign exchange forward contracts	**18,284**	**8,095**	**21**	**2,436**	**28,835**
31 March 2014					
Gross settled Foreign exchange forward contracts	2,025	123	-	518	2,666

14. Revaluation reserve

The revaluation reserve relates to revaluation of Property, plant and equipment (Note 7), and Intangible assets (Note 8) analysed as follows:

	Property, plant and equipment	Intangible assets	Total
	£000	£000	£000
Balance at 31 March 2014	32	1,144	1,176
Revaluation during the year	**(14)**	**4**	**(10)**
Transfer to General Fund*	**(14)**	**(1,030)**	**(1,044)**
Balance at 31 March 2015	**4**	**118**	**122**

*The transfer to the General Fund reflects the difference between the depreciation or amortisation charge based on the revalued carrying amount of the asset, and the depreciation or amortisation charge based on the original cost.

15. Capital commitments

There were no contractual capital commitments at 31 March 2015 (31 March 2014: None).

16. Commitments under leases

16.1 Operating leases

Total future minimum lease payments at 31 March 2015 under operating leases are given in the table below for each of the following periods:

	31 March 2015	31 March 2014
	£000	£000
Vehicles		
Not later than one year	**345**	263
Later than one year and not later than five years	**836**	63
Total	**1,181**	326

16. Commitments under leases (continued)

The following commitments relate to the proportion of the occupation of Defra leasehold properties. These arrangements between the agency and Defra reflect a future commitment to reimburse Defra for the underlying rentals paid to landlords for the provision of leasehold accommodation.

	31 March 2015	31 March 2014
	£000	£000
Land		
Not later than one year	**-**	-
Later than one year and not later than five years	**-**	-
Later than five years	**1**	2
Total	**1**	2
Buildings		
Not later than one year	**2,140**	2,308
Later than one year and not later than five years	**6,445**	7,626
Later than five years	**3,226**	3,960
Total	**11,811**	13,894

16.2 Finance leases

Total future minimum lease payments under non-cancellable finance leases at 31 March 2015 are given in the table below for each of the following periods:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	**296**	173
Later than one year and not later than five years	**565**	522
Later than five years	**-**	-
	861	695
Less interest element	**(98)**	(104)
Present value of obligations	**763**	591

The present value of total future minimum lease payments under non-cancellable finance leases at 31 March 2015 are given in the table below for each of the following periods:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	**278**	162
Later than one year and not later than five years	**485**	429
Later than five years	**-**	-
Present value of obligations	**763**	591

17. Other financial commitments

The agency has entered into non-cancellable contracts (which are not leases or Private Finance Initiative contracts). These mainly relate to information technology support and accommodation commitments spanning a number of years. The payments to which the agency is committed are as follows:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	**17,757**	17,809
Later than one year and not later than five years	**20,141**	26,491
Later than five years	**-**	-
Total	**37,898**	44,300

The following commitments relate to facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra.

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	**2,445**	2,173
Later than one year and not later than five years	**9,580**	8,489
Later than five years	**9,580**	10,612
Total	**21,605**	21,274

The following projected commitments relate to the service element associated with the proportion of usage by the agency of Defra's IBM contract in accordance with IFRIC 12, see Note 1.6.

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	**4,109**	4,467
Later than one year and not later than five years	**7,386**	12,360
Later than five years	**-**	-
Total	**11,495**	16,827

17. Other financial commitments (continued)

Private Financial Initiative (PFI)

An off-Statement of Financial Position PFI contract was signed by Defra 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 Defra and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra occupies 0.39% of the building and recharges other occupiers for their share of the costs. The amount charged to the Statement of Comprehensive Net Expenditure for the use of the accommodation in 2014-15 is £67k and the agency's total commitment at 31 March 2015 is £1,580k.

Defra freehold properties

The estimated value of non-specialised freehold property owned by Defra but occupied by the agency at 31 March 2015 is £3.8m (31 March 2014: £4.3m).

There are no rental costs on Defra freehold properties.

18. Contingent assets and contingent liabilities disclosed under IAS 37

Contingent assets

As described in Note 12.2, the agency expects to make future additional payments to customers in relation to land claimed under the Single Payment Scheme. It is anticipated that some of this will be reclaimable from the European Commission, but the value of the reimbursement is subject to future events and decisions that are not wholly within control of the agency. Accordingly, the agency has established a Contingent Asset of £11m, representing the best estimate of the value which will be recovered from the Commission in relation to these claims

Contingent liabilities

The agency has the following contingent liabilities:

The European Commission can apply financial corrections if Defra (through the agency) does not comply with European Commission regulations for payments funded by the European Agricultural Guarantee Fund. Any amounts disallowed (and hence funded by Defra instead) will depend on the assessed severity of the breach of regulations and on subsequent clarification negotiations with the European Commission in accordance with the European Commission's clearance of accounts procedure. There is an ongoing potential liability in respect of financial corrections which is unquantifiable.

In addition to the provision described in Note 12.2, the agency 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 EC or Exchequer funded payments. The amount of any such potential liability is unquantifiable.

19. Related party transactions

The agency, as an executive agency of Defra, has transactions with both core Defra and the following agencies:

- Food and Environment Research Agency
- Animal Health and Veterinary Laboratories Agency, now Animal and Plant Health Agency

The agency also had transactions with the following Non Departmental Public Bodies which are also linked to Defra:

- Natural England
- Agriculture and Horticulture Development Board

A significant proportion of CAP expenditure made by other paying agencies through the operation of market support schemes is funded by the agency. These funding transactions have been with:

- Scottish Government Rural Payments & Inspections Directorate
- Welsh Government
- Department of Agriculture and Rural Development, Northern Ireland
- Forestry Commission (as delegated paying agent)

Payments for Agents Services as disclosed in Note 3 include material transactions with the following:

- Food Standards Agency
- Livestock & Meat Commission

Disclosure of Employment

David Cotton is a non-executive director of the agency. He is a partner of HE Cotton & Son whom received scheme payments of £44k in 2014-15. He is also a director of Kingshill Farming Company Ltd which received scheme payments of £2k and €69k in 2014-15.

Angela Gillibrand is a non-executive director of the agency. She is also a director of Lotmead Company which received scheme payments of £36k in 2014-15.

Radburne Thomas is a non-executive director of the agency. He is the owner of JB Thomas and Son which received scheme payments of £25k in 2014-15. He also acts as an agent and completes Single Payment Scheme applications for his clients.

These transaction were undertaken in the normal course of business and all transactions were at arms' length.

These non-executive directors also receive salaries as shown on the Remuneration Report.

20. Losses and special payments

	Year to 31 March 2015		Year to 31 March 2014	
	No. of cases	**Value**	No. of cases	Value
		£000		£000
Cash losses	**662**	**2,972**	313	2,330
Claims waived or abandoned	**926**	**158**	925	(213)
Administration losses write off	**9**	**15**	96	82
Special payments				
Scheme	**235**	**1,011**	440	(530)
Total	**1,832**	**4,156**	1,774	1,669

Losses exceeding £0.3m	**£000**	
Surrey Wildlife Trust	**404**	Impairment of a receivable
Commoners' Association	**311**	Compensation for SPS claim
Angus Growers Ltd	**400**	Interest due on Fruit & Vegetable producer scheme
Total	**1,115**	

21. Events after the reporting period

These accounts have been authorised for issue by the Accounting Officer on the date the audit certificate and report was signed.

22. Sugar production charges

In accordance with section 8.2 of the FReM, sugar production charges collected on behalf of the European Commission, including related income, expenditure, assets and liabilities are excluded from the financial statements. The amounts excluded are noted below.

Set out below are details of the amounts collected or accrued to be collected in respect of sugar production charges.

	Year to 31 March 2015	Year to 31 March 2014
	£000	£000
Sugar production charges collected or accrued in the financial year	**9,854**	11,506

All amounts collected or accrued above are subsequently surrendered to the European Commission via HM Treasury. Details of the movement in this liability to HM Treasury, which is excluded from the financial statements, are detailed overleaf:

22. Sugar production charges (continued)

	Year to 31 March 2015	Year to 31 March 2014
	£000	£000
Amount payable to the HM Treasury		
Balance held at the start of the year	**-**	-
Amount collected or accrued in the financial year	**9,854**	11,506
Payments to HM Treasury in the financial year	**(9,854)**	(11,506)
Balance held on trust at the end of the year	**-**	-

In addition to the above transactions which had nil net impact, the following gains, which have been excluded from the financial statements of the agency, were incurred in the financial year:

	Year to 31 March 2015	Year to 31 March 2014
	£000	£000
EC reimbursement*	**(2,523)**	(2,193)
Liability for losses from isoglucose claim for over-charges in previous years**	**3**	217
Total gains incurred in year	**(2,520)**	(1,976)

*On 2 December 2013 a Council Regulation was published fixing the revised Sugar Production Levies for the period 2001 - 2006 and allowing reimbursement to be claimed from the Commission for amounts paid to producers and the amounts paid by producers to the beet growers. During April 2013, £13.9m was paid to British Sugar in settlement of these claims from Defra funds. The interest element of this payment £4.7m was reimbursed from EAGF in 2014-15, and paid over to Defra by the agency in the year.

**During 2014-15 an ex- gratia payment was made to Syral Uk Ltd for £220k to settle claims for over-charges in previous years. The interest element of this payment £63k was reimbursed from EAGF in 2014-15, and paid over to Defra by the agency in the year.

At 31 March 2015, the agency held the following assets and liabilities in relation to sugar production charges, which have been excluded from the financial statements of the agency:

	Year to 31 March 2015	Year to 31 March 2014
	£000	£000
Accrued income	**-**	2,193
Liability for settlement of claim for over-charges in previous years	**-**	(217)
Total net assets held	**-**	1,976

ISBN 978-1-4741-0455-5

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