



Rural Payments
Agency

Rural Payments Agency Annual Report and Accounts 2019-2020





© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at newsdesk@defra.gov.uk

ISBN 978-1-5286-1967-7

CCS0520639270 07/20

Printed on paper containing 75% recycled fibre content minimum

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

Contents

Performance Report	4
Chief Executive Officer’s Statement	5
Non-Executive Chair of the Agency Management Board Statement	7
Highlights of the year	9
Purpose and Objectives	12
Performance Overview	14
Performance Analysis.....	15
Accountability Report	28
Corporate Governance.....	29
Statement of Accounting Officer’s responsibilities	34
Remuneration and Staff.....	40
Parliamentary Accountability and Audit.....	54
Financial Statements	60
Account Statements.....	61
Notes to the Accounts.....	65

Performance Report



Chief Executive Officer's Statement



Paul Caldwell

I am enormously proud of what our people have delivered for the agricultural and rural communities we serve. Now more so than ever before, our role in empowering these communities to create a better place to live is critical. As part of Defra Group, our people have played a key role in shaping the future as we continue to change our culture, delivering through our passionate and hugely knowledgeable workforce and further improving our performance which, as this report will show, has been better than ever before.

This year has been extraordinary for many reasons. It has made many of us reflect on our priorities in life and in society, and there is a renewed focus on the communities in and around us. Recent events have also created an opportunity for us to push boundaries and to develop new innovative responses to the challenges we have faced in recognition of the disruption caused by Coronavirus (Covid-19). The Rural Payments Agency has risen to these challenges in a positive way, continuing to deliver our services to our customers. Our chair, Elizabeth Passey summarised my thoughts perfectly when she said 'I cannot tell you how proud the Agency Management Board is of the agency, and the speed at which you adapted to enable your roles, serving the farming and rural communities of our countries, by moving to working from home at a startling pace.'

In terms of delivery, 2019 was another successful year for our land based schemes with record breaking numbers of farmers receiving payments earlier than ever before. Our Basic Payments Scheme continues to pay over 99% of claims. 2019 was our first full year administrating the Countryside and Environmental Stewardship schemes putting over £186.15 million into our rural economy. We launched the second round of the Countryside Productivity Small Grant scheme which was extremely popular with farmers and rural businesses. It is fantastic to see this funding harnessing a range of innovative technology to provide a real boost for productivity across the farming sector in England. I am delighted that we have been able to help unlock access to new equipment for many farmers to the value of £19.7 million.

But I've often said that the agency is so much more than simply making payments.

The reason we do what we do is to make the country a better place for our rural communities, be this through agriculture or through socioeconomic means, creating a vibrancy which enables a thriving economy and a healthy countryside for everyone. This is our purpose. One of the means by which we enable this to happen is through payments. I want to also reflect on our outstanding scheme delivery, our services, our products and our people.

We have achieved international recognition for the accuracy of our land data which is also one of the most strategically important data sets for Defra. We have continued to focus on how to improve access to the range of services we offer. Our transformation capability has helped us introduce new and quicker ways to apply to schemes, reducing the burden on farming communities and our people.

Earlier this year we were approved as the delivery partner for the end to end administration of the Environmental Land Management scheme pilot. The Environmental Land Management scheme will be the cornerstone of our new agricultural policy and it will transform how government supports the agricultural sector and our experience and capability will add much value. This is a fantastic opportunity for our people to help deliver and shape the new scheme.

As well as the Environmental Land Management scheme, there will also be greater use of grants and support for innovative activity, the skills and knowledge we have in running our Rural Development schemes will continue to be important in supporting productivity and welfare, promoting innovation and support to contribute to reducing carbon and water use. Our work on the Livestock Information Programme will further empower rural communities – with better use of information and data for animal health and welfare – much more than simply tracing.

Over the past year we have focussed on the most important asset we have, our people. They are at the heart of everything we do and many live in the communities that we serve. Our ambition is to continue to foster an environment where everyone can thrive and develop. The challenges caused by Covid-19 have brought out the best in our people quickly adapting to new ways of working in a positive way. I would like to thank them for their efforts and hard work across the year.

All of our people remain committed to focussing all of our resources to help create thriving businesses, sustainable economies and enhance the countryside in our rural and agricultural communities.



Paul Caldwell
Chief Executive and Accounting Officer

10 July 2020

Non-Executive Chair of the Agency Management Board Statement



Elizabeth Passey

The agricultural and horticultural sectors face unprecedented challenges, none more so than exhibited in the last year. The Rural Payments Agency has been dealing with a range of challenges of its own; preparing for EU Exit, dealing with continuing downward pressure on public spending; and most recently, responding to the experience of Covid-19 – the latter of which has left no individual or business alone. I am very proud of the achievements of the agency in 2019-20 and I would like to thank all of our people for their hard work, much of which lays the bedrock for our stakeholders, and the general public's future.

All of these items have brought uncertainty and challenge to our customers; and also to us as an organisation and group of private individuals. Through all of this period, I have been struck by the innovation, resilience, professionalism and humanity of the staff within the agency; and by their willingness to adapt. I have also been struck by the patience and understanding of our customers, whilst they grapple with the issues themselves, as we work together to achieve a common, effective and good outcome for all.

One of the agency's role is to disburse funding to those managing our agricultural and horticultural environments, and this has never been more pivotal. The role of predictable and timely cash flow provision is critical to a healthy and functioning sector. With the backdrop of unpredictability, although there is more to do, we have managed to further enhance our reputation and been commended by the Environment, Food and Rural Affairs Select Committee for our progress and improvements with particular regard to the Countryside and Environmental Stewardship schemes.

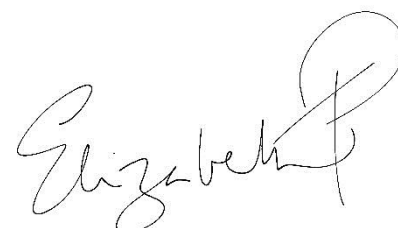
We continue to develop our capability and are firmly embedded in the Future Farming programme for Defra. We are proud to have been appointed as delivery partners for the Environmental Land Management pilot, and we have successfully stood up schemes to support farming recovery from the floods in 2019, as well as supporting the dairy sector from the impacts stemming from Covid-19. We have also partnered with the Livestock Information Programme which will develop world-leading standards of livestock traceability.

At the same time, we have continued to invest in our people to build a diverse workforce, reflecting that of our stakeholders and the broader community. Our teams are engaged and passionate about what they do, many of them coming directly from the communities which we serve. They have a strong sense of empathy to the farming community, and also to the principle of public money for public goods. Our values - visible, engaging, respectful, inclusive, trusted, accountable and supportive - are front and centre of all that we do.

So that we are able to continue to deliver for our rural and agricultural communities, we have completed an organisational design programme which ensures our directorates are well placed to deliver for 2020-21 – a year where challenges we face and the pace of change will not diminish – and beyond. This includes a single directorate for agricultural transition (our products), one for land management (our services), one for engagement and business readiness (our people), one for transformation (our innovation) and one for compliance, assurance and risk (our accountability).

Whilst we strive to meet all of these challenges and embrace these opportunities, the Agency Management Board itself continues to focus on strategy and effectiveness, future proofing the organisation, and ensuring that we have a comprehensive grip on the risks facing the Agency as an organisation. In so far as we are able, we try to understand the risks in the rural and agricultural communities whom we serve. As a board we have undertaken a range of initiatives to better understand the experiences of these varied communities including farm inspections, visiting recipients of Rural Development Grants, meeting our stakeholder representative bodies; and joining agency stands at agricultural shows and events. We also work closely with Defra Group non-executive colleagues to ensure a collective understanding of our Group objectives.

This is my second year as Chair of the Agency Management Board, I remain delighted by the enthusiasm of our people, and grateful for their willingness to strive for constant improvement. We aim to be imaginative about the use of traditional methods, whilst grasping the benefits of technology innovation. We are ambitious about the role the agency plays in facilitating effective and responsible scheme delivery funding to our communities, and the role that our people, products and services play in ensuring a lasting and effective rural and agricultural environment for this; and for future generations. We are conscious that it is up to all of us to create the best and most sustainable outcomes that we can, with the means that are available to us.

A handwritten signature in black ink, appearing to read 'Elizabeth Passey', with a large, stylized flourish at the end.

Elizabeth Passey
Non-Executive Chair
Rural Payments Agency Management Board

10 July 2020

Highlights of the year

Operational Results



- We've helped 80,075 farmers (95%) by paying their BPS subsidy by 31 December 2019
- We've supported rural communities by awarding nearly £470m of grant funding to 11,400 projects
- We've helped to maintain quality produce by conducting over 10,000 compliance & regulation visits
- We've supported farmers by tracing the births, deaths and movements of 9.6m cattle
- Our contact centre has continued to support our customers and has responded to over 340,000 calls and 100,000 items of correspondence

Flooding



We led a £2m fund to help farmers affected by exceptional flooding events

Land Management



Our Land Parcel Identification System (LPIS) achieved international recognition for its accuracy by successfully passing EU quality assurance checks

Feedback

"The two advisers we spoke to following my husband's death were very helpful indeed and we are grateful for their help."

"People on the phone know their stuff."

"A lady from the RPA contacted me with some queries, and I later contacted her with the missing land parcels and alterations. She answers the telephone promptly, she is extremely helpful and whenever possible fixes the problem immediately. If she needs to ring me back she does. She is by far the best person I have ever dealt with in the RPA."

88% of our BPS customers in a customer survey have told us they are either satisfied or very satisfied with the accuracy of our BPS payments

Environmental Land Management Pilot



We were confirmed as delivery partner for the administration of the national ELM scheme pilot

Environment



Our 'Year of Green Action' is encouraging everyone working within RPA to Connect, Protect and Enhance the natural environment

Apprenticeships



We've been formally recognised as a leading employer of apprentices

Operational Delivery Profession



Our Operational Delivery Professional apprenticeships are just one of the ways that we've been helping our people to develop those essential skills which will be key to shaping our future

Staff recognition



We've been celebrating how our people have been helping agricultural and rural communities 'create a better place to live'



Purpose and Objectives

The Rural Payments Agency (RPA or the agency) is an executive agency of the Department for Environment, Food and Rural Affairs (Defra). The agency was originally established in October 2001 as an accredited European Union (EU) Paying Agency and as such operates according to the accreditation requirements set out in Commission Regulation (EU) No 907/2014 and Council Regulation (EU) No 1306/2013. The agency also acts as the UK Funding Body under the European Commission regulation. As the only accredited paying agency in England, we have responsibility for making direct aid and rural development payments to farmers in England.

We are also the paying agency for market support measures across the United Kingdom under the authority of the Secretary of State for Environment, Food and Rural Affairs and as appropriate in agreement with the Scottish Government, Welsh Assembly Government and Department of Agriculture, Environment and Rural Affairs Northern Ireland. As a funding body the RPA 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.

Defra strategy

The Defra Strategy sets out a shared vision and a set of strategic objectives for the Defra group. It is intended to provide employees across the Defra group (including non-ministerial departments, executive agencies, non-departmental and other public bodies) with a clear vision, direction and shared framework. Actions to achieve the strategic objectives are described in more detail in Defra's Single Departmental Plan. The strategy provides a clear unifying framework for how we will design and deliver our goals, track delivery and measure success across the whole of Defra. At the heart of the strategy is our shared vision for the Defra group: **'creating a great place for living'**.

The goals are focused on four categories which explain our ambitious, long term aims; and the positive differences we will make to the UK. They include a single objective that covers all work to deliver a smooth exit from the EU; two impact objectives built around the work to deliver priority environmental outcomes and an organisational objective that shows how Defra group should operate in order to deliver its outcomes.

Vision, purpose and ambition

Our vision is what we want to happen - as part of the Defra group we are here to seize opportunities to shape our future and help make our country a great place for living. Our purpose is to **'empower agricultural and rural communities to create a better place to live'**. Our schemes and products provide support and our services are focused on helping economic growth in the food and farming industry. Our people work alongside partner organisations as part of Defra's Food, Farming and Biosecurity system to deliver for our customer and stakeholders. Our values clarify our identity and serve as a focal point for our people to ensure we enact our ambitions. They are easy to remember and spell the word 'VERITAS' - visible, engaging, respectful, inclusive, trusting, accountable and supportive.

Key issues and risks to delivery of objectives

The agency has managed a number of significant risks this year. This has included preparations for the UK's exit from the EU with the backdrop of Covid-19 whilst also efficiently delivering operational priorities, particularly with regards to Countryside Stewardship and Environmental Stewardship schemes. The agency has simultaneously continued to deliver commitments and improvements against ongoing business as usual activity, particularly the Basic Payment Scheme. The agency has managed budgetary challenges both in the short and longer term and continues to work closely with Defra Corporate Service providers to ensure the right level of service is available and provided to the agency in order to support operational delivery as effectively as possible.

European Union exit

The United Kingdom's exit from the EU will have a significant effect on the agency. At the end of the transition period on 31 December 2020, food producers and retailers must still be able to trade and the agency will continue to provide support to farmers and other food producers in line with government policy as this develops. This work will incorporate the desire to maintain high standards of animal welfare and environmental protection and at the same time to support the strategic aims of Defra's 25 Year Environment Plan.

The key future risks for the agency will be in continuing to build the capacity and capability sufficient to meet the demands arising from exiting the EU and to work through the subsequent transition arrangements. Managing this will require effective prioritisation of resource to meet the timing and sequencing needs of work as the shift to UK funded schemes takes place and to provide the best support to ministers and the department.

Going concern statement

The financial statements are prepared on a going concern basis. The agency is the only Common Agricultural Policy (CAP) accredited paying agency in England and as such plays an important role in delivering significant EU funds to the rural economy and enhancing environmental outcomes. The current CAP programme will remain in place during the implementation period while EU Exit and transition negotiations are progressed. Furthermore, the UK government have committed to maintaining funding to the agricultural sector to match what it would have received under Pillar 1 of the CAP for 2020, as well as confirming that all multi-year projects agreed by the government before November 2016 will be fully funded even when these projects continue beyond the UK's departure from the EU after the end of December 2020.

In assessing its ability to continue as a going concern, the agency has considered the potential implications of Covid-19 and the measures taken to control it. There are no material uncertainties affecting the agency's ability to continue as a going concern as defined by IAS 9.

The agency expects to continue to deliver agricultural support payments in line with Defra strategy and government commitments; hence the agency considers the going concern basis to be appropriate.

Performance Overview

Objective	Key performance indicator	What RPA did
Timely processing and payment of the Basic Payment Scheme	<ul style="list-style-type: none"> To issue as many payments as promptly as possible from 1 December 2019 	<ul style="list-style-type: none"> 95.0% of claims were paid by 31 December 2019
Timely processing and payment of Trader Schemes	<ul style="list-style-type: none"> 100% of Fruit & Vegetable claims paid by 15 October the following year 100% of valid School Milk claims paid within 90 calendar days At least 95% of applications for import and export licences processed within 5 working days 	<ul style="list-style-type: none"> ✓ 100% of Fruit & Vegetable claims paid by 15 October 2019 • 99.8% of valid School Milk claims paid within 90 calendar days ✓ 99.9% of import and export licences processed within 5 working days
Timely processing and payment of Rural Development Programme Schemes	<ul style="list-style-type: none"> Create 8,100 jobs by end of 2023 from 2014-2020 Rural Development Programme Schemes 95% of applications appraised within 60 calendar days 95% of claims processed within 30 calendar days 	<ul style="list-style-type: none"> • 3,592 jobs had been created by 31 March 2020 (ongoing) ✓ 97.8% of applications were appraised within 60 calendar days ✓ 98.5% of claims were processed within 30 calendar days
Maintain accurate records of cattle in Great Britain	<ul style="list-style-type: none"> 96% of notified cattle births, deaths and movements recorded within 5 working days of receipt To issue 96% of cattle passports for valid applications and online within 5 working days 	<ul style="list-style-type: none"> ✓ Over 99% of notified cattle births, deaths and movements have been recorded within 5 working days of receipt ✓ 99.3% of cattle passports were issued within 5 working days

Key business performance indicators are regularly reviewed and updated from previous years.

Performance Analysis

Our ambition is to help create thriving businesses, economies and environments and ensure sustainability in our rural communities. We understand the value of balancing the needs of farming, food and the environment and continue to improve our performance, year on year, through trusting and empowering our people to transform our services putting our customers at the centre of our focus.

We have embarked on a major programme of change to improve and simplify the CAP schemes (having previously focused on the Basic Payment Scheme), this has been particularly focused on Countryside and Environmental Stewardship over the last year. This has delivered better customer experience and outcomes, streamlined business performance and created opportunities to become more flexible and responsive in how RPA provides its services. The transformation work will continue to evolve going forward and be closely aligned as we begin the transition from these existing schemes to new schemes.

Basic Payments Scheme (BPS)

Payment performance in respect of the Basic Payment Scheme has significantly improved, as a result of a number of simplification measures implemented by the agency, since its introduction in 2015.

59,600 customers (70.4%) were paid £1.19bn on the opening day of the payment window, and a record 80,075 (95%) by the end of December 2019, thus meeting a key agency target. By 31 March 2020 the total had increased to 83,520 (99%) worth £1.78bn which meant that we had also achieved our end of June 2020 EU regulatory target.

Percentage of BPS payments by scheme year	2019	2018
End of December	95%	93%
End of March	99%	99%

Our BPS payments provide farmers in England with on average 53% of their farm business income

The option of Financial Support Payments was re-introduced for customers who did not receive a payment early in the payment window. Our improved performance meant we received almost 40% fewer requests for such exceptional measures to be taken this year.

Insight gained from our first BPS Customer Experience Survey reported that:

- 78% of survey respondents were satisfied/very satisfied with their **overall experience** of BPS in the last year.
- 82% and 81% were satisfied/very satisfied with the ease of **using** the online BPS service, and ease of **accessing** the online service, respectively.
- 88% and 85% were satisfied/very satisfied with the **accuracy** and **timeliness** of BPS payments respectively.

Countryside Stewardship (CS)

We took on responsibility for Countryside Stewardship on 1 October 2018 and since then, we have introduced a number of measures to not only improve its administration and performance but also to make it easier for customers to apply for.

During 2019, we focussed our efforts on completing both 2018 and 2019 final payments for the CS scheme whilst also issuing the remaining 2019 and all 2020 agreements.

	Scheme year	Performance as at 31 March 2020
CS Claims Final payment completed	2017	99.9%
CS Claims Final payment completed	2018	98.5%
CS Claims Final payment completed	2019	51.5%
CS Agreements issued to Customer Mid-Tier	2019	99.8%
CS Agreements issued to Customer Higher Tier	2019	100.0%
CS Agreements issued to Customer Mid-Tier	2020	96.6%
CS Agreements issued to Customer Higher Tier	2020	95.0%

As part of our wider improvement plan to deliver a better service to customers, those farmers and land managers who claimed in 2019 received one full revenue payment this year for the first time. This is a significant improvement on payments made by the equivalent time last year which have not only been made up to four months earlier but importantly, fully rather than the 75% advances they have received before.

By the end of the financial year, we had issued final payments to 51.5% of 2019 eligible claims. To help with customer cash flow, bridging payments worth £16.5m were issued in respect of eligible 2018 claims in early 2019 which meant that 95% of claimants had received a payment.

As of 31 March 2020, 96.6% of Mid-Tier 2020 agreement offers and 95.0% of Higher Tier 2020 agreement offers had been sent to applicants.

Our Countryside Stewardship scheme provides over £90 million of financial reimbursement annually to farmers and land owners for work undertaken to promote environmental outcomes



Environmental Stewardship (ES)

We took on responsibility for Environmental Stewardship on 1 October 2018 and since then, we have introduced a number of measures which have delivered significant improvements to its administration and performance.

We have made significant progress on the performance of the Environmental Stewardship (ES) scheme aided by a significant process improvement programme. This includes 99.9% completion of ES 2017 final payments and the payment of all outstanding ES historic revenue claims by the end of July 2019.

	Scheme year	Performance as at 31 March 2020
ES Advance payment	2017	100.0%
ES Final payment	2017	99.9%
ES Advance payment	2018	100.0%
ES Final payment	2018	98.2%
ES Final payment	2019	86.3%

Our Environmental Stewardship scheme provides an additional £178 million for work undertaken to promote environmental outcomes in a range of habitats

The 2019 ES claims campaign closed with over 97% of forms being returned and payments for the 2018 and 2019 scheme years were issued, equating to 98.2%, and 86.3% respectively, by 31 March 2020. To help customers with their cash flow we issued £130m of bridging payments in 2019.

By 31 December 2019 we had paid 7,130 (57.4%) customers. This is 12.5% more than the previous year.

Payment performance has also improved in respect of 2019 ES revenue claims with 9,450 farmers and land managers receiving full payments of £133m by the end of February 2020. At the equivalent point last year, advanced payments worth £53m had been issued.

Trader schemes

We are helping Fruit & Vegetable Producer Organisations to improve their position in the marketplace; reduce their costs and achieve a more sustainable balance.

We paid 100% of Fruit & Vegetable claims by 15 October of the following year the claims were received, of which 75.9% were completed within 100 calendar days.

99.8% of School Milk claims were paid within 90 calendar days. 99.9% of import and export licences issued within five working days, exceeding the commitments set for the year.

We issued 46,660 import licences and 874 export licences within five working days of receipt. A total of 42,733 individual Certificates of Free Sale were issued.

We provide over £32 million of financial support each year to F&V Producer Organisations covering half of the UK's overall production

We help over 14,500 schools across Great Britain to provide subsidised milk and yoghurt and yoghurt products to their students

Rural Development Programme

Our Rural Development programme is providing grants to deliver increased farm productivity; improved rural services; tourism; culture and heritage infrastructure; create jobs; and stimulate economic growth.

By the end of March 2020 over 11,400 projects had been awarded nearly £470m in grant funding, these projects in total represent an investment in the rural economy of just under £1bn. This leaves around £90m of funding to award by the end of the programme, mainly on Countryside Productivity Small Grant scheme Round 3 and the third and final round of the Growth Programme. Just under £270m in grant funding has now been paid to projects - with month on month payments averaging nearly £10m. In total the Rural Development projects are contracted to create over 10,000 jobs, with over 3,500 already created. The target for job creation has been increased with the EU following a programme modification to 8,100.

In early 2019 the final Rural Broadband Infrastructure projects were contracted, bringing investment in high speed broadband in the hardest to reach rural areas to over £81m. These projects are forecast to bring vastly improved internet connectivity to over 150,000 people and nearly 20,000 rural businesses. These projects are now contracting with broadband engineering companies which install cables underground.

The final applications to the Growth Programme Round 2 have been appraised, with over 550 projects contracted and these are set to create nearly 3,500 jobs with nearly 900 already in existence. Projects fall into three main areas of Food Processing, Tourism Infrastructure and the more generic business development projects. Round 3 has been developed and launched with an expected budget allocation of approximately £65m. Over 3,000 Expressions of Interest were received and are being processed. The final date for receiving full applications is currently 31 August 2020.

The LEADER groups have completed contracting projects, with over 3,500 projects awarded funding worth over £125m. To date over £100m of this has been paid to projects. Projects will continue to complete their work and deliver jobs over the next couple of years, to date LEADER projects are expected to create nearly 5,500 jobs, with nearly 1,900 already in existence. LEADER projects fall into six distinct categories, with over 80% of projects directly contributing to jobs and growth in the rural economy: Farm Productivity, Forestry Productivity, Rural Services, Cultural and Heritage, SME Support and Tourism. The LEADER groups will gradually wind down as live projects diminish and final payments are made.

Countryside Productivity (CP) large grants benefitted from an uplift in funding allocation allowing eligible high scoring CP Adding Value and CP Improving Farm Productivity projects to be funded. This uplift resulted in a further 131 projects being awarded funding this year. During 2019 the remaining 540 CP Small Grant scheme Round 1 projects closed, benefitting farmers, foresters and land owners with new effective / efficient machinery and equipment. Round 2 of the Small Grant scheme opened with a wider range of equipment available, this attracted over 4,500 applications, with around 3,700 projects awarded over £23m. By the end of March 2020 over 500 projects had completed and closed, receiving over £3m in grant funding.

Our Rural Development Programme focuses on ensuring we maintain the highest standards of:

- ✓ ***animal health and welfare***
- ✓ ***food quality and***
- ✓ ***environmental outcomes***

It also helps to minimise the administrative burden placed on rural businesses

Parts of Northern and Central England were subjected to very heavy rainfall towards the end of 2019 and a Farming Recovery Fund scheme was launched to aid farmers and land owners to recover from the effects of flooding and return land to productive use. The scheme remains open and 65 applications have been received.

Looking at key activities going forward, we will also be launching two further single focus projects in 2020 looking to improve animal health and welfare in the pig and sheep industries and a possible third of CP Small Grant scheme.

Cattle records

We maintain an online database to report births, deaths and movements of all bovine animals in Great Britain.

Our British Cattle Movement Service (BCMS) achieved all key performance indicators with 99.3% of cattle births, deaths, and movements completed within agreed deadlines.

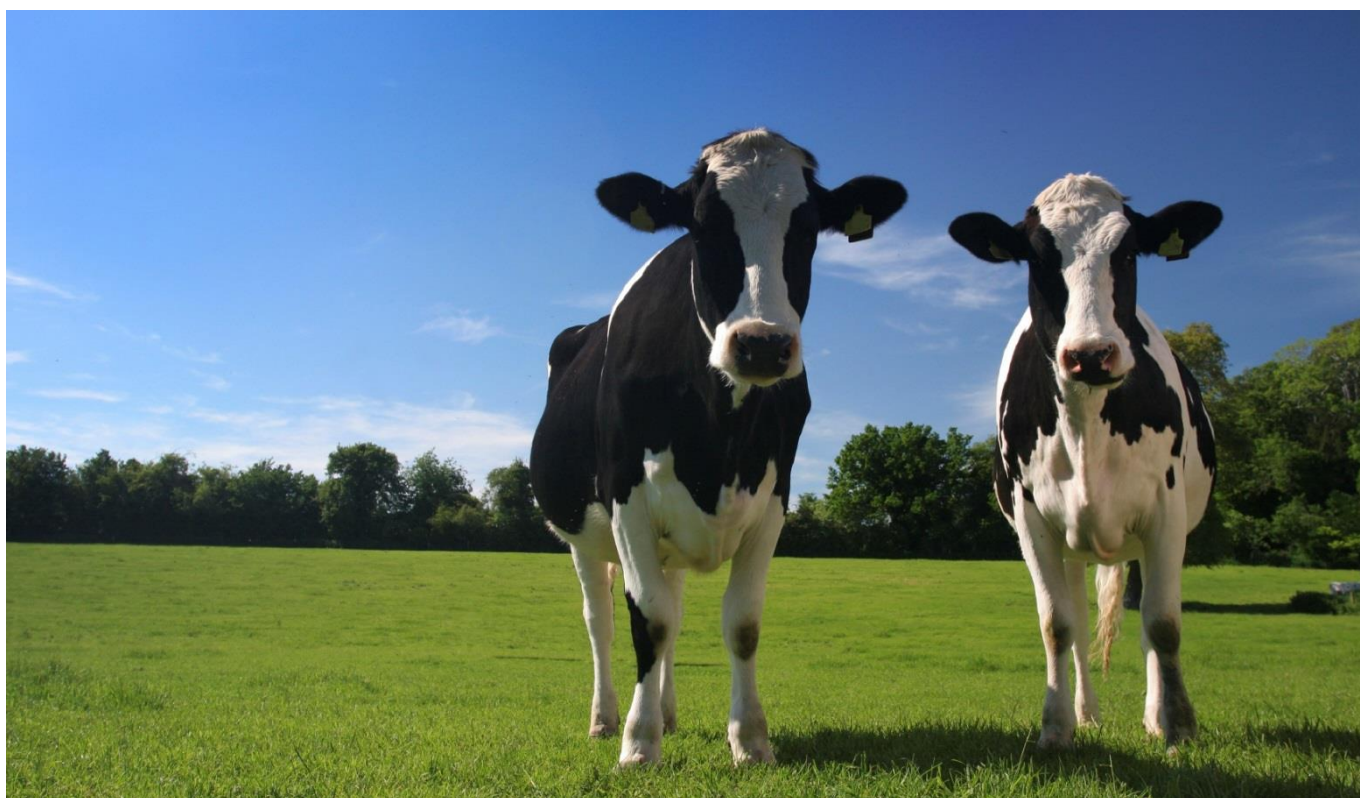
The amount of non-electronic transactions has reduced by 163,000 from the previous year and we continue to promote online reporting as the preferred route, especially during the disruption caused by the Covid-19 outbreak.

Our people working in BCMS continue to provide subject matter expert input for the replacement livestock systems for Great Britain. This includes planning for the managed disaggregation of the current service and transition to the new successor services. The replacement for the current Ear Tag Allocation Systems is due to start in summer 2020.

We have continued to work in partnership with the Food Standards Agency, to achieve the most cost efficient ways to dispose of and destroy the cattle passports from the largest slaughterhouses in England and Wales.

Tracing animals helps to control and eradicate bovine diseases such as Bovine Tuberculosis, Bovine Viral Diarrhoea and foot and mouth disease

It protects consumers by making sure that products in the human food chain are safe





Compliance

Our programme of inspections is designed to help safeguard the environment, the public, crop health, animal welfare and meet our obligations for using European Commission money.

RPA carried out over 10,000 inspections during 2019, across a wide range of schemes. Currently, inspection selections are made on the basis of risk, intelligence and include a random control sample to ensure the effectiveness of the risk criteria. The inspections largely focus on the customers' compliance with scheme rules, which include the underpinning EU and domestic legislation. If non-compliance is identified, both on livestock and land based schemes, it is evaluated and a commensurate financial penalty is applied if the customer or beneficiary is receiving grant aid. If non-compliance is found on a livestock identification inspection, additional measures are introduced that impact on the ability of the customer to move or trade the animal(s).

Additionally, if environmental or animal welfare issues are identified that are outside the scope of RPA's Inspection and Enforcement remit, we share data with other agencies that have the appropriate enforcement powers. Work is underway to refresh the current risk based inspection selection strategy to direct outcomes towards changing governmental priorities.

We completed 100% of Cattle Identification inspections (1,707) and Sheep and Goat inspections (1,907) within the regulatory deadlines. In addition, as a delegated agent of RPA, APHA colleagues completed 498 combined sheep and goat inspections as part of the Defra Farm Visits Programme. The level of sheep and goat inspections was increased for 2019-20 due to an increase in the sheep keeper population.

We carry out over 10,000 visits each year to verify adherence to UK and EU regulations

During 2019 we carried out 293 Beef Carcase Classification inspections, 97 MTS Video Imaging Analysis inspections, 79 Small Scale Operator inspections, 140 Pig Carcase Grading inspections and 102 Deadweight Price Reporting inspections.

In May 2019, we introduced a new scheme - 'Pig Deadweight Price Reporting' - and 58 inspections were carried out throughout the year.

We continue to meet our obligations on Meat Technical Schemes, with the agency carrying out 372 Beef Labelling initial inspections this year.

Delivering services

All of our land based schemes are underpinned by our online Land Parcel Identification System (LPIS) which is responsible for delivering accurate mapping data, improved functionality and faster processing for customers in England.

We have completed 193,280 digitisation jobs representing 188,665 published parcels. The completion of these jobs supported the BPS and CS payment targets. We continue proactive Land Change Detection activity with over one million parcels checked this year to support the Land Parcel Identification System plan.

We maintain the accuracy of approximately 2.5 million land parcels covering around 9 million hectares which equates to 93% of all rural land in England

We successfully transferred the ES helpline into our Customer Contact Centre in July 2020. This helpline received 10,776 calls, answering 10,225 calls (94.9%) across the year.

The Defra/PET helplines received 38,856 calls, answering 37,787 calls (97.2%) across the year. We answered 94.4% within the service level agreement of 80% within one minute.

The remaining helplines received 326,487 calls, answering 295,354 (90.5%) across the year. We answered 70.6% within the service level agreement of 60% within two minutes.

We responded to over 340,000 customer calls and to more than 100,000 items of correspondence across the year

Transparency of data and access to information

We responded to 381 requests for information this year, of which 88.2% were within the agreed deadlines (2018-19: 380 and 92.6%). These cases involved requests for information under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, and the General Data Protection Regulations (GDPR)/Data Protection Act 2018.

We also received five internal reviews and one Information Commissioner's Office complaint. An additional 207 routine business requests were managed by our Information Rights team.

All government procurement card spend, expenditure with all suppliers greater than £25,000 per transaction and a complete procurement spend analysis is reported on the central government website.

Supplier payment statistics	2019-20	2018-19
Payment within 5 days	60.1%	67.3%
Payment within 10 days	100.0%	84.7%

Complaints and appeals

The number of complaints received over the last year has increased which is due to CS, ES, and Rural Development now being included within our figures for the first time.

Complaints handled by RPA	2019-20	2018-19
Prior year complaints unresolved	389	1,252
New complaints received	1,342	1,151
Complaints resolved, withdrawn or cancelled	1,431	2,014
Complaints unresolved at 31 March	300	389

The number of appeals received has increased for similar reasons though they do not include any Rural Development cases as these will be reported by DEFRA.

As a like-for-like comparison, 37 BPS appeals against decisions by the RPA were received in 2019-20, which is a 19.6% decrease from the previous year. Of the 44 appeals resolved in total (excluding the seven withdrawn), 34.1% were upheld in the RPA's favour. Appellants are able to submit and appeal to RPA at any time following an unsuccessful complaint.

Appeals are initially considered by our Appeals team before being sent to an Independent Agricultural Appeals Panel (IAAP). For each appeal, the IAAP consider whether RPA have correctly followed the scheme rules, policies and legislation in their implementation of the subsidy schemes. The panel make a recommendation to a Defra Minister, who makes the final decision on each appeal.

Independent Agricultural Appeals Panel appeals handled	2019-20	2018-19
Prior year appeals unresolved	46	28
Appeals received	94	46
of which:		
Customer complaint upheld	23	11
Customer complaint partially upheld	6	6
RPA decision upheld	15	8
Appeals withdrawn	7	3
Appeals resolved	51	28
Appeals unresolved at 31 March	89	46

One case involving the agency saw an investigation completed by the Ombudsman's office during 2019-20; this case was upheld in the customer's favour and the recommendations were implemented in full.

Human Rights Disclosure

The agency has an obligation to ensure that all its actions respect the human rights of those who work for the agency, and for whom they provide services. There has not been any litigation against the agency alleging a breach of the Human Rights Act 1998 during 2019-20.

Anti-corruption and anti-bribery matters

We will not accept any level of fraud or corruption. All RPA staff must follow the relevant RPA Conduct and Propriety policy, the civil service code and all other relevant procedures and policies.

All cases of suspected fraud, bribery and corruption are thoroughly investigated and dealt with appropriately. RPA is committed to protecting public resources, revenue, property, information and other assets from any attempt, either by members of the public, contractors, sub-contractors or its own employees, to gain, by deceit, any financial or other benefits.

Our Fraud Risk Management Strategy is aligned to the Defra group Counter Fraud Strategy and anti-bribery and corruption policy. These apply to all RPA staff whether permanent, part-time, fixed term or contingent workers.



Financial Review

Preparation of the Annual Report and Accounts

The Statement of Accounts reports the financial results for the year from 1 April 2019 to 31 March 2020. 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 (FRM) published by HM Treasury.

Auditor

The annual accounts have been audited by the Comptroller and Auditor General who is appointed under the Government Resources and Accounts Act 2000. A notional cost of £235,000 (2018-19: £245,000) was incurred for the audit of the agency's accounts and is now included within the notional corporate overhead recharge.

The Comptroller and Auditor General is also the auditor of the RPA's 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 the UK, was £3.1m (2018-19: £2.8m). The auditor has not conducted any non-audit work for the agency.

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 the RPA administers.

The agency's 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. 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 £179.3m are 14.6% higher than the previous year (2018-19: £156.5m). This is primarily due to an increase in staff costs of £18.5m, in part the result of 334 Natural England permanently employed and 380 agency staff that were transferred to the RPA on 1 October 2018 now having worked within the RPA for a full year. There has also been an increase in the notional corporate overheads recharge from Defra of £4m in the year to 31 March 2020, mostly due to changes in the methodology on allocating these central costs across Defra's various organisations.

Net running costs were £155.6m (2018-19: £137.8m) after allowing for income. Income includes receipts from the Rural Development Programme for England Technical Assistance fund (RDPE TA) which support the agency's technical work and input to the fund. At £20.0m this was £4.9m higher than in the previous year (2018-19: £15.1m), and this partly offsets the increased overall running costs.

Payments made, and reimbursements claimed, under the schemes administered by the agency in 2019-20 were £2.0bn (2018-19: £2.0bn). Funds provided to Scotland, Wales, Northern Ireland totalled £1.3bn, in line with last year (2018-19: £1.3bn). Income received from the EU closely correlates to expenditure for each agency and meaning that the net position in relation to scheme activity will mostly arise as a result of costs incurred in managing the foreign currency receipts from the Commission.

Overall net scheme expenditure for the current year is a loss of £71.8m; this compares to a net loss in 2018-19 of £7.6m. The large increase in net scheme expenditure is primarily due to the £67m cost of purchasing a foreign exchange option. This cost was incurred in managing the agency's foreign exchange exposure against a background of increased uncertainty over euro denominated scheme income, caused by the United Kingdom's decision to exit the European Union.

RPA has operated a foreign exchange hedging strategy for a number of years which has successfully mitigated its exposure to exchange rate volatility on the reimbursement of CAP expenditure from the European Commission. The BPS hedging strategy primarily uses forward contracts in order to protect RPA from potential losses from adverse euro exchange rate fluctuations. The possibility of exiting the EU with no deal on 31 October 2019 presented significant issues and risks when establishing the foreign exchange strategy for BPS 2019 as the existence of euro reimbursements during 2020 was uncertain at the time a forward contract needed to be traded. RPA was at risk of having to settle a potentially onerous contract if the income stream did not materialise and there was an adverse rate movement but conversely could not leave a potential euro income stream uncovered. With agreement of HM Treasury, the agency purchased an option as a mechanism to defer the decision whether to hedge whilst still providing for cover at the correct rate. Prior to expiry, as it became clear the UK would enter a transition period and relevant expenditure would be reimbursed by the Commission, the option was exercised providing forward cover to be utilised over the reimbursement cycle.

Financial position

Non-current assets of the agency have fallen by £10.0m in the year to 31 March 2020, with a full year's depreciation and amortisation of £17.2m being charged offset by £4.9m of additions being brought in. These £4.9m of additions were acquired from Defra (2018-19: £3.2m), via a non cash transfer through general reserves.

Trade receivables have increased by £118.8m (24%) compared to 31 March 2019. This is due largely to an increase in monies due from the European Commission for BPS expenditure incurred of £130.1m. Of this increase £100.9m is for expenditure incurred by Other Paying Agencies (OPAs) and is to be collected on their behalf by the agency.

Trade payables, due within one year, have increased by £61.2m (108%) compared to 31 March 2019. This is mainly due to an increase of £56.3m owed to other government departments and OPAs.

The overall impact of these movements was to increase the cash balance of the agency to £500.0m at 31 March 2020, compared to an £499.6m cash balance at 31 March 2019.

At 31 March 2020 the agency had no capital commitments in relation to BPS bridging payments. At 31 March 2019 the agency had capital commitments to pay BPS bridging payments of £8.6m. These payments were made in April 2019 to farmers who had not received a BPS claim payment by the end of March 2019, these payments were subsequently recovered from the farmers in 2019-20, when their BPS payments were made.

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 with reimbursements from the European Commission being received in euros. Consequently, any differential between the prevailing exchange rate when reimbursement is received and the scheme exchange rates fixed by the European Commission will result in an exchange gain or loss for the agency.

To mitigate this risk, the agency enters into forward foreign exchange contracts for the BPS and for the Rural Development Programmes. Trader schemes are assessed on an individual basis with derivative contracts established where it is cost effective to do so. As at 31 March 2020, these derivative contracts represent a net liability of approximately £11.7m to the agency. This valuation is consistent with foreign exchange movements in 2019-20 and off-set the corresponding potential gains in the value of the euros receivable from the European Commission.

The second significant risk relates to the potential that the European Commission 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 in the Governance Statement with any costs incurred accounted for in the core department's accounts.

Sustainability Report

The RPA is committed to continuous improvement against sustainability targets. The total greenhouse gas emissions have decreased to a new low of 964.5 tonnes of carbon dioxide, a reduction of 85% from the baseline data in 2009-10.

Greenhouse Gas Emissions		2019-20	2018-19	2017-18	2016-17	2009-10 Baseline
Non-financial indicators (tonnes CO ²)	Scope 1 emissions (direct)	494.1	613.9	718.6	822.5	1,020.2
	Scope 2 emissions (indirect)	311.8	447.4	776.5	1,047.5	3,981.9
	Scope 3 emissions (direct travel)	158.6	172.9	169.9	116.0	1,419.3
	Total emissions	964.5	1,234.2	1,665.0	1,986.0	6,421.4
Related energy consumption (KWh)	Electricity non-renewable	-	-	-	-	7,590,268
	Electricity renewable	1,219,740	1,580,250	2,065,482	2,264,957	
	Gas	954,337	1,089,080	1,255,188	1,186,034	5,556,447
Financial indicators (£)	Expenditure in energy	139,083	338,259	240,052	421,566	1,174,738
	Carbon Reduction Commitment (CRC) licence expenditure	Nil¹	41,369	39,389	39,389	Nil ¹
	Expenditure on official business travel	1,821,130	2,099,950	2,121,107	2,282,886	2,268,130

1. There was no CRC licence fee in the baseline year of 2009-10, and 2019-20 licences are reported in Defra's 2019-20 Annual Report and Accounts.

Waste Management		2019-20	2018-19	2017-18	2016-17	2009-10 Baseline
Recovered or recycled (tonnes)	Reused or recycled	63.45	101.18	157.95	88.10	428.10
	Composted	5.61	3.46	6.08	15.58	1.98
	Incinerated with energy recovery	44.16	45.36	49.72	46.34	28.26
	Total recovered or reused	113.22	150.00	213.75	150.02	458.34
Not recovered or recycled (tonnes)	Incinerated without energy recovery	2.93	1.07	0.24	3.77	0.04
	Landfill	10.18	10.27	7.83	13.04	159.82
Total waste (tonnes)		126.33	161.34	221.82	166.83	618.20
% recovered or reused		89.62	92.97	96.36	89.92	74.14

Finite Resource Consumption		2019-20	2018-19	2017-18	2016-17	2009-10 Baseline
Water consumption (m ³)		9,778	10,778	11,420	10,831	16,248
Water supply costs (£)		Nil¹	45,241	47,408	41,867	77,490

1. Water supply costs for 2019-20 are reported in Defra's 2019-20 Annual Report and Accounts.



Paul Caldwell
Chief Executive and Accounting Officer
10 July 2020

Accountability Report



Corporate Governance

Purpose

This section describes the governance, risk management and internal control arrangements for the agency and how our processes have evolved in response to a changing business environment and set of risks over 2019-20.

Director's report

Governance framework

Defra's Secretary of State has overall responsibility for RPA and is accountable to Parliament for all matters concerning the agency. Ministerial responsibility for the agency has been assigned to the Parliamentary Under-Secretary of State.

Tamara Finkelstein, 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 (CEO), Paul Caldwell, is designated 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, regularity and reputation and ensures business continuity. The CEO is line managed by the Director General for the Food, Farming and Biosecurity system.

The Agency Management Board

Chaired by a Non-Executive Director, the Agency Management Board (AMB) is responsible for strategic oversight of the agency's performance, advising and challenging the CEO, 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 and ensures effective governance and control is in place for the agency.

Key business at AMB meetings in 2019-20 included:

- The Covid-19 pandemic and the actions taken to ensure continuity of the agency's business
- Contributing to the development of a strategy to improve the agency's reputation
- Countryside and Environmental Stewardship Scheme performance
- The impact of EU Exit and preparation work being undertaken for all possible exit scenarios

The Audit and Risk Assurance Committee

Chaired by a Non-Executive Director, who is also a member of AMB, the Audit and Risk Assurance Committee (ARAC) is responsible for advising both the Board and Chief Executive Officer (as Accounting Officer) on whether the agency's accounts, internal control systems including internal and external audits have been fully discharged. RPA's ARAC chair is also a member of the Defra Audit and Risk Assurance Committee.

Key business at ARAC meetings in 2019-20 included the review of:

- The Annual Report and Accounts, including consideration of the impact of EU Exit planning
- The Audit Planning Report for the Exchequer audit carried out by the National Audit Office
- The EU Accounts
- Assurance of the progress being made on the agency's disallowance position
- The agency's approach to risk, fraud risk management and whistleblowing complaints

Membership and Attendance		AMB		ARAC	
Name	Title	Attendee	Meetings attended	Attendee	Meetings attended
Elizabeth Passey	Chair of AMB, Non-Executive Director	Chair	6 of 6	-	-
Paul Caldwell	Chief Executive Officer	Member	6 of 6	-	-
Sarah Church	Defra Director, Future Farming and Countryside programme (to 29 February 2020)	Member	3 of 5	-	-
Peter Crewe	Compliance, Assurance and Risk Director (from 1 March 2020)	Member	1 of 1	-	-
David Gardner	Non-Executive Director	Member	6 of 6	-	-
Alison Johnson	Engagement and Operations Readiness Director (from 1 March 2020)	Member	1 of 1	-	-
Andy King	Land Management Services Director (to 29 February 2020)	Member	5 of 5	-	-
Anne Marie Millar	Finance Director for RPA, Future Farming & EU Finances	Member	5 of 6	-	-
Alison Webster	Strategy and Policy Director (to 20 March 2020)	Member	5 of 5	-	-
Gordon Woods	Acting Defra Director, Future Farming and Countryside programme (from 1 March 2020)	Member	1 of 1	-	-
Stephen Park	Chair of ARAC (to 14 April 2019)	-	-	Chair	1 of 1
Paul Dillon-Robinson¹	Non-Executive Director and Member of AMB (from 1 May 2019) Non-Executive Director and Interim Chair of ARAC (from 15 April 2019 to 31 March 2020)	Member	6 of 6	Interim Chair	4 of 4
David Cotton	Non-Executive Director	Member	6 of 6	Member	4 of 4
Nigel Reader²	Independent Member (from 15 April 2019 to 29 February 2020)	-	-	Member	4 of 4

1. Paul Dillon-Robinson became an Independent Member of ARAC again from 1 April 2020, when Shrinivas Honap joined ARAC as a Non-Executive Director and Chair of ARAC.
2. Nigel Reader attended four ARAC meetings during the year to 31 March 2020, the first as an observer and the next three as an Independent Member.

The Executive Team

The RPA is headed by the CEO and a team of executive directors, these individuals form the Executive Team (ET) that sets the strategy and direction for the agency and has the overall authority to run the agency on a day-to-day basis. ET membership throughout the year is listed below:

The Executive Team		ET Membership	
Name	Title	Start date (if not in post at 1 Apr 2019)	End
Paul Caldwell (ET Chair)	Chief Executive Officer	-	Present
Emma Appleby	Business Transformation Director	-	Present
Susan Boyd¹	Agricultural-Transition Director	-	Present
Peter Crewe²	Compliance, Assurance and Risk Director	-	Present
Alison Johnson²	Engagement and Operations Readiness Director	-	Present
Nadia Khan³	Food, Farming and Biosecurity Deputy HR Director	1 June 2019	Present
Andy King⁴	Land Management Services Director	-	Present
Anne Marie Millar³	Finance Director for RPA, Future Farming & EU Finances	-	Present
Catriona Morton⁵	Environmental Stewardship Operations Director	-	30 April 2019
David Painter³	Digital, Data and Technology Services Director	-	Present
Alison Webster⁵	Strategy and Policy Director	-	20 March 2020

- Susan Boyd's title changed from BPS Operations Director during the year.*
- Interim roles for Peter Crewe and Alison Johnson were confirmed as permanent during the year, and their titles changed.*
- Nadia Khan, Anne Marie Millar and David Painter are employees of Defra group corporate services.*
- Andy King's title changed from Operations Delivery Director during the year.*
- Catriona Morton and Alison Webster were not replaced on ET.*

Relationship with Defra

Defra's Executive Committee (ExCo), is responsible for overseeing the strategic direction and performance of the Defra group. Responsibilities for decisions which affect more than one organisation, or set a precedent for the future, ultimately lie with ExCo. ExCo is supported by a number of key subcommittees and subcommittee members which include CEOs of relevant delivery bodies and Defra directors.

At Defra group level, activity is managed through outcome focused systems. These bring together all the delivery bodies involved in service delivery in their respective systems. They focus on ensuring delivery of outcomes, joining up policy development and operations and planning and prioritisation to ensure that we provide the best possible service to our customers and value to the taxpayer. The RPA is a delivery body within the Food, Farming and Biosecurity system and the Environment, Rural & Marine system and is represented on both systems boards.

RPA has provided wide ranging support and capability to various cross Defra programmes and strategic initiatives in support of Defra's 25 Year Plan including Future Farming & Countryside Programme. We continue to demonstrate a shared commitment to the achievement of Defra's strategic ambitions and stand ready to evolve and build on our current involvement.

Security, information risk and fraud

Compliance to Information security ISO/IEC 27001:2013 is audited annually by the British Standards Institution (BSI). This is a requirement under Commission Regulation 885/2006, and there is an expectation that this will also be a requirement under future UK legislation. Defra group security conducts compliance reviews of the RPA, suppliers and delegated bodies to ensure assurance of alignment to ISO/IEC 27002:2013. Under Commission Regulation 907/2014 there was a requirement to be certified to ISO/IEC 27001:2013 from 16 October 2016. The Security Unit achieved ISO/IEC 27001:2013 Certification for the agency in August 2015 and recertification in August 2018 and has successfully supported continuous assessments visits completed in subsequent years.

The departmental context for security and information assurance has changed dramatically in the past two years, with the department subject to increased threats as a result of its critical role in EU exit activities, the introduction of new data protection legislation and a new set of minimum baseline requirements for security mandated by the Cabinet Office.

Throughout the year work has continued to support compliance with new data protection legislation, including identifying risks to personal data and strengthening systems and procedures for managing them.

A senior civil service level Senior Security Advisor (SSA) has been appointed to lead on physical, personnel and cyber security across the Defra group, including RPA. The SSA is responsible for managing security risks, providing assurance and advice on security issues, and advising the Permanent Secretary, Executive Team and the Audit and Risk Assurance Committee on the continued effectiveness of controls.

The SSA led a review of departmental security as part of the annual Cabinet Office Departmental Security Health Check, which assessed compliance against new minimum baseline standards for physical, personnel and cyber security. RPA fared well and identified areas requiring improvements have been defined and incorporated into a Defra group wide Security Improvement Plan to address these issues.

As part of this plan, a single group-level security management and assurance function has now been established under the SSA, covering physical, personnel and cyber security, and working level and senior level governance groups have been stood up to oversee management of security risks.

In cyber security, progress has also been made in starting up a new operational cyber security service to provide oversight and protective monitoring across suppliers and to ensure that cyber security risks are proactively managed. Defra's UniTy Programme is also in the process of replacing existing IT infrastructure and systems with more secure alternatives. All UniTy suppliers are required to maintain comprehensive security management plans to report incidents and events centrally.

RPA also continues to be actively engaged with the Transforming Government Security programme, initiated by Cabinet Office to address common security risks in a joined up way across government. RPA now utilises a security vetting service from the Cluster 2 Security Unit, led by the Home Office, and will adopt further services over the coming year.

Information handling

The RPA operates a multidisciplinary governance structure to ensure that information assets are processed in conformity with the law and HM Government information management standards. The route of escalation is from the working and steering committees of the information asset owners (and co-ordinating staff) to the Compliance and Assurance Subgroup (C&ASG). The C&ASG provides assurance in turn to the Security Risk Owner (SRO).

To support the SRO, the RPA Data Protection Assurance Manager, Defra Security, Business Continuity, Data Integrity and Governance and the Information Rights Team serve as a focal point for the information asset owners to obtain guidance on the effective management of information risk within the defined risk tolerance. In addition to reporting to the C&ASG these roles can escalate directly to the SRO if the need arises.

Information handling training is provided to people through the induction process when they join the RPA. This is reinforced during the annual Responsible for Information on-line course provided by Civil Service Learning. Responsible for Information acts as a mandatory certification for agency people to demonstrate they remain competent in the discharge of the information they process in furtherance of their duties. The Data Protection Assurance Manager also provides specialist training for the information asset owners.

During the year 2019-20, a total of 102 suspected data breach incidents were reported for investigation in relation to General Data Protection Regulation (GDPR) compliance. None were deemed to have fulfilled the criteria for onward reporting to the Information Commissioner’s Office (ICO).

Personal data incidents

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

External fraud

External fraud referrals are assessed by the RPA Fraud Referral team to consider whether a potential fraud has occurred. The agency takes appropriate recovery action on cases if the recommendation is made to recover funds.

RPA external fraud	2019-20	2018-19
Number of new external fraud referrals in year	203	137
Number of external fraud referrals closed	142	133
Value of:		
Detected fraud value	£128,840 & €2,796	£88,421
Detected fraud number of cases	15	13
Prevented fraud value	€6,446	£400,909
Prevented fraud number of cases	10	12
Number of external fraud cases outstanding	121	60

The number of external frauds cases outstanding is considerably higher than the previous year, this is due to the number of irregularity cases now being referred to the Fraud Referral Team as a matter of course where the figure exceeds €10,000. These are not all necessarily fraudulent cases but are used to identify where fraud may have taken place, or weakness is present which could allow for a fraud.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the RPA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the RPA and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed
- disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- to be aware of all relevant information and to ensure that there is no relevant audit information of which the entity's auditors are unaware

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.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Permanent Secretary, appointed Paul Caldwell, the agency Chief Executive Officer, as Accounting Officer of the RPA. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the RPA's assets, as set out in Managing Public Money published by HM Treasury.

Governance Statement

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 agency assets. This is in accordance with the responsibilities assigned in the HM Treasury publication; Managing Public Money.

Governance Framework

Defra's Executive Committee is chaired by the Permanent Secretary and comprises of the Defra Directors General, along with the Group Directors for Strategy, HR and Communications and the Chief Executive Officer of the Environment Agency. The committee provides a strategic steer, makes decisions where appropriate on cross-network issues, reviews plans and progress on improving Defra's capacity and capability for the future, and oversees cross departmental initiatives to inform strategic decisions by ministers on their priorities and spending plans.

RPA's Agency Management Board (AMB) is responsible for ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. As part of this the AMB is required to set up an Audit and Risk and Assurance Committee (ARAC) chaired by an independent non-executive member to provide independent advice and ensure that this committee provides assurance on risk. AMB is expected to assure itself of the effectiveness of the internal control and risk management systems.

The Audit and Risk Assurance Committee (ARAC) is responsible for advising both the AMB and CEO 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 by the Certification Body) and anti-fraud policies. The ARAC Chair is also a member of Defra's Audit and Risk Assurance Committee.

The RPA is headed by the CEO and a team of executive directors who collectively form the Executive Team that sets the direction for the agency and has the overall authority to run the agency on a day-to-day basis.

Internal Controls

Risk overview

The RPA operates in a highly regulated environment which requires appropriate controls and governance across the wide range of schemes that we administer.

Significant risks during the year have been associated with the potential impacts of EU Exit as plans for differing scenarios evolved during the year, effectively managing the operational relationship between RPA and its Corporate Service providers, delivery of Countryside Stewardship, Environmental Stewardship and Basic Payment Scheme payment targets, managing potential EU financial corrections, budget impacts and the demands on people capacity and capability. Corporate Services was highlighted as an area of significance in 2018 -19 and progress has been made throughout 2019-20 with a partnership agreement now in place. Most areas have seen significant improvement in the service level provided, however there are still some residual issues which are being dealt with during the quarterly review sessions with the Executive Team. This and the other significant risks mentioned above are considered and managed through a robust agency governance framework.

Fraud risk management

The Fraud Risk Management Steering Group (FRMSG), chaired by the Finance Director for the agency has acted in an advisory committee capacity to the Executive Team and the CEO in his role as Accounting Officer. The steering group has representatives from directorates across the agency and the wider Defra group.

The group has met seven times within the reporting year to consider detection and awareness of fraud in the RPA. Fraud risk management assurance reports have been provided to the ARAC during the course of the year.

Disallowance risk management

Disallowance risks are regularly reviewed with updated forecasts, advice and progress reports provided to the department's Disallowance Strategy governance groups. Adherence with the Strategy is monitored through the agency's Compliance Board. Quarterly reports on the risk of disallowance are also presented to the ARAC and the AMB. The Executive Team considers any significant disallowance risk and any proposals for business changes are considered from a disallowance risk point of view as part of formal governance before implementation can be agreed.

The agency works closely with the UK Co-ordinating Body, devolved administrations and delivery partners (Natural England, Forestry Commission, and the Environment Agency) to identify and mitigate potential causes of disallowance. We also engage proactively and constructively with the external auditors, European Commission and European Court of Auditors to ensure that any adverse audit findings are understood with a view to minimising any associated disallowance.

The agency supports the Defra Disallowance Strategy by undertaking actions in line with its operational, tactical and strategic components. We manage all aspects of the European Commission's Clearance of Accounts audits and have been successful in reducing amounts of disallowance proposed.

Effectiveness of risk management

The Executive Team holds responsibility for the management of the most significant risks the agency faces. There is an overarching risk management process for escalation of risks. Operational risks have been managed on a tactical level in order to meet delivery objectives. The Audit and Risk Assurance Committee undertake 'deep-dive' reviews of key risks, which has led to additional mitigation and assurance activity being taken. The organisation is now in the process of developing an integrated risk management framework.

Risk discussions are held at each ARAC meeting who in turn report on risk effectiveness to the AMB. The agency's Risk Management team collaborate with Defra colleagues on risk escalations to Defra System Committees as required.

Quality assurance of analytical models

The agency's business critical analytical models are subject to regular review and challenge.

Effectiveness of internal controls

Through the RPA's existing governance framework coupled with documented discussions with Executive Directors the agency has assessed the effectiveness of its controls as well as highlighting significant issues for the agency. The Internal Audit team reviewed and provided assurance on this process based on the results of its annual body of work. The AMB and the ARAC 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.

Effectiveness of whistleblowing arrangements

The department encourages employees to use the whistleblowing procedures to raise concerns about past, present or imminent conduct within the Defra group or conflicts with the Civil Service Code. The department implemented the Civil Service Employee Policy in January 2013 across Defra and its executive agencies (including RPA) and updated the policy in December 2016.

There were two reported cases during the period 2019-20 managed within the whistleblowing process. One has been resolved, with one more recently reported still being progressed. The agency considers its whistleblowing policy to be effective.

Internal Audit opinion

The Head of Internal Audit has provided me with her annual report, which incorporates her opinion on RPA's system of governance, risk management and internal control based on internal audit's work completed during the year, in line with the plan agreed by management and the ARAC. Her overall opinion is that moderate assurance can be given that there is a sound system of internal control, designed to meet RPA's objectives, and that controls are being applied sufficiently. Moderate assurance also means that some improvements are required to enhance the effectiveness of risk management, control and governance.

At the time of reporting, internal audit had issued ratings below Moderate in two reviews (out of a total of 29), the first of which related to the processing of staff joining, moving and leaving, and the associated management of systems assets and deregistration. The second was regarding the management of contingent worker timesheets. In all cases, my team has continued to act upon the agreed actions arising from internal audit's work.

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 principles for an agency of our size, status and legal framework.

Effectiveness of governance arrangements

Governance arrangements are effective and proportionate given the level of activity currently being undertaken by the agency. The Internal Audit review of the RPA governance arrangements resulted in a substantial assurance rating.

Defra's Executive Committee (ExCo) is supported by a number of sub-committees (with RPA being part of the Food, Farming & Biosecurity and the Natural Environment and Rural systems) whose focus is on ensuring delivery of outcomes, joining up policy development and operations to ensure the department is providing the best possible service to customers. RPA has representatives at both systems committees.

During this period, RPA appointed one new non-executive member as chair of the Audit and Risk Assurance Committee.

Framework document

RPA's framework document, setting out the broad framework within which the agency operates is on the Gov.uk website:

www.gov.uk/government/publications/rural-payments-agency-framework-document

Effectiveness of Board performance

Regular meetings with the chair of the Agency Management Board have occurred to keep her informed of what is happening across the agency and to discuss the effectiveness of the board. Both the Agency Management Board and the Audit and Risk Assurance Committee have carried out reviews and the results indicate that both the board and committee were operating effectively.

Both the board and the committee have confirmed that the quality of the information and data it receives is sufficient to inform its decisions /opinions.

Managing significant challenges in 2019-20

Flooding

In 2019 the UK was hit by various storms resulting in a significant amount of farmland in England being flooded. RPA played a key role in setting up flood response schemes for farmers and land owners. The farm recovery fund was set up in a matter of weeks with a £2m fund. Farmers could apply for grants between £500 and £25,000 to help with farm restoration work in impacted areas. Setting up this scheme shows RPA's ability to adapt to the ever changing needs of the rural economy.

European Union exit

On 31 January 2020 the United Kingdom left the EU and entered into a transition period during which all the rights and obligations of EU membership remain in force. The transition period is currently expected to run until 31 December 2020. During this period the government will continue to apply EU legislation whilst negotiating the arrangements that will come into force, and the future relationship that will be established between the UK and the EU once the transition period ends. The terms of these negotiations will determine what arrangements will apply and the trading conditions that will come into place after the transition period. BPS payments due from 1 December 2020, will be paid from H M Treasury funds.

The agency continues to support the department in working to ensure that arrangements are in place on 1 January 2021 so there is no gap in the regulatory and delivery frameworks. This work will involve building new delivery systems to enable a smooth and orderly transition, and to implement the new approaches designed to meet the needs of the UK, whilst also working to improve the environment.

The agency will continue to ensure staff are regularly informed about progress and to provide opportunities for staff to be able to contribute their experience and capability which can help ensure a smooth transition from the existing to the new schemes.

Environmental Land Management (ELM)

In February 2020, RPA was announced as the delivery partner for the new Environmental Land Management (ELM) scheme. ELM will see greater use of grants and provide other support for innovative activity across the farming and food sectors. This may include consideration of good practice that exists in other schemes such as the Rural Development schemes, some of which are winding down. The Livestock Information Programme (LIP) will also be empowering rural communities with better use of information and data for animal health and welfare and which supports our vision to empower agricultural communities.

The agency will continue to work with partners across the Defra group to develop and deliver the ELM pilot which will help to ensure the final scheme that emerges will deliver the best for the rural economy and the country.

Coronavirus (Covid-19)

In March 2020, Covid-19 pandemic impacted the UK, resulting in new ways of working for the agency. The agency responded quickly by setting up capabilities for all of the workforce to work from home and ensuring all of the main schemes remained fully operational. The agency is committed to supporting the rural economy and in line with the derogation issued by the EC, extended the deadline for applications to the land based schemes, BPS applications, CS revenue claims, ES claims and Woodland schemes to the 15 June 2020. In line with previous practice these can be amended without penalty for a short period thereafter with final submissions by 10 July 2020. We also extended the claims deadline for CP Small Grant scheme Round 2 by two months to end July 2020. Work was also started on developing a support scheme for parts of the dairy sector which lost hospitality and catering contracts due to the virus.

Stabilisation of Workforce

RPA have a large number of contingent workers. Because of this we have a high proportion of temporary promotions especially in the CS and ES delivery schemes. RPA continue to monitor this position by accurately forecasting workloads and demands compared to our workforce to ensure that we have the right level of staff to demand. This will continue to be reviewed during 2020-21.

Remuneration and Staff

Purpose

The staff and remuneration report provides information on people in the agency and sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors. It also provides details on remuneration and staff that Parliament and others see as important to accountability, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No.1981 and amended by HM Treasury's Financial Reporting Manual.

Remuneration report

Although costs for the CEO and the members of ET are included in the RPA's annual accounts, they are formally employed by Defra. The framework for remunerating the CEO and ET, 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.ome.uk.com. 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 SCS 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 members of ET 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 2019-20, NCVP for 2018-19 performance bonuses was paid to approximately 25% of the SCS and was capped at £10,000. NCVP values, informed by each individual's appraisal grade were paid within Cabinet Office guidelines. The table of salary and non-cash benefits shown in this report includes NCVP paid to the CEO, ET and Non-Executive Directors. Departments also have discretion to make in-year non-consolidated award payments to recognise outstanding contribution for up to 20% of SCS staff. These are limited under Cabinet Office guidance to a maximum of £5,000.

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Further information about the Civil Service Commission can be found at www.civilservicecommission.org.uk.

The CEO and ET are permanent civil servants. The executive directors are required to give three months' notice under the terms of their contracts. Our Non-Executive Directors are appointed on fixed term contracts with a notice period of one month.

The employment of the CEO and members of ET may be terminated in accordance with normal civil service procedures. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Compensation for loss of office

No compensation amounts were paid to executive directors during the year. Compensation for leave not taken, where appropriate, is included within the salary figures in the remuneration table.

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.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the agency and treated by HM Revenue and Customs as a taxable emolument. In 2019-20 no director (2018-19: none) 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 2019-20 relate to performance in 2018-19 and the comparative bonuses reported for 2018-19 relate to the performance in 2017-18.

Pay multiples (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

Total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2019-20	2018-19
Annualised band of highest paid director remuneration (£'000)	130-135	130-135
Median total remuneration (£)	21,749	21,293
Ratio	6.1	6.2

In 2019-20, no employees received remuneration in excess of the highest-paid director (2018-19: nil). The banded remuneration for employees in the agency ranged from £15,000-£20,000 to £130,000-£135,000 (2018-19: £10,000-£15,000 to £130,000-£135,000). These figures exclude the Non-Executive Directors.

Remuneration (including salary) and pension entitlements (audited)

The remuneration and the pension interests of the Non-Executive Directors and the Directors of the agency are detailed in the following tables:

Name and title	2019-20					2018-19				
	Salary	Bonus payments	Benefits in kind	Pension benefits	Total	Salary	Bonus payments	Benefits in kind	Pension benefits	Total
	£000	£000	£000 (To nearest £100)	£000	£000	£000	£000	£000 (To nearest £100)	£000	£000
Peter Conway <i>Non-Executive Director (to 31 July 2018)</i>	-	-	-	-	-	5-10	-	-	-	5-10
David Cotton <i>Non-Executive Director</i>	5-10	-	-	-	5-10	5-10	-	-	-	5-10
Paul Dillon- Robinson <i>Non-Executive Director</i>	10-15	-	-	-	10-15	0-5	-	-	-	0-5
David Gardner <i>Non-Executive Director</i>	0-5	-	-	-	0-5	0-5	-	-	-	0-5
Stephen Park¹ <i>Non-Executive Director (to 14 April 2019)</i>	0-5	-	-	-	0-5	10-15	-	-	-	10-15
Elizabeth Passey <i>Non-Executive Director</i>	5-10	-	-	-	5-10	5-10	-	-	-	5-10
Nigel Reader² <i>Independent Member of ARAC (to 29 February 2020)</i>	0-5	-	-	-	0-5	-	-	-	-	-
Trevor Spires <i>Non-Executive Director (to 31 July 2018)</i>	-	-	-	-	-	5-10	-	-	-	5-10

1. Stephen Park's whole year equivalent salary for 2019-20 would be in the range £15,000 to £20,000.
2. Nigel Reader's whole year equivalent salary for 2019-20 would be in the range £0 to £5,000.

Remuneration (including salary) and pension entitlements (audited) continued

Name and title	2019-20				
	Salary	Bonus payments	Benefits in kind	Pension benefits	Total
	£000	£000	£000 (To nearest £100)	£000	£000
Emma Appleby <i>Business Transformation Director</i>	90-95	10-15	-	37	140-145
Susan Boyd <i>Agricultural-Transitions Director</i>	70-75	-	-	34	105-110
Paul Caldwell <i>Chief Executive Officer</i>	105-110	10-15	-	70	185-190
Peter Crewe <i>Compliance, Assurance and Risk Director</i>	70-75	0-5	-	78	150-155
Alison Johnson <i>Engagement and Operational Readiness Director</i>	70-75	0-5	-	36	105-110
Nadia Khan¹ <i>Food, Farming and Biosecurity Deputy HR Director (from 1 June 2019)</i>	60-65	-	-	24	80-85
Andy King <i>Land Management Services Director</i>	75-80	-	-	35	110-115
Anne Marie Millar¹ <i>Finance Director for RPA Future Farming & EU Finances</i>	130-135	-	-	46	175-180
Catriona Morton² <i>Environmental Stewardship Operations Director (to 30 April 2019)</i>	5-10	-	-	24	25-30
David Painter¹ <i>Digital, Data and Technology Services Director</i>	70-75	0-5	-	60	130-135
Alison Webster³ <i>Strategy and Policy Director (to 20 March 2020)</i>	100-105	-	-	32	130-135

1. Nadia Khan, Anne Marie Millar, and David Painter are employees of Defra group corporate services but RPA Directors. Nadia Khan's whole year equivalent salary would be in the range £70,000 to £75,000.
2. Catriona Morton's whole year equivalent salary would be in the range £65,000 to £70,000.
3. Alison Webster's whole year equivalent salary would be in the range £105,000 to £110,000.

Remuneration (including salary) and pension entitlements (audited) continued

Name and title	2018-19				
	Salary	Bonus payments	Benefits in kind	Pension benefits	Total
	£000	£000	£000 (To nearest £100)	£000	£000
Emma Appleby <i>Business Transformation Director</i>	90-95	10-15	-	36	140-145
Nicola Bettesworth ¹ <i>Human Resources Director (to 18 June 2018)</i>	15-20	-	-	112	125-130
Susan Boyd ² <i>BPS Operations Director (from 15 April 2018)</i>	65-70	0-5	-	61	125-130
Paul Caldwell <i>Chief Executive Officer</i>	105-110	-	-	82	190-195
Peter Crewe ³ <i>Interim Compliance and Assurance Director (from 1 December 2018)</i>	20-25	-	-	26	50-55
Paul Egginton ⁴ <i>Digital, Data and Technology Services Director (to 31 January 2019)</i>	75-80	0-5	-	41	120-125
Alison Johnson ⁶ <i>Interim Countryside Stewardship Operations Director (from 1 October 2018)</i>	30-35	-	-	20	50-55
Andy King ⁶ <i>Operations Delivery Director (from 30 April 2018)</i>	65-70	-	-	64	130-135
Anne Marie Millar ⁷ <i>Finance Director for RPA, Future Farming & EU Finances</i>	130-135	-	-	-	130-135
Sarah Milum ⁸ <i>EU Reporting and Compliance Director (to 30 November 2018)</i>	45-50	-	-	22	70-75
Catriona Morton ⁹ <i>Environmental Stewardship Operations Director (from 23 July 2018 to 30 April 2019)</i>	45-50	-	-	(6)	35-40
David Painter ¹⁰ <i>Digital, Data and Technology Services Director (from 1 February 2019)</i>	10-15	-	-	20	30-35
Alison Webster <i>Strategy and Policy Director</i>	100-105	-	-	5	105-110

1. Nicola Bettesworth is an employee of Defra and was a RPA Director until 18 June 2018, when she was appointed Human Resources Chief Operating Officer in Defra. Her whole year equivalent salary as a RPA Director was in the range £75,000 to £80,000.
2. Susan Boyd was appointed BPS Operations Director from 15 April 2018. Her whole year equivalent salary was in the range £65,000 to £70,000.
3. Peter Crewe was appointed Interim Compliance and Assurance Director from 1 December 2018. His whole year equivalent salary was in the range £65,000 to £70,000.
4. Paul Egginton was an employee of Defra but a RPA Director who retired on 31 January 2019, his whole year equivalent salary was in the range £90,000 to £95,000.
5. Alison Johnson was appointed Interim Countryside Stewardship Operations Director from 1 March 2018, and was seconded to Natural England from that date to 30 September 2018. Her secondment stopped on the 1 October 2018 when Countryside Stewardship transferred from Natural England to the agency. Her whole year equivalent salary was in the range £65,000 to £70,000.
6. Andy King was appointed Operations Delivery Director from 30 April 2018. His whole year equivalent salary was in the range £70,000 to £75,000.
7. Anne Marie Millar is an employee of Defra, but a RPA Director.
8. Sarah Milum resigned with effect from 30 November 2018. Her whole year equivalent salary was in the range £85,000 to £90,000.
9. Catriona Morton was appointed Environmental Stewardship Operations Director from 23 July 2018 to 30 April 2019. Her whole year equivalent salary was in the range £65,000 to £70,000.
10. David Painter is an employee of Defra but a RPA Director, who was appointed Digital, Data and Technology Services Director from 1 February 2019. His whole year equivalent salary was in the range £70,000 to £75,000.

Pension benefits (audited) information

Non-Executive Directors are not entitled to a pension so are not included within the following table.

Name and title	Accrued pension at pension age as at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000 (To nearest £100)
Emma Appleby <i>Business Transformation Director</i>	15-20	0-2.5	185	156	16	-
Susan Boyd <i>Agricultural-Transitional Director</i>	35-40 plus lump sum of 100-105	0-2.5 plus lump sum of 0-2.5	784	726	24	-
Paul Caldwell <i>Chief Executive Officer</i>	45-50 plus lump sum of 115-120	2.5-5 plus lump sum of 2.5-5	960	864	53	-
Peter Crewe <i>Compliance, Assurance and Risk Director</i>	30-35 plus lump sum of 95-100	2.5-5 plus lump sum of 10-12.5	729	621	77	-
Alison Johnson <i>Engagement and Operations Readiness Director</i>	30-35 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	646	593	24	-
Nadia Khan <i>Food, Farming and Biosecurity Deputy HR Director (from 1 June 2019)</i>	0-5	0-2.5	21	4	11	-
Andy King <i>Land Management Services Director</i>	20-25	0-2.5	306	272	17	-
Anne Marie Millar¹ <i>Finance Director for RPA, Future Farming & EU Finances</i>	0-5	2.5-5	46	-	37	-
Catriona Morton <i>Environmental Stewardship Operations Director (to 30 April 2019)</i>	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5-5	621	598	22	-
David Painter <i>Digital, Data and Technology Services Director</i>	30-35 plus lump sum of 65-70	2.5-5 plus lump sum of 2.5-5	574	504	44	-
Alison Webster <i>Strategy and Policy Director (to 20 March 2020)</i>	20-25	0-2.5	496	461	32	-

1. Anne Marie Miller opted out of the pension scheme in 2017-18.

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced; the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service, joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections; three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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

Employee contributions are salary-related and range between 4.60% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8.00% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers, at 31 March 2020 that provider was Legal & General. 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Further details about the civil service pension scheme arrangements can be found on the Civil Service website www.civilservicepensionscheme.org.uk.

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.

Staff report

Staff costs and numbers are disclosed in Note 2.

Senior staff by pay-band

The table below provides the number of Senior Civil Servants or equivalent within the agency by pay-band, the table doesn't include the Directors that are Defra employees.

Senior Civil Servants by pay-band	As at 31 March 2020	As at 31 March 2019
Pay-band 3	-	-
Pay-band 2	1	1
Pay-band 1	5	7

Staff composition

RPA has continued its blended approach to resourcing and continues to use temporary agency workers to manage the peaks in workload. Use of contractors has significantly reduced and the agency has invested in developing in-house capabilities to meet demand.

During the year to 31 March 2020 RPA has converted approximately 300 temporary agency staff to employees with short fixed term contracts.

Work on transition planning following the UK's departure from the EU continues, and this has enabled the RPA to flexibly deploy people across Defra group. Offering people opportunities to build and consolidate capabilities. The agency has recovered these people costs through recharges.

Workforce profile	As at 31 March 2020	As at 31 March 2019
Permanently employed staff	2,239	1,837
Agency	499	743
Contractors	-	8
Total	2,738	2,588

Gender diversity as at 31 March 2020	Male	Female
Executive Team not including Defra employees appointed as ET members	3	3
Permanently employed staff (excluding Executive Team)	965	1,268
Non-Executive Directors	4	1

Developing the workforce

In order to grow our capability and flexibility, we focused on five key areas: authentic leadership, inclusion and wellbeing, learning and development, future-ready and opportunities for all. These are reflected in our new People Plan which we launched in 2019.

- We want to grow authentic leaders who reflect our values and support our people to deliver with competence, compassion and commitment
- To continue to build a strong organisation that aligns to realise a workforce with the capability to perform in a complex and unpredictable environment which adapts to change
- To develop a culture of people who live our values, recognise and value different perspectives, work together well and engage others to deliver for our customers

Our established People Group is our forum where our people contribute your views to a broad range of people related issues including leadership, engagement, inclusion, learning, development, resourcing and recognition amongst others. The People Plan is a new output from People Group, is a *statement of intent* and set out our five areas of focus and we are very proud of our achievements over the last year.

People Group and our People Plan

Our People Plan is a statement of our ambition to make our agency an outstanding place to work. It built on what our agency's People Group have done and this combination has allowed us to meet the challenges of a complex, rapidly-changing world including responding at speed to the issues posed by Covid-19.

Our Plan is an open document. By definition, it changed and grew as we changed and developed as an organisation and this flexibility allowed us to respond quickly to the unpredictable events of 2019-20. It combined targeted, specific activities focused on individuals, with wider initiatives designed to increase scale and reach, and to change culture and attitudes. We harnessed the energy, passion and creativity of our people to deliver against these themes.

Develop our learning and development strategy

We developed a new learning and development strategy. The strategy is the platform from which a learning, development and recognition framework will be prepared in for 2020-21 as we bring our learning and development budget back in-house from Defra. The learning and development framework will be supported by a system holding all of our learning, training and development information. Our framework comprises of leadership and management, profession specific and technical training and is underpinned by our values – to be visible, engaging, respectful, inclusive, trusted, accountable and supportive.

Developing our professional capability as operational delivery experts

We have launched a new Operational Delivery Profession strategy which has enabled our people to join and benefit from the largest of all the Civil Service Professions with 250,000 members across all government departments.

Being part of this community of practice offers our people training and development programmes, career pathways, networking opportunities and a real sense of belonging. We have the following objectives for our people who are part of this community and will continue to grow this work in 2020-21:

- Build a thriving community of practice, recognised and respected for its vital role in public service delivery
- Create a dynamic workforce who are future-ready, by helping our members develop, progress and feel part of a community
- Instill a sense of pride and passion amongst our members, ensuring they feel valued for their work
- Inspire full commitment from our members to furthering their own skills
- Ensure our members are passionate about the people we serve and always have the desire to do better and be better, throughout their careers
- Enhance our customer experience expertise across our agency so that we deliver the best services
- Celebrate the impact we have and reward exceptional delivery

Design a collective agreement to meet our changing workforce needs

In addition to ensuring that our workforce is well managed and affordable, we now consider resourcing and deployment at an agency level and show our commitment to making the agency an inclusive place to work, where everyone is encouraged and supported to realise their full potential.

Since we introduced a new Workforce Approvals Group reporting into People Group we have established a forum which is about more than filling vacancies – we work as a team and with a singular sense of purpose to grow talent, build career paths and support development of individuals.

Build strong internal and external relationships

We understand that to achieve better outcomes we have to build strong relationships and work collaboratively with others.

During the year, the agency has been gathering information to help it assess current capability and issues, and to develop plans to support achievement of our strategic direction. This included:

- Using insight gained from surveys and research to develop a new strategy designed to transform the quality of our customers' experience
- Building relationships with senior industry and corporate stakeholders, using their insight to help develop the range of services we offer
- Encouraging our people to share their knowledge, ideas and experience to shape our future and help create a great place for living

We also provided wide-ranging support and capability to various cross Defra programmes and strategic initiatives in support of Defra's 25 Year Plan including Future Farming & Countryside Programme. We continue to demonstrate a shared commitment to the achievement of Defra's strategic ambitions and stand ready to evolve and build on our current involvement.

In the coming year, our relationships work will focus on defining our three year strategic plan, our external relationships and determining how we will maintain and develop them.

Develop a stronger customer focus based on demonstrable customer needs

We work hard to support farmers, land managers, foresters and rural businesses across the country. Our customer strategy sets out our ambition to focus on improving the customer experience for those that rely upon our services.

During 2019-20 we began to make adjustments to the way we connect with the range of customers we service, including the proactive use social media channels, how to guides, themes (women in farming), a greater partnership approach with industry on the development of communications products for our customer, and the showcasing case studies which demonstrate the successes achieved by the industry as a result of the support we have provided.

Celebrating our success

The award scheme has been used throughout the year to recognise and reward in-year achievements of RPA people who have gone above and beyond their normal duties to support successful delivery of business objectives.

Attendance management

The RPA's annual working days lost figure for the 2019-20 year was 7.5 (2018-19: 6.2).

Year to 31 March	2020	2019	2018	2017	2016	2015
Annual working days lost	7.5	6.2	7.6	6.1	6.9	6.7

Employee engagement

The RPA's engagement index improved by 2% in 2019 to 50%.

Engagement index	2019	2018
RPA engagement index	50%	48%
Defra engagement index	63%	57%
Civil Service benchmark engagement index	63%	62%

In terms of people engagement, RPA is embracing new ways of gathering feedback and views. Regular use of SLIDO and CEO all-agency calls are proving popular and valuable insight is being captured.

RPA recognises that there is some way to go in improving people engagement and staff engagement survey results and comments will drive activity that will be tracked through the People Plan.

In February 2020, the agency launched the RPA VERITAS awards. These awards celebrate and recognise staff, who are Visible, Engaging, Respectful, Inclusive, Trusting, Accountable, and Supporting and who deliver with collaboration and innovation. The first nominations are currently being considered and an award ceremony will follow later this year.

Employee relations and tribunals

There was one closed and settled employment tribunal between 1 April 2019 and 31 March 2020. The trade union engagement framework was introduced in April 2014 and is now firmly embedded within the agency. Facility time used by the trade union representatives has been within the maximum introduced by the Cabinet Office in 2013.

Employment issues and recruitment practice

Defra HR continues to provide an expert service to RPA, managing vacancies throughout their life cycle from inception to realisation and provide full administrative functions for resourcing. This has ensured RPA remains compliant with Civil Service Commissioning Recruitment Principles at all times.

This year has seen a significantly large number of recruitment campaigns in order to start to stabilise the makeup of the agency workforce. These campaigns have utilised a range of resourcing options including fixed term appointments, apprenticeships and permanent recruitment.

Pay policy

As RPA is now covered within the Defra pay bargaining unit. Headlines for the 2019 pay award were:

- All eligible staff received a payment equivalent to at least 2.5% of their 30 June 2019 base pay
- This comprised of a combination of an increase to base pay and a one-off payment, dependent on where staff are in the pay range
- Both the increase to base pay and the one-off payment are pensionable

Exit packages

The agency offered voluntary redundancy to three employees in 2019-20 who left in the year. Exit packages are reported in staff costs in Note 2.3 of these accounts.

Diversity issues

RPA remains a part of the Defra group Equality, Diversity and Inclusion Strategy 2017-20 to ensure positive action is taken on four key themes where people feel respected, valued, supported and engaged.

The RPA People Plan is also committed to providing opportunities for all; attracting and developing diverse and motivated people, focusing on strengths.

A socio-mobility survey was launched across Defra group in 2019 in order to gather data to underpin the approach to improving socio-mobility.

In March 2020, new socio-economic background questions were added to the people portal. These questions help to establish the backgrounds of employees, so that we can see overall how inclusive we are of people who come from lower socio-economic backgrounds. This is all part of the work to make sure RPA has a diverse and inclusive culture where everyone in RPA feels they belong and are valued.

RPA, as part of Defra group is supporting the cross-government activities for 2020 Civil Service Year of Inclusion – making the most of our diversity. These have included so far, World Hearing Day and International Women's Day.

Equal treatment in employment and occupation

RPA, as part of Defra, continues to work with a range of staff networks that support equal treatment in employment and occupation.

Project Race, developed in 2019, is one of these networks. It aims to improve outcomes for Black, Asian and Minority Ethnic colleagues in relation to representation, performance management and engagement.

We are working closely with cross-government initiatives to attract and encourage applicants from much wider, diverse groups such as care leavers, ex-offenders and ex-military. This scheme enables those from specified groups who meet “basic” minimum selection criteria to have guaranteed interviews for junior roles within the Civil Service.

In support of equal treatment in recruitment, the agency continues to use the Civil Service Guaranteed Interview Scheme for those people informing us of a disability or health condition. The agency also follows the ‘blind’ application process to ensure that diversity information is not disclosed to vacancy holders/interviewers at any time during the application process and therefore avoid unconscious bias entering into the recruitment process. Interview panels are trained in aspects of ‘Unconscious Bias’ and its impact on decision making.

RPA induction packs direct people to Equality Diversity Inclusion (EDI) support and support networks. Workplace adjustment passports, workstation assessments and occupational health referrals are all fully utilised by staff and managers.

Trade union relationships

Working relationships with the trade union have remained positive and constructive, giving valuable input and support into initiatives throughout the year.

Facility time publication requirements

In accordance with the requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017, the following tables summarise trade union officials of employees and facility time usage during the year 2019-20.

Trade union representative	2019-20
Number of employees who were relevant union officials	9
Full time equivalent employee number	8.4

Number of employees by percentage of time spent on facility time	2019-20
0%	2
1-50%	7

Percentage of pay bill spent on facility time	2019-20
Total pay bill spent on facility time (total cost of facility time ÷ total pay bill) x 100	0.01%
Total cost of facility time during the year to 31 March 2020	£8,144
Total pay bill cost during the year to 31 March 2020	£68.9m

Paid trade union activities	2019-20
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by trade union representatives during the year to 31 March 2020 ÷ total paid facility time hours) x 100	0%

Off-payroll appointments

In line with the recommendations of a review of Tax Arrangements of Public Sector Appointees published by HM Treasury in May 2012 the RPA put in place controls to ensure its non-payroll people earning greater than £245 per day are contractually obliged to assure the agency that they are meeting their tax obligations. Monitoring continues to take place with regular reports being supplied to Defra.

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

Number of new engagements	2019-20
Which include contractual clauses giving the department the right to request assurance in relation to income tax and national insurance obligations	2
For whom assurance has been requested	2
No. assessed as caught by IR35	-
No. assessed as not caught by IR35	2
of which:	
No. engaged directly (via PSC contracted to department) and are on departmental payroll	-
No. engagements reassessed for consistency/assurance purposes during the year	2
No. of engagements that saw a change to IR35 status following the consistency review	-

For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months:

Number of existing engagements	2019-20
Existing engagements as at 31 March 2020	-
of which:	
Existed for less than one year at time of reporting	-
Existed between one and two years at time of reporting	-
Existed between two and three years at time of reporting	-
Existed between three and four years at time of reporting	-
Existed for four or more years at time of reporting	-

Expenditure costs on out sourced agency staff in 2019-20 was £20.8m (2018-19: £12.2m) as reported in staff costs in Note 2.1 of these accounts. These staff were typically lower grade individuals used on a short term temporary basis to process BPS payments and provide cover for some business as usual tasks.

Expenditure costs on consultancy in 2019-20 was £0.4m (2018-19: £1.3m). These costs have been incurred directly by the agency, and are categorised by their nature within IT costs and Non-IT professional services in Note 3 of these accounts. Since 1 April 2017, the majority of consultancy costs incurred by the agency, have been paid by Defra and recharged to the agency in the notional corporate overheads recharge in Note 3 of these accounts.

Parliamentary Accountability and Audit

Purpose

This section describes how the agency meets key accountability requirements to Parliament.

Regularity of expenditure (audited)

The agency reports losses and special payments:

	31 March 2020		31 March 2019	
	No. of cases	Value	No. of cases	Value
		£000		£000
Cash losses - Scheme	476	1,135	1,645	10,594
Cash losses - Administration	1	1	2	3
Claims waived or abandoned	5	39	26	184
Special payments - Scheme	380	1,009	45	1,391
Realised exchange loss	1	2	1	1,359
Total	863	2,186	1,719	13,531

Losses exceeding £0.3m

There were no losses exceeding £0.3m in the year to 31 March 2020.

Fees and charges (audited)

The agency has no material income fees and charges.

Remote contingent liabilities - European Union exit (audited)

In July 2018, the UK government announced an extension of its guarantee of EU funded projects after the UK left the EU. The guarantee was originally announced in 2016 and now guarantees the current level of agricultural funding under CAP Pillar 1 until 31 December 2020. The government reaffirmed this guarantee in December 2019.

Following a general election, Parliament ratified the withdrawal agreement and the UK left the EU on 31 January 2020, with a transition period due to end on 31 December 2020. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations during this transition period. As a result, an unquantifiable contingent liability is disclosed, relating to agricultural funding under CAP Pillar 1. In accordance with accounting standards, no contingent assets can be recognised.

Long term expenditure trends

A detailed commentary on current and prior year performance is included within the Performance Analysis section.



Paul Caldwell
Chief Executive and Accounting Officer
10 July 2020



THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Rural Payments Agency for the year ended 31 March 2020 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2020 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 regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Rural Payments Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

- the Rural Payments Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Rural Payments Agency has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Rural Payments Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rural Payments Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Rural Payments Agency's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Rural Payments Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Rural Payments Agency to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

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 parts of the Accountability 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

I have no observations to make on these financial statements.

Gareth Davies

Date 13 July 2020

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements



Account Statements

Statement of Comprehensive Net Expenditure for the Year to 31 March 2020

		Year to 31 March 2020		Year to 31 March 2019	
	Note	£000	£000	£000	£000
Running costs					
Staff	2	90,112		71,639	
Others	3	89,186		84,839	
		179,298		156,478	
Running costs income	4	(23,650)		(18,711)	
Net running costs			155,648		137,767
Scheme costs					
Rural Payments Agency					
Costs	5	1,954,502		2,024,007	
Income	5	(1,881,415)		(2,016,710)	
			73,087		7,297
Other paying agencies					
Costs	6	1,330,974		1,344,069	
Income	6	(1,332,290)		(1,343,815)	
			(1,316)		254
Net scheme expenditure			71,771		7,551
Net operating cost			227,419		145,318
Other Comprehensive Net Expenditure					
Items that will not be classified subsequently in the Statement of Comprehensive Net Expenditure					
Net gain on revaluation of property, plant and equipment	14		(7)		(12)
Net gain on revaluation of intangible assets	14		(2,297)		(2,560)
Items that maybe classified subsequently in the Statement of Comprehensive Net Expenditure when specific conditions are met					
Movement in hedging reserves			7,812		1,566
Total comprehensive net expenditure for the year			232,927		144,312

The Notes on pages 65 to 95 form part of these accounts.

Statement of Financial Position as at 31 March 2020

		As at 31 March 2020		As at 31 March 2019	
	Note	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	7	851		1,426	
Intangible assets	8	54,213		63,640	
Total non-current assets			55,064		65,066
Current assets					
Inventories		-		342	
Trade receivables and other current assets	9	614,780		495,987	
Derivative assets	13	1,462		22,932	
Cash and cash equivalents	10	500,038		499,595	
Total current assets			1,116,280		1,018,856
Total assets			1,171,344		1,083,922
Current liabilities					
Trade payables and other current liabilities	11	(117,787)		(56,586)	
Derivative liabilities	13	(13,166)		(2,583)	
Provisions for liabilities and charges	12	(316)		(279)	
Total current liabilities			(131,269)		(59,448)
Total assets less current liabilities			1,040,075		1,024,474
Non-current liabilities					
Trade payables and other liabilities	11	(130,282)		(126,147)	
Provisions for liabilities and charges	12	-		(89)	
Total non-current liabilities			(130,282)		(126,236)
Total assets less total liabilities			909,793		898,238
Taxpayers' equity					
General fund		906,072			887,303
Cash flow hedging reserve	13	(1,370)			6,442
Revaluation reserve	14	5,091			4,493
Total taxpayers' equity			909,793		898,238

The Notes on pages 65 to 95 form part of these accounts.



Paul Caldwell
Chief Executive and Accounting Officer
10 July 2020

Statement of Cash Flows for the Year to 31 March 2020

		Year to 31 March 2020	Year to 31 March 2019
	Note	£000	£000
Cash flows from operating activities			
Net operating cost		(227,419)	(145,318)
Adjustment for non-cash items included in other running costs	3	74,164	69,661
Adjustment for non-cash EFF transfer to Defra		-	735
Adjustment for restatement on adoption of IFRS 9		-	609
Adjustment for non-cash hedging costs transfer to Defra		-	(45)
Movement in provisions		(52)	(115)
Adjustment for derivative financial instruments		24,241	(9,664)
Decrease in inventories		342	9,969
Increase in trade receivables and other current assets		(118,793)	(208,077)
Increase/(decrease) in trade payables and other liabilities		65,336	(19,581)
Net cash outflow from operating activities		(182,181)	(301,826)
Cash flows from investing activities			
Purchase of property plant and equipment		-	(4)
Net cash outflow from investing activities		-	(4)
Cash flows from financing activities			
Financing by Defra		2,360,000	2,880,000
Financing to Defra		(2,050,000)	(2,435,000)
Gain on asset transfers from Defra		-	20
Payments for Rural Development Programme for England on behalf of Defra		(656,354)	(417,584)
Receipts for Rural Development Programme for England on behalf of Defra		543,133	357,755
Disallowance transfer to Defra		(14,155)	(46,126)
Net cash inflow from financing activities		182,624	339,065
Increase in cash and cash equivalents in the period		443	37,235
Cash and cash equivalents at 1 April	10	499,595	462,360
Cash and cash equivalents at 31 March	10	500,038	499,595

The Notes on pages 65 to 95 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year to 31 March 2020

		General fund	Cash flow hedging reserve	Revaluation reserve	Total taxpayers' equity
Balance at 1 April 2018		635,515	8,008	3,087	646,610
Net operating cost		(145,318)	-	-	(145,318)
Transfer from revaluation reserve to General fund:					
- property, plant and equipment	14	33	-	(33)	-
- intangible assets	14	1,133	-	(1,133)	-
Arising on revaluation during the year (net)		-	-	2,572	2,572
Notional charges		52,959	-	-	52,959
Gains on Cash flow hedges		-	38,789	-	38,789
Transfer to SOCNE on Cash flow hedges	13	-	(42,083)	-	(42,083)
Changes in fair value of the time value of options and forward elements of forward contracts for transaction related hedge items, not subject to basis adjustments		-	1,728	-	1,728
Total recognised expense for year ended 31 March 2019		(91,193)	(1,566)	1,406	(91,353)
Financing by Defra		2,880,000	-	-	2,880,000
Financing to Defra		(2,435,000)	-	-	(2,435,000)
Payments for Rural Development Programme for England on behalf of Defra		(417,584)	-	-	(417,584)
Receipts for Rural Development Programme for England on behalf of Defra		357,755	-	-	357,755
Hedging costs transfer to Defra		(45)	-	-	(45)
Disallowance transfer to Defra		(46,126)	-	-	(46,126)
European Fishing Fund transfer		735	-	-	735
Assets transfer from Defra		3,246	-	-	3,246
Balance at 1 April 2019		887,303	6,442	4,493	898,238
Net operating cost		(227,419)	-	-	(227,419)
Transfer from revaluation reserve to General fund:					
- property, plant and equipment	14	9	-	(9)	-
- intangible assets	14	1,697	-	(1,697)	-
Arising on revaluation during the year (net)		-	-	2,304	2,304
Notional charges		56,920	-	-	56,920
Gains on Cash flow hedges		-	89,323	-	89,323
Transfer to SOCNE on Cash flow hedges	13	-	(95,811)	-	(95,811)
Changes in fair value of the time value of options and forward elements of forward contracts for transaction related hedge items, not subject to basis adjustments		-	(1,324)	-	(1,324)
Total recognised expense for year ended 31 March 2020		(168,793)	(7,812)	598	(176,007)
Financing by Defra		2,360,000	-	-	2,360,000
Financing to Defra		(2,050,000)	-	-	(2,050,000)
Payments for Rural Development Programme for England on behalf of Defra		(656,354)	-	-	(656,354)
Receipts for Rural Development Programme for England on behalf of Defra		543,133	-	-	543,133
Disallowance transfer to Defra		(14,155)	-	-	(14,155)
Assets transfer from Defra		4,938	-	-	4,938
Balance at 31 March 2020		906,072	(1,370)	5,091	909,793

The Notes on pages 65 to 95 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2019-20 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) 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, intangible 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 (as at the Statement of Financial Position date) 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 Changes in Taxpayers' Equity. Property, plant and equipment assets are reviewed annually for indicators of 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.

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 applications 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 and £2,000 for software licences.

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		Amortisation	
IT hardware		IT software	5 to 7 years
• laptops, printers and similar equipment	3 years	IT licences	up to 7 years
• Communications	5 years		
• Servers	up to 7 years		
Office machinery	5 years		
Others	5 - 25 years		

The estimated useful lives of tangibles and intangibles will be reassessed as and when the full impact of the United Kingdom's decision to leave the EU is known.

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 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 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 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.

1.7 Defra properties occupied by the agency

For 2019-20, the full cost of occupation of buildings that are either owned or leased by Defra is reflected within the Statement of Comprehensive Net Expenditure as part of 'Corporate overhead recharge (notional)', see Note 3. 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 Management 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.

1.8 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.

The Basic 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 schemes, and the amount payable to each claimant is considered reliably measurable and probable.

The Basic 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 borne by the agency and accordingly recognised within the Statement of Comprehensive Net Expenditure.

1.9 Accounting for sugar levies

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. Sugar restructuring receipts are remitted directly to the European Commission through the monthly reimbursement process.

In accordance with section 8.2 of the 2019-20 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 21 of these financial statements.

1.10 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 agency and subsequently recovered by the agency from the European Commission.

Scheme expenditure in relation to funding provided by the agency 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.

1.11 European Commission funding of schemes administered by the agency

Rural development expenditure under the RDPE is managed by the agency on behalf of Defra. Accordingly, scheme income and expenditure are reported in Defra's resource accounts 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.

1.12 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 an 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.

1.13 Foreign currency transactions

The functional and presentational currency of the agency is sterling.

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

Furthermore, the agency makes a portion of payments under the Basic 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 1.8, 1.10 and 1.11. 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 1.14 and Note 1.15.

1.14 Derivative financial instruments

The agency enters into a variety of foreign exchange forward and option 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.

1.15 Hedge accounting

The agency adopted IFRS 9 on 1 April 2018. In accordance with this standard, the agency elects to designate certain foreign currency derivatives as cash flow hedges of the euro denominated receipts from the European Commission in relation to the Basic Payment Scheme. At inception of the hedge relationship, the agency documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flow of the hedging instrument are expected to offset changes in the cash flow of hedged items. The agency documents its risk management objective and strategy for undertaking its hedge transactions.

When forward contracts are used to hedge forecast transactions, the agency designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within Taxpayers' Equity. The change in the forward element of the contract that relates to the hedged item is recognised within Other Comprehensive Expenditure in the costs of hedging reserve within Taxpayers' Equity.

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

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

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in Taxpayers' Equity at that time remains in Taxpayers' Equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur the cumulative gain or loss and deferred costs of hedging that were reported in Taxpayers' Equity are recognised immediately in the Statement of Comprehensive Net Expenditure.

1.16 Trade receivables

Trade and other receivables primarily represent amounts expected from the EC, other government agencies, and customers under various schemes administered by the agency. Trade and other receivables are classified under IAS 32 Financial Instruments as financial assets.

The business model of the agency is to collect payments of principal from its debtors with no interest element. In general the largest receivables owed to the agency, tend to be public sector entities or the EC in respect of money owed for schemes processed, to which no real prospect of default applies. The agency has no non-current receivables or any receivables where a financing component has been applied. Therefore the agency recognised its receivables at fair value, and holds them at amortised cost which for receivables with no financing component, is the invoiced amount, less provision for expected credit losses.

Expected credit losses

The agency has reviewed receivable balances against the creditworthiness of the related customers. For those customers that are not other government agencies or the EU, the agency has policies and procedures in place to ensure credit risk is kept to a minimum. The agency is therefore not exposed to material credit risk.

Because receivables are short term in nature with no financing component the simplified model has been applied in which the loss allowance is equal to lifetime Expected Credit losses. Credit losses are recognised in the Statement of Comprehensive Net Expenditure and measured as the present values of the differences between the contractual cash flow, and the estimated future cash flow. 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 receivables against a future scheme payment) and historic collection data for customers who have left the scheme.

1.17 Pensions

Present and past employees of the agency are covered by the provisions of four separate defined benefit schemes called Principal Civil Service Pension Schemes (PCSPS), and from 1 April 2015 a career average basis scheme called alpha, which are described in Note 2.2. The agency recognises the expected

cost of these pension schemes on a systematic and rational basis over the period during which it benefits from employees' services by payment to the five pension schemes calculated on an accruing basis. Liability for future benefits is a charge on the pension schemes on an accruing basis. The agency does not make contributions to any other pension scheme.

1.18 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.

1.19 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.

1.20 Contingent 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; or (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. 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.

1.21 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 2019-20, Defra uses major areas of spend as reported monthly to the Defra Management 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.

1.22 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 other 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 accounting period in which the estimate is revised, and if the revision also affects future periods in these periods as well. In reviewing these estimates we consider the extent to which these could possibly vary and whether such a variation could indicate the need for a material adjustment to the accounts. There is nothing in the current review to indicate that a variation of a material amount could arise.

The following are the critical judgements, which 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 applications 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 the costs 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 intangible 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 use of some or all of the current functionalities of the current capitalised intangible assets in pilots and succession schemes.

b. Expected credit loss:

The Chief Executive Officer, in his capacity as Accounting Officer, periodically assesses the recoverability of trade receivables and in line with IFRS 9, recognises an expected credit loss for those receivables for which partial or full recovery is not probable. In making this assessment the factors considered include the credit quality of the customer, the ageing of the receivables, historical trends on recovery, the opportunity to recover through interception against future payments, and the ability to agree a payment plan with the customer involved.

c. Additional (post payment) claim amounts:

In preparing the accounts an assessment is made of the extent to which adjustments are likely to be needed in relation to claims already paid where potential issues have been identified post payment. This may result in additional payments or recoveries being required, and therefore management estimates are needed to assess additional amounts which might need to be recognised. In assessing the value of these future payments the RPA considers queries raised by the recipients of claim payments; the underlying accuracy of data supporting the claim; the input and processing of claims, their compliance with scheme rules and the application of any penalties or adjustments. Management also identifies the claim populations displaying similar characteristics to those individual claims found to be affected by system or data issues, so as to assess any additional liabilities to be included.

An accrual of £4.2m (2018-19: £2.8m) has been recognised, which represents management's view of the most likely additional amounts due to individual claimants. All these payments will be funded through the European Commission, and consequently a receivable balance of the same value as the accrued amount has been recognised in accordance with RPA's accounting policies.

1.23 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.

1.24 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.

1.25 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 1.10.

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 RDPE 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 to 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.

1.26 Intervention buying and selling

Intervention buying is a method of supporting market prices for agricultural commodities. The agency is required to buy, at prices determined by the European Commission, produce of defined quality offered in accordance with detailed regulation. This produce is then sold out of intervention for specific end uses, on terms prescribed by the European Commission, when prices are high or there is a shortage on the open market.

The agency inventories comprised solely of milk powder purchases held in store. During 2019-20 the agency sold 386 tonnes of milk powder. No inventories were held in store at 31 March 2020.

1.27 Corporate overhead recharges (notional)

Defra Corporate overhead services costs, comprising charges for legal, HR, IT, estates, procurement and shared services including payroll and financials, are recognised by the agency as notional charges, with the core department recording the associated credit. The agency still benefits from the use of these corporate services but the full budgets are retained by Defra in order to procure and manage the services more efficiently and effectively. The annual non-cash charges for these services are instead issued to the agency for inclusion in the agency statutory accounts to ensure a true and fair view of costs is presented. A corresponding credit in the Defra accounts ensures that there is no duplication on consolidation.

1.28 Adoption of new and revised standards

The following reporting standard was due to become effective for reporting periods from 1 April 2020:

IFRS 16 Leases

This requires entities to recognise the cumulative effects of initially applying IFRS 16 at the date of initial application as an adjustment to the opening balances of Taxpayers' Equity. However the Financial Reporting Advisory Board announced in March 2020 the decision to defer the implementation of IFRS 16 in central government to April 2021, due to the pressure government bodies were under responding to the Covid-19 crisis.

The first set of accounts likely to include the use of the standard are 2021-22. The agency does not envisage material adjustment to the financial statements following the introduction of this standard as most of the agency's operating leases are held and recorded by Defra.

The following reporting standard will become effective for accounting periods after 1 January 2023:

IFRS 17 Insurance Contracts

This specifies the requirements for the accounting for insurance contracts. The first set of accounts likely to include the use of the standard are 2023-24. The current activities of the RPA do not include activities which would be classed as providing insurance. As such, no material impact is expected from the implementation of this standard.

2. Staff numbers and related costs

2.1 Staff costs comprise:

	Permanently employed staff	Short term/ fixed term appointment	Year to 31 March 2020 Total	Permanently employed staff	Short term/ fixed term appointment	Year to 31 March 2019 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	49,269	1,789	51,058	44,216	888	45,104
Social security costs	4,830	123	4,953	4,391	64	4,455
Other pension costs	12,512	371	12,883	8,579	169	8,748
Early retirement and early severance costs						
Expensed in the year	281	-	281	139	-	139
	66,892	2,283	69,175	57,325	1,121	58,446
Less recoveries in respect of secondments			(245)			(367)
Agency staff			20,818			12,243
Contractors			364			1,317
Total staff costs			90,112			71,639

No staff costs have been capitalised (2018-19: £nil).

The increase in staff costs by £18.4m in 2019-20 is in part the result of 334 Natural England permanently employed and 380 agency staff that were transferred to the RPA on 1 October 2018 having now worked within the RPA for a full year.

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:

	Year to 31 March 2020	Year to 31 March 2019
Permanently employed staff	1,783	1,560
Agency	765	470
Contractors	3	10
Total	2,551	2,040

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, they are not considered to be employees and are excluded from staff costs in Note 2.1, and are reflected within Non-IT professional services in Note 3.

2.2 Pension schemes

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced; the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service, joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections; three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

Employee contributions are salary-related and range between 4.60% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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 scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the [resource accounts of the Cabinet Office: Civil Superannuation](#).

For 2019-20, employers' contributions of £12.7m were payable to the PCSPS (2018-19: £8.7m) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the members retire and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8.00% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers, at 31 March 2020 that provider was Legal & General. 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). Employers' contributions of £160k (2018-19: £116k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5.7k (2018-19: £3.9k), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £16.7k (2018-19: £11.4k). There were no prepaid contributions at that date.

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

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. 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 the year to 31 March 2020 there were no compulsory redundancies (2018-19: nil) and three voluntary redundancies (2018-19: three).

Exit packages cost band	Year to 31 March 2020	Year to 31 March 2019	Year to 31 March 2020	Year to 31 March 2019	Year to 31 March 2020	Year to 31 March 2019	Year to 31 March 2020	Year to 31 March 2019
	Number of compulsory departures		Value of compulsory departures		Number of other departures		Value of other departures	
			£000	£000			£000	£000
Up to £10,000	-	-	-	-	-	2	-	7
£10,001 - £25,000	-	-	-	-	-	-	-	-
£25,001 - £50,000	-	-	-	-	1	1	47	37
£50,001 - £100,000	-	-	-	-	1	-	92	-
£100,001-£150,000	-	-	-	-	1	-	100	-
Total No. of exit packages and costs	-	-	-	-	3	3	239	44

3. Other running costs

	Note	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Non-cash items (including notional charges)			
Corporate overhead recharge (notional) ¹		56,920	52,959
Depreciation	7	582	858
Amortisation	8	16,662	15,844
		74,164	69,661
Other expenditure			
Accommodation including recharges		79	91
IT costs		201	107
Non-payroll staff costs		2,625	2,744
Communications costs		2,206	2,100
Non-IT professional services		6,601	7,248
Certification Body (NAO) grant certification fee		3,144	2,840
Other running costs		166	48
		15,022	15,178
Total		89,186	84,839

1. Services and facilities provided by Defra.

The agency does not directly meet the costs of certain services that are provided centrally by Defra. These services are agreed and managed through service level agreements between the agency and Defra.

The agency reports these notional recharges to accurately reflect the true costs of operations, with a matching credit recorded in the general funds.

The Corporate overhead recharge (notional) comprises:

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
Estate Management costs	10,753	6,833
Information Technology	37,295	38,649
Human Resources services	2,590	2,773
Legal services	655	719
Communications	652	193
Shared services including payroll and financial	4,740	3,547
Auditors remuneration and expenses	235	245
Total	56,920	52,959

During the year to 31 March 2020, the agency received no non-audit services from the NAO (2018-19: £nil).

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

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
Payroll costs	502	459
Other costs	135	128
Certification Body (NAO) grant certification fee	3,144	2,840
Total	3,781	3,427

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

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
Rural Development Programme for England Technical Assistance	(19,970)	(15,107)
British Cattle Movement Service (BCMS)	(3,600)	(3,500)
Other running costs income	(80)	(104)
Total	(23,650)	(18,711)

Running costs income includes £20.0m (2018-19: £15.1m) relating to the agency's ability to claim from the 2007-13 RDPE TA fund. This helps to fund activities designed to ensure the transition from the 2007-13 RDPE programming period to the 2014-20 RDPE programming period.

The agency also received income for work on the BCMS on behalf of Defra of £3.6m (2018-19: £3.5m).

5. Schemes administered by the agency

	Year to 31 March 2020			Year to 31 March 2019		
				Re-presented ³		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Basic Payment Scheme ¹	1,844,178	(1,844,224)	(46)	1,964,373	(1,965,752)	(1,379)
Internal Trade - Horticulture	31,731	(31,326)	405	32,886	(33,052)	(166)
Internal Trade - other	2,058	(2,071)	(13)	2,600	(2,653)	(53)
Other schemes	5,334	(3,682)	1,652	14,480	(13,745)	735
	1,883,301	(1,881,303)	1,998	2,014,339	(2,015,202)	(863)
Other scheme related costs ²	1,480	-	1,480	10,829	-	10,829
Cost of hedging contracts	64,617	-	64,617	(2,000)	-	(2,000)
Realised exchange loss	2	-	2	1,359	-	1,359
Unrealised exchange loss/(gain)	5,102	-	5,102	(520)	-	(520)
Other scheme related income	-	(112)	(112)	-	(1,508)	(1,508)
Total scheme expenditure/(income)	1,954,502	(1,881,415)	73,087	2,024,007	(2,016,710)	7,297

1. BPS income includes an increase of £71.9m (2018-19: increase of £13.1m) resulting from foreign exchange hedging transactions, see Note 13.
2. Other scheme related costs include losses, special payments, legal fees and movements in the expected credit losses for receivables.
3. Single Payments Scheme and Dairy Schemes expenditure and income are now reported within Other schemes.

6. Other paying agencies and delegated authorities

	Year to 31 March 2020			Year to 31 March 2019		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Other paying agencies¹						
Scottish Government Rural Payments and Inspections Division	728,451	(729,663)	(1,212)	729,680	(729,814)	(134)
Welsh Assembly Government	292,703	(292,707)	(4)	306,944	(306,368)	576
Department of Agriculture, Environment and Rural Affairs, Northern Ireland	309,820	(309,920)	(100)	307,403	(307,591)	(188)
	1,330,974	(1,332,290)	(1,316)	1,344,027	(1,343,773)	254
Delegated authorities						
Forestry Commission	-	-	-	42	(42)	-
Total scheme expenditure/(income)	1,330,974	(1,332,290)	(1,316)	1,344,069	(1,343,815)	254

1. OPAs income includes an increase of £23.0m (2018-19: increase of £17.2m) resulting from foreign exchange hedging transactions, see Note 13.

As paying agency for market support across the United Kingdom, in 2018-19 the agency funded the Forestry Commission for payments made in Scotland and Wales. From April 2019 forestry activities were devolved and the Scottish and Welsh governments now make payments directly to beneficiaries.

7. Property, plant and equipment

	Information technology hardware and office machinery	Total
	£000	£000
Valuation		
At 1 April 2019	6,128	6,128
Disposals	(334)	(334)
Revaluations	(7)	(7)
At 31 March 2020	5,787	5,787
Depreciation		
At 1 April 2019	4,702	4,702
Charged in year	582	582
Disposals	(334)	(334)
Revaluations	(14)	(14)
At 31 March 2020	4,936	4,936
Net Book Value		
At 1 April 2019	1,426	1,426
At 31 March 2020	851	851
Assets Financing		
Owned	851	851
Net Book Value at 31 March 2020	851	851

Included in property, plant and equipment are assets with a historic cost of £3.4m (31 March 2019: £3.7m), which have been fully depreciated. These assets are still in use by the agency.

The historic cost of net book value for property, plant and equipment as at the Statement of Financial Position date is £0.8m.

	Information technology hardware and office machinery	Total
	£000	£000
Valuation		
At 1 April 2018	4,032	4,032
Additions	1,196	1,196
Revaluations	900	900
At 31 March 2019	6,128	6,128
Depreciation		
At 1 April 2018	2,956	2,956
Charged in year	858	858
Revaluations	888	888
At 31 March 2019	4,702	4,702
Net Book Value		
At 1 April 2018	1,076	1,076
At 31 March 2019	1,426	1,426
Assets Financing		
Owned	1,426	1,426
Net Book Value at 31 March 2019	1,426	1,426

8. Intangible assets

	Information technology	Software licences	Total
	£000	£000	£000
Valuation			
At 1 April 2019	149,230	3,119	152,349
Additions	4,938	-	4,938
Disposals	(2,135)	-	(2,135)
Revaluations	3,282	1	3,283
At 31 March 2020	155,315	3,120	158,435
Amortisation			
At 1 April 2019	85,605	3,104	88,709
Charged in year	16,657	5	16,662
Disposals	(2,135)	-	(2,135)
Revaluations	985	1	986
At 31 March 2020	101,112	3,110	104,222
Net Book Value			
At 1 April 2019	63,625	15	63,640
At 31 March 2020	54,203	10	54,213
Assets Financing			
Owned	54,203	10	54,213
Net Book Value at 31 March 2020	54,203	10	54,213

During the year to 31 March 2020 there were £nil impairment losses (2018-19: £nil).

Included in intangible assets are assets with a historic cost of £43.5m (31 March 2019: £45.2m) which have been fully amortised. These assets are still in use by the agency.

The historic cost of net book value for intangible assets as at the Statement of Financial Position date is £49.1m.

Included in intangibles are software assets acquired from Defra to deliver CAP scheme payments. These intangible assets had a historic costs of £90.3m and at 31 March 2020 a net book value of £43.4m, with 3 years remaining amortised life at 31 March 2020.

During year 2019-20 the agency had £4.9m of assets comprising of scheme software transferred from Defra through reserves.

8. Intangible assets (continued)

	Information technology	Software licences	Development expenditure	Total
	£000	£000	£000	£000
Valuation				
At 1 April 2018	143,500	3,117	470	147,087
Additions	2,030	-	-	2,030
Reclassifications	470	-	(470)	-
Revaluations	3,230	2	-	3,232
At 31 March 2019	149,230	3,119	-	152,349
Amortisation				
At 1 April 2018	69,165	3,028	-	72,193
Charged in year	15,769	75	-	15,844
Revaluations	671	1	-	672
At 31 March 2019	85,605	3,104	-	88,709
Net Book Value				
At 1 April 2018	74,335	89	470	74,894
At 31 March 2019	63,625	15	-	63,640
Assets Financing				
Owned	63,625	15	-	63,640
Net Book Value at 31 March 2019	63,625	15	-	63,640

9. Trade receivables

Amounts falling due within one year:

	31 March 2020	31 March 2019
	£000	£000
Due from Defra and its agencies	345	13,864
Due from other government departments (including OPAs)	7,842	6,641
VAT recoverable	1,000	896
Total Intra-government balances	9,187	21,401
Trade receivables	4,879	4,700
Less expected credit loss for receivables	(912)	(1,620)
	3,967	3,080
Due from European Agricultural Guarantee Fund/European Agricultural Fund for Rural Development	600,896	470,364
Prepayments and other receivables	730	1,142
Total other receivables	605,593	474,586
Total receivables	614,780	495,987

The credit period for trade receivables invoices is nil 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 scheme balances.

10. Cash and cash equivalents

	31 March 2020	31 March 2019
	£000	£000
Balances held at 1 April	499,595	462,360
Net cash inflow	443	37,235
Total balance	500,038	499,595

The following balances were held at 31 March:

	31 March 2020	31 March 2019
	£000	£000
Government Banking Services	500,038	499,595
Total balance	500,038	499,595

The closing balance of third party money held as cash securities at 31 March 2020 was £2.4m (31 March 2019: £2.6m). Of this, £2.4m (31 March 2019: £2.6m) was held in a public bank account, and are included in the government banking services balance above.

At 31 March 2020 the cash equivalent balance was £nil (31 March 2019: £nil).

11. Trade payables and other current liabilities

Amounts falling due within one year:

	31 March 2020	31 March 2019
	£000	£000
Due to Defra and its agencies	737	586
Due to other government departments (including OPAs)	64,454	8,348
Other taxation and social security	1,260	1,116
Total Intra-government balances	66,451	10,050
Trade payables ¹	14,038	6,981
Cash securities ²	2,392	2,576
Scheme accruals	28,573	30,681
Running cost accruals	4,893	5,332
Other payables	1,440	966
Total other payables	51,336	46,536
Total payables	117,787	56,586

1. Trade payables principally comprise amounts outstanding for claims to be paid to customers.
2. 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.

Amounts falling due after more than one year:

	31 March 2020	31 March 2019
	£000	£000
Advances on Rural Development Programmes	130,282	126,147
Total	130,282	126,147
Total trade payables and other liabilities	248,069	182,733

The agency considers that the carrying amount of trade and other payables approximates to their fair value.

As at 31 March 2020, the agency considers that the fair value of the advances received on Rural Development Programmes for Defra and OPAs is £130.3m (31 March 2019: £126.1m).

12. Provisions

	Running cost provisions	Scheme related provisions	Total
	£000	£000	£000
Balance at 1 April 2019	141	227	368
Utilised	(52)	-	(52)
Balance at 31 March 2020	89	227	316
Analysed as			
Current	89	227	316
Balance at 31 March 2020	89	227	316
Analysis of expected timing of discounted flows			
No later than one year	89	227	316
Balance at 31 March 2020	89	227	316

12.1 Running cost provision

Running cost provisions include the early retirement and severance costs of former employees and other provisions and were fully paid by the end of April 2020.

12.2 Scheme related provision

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.

13. Financial instruments

13.1 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:

Financial Assets

	Amortised Cost	Fair value-SOCNE ¹	Fair value-OCE ²	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000
Trade receivables and other current assets	614,139	-	-	614,139	494,943
Cash and cash equivalents	500,038	-	-	500,038	499,595
Derivative instruments in designated hedge accounting relationships	-	-	695	695	18,070
Other derivative instruments	-	767	-	767	4,862
Sub-total of derivatives assets	-	767	695	1,462	22,932

Financial Liabilities

	Amortised Cost	Fair value-SOCNE ¹	Fair value-OCE ²	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000
Trade payables and other liabilities	245,743	-	-	245,743	180,551
Derivative instruments in designated hedge accounting relationship	-	-	3,043	3,043	796
Other derivative instruments	-	10,123	-	10,123	1,787
Sub-total of derivatives liabilities	-	10,123	3,043	13,166	2,583

Others:

Financial Guarantee Contracts

	Amortised Cost	Fair value-SOCNE ¹	Fair value-OCE ²	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000
Cash securities (included within both cash and trade payables above)				2,392	2,576
Non-cash guarantees				2,514,000	1,902,000

1. Other derivative instruments not designated for hedging are measured at Fair Value through the Statement of Comprehensive Net Expenditure (SOCNE).
2. Derivative instruments in designated hedge accounting relationships are measured at Fair Value through Other Comprehensive Expenditure (OCE).

Cash on deposit at 31 March 2020 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 were subject to an interest rate charge of 0.65% from 18 September 2019 onwards (0.55% until 17 September 2019).

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 £412m and euro guarantees totalling €2,372m (£2,102m) were held at 31 March 2020 (£581m and €1,544m (£1,321m) at 31 March 2019).

13.2 Financial risk management policies

The agency's treasury operations are managed in accordance with the framework document agreed with Defra and HM Treasury. 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.

13.3 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 the Basic 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.

13.4 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:

	31 March 2020		31 March 2019	
	Assets	Liabilities	Assets	Liabilities
	£000	£000	£000	£000
Euro	749,867	132,097	670,771	127,951

13.5 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 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
(Increase)/decrease in Net operating cost ¹	(61,777)	(54,282)	61,777	54,282
Derivative instruments				
(Increase)/decrease in Net operating cost ²	24,876	26,145	(24,876)	(23,900)
Increase/(decrease) in Taxpayers' Equity ³	49,443	52,126	(49,443)	(35,190)

1. This is attributable to the exposure outstanding on euro receivables and payables in the agency at the Statement of Financial Position date.
2. This is the result of the changes in fair value of derivative instruments held for trading not in designated hedging arrangements.
3. This is the result of the changes in fair value of derivative instruments designated as cash flow hedges.

Outstanding foreign currency contracts:

	Average exchange rate 31 March 2020	Hedge ratio ¹ 31 March 2020	Foreign Currency 31 March 2020	Notional value 31 March 2020	Fair value 31 March 2020
	Euro: Sterling	€000	€000	£000	£000
Current derivative assets to sell euros	0.92700	1:1	20,000	18,540	696
Current derivative assets to buy euros	0.85250	1:1	(18,884)	(16,099)	767
Current derivative liabilities to sell euros	0.87683	1:1	837,292	734,164	(13,166)
Current derivative liabilities to buy euros	0.00000	1:1	-	-	-

1. The foreign currency forwards and options are denominated in the same currency as the highly probable future cash receipts from the European Commission (EUR), therefore the hedge ratio is 1:1.

No hedge ineffectiveness was recognised during the period, and no future ineffectiveness is expected. However possible sources of hedge ineffectiveness have been identified as:

- The credit risk of both the European Commission and the derivative counterparty, and
- The risk that forecast future euro denominated reimbursements of expenditure may not occur

During the year the agency entered into derivative exchange contracts to hedge the monthly euro denominated receipts in relation to the Basic Payment Scheme. As at 31 March 2020, the aggregate amount of gains under derivative foreign exchange contracts deferred to the cash flow hedge reserve relating to the exposure on these anticipated future receipts is £1.2m. It is anticipated that the funds will be received during 2020-21, 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 2020, there are no gains or losses deferred to the cash flow hedge reserve in respect of Rural Development Programme contracts.

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).

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

	Year to 31 March 2020
	£000
Agency - scheme income	71,942
Other paying agencies - scheme income	23,021
Gain - scheme expenditure	848
Total transferred to Statement of Comprehensive Net Expenditure	95,811

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.

13.7 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 affected 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.

13.8 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.

Non-interest bearing as follows:

	31 March 2020	31 March 2019
	£000	£000
Zero - three months	115,461	54,404
One - five years	130,282	126,147
Total	245,743	180,551

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.

Non-interest bearing as follows:

	31 March 2020	31 March 2019
	£000	£000
Zero - three months	543,613	419,030
Three - twelve months	70,526	75,913
Total	614,139	494,943

13.9 Gross settled foreign exchange forward contracts

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

	31 March 2020		31 March 2019	
	Derivative liabilities	Derivative assets	Derivative liabilities	Derivative assets
	£000	£000	£000	£000
Zero - three months	10,397	3,608	1,204	20,273
Three - six months	-	204	243	2,899
Total	10,397	3,812	1,447	23,172

13.10 Hedging reserves

The following table gives details of movements in the agency's hedging reserves.

	Cash flow hedge reserve	Deferred cost of hedging reserve	Total cost of hedging reserve
	£000	£000	£000
Balance as at 1 April 2019	(5,323)	(1,119)	(6,442)
Gains on cash flow hedges	(89,323)	-	(89,323)
Transfer to Statement of Comprehensive Net Expenditure on cash flow hedges	95,811	-	95,811
Changes in fair values of the time value of options and forward elements of forward contracts in relation to transaction related hedged items, not subject to basis adjustments	-	1,324	1,324
Balance at 31 March 2020	1,165	205	1,370

The deferred cost of hedging reserve includes the effects of the following:

- Changes in fair value of the time value of options when only the intrinsic value of the option is designated as the hedging instrument;
- Changes in the fair value of the forward element of a forward contract when only the change in the value of the spot element of the forward contract is designated as the hedging instruments; and
- Changes in fair value of the foreign currency basis spread of a financial instrument when the foreign currency basis spread of a financial instrument is excluded from the designation of that financial instrument as the hedging instrument.

The changes in fair value of the time value of option, forward element of a forward contract and currency basis of a financial instrument, in relation to a transaction related hedged item accumulated in the deferred cost of hedging reserve are reclassified to the Statement of Comprehensive Net Expenditure only when the hedged transaction affects the Statement of Comprehensive Net Expenditure.

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 2019	16	4,477	4,493
Revaluation during the year	7	2,297	2,304
Transfer to General Fund ¹	(9)	(1,697)	(1,706)
Balance at 31 March 2020	14	5,077	5,091

1. 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

At 31 March 2020, the agency had £nil bridging payment capital commitments (31 March 2019: £8.6m). The 2019 capital commitments were paid in April 2019 to those farmers who had not received their full BPS 2018 payment at 31 March 2019, to provide them with financial relief while the agency finalised the processing of their claims.

16. Lease commitments

16.1 Operating leases

Total future minimum lease payments at 31 March 2020 under operating leases are given in the table below for each of the following periods:

	31 March 2020	31 March 2019
	£000	£000
Vehicles		
Not later than one year	279	253
Later than one year and not later than five years	450	518
Total	729	771

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 2020	31 March 2019
	£000	£000
Land		
Later than five years	3	2
Total	3	2
Buildings		
Not later than one year	1,750	2,129
Later than one year and not later than five years	5,416	4,762
Late than five years	2,386	2,503
Total	9,552	9,394

16.2 Finance leases

At 31 March 2020, the agency had no future minimum lease payments under non-cancellable finance leases (31 March 2019: none).

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 2020	31 March 2019
	£000	£000
Not later than one year	725	742
Total	725	742

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 2020	31 March 2019
	£000	£000
Not later than one year	2,270	2,135
Later than one year and not later than five years	6,817	8,541
Later than five years	-	12
Total	9,087	10,688

Private Finance Initiative (PFI) commitments

An off-Statement of Financial Position PFI contract was signed by the Department in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. Break points in the lease exist at the 15, 20 and 25 year points. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset.

In 2019-20 Defra occupied 4.5% of the building and recharges the occupiers for their share of costs, the agency's share for occupancy is 15.6% (2018-19: 2.4%).

The agency's total commitment at 31 March 2020 is £1.0m.

Defra freehold properties

The estimated value of non-specialised freehold property owned by Defra but occupied by the agency at 31 March 2020 is £4.0m (31 March 2019: £2.6m). There are no rental costs on Defra freehold properties.

18. Contingent assets and contingent liabilities disclosed under IAS 37

18.1 Contingent assets

The agency has no contingent assets.

18.2 Contingent liabilities

The agency has the following material contingent liabilities where the possibility of an outflow in settlement is not considered to be remote:

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.

All financial corrections are funded by Defra, and the contingent liabilities for these are reported in Defra accounts and not those of the agency.

The agency is currently in receipt of appeals from scheme claimants against the non-payment of claims covering BPS, Single Payments Scheme and trader related schemes. If the appeals are successful they could either result in a liability for EU or Exchequer funded payments. The amount of any such potential liability is unquantifiable.

No contingent liability is disclosed in the 2019-20 Annual Report and Accounts due to the improved claims payment performance and consequent reduced uncertainty over additional claims amounts.

19. Related party transactions

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

- Animal and Plant Health Agency

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

- Agriculture and Horticulture Development Board
- Environment Agency
- Natural England

The agency also had transactions with the following Non Ministerial Government department accountable to parliament through the Secretary of State for Health and Social Care:

- Food Standards Agency

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 and Inspections Division
- Welsh Assembly Government
- Department of Agriculture, Environment and Rural Affairs, Northern Ireland
- Forestry Commission (as delegated paying agent)

Disclosure of employment

David Cotton is a Non-Executive Director of the agency. He is a partner of HE Cotton & Son which received scheme payments of £54k during the year to 31 March 2020. He is also a director of Kingshill Farming Company Ltd which received scheme payments of £77k during the year to 31 March 2020.

David Gardner is a Non-Executive Director of the agency. He received scheme payments of £1k during the year to 31 March 2020. He is also a Non-Executive Director of Waldersey Farms Limited which received scheme payments of £1.4m during the year to 31 March 2020.

Elizabeth Passey is a Non-Executive Director of the agency. She is also a trustee of The Wye and Usk Foundation (charity) which received scheme payments of £71k during the year to 31 March 2020.

These transactions 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. Events after the reporting period

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

The UK left the EU on 31 January 2020, there is now a transition period until the end of 2020 while the UK and EU negotiate additional arrangements and new trade, travel and business rules will take effect on 1 January 2021. The agency will continue to monitor negotiations between the UK and EU. The agency anticipates that the UK governments guarantees on funding for CAP Pillar 1 until December 2020, should ensure funding to our agricultural community will not be adversely affected by the ongoing discussions.

21. Sugar production charges

In accordance with section 8.2 of the 2019-20 FReM, sugar production charges collected on behalf of the European Commission, including related income, expenditure, penalties, assets and liabilities are excluded from the financial statements of the agency apart from appropriations of net revenue which the agency is entitled to record as revenue in the Statement of Comprehensive Net Expenditure.

Set out below are details of the amounts collected in respect of sugar production charges.

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
Sugar production charges collected in the financial year	-	19
Total	-	19

All amounts collected or accrued above are subsequently surrendered to HM Treasury by the agency.

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
Balance held at the start of the year	-	-
Amount collected or accrued in the financial year	-	19
Payments to HM Treasury in the financial year	-	(19)
Balance held on trust at the end of the year	-	-

In addition to the above transactions which have nil impact, the following losses, which have been excluded from the financial statements of the agency, remain outstanding for payment and recovery in subsequent years.

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
Liability for losses from claims for over-charges in previous years	-	2,842
Liability for settlement of claims for over-charges in previous years	-	(1,222)
Total losses incurred in year	-	1,620

The European Commission has acknowledged that sugar levy rates advised by regulation (EC) No.2267/2000 and (EC) No 1993/2001 are invalid, leading to incorrect levies applied and charged to producers for periods 1999/2000 and 2000/2001. In April 2019, the agency paid £2.8m in settlement of over-charges as a result of the new sugar levy rates. Also in April 2019, the agency collected £1.2m from the European Commission to offset these losses.

22. Sugar production charges recorded in the agency financial statements

The following losses have been included in the financial statements of the agency in the financial year, as a result of incorrect sugar levies being applied and charged to producers for periods 1999/2000 and 2000/2001.

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
Liability for losses from claims for over-charges in previous years	2,842	2,833
Liability for settlement of claims for over-charges in previous years	(1,280)	(1,224)
Total losses incurred in year	1,562	1,609

In April 2019, the agency paid £2.8m to beet growers to offset losses for over-charges in 1999/2000 and 2000/2001. These losses are included within the Other Scheme expenditure on Note 5 of the financial statements.

In July 2019, the agency collected £1.3m from the European Commission to offset these losses, and this amount has been included within Other Scheme income in Note 5 of the financial statement.

