



Department
for Environment,
Food & Rural Affairs

Annual Report and Accounts 2023-24

HC 314



Department
for Environment,
Food & Rural Affairs

Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2023-24 for the year ended 31 March 2024

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of His Majesty

Ordered by the House of Commons to be printed on 18 December 2024

This is part of a series of departmental publications which, along with the Main Supply Estimates 2024-25 and the document Public Expenditure: Statistical Analyses 2024, present the Government's Outturn for 2023-24 and planned expenditure for 2024-25.



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ISBN 978-1-5286-5217-9

E03217704 12/24

Printed on paper containing 40 per cent recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

CORRECTION SLIP

Title: Department for Environment, Food and Rural Affairs Annual Report and Accounts 2023-24

Session: 2024-25

HC 314

ISBN: 978-1-5286-5217-9

Ordered by the House of Commons to be printed 18 December 2024

Correction 1:

Pages 313 to 315: Table 1 – Defra's Resource and Capital Budget contains an administrative error within the 2023-24 outturn column relating to 6 estimate lines within the Resource DEL section and 2 estimate lines within the Resource AME section. This resulted in the 2023-24 totals being incorrectly reported in the Core tables of this ARA. The 2023-24 outturn was correctly reported in the 2023-24 SOPS 1.1 – Analysis of Resource Outturn by Estimate Line (page 148). This error had no effect on the 2023-24 control totals.

- The affected estimate lines and revised totals are documented below

	ERROR 2023-24 Outturn £000	CORRECTION 2023-24 Outturn £000
Resource DEL		
Food and farming	1,892,465	1,889,409
Improve the environment and rural services	699,803	704,578
Protect the country from floods	2,440	2,441
Animal and plant health	385,916	385,935
Marine and fisheries	78,118	78,123
Departmental operating costs	714,048	723,032
Total Resource DEL	5,275,050	5,285,778
Resource AME		
Improve the environment and rural services	(83,615)	(82,648)
Departmental operating costs	(16,380)	8,184
Total Resource AME	1,416,323	1,441,854
Total Resource Budget	6,691,373	6,727,632
Total departmental spending	8,084,396	8,120,655
<i>Of which:</i>		
Total DEL	6,721,758	6,732,486
Total AME	1,362,638	1,388,169

Correction 2:

Page 316: Table 2 – Defra's Administration Costs contains an administrative error within the 2023-24 outturn column relating to 6 estimate lines. This resulted in the 2023-24 outturn being incorrectly reported in the Core tables of this ARA. The 2023-24 outturn was correctly reported in the Administration costs 2023-24 table on page 147. This error had no effect on the 2023-24 control totals.

- The affected estimate lines and revised total are documented below

	ERROR 2023-24 Outturn £000	CORRECTION 2023-24 Outturn £000
Resource DEL		
Food and farming	83,321	83,330
Improve the environment and rural services	141,931	141,957
Protect the country from floods	2,350	2,351
Animal and plant health	74,410	74,426
Marine and fisheries	23,895	23,899
Departmental operating costs	540,954	549,935
Total administration budget	1,051,777	1,060,814

Date of correction: 14 April 2025

Contents

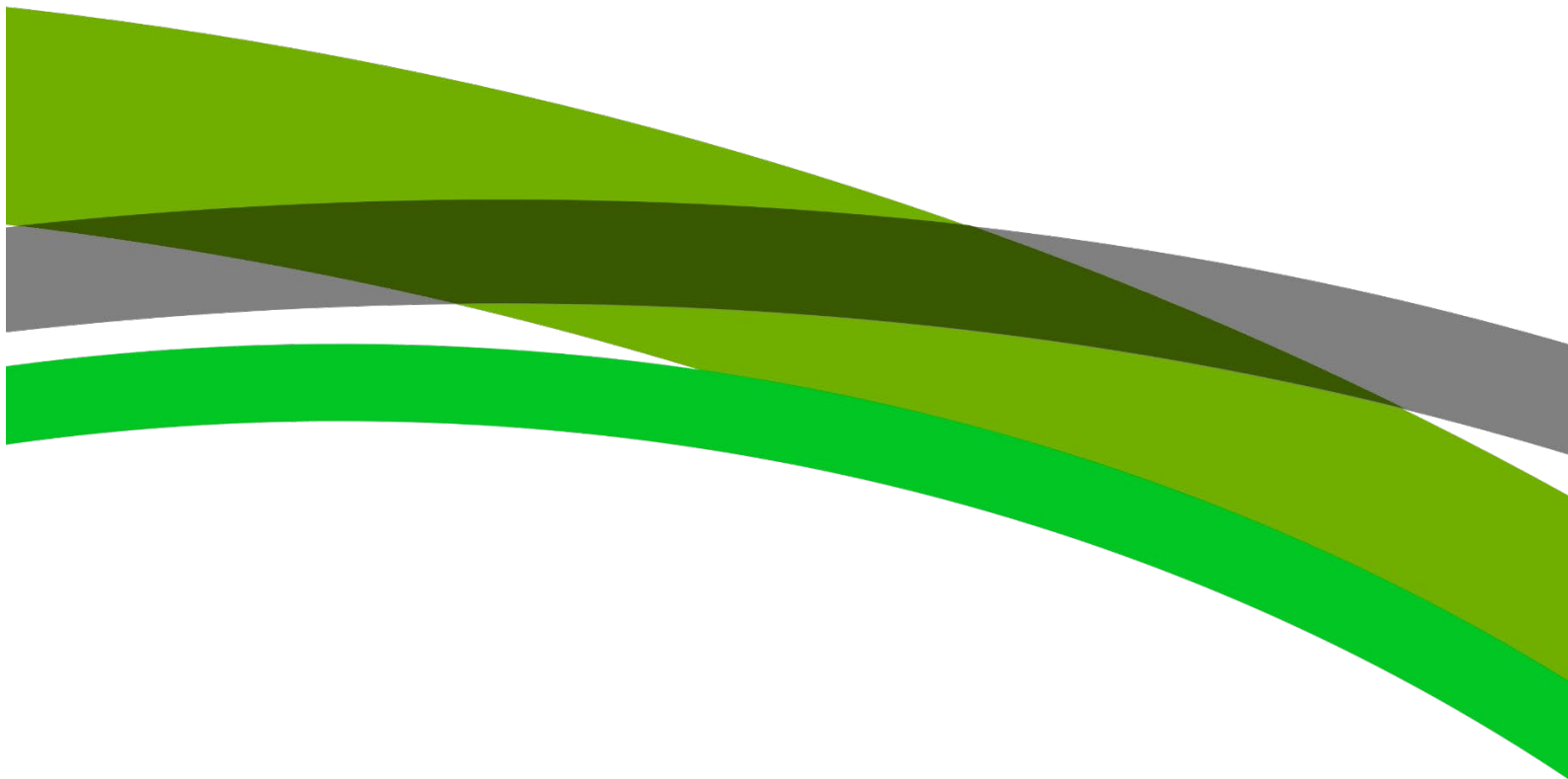
Performance Report	
Foreword	2
Non-Executive Directors' Report	4
Performance Overview	5
Performance Analysis	11
Financial Analysis	60
Accountability Report	
Corporate Government Report	
Governance Statement	71
Statement of Accounting Officer's Responsibilities	105
Directors Report	107
Staff and Remuneration Report	
Staff Report	113
Remuneration Report	133
Parliamentary Accountability and Audit Report	
Statement of Outturn against Parliamentary Supply	145
Further Information Relating to Parliamentary Accountability	154
The Certificate of the Comptroller and Auditor General to the House of Commons	163
The Report of the Comptroller and Auditor General to the House of Commons	183
Financial Statements	
Consolidated Statement of Comprehensive Net Expenditure	189
Consolidated Statement of Financial Position	190
Consolidated Statement of Cash Flows	192
Consolidated Statement of Changes in Taxpayers' Equity	194
Notes to the Departmental Accounts	
Statement of Accounting Policies	200
Statement of Operating Costs by Operating Segment	218
Expenditure	219
Income – Analysis of Operating Income	221
Property, Plant and Equipment	227

Intangible Assets	244
Impairments	245
Financial Commitments	246
Financial Instruments and Risk	248
Cash and Cash Equivalents	257
Trade Receivables, Financial and Other Assets	258
Trade Payables, Financial and Other Liabilities	259
Lease Liabilities	260
Contract Assets and Liabilities	261
Provisions for Liabilities and Charges	262
Pension Liabilities	268
Contingent Liabilities and Contingent Assets	290
Related Party Transactions	292
Prior Period Adjustments	293
Entities Within the Departmental Boundary	302
Entities Outside the Departmental Boundary	304
Events After the Reporting Period	305

Annexes

Annex 1: Core Tables 2023-24	307
Annex 2: Disaggregated Information on Arm's Length Bodies	317
Annex 3: Commentary on Sustainable Performance	318

Performance Report



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

Tamara Finkelstein

Since the last reporting period we have had a change in government, and with it a new set of priorities for the Department for Environment, Food and Rural Affairs.

Our Secretary of State's priorities which are critical to delivering on Central Government Missions are to:

- Clean up Britain's rivers, lakes and seas
- Create a roadmap to a circular economy
- Support farmers to boost food security
- Ensure nature's recovery
- Protect communities from the dangers of flooding



This document is retrospective and covers the 2023-24 accounting period, which is prior to the change in government. During this period, the Department for Environment, Food and Rural Affairs, in conjunction with our Arm's Length Bodies, continued to deliver on the previous government's commitments. Those domestic and international commitments were delivered alongside the management of a number of unforeseen challenges and events.

The 2023 Environment Improvement Plan set out our key environmental commitments. This included planting 3,600 hectares of new **woodland and trees** outside of woodland – the highest planting rate for nearly a decade, and an almost 40 per cent increase on the previous year. Defra also enabled local authorities to develop Local **Nature** Recovery Strategies alongside providing support for the new Biodiversity Net Gain legal requirements for housing developments.

In March 2024, Defra awarded £25 million to projects under the Species Survival Fund, which will create and restore habitats including heathland, grassland and wetland to reverse the decline of species across England. Six new **nature** recovery projects covering 176,000 hectares of land across England and Wales were launched and bans on single-use plastics for **waste** were introduced.

On floods and water, Defra published a **Plan for Water** setting out changes to regulation, enforcement and investment in the water sector. The cap on penalties issued to polluters, including water companies, was also removed. Defra led the national response to several storms this winter, where investment in new and existing **flood** defences meant that 239,000 properties were protected from flooding from Storms Babet, Ciaran, Gerrit and Henk.

On climate, Defra published the third **National Adaptation Programme** (NAP3). This outlined plans to address 61 climate risks and opportunities.

Other key commitments include evolving the **Environmental Land Management Schemes** to provide a greater range of options to farmers to achieve environmental outcomes. Defra

also conducted reviews of price fairness and transparency within the dairy, pig, egg and horticultural sectors.

To enable the **smooth transfer of goods** across all parts of the UK, Defra introduced new retail and plant schemes to move select goods via a green lane from Great Britain to Northern Ireland. These require less paperwork and reduce physical checks. New **border controls** were implemented for certificates and inspections on animals, plants and plant products imported to Great Britain from the EU.

Defra was involved in new **international** commitments at the international nature and climate discussions at the G7. These agreed to reduce plastic waste, improve air quality, resource efficiency, and halt and reverse biodiversity loss. At the UN Climate Change conference COP28 in Dubai, Defra was involved in a 'nature day' that committed to further action to secure the future of the world's forests and tackle illegal deforestation.

Throughout the year Defra responded to a number of **unforeseen events**. Following public safety concerns, **XL Bully** type dogs were added to the types of dogs banned under the Dangerous Dogs Act. Defra also responded to several outbreaks of **animal disease** including managing cases of Avian Flu and Bluetongue, led the contingency response to the invasive non-native Asian Hornet and took action to contain or eradicate priority quarantine pests and diseases including Oak Processionary Moth, Sweet Chestnut Blight and outbreaks of European Spruce Bark Beetle.

The department has made good progress in reducing the level of the Annual Report and Accounts (ARA) qualifications and continues its work on removing the remaining qualification as early as possible. These matters are discussed in more detail in the Governance Statement and the Comptroller and Auditor General's certificate and Report on Account.

Finally, I would like to thank all Defra Group staff, in what has been a busy year, for their unwavering professionalism and dedication across the delivery of our services and outcomes.

Non-Executive Directors' Report

For Defra, 2023-24 was a year of considerable change, and this report provides an overview of developments and areas of focus, rather than highlighting a specific case study.

In July 2023, I was appointed as the new Lead Non-Executive Director (NED) for Defra, joining the long serving Audit and Risk Assurance Committee (ARAC) chair Colin Day. Before the Board could meet after the summer vacation period, we had a change of Secretary of State. Subsequent to this, Chris Tyas was appointed as a further independent Board member in January 2024. By the end of the reporting year, therefore, Defra had a complement of three NEDs. During the financial year, the Board met only once, on 5 February 2024.

Colin Day has been a mainstay in the department since his appointment in 2018, and in the past year he has chaired five ARAC meetings and brought his characteristic clear thinking and problem solving approach to several areas of activity. Colin also kindly shouldered further lead NED responsibilities while the position was unfilled prior to my appointment, for which I and the department are very grateful.

Since his appointment, Chris Tyas has been active in the department, including representing Defra on the cross-government NED Climate Liaison Forum. Chris has provided insight and industry expertise to the Agri-Food Chain Directorate in relation to the Border Target Operating Model as it prepared to go live during this reporting period.

My own focus has been to support the department with the recruitment campaign for further NEDs and for key executive positions within the department. I have also attended the department's Delivery Committee, providing advice and challenge on delivery issues, and in developing a focused and specific outcomes framework for the department and the wider group. I have attended the quarterly meetings of the chairs of Defra's arm's length bodies (ALBs), together with the Permanent Secretary. This is a valuable information-sharing forum that serves to strengthen the partnership between key leaders in the Defra group in support of group priorities. In addition, I have supported Ministers in exploring ways to further enhance ALB relationships at the policy and delivery level, in particular in relation to Natural England's important contribution to Defra's objectives.

It has been a pleasure getting to know highly committed and expert staff across Defra since my appointment, and on behalf of all three NEDs I offer our thanks for their positive and constructive engagement with Board members and congratulations on their delivery successes in the past year.

Heather Hancock

Lead Non-Executive Director

Performance Overview

This section describes how our department works, our vision, our Outcome Delivery Plan (ODP), our resources and the key risks that we face in achieving our outcomes. It includes a performance summary that shows our performance against key metrics across the Defra group.

Who we are

[Department for Environment, Food & Rural Affairs](https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs)¹ (Defra) is the UK government department responsible for improving and protecting the environment. We aim to grow a green economy and sustain thriving rural communities. We also support our food, farming and fishing industries. Our broad remit means we play a major role in people's day-to-day life, from the food we eat, and the air we breathe, to the water we drink. We are a ministerial department that is supported by and works collaboratively with our agencies and public bodies. Together we are the Defra group.

Our structure and business model

Our Permanent Secretary, Tamara Finkelstein, has responsibility for managing the department and safeguarding public funds provided under the Defra Estimate. She is supported by our second Permanent Secretary, Nick Joicey, who is also our Group Chief Operating Officer.

Defra is made up of the Core department and a network of agencies and public bodies. Defra's public bodies vary in size, type, budget, remit and level of independence. The Core department and delivery bodies across the Defra group, work together to collaboratively deliver our outcomes. The Core department sets the policy and supports delivery bodies to develop capability and to deliver new and ongoing activities.²

Further information on our governance, including the Defra board and the four committees which support it, is set out in the Corporate Governance Report.

Our vision

Defra is here to make our air purer, our water cleaner, our land greener and our food more sustainable. Our ODP, together with the Environmental Improvement Plan 2023 (EIP23) set out in detail how we intend to achieve this.

¹ <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs>

² For more information see the Accounting Officer System Statement (AOSS) (<https://www.gov.uk/government/publications/defra-accounting-officer-system-statement-2023/defra-accounting-officer-system-statement-2023>) where Annex A shows the wide range of bodies that are included in Defra's system of accountability.

Our Outcome Delivery Plan (ODP)

The ODP is a high-level Defra group plan, covering both the Core department and delivery bodies in an integrated way. It sets out the critical real-world outcomes we are seeking to achieve as a group and how we intend to reach them. This section is structured around the four priority outcomes and associated key performance indicators we agreed with HM Treasury in our Spending Review 2021 (SR21) settlement, alongside a set of four strategic enablers that work to strengthen our corporate capacity and capability.

Priority outcome 1:

Improve the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife.

Priority outcome 2:

Reduce greenhouse gas emissions and increase carbon storage in the agricultural, waste, peat and tree planting sectors to help deliver net zero.

Priority outcome 3:

Reduce the likelihood and impact of flooding and coastal erosion on people, businesses, communities and the environment.

Priority outcome 4:

Increase the sustainability, productivity and resilience of the agriculture, fishing, food and drink sectors, enhance biosecurity at the border and raise animal welfare standards.

Our environment outcome is cross-cutting and includes contributions from many other departments, with notable roles for Ministry of Housing, Communities & Local Government (MHCLG) [formerly known as the Department for Levelling Up, Housing and Communities (DLUHC)] and the Department for Transport (DfT). The Department for Energy Security and Net Zero (DESNZ) is government lead on the cross-cutting outcome which is to reduce UK greenhouse gas (GHG) emissions to net zero by 2050. Our net zero outcome reflects our contribution to the wider UK outcome.

Strategic Enablers

To deliver our priority outcomes, and reinforce the ambitions of the Declaration on Government Reform, we focused on four key strategic enablers:

Workforce, skills and location

Innovation, technology and data

Delivery, evaluation and collaboration

Sustainability

See the Performance Analysis section for further detail on what we have achieved under our priority outcomes and our strategic enablers.

Defra's 25 Year Environment Plan and the Environmental Improvement Plan 2023

In 2018, the 25 Year Environment Plan (25 YEP) set out our vision for 25 years of action to help the natural world regain and retain good health. The [goals](#)³ of the 25 YEP inform our priority outcomes, particularly for the environment, net zero and flooding. Since then, the Environment Act 2021 was passed, which sets a framework for legally binding, long-term targets to restore nature and the environment. These targets came into force in January 2023 when we launched our first revision of the 25 YEP in our [Environmental Improvement Plan 2023](#)⁴ (EIP23).

Risks affecting delivery of our outcomes

Defra manages some of the most severe threats facing the UK which are recorded on the National Risk Register, including flooding, air quality, CBRN (Chemical, Biological, Radiological and Nuclear) emergency recovery, water supply and treatment, and plant and animal disease outbreaks. Defra continues to monitor and manage its corporate risks associated with cyber security, IT business resilience, physical infrastructure, procurement, financial and delivery of our long-term objectives, change programmes, staff wellbeing, and professional capability.

More detail on management of our principal risks is given in the Performance Analysis section.

³ There are 10 goals in the 25 YEP – see here: <https://www.gov.uk/government/publications/25-year-environment-plan/25-year-environment-plan-our-targets-at-a-glance>

⁴ <https://www.gov.uk/government/publications/environmental-improvement-plan>

Working with devolved governments

Defra and the devolved governments have continued to work together to deliver on our shared priorities. We have developed 14 provisional Common Frameworks to help ensure a joined-up approach to managing our shared natural resources and fulfilling international obligations, as well as to manage any divergence. Of these, eight have now completed legislative scrutiny across the four legislatures.

The Inter-Ministerial Group for Environment, Food and Rural Affairs (IMG EFRA) is the highest portfolio level engagement forum between the EFRA ministers of the four UK administrations. It provides central coordination and promotes collaboration in areas of shared interest such as agriculture, fisheries, environment, forestry, biodiversity and rural affairs, and includes policy, delivery, technical and legislative matters. During 2023-24, three meetings were held covering legislation, food supply, waste, biodiversity, and EFRA related aspects of trade. The IMG is just one of several engagement mechanisms alongside issue-specific ministerial meetings, senior official meetings, and policy level forums.

In February 2023, the UK and European Union (EU) reached an agreement on the future of the Northern Ireland Protocol, known as the Windsor Framework, as part of the post EU exit legal agreement. Defra were instrumental in supporting this deal, alongside a wider cross-government team. The implementation of the Framework is happening in stages and will continue into 2025, to provide businesses with time to adapt to new arrangements.

Our specific interest was in the creation of two new 'green lanes'. One for food retailers, which eases the movement of agri-food goods subject to EU sanitary and phytosanitary (SPS) rules and checks (Northern Ireland Retail Movement Scheme) (NIRMS) and one which seeks to free traders from burdensome customs rules and checks (UK Internal Market Scheme). The NIRMS enables the free movement of chilled meats into Northern Ireland, which were previously banned under the old version of the Protocol; enables microchipped pets to travel freely with their owners across the UK; and creates a simpler process for the movement of previously banned plants such as English oak trees and seed potatoes.

Our resources

For the financial year 2023-24, the government provided £9.48 billion of funding, known as the net parliamentary (voted) funding. This is to cover current expenditure and new investment. The funding was broken down as follows:

- Departmental Expenditure Limit (DEL) (including depreciation): £7.49 billion of which:
 - Net Resource DEL: £5.38 billion. This is all current expenditure, such as salaries or purchasing goods and services, and includes depreciation.
 - Net Capital DEL: £2.11 billion. This is expenditure for new investment (e.g. buildings or other assets for long-term use) after deducting any agreed income.

- Net Annually Managed Expenditure (AME): £1.78 billion. This is used mainly for movements in provisions, relating to Common Agricultural Policy Disallowance and delinked payments (area-based direct payments linked to 2023 claims). It also includes expenditure by Defra group levy funded bodies and Flood Re⁵.
- Net Non-Budget: £0.21 billion.

Further detail can be found in the Financial Analysis section.

Full-time Equivalent (FTE) employees by region

As at 31 March 2024, Defra group had 31,325.2 full-time equivalent (FTE) employees. For the same organisations, the comparable figure as at 31 March 2023 was 29,430.5. Defra's FTE has increased in the past year to ensure the different organisations have the right skills and resource in place to meet delivery goals and support our priority outcomes. Staffing increases have been via an auditable process. The table below shows the regional distribution for these two years.

Region	FTE 31 Mar 2024	FTE 31 Mar 2023**
London	4,416.2	4,014.6
South East	3,870.4	3,745.2
East of England	2,930.7	2,836.6
East Midlands	1,665.3	1,553.9
West Midlands	2,562.8	2,315.0
Yorkshire and the Humber	3,635.1	3,426.3
North East	1,871.5	1,731.2
North West	3,750.8	3,616.0
Scotland	299.6	287.4
South West	4,963.4	4,855.3
Wales	386.4	371.5
Northern Ireland	2.0	2.0
Home Based	970.9	675.4
Total*	31,325.2	29,430.5

*The total does not reconcile as data has been rounded to the nearest decimal place at the last stage of any calculation.

Note: The 31,325.2 FTE figure is employment of payrolled staff as of 31 March 2024 for Agriculture and Horticulture Development Board (AHDB), Animal and Plant Health Agency (APHA), Consumer Council for Water (CCW), Centre for Environment, Fisheries and Aquaculture Science (Cefas), Core department, Environment Agency (EA), Joint Nature Conservation Committee (JNCC), Royal Botanic Gardens Kew (RBG Kew), Marine Management Organisation (MMO), Natural England (NE,) National Forest Company (NFC), Rural Payments Agency (RPA), Veterinary Medicines Directorate (VMD) and Sea Fish Industry Authority (SFIA). The data in the above table does not include the FTE for the Office for Environmental Protection and Forestry England.

**A cleanse of Defra employee location data was undertaken in mid-2023, so locations for 31 March 2023 have been revised to improve reporting accuracy and enable comparison to 31 March 2024 data.

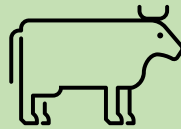
⁵ Flood Re is a flood re-insurance scheme which provides reinsurance to a) promote affordability and availability of insurance for UK households at high flood risk and b) to manage the transition to risk-reflective pricing of flood insurance for household premises.

Performance at a glance

Through the Nature for Climate Peatland Grant Scheme (NCPGS), we have restored **4,894** hectares of peatlands to a natural and healthy state in 2023-24.

At the end of December 2023, **95.7** per cent of herds were bTB free.

Added XL Bully breed types to the list of breeds prohibited by the Dangerous Dogs Act 1991.



Starting in 2023-24, we funded **21** marine biodiversity projects in the UK Overseas territories through our Darwin Plus main grant.

Defra maintained its **Disability Confident Status** accreditation at the highest Level 3. The first Civil Service department to achieve **White Ribbon** accreditation committing to tackling gender-based violence.

Defra group spent a total of £7,270 million in 2023-24 against a total Departmental Expenditure Limit (DEL) budget of £7,494 million. This represented a **97** per cent spend against the total DEL budget.



In 2023-24, the Environment Agency enhanced and protected **2,520** kilometres of water.

We made a significant donation of flood protection equipment, including high volume pumps and flood barriers to the Ukraine, following the destruction of the Nova Kakhovka dam.

In 2023-24, over **28,000** properties are better protected from flooding.



Supporting our farmers and producers to export, we issued **98** per cent of export health certificates and licences within agreed timescales, against a target of 97 per cent

Performance Analysis

This section is structured by the four priority outcomes in Defra's 2023-24 Outcome Delivery Plan (ODP). Under each priority outcome, we explain how we intended to achieve those outcomes and the success of those intentions. We include key performance metrics, agreed at the 2021 Spending Review (SR21), to measure our success towards delivering those outcomes. Performance against these metrics was reported to the Cabinet Office and HM Treasury.

As part of the annual business planning process, we continually refine our performance framework so that it covers both our strategic, longer-term outcomes and the metrics we use at delivery and operational level. This explains why the list of indicators may change from one year to the next.

Performance by priority outcome

Priority outcome 1:

Improve the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife.

In 2023, the Environmental Improvement Plan (EIP23) was published, in accordance with the Environment Act 2021. This was a revision of the 25 Year Environment Plan (25YEP) published in 2018. EIP23 is set out in 10 goals. Each goal has specific targets and commitments described in the EIP23 that contribute to the goal outcome, including the legally binding targets set under the Environment Act 2021.

EIP23 sets out the actions that will drive us towards reaching our long-term statutory targets and goals which also includes interim targets. In January 2024, we published a ['One year on' update](#)⁶ setting out actions that had been delivered since the publication of EIP23.

In addition, we published the environmental principles policy statement which set out how policymakers should apply environmental principles to support environmental protection and enhancement. The final version of the strategic policy statement was laid in Parliament on 31 January 2023 and the duty came into effect from 1 November 2023.

⁶ <https://defraenvironment.blog.gov.uk/2024/01/31/the-environmental-improvement-plan-our-progress-one-year-on/>



Air Quality

The UK has met the current domestic and international emission reduction commitments for emissions of ammonia, non-methane volatile organic compounds (NMVOCs), nitrogen oxides, PM2.5, and sulphur dioxide. There has been a long-term decrease in emissions of air pollutants in the UK. In recent decades, emissions reductions have continued but the rate of decline has slowed. Emissions of ammonia have remained stable over the past decade. We recognise that more emission reductions are needed to meet our 2030 emission reduction commitments.

Our key activities were:

- The [Air Quality Strategy](#)⁷ was published in April 2023. The Air Quality Strategy made clear that local authorities are key delivery partners in reaching legal limits and targets for air pollutants.
- In July 2023, the first progress update with respect to the Environment Act 2021 PM2.5 targets was published, alongside detail about how the targets were calculated. This met a key requirement of the [Environmental Targets \(Fine Particulate Matter\) \(England\) Regulations](#)⁸ 2023 Targets legislation.
- We are continuing to work with English local authorities as part of the NO₂ programme, to meet NO₂ concentration limits.
- Awareness was raised about the impact of domestic burning on air quality and health through the '[Burn Better, Breathe Better](#)'⁹ communications campaign in March 2023.
- Roll-out of [UK BAT \(Best Available Techniques\)](#)¹⁰ continued. Industrial installations with specific types of activity must use BAT to prevent and reduce emissions to air, water, and land.

⁷ <https://www.gov.uk/government/publications/the-air-quality-strategy-for-england>

⁸ <https://www.legislation.gov.uk/ukxi/2023/96/contents/made>

⁹ <https://uk-air.defra.gov.uk/library/burnbetter>

¹⁰ <https://www.gov.uk/government/publications/establishing-the-best-available-techniques-for-the-uk-uk-bat/establishing-the-best-available-techniques-for-the-uk-uk-bat/>

Indicator: Key air pollutants emission

Emissions of nitrogen oxides have fallen by 23 per cent between 2018 and 2022. Emissions of NMVOCs have fallen by 12 per cent over the same period. Projections suggest that the UK is on track to achieve the emission reduction commitments for NMVOCs and nitrogen oxides in 2030. The series for nitrogen oxides and for NMVOCs excludes emissions from agricultural sources for compliance reporting purposes against the [National Emission Ceilings Regulations \(2018\)](#)¹¹.

Figure 1a: Emissions of nitrogen oxides 2018-2022

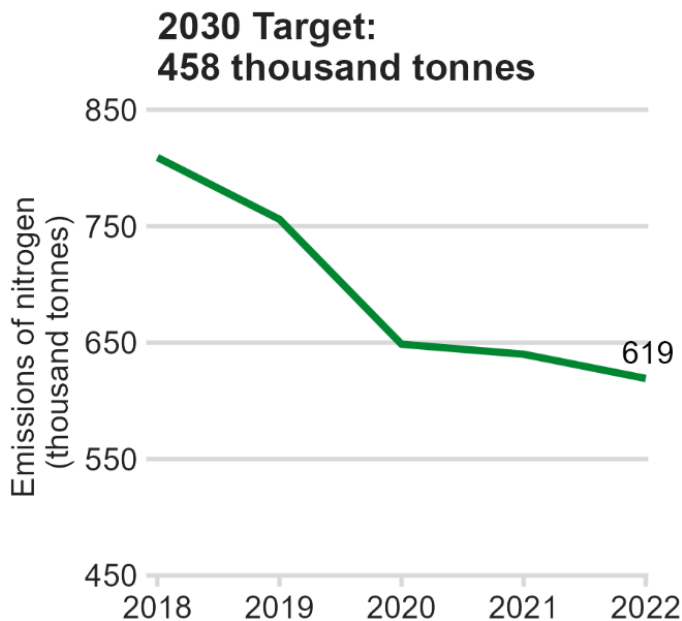
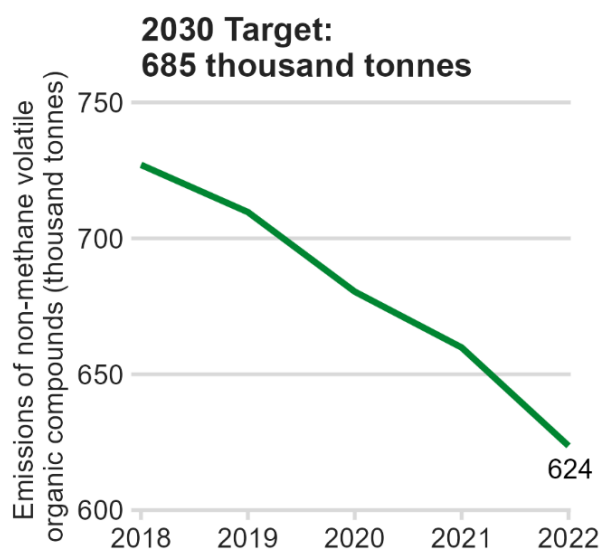


Figure 1b: Emissions of non-methane volatile organic compounds 2018-2022



¹¹ <https://www.legislation.gov.uk/ukxi/2018/129/contents>

Emissions of ammonia¹² and PM2.5 have largely remained stable between 2018 and 2022, while emissions of sulphur dioxide have fallen by 30 per cent.

Figure 1c: Emissions of ammonia 2018-2022

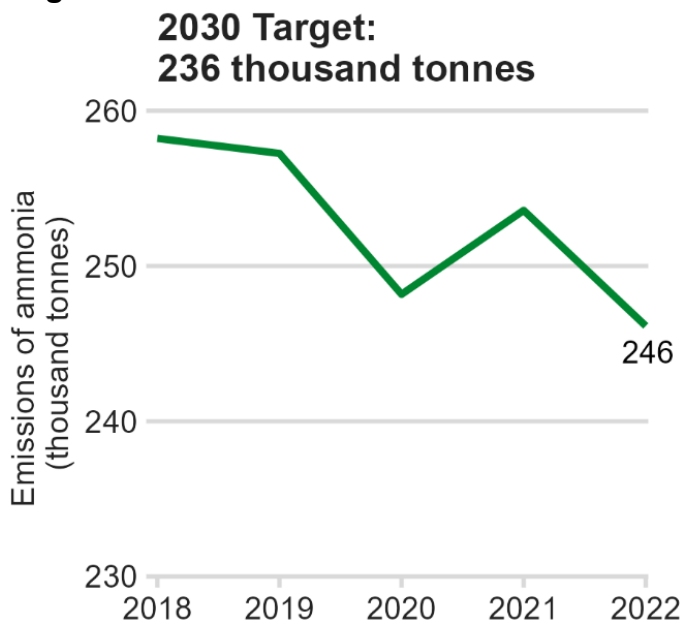
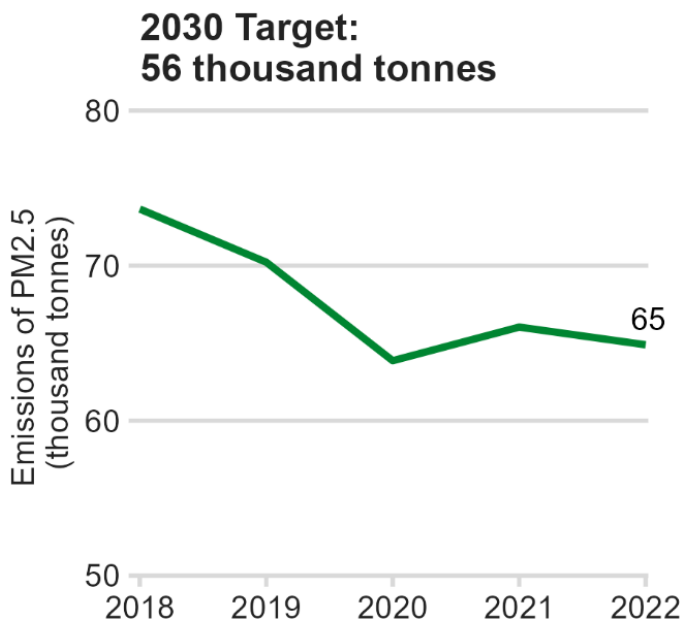
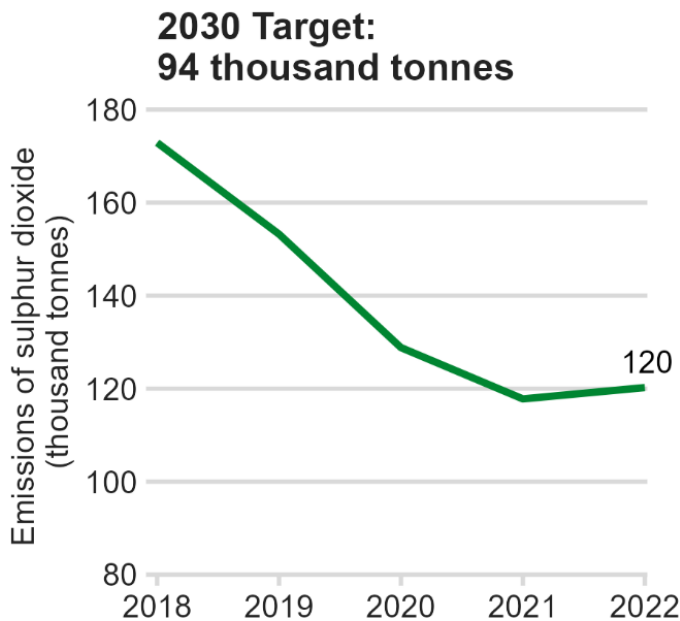


Figure 1d: Emissions of PM2.5 2018-2022



¹² The series for Ammonia excludes emissions from non-manure digestate spreading for compliance reporting purposes against the National Emission Ceilings Regulations (2018), (<https://www.legislation.gov.uk/uksi/2018/129/contents>)

Figure 1e: Emissions of sulphur dioxide 2018-2022



Source: National Statistics Emissions of air pollutants (<https://www.gov.uk/government/statistical-data-sets/env01-emissions-of-air-pollutants>)



Water quality and resource

In April 2023, Defra published the Plan for Water¹³, which built on the EIP23 and set out a plan to deliver clean and plentiful water through more investment, tighter regulation and more effective enforcement.

Over the year to 31 March 2024:

- The Levelling Up and Regeneration Act 2023 (LURA) introduced a new requirement on water companies to upgrade wastewater treatment works to the highest technically achievable levels of nutrient removal in designated catchments by 1 April 2030. Provisions introduced by the LURA also require water companies to consider using nature-based solutions and enable water companies to take a catchment permitting approach, where appropriate.
- As part of the Price Review 2024 (PR24), draft water company business plans were [published](https://deframedia.blog.gov.uk/2023/10/02/water-company-draft-business-plans-published/)¹⁴ on 2 October 2023.
- Water companies [announced](https://www.gov.uk/government/news/over-180m-of-investment-fast-tracked-to-prevent-sewage-spills)¹⁵ they would be fast-tracking investment of £180 million to prevent more than 8,000 sewage spills polluting English waterways.

¹³ [Plan for Water: our integrated plan for delivering clean and plentiful water](#)

¹⁴ <https://deframedia.blog.gov.uk/2023/10/02/water-company-draft-business-plans-published/>

¹⁵ <https://www.gov.uk/government/news/over-180m-of-investment-fast-tracked-to-prevent-sewage-spills>

- We announced the expanded [Storm Overflows Reduction Plan](#)¹⁶ in September 2023 driving £60 billion capital investment over 25 years.
- On agriculture, we increased the Catchment Sensitive Farming advice budget to £15 million a year, expanding its coverage to all of England. We opened an expanded Sustainable Farming Incentive (SFI) offer providing funding for 4-12 metre buffer strips and companion crops to intercept runoff and reduce soil erosion and the Slurry Infrastructure Grant made available £74 million to farmers.
- On fines, we removed the £250,000 variable monetary penalty cap and applied penalties to wider environmental offences, strengthening regulation. There were 6 water company prosecutions between April 2023 and March 2024 by the Environment Agency (EA). We also consulted on banning the sale of wet wipes containing plastic.
- We announced plans to increase water company inspections. Ofwat has consulted on banning water company bosses from receiving bonuses if a company has committed serious criminal breaches. EA launched a new whistleblowing portal for water industry staff to report wrongdoing within their organisations launched on 26 March 2024.
- On water supply, demand and drought, we continued to deliver the roadmap for water efficiency in new developments and retrofits, and work with water companies and their regulators on the delivery of the 20 per cent reduction in water usage per person by 2038.
- We [announced](#)¹⁷ funding to support water efficiency measures, including the set-up of a water credit market and retrofits, nature-based solutions and piloting agricultural water resources management plans to enable development in Cambridge.

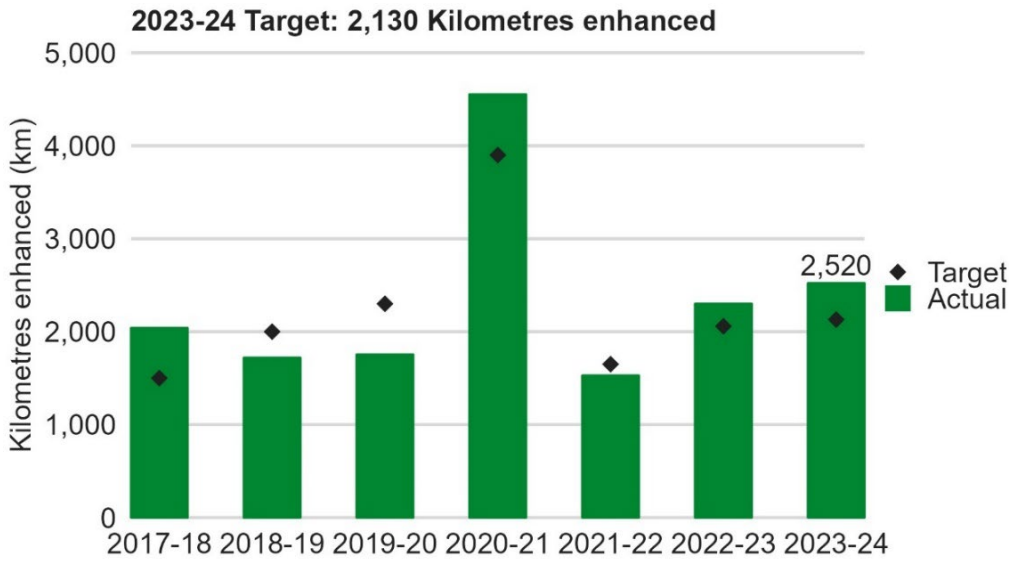
Indicator: Number of kilometres of enhanced and protected water

We enhanced a total of 2,520 km across the year. Most of these enhancements have come from the Countryside Stewardship Programme. Under the Countryside Stewardship programme, we have a clear understanding that farmers receiving an agreement or standalone grant have taken specific action to improve the water environment, through implementation of one or more Countryside Stewardship measures. Whilst the individual enhancements are often small, together they make a difference to the local environment, reducing flood risk and reducing diffuse pollution.

¹⁶ https://assets.publishing.service.gov.uk/media/65337e1c55e47a50014989910/expanded_storm_overflows_discharge_reduction_plan.pdf

¹⁷ <https://www.gov.uk/government/publications/joint-statement-on-addressing-water-scarcity-in-greater-cambridge/joint-statement-on-addressing-water-scarcity-in-greater-cambridge>

Figure 2: Kilometres (km) of enhanced and protected water

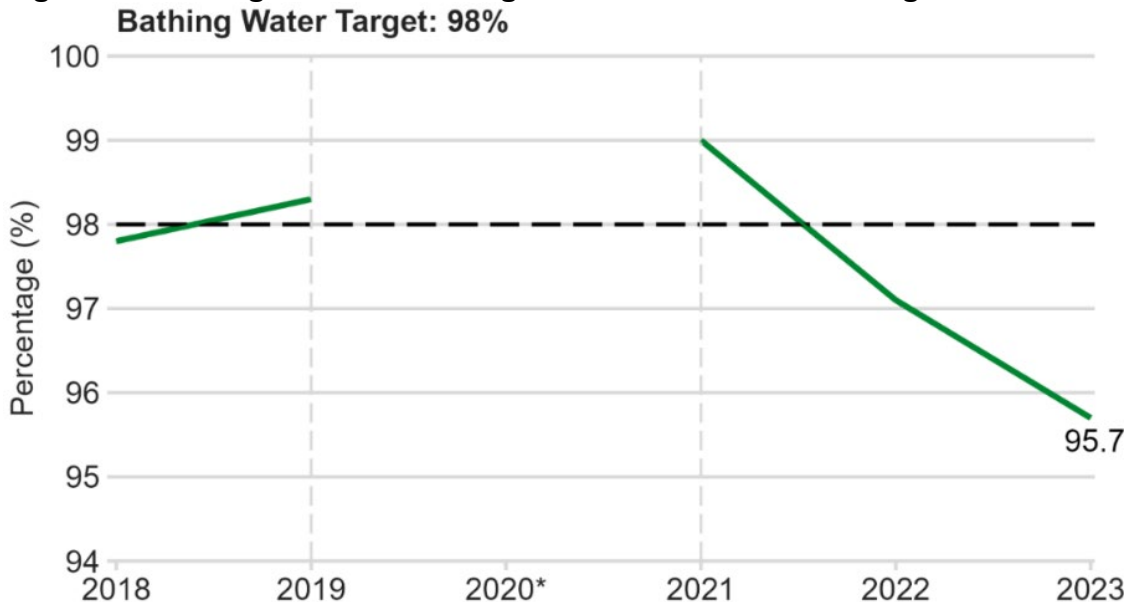


Source: Environment Agency Corporate Scorecard (<https://www.gov.uk/government/collections/environment-agency-corporate-scorecard>)

Indicator: Percentage of bathing waters reaching minimum standard

In 2023, 95.7 per cent of bathing waters in England met minimum standards (2022: 97.1 per cent). Every designated bathing water in England is monitored for Escherichia coli and intestinal enterococci throughout the bathing season (15 May to 30 September).

Figure 3: Bathing waters reaching minimum standard in England



* Due to Coronavirus restrictions, there was no classification during the 2020 bathing water season

Source: [Statistics on English coastal and inland bathing waters](https://www.gov.uk/government/statistics/bathing-water-quality-statistics/2023-statistics-on-english-coastal-and-inland-bathing-waters-a-summary-of-compliance-with-the-2023-bathing-water-regulations)
<https://www.gov.uk/government/statistics/bathing-water-quality-statistics/2023-statistics-on-english-coastal-and-inland-bathing-waters-a-summary-of-compliance-with-the-2023-bathing-water-regulations>



Resources and waste

In April 2022, we consulted on proposals to ensure householders could deposit small-scale DIY waste for free at household waste recycling centres (HWRCs). The response was published in June 2023 followed by legislation which came into force from 31 December 2023. This helps remove any financial barrier for householders and supports responsible disposal of waste.

The maximum fine councils can issue for littering and fly-tipping has been increased. [Fly tipping league tables¹⁸](#) have been published to increase transparency on the use of fly-tipping fines and regulations laid to ensure councils spend the income on enforcement and clean up.

Reducing the amount of biodegradable waste being sent to landfill has a key part to play in tackling climate change. In line with the commitment in the Net Zero Strategy, we are exploring options for the near elimination of municipal biodegradable waste to landfill from 2028 (see under Net Zero section below).

In July 2023, we published a new [waste prevention programme¹⁹](#). This set out actions to manage resource and waste in line with the waste hierarchy.

Bans and restrictions were introduced in October 2023 on range of single-use plastic items, including expanded and foamed extruded polystyrene food and drinks containers, cutlery, and balloon sticks.

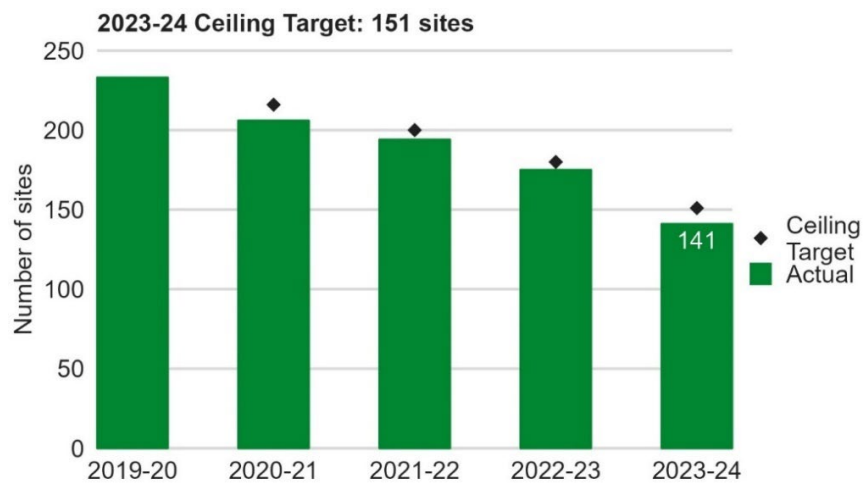
Indicator: Number of high-risk illegal waste sites

The overall trend shows a long-term decline in the number of recorded high-risk illegal waste sites, with the number reducing to 141 which is below the current target of 151.

¹⁸ <https://www.gov.uk/government/statistics/fly-tipping-in-england>

¹⁹ <https://www.gov.uk/government/publications/waste-prevention-programme-for-england-maximising-resources-minimising-waste/the-waste-prevention-programme-for-england-maximising-resources-minimising-waste>

Figure 4: Number of high-risk illegal waste sites



Source: Environment Agency Corporate Scorecard (<https://www.gov.uk/government/collections/environment-agency-corporate-scorecard>)



Domestic biodiversity

We have previously announced legally binding biodiversity targets to halt and reverse the decline in species abundance, reduce species extinction risk, and restore or create over 500,000 hectares of wildlife-rich habitat.

To support the delivery of these targets during 2023-24, we have achieved the following:

- Natural England announced in September 2023 that 63 projects across the country have been awarded a share of £14.5 million. This will be used to help recover 150 species nationwide through its Species Recovery Programme.
- In June 2023, we announced six further [Nature Recovery Projects²⁰](#) (NRPs) which cover over 176,000 hectares of land across England. This builds on the G7 legacy project in Cornwall and the five NRPs launched in 2022.
- In June 2023, we launched a £25 million pound [Species Survival Fund²¹](#). Successful projects from round 1 of the fund were announced in March 2024.
- In September 2023, Natural England (NE) declared the Lincolnshire Coronation Coast National Nature Reserve (NNR) that covers 33 square kilometres. Furthermore, the Mendip NNR was declared by NE and partners in October 2023.
- In November 2023, we selected 34 projects through the [second round of Landscape²² Recovery](#), which involve over 700 land managers and will aim to restore more than

²⁰ <https://www.gov.uk/government/news/nature-recovery-projects-to-boost-wildlife-and-access-to-nature>

²¹ <https://www.gov.uk/government/news/putting-nature-on-the-road-to-recovery-with-species-survival-fund>

²² <https://dfafarming.blog.gov.uk/2023/11/29/round-two-projects/>

35,000 hectares of peatland, create over 7,000 hectares of woodland, sustainably manage more than 20,000 hectares of woodland, and benefit more than 160 protected sites.

- Three Environmental Land Management (ELM) schemes that reward environmental benefits have been introduced. There are 23 actions on offer under the new ELM schemes, including on soil health, moorland, hedgerows, integrated pest management, farmland wildlife, buffer strips, and low input grassland. Actions can be found in version 4 of [Sustainable Farming Incentive \(SFI\) Handbook for the SFI 2023²³ offer](#), and in the [2024 Agricultural Transition Plan update²⁴](#).
- Mandatory Biodiversity Net Gain (BNG) was introduced for developments under the Town and Country Planning Act through the Environment Act, and was made mandatory for major sites on 12 February 2024 with all guidance and legislation in place ([Biodiversity net gain²⁵](#)). Mandatory BNG will apply to small sites from 2 April 2024.



International biodiversity

Defra has continued to play a leading role in the implementation of the Kunming-Montreal Global Biodiversity Framework (GBF). UK was one of three initial contributors to a new GBF Fund, ensuring it became operational. Together with France, we established an independent International Advisory Panel on Biodiversity Credits to help shape nature markets and accelerate investment in nature. In the G7 Environment Track, we agreed collective commitment to the GBF's implementation and at the G20 and COP28 we committed to halting and reversing forest loss by 2030, reflecting the goal of the Glasgow Leaders Declaration.

We have continued to build Defra's Official Development Assistance (ODA) portfolio which is focused on achieving outcomes on biodiversity, climate change and poverty reduction in developing countries. This includes moving towards implementation of the Biodiverse Landscapes Fund which will support work in six of the world's most important biodiversity hotspots, spanning 18 countries; delivery of the Blue Planet Fund's projects including approval of a new marine challenge fund OCEAN which works to build resilience for coastal people and communities; and supporting governments and financial institutions to integrate nature into their decision making and funding to address critical research gaps through the new Global Centre for Biodiversity for Climate. Examples of programme impact include: 58,400 hectares of mangrove under sustainable development and livelihood benefits for 70,000 people through support to the Blue Forests Initiative (2016-2022); and 396,000 hectares of habitat managed more sustainably and 98,000 people more climate resilient due to Darwin Initiative support since 2021.

²³ <https://www.gov.uk/government/publications/sfi-handbook-for-the-sfi-2023-offer>

²⁴ <https://www.gov.uk/government/publications/agricultural-transition-plan-2021-to-2024/agricultural-transition-plan-update-january-2024>

²⁵ <https://www.gov.uk/government/collections/biodiversity-net-gain>



Access to nature

To date, 2,303 miles of the King Charles III England Coast Path have been approved, of which 1,228 miles have establishment works in hand or pending. 1,075 miles have been completed with just 26 miles that remain to be submitted to government for approval. When complete it will create 250,000 hectares of new open access land within the coastal margin.



Marine

We have introduced Highly Protected Marine Areas (HPMAs) that will enable nature to recover by removing harmful activities including fishing, construction and dredging. Three marine areas are now under the highest level of protection in our seas, with their designations as HPMAs.

Defra announced the next phase of Marine Management Organisation (MMO) offshore MPA byelaws on 31 January 2024. These will protect a further 13 offshore MPAs from bottom-towed fishing gears. Consultation continues on byelaws to manage further sites.

In October 2023, OSPAR²⁶ published its Quality Status Report (QSR) 2023 on the status of the North-East Atlantic for the period 2009-2021. The report is based on evidence gathered over more than a decade from over 400 international experts and demonstrates the importance of collaborative working between experts from across the OSPAR region. UK experts from Defra, Centre for Environment, Fisheries and Aquaculture Science (Cefas), and Joint Nature Conservation Committee (JNCC) lead a high proportion of the assessments across the OSPAR work areas in the report.

We received Royal Assent in October 2023, to the clauses in the Energy Act which implement legislative elements of our Offshore Wind Environmental Improvement Package, which is designed to accelerate the deployment of offshore wind whilst protecting and enhancing the marine environment.

We have worked with colleagues across government, the offshore wind industry, Statutory Nature Conservation Bodies, Devolved Administrations (DA's), and environmental non – governmental organisations to develop an initial set of strategic compensatory measures which were announced on 1 February 2024.

In February 2024, we launched a new UK-based environmental science network, to gather scientific data, and carry out research to help assess the environmental impacts of deep-sea mining. The network will work alongside the UK's recent decision to support a moratorium on the granting of exploitation licences for deep sea mining projects by the International Seabed Authority.

Through our Darwin Plus Main grant, we funded 21 biodiversity and conservation projects in the UK Overseas Territories starting in 2023-24, including projects of benefit to marine

²⁶ OSPAR is so named because of the original Oslo and Paris conventions ("OS" for Oslo and "PAR" for Paris).

environments (for example, mitigating the impacts of climate change on sea turtle populations, safeguarding Antarctic krill stocks for baleen whales, using satellite technology to monitor seabird populations at South Georgia).



Chemicals and pesticides (domestic and international)

Work is ongoing to implement our obligations under the UN Stockholm Convention on Persistent Organic Pollutants (POPs), as specified in our UK National Implementation Plan (NIP) (updated in 2022). In October 2023, Convention-level negotiations resulted in agreement that the UK-nominated substance ‘Medium Chained Chlorinated Paraffins’ (MCCPs) would be put to all Parties²⁷ for consideration for listing as a POP at the next Conference of the Parties in 2025. This was the penultimate step in a multi-year evaluation and listing process for this UK-nomination, during which the UK has played a key role. If adopted, this will lead to global elimination of MCCPs and reduce emissions to the global environment.

In September 2023, we adopted the Global Framework on Chemicals (GFC) at the Fifth Session of the International Conference on Chemicals Management. The GFC is unique in the way it attempts to comprehensively address all aspects of chemicals and waste issues through a multi-stakeholder approach. The newly adopted framework calls for the prevention of the illegal trade and trafficking of chemicals and waste, increased global action on highly hazardous pesticides, and the implementation of national legal frameworks. It also calls for the transition to safer and more sustainable chemical alternatives, the responsible management of chemicals in various sectors – including industry, agriculture, and healthcare – and the enhancement of transparency and access to information regarding chemicals and their associated risks.

An independent regulatory framework has been established for chemicals, known as UK REACH (Registration, Evaluation and Authorisation and Restriction of Chemicals). The publication of the Per- and polyfluoroalkyl substances (PFAS) Regulatory Management Options Analysis in April 2023 represents the UK’s efforts to protect people and the environment from the potential impacts of PFAS, and the UK REACH Work Programme is now taking forward the package of actions it recommended.



Rural

Defra, as lead department for rural affairs, works across government to ensure that we take account of rurality when designing and implementing policies, considering factors like sparsity, distance and connectivity.

In June 2023, we published [Unleashing Rural Opportunity²⁸](#) (URO), which outlined a package of measures targeted at supporting rural people and businesses. Since then, 18 of the 25 commitments have been delivered. Commitments already delivered include: important

²⁷ ‘Parties’ are nation states which have agreed to be bound by the Stockholm Convention and its requirements. There are currently 186 Parties to the Convention

²⁸ <https://www.gov.uk/government/publications/unleashing-rural-opportunity>

actions on planning and infrastructure such as the new National Planning Policy Framework (NPPF), published in December 2023, which supports rural exception sites to ease affordable house building in areas where it is most needed; and the November 2023 publication of the [Connections Action Plan](#)²⁹, which sets out a pathway to speed up connections to the grid.

In March 2024, we published our [third report on rural proofing](#)³⁰ which provides an update on progress made since the previous report in 2022.

Defra has continued its support for community infrastructure through our new smaller grants element to the Platinum Jubilee Village Halls Fund.

²⁹ <https://assets.publishing.service.gov.uk/media/6581730523b70a000d234bb0/connections-action-plan-desnz-ofgem.pdf>

³⁰ [https://www.gov.uk/government/publications/delivering-rural-opportunity/delivering-riral0opportunity-third-report-on-rural-proofing#:~:text=This%20third%20report%20on%20rural,people%20and%20businesses%20to%20achieve](https://www.gov.uk/government/publications/delivering-rural-opportunity/delivering-rural0opportunity-third-report-on-rural-proofing#:~:text=This%20third%20report%20on%20rural,people%20and%20businesses%20to%20achieve)

Our contributions to the United Nations Sustainable Development Goals (SDGs)

Our priority outcome to improve the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife, contributes to the following United Nations SDGs³¹:

	<p>SDG3: Good Health and Well-Being</p> <p>Ensure healthy lives and promote well-being for all at all ages.</p>
	<p>SDG6: Clean Water and Sanitation</p> <p>Ensure availability and sustainable management of water and sanitation for all.</p>
	<p>SDG8: Decent Work and Economic Growth</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>
	<p>SDG9: Industry, Innovation and Infrastructure</p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</p>
	<p>SDG11: Sustainable Cities and Communities</p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable.</p>
	<p>SDG12: Responsible Consumption and Production</p> <p>Ensure sustainable consumption and production patterns.</p>
	<p>SDG14: Life Below Water</p> <p>Conserve and sustainably use the ocean, seas and marine resources for sustainable development.</p>
	<p>SDG15: Life On Land</p> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p>

³¹ For more information on the SDG goals, see [17 goals | Sustainable Development \(https://sdgs.un.org/goals\)](https://sdgs.un.org/goals)

Priority outcome 2:

Reduce greenhouse gas (GHG) emissions and increase carbon storage in the agricultural, waste, peat and tree planting sectors to help deliver net zero.

We continue to contribute to the cross-cutting net zero ambition, led by DESNZ. Our key programmes take a dual approach: to minimise emissions or maximise carbon sequestration whilst taking account of our wider environmental commitments. We are responsible for reducing emissions from agriculture, land use (including peat), fluorinated greenhouse gases and waste (including wastewater), whilst simultaneously increasing England's carbon sequestration potential through nature-based solutions. In EIP23, we set out our future ambitions for land use to support net zero alongside nature, biodiversity and climate adaptation goals.



Carbon budgets

In 2023-24, we have continued to implement the pathways set out in the Net Zero Growth Plan; part of the Powering up Britain plans published by DESNZ in March 2023. We have also continued our progress towards our net zero objectives across our sectors, as detailed below.

Indicator: Greenhouse gas (GHG) emissions by sector: waste, agriculture, land use, land use change, forestry (LULUCF), million tonnes of CO₂ equivalent.

The latest GHG Inventory (the Inventory) was published in February 2024, including emissions for 2022, as well as updating historic emissions. It reports that UK emissions in Defra sectors in 2022 were 74.8 MtCO₂e, a decrease of 1.6 MtCO₂e (2 per cent) from 2021. The historical updates show a decrease of 2.2 MtCO₂e (3 per cent) in 2021 compared to the previous Inventory.

For waste, emissions showed no significant changes between 2021 and 2022 or in the historical updates. For F-gases, UK emissions reduced to 7.6 MtCO₂e in 2022. This represents a reduction of 0.6 MtCO₂e (7 per cent) compared to 2021. To note, the Inventory updated the 2021 emissions, reducing them by 2.7 MtCO₂e (25 per cent) compared to the previous Inventory. The reductions are mainly due to changes in the Hydrofluorocarbon (HFC) outlook model.

For Agriculture, UK emissions reduced to 47.7 MtCO₂e in 2022. This represents a reduction of 1.2 MtCO₂e (2 per cent) compared to 2021. The reductions in the yearly changes are mainly due to a reduction in fertiliser use and a decrease in emissions from agricultural machinery. To note, the Inventory updated the 2021 emissions, increasing them by 0.9 MtCO₂e (2 per cent) compared to the previous Inventory. The reason for the historical increase is mainly due to changes in the levels of fuel use. The Inventory reports that for LULUCF, UK emissions increased to 0.8 MtCO₂e in 2022. This represents a marginal increase of 0.3 MtCO₂e compared to 2021. To note, the Inventory updated the 2021

emissions, reducing them by 0.6 MtCO₂e compared to the previous Inventory. The reduction is mainly due to updates in forestry modelling.

Figure 5a: F-gas and waste greenhouse gas emissions 2018-2022

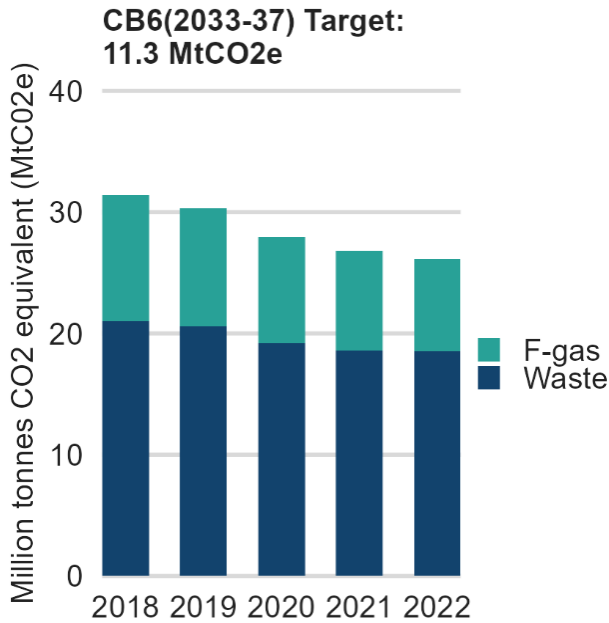
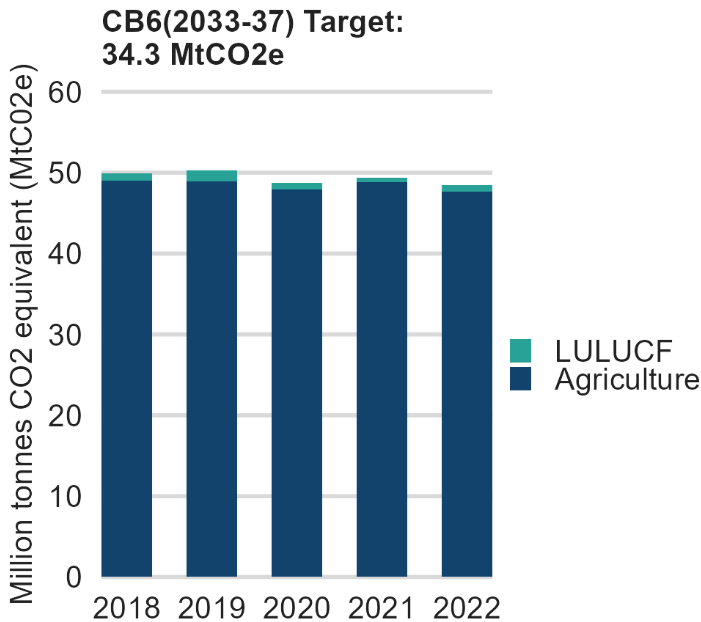


Figure 5b: LULUCF and agriculture greenhouse gas emissions 2018-2022



Source: Final UK greenhouse gas emissions national statistics (<https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-to2022>)



Peatlands

Nature-based solutions, like restoring peat and planting trees, are of benefit to tackling climate change and averting its impacts.

The Nature for Climate Fund (NCF) has provided over £35 million to restore 27,000 hectares of peatlands to a natural and healthy state via the Peatland Grant Scheme. The latest round of which announced £16 million of funding for 12 new restoration projects in August 2023.

The report from the [Lowland Agricultural Peat Task Force³²](#) was published in June 2023. The independent chair provided 14 recommendations on how lowland agricultural peat soils can be responsibly managed to enable continued, productive farming whilst reducing greenhouse gas emissions. Our work to address the degradation of lowland peat includes: awarding grants through the Lowland Agricultural Peat Small Infrastructure Pilot and Water Discovery Pilot; undertaking a Lowland Peat Research and Development Programme; and addressing commercial barriers to paludiculture, or farming on rewetted peat, through the Paludiculture Exploration Fund.

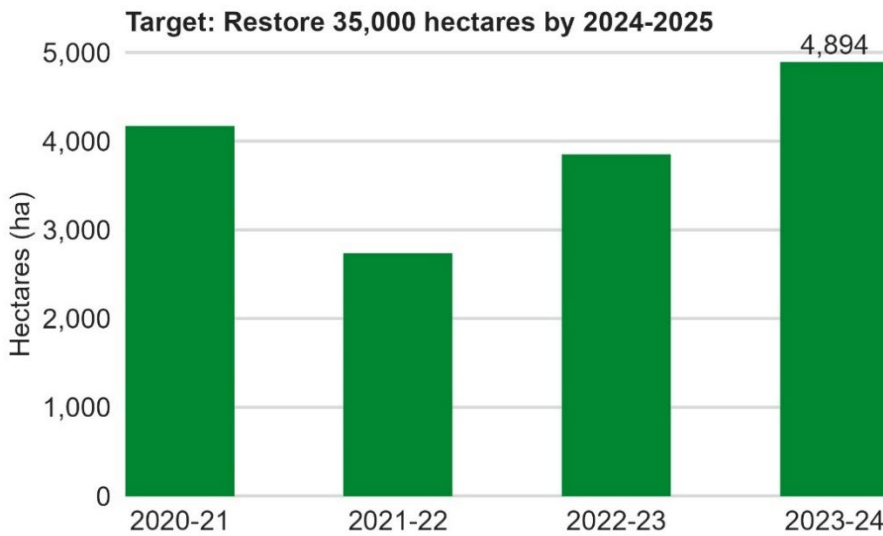
Indicator: Hectares (ha) of peatland brought under restoration

In 2023-24, restoration works funded through the Nature for Climate Peatland Grant Scheme (NCPGS) restored 4,894 hectares of peatlands to a natural and healthy state increasing the cumulative total since 2020-21 to 15,658 hectares. The third round of the NCPGS awarded £16 million of funding to 12 new restoration projects in August 2023. £4.89 million was also awarded in discovery grants, which fund the exploration of further restoration potential. Overall, Natural England has awarded a total of £46.3 million in grants through NCPGS projects, with £20.4 million being claimed to date.

Other restoration activities will also contribute to the 35,000 hectares target; however, we are still in the process of determining the number of hectares that have been restored through these efforts.

³² <https://www.gov.uk/government/publications/lowland-agricultureal-peat-task-force-chairs-report>

Figure 6: Hectares of peatland brought under restoration per year



The 2021-22 and 2022-23 hectareage figures have changed from last year's ARA. This is due to a site change being reported after the original figures were published.

Source: Nature for Climate Peatland Grant Scheme (NCPGS)



Trees

Our statutory tree and woodland target is to increase tree canopy and woodland cover in England to 16.5 per cent by 2050.

To help achieve this target, we established two new Community Forests in the Tees Valley and Derbyshire. We opened a £2.5 million Forestry and Arboriculture Training Fund covering the costs of short technical skills courses, including handling plant and large machinery and deer management.

In December 2023, we published the [Timber in construction roadmap³³](#) which sets out the actions needed to safely utilise timber in construction as part of this decarbonisation journey.

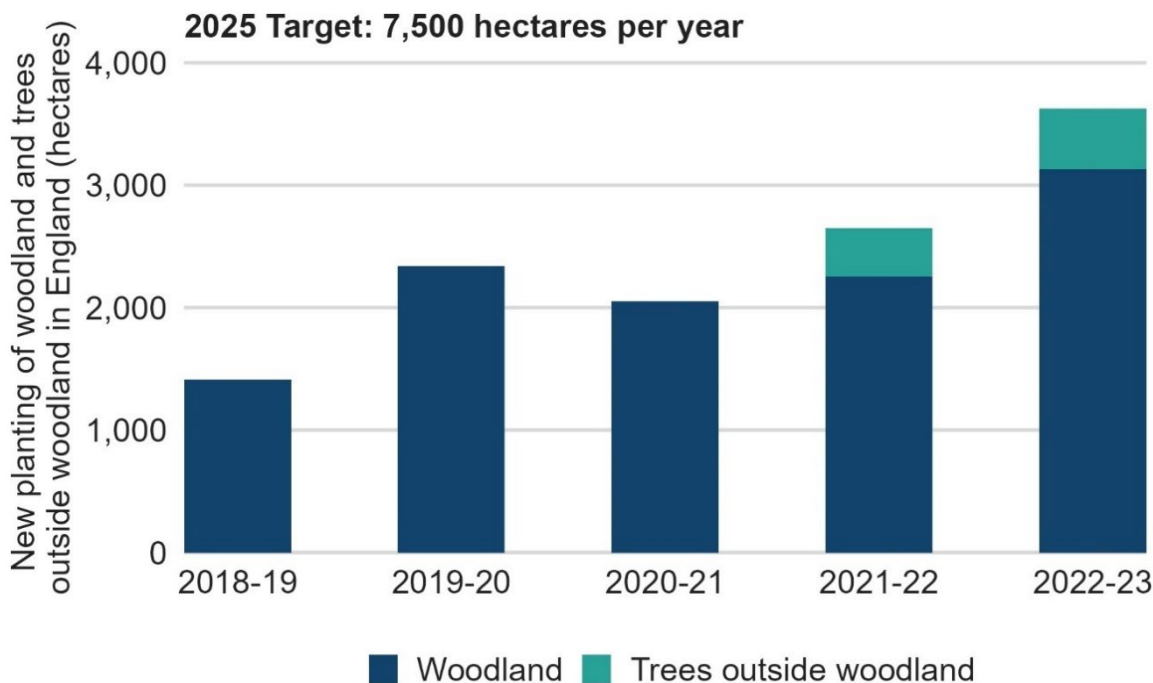
Indicator: Hectares of trees planted (England only).

A total of 3,128 hectares of new woodland planting and a further 499 hectares of trees outside of Woodland was recorded in England in 2022-23, corresponding to about 4 million trees. This is a 40 per cent increase on the previous year. Schemes include the Community Forests and the Forestry Commission's England Woodland Creation Offer, which make up just under 60 per cent of trees planted in 2022-23. Other contributions include the Countryside Stewardship, the Northern Forest Partnership, the Woodland Carbon Fund, the High Speed 2 Woodland Fund, Forestry England, the Environment Agency, and the National Forest Company.

³³ <https://www.gov.uk/government/publications/timber-in-construction-roadmap/tomber-in-construction-roadmap>

Over the last five years there has been an upward trend in tree planting rates in England, with rates doubling since 2018-19 and the highest level of tree planting for over a decade.

Figure 7: Hectares of trees planted.



Source: Forestry Commission Key Performance Indicators (<https://www.gov.uk/government/collections/forestry-commission-corporate-plan-performance-indicators>)



Agriculture

We have made progress on key Net Zero Strategy commitments. This includes designing ELM schemes to pay farmers for measures that can make their food producing businesses more resilient and productive, and improve water quality and management, air quality, climate emissions and biodiversity.

The [Agriculture Transition Update³⁴](#), published January 2024, announced an expanded offer with updated payment rates. This includes payment for actions to reduce GHG emissions from agriculture, in the Sustainable Farming Incentive (SFI) ELM scheme and through grants, for instance through the deployment of precision farming and improved animal health.

We opened the £270 million Farming Innovation Programme in 2021. In partnership with UK Research and Innovation, we committed £134.5 million up to the end of 2023.

³⁴ <https://www.gov.uk/government/publications/agricultureal-transition-plan-2021-to-2024/agricultural-plan-update-january-2024>



Waste and Wastewater

In December 2023, we published two rapid evidence assessments setting out options to improve our understanding and estimates of GHG emissions from wastewater treatment.

Please see the Resources and Waste section for further information on how waste policy development is supporting our Net Zero goals.



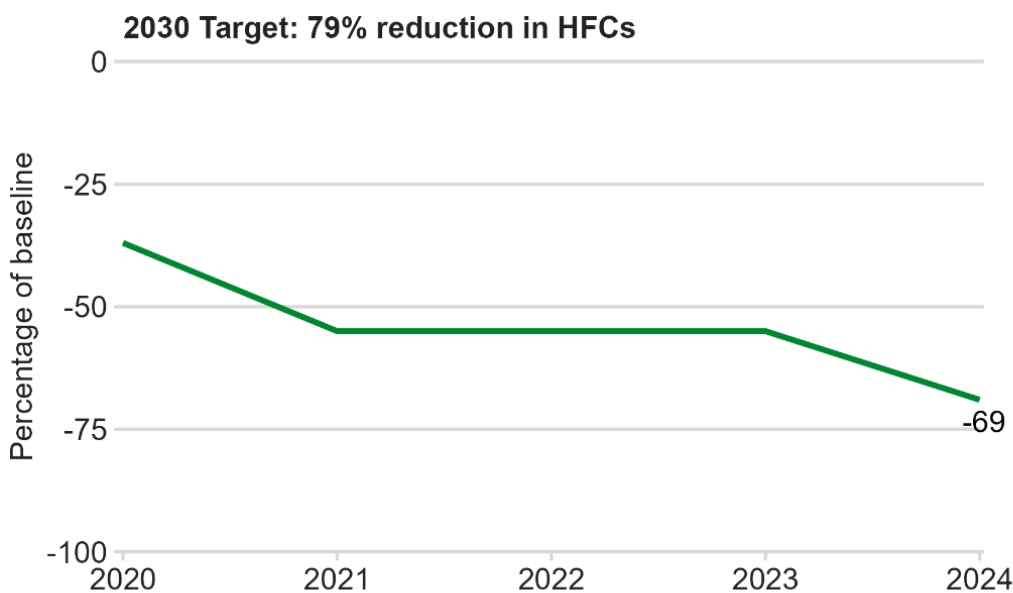
Fluorinated gases (F-gas)

A review of the F-gas Regulation has been underway during 2023-24. This has involved stakeholder engagement to gather further information on current F-gas demands and opportunities to move away from their use and reduce related emissions. The gathered information will inform the development of potential proposals for legislative change to secure increased abatement. Any proposed changes to the F-gas Regulation will be publicly consulted on.

Indicator: Change in Hydrofluorocarbons (HFC) greenhouse gas usage

The stepped HFC phasedown is reducing the amount of HFCs placed on the market and this resulted in a 69 per cent drop at the beginning of 2024, compared to a 2015 baseline. This is expected to be further reduced to 79 per cent by 2030.




Figure 8: Percentage change in HFC usage relative to 2015



Source: legislation.gov.uk (<https://www.legislation.gov.uk/eur/2024/517/annex/V>)

Our contributions to the United Nations Sustainable Development Goals (SDGs)

Our priority outcome **to reduce greenhouse gas emissions and increase carbon storage in the agricultural, waste, peat and tree planting sectors to help deliver net zero**, contributes to the following United Nations SDGs:

	<p>SDG12: Responsible Consumption and Production</p> <p>Ensure sustainable consumption and production patterns.</p>
	<p>SDG13: Climate Action</p> <p>Take urgent action to combat climate change and its impacts.</p>
	<p>SDG15: Life On Land</p> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p>

Priority outcome 3:

Reduce the likelihood and impact of flooding and coastal erosion on people, businesses, communities and the environment.

In 2023-24, the third year of the 6-year Flood and Coastal Defence Investment Programme, 135 flood protection schemes were delivered, resulting in over 28,000 properties being better protected from flooding.

Over 240,000 properties were protected from flooding by existing defences during storm events this year. In addition, the Property Flood Resilience Repair Grant Scheme was made available twice between April 2023 and March 2024 - for Storm Babet and Storm Henk. This enabled eligible flood-hit property owners to apply for up to £5,000 to help make their homes and businesses more resilient to future flooding.

For areas affected by Storm Henk, farmers who suffered uninsurable damage to their land will be able to apply for grants of up to £25,000 through the Farming Recovery Fund. Payments will go towards repair and reinstatement costs for farmers adversely affected by exceptional flooding.

In September 2023, it was [announced](#)³⁵ three communities in the South West (Charmouth, Bude and Swanage) will be allocated £6 million to support adaptation to coastal erosion. This is part of the [Coastal Transition Accelerator Programme](#)³⁶ to help communities to plan for the long term, including through interventions such as improving and replacing damaged community infrastructure like beach access or coastal transport links.

In February 2024, 40 successful projects were announced that will benefit from £25 million to support [Natural flood management](#)³⁷ schemes across England. These schemes will use techniques such as planting trees and creating wetlands to slow and store water to reduce the risk of flooding while also providing benefits for habitats, biodiversity and water resources.

³⁵ <https://www.gov.uk/government/news/coastal-adaptation-projects-in-south-west-england-to-receive-6m-in-funding>

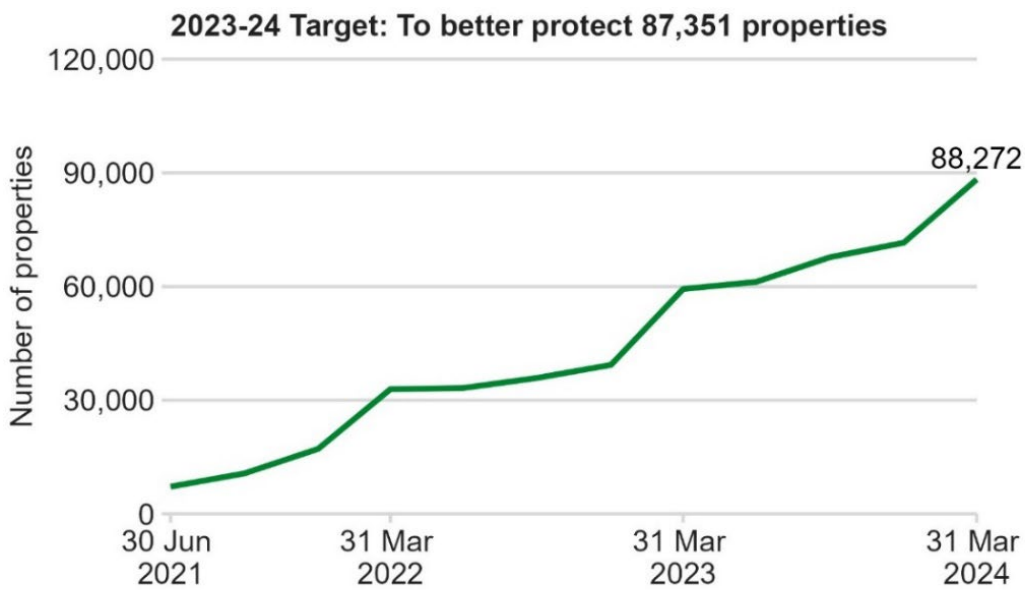
³⁶ <https://www.gov.uk/government/news/communities-to-trial-innovative-ways-of-adapting-to-coastal-erosion>

³⁷ <https://www.gov.uk/guidance/natural-flood-management-programme>

Indicator: Number of properties better protected from flooding in England

The Environment Agency (EA) achieved 28,921 properties better protected from flooding against its annual target of 28,000. This takes the cumulative total this programme to 88,272 properties better protected since April 2021.

Figure 9: Properties better protected from flooding in England (cumulative totals)

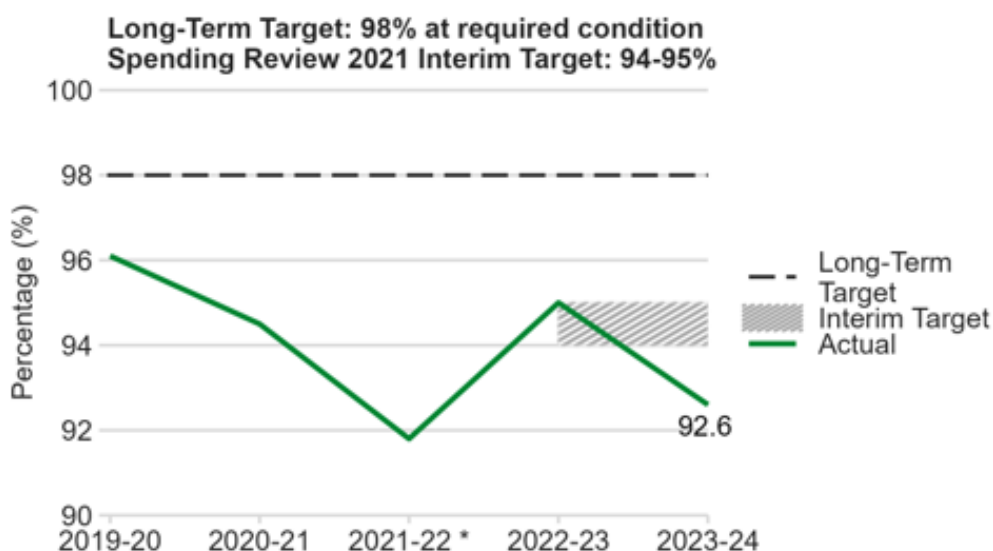


Source: Environment Agency Corporate Scorecard (<https://www.gov.uk/government/collections/environment-agency-corporate-scorecard>)

Indicator: Percentage of flood defence assets at required condition

Maintaining flood defence assets at the required condition is essential in our efforts to reduce flood risk. The EA categorise their assets as being High, Medium or Low consequence based on the impact of flooding on properties, or land use, should an asset in that system fail. The condition of the EA’s high consequence system assets decreased over 2023-24 to 92.6 per cent as a direct impact of successive storm damage at a greater rate than combined improvement from capital replacement and routine maintenance.

Figure 10: Flood and coastal risk management assets at or above the target condition



*Start of the 2021-2026 Flood and Coastal Defence Programme

*Figures for 2021-22 were impacted by a data quality issue arising from the transition to a new asset system

Source: Environment Agency Corporate Scorecard (<https://www.gov.uk/government/collections/environment-agency-corporate-scorecard>)



Climate Change Adaptation

Preparing for a changing climate, or climate adaptation, will help the UK to reduce negative consequences of climate change and take advantage of new opportunities. Building the UK’s preparedness and resilience to climate change impacts is a cost-effective and essential way to protect our people, economy and environment. The National Adaptation Programme sets out the actions that the government will take to adapt to the challenges of climate change in England over a five-year period.

The [third National Adaptation Plan³⁸ \(NAP3\)](#) was published in July 2023. This details the policies developed across government to respond to each of the 61 climate risks and opportunities to the UK identified in the government’s Third Climate Change Risk Assessment. Alongside NAP3, the strategy for the fourth round of reporting under the Adaptation Reporting Power was published. This will improve the information that government gathers on the climate change preparedness of infrastructure sectors.

³⁸ <https://www.gov.uk/government/publications/third-national-adaptation-programme-nap3>



Flood, Water and Chemical, Biological, Radioactive or Nuclear (CBRN) incident response

During the last 12 months, Defra has responded to dozens of incidents, including floods and supply interruptions to drinking water. The Defra and Cabinet Office co-led National Flood Response Centre was activated for Storm Babet in October 2023, the first time since Storm Christoph in 2021. Storm Henk in January 2024 also required Defra to lead the cross-government response, which saw close working with the EA who managed the ‘on the ground’ response to protect impacted communities. Storm Henk required: over 300 concurrent flood warnings to communities; more than 1,000 EA staff working in affected communities; 125 pumps set up; and the deployment of over 12 kilometres of temporary and semi-permanent defences. The Flood Recovery Framework, used in exceptional circumstances to support councils and communities following severe flooding, and its associated schemes were activated after Storm Babet and Storm Henk to help flooded communities and farmers.

Approximately 5,600 properties were flooded during storms Babet and Ciarán in October and November 2023, while around 140,000 properties were better protected by flood and coastal risk management schemes. Over 102,000 properties were protected across the country during storm Henk in January 2024, and around 2,500 properties have reported as being flooded.

We continued working with water companies to identify and drive improvements to their resilience and emergency response capabilities. The focus over the last 12 months has been improving strategic resilience planning to prepare for risks such as energy disruption and interruptions to chemical supplies, as well as strengthening the protective security of Critical National Infrastructure. We are also working with partners to maintain capability for flood rescue in England and further develop enhanced recovery capability in the event of the release of CBRN material.

Our contributions to the United Nations Sustainable Development Goals (SDGs)

Our priority outcome to **reduce the likelihood and impact of flooding and coastal erosion on people, businesses, communities and the environment**, contributes to the following United Nations SDGs:



SDG11: Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient and sustainable.



SDG13: Climate Action

Take urgent action to combat climate change and its impacts.

Priority outcome 4:

Increase the sustainability, productivity and resilience of the agriculture, fishing, food and drink sectors, enhance biosecurity at the border and raise animal welfare standards.

During 2023-24, a number of measures and packages have been implemented and announced in order to support the farming industry. The Rural Payments Agency (RPA) continued to make payments through the advanced Basic Payment Scheme (BPS), Countryside Stewardship (CS) revenue, and Environmental Stewardship schemes. These payments support farmers to run profitable and productive businesses while delivering environmental outcomes in a range of habitats.

At the National Farmers Union Conference in Birmingham on 20 February 2024, a new Food Security Index was announced, in addition to annualising the 'No.10 Farm to Fork Summit'. During this period, Farming Equipment and Technology Fund guidance was also published. This helps farmers prepare to apply for support to improve productivity, slurry management, and animal health and welfare.

Whilst the 2023-24 Avian Influenza season has so far reported less Avian Influenza cases than last year, we have confirmed 126 Bluetongue cases (119 in Cattle and 7 in Sheep). To manage this, Bluetongue Temporary Control Zones have been implemented with Surveillance visits carried out by the Animal and Plant Health Agency (APHA).



Agriculture

Under the Agricultural Transition plan, we are gradually phasing out Direct Payments by 2027. Progressive reductions were introduced to the BPS in 2021, with the money saved going back to farmers through the rollout of future farming schemes.

Following the UK Farm to Fork Summit and announcement on support for tenant farmers, we set out improvements to farming schemes for upland farmers including revised options under CS. The second round of Landscape Recovery opened for applications to any land managers, including groups of farmers and tenants, who want to come together to deliver projects targeting net zero, protected sites and habitat creation across landscapes of at least 500 hectares.

£30 million has been awarded to 50 farming projects that will boost food production, support net zero, and create a more resilient and sustainable agricultural sector.

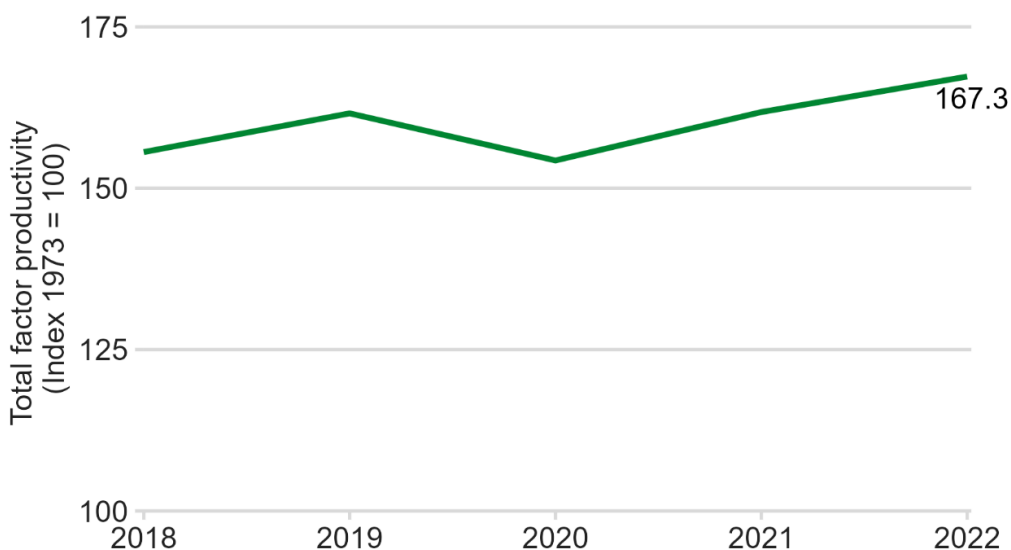
In order to support farming communities across the country, we issued BPS advanced payments to 97.19 per cent of our customers in August 2023. The RPA confirmed that 97 per cent of farmers received their final BPS payment in the first few days of the payment window. The announcement means that a further £525 million was released into the rural economy, building on the advance payments made earlier in the year.

The new SFI 2023, which has 23 actions on offer for farmers, started accepting applications from 18 September 2023. In recognition of the challenges faced with inflation and rising input costs, we acted on feedback to support farmers to improve their cashflow by releasing SFI payments early. Farmers who had a live SFI 2023 agreement before the end of the year received an accelerated payment worth 25 per cent of the annual value of their agreement in the first month of their agreement.

Indicator: Productivity of UK agricultural industry

Total factor productivity is estimated to have increased by 3.4 per cent between 2021 and 2022. This was driven by a 3.3 per cent decrease in the volume of all inputs which offset a very slight decrease in the volume of all outputs (less than 0.1 per cent). ‘All inputs’ captures items which are used in agricultural production e.g. fertiliser, energy and seeds. ‘All outputs’ captures agricultural commodities e.g. wheat, beef and milk. The volume of inputs decreased as rising costs of goods pressured farmers to cut down on costs where possible.

Figure 11: Productivity of the UK agricultural industry



Source: Total factor productivity of the agricultural industry (<https://www.gov.uk/government/statistics/total-factor-productivity-of-the-agricultural-industry>)



UK fishing

We published the first five Defra lead Fisheries Management Plans (FMP) in December 2023. FMPs support sustainable trade and domestic consumption of seafood and further FMPs are in development.

Since opening in 2021, the Fisheries and Seafood Scheme has invested £27 million in over 1,300 projects supporting England’s catching, aquaculture and processing sectors, as well as projects that are improving the marine environment.

The UK Seafood Fund has committed almost all its overall budget, awarding around 200 projects and individual grants across the UK. This commitment includes:

- Over £54 million awarded to 29 projects to improve infrastructure and bring social and economic benefits to coastal communities.
- Nearly £25 million awarded to over 100 projects delivering science and innovation through collaborative research and new technologies.
- Nearly £5 million awarded to 11 projects that support the current and future skills and training needs of the sector.
- £1 million in grants awarded to fishers for new or replacement engines to support fleet modernisation.
- Over £1 million has also been allocated to boost seafood exports to new and existing markets.

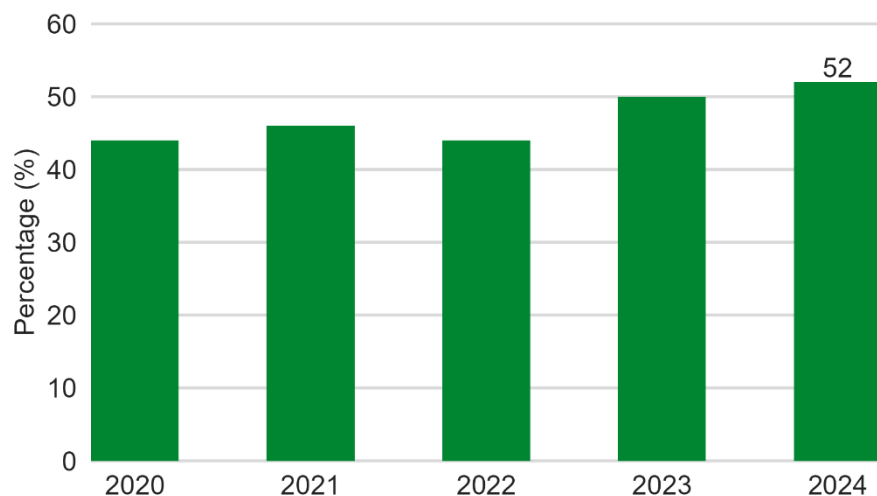
Last year we reached agreements with the European Union, Norway and coastal States in the northeast Atlantic that secured the UK fleet with access to 750,000 tonnes of fishing opportunities in 2024, worth around £970 million based on historic landing prices. Further commitments to joint sustainable fisheries management were also made.

Sustainability has been at the heart of the UK's approach to negotiations, pushing for decisions based on the best available science to protect key stocks and support the long-term viability of the UK fishing industry. For 2024, there has been a slight increase in the number of jointly managed stocks that have been set in line with or lower than the levels advised by 'International Council for Exploration of the Sea' scientists compared to last year.

Indicator: Percentage of total allowable catches (TACs) for quotas for fish stocks of UK interest that have been set consistent with maximum sustainable yield (MSY)

The assessment for 2024-25 shows that 52 per cent of the TACs which relate to MSY advice were set consistent with MSY advice (29 out of 56 TACs). The [report published³⁹](#) assessing the sustainability of fisheries catch limits negotiated by the UK for 2024 describes the assessment of TACs set during annual negotiations (that concluded in December 2023). TACs were set for 2024 and figure 12 shows the position that includes January to March 2024.

Figure 12: Percentage of TACs that have been set consistent with MSY.



Source: [Assessing the sustainability of fisheries catch limits negotiated by the UK for 2024](#)



Food industry

Ten farming innovation competitions have launched since January 2023, providing a total of £64 million of funding. We launched the £4 million Smaller Abattoir Fund (SAF) on 13 December 2023, to help support a sustainable smaller abattoir network. The SAF will do this by providing grants of between £2,000 and £60,000 at a 40 per cent intervention rate to support eligible smaller abattoirs to improve productivity, enhance animal health and welfare, add value to primary products, and encourage innovation and investment in new technologies. We have also launched a competition to support farmers to invest in solar installations to ease energy costs and provide more sustainable power alongside funding for automation and robotics.

Defra has published two key pieces of research to underpin government's long-term policy making in Controlled Environment Horticulture, including: a review of the technology currently employed across the sector; and a foresight study exploring the costs, opportunities and viability of these different CEH growing models.

³⁹ <https://www.gov.uk/government/publications/assessing-the-sustainability-of-fisheries-catch-limits-negotiated-by-the-uk-for-2024/assessing-the-sustainability-of-fisheries-catch-limits-negotiated-by-the-uk-for-2024>

We published our response to the [Rock Review](#)⁴⁰ on tenant farmers in May 2023, with commitments against all recommendations. We have established the Farm Tenancy Forum and are making good progress on many commitments, including adapting our Environmental Land Management schemes to be more accessible for tenants.

After securing an expansion of the Seasonal Worker visa route last year, we are continuing our work to ensure the industry can access the labour it needs, on farms and through the supply chain. The 2023 visa allocation met sector needs and will retain the same allocation in 2024. In June 2023, we published the Independent Review into labour shortages in the supply chain. This provides 10 key recommendations on how to ensure businesses can access the labour they require on a more effective basis, to put the sector on a more sustainable, long-term footing.

At the end of 2023, we made further reforms to retained European Union law by laying two Statutory Instruments (SIs) dealing with rules on wine. The first revoked a number of rules such as the need to cover the necks of sparkling wine bottles in foil; the second updated the techniques that winemakers in the UK can use to make wine as well as ensuring that the UK can benefit from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

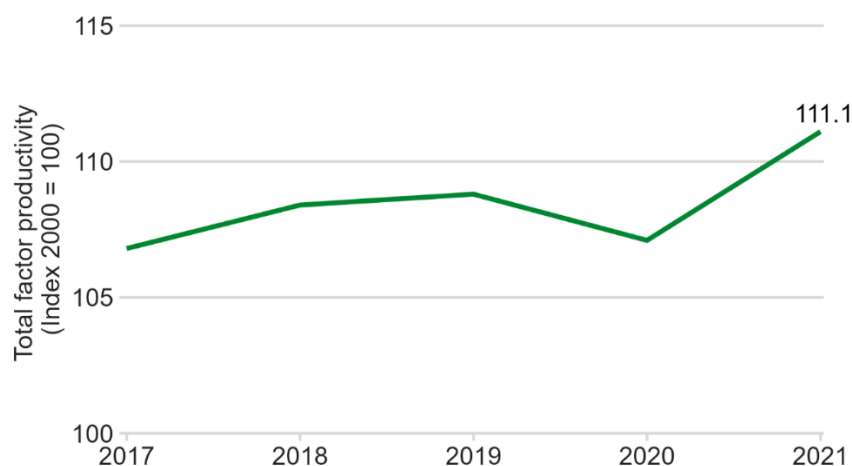
We are working closely with the Department for Business and Trade (DBT) to tackle the global barriers to exports, starting with the top 100 barriers, a third of which are in food and drink. We introduced a new £1 million export support fund for the dairy sector, with a particular focus on support for small and medium enterprises. The Dairy Export Programme was launched by the DBT in November 2023, with the aim of helping to grow agri-food exports in overseas markets through educational activities, trade missions and a UK Dairy Showcase.

⁴⁰ <https://www.gov.uk/government/publications/the-rock-review-working-together-for-a-thriving-agricultural-tenanted-sector/the-rock-review-summary-and-recommendations>

Indicator: Productivity of UK food industry

In 2021, food chain total factor productivity increased by 3.7 per cent, reflecting the lessening of pandemic impacts in this period. Underlying this, food manufacturing productivity returned to 2019 levels. Catering did the same, as the restrictions which had impacted it so negatively in 2020 were removed. Retail productivity, which received a lockdown driven sales boost in 2020, continued its upward trend with an increase of 2.3 per cent, most likely due to a decline in employee numbers alongside record online sales. The lag in data is because this indicator relies on multiple administrative data sources.

Figure 13: Productivity of UK food industry

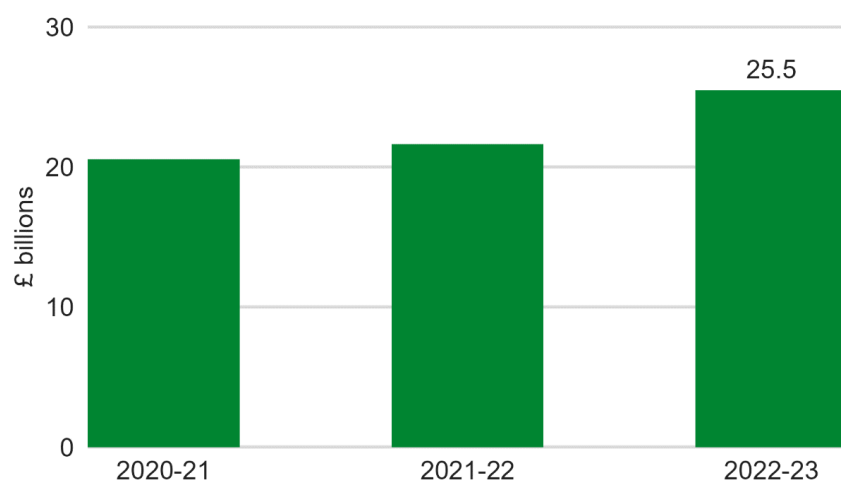


Source: Food chain productivity (<https://www.gvo.uk/government/statistics/food-chain-productivity>)

Indicator: Value of UK food, feed and drink exported

The total value of agri-food exports from the UK in 2022-23 was £25.5 billion, an increase of 18 per cent from 2021-22.

Figure 14: Value of UK food and drink exported from the UK (£ billion)



Source: Food statistics pocketbook (<https://www.gov.uk/government/statistics/food-statistics-pocketbook#trend-in-exports-of-food-feed-and-drink>)



Animal health and welfare

The following activities have been undertaken to deliver animal health and welfare outcomes:

- Establishing the Animal Sentience Committee to provide accountability to Parliament for how well all government policy decisions pay due regard to the welfare needs of animals.
- Delivering a legislative programme including:
 - Enhanced companion animal welfare, by making microchipping compulsory for cats.
 - Providing new protections for wild animals by announcing the extension of the Ivory Act to five further species.
 - Banning trade in detached shark fins and banning the advertising and offering for sale here of unacceptably low animal welfare activities abroad.
 - Ensuring that only those meeting zoo level standards are able to keep a primate under licence.
- The Animal Welfare (Livestock Exports) Bill was introduced into Parliament in December 2023. The Bill, aimed at stopping unnecessary stress, exhaustion and injury will ban the live export of cattle, sheep, goats, pigs and horses for slaughter and fattening from Great Britain.
- The Animals (Penalty Notices) Act 2022, which introduced to England a new system of financial penalties of up to £5,000 for offences relating to animal health, welfare, biosecurity and animal by-products, was implemented through secondary legislation in December 2023.
- Taking decisive action to add XL Bully breed types to the list of breeds prohibited by the Dangerous Dogs Act 1991. This follows an increase in dog attacks in recent years, including those causing injuries and fatalities, with the XL Bully being disproportionately involved in this rise.
- In September 2023, we launched the Calf Housing for Health and Welfare Grant. £10 million was made available to refurbish or build new calf housing, and small grants, as part of the Farming Investment Fund, committing £19 million for English businesses involved in farming pigs, dairy cattle, beef cattle, broilers, laying hens and sheep.



Biosecurity

Defra dealt with outbreaks of highly pathogenic avian influenza (HPAI) and bluetongue serotype 3 (BTV-3) during the year. There have been 37 confirmed cases of HPAI H5N1 in the 2023-24 financial year. This follows two years of an unprecedented scale of these outbreaks which placed significant pressure on both the Core department and APHA. Bird keepers and vets have played a vital role in keeping flocks safe, but it is more important than ever to be vigilant for signs of disease and maintain stringent standards of biosecurity.

In November and December 2023, following routine surveillance, BTV-3 was identified in Kent and Norfolk. Following active surveillance in the Temporary Control Zones that were declared around these cases, at least 126 animals were found to have been infected. As the risk reduced, the Zones were lifted, however we continue to plan for further incursions as temperatures increase.

In August 2023, the final Border Target Operating Model (BTOM) was published. The BTOM sets out a new approach to imports into Great Britain and the UK's new Single Trade Window. The BTOM includes the introduction of a system of sanitary and phytosanitary controls (applying to imports of live animals, animal products, plants and plant products) at the border. The first piece of legislation to implement the Defra-led elements of the BTOM was made in January 2024.

Defra audited 15 trading partners between April 2023 to March 2024, to assure that imports of animals, food, animal products, and plants to the UK meet our food safety and biosecurity standards. To further protect UK biosecurity, over 8,000 overseas animal disease outbreaks were monitored during the year, with trade restrictions implemented as appropriate to manage emerging risks. 15 changes were made to phytosanitary import controls in response to newly identified threats posed by imports from overseas (including the EU).

There has also been ongoing work to support UK business and industry to open new markets, and expand existing markets for exports of plants and plant products as well as products of animal origin, for example, the lifting of EU prohibitions on 14 high risk plant species and negotiation of a new agreement that enables smoother trade of [cooked poultry meat to Japan](#)⁴¹.

Under the free trade agreements (FTAs) negotiations in 2023-24, Defra led on the Sanitary and Phytosanitary (SPS) Chapters, working with DBT, to facilitate trade whilst maintaining UK biosecurity protections for public, animal and plant health from imported goods. Defra also represented the UK for SPS matters at three World Trade Organisation (WTO) SPS Committees; the thirteenth WTO Ministerial Conference (MC13), five FTA SPS Committees and provided contributions to a further 53 bilateral trade committees.

In May 2023, we ran our third Annual National Plant Health Week, raising awareness about plant health risks.

⁴¹ <https://www.gov.uk/government/news/japan-opens-doors-to-british-cooked-poultry-meat#:~:text=British%20cooked%20poultry%20meat%20products,in%20the%20next%205%20years.>

We also launched several new funding opportunities including:

- The Coronation Living Heritage Fund (CLHF) - This £2.5 million government fund is supporting local tree planting initiatives in more than 50 local council areas to commemorate the Coronation of King Charles III.
- In November 2023, we announced a new Plant Health innovation fund, a collaboration between Defra and UK Research and Innovation with up to £300,000 being made available for R&D solutions which enhance UK biosecurity.
- New rounds of the Local Authority Treescapes Fund (LATF), the Tree Production Innovation Fund and Seed sourcing grant were also opened.

We launched phase 2 of our biosecure procurement requirement pilot to encompass the CLHF, LATF, Urban Tree Challenge Fund and HS2 Woodland Fund grant schemes. This brings on board suppliers of amenity trees, in addition to forestry tree suppliers who supply to England Woodland Creation and Tree Health Restocking grant schemes under phase 1 of the pilot. The requirement is based on the benchmark Plant Health Management Standard which forms the basis of the Plant Healthy Certification scheme. The phase 2 pilot has encouraged further uptake of the scheme with 74 businesses and organisations now fully certified and a further 7 in the pipeline.

We continue to respond to outbreaks of several regulated plant pests. In 2023, Defra, the Forestry Commission and APHA have taken action to eradicate outbreaks of forestry pests including *Ips typographus* and Oak Processionary Moth, as well as against an incursion of Colorado beetle discovered in a potato crop in Kent. We have also eradicated 72 Asian hornet nests found in 56 locations in 2023 (as of 17 November 2023). Evidence from previous years suggests there is not an established population in the UK with further analyses undertaken over winter 2023. Contingency plans are in place. When hornets are found, the National Bee Unit carries out surveillance to find and destroy any nests.

We have been involved in activity relating to securing agreement of the Windsor Framework and subsequently its implementation via the laying of four pieces of legislation. Alongside this, we have developed the new NI Plant Health Label and NI Retail Movements Scheme schemes, to give practical effect to these arrangements.

In October 2023, we published the latest official statistics: [Plant Health: international trade and controlled consignments \(2018-2022\)](#)⁴². The statistical release brings together information on the international trade in plants and plant products and on the controlled plants and plant products that are notified to plant health inspectorates (Forestry Commission and Plant Health and Seeds Inspectorate).

In August 2023, post-movement tuberculosis (TB) testing became compulsory for most cattle that are moved to the annual surveillance testing parts of the Edge Area from higher TB incidence areas of England and Wales. A small number of specific exemptions apply. APHA estimates that inward movements of cattle with undetected *Mycobacterium Bovis* (M. Bovis) infection are the source of around one fifth of all new TB breakdowns in the Edge Area,

⁴² <https://www.gov.uk/government/statistics/plant-health-international-trade-and-controlled-consignments-2018-2022-experimental-statistics-publication>

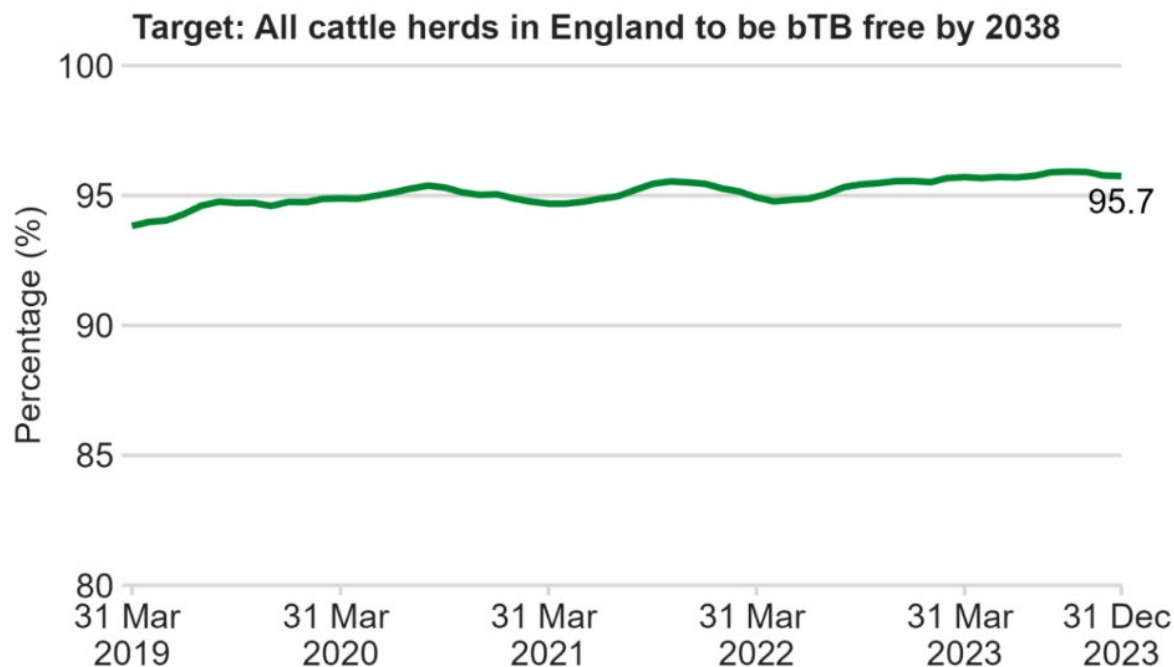
although this proportion varies from county to county. Post-movement TB testing will reduce the risk of disease spread through cattle movements and is an important tool to protect the lower TB incidence parts of the Edge Area. It will detect brought in cases of TB earlier, to minimise the scale and impact of the TB breakdown in the destination herd and reduce the risk of spread to other herds. In February 2024, the second phase of the Polymerase Chain Reactor (PCR) test for detection of M. Bovis in post-mortem tissue samples went live, following the success of the test in an initial rollout. The major advantage of this method is that it typically takes only three weeks to report a result compared to 6-22 weeks for the standard tests that use microbiological culture. This means that in certain situations, if the PCR test results were negative, APHA could lift herd movement restrictions much sooner than the previous protocols allowed.

The Science Capability in Animal Health Programme will deliver a state-of-the-art science hub at Weybridge, securing and future-proofing the UK’s biosecurity capability, replacing the current facilities which are in a very poor state of repair and will close without investment. Progress has been made on work to clear the site for construction.

Indicator: Percentage of cattle herds that are bovine tuberculosis (bTB) free

BTB is a slow-moving disease with a 25 year strategy for eradication. Our target is to be officially bTB free by 2038. At the end of December 2023, 95.7 per cent of herds were bTB free. The percentage of herds bTB free fluctuates on a quarterly basis: it is not unexpected to see small upward and downward swings.

Figure 15: Percentage of cattle herds that are bTB free.

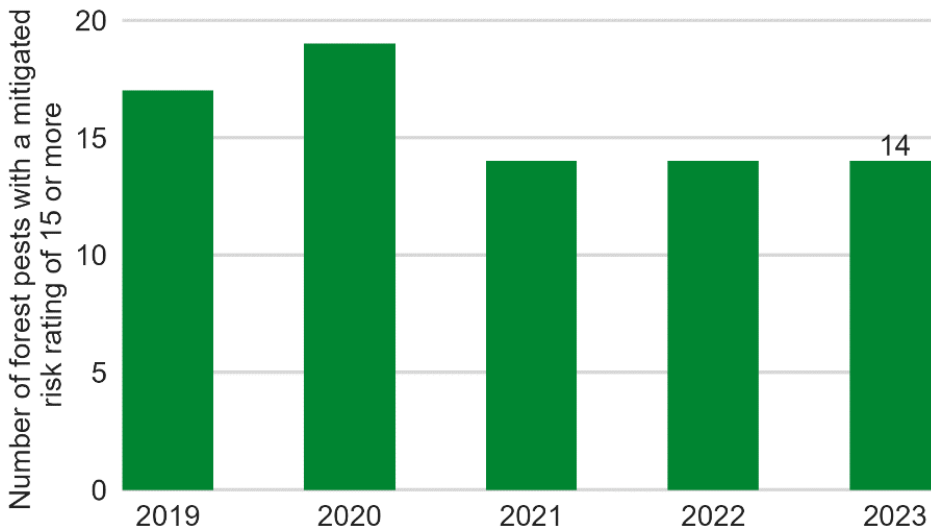


Source: Tuberculosis (TB) in cattle in Great Britain (<https://www.gov.uk/government/statistical-data-sets/tuberculosis-tb-in-cattle-in-great-britain>)

Indicator: Number of high priority forest pests in the UK Plant Health Risk Register

Pests are ranked as high priority if they are assessed as having a mitigated relative risk rating of 15 or more. These high priority pests require actions, in addition to current mitigation measures, to help prevent them having a potentially substantial negative impact on England’s woodland.

Figure 16: Number of high priority forest pests in the UK Plant Health Risk Register.

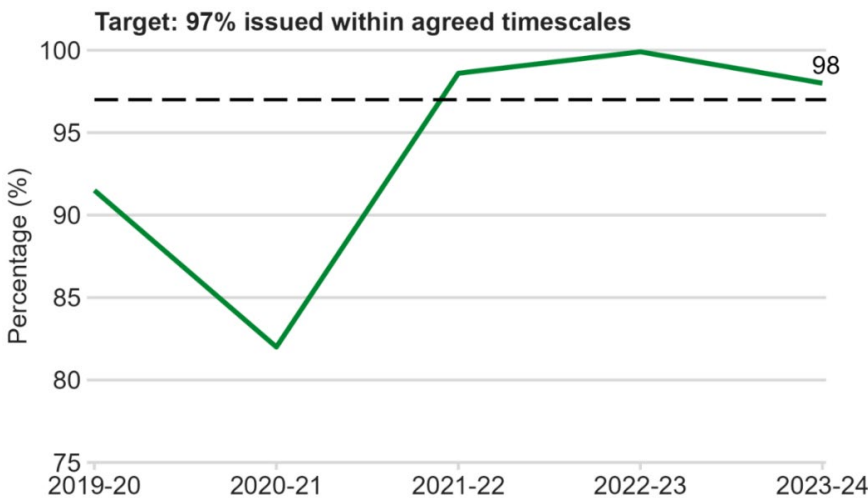


Source: [Forestry Commission Key Performance Indicators](#)

Indicator: Percentage of export health certificates and licences issued within agreed timescales

Overall performance was 98 per cent for the year which exceeded the 97 per cent target.

Figure 17: Percentage of expert health certificates and licences issued within agreed timescales.



Source: Animal and Plant Health Agency (APHA)

Our contributions to the United Nations Sustainable Development Goals (SDGs)

Our priority outcome to **increase the sustainability, productivity and resilience of the agriculture, fishing, food and drink sectors, enhance biosecurity at the border and raise animal welfare standards**, contributes to the following United Nations Sustainable Development Goals (SDGs):

	<p>SDG2: Zero Hunger</p> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture.</p>
	<p>SDG3: Good Health and Well-Being</p> <p>Ensure healthy lives and promote well-being for all at all ages.</p>
	<p>SDG8: Decent Work and Economic Growth</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>
	<p>SDG12: Responsible Consumption and Production</p> <p>Ensure sustainable consumption and production patterns.</p>
	<p>SDG14: Life Below Water</p> <p>Conserve and sustainably use the ocean, seas and marine resources for sustainable development.</p>
	<p>SDG15: Life On Land</p> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p>

Our strategic enablers (SE)



Supporting outstanding delivery – providing effective and efficient strategic direction and change management, delivery support and corporate services.

Defra's Group Corporate Services (GCS), Strategy Group and Science and Analysis provided the fundamental enablers that supported the department and our arm's length bodies (ALBs) to effectively deliver our strategic plans and ambitions. Our portfolios of corporate services provided the necessary capability, workforce skills, IT and digital solutions, workplaces, resource management, strategic and organisational planning, cross-cutting and strategic analysis, legal and legislative support, communications framework, R&D and expert scientific advice and analysis to underpin the work of Defra group. These services deliver value for money for taxpayers, our partners and customers (including industry, delivery partners, public bodies, non-governmental organisation and Parliament).

We work with the Government Science and Engineering profession and the Analytical professions and Analysis Function to deliver the science and analytical capability and enable innovation that is critical to Defra policy outcomes. We have used our capability framework to attract, grow and retain diverse science and analysis talent, including development of science and analytical leaders, internships, academic secondments and apprenticeships. We have also launched the first R&D Fellowships programme, which will enhance our technical capability and capacity in Defra.



SE: Workforce, skills and location

During 2023-24, we have continued to make progress against Defra's Thriving People goals. We have maintained focus on strategic workforce planning, including demand tracking, a focus on capability building in critical areas such as using data and line management capability.

Continuing to provide an inclusive and welcoming environment is priority and focus on the wider Employee Offer remains fundamental. We continue to see rates of representation in our staff above target for both disabled and female colleagues however we need to do more to achieve our target for representation of ethnic minorities.

The Defra People Survey highlighted ongoing staff concerns around pay that have impacted morale, wellbeing and workforce recruitment and retention. We agreed and implemented a Payflex case which improved the overall financial offering to our employees. We also continue to work on our longer term pay and reward strategy.

We have set a clear expectation for our staff to increase attendance in our office locations.



SE: Innovation, technology and data

We have delivered or enhanced public facing digital services that underpin our priority outcomes (such as the XL Bully digital service and the Sustainable Farming Incentive). We continued to address legacy technology in our applications and infrastructure, as well as improving our internal technology. We have established a Digital Transformation Leaders Group to bring together senior staff from across Defra group to oversee implementation of our Digital and Data Transformation Strategy. We continue to work with Ministry of Justice (MoJ), Home Office (HO), and Department for Work and Pensions (DWP) as part of the Synergy Cluster, developing our future approach to transforming shared services. This approach will improve the end user experience of those using shared services.

We continued to enhance the technical, data and skills capability of the Data Analytics and Science Hub as a service with many external users and organisations relying on our environmental data.

We worked with the Central Digital and Data Office at the Cabinet Office (CO) to implement programmes across Defra that increase the digital and data skills for all staff including Data Masterclass for senior civil servants, while driving up attendance and scope for opportunities through the digital academies; this was called 'One Big Thing'. To further establish Defra as a data-driven organisation, we established a new position of Chief Data Officer in the Science and Analysis Group.

With the uplift in the research and development (R&D) budget in the 2021 Spending Review, we have increased our investment in research and innovation including the launch of a new partnership programme in Land Use for Net Zero a transdisciplinary research programme jointly developed by UK Research and Innovation (UKRI), Defra, DESNZ and the DA's designed to deliver policy ready evidence to government. Additionally, we have invested in the Environment Monitoring Innovation Programme, a Defra and UKRI fund to support innovative companies developing new approaches to environmental monitoring. We have also continued to invest in our new flagship Natural Capital and Ecosystem Assessment programme, first launched in March 2022.



SE: Delivery, evaluation and collaboration

We continued to engage with the CO benchmarking exercises, looking at the corporate service functions across the group of larger Arm's Length Bodies (ALBs). The findings demonstrate the efficiency of the consolidated Defra Group Corporate Services model.

We continued to partner with ALBs to develop improved performance reporting for Defra's top ten ALBs. This is part of a wider accountability cycle which includes key touch points between senior sponsors, Ministers and the ALBs.

Defra's evaluation capability and associated evidence base continues to grow as we strengthen our programme of research and evaluation to support the priority

outcomes. Defra published its first [evaluation strategy](#)⁴³ in September 2023. Defra works closely with the CO and HM Treasury Evaluation Task Force to deliver on expectations for departmental evaluation activity and is represented on the cross-government Evaluation and Trial Advice Panel.



SE: Sustainability

Group wide leadership

We continue to work on delivering our sustainability strategy which was agreed in 2022-23. It sets out the collective sustainability ambition of Defra group to 2033. We have surveyed sites that we plan to retain, identifying options for investing in lower carbon technology. Our new workplace design guide sets standards for sustainability, determining the most suitable accommodation in terms of scale, sustainability, suitability and flexibility.

We have launched Defra group's Modern Slavery Project. The first phase will assess the risk of modern slavery in our operations and supply chain, and result in an action plan to address the risk.

Leadership across government

Defra leads the Government Digital Sustainability Alliance (GDSA) whose membership represents most of UK government Tier 1 and 2 suppliers, as well as some subject matter experts. Work to date has resulted in reductions of UK government Information and Communication Technology (ICT) waste, including reducing waste to landfill to just 0.85 per cent in addition to lowering costs and generating income for departments of £15.2 million.

⁴³ <https://www.gov.uk/government/publications/defra-evaluation-strategy/evaluation-strategy-for-defra>

Greening Government Commitments (GGC)

The GGC, relaunched in 2021, set key environmental sustainability targets for central government departments. A summary of Defra’s performance against some of these targets, measured against the baseline year of 2017-18, is as follows:

	Current Achievements	Target April 2025
Total GHG Reduction*	25% reduction	50% reduction
Direct GHG from buildings*	15% reduction	15% reduction
Landfill Waste Reduction*	7% sent to landfill	Less than 5% sent to landfill
Recycling Waste*	66% recycled	More than 70% recycled
Total Waste Reduction*	4% reduction	15% reduction
Water Reduction*	8% reduction	8% reduction
Domestic Flights Emissions Reduction*	43% reduction	30% reduction
Paper Use Reduction*	78% reduction	50% reduction
Conversion of Fleet and Hired Vehicles to Ultra Low Emissions (ULEV)	25% converted to ULEV	25% by End 2022
Conversion of Fleet and Hired Vehicles to Zero Emission	25% converted to zero emission	100% by end 2027

*Reporting period from Quarter 4 2022-23 to Quarter 3 2023-24 (1 January 2023 to 31 December 2023)

For further commentary, context and detail on Defra’s sustainability performance see [Annex 3](#).



Risks affecting delivery of our outcomes

This section outlines how Defra group's principal risks link to our priority outcomes and strategic enablers (as shown in Performance Overview). It summarises the mitigating actions taken over the course of the financial year to control each risk and indicating future action planned.

Risk: Security failure

Defra group suffers from major security incidents and / or increased cyber-attacks.

Mitigating activities:

- Improved our business continuity and incident management arrangements to reduce the impacts of any such incidents.
- Ensured adequate revenue and capital investment in addressing technical debt and resourcing security function through Spending Review.
- Delivered Security Strategy and stood up projects to support Spending Review (SR) 21 investment and addressing key control gaps such as training compliance and account management.
- Delivered Year 2 of Legacy Applications Programme, continuing to modernise legacy applications and technology including moving applications to more secure hosting environments.

Risk: IT / business resilience

Defra group's technology is not able to support its business resilience, operations or user experience due to under investment / lack of planning.

Mitigating activities:

- Improved governance model for all digital and technology spend in Defra group.
- Continue to address legacy technology in our applications and infrastructure (including migrating applications to more secure hosting environments) through Year 2 of our long-term Legacy Applications Programme and Infrastructure Programmes.
- Delivered digital elements of Future Farming; Borders and Trade; and other major programmes, underpinning key policy and transformation outcomes for Defra group.
- Published a refreshed Digital and Data Transformation Strategy for Defra group, agreed by ExCo and defining the role of Digital Data and Technology (DDaT) in Defra Strategy, Service and Transformation.

- Improved our Business Continuity planning / testing arrangements and incident response capability to confirm resilience in the event of IT failure.

Risk: Infrastructure failure – Weybridge

Due to mechanical and electrical equipment and building fabric reaching end of life and the need for repairs and upgrades to infrastructure, the Defra Science Estate at Weybridge has to close on health and safety grounds or fails to operate.

Mitigating activities

- Planned repairs and maintenance (routine and special capital) are being undertaken to priority buildings.
- Implementing larger projects to extend end of life in key facilities whilst also maintaining science operations.
- Implementing HSE intervention actions.

Risk: Aggregated delivery risk – failure to deliver Defra’s portfolio of programmes

Defra’s major projects portfolio – or multiple projects within the portfolio – fails to deliver the intended benefits, resulting in failure to deliver both our outcomes and legal requirements for the department and government.

Mitigating activities

- Established a new Portfolio Delivery Director General Group, to provide oversight of the department’s major project portfolio.
- Piloted a project initiation service to ensure projects are set up for success.
- Regular tracking of projects and portfolio and reporting to the Delivery Committee continued.
- Portfolio level analysis undertaken of projects delivery confidence and path to green approaches established.
- Establish prioritisation criteria, to allow prioritisation of the portfolio and assess the impact of potential new items.
- Develop options for implementing a Strategic Gateway and enhanced portfolio governance to ensure strategic alignment to outcomes and an agreed mandate for initiating projects.
- Further mature project and portfolio data, undertaking analysis to identify early triggers of risks to delivery.

- Pilot flexible resourcing models to improve resource planning and access to resources.

Risk: Professional capability

The business does not articulate its resource requirements within its workforce planning at a group level, we will fail to direct / prioritise existing resources effectively, and fail to grow, attract and retain capability in key professions (including Science, Commercial, Analysts, Project and Programme Management) which impacts Defra group's ability to deliver its outcomes.

Mitigating activities

- Identify and prioritise specialist capability gaps to address in 2023-24 through strategic workforce planning.
- Develop priority professional skills to awareness-level for all staff e.g. data and digital literacy for Senior Civil Servants (SCS) – Grade 7 in 2023-24.
- Engage staff regarding professional development and career development advice and pathways available, including apprenticeship solutions.
- Launch of Defra group Learning Hub refresh.
- Invest in Defra's (group) individual organisation brands, career sites and material to support attraction, including outreach.

Risk: Business planning – delivering Defra group outcomes within our resource of allocations

Defra group's plans (including activities, milestones and business performance targets) insufficiently reflect changes to resources (money and people), due to lack of a joined-up strategic planning approach, resulting in Defra group being unable to deliver its outcomes and / or good value for money.

Mitigating activities

- We set out an interim Outcome Framework for 2023-24. With these outcomes we focused on for the remainder of the 2021 Spending Review period to March 2025 (Environment, Climate, and Farming and Sustainable Growth).
- Coordinated Project Portfolio Management led Ambitious Outcomes programme of work to bring together change and ambitious outcomes for Defra group into one space, to update the interim framework over time.
- Worked closely with central teams and the wider group to ensure that Ministerial decisions were reflected in business planning decisions and the implications of subsequent steers clearly communicated.

Risk: Concurrent incidents

If multiple risks materialise, with concurrent risks materialising, Defra's ability to provide an effective emergency response will be stretched where there are multiple serious incidents occurring simultaneously (for example, conflict and / or supply chain failure, combined with major flooding and / or an animal or plant disease outbreak).

Mitigating activities

- Longer term review of Defra's approach to resilience, most notably through our Resilience Strategy.
- Defra's Concept of Operations and playbooks enables efficient use of available resource alongside our emergency reserves.

Risk: Research and Development (R&D) Procurement (Science and Analysis DG / commercial)

There is a risk to Defra's ability to spend the increased R&D budget in full due to resource and procurement process constraints.

Mitigating activities

- Optimisation of procurement processes to better reflect R&D procurement.
- Additional short term contracted resource.
- Introduction of new procurement tools, for example, use of frameworks and other agreements.

Risk: Outbreak of concurrent exotic animal diseases

We are unable to respond effectively to large or concurrent exotic animal disease incursions due to insufficient resource, capacity, capability, finances; the impact of successive outbreaks of Avian Influenza over recent years and the 2023 incursion of Bluetongue on general preparedness, sub-optimal outbreak response and inability to assure trading partners of the health status of UK livestock.

Mitigating activities

- Horizon scanning, outbreak risk assessments, and both active and passive surveillance are key elements of our risk reduction portfolio.
- Import controls, including more stringent controls for areas affected with Bluetongue, Epizootic Haemorrhagic Disease Virus, and African Swine Fever and post-import testing for those diseases from imports from neighbouring regions.

- Import controls and export health certification for live animal and germinal products are an important part of our risk reduction portfolio and checks for Products of Animal Origin (POAO) in passenger luggage to prevent incursions of African Swine Fever and other important pathogens.
- Identification and traceability of livestock across the UK, with ongoing development or replacement of existing IT platforms.
- UK Contingency Plan regularly updated and published.
- Additional scientific, veterinary, and APHA resource secured.
- Building surge capacity through a cadre of trained volunteers, on-line library of key products, exercises, training, and development.

Risk: Organisational wellbeing, resilience and engagement

Positive health and wellbeing are crucial for improving organisational performance and achieving business outcomes. Lack of pro-active and prevention focused wellbeing strategy, intentional leadership and a cutting-edge wellbeing offer, results in employees becoming disengaged, unhealthy and less inclusive, threatening our ability to attract and retain talent and perform at our best.

Mitigating activities

- Develop 5-year wellbeing strategy aligned to the Civil Service People Plan to set a consistent future direction and shared ambition for wellbeing across Defra group.
- Develop wellbeing policies and resources that address and support common wellbeing challenges across Defra group.
- Build manager confidence and capability in creating the conditions that enable teams and individuals to thrive in the workplace.
- Ensure the wellbeing offer is accessible to everyone, regardless of place of work, and provides greater choice to meet new and emerging wellbeing challenges.
- Make better use of new and existing technologies to improve employee health and workplace outcomes.

Risk: Compliance with environmental statutory targets

Failure to meet the government's legally binding targets if the department is unable to put in place the requisite strategic and policy interventions in the required timescales.

Mitigating activities

- Ensure established delivery plans align with frameworks such as the Environmental Improvement Plan.
- Effective decision-making and oversight through governance structures.
- Monitor performance across outcomes including through statutory annual progress reporting.
- Due regard to the Environmental Principles Policy Statement (EPPS) which came into force in November 2023.

Risk: Accounts qualification

Failure to meet accounting compliance standards results in continued qualification of the Annual Report and Accounts in Defra group.

Mitigating activities

- Technical accounting expertise was deployed to ensure accuracy of accounting treatment for high-risk areas, in preparation for the 2023-24 year-end.
- Management activity, including review of EA Assets Under Construction (AUC) were prioritised to ensure that a sufficiently material value of AUC balances were reviewed to support accounting entries in the financial statements.
- In response to an audit risk concerning the accounting for land and buildings valuations, management commenced a new programme of activity to ensure accurate books and records are maintained going forward for these transactions and balances.

Risk: Water resilience / regulation

Regulatory system fails to deliver safe drinking water, compliance with regulations, improvements in the water environment and water security – and makes it hard to adapt to climate change and meet the needs of a growing population.

Mitigating activities

- Defra's role is to set strategic direction and ensuring an effective regulatory environment, via the four main regulators:
 - Ofwat, the economic regulator, sets price controls (the amount companies spend and can recoup through water bills) and regulates the performance of companies.
 - EA and NE are the environmental regulators, for example on abstraction from, and discharges to, water bodies and on nutrient pollution.
 - The Drinking Water Inspectorate ensures the supply of water to households and businesses is safe.
- In addition, we continue to deliver on a small number of programmes where the market cannot provide, such as on agriculture and rural land management to reduce water pollution, mitigate flood risk and promote sustainable water resource; tackle physical modification; programmes to address legacy pollution from metal mines; and to clean up our bathing waters and internationally important chalk streams.

Risk: Budget management and affordability

Due to high inflation, pressure on pay and external supplier costs, Defra cannot deliver against its outcomes or Ministerial priorities within its budget envelope, or Defra overspends against its budget and breaches control totals meaning qualified accounts and summons to the Public Accounts Committee.

Mitigating activities

- Full and comprehensive internal business planning round to identify savings and efficiencies and try and set affordable budgets for Defra group Director General areas. Will need to be monitored closely through forecasts over the course of 2024-25.
- During 2024-25, further work will be undertaken with relevant Defra budget holders to try and manage pressures and live within affordable budgets.

Risks De-escalated in 2023-24

- Failure to regulate Environmental Outcomes.
- International Trade Disruption.
- Removal of EU Law (REUL) programme - removal of interpretive effects.
- Inflation and Overspend.



Responding to Public Correspondence

Our Ministerial Contact Unit dealt with:

- 7,659 letters and emails from the public.
- 12,370 letters or emails from Members of Parliament and / or major stakeholders, answering 44 per cent within the target of 20 working days.
- 3,605 Parliamentary questions, 75 per cent of which were completed by the various deadlines.
- 21 e-petitions of which 11 per cent were completed before the 21-day deadline.
- 17,352 calls on our helplines, answering 75 per cent within the target of 60 seconds.

Defra's executive agencies and non-departmental public bodies have enquiry centres that deal with public correspondence relating to their areas of work and expertise. Further information can be found within their individual Annual Report and Accounts.

Financial Analysis

This section provides an overview of our financial performance across 2023-24, including setting out our budget and confirming our spend against this, giving an overview of our Statement of Financial Position (SoFP).



Financial Performance

Defra group spent a total of £7,269.9 million in 2023-24 (£6,096.7 million in 2022-23) against a total Departmental Expenditure Limits (DEL) budget of £7,494.2 million (£6,504.7 million in 2022-23). Within this budget Defra spent £5,285.8 million resource DEL (RDEL) (£4,632.9 million in 2022-23) against £5,381.6 million budget (£4,743.1 million in 2022-23) and £1,984.1 million capital DEL (CDEL) (£1,463.7 million in 2022-23) against £2,112.6 million budget (£1,761.6 million in 2022-23), overall, this represented a 97 per cent spend against the total DEL budget (98 per cent RDEL, 94 per cent CDEL).

Within these allocations our budget is split into ringfenced and non-ringfenced allocations. Our RDEL ringfenced underspend was £74 million, and non-ringfenced underspend was £22 million, with CDEL ringfenced underspend being £76 million and non-ringfenced underspend of £52 million.

A detailed breakdown and analysis is provided further below, along with Defra group Spend against Budgets table.



Defra Achievements

2023-24 has been a challenging year with significant economic uncertainty. In spite of this, we have continued to deliver to improve our environment, support our sectors and manage emergencies.

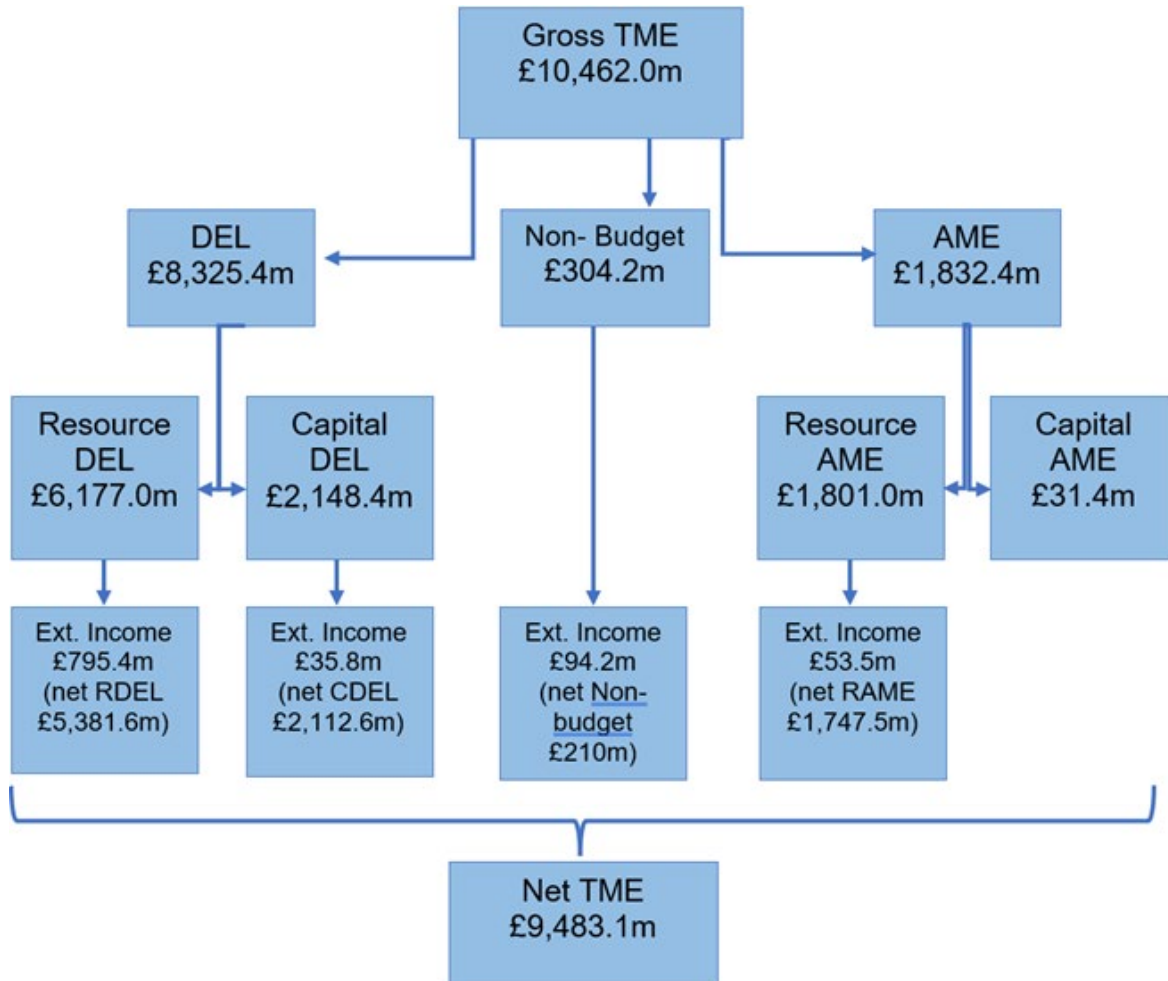
- We have put a spotlight on water quality and rivers – our Plan for Water has helped to clean up our waters and ensure a plentiful supply for the future. We also established three new Highly Protected Marine Areas this year, covering almost 1,000 square kilometres of our most important marine environments.
- The publication of the first Defra group corporate Sustainability Strategy, was a milestone for the department, a joint commitment by the Core department and its public bodies to a common vision, an agreed set of objectives, and our approach to delivering them, right up to 2033. This recognises the positive contribution we can make to national and global efforts towards a sustainable future.
- The expanded and improved offer on the Sustainable Farming Incentive (SFI) has transformed the way we provide financial support for farmers and landowners to prioritise improving the environment. Farmers can now get paid for taking actions that

support food production and improve farm productivity and resilience, while also protecting and improving the environment.

- The first UK Farm to Fork Summit was a pivotal moment for agrifood trade. We have committed to protect farmers' interests in future trade deals, provide support to boost domestic fruit and veg production and new investment in technologies.
- Our £25 million Species Survival Fund has continued to boost the creation and restoration of natural habitats at scale, backed up by new, fully funded local nature recovery strategies and benefitting thousands of species.
- At a corporate level, we have launched a number of important programmes and processes to support our people and help our teams work together more efficiently. Our Future Defra story, launched in April, outlines our vision of how we see ourselves changing in order to achieve our long-term ambitions. Ambitions which are broad, wide-ranging and vitally important, not only in our country but also around the world.

These are just some of the huge undertakings, and milestones from 2023-24 which give a flavour of how we are continuing to meet our ambitious outcomes.

 The Defra group budget



The total amount the department spends is referred to as Total Managed Expenditure (TME); which splits into:

- Departmental Expenditure Limit (DEL)
- Annual Managed Expenditure (AME)
- Non-budget

DEL expenditure reflects the cost of front-line and back-office activities. Long-term DEL budgets are set through Spending Reviews which usually occur every three to five years. AME expenditure is typically volatile, or demand led. AME budgets are agreed with HM Treasury on an annual basis.

Budgets are also classified into Resource and Capital. Resource DEL includes a further split into:

- Programme budgets for front line service provision
- Admin budgets such as back-office functions.

Net Resource DEL £5,381.6 million

The net resource DEL budget of £5,381.6 million in 2023-24 (£4,743.1 million in 2022-23), of which £2,662.8 million ring-fenced (£380.1 million in 2022-23) includes the administrative costs of running the Defra group; and programme spend on delivering our outcomes in environmental quality; food, farming and biosecurity; floods and water; marine and fisheries; and natural environment and rural. It also includes an allowance for the consumption of our assets over time (depreciation budget £558.6 million in 2023-24). Since 2022-23, the resource DEL budget excluding depreciation has increased by £358.7 million. There was additional funding in year for the Windsor Framework, Biosecurity, Borders and Trade Programme, Flood management, Covent Garden Market Authority and Capital Works Expended in Year (CWEIY).

Net Capital DEL £2,112.6 million

The capital DEL budget of £2,112.6 million in 2023-24 (£1,761.6 million in 2022-23), of which £740 million is ring-fenced (£705.3 million in 2022-23) covers investment in the assets we need to deliver our objectives. This includes expenditure on flood defence assets, the Nature for Climate Fund, improving the Defra group Estate and the payment of capital grants, including through the Farming and Countryside Programme. Since 2022-23, the capital DEL budget has increased by £351 million. This is due to a range of new funding including: EU replacement funds for Farming, Nature for Climate Fund and Biosecurity, Borders and Trade Programme, and the Environment Bill.

External Income £978.9 million

Our gross spending in the economy exceeds our DEL budget in practice because it includes the income arising from grants, fees, levies and licences receivable by some of Defra's group bodies. Total external income, providing spending power in excess of net budgets, was budgeted at £978.9 million in 2023-24 (£1,072.1 million in 2022-23) for the Departmental Group, breaking down as £249.1m for the Core department and Agencies, and £661.7m for other group bodies. This includes income from the European Commission in respect of Common Agricultural Policy (CAP) and rural development schemes, albeit on a significantly reduced basis in year as more payments become Exchequer Funded - budgeted EC income was £68 million in 2023-24 (budget of £244.9 million in 2022-23).

Net AME £1,778.9 million

The AME budget of 1,778.9 million in 2023-24 (£1,039.0 million in 2022-23) is mainly for movements in provisions. Compared to 2022-23, the AME budget has increased by £739.9 million. This increase mainly relates to the commitment to pay area-based direct payments for farmers linked to 2023 claims. These payments are being phased out from 2021 to 2028 and replaced by new schemes to support sectoral productivity, resilience, and environmental performance. The government has committed that from 2024 the residual direct payments due to farmers will be "delinked" from land area. Farmers will receive the delinked payment annually by virtue of having claimed in 2023 and will not need to submit further applications or evidence. The budget increase is partially offset by a decrease due to a machinery of government change that transferred responsibility for Copernicus, as well as the UK Principal role in the Intergovernmental Group on Earth Observation, to the Department for Science, Innovation and Technology on 1 July 2023.

The AME budget also includes cover for the expenditure by Defra group levy funded bodies – the Agriculture and Horticulture Development Board and Sea Fish Industry Authority, as well as the Defra group body Flood Re.

Net Non-Budget £210.0 million

The final area of Defra group funding is called non-budget (£210.0 million in 2023-24). Compared to 2022-23, Non-Budget has increased by £200.0 million. This is due to budget cover for a prior period adjustment. The prior period adjustment is needed to correct spend on Environment Agency (EA) projects where costs were categorised as capital when they should have been resource during financial years 2014-15 to 2022-23. These costs, on Assets Under Construction (AUC), were either: non-directly attributable to the assets being constructed; non-allowable for capitalisation (for example repairs); to recognise asset impairments; or for intangible projects where we do not have control of 'software as a service' assets.

Non-Budget is also held for any exchange rate differences that may arise on payments made by the Rural Payments Agency (RPA), in their role as the UK Funding Body, to the devolved administrations (DAs), due to the timing differences between the payment date and the date of actual reimbursement by the Commission. A further £94.2 million of income received from the Commission for the DAs was treated as non-budget rather than DEL as this does not represent spending by Defra. Non-budget funding for the payments to the DAs has reduced due to UK exiting the EU and a reduction of income received from the Commission.

Defra Group Gross Funding by Director General (DG) Group

The following table shows how our gross DEL funding of £8,325.4 million (£6,177.0 million resource DEL and £2,148.4 million capital DEL) was allocated to each DG Group. These are the groupings of Defra core directorates and ALBs which contribute to the delivery of outcomes and are used in planning and delivering our activities.

2023-24 Defra group gross DEL funding £m

Director General Group	RDEL	CDEL	External Income	Total
Environment, Rural and Marine	2,730	1,180	(660)	3,250
Food, Farming and Biosecurity	2,388	439	(128)	2,699
Group Corporate Services	719	150	(2)	867
Science and Analysis	9	19	-	28
Strategy	63	-	-	63
Portfolio	203	421	-	624
Centrally Held Budgets	65	(61)	(41)	(37)
Defra group Total	6,177	2,148	(831)	7,494

Spend Against Budget

This information has been subject to audit.

Defra group Spend Against Total Net Budgets (£m)

Defra group Spend Total DEL Budgets (£m)

Type	Budget	Spend	Variance	% of Budget
Total DEL	7,494	7,270	(224)	(2.99)%
Of which ring-fenced	3,403	3,287	(116)	(3.41)%
Of which non-ring-fenced	4,091	3,983	(108)	(2.64)%
Total AME	1,779	1,455	(324)	(18.21)%
Of which Resource AME	1,748	1,442	(306)	(17.51)%
Of which Capital AME	31	13	(18)	(58.06)%
Non-Budget	210	177	(33)	(15.71)%

Defra group Spend Total DEL Budgets (£m)

Type	Budget	Spend	Variance	% of Budget
Programme DEL – Total	4,297	4,225	(72)	(1.68)%
Of which ring-fenced – Depreciation	402	435	33	8.21%
Of which ring-fenced – Other ¹	2,217	2,163	(54)	(2.44)%
Of which non-ring-fenced	1,678	1,627	(51)	(3.04)%
Admin DEL – Total	1,085	1,061	(24)	(2.21)%
Of which ring-fenced – Other ¹	44	25	(19)	(43.18)%
Of which non-ring-fenced	1,041	1,036	(5)	(0.48)%
Resource DEL	5,382	5,286	(96)	(1.78)%
Of which ring-fenced	2,663	2,623	(40)	(1.50)%
Of which non-ring-fenced	2,719	2,663	(56)	(2.06)%
Capital DEL – Total	2,112	1,984	(128)	(6.06)%
Of which ring-fenced ¹	740	664	(76)	(10.27)%
Of which non-ring-fenced	1,372	1,320	(52)	(3.79)%

¹ Other ring-fenced includes Green Finance, DAs, Marine EMFF Replacement, Mine Remediation, Official Development Assistance (ODA), Oversea Territories, Project Speed (delivering infrastructure projects better, greener and faster), Shared Outcome Fund, Science R&D, Farm Support, Nature for Climate, Weybridge, UK Fisheries Fund and IFRS16 (change in lease accounting standards).

DEL – £7,269.9 million

The final DEL outturn against the £7,494.2 million voted funding (£5,381.6 million resource DEL, £2,112.6 million capital DEL) net of £829.9 million external income received in year, was £7,269.9 million – an underspend of £224.3 million. Excluding ring-fenced items, this represents a £108 million underspend, which is 2.6 per cent of our DEL budget (excluding ring-fenced items of £3,286.6 million).

The key drivers for the RDEL ringfence underspend were a less severe Avian Influenza outbreak than anticipated, and it also cost less to implement the Windsor Framework Transitional Labelling Financial Assistance Scheme than was forecast.

The key drivers for the CDEL ringfence underspend were due to a reduced in-year spend on the Nature for Climate Fund ringfence where delivery was negatively impacted by the wettest winter on record, the major component for Farm Support was on Countryside Stewardship which is dependent on claimants behaviour as agreement holders are able to claim over multiple years, some of the underspend was refiled into 2024-25, and the UK Fisheries Fund due to a review in the programme and subsequent change to the cost profile.

The administration outturn against the £1,084.9 million budget was £1,060.8 million, an underspend of £24.1 million. Excluding ring-fenced items, this moves to an underspend of £5.5 million.

AME – £1,455.1 million

The total AME outturn was £1,455.1 million against the £1,778.9 million budget, an underspend of £323.8 million. This reflects the less predictable and controllable nature of AME spending compared with DEL.

The AME outturn includes an underspend of £142 million relating to Flood Re which reflects a credit outturn of £42.0 million against their budget of £100 million. This is due to the need to hold budget cover for Flood Re in the event that a significant flood event occurs.

In addition to this, the underspend included £143.5 million within the EA, mainly due to a lower than forecast charge on their active pension scheme, where the forecast was based on the previous year's outturn. The majority of this was a reduction in the total defined benefit cost recognised, due to a decrease in the service cost and an increase in interest. The decrease in service cost was driven by a year-on-year change in financial assumptions, namely an increase in the discount rate and reduction in the inflation assumption. The increase in interest related to income on plan assets, due to the effect of an increase in the net discount rate and actual fund returns for 2023-24 being higher than the assumptions at the start of the year. The remaining reduction in charge was due to higher employer contributions than were expected at the start of the year as a result of higher than planned pensionable pay.

There was also an underspend of £69.3 million for the CAP disallowance provision. When the budget was set for the CAP disallowance provision in the Supplementary Estimate, we were awaiting letters from the EU to inform the treatment of the final balance of the provision. The letters weren't received until March 2024 and resulted in £10.7 million utilised for rural

development schemes and 2021 clearance of accounts, with the remainder being released to bring the value of the provision down to zero, as at 31 March 2024.

Non-Budget – £176.9 million

The final non-budget outturn against the £210.0 million budget was £176.9 million, an underspend of £33.0 million. This was mainly due to an underspend against the £200 million budget set for the prior period adjustment. The prior period adjustment was needed to correct spend on EA projects where costs were categorised as capital when they should have been resource during financial years 2014-15 to 2022-23. The value of non-budget cover requested was based on the error rate on projects reviewed at the time, extrapolated over the entire population being reviewed. The error rate on larger projects, which were finalised in Quarter 4 2023-24, was lower.

Net Cash Requirement (NCR)

In order to fund the spending set out above, we needed to work with HM Treasury to ensure that we had sufficient cash – this is called the Net Cash Requirement (NCR). Our actual cash requirement in 2023-24 was £954.4 million lower than our NCR of £7,418 million. This is mainly because when we agree the NCR, we make a prudent estimate in order to mitigate the risk of any Defra entities going overdrawn. The underspends against budget described above also contribute to this underspend where they have a cash impact.

All of the £209.0 million held in the bank accounts of Defra and the agencies is held within the Government Banking Service, therefore ensuring good value for the Exchequer as a whole, ensuring the Debt Management Office (DMO) has access to the funds.

Consolidated Statement of Financial Position

Over the 2023-24 financial year, Defra group's total assets less liabilities decreased from £11,607.5 million to £10,768.5 million. This £839.0 million decrease was driven by:

- The £875.7 million increase in the value of Defra group's non-current assets is due to increases in PPE, intangible assets and net pension assets. The increase in Property, Plant and Equipment (PPE) is due to revaluation gains of the operational asset balance in the EA. In addition, there has been an increase in the Core department's PPE balance due to the construction of border inspection facilities and capital works on Defra science portfolio. There has also been an increase in the Core department's intangible asset balance due to spend on software systems including Extended Producer Responsibility system, Trade Platform and the Import Controls Platform. An increase in net pension assets, in the EA Active defined benefit pension scheme, has been recorded following strong investment returns in the current year and a change in financial assumptions.
- Current assets value has increased by £379.3 million which mostly relates to increases in financial assets and trade, other receivables and contract assets. The increase in financial assets, primarily DMO Deposits, relates to Flood Re's investment of levy and premium income after settlement of inward claims. There is an element of variability of the amount invested in each year depending on premium income and inward claims settled in year. In addition, to reduce risk, Flood Re has taken out re-insurance which following two large claims events (Storm

Babet and Henk) in the current year has resulted in Flood Re making claims against the re-insurance which is recognised as a trade receivable.

- The increase in current liabilities of £1,369.3 million mostly relates to movements in trade, other payables and contract liabilities in the Core department and RPA and provisions in Flood Re. The increase in the Core department's trade payable balance is mostly due to one-off capital grants to local authorities to help prepare for the Simpler Recycling programme. In RPA, the increase relates to estimated outstanding payments relating to 2024's claims for the de-linked payments scheme which was introduced in the current year. Flood Re saw the most material flood events since its inception in the 2023-24 financial year which has resulted in a significant increase in expected future claims which a provision has been recognised for.
- A £724.6 million increase in non-current liabilities predominantly relates to a provision of expected future payments for the RPA de-linked payments scheme, whereby the amount is uncertain as the future progression reduction rates to be applied to future claims is unknown. This is partially offset by a reduction in non-current provision values in the Core department.



Core Tables

The Core Tables section of the accounts provides an analysis of departmental expenditure and plans covering the period 2018-19 to 2024-25. The expenditure is shown against the categories used for HM Treasury's reporting system. These categories are different to the Outcome Systems which we report on internally. Analysis of the Core Tables can be found at [Annex 1](#).

Reconciliation of contingent liabilities included in the Supply Estimate to the Annual Report and Accounts

This information is not subject to audit.

Quantifiable

Description of Contingent Liability	Supply Estimate £000	Amount Disclosed in ARA £000	Variance (Estimate - Amount Disclosed in ARA) £000
Small value	1,900	700	1,200
Total	1,900	700	1,200

Unquantifiable

Description of Contingent Liabilities	Included in Supply Estimate (Yes/ No)	Disclosed in the ARA? (Yes/ No)	Explanation of Difference
EA potential liability in relation to Shingle Replacement Contract.	No	Yes	This was identified after the submission of the supply estimate following management's assessment against the IAS37 - Provisions, Contingent Liabilities and Contingent assets criteria.
EA potential liability on commercial contracts leading to cash outflow beyond the contracts.	Yes	No	This was removed after the submission of the supply estimate following, management's assessment against IAS37 - Provisions, Contingent Liabilities and Contingent assets criteria.
EA potential liability relating to the Cyber Incident at Capita.	Yes	No	This was removed after the submission of the supply estimate following management's assessment against IAS37 - Provisions, Contingent Liabilities and Contingent assets criteria.

Tamara Finkelstein

12 December 2024

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

Accountability Report

The requirements of the accountability report are based on the matters required to be dealt with in a Directors' Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981.

Corporate Governance Report

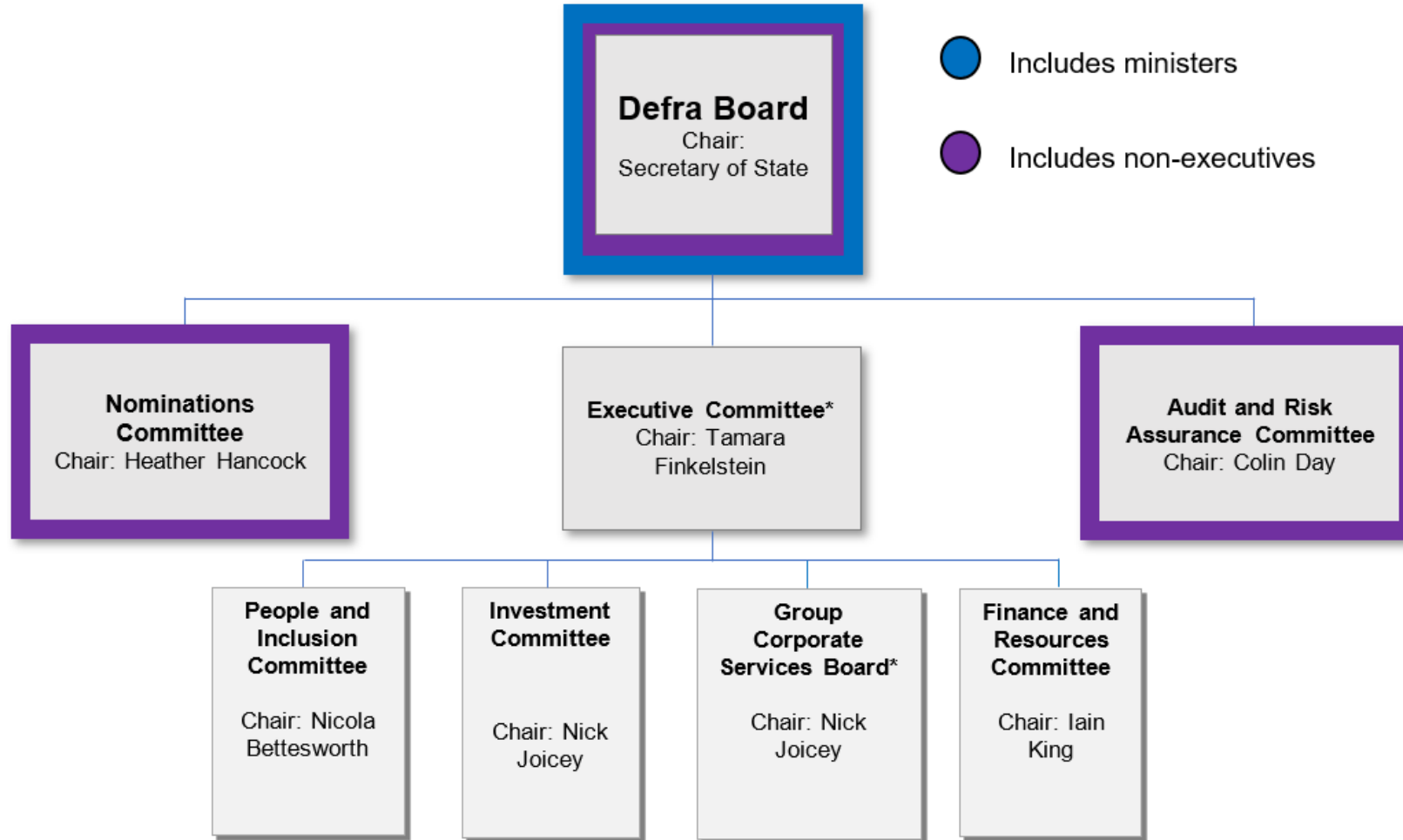
Governance Statement

Introduction

The governance statement outlines how Defra group is governed. It sets out our decision-making structures, the effectiveness of our risk management and internal controls as well as our most significant challenges. This is informed by the work of Defra group officials, the Government Internal Audit Agency (GIAA), input from the National Audit Office (NAO), information from Defra group arm's length bodies (ALBs) and Audit and Risk Assurance Committee (ARAC) views.

We work as Defra group to deliver outcomes for customers and for society. Further information on how Defra group works together to deliver for citizens can be found in the latest Accounting Officer System Statement on gov.uk.

Defra Group Governance Structure for 2023-24



* Executive Committee meets as the Delivery Committee once a month with non-executives in attendance.



Departmental board membership and attendance

Board membership and attendance

Meetings attended out of those eligible to attend 1 April 2023 to 31 March 2024.

Ministerial Team

		No. of Meetings Held	No. of Meetings Attended
Steve Barclay MP	Secretary of State for Environment, Food and Rural Affairs (from 13 November 2023)	1	1
Mark Spencer MP	Minister of State	1	1
Lord Richard Benyon	Minister of State	1	0
Robbie Moore MP	Parliamentary Under Secretary of State (from 13 November 2023)	1	1
Rebecca Pow MP	Parliamentary Under Secretary of State	1	1
Lord Robbie Douglas-Miller	Parliamentary Under Secretary of State	1	1
Trudy Harrison MP	Parliamentary Under Secretary of State until 12 November 2023)	0	0
Dr Thérèse Coffey MP	Secretary of State for Environment, Food and Rural Affairs (until 12 November 2023)	0	0

Non-Executive Directors

		No. of Meetings Held	No. of Meetings Attended
Heather Hancock	Lead Non-Executive Director and Chair of the Nominations Committee (from 4 September 2023)	1	1
Colin Day	Chair of the Audit and Risk Assurance Committee and Non-Executive Director	1	1
Chris Tyas	Non-Executive Director (from 8 January 2024)	1	1
Alan Lovell	Chair of the Environment Agency (Ex Officio), (until 2 February 2024)	0	0
Tony Juniper	Chair of Natural England (Ex Officio) (until 2 February 2024)	0	0
Lizzie Noel	Non-Executive Director (until 10 May 2023)	0	0

Executive Members

		No. of Meetings Held	No. of Meetings Attended
Tamara Finkelstein	Permanent Secretary	1	1
Nick Joicey	Second Permanent Secretary and Group Chief Operating Officer (from 17 July 2023)	1	1
Lucy Smith	Director General for Strategy	1	1
Iain King	Chief Financial Officer	1	1
Sarah Homer	Chief Operating Officer (until 26 July 2023)	0	0

Overview of the Board's activities

The Board is chaired by the Secretary of State and brings together ministers, senior officials, and non-executive board members to provide collective strategic leadership. Membership and attendance are set out in the table above. In 2023-24, the Board met once. This was due to quoracy issues following the early departure of two non-executive board members, which precipitated a recruitment of new non-executives and short notice. When it met, the Board monitored progress towards achieving departmental objectives by reviewing performance and risk information. The Board also focused on advising on and providing oversight of the Farming Programme. Summaries of board meetings are published on gov.uk.⁴⁴

Sub-committees of the Board

Some activities are undertaken on the Board's behalf by its four committees which regularly report to the Board. These are the Executive Committee (ExCo) (which sits as Delivery Committee (DelCo) once a month), Audit and Risk Assurance Committee (ARAC) and Nominations Committee. ExCo is supported by four sub-committees: Finance and Resources Committee; Investment Committee (IC); People and Inclusion Committee (PIC), and Group Corporate Services (GCS) Board.

Executive Committee (ExCo)

ExCo is the senior decision-making body for the Core department and sets the strategic direction of the Defra group.

- Chair: Tamara Finkelstein (Permanent Secretary).
- Membership: Permanent Secretary, Second Permanent Secretary, all Directors General (DGs), Chief Financial Officer, Group HR Director and Group Director of Communications. The Strategy Director, Legal Director, Digital Director, and Strategic Change Projects Director all have a standing invite and attend as non-voting, members, as relevant to the scheduled agenda.

⁴⁴ <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/our-governance>

- Members are asked to inform the committee of any conflicts of interest and agree the actions and minutes of the previous meeting at the start of every meeting.
- Number of meetings in 2023-24: 34
- Areas of focus in 2023-24: corporate leadership, finance, principal risks, performance and delivery, business transformation, people matters and strategic cross-cutting policy issues.
- Sub-committees: ExCo's four sub-committees report when necessary to ExCo. Their primary function is to consult, develop and advise on proposals for ExCo decision.

Senior Responsible Owners of programmes have authority to approve project spend of up to £10 million (unless it is novel or contentious). For all project spending requests above £10 million, ExCo has delegated authority to the Investment Committee to scrutinise and approve these requests, with escalation to ExCo where the spend is novel or contentious.

Delivery Committee (DelCo) is a mode of ExCo and its purpose is to foster a departmental focus on outcomes and drive delivery of Defra's major projects portfolio and other activity needed to deliver those outcomes. Its membership is aligned with ExCo with the addition of some of the department's delivery leads and the Lead Non-Executive Director. It meets monthly. The chair and membership are the same as ExCo.

- Non-voting members: Lead Non-Executive Director, Defra Group Operational Delivery Head of Profession, Portfolio Director (and Defra Group Project Delivery Head of Profession), Strategy Director, Digital Director.
- Members are asked to inform the committee of any conflicts of interest and agree the actions and minutes of the previous meeting at the start of every meeting.
- Number of meetings in 2023-24: 10.
- Areas of focus in 2023-24: Increased focus on Defra group outcomes (the Outcome Delivery Plan) and continued attention on the delivery of Defra's major projects portfolio.

Audit and Risk Assurance Committee (ARAC)

The ARAC supports the Board, Principal Accounting Officer and ExCo by reviewing the comprehensiveness and reliability of governance; risk management; the control environment; the integrity of financial statements; and the Annual Report and Accounts.

- Chair: Colin Day (Non-Executive Director).
- Membership: Chair (Defra Non-Executive Director) and four non-executive members (ARAC chairs of APHA, RPA, EA and NE).
- Number of meetings in 2023-24: 5.

- Defra ARAC met five times in 2023-24 (April, June, October, November and February) and has therefore met the requirement of the ARAC Handbook to meet at least four times a year.
- Areas of focus in 2023-24: NAO financial and value for money audits, GIAA audits, and reviews of cyber security, IT risks, data protection, Science Capability for Animal Health (SCAH) Programme, and counter fraud.
- An ARAC effectiveness review is planned for 2024-25.

Nominations Committee

The Nominations Committee is an advisory committee of the Defra Board. It is responsible for ensuring there are satisfactory systems for identifying and developing leadership and high potential, and for scrutinising the incentive structure and succession planning for the Senior Civil Service (SCS) and CEOs of delivery bodies and Non-Executive Directors.

- Chair: Colin Day (March-September 2023) Heather Hancock, Lead Non-Executive Director (September 2023 – present).
- Membership: Chair, Permanent Secretary, Group Chief People Officer, HR Director – Talent and SCS Development.
- Number of meetings in 2023-24: 3 (May, October and March).
- Areas of focus in 2023-24: Director General performance; talent and succession planning; oversight of the broader SCS cohort, including CEOs of delivery bodies; SCS objective setting; SCS coaching and talent development; forward look of senior appointments; design of the ExCo staffing structure and portfolios.

Investment Committee

In 2023-24, the Investment Committee provided the internal assurance and approvals framework for Defra high risk, large spend business cases and investment decisions. The committee provides ExCo with assurance on business cases over £10 million, novel or contentious spend, where spend may be repercussive in Defra and where delegated authorities are exceeded across Defra group bodies. The committee is made up of senior functional experts who support, advise, scrutinise and challenge each investment proposal ensuring compliance with the HM Treasury Green Book and Managing Public Money (MPM) standards and to maximise the chances of successful delivery.

- Between the 1 April 2023 and 31 March 2024, 64 Defra group business cases were scrutinised and approved against the HM Treasury five case methodology and Accounting Officer tests to ensure strategic alignment and value for money.
- The consultancy governance board is a subgroup of the Investment Committee and controls consultancy and contingent labour spend approvals. Between 1 April 2023 and 31 March 2024, 36 requests to spend were approved and one was not approved.

- No breaches of MPM were identified, however there has been one committee related Ministerial Direction, for the Pollack Compensation Scheme⁴⁵, which was published 10 April 2024; but this was below the threshold of schemes scrutinised by the Investment Committee.

People and Inclusion Committee

Defra People and Inclusion Committee is a sub-committee of ExCo and is responsible for ensuring that people are deployed, managed and supported to successfully deliver the outcomes of Defra's ambitious business agenda. The committee has a critical role in cohering, harmonising and standardising people systems, policies and processes for Defra group, ensuring legal compliance and recognised professional practice. It is made up of senior functional leads from each organisation across Defra group who support, advise and scrutinise each proposition. They provide critical input on behalf of their organisation and play a key role in supporting the progression of proposals through their individual organisation's governance and business change activity. Decisions are taken to ensure compliance with employment legislation, organisational HR policies and on the basis of risk, thereby safeguarding organisational reputation and maintaining employee and public trust. The HR Functional Framework provides a structured approach to the remit and scope of the committee.

In 2023-24, the committee oversaw the adoption of an overarching Workforce Strategy, refreshed and embedded a new people performance framework and delivered a bespoke leadership development programme in the organisation.

Finance and Resources Committee

The Finance and Resources Committee is a sub-committee of Defra's ExCo. The committee meet to discuss and provide assurance to ExCo that Defra group's resource is aligned with priority business outcomes, providing tax and charge payers with good value for money, and being used efficiently. The committee is made up of senior functional members who offer advice, scrutiny and input into the papers that are due to be presented at upcoming ExCo meetings.

Between 1 April 2023 and 31 March 2024, the committee have met on 12 occasions.

There have been no breaches of MPM identified.

Group Corporate Services (GCS) Board

The GCS Board is a sub-committee of ExCo that oversees and sets the direction for GCS. It is chaired by the Second Permanent Secretary and comprises GCS Directors, representative Directors from the Core department and senior executives from Defra group ALBs within the GCS model.

In 2023-24, the GCS Board continued to shape and inform the strategy for corporate services across the Defra group, as well as providing assurance to ExCo on the management of corporate services.

⁴⁵ <https://www.gov.uk/government/publications/pollack-compensation-scheme-ministerial-direction>

In 2023-24, the GCS Board:

- Received regular assurance updates from the GIAA as well as conducting quarterly reviews of key performance areas and significant corporate service risks.
- Focused on maturing the GCS model, endorsing a number of initiatives which improved financial oversight, governance approaches and enhancements to partnership working.
- Sat as the Synergy Defra Senior Steering Committee, Defra group Commercial Supplier Board, and the Defra group Security Management Board.

The GCS Board had oversight of a review of GCS governance which has led to improvements to enhance its effectiveness starting in Quarter 4. These changes have enabled more focus on decision-making and assurance oversight. Changes also included agreeing to establishing sub-committees on specific operational areas, enabling operational focus and oversight at the right level. This approach will be further developed during 2024-25.



Compliance with governance code and board effectiveness

The Core department continues to operate in line with the principles set out in Corporate Governance in Central Government Departments: code of good practice (2017) (the Code). However, there were two points of departure from specific recommendations in the Code in this reporting period.

Firstly, the department was unable to complete a board effectiveness review for the reporting period following the announcement of the general election shortly after advice on undertaking the review was put to the former Secretary of State, Steve Barclay MP.

Secondly, the Board met once during the reporting period rather than the four meetings recommended in the Code. This was due to non-executive quoracy issues following the early departure of a number of non-executive directors and scheduling challenges with ministers following the reshuffle which meant that previously agreed dates were no longer viable. Instead, non-executives met regularly with senior officials and undertook various projects to provide their independent perspective and challenge to the work of the department; and the Board's main subcommittees met regularly with progress and key areas of concern regularly discussed with ministers by the Permanent Secretary. However, had an effectiveness review been possible it would have had limited data to draw on for the reporting year.

While compliance with the Code is mandatory for ministerial departments only, Defra's delivery bodies are encouraged to adopt the principles wherever relevant and practical.



Management Controls

Management of interests

Board members

Every six months, individual executive and non-executive board members are required to complete a declaration of interest statement in which they must disclose any financial and non-financial interests of their own or of family members that may create a conflict as they arise. They are also expected to declare new interests proactively as they arise. The full list of interests is published on gov.uk.⁴⁶

Where a member's interest is considered by the Board Secretariat and the Permanent Secretary to create a real or perceived conflict with Defra's responsibilities or the discharge of their duties, specific arrangements are agreed and put in place to manage the risk. As a further safeguard, at the start of each Board meeting, members are asked to declare if they have any interests which they believe conflict with any item on the meeting agenda, and this is recorded in the minutes. Relevant senior staff are made aware where a potential conflict with a Non-Executive Director's other interests exists and the mitigations that are in place.

Special advisers

In line with the current declaration of interests policy for special advisers, all special advisers declared any relevant interests or confirmed they did not consider they had any relevant interests. The Permanent Secretary considered these returns and there were no relevant interests to be published.

Management of interests and business appointments for all staff (including special advisers)

The department is committed to the highest standards of ethical conduct and integrity. Defra's policy on declaring and handling outside interests is clearly outlined in the Defra Code of Conduct, and in its conflict of interest policy.

All staff are responsible for ensuring that there is no conflict of interest between their interests outside work and their role at the department.

All staff including SCS must make a declaration annually of outside interests.

The business appointment rules apply to serving civil servants and special advisers who intend to take up an outside role after leaving the Civil Service, and to former civil servants for up to two years after the last day of paid service. Policy and process is in place for managing applications that may require approval before a job or appointment is confirmed outside the Civil Service. The approval process for applications under the rules differs depending on the applicant's seniority. For the majority of applications Defra applies a standard set of conditions, these are:

- After your last day of service, you will not make use of privileged information, including for the purposes of lobbying (for SCS3/Directors General and above), obtained from your role in Defra at any time.

⁴⁶ <https://www.gov.uk/government/publications/defra-register-of-board-members-interests>

- For one year (two years for SCS2/Directors and above) after leaving Defra, you must apply for permission to take up any appointment which meets the criteria set out in the business appointment rules.

	SCS 1	SCS2	SCS3	Total
Number of SCS leavers in 2023-24*				24
Number of BAR applications from SCS in 2023-24	2	3	0	5
Number of BAR applications approved	2	3	0	5
Number of BAR applications where conditions were set by the department	2	0	0	2
Number of appointments found to be unsuitable	0	0	0	0
Number of breaches in 2022-23				0

*The figures for the number of SCS members leaving by grade in 2023-24 are not required to be disclosed.

Details of SCS Business appointment advice is published quarterly here:

<https://www.gov.uk/government/publications/defra-business-appointment-rules-advice>

Information on business appointment rules is also available to all staff on the departmental intranet and on gov.uk. See: <https://www.gov.uk/government/publications/defra-business-appointment-rules-advice>



Risk

Effectiveness of risk management

Defra risk management operates according to the Defra Risk Strategy, in line with the government’s Orange Book. It also sets out roles and responsibilities, how risk reporting and oversight operate, and the risk escalation process. In 2023, the strategy was amended to reflect the recommendations of an internal audit, feedback from practitioners in the risk community and wider changes to risk management across government.

Through extensive engagement and research, the department identified a need for further efficiency in the join-up of risks, identifying interdependencies and the assessment of risks at lower levels of the department. The recent updates to the risk strategy have strengthened many core areas through effective guidance. A process of continuous improvement, through continuous stakeholder feedback, further audits, and wider best practice of risk management is now in place. This will help the department enhance its knowledge and implementation of good risk management in practice.

How we gain assurance on our risk management and internal controls

We draw assurance from multiple sources, following the Three Lines of Defence model. Risk owners carry out direct management of risks, supported by risk practitioners who assist with identifying, managing, and reporting their risks and issues. A central risk team sets policies and standards and assists ExCo to provide corporate oversight of the first line of defence.

The GIAA provides an objective evaluation of the adequacy and effectiveness of our risk management and control framework. The Risk Control Framework in the Orange Book provides a set of 35 questions to support the evaluation and assurance of risk management within respective departments. These are reviewed and assessed periodically, then submitted for publication in the department's Annual Report and Accounts.

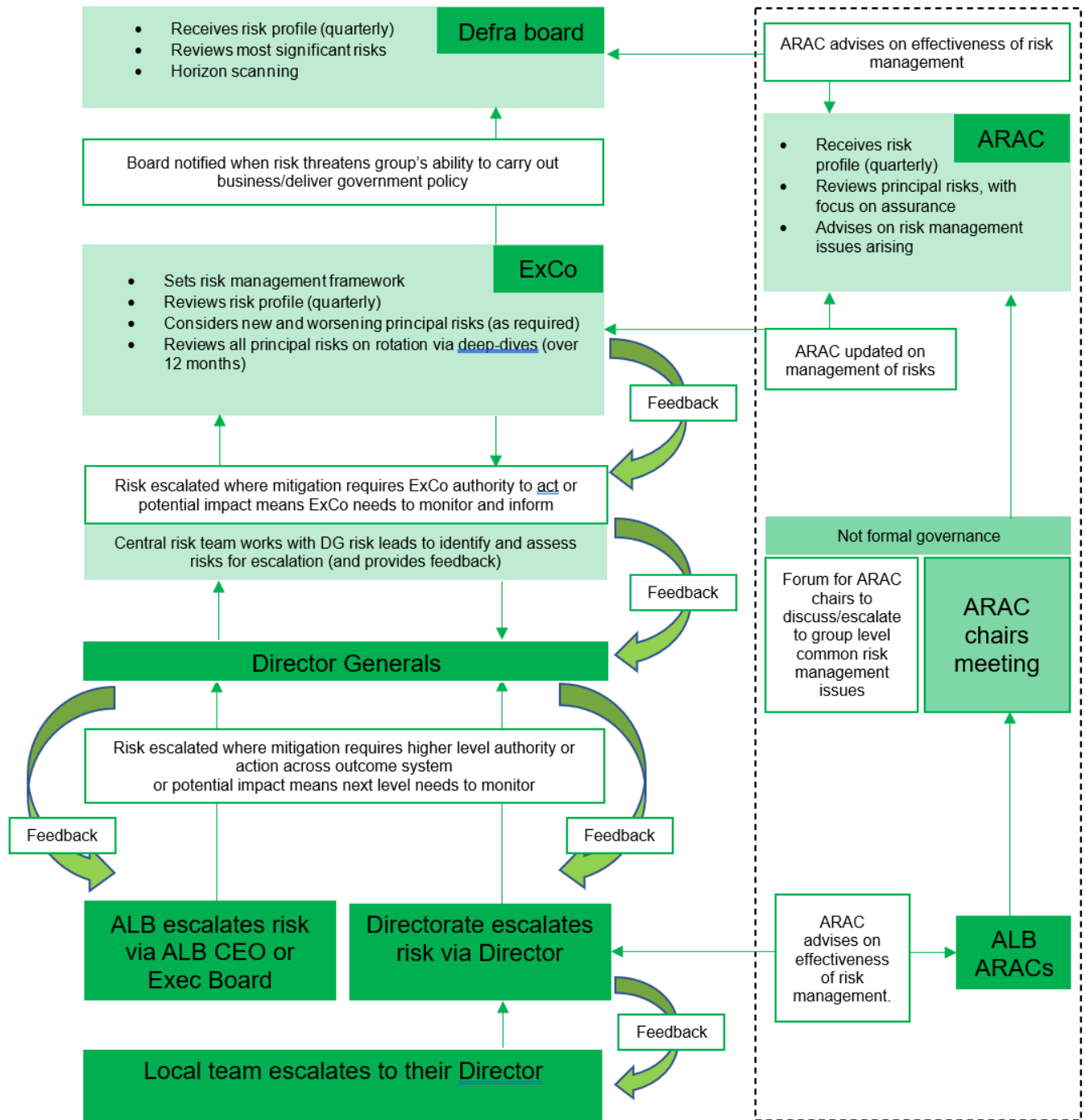
Risk assessment

New and emerging risks are continually identified and assessed, with plans put in place to control them, in line with the principles outlined in the government's Orange Book. Guidance and training videos to support effective risk assessment are provided via the Defra intranet risk page, as well as links to further training available.

Principal risks can also be identified from the top down, where ExCo, the Defra Board or ARAC identifies an area of cross-cutting risk that could have significant corporate, strategic, financial or reputational impact.

Defra group’s oversight and escalation of risk

The diagram below represents the hierarchy of escalation routes within Defra. The first point of escalation should always be to the directorate level via the relevant Deputy Director (DD). If the risk then exceeds its tolerance again, it should be escalated to DG level via the relevant director and then up to ExCo via the relevant DG if it were to exceed its tolerance again.



The Risk Control Framework

The Orange Book provides 35 questions, categorised into five main principles, to assist government departments in assessing the risk management principles and their application to support the efficient and effective operation of their risk management framework. The five principles are:

1. Governance and Leadership
2. Integration
3. Collaboration and Best Information
4. Risk Management Processes
5. Continual Improvement

The self-assessment below is a categorisation of the five principles with an overarching red, amber, green (RAG) rating based on the average (mode) RAG score of all the questions under that heading. Each principle is accompanied with a high-level overview of the department's compliance in this area – what we are doing well, areas for improvement and plans in place to improve.

Principle	RAG rating	Areas of good practice	Areas for improvement and plans for improvement
Overall	Amber-Red	Most questions (69%) were rated Amber-Red, followed by Amber-Green (23%), Red (7%) with no Green rated questions. For all headings, the average score was 'Amber-Red', although there were areas of good practice concentrated in 'Governance and Leadership' and 'Collaboration and Best Information'.	Based on individual RAG ratings, particular areas for focus on are the main principals of Integration, Risk Management Process and Continuous Improvement.
Governance and Leadership	Amber-Red	There are well defined risk reporting structures and communication channels for quarterly updating, reporting and oversight of risks.	The following factors limit the effectiveness of Governance forums when assessing risk information: - Format of risk reports have not been consistent over the past few years and feedback from Governance forums indicate they could be improved to facilitate better decision making.

Principle	RAG rating	Areas of good practice	Areas for improvement and plans for improvement
			<p>- Risks are not effectively linked with business objectives.</p> <p>- Lack of departmental wide risk appetite and tolerance of framework.</p> <p>The department is in the process of implementing a risk tool in order to make risk data easier to consume and provide insights into risk interdependencies across the Defra group.</p>
Integration	Amber-Red	<p>Existing structures include:</p> <ul style="list-style-type: none"> - Risks are assessed and scrutinised at multiple levels. - Recent improvements in risk escalation guidance for the Defra group. - Inclusion of National Risks and live risks and issues in the form of the National Security Risk Assessment and Situational Trend and Awareness Report with Principal Risk discussions to facilitate a bigger picture, holistic and joined up view of risks. 	<p>There are plans to improve the incorporation of risk in policy and strategy. As described under 'Governance and Leadership', the department plans to incorporate objectives more deliberately and formulaically into risk assessment.</p>
Collaboration and best information	Amber-Red	<p>Communication systems and engagement with internal stakeholders are well developed and promoted, enabling effective collaboration and sharing of good practice. There are clear channels of communication and regular stakeholder forums. Information and functional standards are available to support risk management at programme level and guidance of how risks</p>	<p>Feedback on risk information was identified as an area for improvement. There is awareness around need to improve structures and culture to facilitate feedback following risk escalation. The department is working</p>

Principle	RAG rating	Areas of good practice	Areas for improvement and plans for improvement
		should be escalated and managed throughout the Defra group.	closely with GIAA counterparts on this.
Risk Management Processes	Amber-Red	There is a formal and well defined Governance structure that provides routes of approval and scrutiny at various levels coordinated by the departments Central Risk Team.	<p>There is a need for better ‘join up’ of risks and identifying interdependencies. Work is underway to understand and improve the various levels of assurance in Defra group for effective risk escalation and identification of interdependencies.</p> <p>Risk Assessment could be more dynamic at the lower levels in responding to changing risks. The department expects to see an improvement following improved risk escalation guidance.</p> <p>Lack of formal departmental wide risk appetite and tolerance guidance is a barrier to optimal risk management and limits the ability to assess Principal Risks against an overarching Risk Appetite and Tolerance Framework.</p> <p>The department is building an approach to utilise the Orange Book Risk Categories to manage Principal Risks.</p>

Principle	RAG rating	Areas of good practice	Areas for improvement and plans for improvement
Continual Improvement	Amber-Red	Existing ways of working and structures facilitate continuous improvement: - Feedback from audits and Governance forums are captured and acted upon. - Feedback is solicited from stakeholders using surveys and discussion forums which directly informs and enhances the departments risk culture strategy.	The department’s low risk-maturity and absence of an established risk appetite and tolerance framework for the Defra group, limits our ability to increase efficiencies that supports Continual Improvement. A GIAA audit is underway to review the risk management framework.

Managing assurance

Directors in the Core department provided statements confirming that responsibilities delegated to them by the Principal Accounting Officer had been properly exercised in 2023-24 and explaining any non-compliance. A second line of assurance was conducted by subject matter experts, not involved in the delivery of business, who provided enhanced assurance on the overall picture across the department. This included the following areas: counter fraud, data protection, business continuity, finance, health and safety, performance, commercial, programmes and projects, risk, security, and staff conduct.

The responses from the 2023-24 assurance process were shared with ARAC for their review and assessment. Whilst a decrease in assurance has been observed in some areas, we have also seen others remain stable and some improvement overall. Through our continuous improvement process, we will focus our efforts on areas that require strengthening over the next reporting period.



Corporate Services

Defra group has a partnership model for delivering corporate services to the Core department and its larger ALBs. Continuing to deliver good functional services and maturing our partnership have been key focus areas in 2023-24. We have continued to progress our corporate services transformation portfolio to further improve our services.

Individual Partnership Agreements, the GCS Board and GIAA Audit Reports continue to provide assurance on the effectiveness of corporate services. Performance was regularly reported to and discussed with senior ALB representatives, the GCS Board, ExCo and

ARAC as required. Functional leaders are available to provide advice and support to all levels as required. Defra GCS's efficiency continues to benchmark favourably against other government departments and industry standards. Effectiveness is baselined against relevant Government Functional Standards.

While our partnership approach to delivering corporate services is seen as best practice across government, we have continued to focus on further developing the building blocks of our model. This has also included establishing a proportionate funding model to apportion costs across the group, refining our operating model and governance arrangements to improve the way decisions are made. Activities previously progressed have become part of the operating model – this includes improved change governance and refined service catalogues.

To further improve our understanding of user needs, we significantly improved the response rate to the annual Functions Quality Survey to give greater insight into the expectations and views of colleagues across the group.

The focus on transformation continues at pace with an ambitious programme of activities for current and future years. This includes ongoing business process improvements (including digitisation) and the pathway to implementing a new finance and human resource management system (Enterprise Resource Planning system) in the next spending review period. To support this aim, we have established an integrated governance structure to oversee our involvement in the cross-government Synergy Programme (working with the Department for Work and Pensions, Home Office and Ministry of Justice).

Aligned to the government ambition to manage headcount, staffing levels across enabling functions have been managed tightly. This sat alongside implementing a robust approach to business continuity to manage impacts of industrial action, increased levels of winter sickness and surge activities.

To support adapting to the post COVID-19 landscape and a greater focus on working from our office estate, we have ensured that it is safe, secure, and equipped with enabling technology to support blended and hybrid working.

The Defra group Sustainability Centre of Expertise has continued to mature and will oversee the Defra group Sustainability Strategy and underpinning targets, ensuring a comprehensive approach to meeting Greening Government Commitments.

Legacy technology in our application estate, security risks and improving digital services are particular areas of concern that require significant investment. Over the past year, we made steady progress in addressing legacy technology in our application estate and launching new digital services while improving others. Nonetheless, we still have significant volumes of legacy technology in our applications and areas of security improvement and our planned investment is essential to addressing these.

Group Corporate Services has a key role in managing the majority of Defra's principal risks, of which more detail can be found in the Performance Analysis section. Security (including cyber security), business and technology resilience and science estate infrastructure failure,

remain key risks. Risks which emerged during 2023-24 relating to inflationary pressures and organisational wellbeing continue to be managed.



Taskforce for Climate-related Financial Disclosure (TCFD)

Defra group has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned application guidance which interprets and adapts the framework for the UK public sector. Defra's TCFD disclosures focus on:

- governance (all recommended disclosures)
- metrics and targets (disclosures (b)); See sustainability performance annex 3.

This is in line with the TCFD aligned implementation timetable for central government departments. Defra plans to make disclosures for strategy, risk management and metrics and targets disclosures (a) and (c) in future reporting periods in line with the central government implementation timetable.

In March 2023, Defra group's Sustainability Strategy was approved by ExCo. The strategy sets the strategic objectives for Defra group's operational climate-related risk and opportunities, these objectives are:

- Reducing scope 1 and 2 emissions: Achieve a science-based target of 42 per cent reduction in scope 1 and 2 emissions across Defra group by 2033.
- Reducing scope 3 emissions: Develop an approach to measuring and reducing our scope 3 emissions in line with the science-based targets approach for a well below 2°C future.
- Climate change risk assessment: Understand and quantify the risk to Defra group operations, assets and supply chain to projected future climate conditions.
- Climate change adaptation: Plan for and implement adaptation measures across our operations, assets, and supply chain.

Defra is working towards meeting these objectives and embedding climate-related risk and opportunities into the central risk management process by 2025.

Defra group also reports on progress against the Greening Government Commitments that helps drive action across government specific climate related targets including:

- A: Mitigating climate change: working towards net zero by 2050.
- F: Adapting to climate change.

In January 2024, the risk to the delivery of Defra group's shared services due to climate change was added to the corporate service risk watch list which gets reviewed quarterly by the GCS Board.

Regarding the delivery of Defra’s priority outcomes, the Defra Resilience Board has oversight of key Defra risks including those included in the National Security Risk Assessment (of which there are 14 related to natural and environmental hazards). Many of these are affected by climate change and the department is establishing a process through this board to review those risks and adjust the approach to mitigation of them accordingly.

Defra co-chairs, with Cabinet Office, the Climate Resilience Steering Board. This provides oversight and challenge to departments on their approaches to adapting to and managing climate risks. It also steers on strategic, cross-cutting climate adaptation and resilience issues to increase UK resilience to climate change. This board oversees the National Adaptation Programme which includes responses to 61 risks and opportunities with responsible risk-ownership held across government, about half of which are managed by Defra.

Defra group’s central sustainability team undertook a baselining exercise to understand how climate change risk is managed across the Defra group. This involved screening the climate-related risks across the Defra group, identifying the most material, and understanding how they were being managed through joint workshops and interviews. Defra group property function is now undertaking a vulnerability assessment of the Defra estate to tackle the most material climate-related risks due to be completed by 2025.

Defra’s commercial and Digital Data and transformation function both contain risks on business continuity in relation to extreme weather and disruption events with each having an accountable officer. These risks are managed accordingly by the respective risk owners. Currently, business continuity risk guidance is offered centrally through Defra group’s business continuity team.

Several ALBs have undertaken climate risk assessments, through the voluntary Adaptation Reporting Power framework. These Defra group bodies include: the Environment Agency, Natural England, Forestry Commission and the Marine Management Organisation. These public bodies are managing the most material risks within their organisation with directly accountable officers. For further detail, please review the reports received in the third round of Adaptation Reporting (ARP3)⁴⁷. The fourth round of adaptation reporting is due in December 2024.

Defra is the lead department in coordinating the National Adaptation Programme. This is based on the Climate Change Risk Assessment (CCRA) which Defra commissions and will be updated in 2026. The CCRA sets out the risk framework on climate adaptation (61 risks and opportunities). The Defra climate adaptation team has asked policy teams to write adaptation pathways to address robustly and systematically each of the 30 risks and opportunities relevant to Defra. The completion and success of actions set out in these pathways will be monitored across the five-year programme and beyond by the climate adaptation team with oversight by the Climate Resilience Steering Board and a cross-government programme board.

⁴⁷ <https://www.gov.uk/government/collections/climate-change-adaptation-reporting-third-round-reports#:~:text=Contents&text=The%20Climate%20Change%20Act%202008,for%20adapting%20to%20climate%20change>



Shared Services

Each Accounting Officer is provided with an annual Letter of Assurance on Shared Services Connected Ltd (SSCL) overall performance by Shared Services for Government (SSfG) as Framework Authority. The 2023-24 letter was issued on 31 May 2024, following the conclusion of the year's Annual Audit Plan, which has progressed well. Of the nine novel SSCL government audits proposed (plus three follow up audits), all bar one have been completed. It was agreed to defer the scheduled manual workarounds audit to quarter 1 of 2024-25 to allow time to better scope this audit. There has been improvement in the 2023-24 audits ratings received throughout the year, over the previous year. It has been confirmed there is no material impact on any client financial accounts as a result of this year's audit findings and, for government customers, there were no high or critical risks flagged during the year.

SSfG's Annual Audit Plan is delivered by SSCL's internal service auditors PricewaterhouseCoopers (PwC) for core SSCL system audits (ISAE3402) and by the GIAA for end-to-end audits that involve customers. In 2023-24, an improved level of assurance was provided by PwC in relation to the governance, risk management and control environment operating within SSCL. In light of this, PwC increased their opinion from the previous year to that of reasonable / moderate assurance. This reflects the ongoing and continued rigour that SSfG has exercised in holding SSCL to account and ensuring effective remedial action has been taken to address key areas of risk. The limited assurance rating from GIAA is consistent with last year's rating based on their audit work relative to both departments and SSCL. The respective opinions indicate that whilst SSCL has improved its own internal governance, risk management and control environment during the 2023-24 audit period, opportunities for improvement remain regarding collaboration between SSCL and Independent Shared Service Centre 2 customers to manage and mitigate risk throughout the end-to-end processes.

Defra group Shared Services continue to work with SSfG to closely monitor the overall performance of SSCL and their delivery of the 'standard' service offering, ensuring contract KPIs and SLAs are met and the services provided to Defra group are in line with our contract and expectations when working with SSCL as a partner. We continue to ensure user experience improvements are made to both SOP and SSCL processes through the continuation and evolution of our Joint Improvement Plan with SSCL.

Reinforced Autoclaved Aerated Concrete

The reinforced autoclaved aerated concrete (RAAC) issue has been formally delegated back to departments to handle the associated risks. Defra is following the IStructE guidance and there is a dedicated RAAC meeting led by the Chief Engineer and interventions are made when required. At this stage, we have surveyed the vast majority of our estate and do not envisage this as being a material cost to the Defra group estate. We have four known cases in our 500 sites. One which is in-situ and safe, two partial closures that are not affecting our operations and one full building closure for which business continuity is in place.

Analytical models (business critical models)

Following a review, Defra has introduced a new process and guidance around identifying business critical models (and important but non-business-critical models) and the appropriate level of quality assurance that needs to be implemented in each instance. This follows best practice seen in other government departments and the principles set out in the HM Treasury Aqua Book. We are now working on embedding the new approach and standards with local analytical teams. We have increased the team's level of resource, focusing on analytical quality assurance and ensuring best practice is being followed across the department.



Security and cyber security

During 2023-24, work has continued to improve our security and cyber security controls. Defra continues to drive those programmes that secured funding under spending review 2021 for security improvements and technology upgrades that will help to address cyber security risks including;

- £78 million for the most critical Legacy Applications Programme (LAP). LAP has successfully migrated 123 legacy apps out of aging data centres and into the cloud with a further 50 decommissioned. One legacy data centre closed and we are in the advanced stages of exiting three more by January 2025 so that our data increasingly sits on secure cloud environments.
- £45 million dedicated to security improvement projects. These have delivered improvements in privileged account management, increased security protective monitoring capability and new incident report tooling.
- We continue to make good progress with this work but will not be able to mitigate all the risks within this spending cycle. Further investment will be needed in spending review 2024.
- There are also external factors and threats that impact progress and risk; for example, the ongoing tension in the Middle East, war in Ukraine and the threat from Russia and China, and the increasing sophistication of malware attacks.

This is the first year of the introduction of our security strategy and underlining strategies for cyber and security education and awareness designed to help improve Defra's security culture and improve security risk governance and awareness. New security policies including physical security policy; Defra group offshoring policy; cyber and IT security assurance policy will help to underpin ongoing compliance work.

However, as shown in this year's departmental security health check, the department still needs to make further progress to comply with minimum baseline standards and mature its processes. As part of our ongoing work to drive compliance and reduce security risk, we will continue to monitor and drive the spending review 2021 project work along with progressing business as usual activities to meet the targets of our security strategy.

The majority of security breaches over the past year have involved information sent over email in error or travel breaches. There have been three breaches that have met the threshold for reporting to the Information Commissioner’s Office during this period.

Counter-fraud, whistleblowing and data protection

Counter-fraud

Defra will not tolerate fraud or economic crime and takes a risk-based approach to managing fraud, bribery, corruption, and error as set out in the group Fraud, Bribery and Corruption Policy that was refreshed this year. A network of counter fraud functional leads is embedded across Defra group organisations and key spending programmes to deliver a coordinated counter fraud response in line with that policy. Several organisations have invested in additional counter-fraud resources over the year, and the EA have completed the Continuous Improvement Framework Assessment against the Counter Fraud Standard (GovS013) to help them better understand their counter fraud maturity and identify areas for improvement.

Activity is assured by individual nominated board members to ensure adherence to the Counter Fraud Functional Standard and the mandate set by the Public Sector Fraud Authority (PSFA). In the Core department, this role is fulfilled by the Chief Financial Officer. Where applicable, internal scrutiny and monitoring of activity within group organisations is also provided by ARACs and governance forums such as senior leadership teams and the GCS Board.

Grant programmes and schemes continue to present the highest risk of fraud and error across the group. In recognition of this risk, a central Grants Hub was established this year and is now resourced to provide: a governance framework to improve the management and oversight of all Defra grants, expert advice and assurance on business cases, mandatory fraud risk assessments (FRAs) that are undertaken at individual grant scheme level as well as irregularity measurement and assurance. Initial fraud impact assessments (FIAs) are also undertaken on Government Major Projects Portfolio (GMPP) spend in line with MPM and Green Book requirements.

In other areas of spend, Defra has implemented a rolling programme of fraud risk deep dives to embed an agile approach to fraud risk management and support appropriate governance and oversight across the Core department and those group organisations who receive shared corporate services.

Effectiveness of whistleblowing arrangements

Defra’s Speak Up case numbers have increased on last year. Defra group continues to promote Speak Up internally. Defra took part in the annual Speak Up campaign and provided tailored whistleblowing training from a specialist whistleblowing charity for nominated officers to strengthen their knowledge. This training was attended by 10 of the 13 Defra group nominated officers. We are looking to providing training for the three nominated officers who were unable to attend the training session. To provide resilience within the Defra group; the Environment Agency has four nominated officers; the Core department, Rural Payments Agency, Animal and Plant Health Agency and Natural England have two nominated officers each and Veterinary Medicines Directorate has one nominated officer.

Defra’s guidance also highlights the Speak Up mailbox as an alternative route for employees to raise concerns.

Defra continues to share best practice with other departments and is looking to establish a nominated officer network.

Defra continues to use our whistleblowing register, established in 2021-22 for recording and tracking reported cases. In 2023-24:

Department	Number of cases raised	Number of open cases	Number of closed cases	Outcome of cases	Recommendations
Defra	12	4	8	0 cases were upheld.	1 set of recommendations from a closed case were made and implemented following investigation.
Natural England	2	0	0	0 cases were upheld.	Both cases concluded no further action was required after investigation completed.
Environment Agency	47 instances; (instances will be when concerns have initially been raised. Not all concerns turn into cases).	12	35	4 cases were closed as unable to be progressed through lack of information. 26 cases had no merit or were not qualifying disclosures, but useful learning resulted in management action from 16 of these.	5 cases had merit and resulted in actions or recommendations for the business.
APHA	No cases raised.				
RPA	No cases raised.				
VMD	No cases raised.				

Data protection

During 2023-24, we continued activities to ensure compliance with data protection legislation and Information Commissioner's Office (ICO) guidance. This work included completing the ICO recommended Accountability Framework for the third year, demonstrating that compliance is improving. The Defra Data Protection Officer, data protection teams and legal advisers continued to provide advice and guidance and raise awareness around data protection and privacy issues. In 2023-24, we are continuing our work with senior leaders to raise greater awareness about, and build, data protection due diligence into policy and delivery planning by design and default. There was one reported breach that met the threshold for ICO notification this year. In all cases where personal data breaches occurred or risks were identified, Defra worked with staff and suppliers to act quickly, to effectively address issues and revise our processes.



Arm's length bodies (ALBs)

Issues arising within individual bodies are covered in their respective governance statements, with the most significant also highlighted below.

Cabinet Office Public Bodies Reform Programme 2020-2025

Throughout 2023, the department continued to work closely with its ALBs to put in place a strong relationship and sponsorship framework to assure delivery and promote joint working towards our ambitious shared goals. For example, we established regular, data-driven delivery meetings between key ALBs and lead ministers to strengthen delivery assurance.

Environment Agency (EA)

NAO qualification: Valuation of operational assets

In 2022-23, the EA delivered their first Depreciated Replacement Cost (DRC) valuation of over 60,000 operational assets at a value of £9.6 billion. For 2023-24, their operational asset base valued through DRC has increased to over 65,000 assets, at a value of £9.9 billion.

During the 2022-23 DRC valuation process, it was found that source data underpinning the valuation had errors due to the merging of multiple operational systems into a new modern asset management system. It was not practicable or affordable to complete all the necessary data reviews to resolve these issues affecting the valuation as at 31 March 2023. For this reason, the NAO qualified the valuation of operational assets.

During 2023-24, significant progress has been made on the data review and improvement programme, including the completion of critical foundational work such as updated asset data standards, improvements to the asset management system, and updated guidance for staff; ensuring that the measurement, capture and assurance of asset data is rigorous, consistent, and of a high quality.

Additionally, an asset management led review for duplicate entries, confirmation of EA asset control, and asset start dates (where applicable), has continued and has made strong progress. The EA have focused on priority activities such as incident management and recovery, and increased asset maintenance of vital operational assets.

During 2023-24, they also began a multi-year national programme of asset dimensional data improvements led by their National Data Team. The programme has seen very good progress, with work nearing completion on high value asset types. The work will continue throughout 2024-25, with outputs continuing to feed into the EA's methodological approach utilising a range of source data, statistical sampling, and averaging, ensuring the accuracy of their DRC portfolio valuation.

Despite this progress, the operational asset data has not been sufficiently improved in time for the 2023-24 valuation. It was therefore agreed with the NAO that carrying out full testing was not a worthwhile use of time and resources and so this qualification has remained in place.

NAO qualification: Valuation of land and buildings

In 2020-21, the NAO expanded its qualification on the reported values of operational property to include those within the scope of the quinquennial revaluation of land and buildings (operational land, freehold land, dwellings and freehold buildings). This widening of the NAO qualification on asset values was due to a combination of issues with the quinquennial revaluation.

The EA's property valuations are complex, with over 5,000 often small property assets and delivering the property valuation is challenging. During 2022-23, they moved to a series of rolling annual property asset valuations, largely delivered by internal RICS qualified valuers with knowledge of the bespoke nature of the holdings.

The revaluation programme will deliver the coverage of all assets within a given five-year period and has proven to be operationally easier to manage. It has also reduced the risk of errors compared to a large, one-off quinquennial valuation.

The NAO's audit of the 2022-23 financial statements included work on both the 2022-23 and historic property valuations. Due to the historic nature of many land holdings, which were inherited from previous public organisations, it was challenging to provide sufficient evidence on the ownership and size of assets.

The C&AG did not qualify his opinion in respect of the valuation approach adopted, but gaining evidence for historic valuations was difficult. They also noted that there were £47 million of assets which had not been revalued within a five-year period. This meant that the 2022-23 valuation of land and buildings was qualified by the NAO.

During 2023-24, the EA focused their quinquennial review on high value assets and the population of £47 million which was not revalued in the last full valuation exercise before the rolling programme started in 2022-23. They improved the data on land the EA holds, meaning they could provide ownership and size evidence. The EA also reviewed the valuation techniques applied.

In some cases, parcels of land owned by the EA had been significantly valued upwards by external, third-party valuers, based on what the land might be sold for on the open market. However, this was using market rates for prime land parcels for development. On review by in-house specialist surveyors, with expert knowledge of the land the EA owns, it was noted

that some of these parcels of land did not have development potential and therefore had been valued incorrectly. As described in Note 19 to the financial statements, the EA have processed portfolio level downwards revaluations to 2023-24, 2022-23 and 2021-22 operational land values.

The work they have completed has meant the NAO have removed their qualification on the valuation of land and buildings on all periods reported. The EA will continue to improve data held on their assets and continue with the rolling valuation programme.

NAO qualification: Categorisation of capital spend

The Environment Agency completes two types of capital works:

- capital works on assets which are controlled by them (recognised as assets under construction (AUC) and then once commissioned as property, plant and equipment on completion),
- and on assets which are not controlled them, where there is a significant public benefit in doing so, which is accounted for as capital works expensed in year (CWEIY).

From 1 April 2022, HM Treasury clarified the expenditure which could be included within CWEIY had to be capital in relation to International Accounting Standard 16 on Property, Plant and Equipment. This significantly reduced the amount of CWEIY expenditure for previously accepted repairs and maintenance works.

The decision was made, due to resource restrictions and value for money, that for 2022-23 the focus would be on ensuring that both CWEIY and in year AUC capital expenditure met these requirements. The EA contracted with an audit firm and in collaboration with in-house finance and project management teams, reviewed project spends to ensure that only expenditure they could be very confident under the clarified framework could be classified as capital in nature was recognised in CWEIY or in year AUC expenditure.

The NAO confirmed in their 2022-23 audit opinion that, unlike in the previous year, they received key audit evidence in respect of capital expenditure - including both CWEIY and AUC additions. This meant that the scope of the NAO's 2022-23 qualification in this area was reduced compared to 2021-22.

The residual qualification issues on capital expenditure noted by the C&AG 2022-23 opinion were associated with uncertainties around whether spend should be treated as CWEIY or AUC additions and if the historic AUC balance included items which did not meet capital recognition criteria or assets which had been completed so should be transferred out of AUC.

As the qualification remained in place in respect of the classification of capital spend, a review was undertaken during 2023-24. As with the CWEIY phase one review, this was completed in partnership with an external audit firm, also utilising in-house finance and project management teams. As described in Note 19 to the financial statements, this

resulted in significant prior period adjustments to 2021-22 and 2022-23, consistent with the treatment of capital spend in 2023-24.

The work the EA have completed has meant the NAO have removed their qualification on the categorisation of capital spend on all periods reported. The EA will continue to improve the guidance, processes and technical accounting support. They will also continue to consider if there are changes to their accounting policies which would remain compliant with accounting standards whilst ensuring they are sustainable operationally to deliver.

Previous NAO qualification over irregularity of expenditure:

In 2022-23, certain elements of FCERM programme expenditure procured under three supplier frameworks exceeded the level the frameworks had been set up for. This meant the EA was operating outside of the requirements of Cabinet Office spend controls and public contract regulations.

During 2022-23, £88 million was spent against the frameworks, taking the cumulative spend to £215 million - £64 million above the £151 million approved by the Cabinet Office. As these are long-term contracts there was £341 million of committed expenditure as at 31 March 2023, compared to a compliant limit of £151 million.

Following a clear decision by the Cabinet Office to not agree with a proposed extension to the given frameworks, the Accounting Officer directed that the EA return to a compliant position as quickly as possible and mitigate the impacts on delivery and in particular on any risk to life.

From 2023-24, the EA has proactively managed the forecast of call-off contractual commitments of the three supplier frameworks, of which the majority are long-term arrangements due to the nature of the works, through a National Transition Plan and subsequent mitigation actions. This has seen a reduction of the declared 2022-23 forecast of £341 million to below £325 million in 2023-24, which is in line with the Transition Plan shared with the Cabinet Office.

The forecast expenditure has been managed through a new governance structure, including a National Transition Triage Panel (NTTP) that met twice a week during 2023-24 and continued to meet weekly from quarter 1 of 2024-25 to ensure the appropriate management of legacy contracts in accordance with the Transition Plan. Through implementation of this plan, two new frameworks were awarded and commenced in 2023-24 and a further framework is progressing to market in 2024-25. Implementing lessons learned in Major Projects and Programme Delivery (MPPD) has resulted in earlier commencement of procurement activity to replace the existing Collaborative Delivery Framework (CDF) and subsequently improve long-term compliance.

Continuous improvement and lessons learned processes have been undertaken to ensure that the EA addresses and understands the requirements for compliance with PCR, the Cabinet Office Spend Controls and Managing Public Money. In collaboration with Defra group Commercial, improved ways of working have been established, including pro-active consideration of the spend in the long tail of legacy contracts, through to contract formation and framework management. Improved forecasting and monitoring of spend processes have

been embedded, supported by improvements in contract and framework management practices, and reinforced by a centralised quarterly Commercial report that captures the critical spend figures and ensures strategic management and planning.

Flood Re

Flood Re is a hybrid organisation, owned and managed by the insurance industry, with direct Parliamentary accountability and its own governance structure as a not-for-profit reinsurance body. In December 2021, Flood Re was classified by the Office for National Statistics as a central government public body and should comply with Managing Public Money principles to the extent they apply to Flood Re. In March 2024, HM Treasury agreed a pay and benefits governance controls package for Flood Re. The agreement applies from 1 April 2024 and will be reflected in the updated and published Framework Document. These arrangements will cease on 31 March 2027 unless confirmed or revised through a review of the effectiveness of these freedoms that will take place before November 2026.

HM Treasury provided Defra with a retrospective pay exemption for 2023-24 for Flood Re. Flood Re continue to operate within the spirit of the original draft Framework Document until the new document is finalised.

Independent Assurance

The department is subject to independent oversight in several areas. This includes:

- GIAA programme audits and opinion.
- Infrastructure and Projects Authority (IPA) reviews.
- NAO reports (including VFM) and the audit report for the Annual Report and Accounts.

Infrastructure and Projects Authority (IPA) reviews

In 2023-24, all our major projects were formally constituted with a business case, Senior Responsible Officer and project board, in accordance with the department's integrated assurance and approvals strategy. The departmental Investment Committee oversees investment decisions on behalf of ExCo, and Delivery Committee oversees delivery of the department's portfolio and Priority Outcomes. The level of project assurance was based on a risk potential assessment and captured in an Integrated Assurance and Approvals Plan (IAAP) for each project.

The IPA provide third line assurance for our Government Major Projects Portfolio (GMPP) projects and GIAA review our delivery activity at a project and portfolio level as per the audit plan agreed by ExCo. Defra Tier A GMPP projects are subject to IPA assurance reviews at key stage gates or as part of an annual review cycle. IPA reviews are coordinated with the IPA in accordance with the IAAPs for each project.

All programmes develop an IAAP which aligns to IPA and Defra guidance and covers all assurance and approvals activity for the three lines of defence. The IPA undertake at least an annual assurance review of all GMPP Tier A programmes. In addition, the GIAA

undertake internal audit reviews for programmes/projects on the Defra Portfolio as per the audit plan agreed by ExCo at the start of the year, whilst the NAO undertake studies on the effectiveness, efficiency and economy of government spending, including some of the department's major programmes.

Government Internal Audit Agency (GIAA) programme and opinion

The Group Chief Internal Auditor (GCIA) has provided a moderate opinion on the framework of governance, risk management and internal control for the Core department and across the Defra group for the 2023–24 financial year. High-level governance within Defra is effective, with an effective system of executive management committees in place. The opinion highlights the positive effects of Defra's investment in financial improvements and in programme management, although there are improvements needed in some areas including operational governance and oversight, and the maturity of risk management.

The GCIA recognised that Defra faces increasing internal operational risk and significant external risks and that the control environment has been placed under pressure by financial and people resource constraints alongside a high level of ambition. Improvements were found in key areas but slightly more issues were identified in the control environment in light of these contextual factors which make effective control more difficult to achieve.

The GCIA's opinion was informed by the outcomes from engagements on the 2023-24 Defra group internal audit plans, progress on agreed management actions from previous periods, and annual opinions from ALBs as well as other sources such as the Infrastructure and Projects Authority (IPA) and the National Audit Office (NAO). There was positive and productive engagement between audit teams and Defra's staff and management.

NAO Value for Money reviews and Public Accounts Committee recommendations

The department was subject to three specific Defra focussed NAO reports from 2023-24, where it was the lead department. An overview of the recommendations made by the NAO and Public Accounts Committee (PAC) in 2023-24 are summarised in the table below⁴⁸. The department will implement the recommendations where applicable.

⁴⁸ All NAO recommendations published since 1 April 2019 can be found on the [NAO recommendations tracker – National Audit Office \(NAO\)](#).

NAO/PAC Recommendations

Report title	Publication date	Recommendations	Planned Implementation Date
Regulating to achieve environmental outcomes	21-04-2023 (NAO)	6	All accepted: 1 Implemented (quarter 4 2023-24) 5 works in progress with implementation dates quarter 3 2024-25 and quarter 4 2024-25
Resilience to flooding	15-11-2023 (NAO)	6	5 accepted, 1 under consideration 1 implemented (quarter 4 2023-24) 5 works in progress with implementation dates quarter 1 2025-26 and quarter 2 2025-26
The government's resources and waste reforms for England	30-06-2023 (NAO)	7	5 accepted, 1 Partially accepted, 1 rejected. 1 Implemented (quarter 3 2023-24) 5 works in progress with implementation dates quarter 4 2024-25, and quarter 1 2025-26
Government's programme of waste reforms	01-12-2023 (PAC)	9	All accepted. 2 implemented (quarter 3 2023-24) 7 works in progress with implementation dates quarter 1 2024-25, quarter 2 2024-25 and quarter 4 2024-25

Report title	Publication date	Recommendations	Planned Implementation Date
Resilience to flooding	17-01-2024 (PAC)	12	All accepted. 5 implemented (quarter 3 2023-24, quarter 4 2023-24) 7 works in progress with implementation dates quarter 1 2024-25, quarter 2 2025-26 and quarter 3 2025-26
Tackling Defra's ageing digital services	18-04-2024 (PAC)	7	All accepted: 6 Implemented 1 works in progress with implementation dates quarter 3 2024-25

NAO audit report

The NAO Annual Report and Accounts 2023-24⁴⁹ confirmed that following their recommendation that departments should nominate a single departmental lead for property portfolios the Cabinet Office implemented this, naming Defra as its lead for the 'Land Portfolio'. Facilitated by Defra, the Land Group meets regularly to coordinate its management approach to develop consistent, standardised, baseline data to maximise the value obtained from holding land, including for meeting UK environmental policy obligations.

Ministerial Directions

During the 2023-24 financial year, and up to the date of this report, three ministerial directions were issued. The Pollack Compensation Scheme ministerial direction was linked to MPM and the EA ministerial directions were linked to legislation.

Pollack Compensation Scheme

In June 2023, the International Council for the Exploration of the Seas (ICES) provided advice that for pollack in western waters the Total Allowable Catch (TAC) for 2024 should be set at zero for the first time. Defra negotiated a UK-EU bycatch TAC of 832 tonnes to avoid 'choking' other fisheries. This would not, however, allow vessels to target pollack.

Pollack in western waters is fished along the Devon and Cornwall coast, and around the Isles of Scilly. The UK uptake for pollack in this region in 2023 was 600 tonnes (out of an

⁴⁹ [NAO Annual Report and Accounts 2023-24](#)

annual catch limit or Total Allowable Catch (TAC) of 1506 tonnes), equating to £2.2 million landings value. When looking at how to support affected pollack fishers who predominantly target pollack, officials were asked to look at devising a compensation scheme for pollack fishers in the South-West. In line with the Permanent Secretary's responsibilities as Principal Accounting Officer, she considered the proposal against the technical criteria as set out by HM Treasury in MPM and The Green Book. The appraisal process concluded that this would not meet the requirements of the Accounting Officer test for Value for Money, even after taking in to account the specific circumstances in the region. While previous compensation schemes for the fishing industry were to prevent a sector-wide collapse at a time when that sector had limited opportunities to diversify, it was deemed in this instance that many fishers will have had alternative income streams available, including publicly funded benefits payments, or the ability to diversify, enabling them to remain in business. In addition, a pollack compensation scheme might be repercussive and set an unhelpful precedent for industry expectations for additional compensation schemes, thereby opening the department up to unknown future claims. Nonetheless, the Permanent Secretary was aware that the former Secretary of State, Steve Barclay MP, deemed there to be circumstances that would override the formal assessment, specifically the economic circumstances of the sector locally and the communities that depend on it in the area concerned and he considered that fishers had not had adequate time to adapt to the changes. Therefore, a formal ministerial direction was requested.

Government response

A Ministerial Direction was published on 10 April 2024 for a new scheme to be stood up to compensate those fishers most reliant on pollack, to support fishers and provide an opportunity for those affected to move away from a reliance on the pollack fishery, while maintaining the ultimate goal of the long-term recovery of the fishery.

The key eligibility criterion for the scheme is that it is for fishers who were reliant on pollack for 30 per cent or more of their reported landings income in 2023, regardless of their vessel size, the fishing gear they used, or whether the vessel is still active. Compensation is set at 50 per cent of their pollack-derived landings income from 2023, with a maximum payment of £100,000. This design is intended to minimise any repercussive elements and reduce the risk of setting a precedent. The costs of the scheme are estimated to be around £400,000.

Controls in place

Marine Management Organisation (MMO) were asked to administer and deliver the compensation scheme on behalf of the former Secretary of State, Steve Barclay MP, through a delegation letter on 16 April. This letter set out the legal basis for the delegation, scheme design (including eligibility criteria and details on the verification of data) and a process for individuals under investigation by MMO.

MMO provide monthly management information on the delivery of the scheme, which is discussed at the monthly Fisheries Funding Board meetings. The Senior Responsible Officer, HM Treasury, Portfolio Office, legal, finance and communications teams are represented at the Board. A final report on expenditure will be provided on the closure of the scheme, which will include detail of any fraud mitigation (to align with the fraud risk assessment for the scheme) and any complaints.

Environment Agency ministerial directions

The EA has received two ministerial directions between April 2023 and May 2024.

A ministerial direction relating to determination of environmental permits for new waste incineration facilities in England was received on 4 April 2024. Former Minister for Food, Farming and Fisheries, Mark Spencer MP, issued this direction to the EA, under Regulation 62 of the Environmental Permitting (England and Wales) Regulations 2016, to temporarily pause the determination of environmental permits for new waste incineration facilities, including Energy from Waste and Advanced Thermal Treatment between 4 April and 24 May 2024. The direction applied to proposed developments that did not yet hold an environmental permit for waste incineration, regardless of whether they held planning permission from the relevant planning authority. The EA complied with the direction and paused determinations of the permits in scope temporarily during this time period. The EA has resumed its operations and determination after 24 May 2024 once this temporary pause lapsed.

On 22 May 2024, the second ministerial direction relating to the clearance of the illegal waste site at Hoad's Wood, Kent was received. The Secretary of State for Environment, Food & Rural Affairs, Steve Barclay MP, issued this direction to the EA, under Section 40 of the Environment Act 1995, requiring the EA to immediately put in train actions to clear the waste from Hoad's Wood and provide the Secretary of State with fortnightly updates on progress. This direction confirmed it would remain in place until the waste is cleared from the site. The EA continues to comply with the direction to clear the illegal waste.

Principal Accounting Officer Conclusion

I have reviewed the opinion of the GCIA and taken advice from the Defra group ARAC, based on the assurances it has considered during the year. I conclude that the department had satisfactory governance, risk management and internal control arrangements in place in 2023-24, and that we have continued to improve.

As Defra group continues to make progress in achieving its ambitious outcomes and developing the ways of working that will achieve these, alongside delivering crucial services, we continue to improve our framework of governance, risk management and the internal control environment.

Tamara Finkelstein

12 December 2024

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

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed Defra to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental (and other arm's length) public bodies designated by order made under the GRAA by Statutory Instrument 2023 no 352 as amended by Statutory Instrument 2023 no 1360 (together known as the Defra group, consisting of the department and sponsored bodies listed at Note 20 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the Defra group and of the income and expenditure, Statement of Financial Position and cash flows of the Defra group for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental (and other arm's length) public bodies;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts (ARA) as a whole is fair, balanced and understandable and take personal responsibility for the ARA and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the permanent head of the department as Accounting Officer of Defra. In addition, HM Treasury has appointed Richard Stanford as an additional Accounting Officer to be accountable for those parts of the department's accounts relating to the Forestry Commission. Flood Re has an independently appointed chief executive who acts as SRO with accounting officer responsibilities for the body. Flood Re's SRO is directly accountable to Parliament for its income and expenditure. However, because its accounts consolidate into the department's, Flood Re must provide assurance to Defra's accounting officer through its independent auditors that they represent a true and fair view and comply with propriety and regularity expectations as contained in Managing Public Money

(<https://www.gov.uk/government/publications/managing-public-money>)⁵⁰. These appointments do not detract from the Head of Department’s overall responsibility as Accounting Officer for the department’s accounts.

The Accounting Officer of the department has appointed the Chief Executives (or equivalents) of its sponsored non-departmental (and other arm’s length) public bodies as accounting officers of those bodies. The Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purposes intended, and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding the assets of the department or non-departmental (or other arm’s length) public body for which they are responsible, are set out in *Managing Public Money* published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

⁵⁰ Managing public money – (<https://www.gov.uk/government/publications/managing-public-money>)

Directors Report

Our Ministers and Senior Officials

Details of Defra’s ministers and senior officials can be found in the departmental membership and attendance table in the Governance Statement.

Pension Liabilities

Details of pension liabilities can be found in Note 16 to the accounts.

Conflicts of Interest

Details of procedures in relation to conflicts of interest can be found in the Governance Statement.

Charities Act

Section 70 of the Charities Act 2006 sets out a power for ministers to give financial assistance to charitable, benevolent or philanthropic institutions. Defra and its delivery bodies are required to report to Parliament annually any financial assistance given to any charitable institution under the Charities Act. For 2023-24, no such payments were made by Defra or its delivery bodies (2022-23, £Nil).



Employee Health and Safety

Each organisation in the Defra group is legally accountable, via senior leadership, for the health and safety of their employees and have their own arrangements to fulfil their legal duties. Organisational level reporting is developed to suit each organisations risk profile and requirements of their senior leadership teams. However, Health and Safety leaders across the Defra group recognise the value in benchmarking to identify common trends. Defra’s Executive agencies, and NDPBs, voluntarily participate in benchmarking of reactive indicators such as reports of work-related injuries, ill health (including work-related stress), and non-injury events such as near misses and observations of unsafe conditions or hazards.

Reports of injury and ill health

In the reporting period 1,450 reports of work-related injuries or ill health were received across the Defra group from employees (this excludes reports of work-related stress which are summarised separately below). This is a minimal increase on 2022-23 where 1,434 reports were received. 36 injuries or ill-health were reported to the Health and Safety Executive (HSE) in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

Dangerous Occurrences – which are significant, but non-injury events, are detailed separately below in ‘non-injury events’ section.

- 15 were injuries or illness resulting in more than seven days absence from work or normal duties.
- 13 were HSE specified injuries (e.g., fractures).
- 8 were HSE specified occupational disease.

This is an increase compared to the same period in 2022-23 where a total of 28 RIDDORs for injury or ill health were reported across the Defra group.

A new Defra group working group for work-related stress, has continued momentum on addressing stress as a health and safety risk. Across the Defra group 926 cases were reported collectively in 2023-24. This has more than doubled in comparison with 412 reported in 2022-23 but reflects increased awareness of stress as a health and safety matter and the importance of employees reporting it and receiving early support. The most common work-related root cause cited as the cause of stress is change followed by demands placed upon employees.

The most common cause of physical injury was slips, trips, or falls on the same level, with 202 reports (an increase on 2022-23 where 161 were reported) followed by injuries caused by Lifting, handling, carrying or physical overexertion with 153 reports received (increase on last year’s 92 reports). Injuries from contact with stationary or fixed objects and equipment (145) and animals/insects such as kicks, scratches, bites and stings (138) are also comparable.

	1	2	3	4	5
	FTE (from published data)	All reports of injury/ill-health ¹	Number of RIDDORs from injury/ill-health ²	Number of Lost time incidents from injury/ill-health ³	Lost Time Frequency Rate (LTFR) ⁴
ADHB	343.2	0	0	0	0.00 ↓
APHA	2,966.3	116	3	3	0.05 ↓
CCW	81.1	1	0	0	0.00 →
Cefas	609.1	10	1	4	0.37 ↑
Defra	6,739.3	20	0	1	0.00 ↓
EA	12,784.4	839	19	45	0.20 ↑
FE	1,120.0	92	7	2	0.10 ↑
JNCC	306.1	9	0	2	0.38 ↑
Kew	989.2	72	3	11	0.65 ↓
MMO	525.0	14	0	1	0.11 ↑
NE	3,057.0	224	2	25	0.47 ↑
NFC	41.1	3	0	0	0.00 →
OEP	82.8	0	0	0	0.00 →
RPA	2,625.4	48	1	16	0.34 ↓
VMD	169.2	0	0	0	0.00 ↑
SFIA	88.8	2	0	0	0.00 →
TOTAL	32,528.0	1,450	36	110	0.19 ↓

¹ Column 2 – Total reports of work-related injury / ill health received

EXCLUDES work-related stress, and non-injury events such as near misses.

² Column 3 – All RIDDOR defined 'Specified Injuries', 'over 7 Day', 'Occupational Disease'

EXCLUDES Dangerous Occurrences which are NON-injury events.

³ Column 4 – Number of injury / ill-health incidents resulting in absence from work.

EXCLUDES work-related stress.

⁴ Calculated using data in column 4. LTFR is the number of people injured over a period for every 100,000 hours worked by a group of employees which enables performance to be compared across organisations of different sizes. Arrows indicate increase / decrease / maintain since 2022-23.

'Like for like' comparisons between organisations are not necessarily achievable or helpful as reporting cultures and categories vary e.g., some organisations do not record cases of work-related stress (or sick absence associated with it) some have large operational workforces so reporting of near misses during high-risk operational activity is more embedded as part of the safe systems of work, and those with office-based workforces may see more incidence of posture issues from desk based work. For example, Core department is largely non-operational so will naturally see fewer physical incidents and injuries, the EA has a large operational workforce working outdoors facing physical risks, and APHA have many of their workforce in their laboratories so will be exposed to more biological hazards. It

is not unusual for smaller, very low risk / non-operational organisations to have no reported incidents at all during a 12-month period.

At individual organisational level, steps are taken to investigate and action as needed to prevent further reoccurrence. This includes local and where applicable group level campaigns and review of control measures to eliminate or minimise risk and provision of protective clothing and equipment as a last resort when required.

Non-injury events

Defra group organisations encourage employees to report all non-injury events such as near misses and unsafe conditions⁵¹. Investigating these enables lessons to be learned, shared, and applied to prevent more serious incidents (possibly resulting in injury or ill health) occurring in the future.

5,007 non-injury events were reported across the Defra group in the reporting period. This equates to one in every six employees reporting a near miss incident during the reporting period (which is a positive increase comparable with last year of 4,277 and one in seven employees reporting an incident). This reflects a positive culture and awareness of the benefits of reporting non-injury events to prevent actual harm. No reports of Dangerous Occurrences had to be made to the HSE under RIDDOR. Non-injury reports included:

- 3,620 near miss incidents reported by employees across Defra group.
- 1,387 reports of hazards, or unsafe conditions or working practices, enabling faults to be repaired or rectified before any near miss, or more significant, incidents occurred.

⁵¹ an incident which could have caused an injury e.g., when someone slips on a wet floor but is not injured; when opening a gate, a person traps fingers but does not hurt themselves, when a car skids but does not crash; when a fixture falls from a ceiling but does not hit anyone etc.

Prosecutions/HSE Interventions

The following formal enforcement letters were received by Defra group organisations during the reporting period.

Organisation /Month of enforcement	Type/Body e.g. HSE notice	Why enforcement/intervention received	Preliminary actions taken (if applicable) or lessons learned
APHA March 2024	HSE letter: Cybersecurity	Non-compliance with HSE requirements for IACS (Industrial Automation and Control Systems) with respect to SAPO4 facilities.	Development and implementation of an IACS CSMS, including relevant policies, processes, procedures, and work instructions, to ensure the effective management of IACS cyber security at the Weybridge site. HSE visit in April 2024 confirmed no additional actions are required. APHA and Defra group Property are working collaboratively on actions required for the site.
APHA February 2024	HSE letter: Starcross Laboratory	Site inspection identified improvements required for planned preventative maintenance assurance processes.	APHA reviewing and revising procedures to ensure assurance that during ppm shutdown periods, any issues are identified and remedied prior to the facilities being returned to operational use. This is relevant to all facilities across APHA sites where work with hazardous biological agents is undertaken. APHA and Defra group Property are working collaboratively on the actions and response.

Complaints to the Parliamentary and Health Service Ombudsman (PHSO)

Complaints are received and dealt with at three levels within the Core department.

Level one - by the Defra Service Standards Complaints Adjudicator.

Level two - at a senior level within the relevant business unit.

Most complaints are resolved at levels one and two. Complainants who remain dissatisfied after level two can take their complaint to the PHSO.

Defra’s complaints procedure can be found online⁵². Each part of Defra’s group has its own complaints procedures which can be viewed on its website.

Learning from complaints is a key priority for the entire Defra group. The Defra group is sharing information on ways of working and lessons learnt and working with PHSO to improve complaints handling.

From 1 April 2023 to 31 March 2024 1 complaint was accepted for investigation by the PHSO relating to the Defra group.

Department for Environment, Food and Rural Affairs	Received	Concluded at preliminary/assessment	Premature	Not properly made	Withdrawn	Other	Resolution	Early Consideration	Accepted for investigation
2023-24	100	87	-	-	-	9	4	1 (with PHSO)	1 (with PHSO)

These figures are a snapshot of complaints with PHSO between April 2023 and March 2024. Not all complaints accepted for investigation in that period will be resolved in the same period and some cases resolved will have been accepted for investigation in the previous year.

Human Rights Disclosure

There has not been any successful litigation against Defra alleging a breach of the Human Rights Act 1998. All Defra primary legislation introduced into Parliament and all Defra statutory instruments during the relevant period which were subject to the affirmative procedure, or which amended primary legislation, have been accompanied by a statement of compatibility with the ECHR. No Parliamentary committee has adversely reported any Defra legislation for breach of the Human Rights Act 1998.

⁵² <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/complaints-procedure>

Staff and Remuneration Report

The staff and remuneration report provides information on people in Defra and sets out the entity's remuneration policy for directors, how that policy has been implemented, sets out the amounts awarded to directors, and where relevant, the link between performance and remuneration. It also provides details on remuneration and staff that Parliament and others see as important to accountability.

Staff Report



People Survey

Civil Service People Survey 2023

The Civil Service People Survey ran from 19 September to 23 October 2023. The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of working in government departments. 2023 was the fifteenth consecutive year in which the Cabinet Office has conducted the annual Civil Service People Survey. The combined response rate for Defra and the participating agencies (Rural Payments Agency (RPA); Animal and Plant Health Agency (APHA); Veterinary Medicines Directorate (VMD) and Centre for Environment, Fisheries and Aquaculture Science (Cefas)) was 74 per cent (up from 66 per cent in 2022). The overall response rate for the Civil Service was 65 per cent (no change from 2022).

Summary of results

2023 was a challenging year for staff with ongoing dissatisfaction with pay, with the outcome of our pay remit case not known at the time of the survey. The Employee Engagement Index scores were below the Civil Service benchmark of 64 per cent across all Defra participating agencies. Our corporate Defra engagement index remained the same as 2022 at 60 per cent. In the Core department, our Engagement Index increased from 60 per cent in 2020 to 61 per cent in 2023.

Across the five organisations who take part in the survey, there was some variation in results, with the Core department, APHA and VMD seeing generally positive increases in results. Corporately, Defra's performance across the nine survey themes remained similar compared with 2022. The scores across the nine themes of the 2023 survey and the engagement index for Defra and the participating agencies are set out below.

	Corporate	APHA	Cefas	Core	RPA	VMD
Total Returns	9,535	2,070	526	5,203	1,599	137
Employee Engagement Index	60%	57%	62%	61%	58%	63%
My work	75%	73%	82%	77%	69%	82%
Organisational objectives and purpose	79%	81%	73%	77%	84%	94%
My manager	78%	73%	74%	77%	77%	75%
My team	82%	78%	80%	84%	81%	85%
Learning and development	56%	53%	58%	57%	54%	49%
Inclusion and fair treatment	80%	75%	79%	82%	80%	81%
Resources and workload	71%	68%	71%	71%	72%	74%
Pay and benefits	20%	15%	21%	21%	21%	20%
Leadership and managing change	48%	42%	47%	50%	50%	64%

The most significant change in theme score at a corporate level was learning and development with an increase of 4 percentage points. Full results of the Civil Service People Survey are published on gov.uk.

Further Action

Defra’s executive and local leaders have reviewed all results collected in this year’s survey. We are taking a dual corporate and local approach to taking action, working across the organisation to understand what is working well and where we can improve. Over 500 line-managers have attended support sessions to become more confident in understanding the survey data, and in leading local changes in response to survey feedback. At an organisation level, we have three key priorities to progress during 2024:

1. Wellbeing: Focus on Bullying, Harassment and Discrimination, and factors influencing the Proxy Stress and Perma indexes.
2. Purpose: Focus on people’s personal connection to Defra’s purpose and leadership role in engaging people in our vision for the future.

3. Employee Offer: Focus on what it means to work in Defra and develop a new Employee Value Proposition with more focus on career development and pride.



Recruitment Practice

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



Employee Composition

Defra continues to monitor the make-up of its workforce by gender which is described in the table below. During recruitment and selection processes applications are anonymised up until the interview stage; interview panel members are required to undertake unconscious bias training; and single gender selection panels are allowed by exception only.

The table below shows the gender split as at 31 March 2024.

Employee Composition	Male	Female
Senior officials on the Defra board	2	2
Ex Officio on the Defra board	0	0
Ministers	5	1
Non-executive directors for the Defra group ¹ (excluding Ex Officios on the Defra board)	46	36
Management employees (SCS grade or equivalent) for the Defra group ¹ (excluding senior officials on the Defra board)	225	203
All other employees for the Defra group ¹	15,339	17,388
Total	15,617	17,630

¹Defra group includes the Core department, executive agencies, non-departmental public bodies (NDPBs), levy bodies, Flood Re, and the National Forest Company. Figures are by headcount.



Diversity and Inclusion

The Defra group Equality, Diversity and Inclusion (EDI) strategy 2020-24 sets five strategic objectives:

- Create more inclusive cultures.
- Build and sustain a diverse workforce.
- Enhance our capability to make the UK a great place for living.
- Improve EDI capability and confidence.
- Communicate, raise awareness and report progress.

The Strategy encompasses all areas of inclusion, but identifies priorities where evidence indicates the greatest need for improvements, namely in relation to ethnic minority employees, disabled employees, and to respect at work.

The Strategy applies across all Defra organisations.

The Strategy aligns with the Civil Service Diversity and Inclusion Strategy published in 2022. The Defra EDI Delivery plan for 2023-24 identified three key areas of focus to deliver the Strategy:

- Enable an inclusive culture where all people can thrive in the workplace.
- Build organisational and managerial capability and awareness of EDI.
- Enable inclusive recruitment practices and processes.

Examples of key achievements in 2023-24 include:

- Maintaining the highest level of Disability Confident status accreditation. Expanding our EDI for line managers learning offer, with 1,457 line managers attending the module between August and December 2023 from all Defra group organisations. In addition to this 75 per cent of SCS received Let's Talk about Race training by December 2023.
- Commissioning the Business Disability forum to complete a review of our workplace reasonable adjustments policies and practices, across Defra, its executive agencies, Environment Agency and Natural England – recommendations of which will be integrated into next year's delivery.

- HR EDI successfully led Defra groups participation in the Loughborough University / Cabinet Office Organisational Readiness Pilot to test staff perceptions of our readiness to implement change regarding bullying, harassment and discrimination (BHD). The 2,508 responses contribute to a robust dataset that we are using to strengthen our BHD support to staff and ensures our approach to EDI work is data-driven and evidence-led.
- Development and implementation of Defra group’s principles of communication and establishment of the new intranet moderation process and panel. This brings together improved efficiency and visibility to the complaints process under the principles of communication, managing associated risk and ensuring employees communicate respectfully, professionally and inclusively.
- Following a review of the Defra group Equality Impact Assessment (EqIA) processes, new supportive guidance, templates and the SharePoint site were launched in November 2023 to support Defra group organisations’ compliance with the Public Sector Equality Duty. The SharePoint site operates across Defra group and contains both video and written guidance, forms and a repository containing completed EqIA’s.
- Completed EqIA’s can aid individuals with identification of potential assessment considerations for their own projects or to review their own assessments during project progress. The establishment of the EqIA supporters ensures support for colleagues who have not previously completed an EqIA.

The table below shows our declaration rates for disability, ethnic origin and sexual orientation. In 2023-24, we saw a decrease in declaration rate for ethnic origin, but have seen an increase in declaration rates for both disability and sexual orientation:

Year end	Disability %	Ethnic Origin %	Sexual Orientation %
March 2020	88.0	87.5	74.9
March 2021	88.4	87.8	76.3
March 2022	88.2	87.5	77.1
March 2023	85.8	92.4	80.2
March 2024	86.8	91.0	81.5
Variance to 2023	1pp*	-1.4pp*	1.3pp*

*Percentage points

Workforce Diversity

The overall diversity profile of employees across Defra, its executive agencies, the Environment Agency (EA) and Natural England (NE) is presented in the table below¹. This table shows comparisons between March 2021 and March 2024. Representation of each of these groups, except for ethnic minority groups, exceeds representation in the UK working age population. Ethnic minority representation has increased slightly year on year since March 2021, but there is clearly more to do to reflect the ethnic diversity of the communities we serve.

Diversity characteristic	March 2021 % Representation	March 2022 % Representation	March 2023 % Representation	March 2024 % Representation	% in UK Working Age Population
Women	50.5	49.4	52.0	52.3	50.0
Disabled	14.1	14.7	16.8	17.3	16.3
Ethnic Minority	6.5	7.0	7.5	8.3	15.0
LGBO*	5.3	6.1	7.1	7.8	4.6

*Note: when collecting data as to sexual orientation staff are offered the options of: Heterosexual / Straight; Lesbian or Gay; Bisexual; or Other Sexual Orientation. ‘LGBO’ refers to staff who have selected one of the latter three options.

Diversity by grade across Defra and its executive agencies (as at 31 March 2024) is shown in the following table – with AA/AO the most junior and SCS the most senior. ‘Other’ relates to grades in the EA where the grade structure does not map to Civil Service grades.

Grade	% Disabled	% Women	% BAME	% LGBO
AA/AO	21.7	57.1	9.9	9.9
EO	17.9	53.3	9.5	8.1
HEO/SEO	17.2	54.8	8.3	8.1
G7/G6	15.2	49.6	6.9	6.0
SCS	14.2	49.0	6.9	7.9
Other	12.8	13.0	3.6	4.8
Group Total	17.3	52.3	8.3	7.8

Staff Policies

Defra follows the Civil Service Commission’s Recruitment Principles to ensure that all recruitment processes are fair and open. Defra has achieved Disability Confident accreditation at the highest level, and as part of that scheme offers interviews to all disabled candidates who meet the minimum requirements for the post advertised, and who have indicated on their application form that they are eligible under the scheme. Defra invites all candidates to indicate whether they will require any adjustments at interview and seeks to meet the needs of all such candidates, to ensure that they are able to participate fully and to give their best at interview. Representation of employees across the Defra group who have indicated a disability or long-term health condition has increased year on year from March 2021, and is now at 17.3 per cent of the workforce.

Defra provides workplace adjustments for all staff who are disabled, including staff who have become disabled during the period of their employment with Defra. Defra, in collaboration with our Disability Networks and Carers Network, has developed Disability and Carer Confident training for line managers, which addresses the role of line managers in supporting disabled staff, including offering workplace adjustments. Defra has a range of disability networks and has established a Disability Board bringing together Disability Champions from across Defra group, to ensure that the voice of disabled staff is heard, and their needs are addressed.

Following a comprehensive review of Workplace Adjustment policy and processes across Defra group, work has continued to develop one Defra group Workplace Adjustments policy and process. This will ensure greater consistency of application, provide greater clarity for employees, and address some organisational concerns regarding both the robustness and fairness of previous approaches. To improve our employee offer, a refresh of our Disability Leave Policy; an introduction of a Priority Moves on Medical Grounds Process (for CS organisations), and a refresh of Employee Moves on Medical Grounds (for Environment Agency and Natural England) will be implemented alongside the Workplace Adjustments policy / process. The new Workplace Adjustments policy and process was launched in October 2024.

Defra's Attendance Management policies are under review as part of the new Modernising Attendance policy which is currently being developed. This will enable a harmonised policy on managing health for all, and improve the employee offer for employees with disabilities and long-term health conditions, ensuring they are adequately supported.

Defra participates in the cross government Beyond Boundaries development programme, targeting disabled staff as well as ethnic minority staff and staff from lower socio-economic backgrounds. Defra recognises that there is more to do to ensure proportionate representation of disabled staff at senior grades and has developed a new People Performance framework which went live in most Defra organisations in April 2023, and which has equality, diversity and inclusion at its heart. The framework has a strong emphasis on supporting all staff to develop and progress, with a particular emphasis on workplace adjustments and the needs of disabled staff.

Public Appointments

Defra has ambitious plans for improving the diversity of its public appointees to better reflect the communities our arm's length bodies serve, but we need to do more. In 2023-24, nine per cent of candidates applying for Defra public appointments were of ethnic minority or disabled, with 6.6 per cent of those reaching the appointed stage. We note that there is more work to be done to support these candidates to progress further in the appointment process.

The team circulates a monthly newsletter to showcase diversity initiatives, has created a Talent Pool database of promising potential candidates and develops a bespoke candidate list for each recruitment campaign which focuses on candidates from underrepresented groups. We also continue to maintain a list of independent panel members from under-represented groups or who have expertise in diversity and inclusion.

We have also made significant progress with the Boardroom Apprenticeship pilot scheme which is now in its second year. Sponsored by the Department for Levelling Up, Housing and Communities, and strongly supported by our Permanent Secretary, the scheme provides a twelve-month learning and development placement that prepares people (all ages, backgrounds, and abilities) for board roles in the public and third sector.

Diversity characteristic	% Representation of all current public appointments	% Representation of public appointments made in 2022-23	% Representation of public appointments made in 2023-24
Women	40.5	56	46.6
Disabled	2.5	0	6.6
Ethnic Minority	5	0	6.6



Gender Pay Gap

The Defra Civil Service Gender Pay Gap Report for 2022-23 (published in November 2023) showed that there has been an increase in both the mean (6.6 per cent) and median (11 per cent) gender pay gaps of 1 percentage point and 4.4 percentage points respectively since 2022. This contrasts with the previous year on year decrease from 2017 to 2022.

Defra Civil Service mean and median pay gaps (2017-23)

Defra Civil Service	2017	2018	2019	2020	2021	2022	2023	% Difference from 2022
Mean Gender Pay Gap	11.5	9.8	8.4	7.2	6.7	5.6	6.6	1
Median Gender Pay Gap	12.1	11.7	9.4	7.4	6.8	6.6	11	4.4

The table below shows the gender and grade split for Defra Civil Service as at 31 March 2024.

Defra Civil Service workforce split by grade and gender

Grade (Increasing in seniority)	Number of women (Women as % of workforce at this grade)	Number of men (Men as % of workforce at this grade)
AA/AO	1,523 (60%)	1,008 (40%)
EO	1,348 (60%)	893 (40%)
HEO	1,376 (57%)	1,025 (43%)
SEO	1,470 (56%)	1,161 (44%)
G7	1,166 (52%)	1,059 (48%)
G6	370 (48%)	396 (52%)
SCS	117 (49%)	120 (51%)
Grade unknown	18 (55%)	15 (45%)
Grand Total	7,388 (57%)	5,677 (43%)

We continue to work to narrow the pay gap further, and to seek parity between women and men at all grades. Our Defra group Gender Board, chaired by our Executive Gender Champion, works to promote gender equality.

Some examples of actions taken in 2023-24 include:

- Embedding inclusive practices into our attraction, recruitment and selection processes.
- Supporting career development through targeted opportunities.
- Our diversity networks offer networking and peer support opportunities.
- Ensuring transparent and consistent workplace policies focussing on workplace equality (for example, blended working, pregnancy loss, fertility treatment and shared parental leave).
- Demonstrating our commitment to fair and inclusive cultures in the workplace by becoming a disability confident leader and carer confident.
- Building capability and awareness of workplace equality, diversity and inclusion for all line managers through conscious inclusion training.
- Promoting the benefits of job-sharing.

- Reviewing our policies in relation to travel and personal safety to empower women to make decisions that put their safety first.
- Introducing guidance and discussion toolkits to encourage informed conversations about menstruation and consideration of any workplace adjustments required.
- Defra has secured White Ribbon accreditation, demonstrating our commitment to work to change the cultures that lead to abuse and violence and to promote gender equality.

Health and Wellbeing

An integrated approach to health and wellbeing can be a core enabler of employee engagement and organisational success. It is an outcome of many factors and requires a whole organisational response to be impactful. In Defra group we recognise that to make a difference and gain real benefit, wellbeing must be integrated consistently throughout the organisation, embedded in culture and values, leadership, people management and decision making. This is why we have set our wellbeing ambition around these aspects.

The operating environment remains complex with many challenges and pressures impacting our people and their wellbeing. While we have a range of measures in place to support our peoples' health and wellbeing, these have been met with varying degrees of success across the Defra group organisations.

Our PERMA⁵³ Index, which tells us the extent to which our people are flourishing in the workplace has increased in the 2023 People Survey by one percentage point, and our Proxy Stress Index has remained the same.

Against the four national statistics for personal wellbeing, the positive measures, Life Satisfaction, Worthwhile and Happiness, have all increased, however, remain lower than the Civil Service benchmark.

In self-rated health, both mental health and physical health have remained largely static, with self-rated mental health now at 69 percent, and physical health at 70 percent. These both remain lower than the Civil Service benchmarks (-3 percentage points and -2 percentage points respectively). Additionally, levels of subjective anxiety in Defra continue to remain higher than the Civil Service average.

Encouragingly, 73 per cent of employees felt they achieved a good work-life balance, however, those feeling their workloads were unacceptable has risen by 2 percentage points in 2023, from 40 to 42 percent, a result of continuing pressures on the business and our people.

We have noted an upward trend in Average Working Days Lost (AWDL), and mental health absence, however, Defra's AWDL remains significantly below the Civil Service benchmark.

Last year we set out our vision for health and wellbeing in the Defra group and invested time in raising awareness of the wellbeing offer across our workforce. In response, many more

⁵³ PERMA Index is a measure of wellbeing covering Positive Emotion, Engagement, Relationships, Meaning and Achievement.

Defra colleagues accessed the wellbeing support for a range of interventions and services. This is a positive step and indicates that our people are being supported to pro-actively manage, maintain, and improve their wellbeing, however, we recognise there is still more progress to be made.

We have started to survey colleagues who access the wellbeing support offer and we are consistently seeing satisfaction rates of around 98 per cent with good clinical and workplace outcomes. However, we recognise there is more progress to be made in capturing colleagues who would benefit from support who are not currently accessing it. We have plans in place to empower our people through self-referral into the specialist services and we continue to adapt our offer to ensure it remains relevant and is adequately supporting business and employee needs.

This year we are developing a health and wellbeing strategy and delivery plan to drive consistency of approach and outcomes across Defra group. We will set priorities that align to this strategy, making intelligent use of data and other insights to understand the key drivers of wellbeing and what influences job, as well as life, satisfaction. We will ensure our approach and interventions are innovative, prevention focussed, respond to business, societal and colleague need, and are based on sound rationale.

Through our recently launched menopause and menstruation policy and framework, and the up-skilling we are providing managers and employees about neurodiversity and hidden disabilities, we are demonstrating our awareness of issues that are topical across society. We will continue to further develop these important subject areas. We continue to keep abreast of wider cross-government priorities, including the Civil Service Health and Wellbeing Standards, and regularly assess our own status against other government departments.

We have metrics in place to track the progress we are making in this important area and mitigate our wellbeing risk. We will continue to build on this by refining our health and wellbeing dashboard, which will continue to iterate as our approach to wellbeing across Defra group further matures.

Our Executive Team have recently agreed wellbeing as one of three priority areas in 2024 – focusing on the organisational factors that influence the Proxy Stress and PERMA indexes, plus bullying, harassment, and discrimination. This will help us make positive progress towards our vision for wellbeing in Defra group.

Managing Attendance

A corporate approach for managing attendance is in place across Defra, as part of supporting the wellbeing of our people and maintaining good levels of attendance at work. Our focus is on ensuring our people are getting the right support at the right time to help them attend work, or if they are absent due to ill health, to successfully return to the workplace. We advocate a pro-active approach to health and wellbeing, equipping both individuals and line managers to manage any issue related to health and wellbeing in a timely and proactive way so people who are able to work can do so.

Our options for support comprise extensive guidance and tools to equip line managers and staff to maintain their own and others' wellbeing as part of delivering well. We also provide

Occupational Health advice and intervention, counselling, access to Headspace, mental health first aiders, advisory services through our employee assistance programme and a network of colleague buddies. We aim to prevent work related ill-health and injury by implementing safe working practices, monitoring and addressing underlying causes.

For Defra and its executive agencies, an average of 4.4 working days per employee was lost to sickness absence during the year to 30 June 2023. In comparison, Civil Service is 7.8 days in the year ending 30 June 2023 down from 8.2 days in the year ending 30 June 2022.

The policy is currently undergoing a review and refresh. It is anticipated that the flexibility of the framework and work in improving manager capability will encourage managers to use the policy and improve the employee experience. This aligns to our future Defra commitment: thriving people, supporting people’s physical and mental health and wellbeing.

Trade Union (TU) Facility Time

The three unions recognised by the Core department and its agencies for the purposes of consultation and negotiation are the Public and Commercial Services union (PCS), Prospect and FDA. An employee relations framework helps define this relationship.

In accordance with the requirements of the TU (Facility Time Publication requirements) Regulations 2017, the following is a summary of facility time⁵⁴ in the Core department and its agencies during the 2023-24 year.

Number of employees who were relevant union officials during the relevant period.

Total number	Number of FTE employees
23	21.9

Number of employees who were union officials during the relevant period and the percentage of their working hours spent on facility time.

Percentage	Number of employees
0%	0
1-50%	23
51-99%	0
100%	0

Percentage of the total pay bill spent on facility time.

Total cost of facility time	£123,982
Total pay bill	£411,010,000
Percentage of the total pay bill spent on facility time	0.0302%

Paid TU activities.

Time spent by trade union officials during the financial year on paid trade union activities as a percentage of total paid facility time hours.	0
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There is no statutory entitlement to paid time off to undertake TU activities.

⁵⁴ Facility time is when an employee takes time off from their normal role to carry out their duties and activities as a trade union official.

However, TU officials are entitled to reasonable paid time off to participate in TU duties. TU information for our NDPBs which are in scope for this disclosure can be found in their individual Annual Report and Accounts (ARA).

Further guidance on the facility time publication requirements can be found online at <https://www.gov.uk/government/publications/trade-union-facility-time-publication-requirements>.

Number of Senior Civil Service Staff (or Equivalent) by Band

The table below includes information on NDPBs that are assessed through a different job evaluation system. To enable a consistent understanding of respective roles, and in line with previous years, salary has been used for comparison purposes. Work relating to talent and succession management provides additional assurance in terms of general comparability.

	Core department	Defra group
SCS Permanent Secretary	2	2
SCS Pay band 3 or equivalent	4	13
SCS Pay band 2 or equivalent	32	75
SCS Pay band 1 or equivalent	160	335

Flood Re employees are excluded as they cannot be allocated against SCS pay bands. The figures stated are as at 31 March 2024.

Consultancy and Temporary Staff Expenditure

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

	2023-24			
	Core department	Agencies	NDPBs	Departmental group
	£000	£000	£000	£000
Consultancy expenditure	34,502	7,876	119,067	161,445
Temporary staff expenditure	108,089	22,882	22,020	152,991
Total	142,591	30,758	141,087	314,436

	Restated 2022-23			
	Core department	Agencies	NDPBs	Departmental Group
	£000	£000	£000	£000
Consultancy expenditure	23,508	5,651	106,721	135,880
Temporary staff expenditure	81,154	23,543	21,540	126,237
Total	104,662	29,194	128,261	262,117

Overall, consultancy expenditure has increased by £25.6 million and temporary staff costs have increased by £26.8 million compared with the prior year.

The increase in consultancy costs for 2023-24 has been driven by changes in the EA to the way that some project accounting costs can be treated, with costs being classified within consultancy during 2023-24 that were previously accounted for as capital works expensed in year (CWEIY).

In addition to this, consultancy staff costs in the Core department have also increased by £11 million due to an increased demand for consultancy staff providing technical support on key IT projects and the borders and boundaries programme. Additional specialist consultancy services were also required to support the GRASP project.

The Core department is the primary contributor to the increase in temporary staff costs, with costs raising by £26.8 million. The increase is largely due to an increase in temporary staff in order to carry out the Estates Critical works Programme and deliver key IT projects along with an increase in costs due to specialist works on the borders and boundaries programmes and on the Collections and Packaging Reform programme.

Staff Costs

The following staff costs, average number of persons employed and exit packages information is audited by the Comptroller and Auditor General.

Staff costs for Defra group comprise:

				2023-24	Restated 2022-23
	Permanent Employed Staff	Others	Ministers	Total	Total
	£000	£000	£000	£000	£000
Salaries and wages	1,315,653	184,467	157	1,500,277	1,274,266
Social security costs	152,646	706	17	153,369	130,535
Other pension costs	200,659	821	4	201,484	173,856
Sub total	1,668,958	185,994	178	1,855,130	1,578,657
Less: recoveries in respect of outward secondments	(3,888)	(1,716)	-	(5,604)	(4,033)
Net costs (cash)	1,665,070	184,278	178	1,849,526	1,574,624
Non-cash pension charges	94,434	-	-	94,434	197,470
Total net costs	1,759,504	184,278	178	1,943,960	1,772,094

The prior year restatement relates to the EA project accounting prior period adjustment. Further detail is provided in Note 19.

Total staff costs, as shown in the table above, include staff time which has been capitalised in the financial statements as it relates to eligible project spend; the amounts shown in Note 3.1 are only those cash-based staff costs which have been expensed in year.

Defined benefit pension costs for those schemes recognised in the departmental group accounts (Note 16) are not included in Note 3.1 since they are non-cash; they appear instead at Note 3.2. Employer pension contributions for on-Balance Sheet schemes are not

included either here or in the accounts to avoid double-counting but are disclosed at Note 16. The non-cash service costs related to these schemes have been included in Note 3.2, and are included in the previous table, and therefore appears in the table below as a reconciling item.

The following table reconciles these two presentations.

	Charged to Administration Budget	Charged to Programme Budgets	2023-24 Total	Charged to Administration Budgets	Charged to Programme Budgets	Restated 2022-23 Total
	£000	£000	£000	£000	£000	£000
Of which:						
Core department and agencies	520,468	381,510	901,978	443,718	331,358	775,076
NDPBs	35,985	857,947	893,932	97,954	653,269	751,223
Net total cash-based SoCNE (Note 3.1)	556,453	1,239,457	1,795,910	541,672	984,627	1,526,299
Staff costs capital:						
Core department and agencies	-	-	12,075	-	-	12,269
NDPBs	-	-	47,145	-	-	40,089
Less: recoveries in respect of outward secondments	-	-	(5,604)	-	-	(4,033)
Add: non-cash service charges for on Balance Sheet pension schemes (Notes 16 and 3.2)	-	-	94,434	-	-	197,470
Total net costs	-	-	1,943,960	-	-	1,772,094

Defra board (the Board) remuneration is included in the Remuneration Report. Special Advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all Special Advisers across government is managed by the Cabinet Office, with corresponding budget cover transfers. Therefore, all Special Adviser costs are now reported in the Cabinet Office ARA. Special Advisers remain employed by the respective department of their appointing Minister.

Civil Service Pension Schemes

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but Defra is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2020. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation here.⁵⁵

For 2023-24, employers’ contributions of £186.8 million were payable to the PCSPS (2022-23 £165.5 million) at one of four rates in the range 26.6 per cent to 30.3 per cent of pensionable earnings, based on salary bands.

⁵⁵ Resource accounts - Civil Service Pension Scheme (<https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/>)

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 2023-24 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Other Pension Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2023-24, employers' contributions of £0.8 million (2022-23, £0.8 million) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8 per cent to 14.75 per cent (2022-23, 8 per cent to 14.75 per cent). Employers also match employee contributions up to 3 per cent of pensionable earnings. In addition, employer contributions of £36,000 for 2023-24 (2022-23, £7,000), 0.5 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £Nil (2022-23, £Nil). Contributions prepaid at that date were £Nil (2022-23, £Nil).

In addition to the schemes listed above, EA operates a funded defined benefit scheme, and some other delivery bodies operate small defined contribution schemes. The overall arrangements for these schemes are described in Note 16.1, and information on contributions paid and amounts chargeable to the SoCNE are disclosed in Note 16.2. Further details of these schemes can be found in the ARAs of the relevant delivery bodies. There was one individual in the Core department (2022-23, none) who retired early on ill health grounds. Their total additional accrued pension liabilities in the year amounted to £35,705 (2022-23, £Nil).

Loans are made to employees to cover season ticket advances and to relocate. As at 31 March 2024, there were no outstanding balances from Core department senior officials.



Average Number of Persons Employed

The average number of whole-time equivalent persons employed within the Defra group during the year was as follows;

Activity				2023-24	2022-23
	Permanent Employed Staff	Others	Ministers	Total Number	Total Number
Environment Agency	11,326	915	-	12,241	10,692
Natural England	2,944	90	-	3,034	2,795
Animal and Plant Health Agency	2,775	293	-	3,068	3,045
Rural Payments Agency	2,614	15	-	2,629	2,669
Core department	6,114	937	5	7,056	6,916
Others	4,043	290	-	4,333	4,010
Staff engaged on capital projects	947	85	-	1,032	996
Total	30,763	2,625	5	33,393	31,123

Activity	2023-24			2022-23
	Permanent Employed Staff	Others	Ministers	Total Number
Of which:				Total Number
Core department and agencies	13,126	1,444	5	14,575
NDPBs	17,637	1,181	-	18,818
Total	30,763	2,625	5	33,393

As at 31 March 2024, the department had four Special Advisers working with Ministers and paid by the Cabinet Office.

Staff Turnover

The departmental staff turnover rate in the 12 months up to 31 March 2024 was 13.8 per cent, compared to 15.6 per cent up to 31 March 2023. This indicates a shift in the turnover trend of the past years as, between March 2022 to March 2023, we had observed a substantial increase in the turnover rate from 11.8 per cent to 15.6 per cent. In last year's return, we have documented that the turnover rate up to March 2023 was accompanied by an increase in the number of fixed term appointment staff leaving the department at the end of their contracts who had been employed to support EU exit since 2017 and the COVID-19 Pandemic since March 2020. In this year's return and for the turnover rate up to March 2024, we observed significantly fewer fixed term appointment staff leaving in comparison to the 12 months up to March 2023. Overall, the decrease in the departmental turnover between March 2023 and March 2024 was driven by a substantial drop in the number of staff leaving for employment outside government while the number of staff leaving for other government departments has remained steady. Lastly, the average mean length of service of staff leaving has considerably increased from approximately 4.8 years to 5.8 years but further assessment of this observation is needed to understand the underlying drivers and the impacts for the department.

Reporting of Civil Service and Other Compensation Schemes – Exit Packages

Cost band	2023-24			2022-23		
	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages
< £10,000	4	2	6	5	-	5
£10,000 - £25,000	1	1	2	2	1	3
£25,001 - £50,000	-	1	1	4	-	4
£50,001 - £100,000	1	-	1	1	3	4
£100,001 - £150,000	-	-	-	-	1	1
Total number of exit packages by type	6	4	10	12	5	17
Total resource cost (£000)	103	52	155	287	397	684

Department for Environment, Food and Rural Affairs Annual Report and Accounts 2023-24
 Staff and Remuneration Report – Staff Report

	Number of Compulsory Redundancies	Number of Other Departures Agreed	2023-24 Total Number of Exit Packages	Number of Compulsory Redundancies	Number of Other Departures Agreed	2022-23 Total Number of Exit Packages
Of which:						
Number of cases						
Core department and agencies	-	-	-	-	2	2
NDPBs	6	4	10	12	3	15
Total	6	4	10	12	5	17
Resource cost (£000)						
Core department and agencies	-	-	-	-	190	190
NDPBs	103	52	155	287	207	494
Total	103	52	155	287	397	684

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the Pension Scheme and are not included in the table.

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a Special Adviser's appointment automatically ends when their appointing Minister leaves office. Special Advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months' salary. If a Special Adviser returns to work for HM government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for Special Advisers are reported in the Cabinet Office Annual Report and Accounts.

Off-Payroll Appointments

Information on off-payroll engagements is set out in the following tables. Off-payroll means anyone who is working for the department or a delivery body but is not paying PAYE (Pay As You Earn) or National Insurance via the departmental payroll.

Highly paid off-payroll worker engagements as at 31 March 2024, earning £245 per day or greater.

	Core department	Agencies	ALBs	Departmental Group
Number (No.) of existing engagements as of 31 March 2024	662	110	198	970
Of which, no. that existed:				
less than 1 year	427	67	94	588
for between 1 and 2 years	135	24	46	205
for between 2 and 3 years	49	10	29	88
for between 3 and 4 years	32	4	14	50
for 4 or more years	19	5	15	39

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2024, earning £245 per day or greater.

	Core department	Agencies	ALBs	Departmental Group
No. of temporary off-payroll workers engaged during the year to date 31 March 2024	1053	118	320	1491
of which:				
Not subject to off-payroll legislation.	1040	117	106	1263
Subject to off-payroll legislation and determined as in-scope of IR35.	5	0	47	52
Subject to off-payroll legislation and determined as out-of-scope of IR35.	8	1	167	176
No. of engagements reassessed for compliance or assurance purposes during the year.	838	1	178	1017
of which:				
No. of engagements that saw a change to IR35 status following review.	0	0	6	6

For any off-payroll engagements of board members, and / or, senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024.

	Core department	Agencies	ALBs	Departmental Group
No. of off-payroll engagements of board members, and / or senior officials with significant financial responsibility, during the financial year.	0	0	0	0
Total number of individuals on payroll and off-payroll that have been deemed 'board members, and / or senior officials with significant financial responsibility', during the financial year. This figure should include both on payroll and off- payroll engagements.	19	53	164	236

Remuneration Report

Remuneration Policy

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

The Core department develops its SCS reward strategy within the Cabinet Office framework, ensuring that the overall pay awards for the SCS are within the cost ceiling allowed.

Members of the SCS are eligible to be considered for individual levels of bonus as non-pensionable, non-consolidated variable pay (NCVP), based on their performance. NCVP is paid in the financial year after that in which it was earned. During 2023-24, NCVP for 2022-23 performance was paid to approximately 35 per cent of the SCS and was paid at £6,000 for deputy directors, directors and directors general receiving a box 1 marking, and £4,000 for those receiving a box 2 performance marking. NCVP values, informed by each individual's appraisal grade, were paid within Cabinet Office guidelines. Departments also have discretion to make in-year non-consolidated award payments to recognise outstanding contribution for SCS staff. These are limited under Cabinet Office guidance to a maximum of £5,000.

The Permanent Secretary is eligible to be considered for a NCVP bonus award measured against achievement of objectives, which for performance in 2022-23 was subject to a maximum of £17,500. Such awards are made by the Permanent Secretaries' Remuneration Committee, which comprises the Chairman of the SSRB (who acts as chair), two other members of the SSRB, the Cabinet Secretary and the Permanent Secretary of HM Treasury.

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

Service Contracts

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

Unless otherwise stated below senior officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found on the Civil Service Commission website.

Remuneration (including salary) and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the ministers and the board members who were employees of the department during 2023-24. The following tables in the Remuneration Report have been subject to audit.

Ministers (Audited)

	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
£	Salary	Salary	Pension Benefits*	Pension Benefits*	Severance Payments	Severance Payments	Total (to nearest £1000)	Total (to nearest £1000)
Rt. Hon. Steve Barclay MP (from 13 November 2023)	25,877	-	7,000	-	-	-	33,000	-
Rt Hon Mark Spencer MP	31,592	18,040	8,000	5,000	-	-	40,000	23,000
Rt.Hon. Robbie Moore MP (from 13 November 2023)	8,577	-	2,000	-	-	-	11,000	-
Rt Hon Lord Benyon**	-	33,316	-	10,000	-	-	-	43,000
Rebecca Pow MP***	22,375	15,578	5,000	-	-	5,593	28,000	21,000
Lord Robbie Douglas-Miller**** (from 1 December 2023)	-	-	-	-	-	-	-	-

*The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Ministers' pensions are disclosed to the nearest £000.

**From 13 November 2023, Rt. Hon. Lord Benyon became Minister of State jointly in the Foreign, Commonwealth and Development Office and the Department of Environment, Food, and Rural Affairs. His post at Defra has been unpaid since his move from Parliamentary Under-Secretary of State to Minister of State (unpaid) in October 2022.

***Rebecca Pow, who has previously chosen not to be covered by the pension scheme opted in to the pension scheme in 2023.

****Robbie Douglas-Miller's position as Permanent Under Secretary of State is unpaid.

Ministers who have served during 2023-24 but were not in post as at 31 March 2024
 (Audited)

£	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
	Salary	Salary	Pension Benefits*	Pension Benefits*	Severance Payments	Severance Payments	Total (to nearest £1000)	Total (to nearest £1000)
Rt Hon Dr Thérèse Coffey MP (until 12 November 2023)	41,628	28,127	10,000	7,000	16,876	-	68,000	35,000
Trudy Harrison MP (until 12 November 2023)	13,798	12,617	3,000	3,000	5,594	-	23,000	16,000

* The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Ministers' pensions are disclosed to the nearest £000.

Full year equivalent salary for ministers who served part year with Defra (Audited)

£	2023-24	2022-23
Rt. Hon. Steve Barclay MP (from 13 November 2023)	67,505	-
Rt.Hon. Robbie Moore MP (from 13 November 2023)	22,375	-
Rt. Hon. Dr Thérèse Coffey MP (until 12 November 2023)	67,505	67,505
Trudy Harrison MP (until 12 November 2023)	22,375	22,375
Lord Robbie Douglas-Miller (from 1 December 2023)	-	-
Rt. Hon. Mark Spencer MP	n/a	31,680
Rebecca Pow MP	n/a	22,375

Senior Officials on the Board (Audited)

£000	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
	Salary	Salary	Bonus Payment	Bonus Payment	Pension Benefit*	Pension Benefit*	Total	Total
Tamara Finkelstein Permanent Secretary	180-185	170-175	10-15	-	181	2	370-375	175-180
Nick Joicey** Second Permanent Secretary (from 17 July 2023)	110-115	-	-	-	9	-	120-125	-
Lucy Smith Director General	135-140	125-130	-	-	63	17	200-205	145-150
Iain King Chief Financial Officer	120-125	30-35	0-5	-	47	14	170-175	45-50

*The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Ministers' pensions are disclosed to the nearest £000.

**Nick Joicey continued to be paid by Cabinet Office until 31 July 2023. These payments are not included in the table above.

The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 on the basis of alpha membership for the period between 1 April 2015 and 31 March 2022 are reported in 2023-24 on the basis of PCSPS membership for the same period.

Senior Officials who have served during 2023-24 but were not in post as at 31 March 2024 (Audited)

£000	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
	Salary	Salary	Bonus Payment	Bonus Payment	Pension Benefit*	Pension Benefit*	Total	Total
Sarah Homer Director General (until 16 July 2023)	45-50	145-150	0-5	0-5	18	58	65-70	210-215

*The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Ministers' pensions are disclosed to the nearest £000.

The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 on the basis of alpha membership for the period between 1 April 2015 and 31 March 2022 are reported in 2023-24 on the basis of PCSPS membership for the same period.

Full year equivalent salary for part year officials (Audited)

£000	2023-24	2022-23
Nick Joicey Second Permanent Secretary (from 17 July 2023)	165-170	-
Sarah Homer Director General (until 16 July 2023)	155-160	-
Iain King Finance Director	n/a	110-115

Ex Officio Board Members

The Board had two ex officio members, Alan Lovell, the chair of EA and Tony Juniper, the chair of NE. Both ex officios were stood down on 2 February 2024.

The ex officio members did not receive any payment from the Core department for their duties on the board. For details of the remuneration of these ex officio members, please see the EA and NE ARAs as they are paid by these entities.

Salary

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

This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP £86,584 (from 1 April 2023) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department, and is therefore shown in full in the figures above.

The information given above relates to members of the Board. Equivalent information relating to the entities consolidated into the departmental accounts (as per Note 20: executive agencies, NDPBs, National Forest Company, Flood Re, Forestry Commission and levy funded bodies) is given in their separate ARAs.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2023-24 relate to performance in 2022-23 and the comparative bonuses reported for 2022-23 relate to the performance in 2021-22.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. No Defra officials received benefits in kind during the 2023-24 year.

Non-Executive Directors (NEDs) (Audited)

£	2023-24			2022-23		
	Fees Entitlement	Fees Paid**	Benefits in Kind	Fees Entitlement	Fees Paid**	Benefits in Kind
Colin Day	20,000	20,000	-	20,000	20,000	-
Heather Hancock (from 4 September 2023)	11,500	6,667	-	-	-	-
Chris Tyas (from 8 January 2024)	3,468	-	-	-	-	-

Non-Executive Directors who have served during 2023-24 but were not in post as at 31 March 2024 (Audited)

£	2023-24			2022-23		
	Fees Entitlement	Fees Paid**	Benefits in Kind	Fees Entitlement	Fees Paid**	Benefits in Kind
Lizzie Noel (until 10 May 2023)	1,660	1,660	-	15,000	15,000	-

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

Full year equivalent fees entitlement for part year Non-Executive Directors (Audited)

£	2023-24	2022-23
Heather Hancock (from 4 September 2023)	20,000	-
Chris Tyas (from 8 January 2024)	15,000	-
Lizzie Noel (until 10 May 2023)	15,000	-

Pension Benefits

Ministers (Audited)

£000	Accrued Pension at Pension Age as at 31 March 2024	Real Increase in Pension at Pension Age	*CETV at 31 March 2024	*CETV at 31 March 2023	Real Increase in CETV
Rt Hon Steve Barclay MP (from 13 November 2023)	5-10	0-2.5	122	111	5
Rt Hon Mark Spencer MP	0-5	0-2.5	70	56	6
Rt. Hon. Robbie Moore MP (from 13 November 2023)	0-5	0-2.5	2	-	1
Lord Benyon	-	-	-	-	-
Rebecca Pow MP**	0-5	0-2.5	7	-	5
Lord Robbie Douglas-Miller (from 1 December 2023)	-	-	-	-	-

*Start and end date of Cash Equivalent Transfer Value (CETV) is 31 March or date of joining or leaving the Board.

**Rebecca Pow, who has previously chosen not to be covered by the pension scheme opted in to the pension scheme in 2023.

Ministers who have served during 2023-24 but were not in post as at 31 March 2024 (Audited)

	Accrued Pension at Pension Age as at 31 March 2024	Real Increase in Pension at Pension Age	*CETV at 31 March 2024	*CETV at 31 March 2023	Real Increase in CETV
Rt Hon Dr Thérèse Coffey MP (until 12 November 2023)	5-10	0-2.5	97	83	7
Trudy Harrison MP (until 12 November 2023)	0-5	0-2.5	14	10	2

*Start and end date of Cash Equivalent Transfer Value (CETV) is 31 March or date of joining or leaving the Board.

The CETV at 31 March 2023 may differ to the figure shown in the 2022-23 ARA. This is due to a change in the factors used in part of the calculation

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at <https://mycpfpension.co.uk/wp-content/uploads/2019/09/ministerial-pension-scheme-rules.pdf>.

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report).

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1 per cent and the accrual rate is 1.775 per cent of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre and post 2015 Ministerial pension schemes.

Senior Officials on the Board (Audited)

£000	Accrued Pension as at 31 March 2024 and Related Lump Sum	Real Increase in Pension and Related Lump Sum at Pension Age	*CETV at 31 March 2024	*CETV at 31 March 2023	Real Increase in CETV	Employer Contribution to Partnership Pension Account (Nearest £100)
Tamara Finkelstein Permanent Secretary	110-115	7.5-10	2,284	1,936	168	-
Nick Joicey Second Permanent Secretary (from 17 July 2023)	60-65 plus lump sum 145-150	0-2.5 plus lump sum 0-2.5	1,312	1,248	6	-
Lucy Smith Director General	45-50	2.5-5	856	742	41	-
Iain King Chief Financial Officer	30-35	2.5-5	421	346	25	-

*Start and end date of CETV is 31 March or date of joining or leaving the board.

*The CETV at 31 March 2023 may differ to the figure shown in the 2022-23 ARA. This is due to a change in the factors used in part of the calculation

Any members affected by the [Public Service Pensions Remedy⁵⁶](#) were reported in the 2015 scheme for the period between 1 April 2015 and 31 March 2022 in 2022-23, but are reported in the legacy scheme for the same period in 2023-24.

Senior Officials who have served during 2023-24 but were not in post as at 31 March 2024 (Audited)

£000	Accrued Pension as at 31 March 2024 and Related Lump Sum	Real Increase in Pension and Related Lump Sum at Pension Age	*CETV at 31 March 2024	*CETV at 31 March 2023	Real Increase in CETV	Employer Contribution to Partnership Pension Account (Nearest £100)
Sarah Homer Director General (until 16 July 2023)	15-20	0-2.5	239	205	13	-

*Start and end date of CETV is 31 March or date of joining or leaving the board.

The CETV at 31 March 2023 may differ to the figure shown in the 2022-23 ARA. This is due to a change in the factors used in part of the calculation.

⁵⁶ <https://www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension>

Any members affected by the [Public Service Pensions Remedy⁵⁷](#) were reported in the 2015 scheme for the period between 1 April 2015 and 31 March 2022 in 2022-23, but are reported in the legacy scheme for the same period in 2023-24.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6 per cent and 8.05 per cent, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32 per cent of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

⁵⁷ <https://www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension>

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The Public Service Pensions Remedy⁵⁸ is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as “rollback”.

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position, for example, PCSPS benefits for that period.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member). The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the 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.

⁵⁸ www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

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, or 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.

Fair Pay Disclosures (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the lower quartile, median and upper quartile 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. The ratios shown below are in respect of total remuneration.

	2023-24	2022-23
	£000	£000
Highest paid director total remuneration	190-195	260-265
Lowest paid staff member total remuneration	15-20	15-20
	£	£
Lower quartile salary	27,599	25,915
Lower quartile total remuneration	29,224	26,174
Median quartile salary	35,857	32,717
Median quartile total remuneration	37,295	33,536
Upper quartile salary	45,525	44,066
Upper quartile total remuneration	47,159	44,428
	Ratio	Ratio
Lower quartile	6.6:1	10:1
Median quartile	5.2:1	7.8:1
Upper quartile	4.1:1	5.9:1

The 2023-24 ratios have reduced due to the difference in the highest paid directors remuneration and the additional prorated bonus of £1,500 for cost of living paid to eligible members of the workforce. In 2022-23, the highest paid director was an interim on a short term contract whose annualised remuneration was much higher than the usual pay scale.

Having followed public sector pay remit guidance for 2023-24, we believe that the median pay ratio is consistent with the pay, reward and progression policies for our employees.

Percentage change in total salary and bonuses for the highest paid director and the staff average.

	2023-24 Total salary and allowances	2023-24 Bonus Payments	2022-23 Total salary and allowances	2022-23 Bonus Payments
Staff average	6.30%	67.05%	2.62%	0.06%
Highest paid director	-43.78%	100%	36.45%	-100%

The majority of staff in eligible grades received a non-consolidated, prorated cost of living payment of £1,500. This has greatly influenced the rise in the percentage change. In 2022-23, the highest paid director did not receive a bonus, explaining the 100 per cent change shown.

The full year equivalent banded remuneration of the highest-paid director in the department in 2023-24 to 31 March 2024 was £190,000 - 195,000 (2022-23: £260,000 - 265,000). This was 5.2 times (2022-23: 7.8 times) the median remuneration of the workforce, which was £37,295 (2022-23: £33,536). No members of staff (2022-23: one member of staff) were paid more than the highest paid director.

In 2022-23, the highest paid director was an interim director on a short-term contact (less than six months). For more useful comparison purposes, the highest paid permanent member of staff at director level in 2022-23 to 31 March 2023 was £170,000 - 175,000. This was 5.1 times the median remuneration of the workforce, which was £33,536. Percentage change in total salary and bonuses for the highest paid director on this basis is 3.61 per cent against the staff average of 2.26 per cent.

Parliamentary Accountability and Audit Report

The parliamentary accountability and audit report describe how departments are financed through the Parliamentary Estimates process. Details are also provided regarding the regularity of expenditure, so that Parliament can be assured that funds have been expended in the manner intended. This meets the key accountability requirements to Parliament. The Certificate and Report of the Comptroller and Auditor General to the House of Commons is also included, as required by the Government Resources and Accounts Act 2000.

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS); the Government Financial Reporting Manual (FRoM) requires Defra to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provisions (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the voted limits set by its' Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly match to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (SOPS Note 1); a reconciliation of outturn to net operating expenditure in the Consolidated Statement of Comprehensive Net Expenditure (SOCNE), to link the SOPS to the financial statements (SOPS Note 2); a reconciliation of outturn to net cash requirement (SOPS Note 3); and an analysis of income payable to the Consolidated Fund (SOPS Note 4).

Unless specifically stated in the table the 2022-23 comparatives have been not restated.

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of the key terms is provided in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in Chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

Department for Environment, Food and Rural Affairs Annual Report and Accounts 2023-24
 Summary of Resource and Capital Outturn 2023-24

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial analysis, in the Performance Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

Summary of Resource and Capital Outturn 2023-24

The table below includes the results for the Core department, executive agencies, Forestry Commission, Flood Re and non-departmental public bodies.

		2023-24			2022-23
Note/Ref		Outturn Voted £000	Estimate Voted £000	Voted Outturn Compared With Estimate: Saving/ (Excess) £000	Outturn Total £000
Departmental Expenditure Limit					
Resource	SOPS 1.1	5,285,778	5,381,611	95,833	4,632,934
Capital	SOPS 1.2	1,984,115	2,112,646	128,531	1,463,708
Total		7,269,893	7,494,257	224,364	6,096,642
Annually Managed Expenditure					
Resource	SOPS 1.1	1,441,854	1,747,505	305,651	(449,687)
Capital	SOPS 1.2	13,216	31,355	18,139	9,084
Total		1,455,070	1,778,860	323,790	(440,603)
Total Budget					
Resource	SOPS 1.1	6,727,632	7,129,116	401,484	4,183,247
Capital	SOPS 1.2	1,997,331	2,144,001	146,670	1,472,792
Total Budget Expenditure		8,724,963	9,273,117	548,154	5,656,039
Non-Budget Expenditure	SOPS 1.1	176,947	210,000	33,053	79
Total Budget and Non-Budget		8,901,910	9,483,117	581,207	5,656,118

The table above details the 2023-24 figures for voted totals subject to parliamentary control and outturn. Refer to the Supply Estimates Guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net Cash Requirement 2023-24

		2023-24			2022-23
		Outturn Voted	Estimate	Voted Outturn Compared with Estimate: Saving/(Excess)	Outturn Total
		£000	£000	£000	£000
Net cash requirement	SOPS 3	6,463,599	7,418,027	954,428	5,914,173

Administration costs 2023-24

		2023-24			2022-23
		Outturn	Estimate	Voted Outturn Compared with Estimate: Saving/(Excess)	Outturn Total
		£000	£000	£000	£000
Administration costs		1,060,814	1,084,923	24,109	938,764

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The department has Prior Period Adjustments (PPAs) resulting from the incorrect categorisation of costs as capital DEL rather than resource DEL on EA projects during financial years 2014-15 to 2022-23. In addition to this, the department has a PPA relating to correcting revaluation errors from EA's quinquennial revaluation of land and building assets in 2020-21 along with subsequent indexation errors. It is proper for the department to seek parliamentary authority for the provision that should have been sought previously. In 2023-24, the following such PPAs have been made, which have been included within voted Supply in the Estimate.

PPA Description	Resource/Capital	DEL/AME	Amount (£000)
Reclassify costs from capital DEL to resource DEL for EA projects.	Resource	DEL	£176,508

Explanations of variances between the Estimate and outturn are given in the Financial Analysis section.

The notes on pages 200 to 305 form part of these accounts.

SOPS 1 – Outturn detail, by Estimate Line

SOPS 1.1 – Analysis of Resource Outturn by Estimate Line

	2023-24											2022-23
	Outturn						Estimate					Outturn
	Administration			Programme			Total	Total	Virements ¹	Net Total Adjusted for Virements	Outturn Compared to Estimate, saving/ (excess)	Net Total
Gross	Income	Net	Gross	Income	Net							
	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'
Spending in Departmental Expenditure Limits (DEL)												
Voted												
Food and farming	83,284	46	83,330	1,821,044	(14,965)	1,806,079	1,889,409	1,944,665	(55,256)	1,889,409	-	1,924,129
Improve the environment and rural services	144,846	(2,889)	141,957	587,422	(24,801)	562,621	704,578	783,653	(34,097)	749,556	44,978	615,373
Protect the country from floods	2,375	(24)	2,351	90	-	90	2,441	2,531	90	2,621	180	1,551
Animal and plant health	74,496	(70)	74,426	414,189	(102,680)	311,509	385,935	451,672	(40,462)	411,210	25,275	424,965
Marine and fisheries	24,025	(126)	23,899	78,369	(24,145)	54,224	78,123	116,624	(31,937)	84,687	6,564	73,672
Departmental operating costs	564,083	(14,148)	549,935	174,565	(1,468)	173,097	723,032	786,346	(51,381)	734,965	11,933	546,954
Improve the environment and rural services (ALB) (net)	85,779	-	85,779	432,025	-	432,025	517,804	452,770	71,937	524,707	6,903	417,346
Protect the country from floods (ALB) (net)	93,721	-	93,721	853,950	-	853,950	947,671	804,359	143,312	947,671	-	596,562
Marine and fisheries (ALB) (net)	5,416	-	5,416	31,369	-	31,369	36,785	38,991	(2,206)	36,785	-	32,382
Total	1,078,025	(17,211)	1,060,814	4,393,023	(168,059)	4,224,964	5,285,778	5,381,611	-	5,381,611	95,833	4,632,934

Summary of Resource and Capital Outturn 2023-24

	2023-24											2022-23
	Outturn						Estimate					Outturn
	Administration			Programme			Total	Total	Virements ¹	Net Total Adjusted for Virements	Outturn Compared to Estimate, saving/ (excess)	Net Total
Gross	Income	Net	Gross	Income	Net							
	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'
Spending in Annually Managed Expenditure Limits (AME)												
Voted												
Food and farming	-	-	-	1,540,502	-	1,540,502	1,540,502	1,635,801	-	1,635,801	95,299	8,791
Improve the environment and rural services	-	-	-	(82,648)	-	(82,648)	(82,648)	(94,215)	11,567	(82,648)	-	(332,893)
Animal and plant health	-	-	-	1,153	-	1,153	1,153	3	1,150	1,153	-	(6,741)
Marine and fisheries	-	-	-	(138)	-	(138)	(138)	6	-	6	144	(246)
Departmental operating costs	-	-	-	8,184	-	8,184	8,184	(27,627)	35,811	8,184	-	(178,244)
Food and farming (ALB)	-	-	-	7,908	-	7,908	7,908	5,535	2,373	7,908	-	7,320
Improve the environment and rural services (ALB)	-	-	-	(34,214)	-	(34,214)	(34,214)	50,824	-	50,824	85,038	27,393
Protect the country from floods (ALB) (net)	-	-	-	(31)	-	(31)	(31)	177,113	(51,974)	125,139	125,170	12,368
Marine and fisheries (ALB) (net)	-	-	-	1,138	-	1,138	1,138	65	1,073	1,138	-	12,565
Total	-	-	-	1,441,854	-	1,441,854	1,441,854	1,747,505	-	1,747,505	305,651	(449,687)
Spending in Non Budget Expenditure Limits												
Voted												
Food and farming	-	-	-	85,154	(84,715)	439	439	10,000	-	10,000	9,561	79
Prior period adjustments	-	-	-	176,508	-	176,508	176,508	200,000	-	200,000	23,492	-
Total	-	-	-	261,662	(84,715)	176,947	176,947	210,000	-	210,000	33,053	79
Resource Outturn	1,078,025	(17,211)	1,060,814	6,096,539	(252,774)	5,843,765	6,904,579	7,339,116	-	7,339,116	434,537	4,183,326

¹ Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate.

Detailed explanations of significant variances between Estimate and net resource outturn are shown in the Financial Analysis section.

SOPS 1.2 – Analysis of Capital Outturn by Estimate Line

	2023-24							2022-23
	Outturn			Estimate			Outturn Compared to Estimate, saving/ (excess) £000	Outturn Net Total £000
	Gross £000	Income £000	Net Total £000	Total £000	Virements ¹ £000	Total Adjusted for Virements £000		
Spending in Departmental Expenditure Limits (DEL)								
Voted								
Food and farming	282,706	(2,807)	279,899	361,903	(57,813)	304,090	24,191	274,376
Improve the environment and rural services	541,399	(40)	541,359	591,546	-	591,546	50,187	134,080
Protect the country from floods	61	-	61	500	-	500	439	2,940
Animal and plant health	33,384	(2)	33,382	176,319	(109,630)	66,689	33,307	27,333
Marine and fisheries	47,288	(28)	47,260	60,169	3,948	64,117	16,857	21,792
Departmental operating costs	235,860	(863)	234,997	125,566	110,385	235,951	954	159,951
Improve the environment and rural services (ALB) (net)	223,592	-	223,592	191,624	32,325	223,949	357	145,774
Protect the country from floods (ALB) (net)	623,335	-	623,335	602,550	20,785	623,335	-	696,965
Marine and fisheries (ALB) (net)	230	-	230	2,469	-	2,469	2,239	497
Total	1,987,855	(3,740)	1,984,115	2,112,646	-	2,112,646	128,531	1,463,708
Spending in Annually Managed Expenditure (AME)								
Voted								
Departmental operating costs	479	-	479	11,394	(7,695)	3,699	3,220	9
Food and farming (ALB) (net)	(560)	-	(560)	14,359	-	14,359	14,919	1,805
Improve the environment and rural services (ALB) (net)	6,330	-	6,330	1,803	4,527	6,330	-	-
Protect the country from floods (ALB) (net)	6,553	-	6,553	3,721	2,832	6,553	-	7,214
Marine and fisheries (ALB) (net)	414	-	414	78	336	414	-	56
Total	13,216	-	13,216	31,355	-	31,355	18,139	9,084
Capital Outturn	2,001,071	(3,740)	1,997,331	2,144,001	-	2,144,001	146,670	1,472,792

¹ Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate

SOPS 2 Reconciliation of Net Resource Outturn to Net Operating Expenditure

		2023-24	Restated 2022-23
		Outturn	Outturn
		£000	£000
Total resource outturn in SOPS	Budget	6,727,632	4,183,247
	Non budget	176,947	79
		6,904,579	4,183,326
	Add: Capital grants / income	821,573	467,750
	Capital works expensed in year	289,664	301,143
	Capital research and development	250,500	146,639
	Adjustment to IFRIC 12	258	2,919
	Total	1,361,995	918,451
	Less: Income payable to the Consolidated Fund	(21,265)	(8,272)
	Prior period adjustments	(176,508)	67,475
	Total	(197,773)	59,203
Net Operating Expenditure in SoCNE	SoCNE	8,068,801	5,160,980

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled in line with the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

The SoCNE includes capital grants; these score in capital budgets. Note 3.3 below details the breakdown of grants and subsidies expenditure. Note 4.2 details capital grant income.

Capital Expenditure on Flood and Coastal Defence Work £302.3 million (2022-23 £256.6 million (restated)) is included in the SoCNE (Note 3.1) but is scored against capital budgets. This reflects project spend which does not meet the accounting criteria to be treated as an addition to AUC on the SoFP, for example, because it is incurred on an asset which is pre-agreed for transfer to a Local Authority, but which satisfied National Accounts criteria to be treated as capital for budgeting purposes.

The SoCNE includes Research and Development costs that meet the ESA10 definition; these score in capital budgets. These costs occur predominantly in the Core department and Natural England, the largest spend categories in the Core department relate to plant and animal health programmes. For Natural England, the largest spend categories relate to the Natural Capital Ecosystem Assessment programme and Species Recovery programme.

Details of the Income payable to the Consolidated Fund can be found at Note SOPS 4.1 below.

Long Term Expenditure Trends

The long-term expenditure trends can be found in the Core Tables in [Annex 1](#).

SOPS 3 – Reconciliation of Net Resource Outturn to Net Cash Requirement

		2023-24			2022-23
	Note/Ref	Outturn	Estimate	Net total Outturn vs Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Resource outturn	SOPS 1.1	6,904,579	7,339,116	434,537	4,183,326
Capital outturn	SOPS 1.2	1,997,331	2,144,001	146,670	1,472,792
Accruals to cash adjustments (Core and agencies only):					
Accrual to cash basis - capital expenditure		(75,064)	-	75,064	50
Accrual to cash basis - capital disposals		11,039	-	(11,039)	(2,266)
Service concession adjustment and other finance leases		17,984	-	(17,984)	7,453
Adjustments for NDPBs:					
Remove voted resource		(1,764,413)	(1,529,657)	234,756	(1,199,796)
Remove voted capital		(854,626)	(816,604)	38,022	(828,035)
Add cash grant-in-aid		1,968,628	2,082,904	114,276	1,604,330
Add Defra Contribution to EA Closed Pension Scheme Fund		42,500	-	(42,500)	43,600
Adjustments to remove non cash items (Core and agencies only):					
Depreciation / amortisation / impairment	3.2	(169,020)	(197,983)	(28,963)	(94,735)
New provisions and adjustment to provisions	3.2	(652,232)	(1,558,338)	(906,106)	472,245
Prior period adjustments		-	(200,000)	(200,000)	-
Other non cash items		59,555	(19,372)	(78,927)	41,021
Adjustments to reflect movements in working capital balances (Core and agencies only):					
Increase/(decrease) in inventories	SoCF	112	-	(112)	(301)
Increase/(decrease) in receivables excluding derivatives	SoCF	36,082	168,000	131,918	134,824
Adjustment for derivative financial instruments	SoCF	5,386	-	(5,386)	(1,402)
Movement in receivables affecting items not passing through the SOPS	SoCF	-	-	-	(4,202)
(Increase)/decrease in payables excluding derivatives	SoCF	(1,226,086)	-	1,226,086	225,690
Movement in payables affecting items not passing through the SOPS	SoCF	96,952	-	(96,952)	(210,294)
Use of provisions	SoCF	64,649	5,960	(58,689)	69,897
Funding to / from other bodies	SoCF	243	-	(243)	(24)
Net cash requirement		6,463,599	7,418,027	954,428	5,914,173

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled in line with the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Explanations of significant variances between estimate and outturn for resource, capital and net cash requirement are shown in the Financial Analysis section.

SOPS 4 – Income Payable to the Consolidated Fund

SOPS 4.1 – Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund.

	Outturn 2023-24		Outturn 2022-23	
	Accruals basis	Cash basis	Accruals basis	Cash basis
	£000	£000	£000	£000
Income due to the Consolidated Fund	41,986	15,884	8,272	4,070
Total income payable to the Consolidated Fund	41,986	15,884	8,272	4,070

The income paid to the Consolidated Fund includes:

- £26.102 million income relating to the NE District Level Licensing Scheme.
- £15.296 million relating to in-year capital grant income received in the form of asset under construction balances received.
- £0.579 million relating to the insurance income element of the government contingent support package (GSP) for the Thames Tideway.

Further Information Relating to Parliamentary Accountability

Public Sector Bodies Outside the Boundary

The names of any public sector bodies outside the boundary for which Defra had lead policy responsibility in the year, together with a description of their status can be found in Note 21.

Losses and Special Payments (Audited)

Losses Statement

Losses are reported on an accruals basis.

	2023-24		2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Losses values				
Cash losses	1,286	1,681	852	756
Stores losses	-	-	-	1
Administrative write-offs	-	1,116	7	2,749
Fruitless payments	950	8,830	-	1,019
Constructive losses	8,940	8,940	7,504	7,504
Claims abandoned	2	2	4	4
Total	11,178	20,569	8,367	12,033
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
Number of cases				
Cash losses	2,079	2,268	718	880
Stores losses	-	-	-	2
Administrative write-offs	-	1,364	2	2,100
Fruitless payments	2	53	1	32
Constructive losses	1	1	3	3
Claims abandoned	2	2	6	6
Total	2,084	3,688	730	3,023

Details of Cases over £300,000

Losses (shown in the table above)

There are two individual cases over £300,000 within the table above.

The Core department made a payment to HM Revenue and Customs for over-recovered VAT on 'digital' contracts relating to the managed service review. This incurred interest of £950,000 which is considered a fruitless payment.

The Core department has recognised a constructive loss of £8.94 million in relation to the impairment of the Incinerator project which comprised two significant contracts. The

incineration equipment design underwent material change post contract, and as a result the building extension contract suffered from significant delays and additional costs.

The EA have recorded a fruitless payment to the value of £7.86 million in respect of the development of a new reporting system. It was assessed during the development that the additional costs of developing the full system versus a simplified product would not provide value for money. Stopping the project avoided spending in the region of an additional £7 million and continuing to invest in a solution that was increasingly unlikely to offer a suitable return on investment.

Special Payments

	2023-24		2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
Value (£000)	12,125	12,664	324	495
Number of cases	2,157	2,171	226	236

In 2023-24, one special severance payment was made by the Marine Management Organisation (MMO) and two were made by Natural England (NE). As there was a limited number of cases, no further disclosures relating to values are being made as doing so could contravene Data Protection legislation.

There has been a significant increase in the number and value of special payments in 2023-24. This is largely due to an increase in the number of small value special payments made by RPA. On 21 June 2023, RPA closed applications to the Sustainable Farming Incentive (SFI) 2022 scheme and advised existing agreement holders of its intention to curtail existing agreements to allow earlier take up of the improved SFI 2023 scheme. Where agreements featured actions which will not be available in SFI 2023, RPA undertook to compensate agreement holders for any loss of income which this created. As a result, in 2023-24, £11.6 million of SFI 2022 special payments are recognised in the above table and there will be further payments in 2024-25. Further details can be found in RPA's Annual Report and Accounts.

Details of cases over £300,000

There are no individual cases over £300,000 within the table above.

Regularity of expenditure in grant schemes (Audited)

During the year to 31 March 2024, the department spent approximately £4.6 billion through grant funding agreements with a portfolio of activity delivering a wide variety of grant outcomes and benefits. The diversity of the grants portfolio results in a range of design, delivery, and control types, each of which lead to differing risks of irregular expenditure.

An assessment has been undertaken to assure the extent of irregular grant expenditure to test whether the impact on the department accounts is material or not.

Depending on the type, scale, and complexity of each grant, differing mechanisms for assessing assurance are used, with grants being grouped into five typologies:

- Grants spending more than £5 million with formal irregularity estimates.
- Grants spending more than £5 million where expenditure is to Central or Local government.
- Grants spending more than £5 million where irregularity estimates are being developed for 2024-25 onwards.
- Grants spending more than £5 million with assurance derived from scheme controls.
- Grants spending £5 million or less.

The table below outlines the value of grant expenditure in each typology and where applicable, the irregularity estimate.

The criteria for recognising grants for fraud and error assessment purposes does not align in all cases with the financial accounting recognition, this is largely as a result of 2025-26, and beyond de-linked payments which are shown as provisions in the financial statements but are recognised as grants in the irregularity estimate. Therefore, there is a difference in the values between the irregularity estimate and the SoCNE.

Typologies	Grant Expenditure 2023-24	Grant Expenditure 2023-24	Estimated Irregularities	Estimated Irregularities
	£m	% of total	£m	% of expenditure
Grants spending more than £5 million with irregularity estimates	3,716.7	81.0	30.5	0.82
Grants with estimates	3,716.7	81.0	30.5	0.82
Grants spending >£5 million where expenditure is to Central or Local government	345.4	7.5	N/A	N/A
Grants spending >£5 million where irregularity estimates are being developed	326.0	7.1	N/A	N/A
Grants spending >£5 million with assurance derived from scheme controls	125.5	2.7	N/A	N/A
Grants spending £5 million or less	79.7	1.7	N/A	N/A
Total	4,593.3			

Approximately 81 per cent (£3.7 billion) of grant expenditure was subject to estimation of undetected irregularity. Within this estimated expenditure, an estimate of £30.5 million (0.82 per cent) irregular expenditure has been identified.

Whilst the remainder of grant expenditure is not formally estimated, the schemes likely to have the highest value undetected fraud and error risk have irregularity estimates. The level of irregular expenditure in the remainder of grant expenditure would not be sufficient to

cause the overall irregularity rate across all grant expenditure to be material and the department's assessment is therefore that the extent of undetected irregularity across all grant expenditure is not material in 2023-24.

The Defra Grants Hub (the Grants Hub) became operational in June 2023. The Grants Hub is undertaking a review of the group approach to grant irregularity as the portfolio of grant schemes evolves. This work includes the development of irregularity estimates for an increased number of grants schemes for 2024-25, focused on the schemes with highest levels of spend and / or those with the greatest fraud risk (identified through our Fraud Risk Assessment work). This is part of a programme to drive up the quality and quantity of irregularity estimation with the ultimate goal of reducing losses to fraud and error through improved insight.

In addition, the Grants Hub is providing materials, guidance, tools and advice to enable new schemes to build in best practice on fraud and error risk management, including irregularity estimation.

Grant typologies

Grants spending more than £5 million with formal irregularity estimates

These are higher value and higher risk schemes where an assessment of irregularity has been undertaken through random sampling and extrapolation. This population equates to 81 per cent of group grant expenditure and has resulted in a combined estimate of 0.82 per cent (£30.5 million) of irregular expenditure. This is broken down as follows:

Scheme	Spend (£m)	Estimated Irregularity Rate (%)	Estimated Irregularity Value (£m)*
Basic Payment Scheme - Delinked Payments	1,608.2	0.27	4.3
Basic Payment Scheme	1,087.4	0.32	3.5
Lump Sum Exit Scheme	9.2	0.27	-
Overall - Legacy Schemes	2,704.7	0.29	7.8
Countryside Stewardship (Revenue)	395.7	3.02	12.0
Countryside Stewardship (Capital)	163.7	5.40	8.8
Environmental Stewardship	109.4	0.65	0.7
Farm Equipment and Technology Fund	34.2	-	-
Sustainable Farm Incentive (22)	18.8	1.86	0.3
Sustainable Farm Incentive (Pilot)	13.3	2.23	0.3
Farm Transformation Fund	11.6	-	-
Overall - New and Enhanced Schemes	746.6	2.97	22.1
Local Authority Schemes (S31)	177.1	-	-
Fruit and Vegetable Scheme	36.7	-	-
RDPE (Legacy)	28.6	0.86	0.3
Other RPA Schemes	12.5	1.69	0.2
Fisheries Schemes (EMFF & FASS)	10.5	0.31	-
Other Schemes	265.4	0.18	0.5
Total	3,716.7	0.82	30.5

*Rounded to one decimal place and therefore there may be rounding differences within the table.

The measurement of irregularity for 2023-24 takes place in the context of a period of transition for the department as the portfolio of work shifts from a previous parliamentary intent which gave rise to direct payment schemes and schemes with limited environmental benefit, to a new intent with new or enhanced schemes which reflect the policy ambition for better environmental outcomes and increased value for money. These schemes are more ambitious than predecessors and have an associated higher potential for error. This transitional phase sees the ending of legacy schemes such as delinked payments and the growth and development of outcome-focused schemes such as Sustainable Farming Incentive, but whilst this transition concludes, error rates from fundamentally different schemes contribute to the overall error rate. The different nature of the scheme designs from the two approaches should be considered in interpreting the measurement of irregularity.

Most schemes with estimates are managed by the Rural Payments Agency (RPA) and additional details are included in the 2023-24 Disclosure statement that accompanies the RPA's Annual Report and Accounts.

In addition, this population includes £28.6 million expenditure for the Rural Development Programme for England which has not been directly assessed. Comparable outputs from the irregularity assessment for the EU (European Union) funded element of this scheme have been used.

It also includes £10.5 million European Maritime Fisheries Fund (EMFF) and Fisheries and Seafood Scheme (FASS) expenditure which has not been directly assessed but is based on EU irregularity assessment average for the period 2014-2022 for the UK, as these schemes continue to operate in the same way with identical controls in place.

There are eight grant schemes paid to central and local government under section 31 of the Local Government Act 2003, which provides for a general power of central government to pay grants to local authorities, amounting to £177.1 million. The department has chosen not to stipulate conditions on these grants, which means that this funding cannot be considered irregular, and these are included as nil per cent irregular payments in the table above.

Grants spending more than £5 million where expenditure is to Central or Local government

This group represents agreements the department holds with other public bodies where the responsibility for the delivery of the grant is held by the central or local government delivery body. This typology relates to a group of six grants schemes across the department, amounting to total expenditure of £345.4 million or approximately eight per cent of total grant spend in 2023-24. Whilst there are ambitions to streamline grants to local authorities which could include reporting, Defra remain committed to working with our public sector delivery partners to ensure effective delivery and achievement of intended outcomes.

Grants spending more than £5 million where irregularity estimates are being developed

This is a group of ten grants schemes across the department, amounting to total expenditure of £326 million or approximately seven per cent of total grant spend in 2023-24. We will build on the work we have done in 2023-24 to extend measurement, adding further depth. This follows a process starting with fraud risk assessments to identify the most appropriate and

proportionate controls for the specific scheme, and then identifies the areas in which residual risk is greatest after implementation of controls. These are the areas that are sampled for estimates and each scheme is developing an appropriate assessment methodology.

Grants spending more than £5 million with assurance derived from scheme controls

This group of grants utilises a range of controls including fraud risk assessments, audits of both the control environment and delivery bodies' counter fraud capability, external assurance, and reporting of detected and prevented fraud and error. Additionally, governance forums routinely consider the risk of fraud and error at both design and delivery stages. This typology relates to a group of seven grants schemes representing approximately three per cent of total grant spend (£125.5 million). The Grants Hub intends to review these schemes and introduce formal estimates as part of the three-year programme, using cross scheme sampling where appropriate.

Grants spending £5 million or less

These grants represent a significant volume (54 per cent) of Defra grants (across 69 unique schemes or programmes), but only two per cent of total grant spend (£79.7 million). Notwithstanding the relatively low cumulative value, assurance was derived from activity such as bespoke fraud risk assessments or that they are single beneficiary grants which are then controlled at an individual agreement level. As part of the three-year programme, cross scheme sampling is planned to enable estimates of the smaller schemes to be introduced.

Comparison with 2022-23

Grants Landscape

Typologies	Expenditure 2023-24 (£m)	% Total Grant Expenditure	Expenditure 2022-23 (£m)	% Total Grant Expenditure
Grants spending more than £5 million with formal irregularity estimates	3,716.7	81	1,898.4	71
Grants spending >£5 million where expenditure is to Central or Local government	345.4	8	394.3	15
Grants spending >£5 million where irregularity estimates are being developed	326.0	7	-	-
Grants spending >£5 million with assurance derived from scheme controls	125.5	3	310.8	12
Grants spending £5 million or less	79.7	2	85.6	3
TOTAL	4,593.3		2,689.1	

The table above, provides an overview of the department's overall grants spend, illustrating that it has increased by 71 per cent from 2022-23 to 2023-24, mainly due to the inclusion of the Delinked payments (£1.6 billion).

The proportion of schemes for which irregularity estimates are available has also increased since 2022-23, however it should be noted that in future years as Delinked payments and BPS payments cease, a considerably smaller proportion of the overall grants spend will be measured.

Irregularities

Year	Expenditure Value (£m)	% Total Grant Expenditure	Estimated Irregularity Value (£m)	Estimated Irregularity Rate (%)
2023-24	3,716.7	81	30.5	0.82
2022-23	1,898.4	71	16.1	0.85

The table above, provides a comparison between this and the previous year's reporting. At group level, whilst the rate of irregularities has remained consistent since 2022-23, the value of irregularities has increased significantly.

This is primarily because there is a significant increase in overall grants expenditure from 2022-23. This is due to the inclusion of 'delinked payments' which have resulted from the change in grants approach for the department as a programme of transition has begun, in which Basic Payments Scheme (BPS), an area-based subsidy scheme, is being phased out. 2023-24 is the final year for BPS. Recognising beneficiaries' need to adjust to this transition, the department has implemented an annual grant, reducing in value between 2024 and 2027. These are described as 'delinked payments', reflecting the fact that beneficiaries only have to demonstrate their previous entitlement to BPS, rather than fulfil any continuing performance conditions. Within this irregularity assessment, a provision has been made for the three-year value of delinked payments. In contrast to these area-based subsidy schemes, there is significantly increasing expenditure on agri-environmental schemes such as Countryside Stewardship (CS) which contract with beneficiaries for the achievement of specific outputs.

The table below shows the changes in scheme expenditure across these three schemes from 2022-23 to 2023-24 reflecting the current point in the transition.

Scheme Type	Scheme	Expenditure (£bn)	
		2023-24	2022-23
Subsidy	BPS	1.1	1.4
	Delinked payments	1.6	0.0
	Total Subsidy Schemes	2.7	1.4
Agri-environmental	Countryside Stewardship	0.6	0.3

There is a link between the scheme types and levels of irregularity, or non-compliance found. A subsidy scheme based predominantly on farm area (such as BPS) has an inherently lower risk of non-compliance compared to multi-option agri-environmental schemes which require

the grant recipient to deliver specific, more complex outputs. This is reflected in the irregularity levels reported above.

The Grants Hub is working to enhance understanding of this increasing irregularity risk. To do this, the Grants Hub is building a database of identified instances of fraud and error at scheme level over time to identify any patterns that will inform potential control enhancements. This includes the categorisation of schemes according to similarities in their fraud risk profiles, enabling historic data to be used to predict irregularities and develop appropriate control mechanisms and measurement methodologies.

Fees and Charges (Audited)

Details of the material fees and charges across the Defra family are disclosed in the table below.

	Income	Full Cost	2023-24 Surplus/ (deficit)
	£m	£m	£m
Abstraction charges (EA)	172.2	195.7	(23.5)
Environmental Permitting Regulations water quality (EA)	71.2	80.0	(8.8)

The financial objective for EA's Environment and Business charging schemes is full cost recovery taking one year with another, based on all costs including current cost depreciation and a rate of return on relevant assets. Please see EA's ARA for a full analysis of these schemes and the extent of cost recovery.

All other details regarding income from the sale of goods and services provided by the delivery bodies can be found in their respective ARAs.

Statement Relating to the Use of Functional Standards

This section is not subject to audit.

The approach to applying Functional Standards has continued to mature across the department during 2023-24. Methods of assessing compliance are in place for all Functional Standards and these are being used to assess future development areas. Assessments have shown that over half of Functional Standards in Defra are rated in the "Good" or "Better" categories.

Remote Contingent Liabilities (Audited)

In addition to contingent liabilities disclosed in the financial statements the department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is remote but are still in scope of IAS 37.

The department has the following remote contingent liabilities as at 31 March 2024. Unless otherwise stated liabilities relate to the Core department.

Quantifiable

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

- Indemnity signed by Defra, Canal & River Trust and British Waterways pension trustees in relation to the historic public sector pension liability. The potential liability is estimated at £125 million (2022–23, £125 million).
- Small potential liabilities are estimated at £nil (2022–23, £nil).

Unquantifiable

Due to the variable nature of these contingent liabilities they are classified as unquantifiable.

- Defra retains a potential pension liability in respect of the staff that transferred from Fera to Fera Science Limited under the New Fair Deal.
- In the unlikely event that the department stops funding the National Fruit Collection or relocates it to a different site, there is a possible obligation to return the current site to a suitable state.
- There is an ongoing potential liability in respect of financial corrections for disallowance, which at present is uncertain and unquantifiable as a Commission audit has yet to take place.
- In unlikely circumstances, there is a remote possibility that Defra would need to provide a government support package for the Thames Tideway Tunnel project.

Tamara Finkelstein

12 December 2024

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

The Certificate 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 Department for Environment, Food and Rural Affairs (“the Department”) and of its Departmental Group for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000. The financial statements comprise the Departmental Group’s:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers’ Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, except for the possible effects of the matters described in the *Basis for qualified opinion on the financial statements* section on the group financial statements, the financial statements:

- give a true and fair view of the state of the Department and Departmental Group’s affairs as at 31 March 2024, and its net expenditure for the year then ended; and
- 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 Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2024 and shows that those totals have not been exceeded; and
- 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 for qualified opinion on the group financial statements

Overview

I have been unable to obtain sufficient appropriate evidence that the values of the operational infrastructure assets within Property, Plant and Equipment as stated in the Statement of Financial Position for the Departmental Group as at 31 March 2024 and 31 March 2023 are free from material misstatement, because of issues with the accuracy and completeness of source data on the Environment Agency’s operational assets at 31 March 2024, 31 March 2023 and 1 April 2022.

While I have not been able to reliably quantify the effect of this matter due to the nature of the limitations described, I consider the combined effect of these issues to be potentially

material in terms of the valuation, completeness and existence of these assets, and the accuracy of related expenditure (principally depreciation) and equity entries.

Additionally, in respect of the comparative information, because these assets were valued before 31 March 2023 using modified historic cost – a basis not in line with the financial reporting framework – I was not able to obtain sufficient appropriate evidence in respect of the valuation of operational assets at 1 April 2022, or the movement in valuation between 1 April 2022 and 31 March 2023.

My opinion in respect of the Department (“Core & Agencies” in the financial statements) is unaffected.

My assessment of the matter giving rise to qualified opinions

Depreciated Replacement Cost valuation of operational infrastructure assets

Matter giving rise to qualification

The Environment Agency – the Departmental Group’s largest component – holds a nationally important portfolio of operational infrastructure assets, predominantly to respond to risks of flooding.

The accounting framework set for Government bodies by HM Treasury dictates that these specialised assets should be valued under the Depreciated Replacement Cost (DRC) method, reflecting the cost of a modern equivalent asset adjusted to reflect the asset’s current condition.

As at 31 March 2023 the Environment Agency implemented a DRC valuation on this portfolio for the first time. This revaluation has resulted in a material increase to the valuation of operational assets within the Statement of Financial Position. At the point of implementation, net book value of these assets has increased to £9.6 billion (1 April 2022: £3.0 billion) as a result of both changes in costing rates and the changes in the scope of assets included in the Statement of Financial Position under the new valuation basis. Revaluation movements in 2023-24 – both relating to the indexation of the portfolio, and updates to asset source data – have increased this further to £9.9 billion. Note 5 includes further details on the nature of this framework as it relates to the Environment Agency’s operational assets.

The preparation of the asset portfolio on the DRC methodology relies on several key inputs:

- a. source data on the quantity, nature and extent of assets within the Environment Agency’s control;
- b. unit rates for the replacement cost of these assets, determined with expert input on a modern equivalent basis; and
- c. information on the age and/or condition of these assets to inform an estimate of the extent of adjustment between the as-new modern equivalent asset value and the depreciated replacement cost of the actual portfolio.

Scope of my audit work

In responding to the above, my procedures included:

- assessing key elements of the Environment Agency's methodology for the DRC valuation, drawing in part on the work of a RICS-qualified expert;
- testing for a sample of assets to evaluate evidence of their existence, the accuracy of attribute data relevant to valuation (principally, dimensional data) and whether they were controlled by the Environment Agency;
- assessing the completeness of the data based on post year end changes;
- together with my auditor's expert, evaluating the appropriateness of costing rates, indexation rate and useful lives for different asset types prepared by management's expert;
- reviewing the evidence informing the Environment Agency's adjustment for condition;
- assessing the operation and mathematical integrity of the DRC model; and
- evaluating management's related disclosures.

These procedures were performed across both 2022-23 and 2023-24. I performed limited work during 2023-24 on asset source data, since the Environment Agency had given notice that their improvement project on source data would not be complete in time for this audit.

Why I was unable to obtain sufficient appropriate audit evidence

My opinion remains qualified in respect of comparative figures for this valuation because the basis of valuation applied at 1 April 2022 has not been restated retrospectively under IAS 8 on grounds of impracticability. The preparation at the earliest prior period therefore remains out of line with the financial reporting framework. This is because management lack retrospective source data that would have enabled a reliable adjustment as at 1 April 2022, reflecting the live nature of the systems involved and extensive changes made during 2022-23 to improve information in the recently implemented asset management database.

My opinion on 31 March 2023 and 2024 figures remains qualified because I was unable to obtain sufficient appropriate audit evidence because of issues with the accuracy and completeness of source data on assets. During the period of my audit, management made changes to asset data, primarily to improve the accuracy of standing data. Management's actions are moving the Environment Agency towards a more stable and reliable dataset which will support both asset management and accounting; however, the project is ongoing. As of October 2024, management has completed reviews covering duplicate records, asset start dates, and the accuracy of the 'maintainer' field which acts as an indicator of whether the asset is controlled under the Environment Agency's accounting policy, and asset start dates.

Management expect to work on attribute (e.g. dimensional) data during the remainder of 2024-25.

Consistent with management’s analysis that improvements need to continue, I found a number of issues in my prior year sample including assets which were duplicated, and where evidence contradicted the assertion of control by the Environment Agency. While improvements have continued during 2023-24, because management have not yet presented a cleansed dataset, I have qualified my opinion in respect of the value recognised at each reporting date including 31 March 2024 in respect of operational assets.

My report, immediately following this certificate, includes further details of the matters leading to my qualified opinion.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 2019*. I am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of 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 qualified opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriations Act Relevant primary and secondary legislation collectively authorising the payment of agricultural grants Environment Act 1995 (in respect of the statutory regime for fee-charging by the Environment Agency)
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department and its group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities, and the responsibilities of the Accounting Officer, with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed addressing the presumed risk of management override of controls or (in light of the stability of outlook on these long-term liabilities) the valuation of metal mine and foot-and-mouth disease management provisions which I highlighted last year; in respect of both, I have not identified any matters to report.

The key audit matters I have determined to be communicated in my certificate, below, are in addition to the issues described in the sections above headed *Basis for qualified opinion on the group financial statements*. I discussed both sets of issues with the Audit and Risk Assurance Committee. Management's commentary on matters they considered to be significant to the financial statements is set out in the Corporate Governance Report (page 71).

Affecting the Department (Core and Agencies columns) and Departmental Group

Basic Payments Scheme delinked payments

Description of risk

The Department (including the Rural Payments Agency) administers several grant schemes set out in Note 3.3 of the Group accounts.

The Department is implementing a significant transition away from the area-based Basic Payments Scheme (BPS), towards schemes more focused on specific environmental outcomes, such as Countryside Stewardship and the Sustainable Farming Incentive. A temporary element of this transition is the payment to BPS customers between scheme years 2024 and 2027 of amounts which do not require eligible recipients to perform ongoing actions, such as active farming. These 'delinked payments' are based on previous BPS entitlements which establish reference amounts. The Department set out an expectation that these will have progressive reductions applied over time, as has been the case for the Basic Payments Scheme since scheme year 2021 (see Notes 1.21 and 15.4).

The Department had to make a judgement on the pattern of recognition for this new transaction stream. It made a judgement that, because of the lack of ongoing performance obligations for recipients, or further claims required by recipients following their final BPS claim, delinked payments should be recognised in full this financial year. The Department recognised:

- an accrual of £808m (Note 12) relating to the 2024 payments for which expected progressive reductions had already been announced before the year end; and
- a provision of £799m (Note 15) relating to the 2025-27 payments for which no announcements have been made. In the absence of better information, the Department assumed a pattern close to a straight line tapering of payments.

Alongside the newly elected government's first budget in October 2024, an announcement of 2025 rates was made which set out a steeper progressive reduction regime. The Department faced a judgement under IAS 10 of whether this was an event which should cause them to adjust the valuation of the provision, based on whether the event reflected new conditions arising after the year end (no adjustment) or existing at that point (adjustment). Given the extent of changes, the Department evaluated that this was a non-adjusting event and made additional disclosures, including what the valuation of the provision would have been had the newer information been used (Note 22).

I considered as an audit risk:

- the reasonableness of the judgement recognising all delinked payments expenditure up front;
- the assumptions relevant to the measurement of the related provision; and
- the treatment of the post year end fiscal event.

How the scope of my audit work responded to the risk	<p>In responding to the above, my audit procedures included:</p> <ul style="list-style-type: none">• obtaining management papers setting out the basis of their key judgments;• considering the reasonableness of these judgements based on an analysis of public announcements, enacted law, and the requirements of IFRS;• evaluating the assumptions against available evidence; and• considering the sufficiency and accuracy of related disclosures.
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Key observations	<p>In the course of completing this work, I did not identify any material misstatements.</p>
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Completeness of recognised liabilities

Description of risk

The Department and its Group has a diverse set of contractual relationships and transaction schemes which expose it to the risk of disputes. A continuing risk exists that the Department may not capture all potential liabilities attaching to disputes or litigation, or that it may not reasonably triage each issue for its treatment under IAS 37 (principally, whether a liability should be recognised).

I considered this risk to be at a higher level than in previous years because of:

- a judicial review reporting in January 2024 which found on specific grounds that the design of the Department's compensation scheme for avian influenza culls was unlawful (under appeal and treated as a contingent liability by the Department on the grounds that no reliable measurement is available, see Note 17); and
- other developments around other sources of potential liability.

How the scope of my audit work responded to the risk	<p>In responding to the above, my audit procedures included:</p> <ul style="list-style-type: none">• understanding management's procedures for the identification of possible liabilities from around the business;• obtaining papers from management on the two specific issues identified and evaluating their conclusions against the available evidence and IFRS;• seeking potentially contradictory evidence through review of third party evidence including legal records and advice;• considering the source data and assumptions relevant to the measurement of the identified liabilities;• testing the reasonableness of management's judgement that for avian influenza the information limitations were severe enough to prevent reliable measurement and the recognition of a provision;• evaluating an expanded set of representations from relevant areas of management in respect of the completeness of liabilities: and
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- evaluating management's disclosures.

Key observations In the course of completing this work, I did not identify any material misstatements.

Affecting the Departmental Group only

Land and Buildings (Environment Agency)

Description of risk

The Environment Agency holds a significant amount of land and buildings, consolidated into the Departmental Group and included in Note 5.1 under columns headed *Land, Buildings Excluding Dwellings, Dwellings, and Infrastructure Assets - Land*. The most significant holdings are of operational land which is principally held for flood alleviation purposes, either directly or to enable the operation of other assets. The Environment Agency element of these balances are valued in the Group financial statements at £330 million (31 March 2023: £373 million after restatement).

Under the financial reporting framework, the Environment Agency needs to revalue these assets at least every 5 years using Existing Use Value. For specialised assets, this involves a consideration of replacement cost; for non-specialised assets, an evaluation of market value constrained to the existing use.

The valuation of land and buildings relies on:

- the classification of assets between operational land and freehold land to ensure the assets are revalued under a methodology in line with the financial reporting framework;
- source data, including on location and area;
- an assessment of which parcels the Environment Agency has rights over (generally, legal ownership);
- the application of professional judgement taking into account the characteristics of the land and the valuation basis, for example in determining an appropriate rate per square metre; and
- the selection of an index appropriate to the underlying asset category to bring land and building assets not fully revalued in year to current cost.

I qualified my audit opinion in 2020-21, 2021-22 and – despite some improvements – 2022-23, due to errors and uncertainties my audit identified with the portfolio's valuation, and because I was unable to obtain sufficient appropriate audit evidence in respect of the Environment Agency's rights over these holdings.

In 2022-23 the Environment Agency moved to a rolling programme of valuations for its land and buildings, aiming to complete the first cycle in an accelerated pattern, by 31 March 2026. This continued in 2023-24. In addition to performing another year of the rolling programme, management:

- made significant progress in improving the availability of information over rights,

through the digitisation of ownership records;

- reviewed previous issues identified by my audit with indexation and the assignment of appropriate capital rates (£/hectare) for particular land types;
- determined and applied a portfolio-level overlay adjustment to take account of systemic issues identified with the selection of capital rates for those land types in previous revaluation rounds; and
- applied a prior period restatement to correct misstatements identified in previous estimates from these analyses, based on a retrospective indexation of the 31 March 2024 valuation.

How the scope of my audit work responded to the risk

- In responding to the above, my audit procedures included:
- testing a sample of assets to confirm the existence, rights and accuracy of source data used in each valuation;
 - assessing, with the support of an auditor’s expert, the key elements of the valuations to ensure the Environment Agency had appropriately applied RICS principles relevant to the valuation basis prescribed in the financial reporting framework;
 - testing for assets not revalued in year whether an appropriate index had been selected and properly applied;
 - reviewing the reliability, design and arithmetic of management’s process to apply an overlay adjustment and prior period restatement; and
 - evaluating management’s disclosures.

Key observations

In the course of completing this work, following management’s application of a prior period restatement, I did not identify any material misstatements. As a result, my opinion this year does not include a qualification in respect of this area.

Classification of expenditure and valuation of Assets Under Construction (Environment Agency)

Description of risk

The combined balance of assets under construction relating to the Environment Agency is recognised in the Departmental Group’s accounts at £564 million (31 March 2023: £450 million following restatement) as part of the assets under construction total for the Group described in Note 5.1. Expenditure contributing to this balance relates to the development or enhancements of operational assets, under projects to reduce flood risk and deliver other environmental objectives.

The accounting framework sets out that only directly attributable costs contributing to an asset under the control of the reporting entity should be recognised on the Statement of Financial Position. The Environment Agency assesses control to exist wherever it has the ability to direct the use of the asset, principally reflected in it being the asset’s maintainer. Expenditure on projects which does not meet this criterion – for example,

because the Environment Agency is doing work on a local authority-maintained asset – instead form part of the net expenditure. When the nature of the activity meets specific HM Treasury budgetary criteria, the Environment Agency describes this expenditure as Capital Works Expensed In Year (CWEIY). Both categories of spend contribute towards the Department’s capital budget.

In 2021-22 and 2022-23, the Environment Agency was unable to provide sufficient evidence to support the Asset under Construction balances, or the split of classification between these two budget types. I therefore qualified my previous year’s opinion with regards to the existence, completeness, rights and valuation of Assets Under Construction balances (both tangible and intangible).

To support this year’s accounts, management performed a review of spend between 1 April 2021 and 31 March 2024, supported by external consultants, to assess the classification of spend and to re-state AUC balances and expenditure classification. This review aimed to achieve a consistent approach under the stated accounting policy, applied retrospectively under IAS 8. The principal risk for my audit was that this review had not sufficiently addressed the risks to the proper classification of expenditure and achieved this outcome.

How the scope of my audit work responded to the risk	<p>My work included:</p> <ul style="list-style-type: none"> • reviewing the design and implementation of procedures applied by management to re-analyse expenditure; • testing, on a project basis, the Environment Agency’s capital expenditure analysed between 2021-22 and 2023-24 and assessing whether management’s judgements about the final classification of this was appropriate to the context and the accounting policy; • evaluating and standing back on misstatements to assess the impact on my opinion in respect of each reporting date relevant to the retrospective restatement; and • considering the accuracy and sufficiency of management’s disclosures in relation to the prior period restatement.
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Key observations	<p>In the course of completing my work, following management’s application of a prior period restatement, I did not identify any material misstatements. As a result, my opinion this year does not include a qualification in respect of this area.</p>
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Valuation of defined benefit pension surplus (Environment Agency)

Description of risk

The Environment Agency is responsible for a significant funded defined benefit pension scheme which is presented in Note 16, for which it recognises £3,406 million of defined benefit pension obligations and £4,203 million of recognised scheme assets.

There is significant complexity, and estimation uncertainty, in the valuation of the position of both the assets and liabilities contributing to the net scheme position, as described in Note 16.

Scheme liabilities

As with all defined benefit pension schemes, an actuarial estimate of the liability reflecting amounts to be paid out to members of the scheme in the future involves significant estimation in respect of key financial and demographic assumptions, applied to scheme membership data. Liabilities increased only slightly on last year, reflecting a steady membership and assumptions broadly consistent with those adopted for 31 March 2023.

Scheme assets

Because they represent the asset classes with higher levels of valuation uncertainty, I placed particular emphasis on assurance over the valuation of financial assets relating to equity, credit and infrastructure, given the extent of unobservable inputs. My assessment is partly informed by stale pricing risk, i.e. the risk arising from delays in investment managers providing the periodic valuation coterminous with the Environment Agency's reporting date.

Recognition of surplus

At 31 March 2023, the fair value of scheme assets exceeded the present value of the defined benefit obligation for the first time in several years, and management judged that the full surplus qualified for recognition under IFRIC 14. While I was able to draw to some extent on work performed in the prior year around this judgement, I again considered the risk around the adoption of this judgement in respect of the accounting surplus.

How the scope of my audit responded to the risk

Scheme liabilities

I contracted an actuarially qualified auditor's expert to examine the assumptions, methodology and source data used to value the obligations, including both financial assumptions and the roll-forward procedures used to update membership data.

Scheme assets

The work performed on the scheme assets included:

- vouching the alternative investment valuations to independently received statements;
- testing a sample of private equity holdings and other alternative investment balances to third party evidence;
- inspecting the latest audited financial statements of the funds; and
- considering the reasonableness of movements from audited accounts position to the year-end valuation where these are not coterminous, based on relevant external benchmarks.

Recognition of surplus

Having obtained management's refreshed position that the surplus did not require restriction using an asset ceiling, my procedures to evaluate this judgement included:

- reviewing management's position against IFRIC 14; and
- recalculating the asset ceiling value based on recent industry guidance on the determination of the economic benefit available through future contribution reductions, as applicable to the Local Government Pension Scheme regime, drawing on previous internal consultation.

Key observations In the course of completing this work, I did not identify any material misstatements.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its group's financial statements as a whole as follows.

	Overall materiality – Departmental Group	Additional threshold – Departmental Group	Overall materiality – Department (parent)
Materiality	£129 million	£79 million	£68 million
Basis for determining materiality	1% of the Departmental Group’s non-current assets	1% of the Departmental Group’s gross expenditure excluding depreciation and impairment, but including capital additions	1% of the Department’s gross expenditure
Rationale for the benchmark applied	Non-current assets are the largest item in the Statement of Financial Position. Significant public benefit is derived from these, including flood defence assets, driving user interest in the extent and condition of those assets.	This threshold is set to reflect the additional sensitivity of financial statement users to transactions and balances reflecting the extent of financial activity backed by taxpayers or fee-payers. Capital additions are included since these form part of Total Managed Expenditure voted by Parliament, and depreciation is excluded to avoid double-counting.	Expenditure is the most significant financial statements element for the parent and is a fair proxy for user sensitivity given Defra’s role as a spending Department.
Elements of financial reporting to which the thresholds are applied	All not affected by the additional sensitivity described to the right, including the valuation of property, plant and equipment and associated non-cash entries; the non-cash valuation movements in pension scheme accounting; and the classification of project expenditure between amounts to be expensed and amounts to be capitalised.	Those which directly reflect the extent of the Departmental Group’s various financial activities, including the transactions and balances connected with revenue; cash-based expenditure; and pension contributions. The greater part of component audit teams’ effort is applied to work against this additional threshold.	All transactions, balances and disclosures related to the “Core and Agencies” columns.

This is the second year I have adopted a percentage of non-current assets as the materiality base for the Departmental Group, reflecting the significant public interest in the operational assets of the Group. The majority of these are infrastructure assets operated by the Environment Agency, which have since 31 March 2023 been valued on a Depreciated Replacement Cost basis. Since these have built up over many decades, their value significantly exceeds the annual expenditure. I also assess the need for an additional threshold reflecting user sensitivity to misstatements for the Departmental Group in respect of the how funds have been applied to the Department's objectives, and in respect of income generation. In my judgement this combination ensures an appropriate focus on the asset base and on transactions and balances reflecting taxpayer-backed financial activity, reflecting overall user interest and sensitivity to error.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Performance materiality for the group was set at 75% of materiality for this audit (2022-23: 75%). In determining performance materiality, I considered the effectiveness of the Department and its Group's control environment.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected; for example, any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Assurance Committee would have the following net effects, on correction. I have evaluated errors in respect of different periods or reporting dates separately against our materiality threshold, as well as considering the cumulative effect on the comparability of different periods.

Unadjusted errors (summarised below) reflect misstatements the audit team has been able to specifically identify, either as a known error or an extrapolation based on sample testing of

a residual balance. They should be taken in the context of potentially material findings or limitations on the scope of the audit described in the *Basis for qualified opinion on the group financial statements* section, which are not replicated here and cannot be quantified precisely due to the nature of the limitations. Effects on net assets and net expenditure are not always in parity due to the interaction with the prior period restatement, and a small number of misstatements where the increase/decrease in assets would affect revaluation surplus rather than net expenditure.

Departmental Group	2023-24	2022-23 (restated)	2021-22 (restated)
Net assets at the end of the reporting period	Increase of £52.8m	Increase of £27.3m	Decrease of £30.1m
Net expenditure for the period	Decrease of £41.8m	Decrease of £25.7m	n/a

Department (parent)	2023-24
Net assets at the end of the reporting period	Decrease of £0.6m
Net expenditure for the period	Increase of £16.6m

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department and its Group's environment and relevant controls, and by assessing the risks of material misstatement. This included a consideration of the estimation uncertainty attaching to specific balances, transaction streams and disclosures, informed by both my cumulative audit knowledge and analysis of recent changes in the environment. In making this assessment in respect of my work on regularity, I considered the risks of non-compliance with the framework of authorities, including both statutory elements and other authorities including HM Treasury and Cabinet Office controls.

Based on the audit procedures on the financial statements, and my evaluation of relevant reconciliations, I also test whether the Statement of Parliamentary Supply, which presents the Department's financial outturn against voted statutory totals, is properly prepared; and report if any totals have been exceeded.

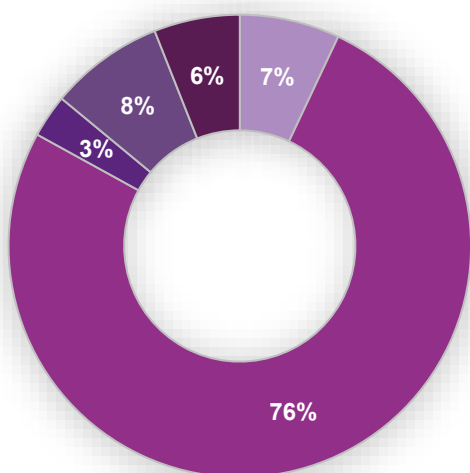
Assurance over component results

I have audited the full financial information of the Core Department, as well as the group consolidation. Audit work on the significant components of Rural Payments Agency and

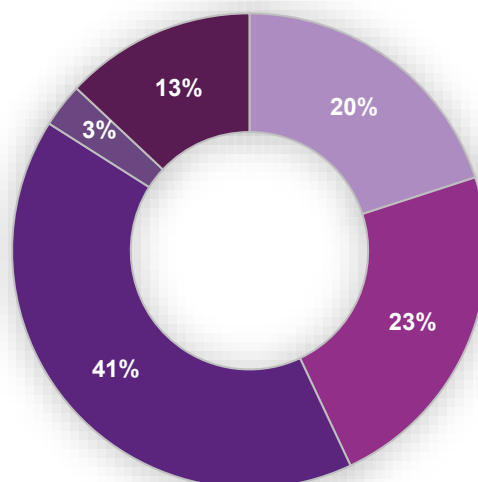
Environment Agency, which are overseen by the same engagement director, were complete at the time of my completion of the Group audit. The audit of the final significant component, Flood Re, undertaken by Ernst and Young, was complete at the time of my completion of the Group audit. As group auditor, I have gained assurance from the auditors of the significant and material components and engaged regularly on the group significant risks such as valuation of the infrastructure assets and the pension schemes.

This work covered substantially all of the Group’s assets and net income/expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole. Coverage is shown against both assets and expenditure in the following diagrams.

Gross assets (31 March 24)



Gross expenditure (2023-24)



- Core Department
- Rural Payments Agency
- Non-significant components
- Environment Agency
- Flood Re

Other Information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor’s certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

As stated under *Basis for qualified opinion on the group financial statements*, I have been unable to obtain sufficient and appropriate evidence that the values of the Environment Agency's operational assets within Property, Plant and Equipment as stated in the Statement of Financial Position for the Departmental Group (and individually in the Infrastructure assets – operational column in Note 5.1) as at 31 March 2024, 31 March 2023 and 1 April 2022 are free from material misstatement, due to limitations in the accuracy of source data, and the use of an ineffective proxy for the required measurement basis prior to 1 April 2022. Where other information refers to these balances, it may be materially misstated for the same reason.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its Group and its environment obtained in the course of the audit, except for the possible effect of the matter described above, under *Basis for qualified opinion on the group financial statements*, I have not identified material misstatements in the Performance and Accountability Reports.

In respect solely of the limitations in receiving sufficient appropriate evidence as described in that section:

- adequate accounting records have not been kept; and
- I have not received all of the information and explanations I require for my audit.

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

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its group will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its group's accounting policies, key performance indicators and performance incentives;
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its group's policies and procedures on
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its group's controls relating to its compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management, the Department's head of internal audit and those charged with governance whether
 - they were aware of any instances of non-compliance with laws and regulations; or
 - they had knowledge of any actual, suspected, or alleged fraud; and
- discussed with the engagement team and the relevant internal and external specialists, pensions and property specialists, regarding how and where fraud might occur in the financial statements; and with significant component audit teams on the same matter, as well as regarding any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the department and its Group. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2023, employment law, pensions and tax legislation and relevant grant expenditure legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence 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.

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 I identify during my audit.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

12 December 2024

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

- 1 The Department for Environment, Food and Rural Affairs (the Department) is responsible for developing and implementing policy which safeguards the natural environment, supports the UK food and farming industry, and sustains the rural economy. The Environment Agency, part of the Departmental Group, is the leading public body for protecting and improving the environment in England. It has responsibilities for flood and coastal erosion risk management, waste management and pollution incidents, reducing industry's impact on the environment, cleaning up rivers, coastal waters and contaminated land, and improving wildlife habitats.
- 2 In my certificate on the Department's accounts – which this report should be read alongside – I explained the basis of my qualified audit opinion on the Departmental Group's financial statements in relation to the valuation of the Environment Agency's operational assets.
- 3 My report also describes two additional qualifications of my opinion on last year's accounts of the Departmental Group – relating to land and buildings, and the classification of expenditure and valuation of Assets Under Construction – which have now been lifted following management's additional work.
- 4 This report provides an accompanying commentary on this improved position and looks forward to the actions which the Department and Environment Agency will need to take in order to address the residual qualification issues and embed improvements.
- 5 I also comment on the issues already raised in my report on accounts on the Rural Payments Agency connected with increasing levels on non-compliance in agricultural grant schemes, noting that I have not qualified my opinion in relation to this matter; and on broader improvements required for the Department to achieve timely, unqualified accounts in the future.

Remaining qualification issues for 2023-24

- 6 Whilst there remains work to do, significant progress has been made during the year, which has allowed the scope of my qualifications to reduce. The only remaining source of qualification relates to the valuation of the Environment Agency's operational assets in the Departmental Group accounts.
- 7 The Environment Agency is responsible for a nationally important portfolio of operational infrastructure assets, mostly made up of those protecting against, and responding to, the risk of flooding. In valuing these assets, management successfully implemented the Depreciated Replacement Cost (DRC) methodology for the first time in the previous financial statements, for 2022-23. This brought the Environment Agency's accounting policy into line with the financial reporting framework, and increased the relevance and reliability of the financial statements since the DRC valuation draws from the same information sources as the Environment Agency uses to manage its assets. The new valuation, like other significant infrastructure valuations in central government, factors in the extent of the relevant assets, management's best assessment of their condition, and a consideration of portfolio's service potential on a current cost basis. It also achieved a simplification, in process terms, with reliance on asset management records used by the

business removing the need for a separate asset register for finance purposes.

- 8** My opinion remains qualified on a single point, which also applied in 2022-23. The data on the extent of the Environment Agency's operational assets is improving, but not yet at the point where I am assured that it is a materially reliable basis for valuation. This was reflected in my team's sample testing for 2022-23, and management have not provided an updated listing this year because their continuing efforts to cleanse and improve data accuracy are ongoing. Management have informed me that they completed their efforts in October 2024 on everything but attribute data (principally, the dimensions of key assets) which they expect to have cleansed by March 2025. I look forward to reviewing the accuracy and completeness of the updated asset data in the course of my 2024-25 audit.
- 9** Additionally, I have been able to successfully audit a number of areas which provide a good platform for future improvements. These areas include:
- the key assumptions and principles underlying the Environment Agency's DRC methodology;
 - the costing rates for key asset types;
 - the operation of the model which translates source data inputs and costing rates into a DRC value; and
 - the Useful Economic Lives and choice of costing indices which will support the Environment Agency's application of depreciation and indexation to the updated dataset, once available.

Issues no longer leading to qualification

Land and Buildings

- 10** I first qualified my opinion in respect of the Environment Agency's land and buildings valuations in 2020-21, following issues with the application of that year's revaluation, including its application to the accounting records and financial statements.
- 11** Management has addressed these issues progressively, and in 2022-23 my opinion remained qualified both in respect of evidence over:
- valuation – relating to missing or incomplete valuation evidence for properties valued before the 2022-23 cycle, and problems with indexation; and
 - rights – since management were not able to present ownership evidence for a number of items.
- 12** The Environment Agency has addressed both issues in the year to the extent where I found no material misstatements or insufficiencies of evidence in my work. Ongoing valuation efforts have made significant progress in addressing legacy issues, and digital records of land ownership have improved to the point where management have been able to evidence their rights over assets satisfactorily.

Classification of expenditure and valuation of Assets Under Construction

13 I qualified my opinion last year in respect of evidence issues for management distinguishing its capital expenditure between items which met criteria for asset recognition, and those that should be expensed. During 2023-24 management addressed these through a retrospective review of project expenditure and restated the accounts. I have been able to review this exercise and conduct appropriate testing, and my opinion is no longer qualified.

Rural Payments Agency grant expenditure

14 In my report on accounts for the Rural Payments Agency, I highlighted – without qualifying my opinion on regularity – the decrease in compliance rates measured by the Department alongside the ongoing roll-out of newer schemes which implement the Department’s policy aim to link agricultural grant payments more to the achievement of specific environmental outcomes. The Department describes the context, and compliance data, on page 155.

15 While highlighting the link between scheme characteristics and the inherent risk of irregularity (non-compliance) my report emphasises that a policy with a lower regularity risk is better value for money; it is for the Department’s Accounting Officer to evaluate the mechanisms best suited to delivering the government’s desired outcomes.

16 The increase in non-compliance arises principally because newer schemes including Countryside Stewardship – which have a higher inherent risk of non-compliance – form a rising proportion of the total grant expenditure. I highlighted that while a significant initial difference in compliance levels between legacy and newer schemes is understandable, given the varied nature of the schemes, the importance of continued focus for the Department in this area to support its customers towards a sustained improvement in compliance rates in newer schemes.

Conclusions and forward look

The Department’s overall financial improvement plans

17 Both in the context of the Department having made significant strides in removing two qualifications, and in knowing that it has more to do to sustainably achieve timely and unqualified accounts in future years, I recognise the Department’s continuing efforts represented by the *Future Finance* portfolio of projects to improve its financial management.

18 Seeing through successful delivery on these projects will be key enablers of continuing progress as the Department seeks not only to address the remaining qualification issue, but to sustainably return delivery of the annual report and accounts to a summer deadline. In some areas not subject to qualification – including project accounting – this will require an ongoing focus on integrating finance more fully into the broader business and processes, ensuring connections in both directions with the right subject matter experts, and amending processes to better enable right-first-time data input and reduce re-work.

Environment Agency

- 19** During 2022-23 management made important foundational improvements which I said provided a platform for further improvement. The removal of two heads of qualification represents significant progress, and reflects increased reliability in the Departmental Group's accounts, and improvements in underlying data. Progress in respect of operational assets is also encouraging given the extent of the asset base under review and I expect to report further in 2024-25 following the completion of management's data improvement exercise.
- 20** To continue this journey towards financial statements which are both unqualified and timely, the Department and Environment Agency will need to maintain a continued focus on improved financial management, including measures to ensure that these recent improvements can be sustained. Management needs to set specific goals, allocate sufficient resources for improvement, and to ensure that efforts are effectively targeted. In order to address the issues described in my certificate, priority areas for 2024-25 should include:
- completing the drive towards a more stable, accurate and complete asset management dataset with data update reliably embedded in business as usual processes for asset management;
 - continuing the Environment Agency's rolling valuation programme for land and buildings, building in recent learnings and ensuring that reliable records are kept of the 5-year rolling programme;
 - refining processes for project spend classification to ensure that appropriate judgments and accounting processes are put in place in a manner closely aligned with broader project management practice;
 - looking for opportunities to streamline and simplify policies and procedures where appropriate, where complexity is a barrier to sustainable improvement; and
 - maintaining the environment – through appropriate resourcing and training, and broader leadership which promotes good data quality and continuous improvement – for improvements in financial management to be sustained over the long-term.

Rural Payments Agency

21 In respect of the in-year increases in non-compliance levels on agricultural grants, the Department should look to improve the extent to which grants fully achieve their intended outcomes by:

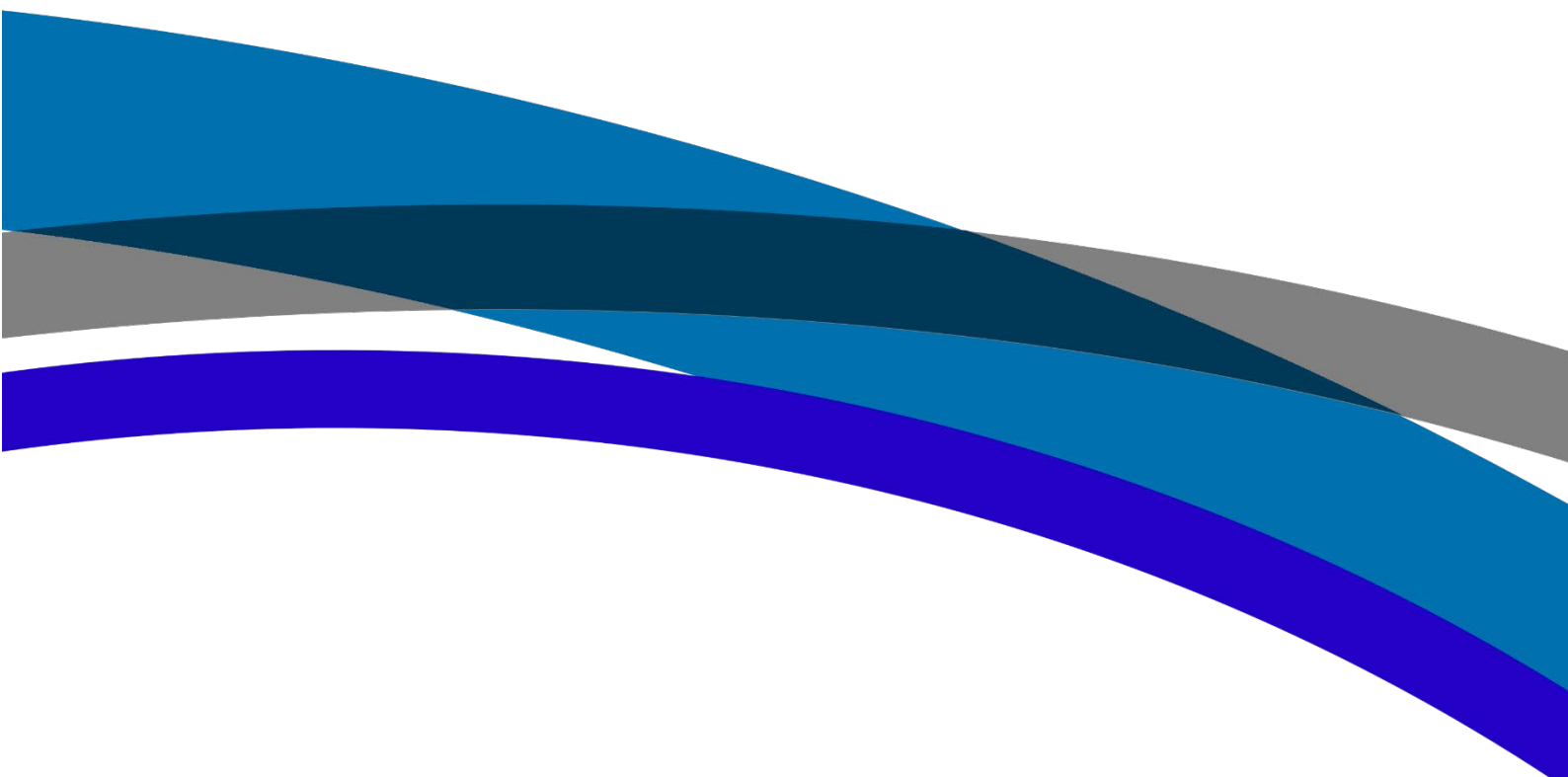
- setting targets for the compliance level they would see as representing value for money in these newer schemes, taking account of the extent of compliance-focused activity which would be needed to sustain it;
- monitoring performance against these levels; and
- taking action to support customers to consistently improved compliance over time.

Gareth Davies
Comptroller and Auditor General

12 December 2024

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

Financial Statements



Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2024

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

	Note/ Ref	2023-24		Restated 2022-23	
		Core department and Agencies	Defra group	Core department and Agencies	Defra group
		£000	£000	£000	£000
Revenue from contracts with customers	4.1	(149,683)	(873,695)	(148,943)	(828,917)
Other operating income	4.2	(228,861)	(514,789)	(323,133)	(486,645)
Total income		(378,544)	(1,388,484)	(472,076)	(1,315,562)
Staff expenditure	3.1	901,978	1,795,910	775,076	1,526,299
Other expenditure	3.1	999,412	2,147,224	876,872	1,972,333
Non-cash items	3.2	771,436	1,592,137	(422,655)	80,030
Grants and subsidies	3.3	5,711,898	3,922,014	4,331,180	2,897,880
Total operating expenditure		8,384,724	9,457,285	5,560,473	6,476,542
Net operating expenditure		8,006,180	8,068,801	5,088,397	5,160,980
Net expenditure for the year		8,006,180	8,068,801	5,088,397	5,160,980
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating expenditure					
Net (gain)/loss on:					
Revaluation of PPE	SoCTE	(4,303)	(533,671)	(33,103)	(6,686,763)
Revaluation of right of use assets	SoCTE	(5,467)	(6,710)	5,428	1,750
Charitable funds revaluation	SoCTE	-	(5,367)	-	(23,288)
Revaluation of intangibles	SoCTE	(6,515)	(9,811)	(8,661)	(14,666)
Pension actuarial movements	16	12,356	(255,398)	(15,238)	(1,323,955)
Changes in the fair value of equity investments at fair value through OCE	SoCTE	8,262	8,262	-	-
Items that may be reclassified subsequently to net operating expenditure					
Net (gain)/loss on:					
Revaluation of investments		-	(856)	-	184
Total comprehensive net expenditure for the year		8,010,513	7,265,250	5,036,823	(2,885,758)

EU funding for the department totalling £109 million (2022-23, £240 million) is included within income totals. Further details can be found in Note 4. Flood Re pays corporation tax. The charge included in other costs in the SoCNE was a refund of £3.5 million (2022-23, £21 million payment).

The prior period restatement is described in Note 19.

The notes on pages 200 to 305 form part of these accounts.

Consolidated Statement of Financial Position

As at 31 March 2024

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

	Note/Ref	31 March 2024		Restated 31 March 2023	
		Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Non-current assets					
Property, plant and equipment	5.1	567,462	11,562,750	540,716	11,150,730
Right of use assets	5.2	102,525	183,359	115,468	183,920
Investment properties		613	13,077	613	13,941
Heritage assets	5.3	-	316,903	-	303,732
Agricultural assets		-	115	-	141
Intangible assets	6	341,711	518,674	277,984	422,018
Financial assets	9	81,214	117,318	39,014	68,804
Investment in Associate		121	29,111	7,769	17,514
Net pension assets		-	797,054	-	503,350
Receivables and contract assets falling due after more than one year	11	4,672	8,113	5,901	6,632
Total non-current assets		1,098,318	13,546,474	987,465	12,670,782
Current assets					
Assets classified as held for sale		-	13,064	-	13,403
Inventories		5,207	22,365	5,095	6,794
Financial assets	11	1,362	878,870	117	740,993
Trade, other receivables and contract assets	11	558,371	854,587	521,060	655,333
Cash and cash equivalents	10	208,974	498,713	192,536	471,776
Total current assets		773,914	2,267,599	718,808	1,888,299
Total assets		1,872,232	15,814,073	1,706,273	14,559,081
Current liabilities					
Trade, other payables and contract liabilities	12	(2,050,332)	(2,660,648)	(824,326)	(1,403,093)
Lease Liability	13	(26,471)	(49,510)	(32,708)	(49,129)
Provisions	15.2	(13,308)	(277,713)	(81,010)	(159,119)
Net pension liability		(43,229)	(43,239)	(47,577)	(47,581)
Financial liabilities	12	(706)	(26,306)	(4,847)	(29,147)
Total current liabilities		(2,134,046)	(3,057,416)	(990,468)	(1,688,069)
Non-current assets plus/less net current assets/liabilities		(261,814)	12,756,657	715,805	12,871,012
Non-current liabilities					
Provisions	15.2	(1,046,651)	(1,155,022)	(352,732)	(426,957)
Lease Liability		(85,724)	(120,283)	(94,475)	(134,545)
Net pension liability		(101,300)	(106,319)	(127,351)	(132,512)
Other payables and contract liabilities	12	(192)	(170,955)	(112)	(145,779)
Financial liabilities	12	-	(435,601)	-	(423,742)
Total non-current liabilities		(1,233,867)	(1,988,180)	(574,670)	(1,263,535)
Assets less liabilities		(1,495,681)	10,768,477	141,135	11,607,477

		31 March 2024		Restated 31 March 2023	
	Note/Ref	Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Taxpayers' equity and other reserves					
General Fund	SoCTE	(1,654,560)	803,403	(30,281)	2,103,241
Revaluation reserve	SoCTE	158,879	9,574,573	171,416	9,156,602
Charitable funds - restricted funds	SoCTE	-	134,457	-	132,222
Charitable funds - unrestricted funds*	SoCTE	-	256,044	-	215,412
Total equity		(1,495,681)	10,768,477	141,135	11,607,477

*The unrestricted charitable funds figure includes Royal Botanic Gardens Kew (RBG Kew) and National Forest Company's (NFC) revaluation reserves totalling £153.0 million (2022-23, £151.8 million).

The prior period restatement is described in Note 19.

The notes on pages 200 to 305 form part of these accounts.

Tamara Finkelstein

12 December 2024

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

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

	Note/Ref	2023-24		Restated 2022-23	
		Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Cash flows from operating activities					
Net operating expenditure	SoCNE	(8,006,180)	(8,068,801)	(5,088,397)	(5,160,980)
Adjust for non-cash transactions		761,697	1,552,358	(418,531)	81,293
(Increase)/decrease in trade and other receivables excluding derivatives		(36,082)	(200,735)	(134,824)	(107,376)
Less movements in receivables relating to items not passing through the SoCNE		-	-	4,202	4,202
Adjustments for derivative financial instruments		(5,386)	(5,386)	1,402	1,402
(Increase) / decrease in inventories	SOFP	(112)	(15,571)	301	(22)
Increase / (decrease) in trade payables and other liabilities excluding derivatives		1,226,086	1,295,890	(225,690)	(124,386)
Less movements in payables relating to items not passing through the SoCNE		(96,952)	(96,952)	210,294	229,614
IFRS16 Implementation adjustment		-	-	-	(2,288)
Use of provisions / pension liabilities		(64,649)	(186,813)	(69,897)	(170,098)
Net cash outflow from operating activities		(6,221,578)	(5,726,010)	(5,721,140)	(5,248,639)
Cash flows from investing activities					
Purchase of PPE, heritage and agricultural assets	5.4	(77,993)	(363,332)	(81,495)	(351,428)
Purchase of Right of Use assets		-	(35)	-	-
Purchase of intangible assets	6	(111,579)	(167,050)	(78,777)	(128,949)
Purchase / repayment of financial assets		-	(1,325,050)	12	(131,243)
Proceeds of disposal of PPE, heritage and agricultural assets		29	3,069	52	1,773
Proceeds of disposal of financial assets		-	1,196,626	-	18,000
Repayments from other bodies		44	1	44	(1)
Net cash outflow from investing activities		(189,499)	(655,771)	(160,164)	(591,848)

		2023-24		Restated 2022-23	
	Note/Ref	Core department and Agencies	Defra group	Core department and Agencies	Defra group
		£000	£000	£000	£000
Cash flows from financing activities					
From Consolidated Fund (supply): current year	SoCTE	6,465,000	6,465,000	5,720,000	5,720,000
Capital element in respect of service concession arrangements and finance leases and non balance sheet PFI contracts		12	84	(241)	(313)
Payment of lease liabilities		(36,407)	(55,290)	(24,823)	(38,749)
Funding (to) / from other bodies		(243)	(229)	24	(5)
Net financing		6,428,362	6,409,565	5,694,960	5,680,933
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		17,285	27,784	(186,344)	(159,554)
Receipts due to the Consolidated Fund which are outside the scope of the department's activities		-	-	(4,202)	(4,202)
Payments of amounts due to the Consolidated Fund		(847)	(847)	(4,309)	(4,752)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the consolidated fund	10	16,438	26,937	(194,855)	(168,508)
Cash and cash equivalents at the beginning of the period	10	192,536	471,776	387,391	640,284
Cash and cash equivalents at the end of the period	10	208,974	498,713	192,536	471,776

The notes on pages 200 to 305 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

This statement shows the movement in the year on the different reserves held by Defra. The General Fund reflects financing and balances from the provision of services, i.e., it reflects the contribution from the Consolidated Fund. The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure. Other specific reserves are shown separately where there are statutory restrictions of their use. Charitable funds represent the fair value of donations, including revaluation, given to RBG Kew and NFC. Unrestricted reserves are those donations that have no restrictions on their use, or income flow.

For the year ended 31 March 2024

Defra group

2023-24						
Note/Ref	General Fund	Revaluation Reserve	Total Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2023 (Restated)	2,103,241	9,156,602	11,259,843	132,222	215,412	11,607,477
Net parliamentary funding - drawn down	SoCF 6,465,000	-	6,465,000	-	-	6,465,000
Net parliamentary funding - deemed	192,277	-	192,277	-	-	192,277
Funding (to)/ from other bodies	(229)	-	(229)	-	-	(229)
Supply (payable) adjustment	(193,678)	-	(193,678)	-	-	(193,678)
CFER Income Payable to the Consolidated Fund	SOPS 4.1 (41,986)	-	(41,986)	-	-	(41,986)
Net operating costs for the year	SoCNE (8,105,484)	-	(8,105,484)	2,235	34,448	(8,068,801)
Non-cash adjustments						
Non-cash charges-auditors' remuneration	3.2 1,329	-	1,329	-	-	1,329
Notional recharges and other non-cash items	3.2 (8)	-	(8)	-	-	(8)

		2023-24					
Note/Ref	General Fund	Revaluation Reserve	Total Taxpayers' Equity	Charitable Funds - Restricted/Endowment	Charitable Funds - Unrestricted	Total Reserves	
	£000	£000	£000	£000	£000	£000	
Movement in reserves							
Recognised in other comprehensive expenditure:							
Revaluation of PPE	OCE	-	533,671	533,671	-	-	533,671
Charitable funds revaluation	OCE	-	-	-	-	5,367	5,367
Revaluation of intangibles	OCE	-	9,811	9,811	-	-	9,811
Revaluation of Right of use assets	OCE	-	6,710	6,710	-	-	6,710
Revaluation of investments	OCE	-	(7,406)	(7,406)	-	-	(7,406)
Pension actuarial movements	OCE	255,398	-	255,398	-	-	255,398
Contributions in respect of unfunded benefits		4,600	-	4,600	-	-	4,600
Transfers between reserves		123,998	(124,815)	(817)	-	817	-
Other movements in reserves		(1,055)	-	(1,055)	-	-	(1,055)
Balance at 31 March 2024		803,403	9,574,573	10,377,976	134,457	256,044	10,768,477

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

Defra group

							Restated 2022-23
Note/Ref	General Fund	Revaluation Reserve	Total Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves	
	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2022 (Restated)	(55,192)	2,570,371	2,515,179	102,687	185,249	2,803,115	
IFRS 16 Initial Recognition	1.9 5,762		5,762	-	-	5,762	
Adjusted opening balance 1 April 2022	(49,430)	2,570,371	2,520,941	102,687	185,249	2,808,877	
Net parliamentary funding - drawn down	SoCF 5,720,000	-	5,720,000	-	-	5,720,000	
Net parliamentary funding - deemed	387,391	-	387,391	-	-	387,391	
Funding (to)/ from other bodies	(5)	-	(5)	-	-	(5)	
Supply (payable) adjustment	(192,277)	-	(192,277)	-	-	(192,277)	
CFER Income Payable to the Consolidated Fund	SOPS 4.1 (8,272)	-	(8,272)	-	-	(8,272)	
Net operating costs for the year	SoCNE (5,197,363)	-	(5,197,363)	8,348	28,035	(5,160,980)	
Non-cash adjustments							
Non-cash charges- auditors' remuneration	3.2 1,211	-	1,211	-	-	1,211	
Notional recharges and other non-cash items	3.2 (5)	-	(5)	-	-	(5)	
Movement in reserves							
Recognised in other comprehensive expenditure:							
Revaluation of PPE*	OCE -	6,686,763	6,686,763	-	-	6,686,763	
Charitable funds revaluation	OCE -	-	-	-	23,288	23,288	

							Restated 2022-23
Note/Ref	General Fund	Revaluation Reserve	Total Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves	
	£000	£000	£000	£000	£000	£000	
Revaluation of intangibles	OCE	-	14,666	14,666	-	-	14,666
Revaluation of Right of use assets	OCE	-	(1,750)	(1,750)	-	-	(1,750)
Revaluation of investments	OCE	-	(184)	(184)	-	-	(184)
Pension actuarial movements	OCE/16	1,323,955	-	1,323,955	-	-	1,323,955
Contributions in respect of unfunded benefits		4,800	-	4,800	-	-	4,800
Transfers between reserves		113,237	(113,264)	(27)	21,187	(21,160)	-
Transfer to General Fund - net asset transfer		(1)	-	(1)	-	-	(1)
Balance at 31 March 2023		2,103,241	9,156,602	11,259,843	132,222	215,412	11,607,477

*Revaluation of PPE includes the effect of business as usual revaluations reported in Notes 5 and 6, as well as the £6.5 billion impact of the transition to DRC reported in Note 5, which has been processed as an in year revaluation amount due to the impracticability of a retrospective application of this change in accounting policy.

The notes on pages 200 to 305 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

Core department and Agencies

2023-24				
Note/Ref	General Fund	Revaluation Reserve	Total Taxpayers' Equity	Total Reserves
	£000	£000	£000	£000
Balance at 1 April 2023	(30,281)	171,416	141,135	141,135
Net parliamentary funding - drawn down	SoCF	6,465,000	-	6,465,000
Net parliamentary funding - deemed		192,277	-	192,277
Funding (to)/ from other bodies		(243)	-	(243)
Supply (payable) adjustment		(193,678)	-	(193,678)
CFER Income Payable to the Consolidated Fund		(41,986)	-	(41,986)
Net operating costs for the year	SoCNE	(8,006,180)	-	(8,006,180)
Non-cash adjustments				
Non-cash charges- auditors' remuneration	3.2	1,329	-	1,329
Notional recharges and other non-cash items	3.2	(53,796)	-	(53,796)
Movement in reserves				
Recognised in other comprehensive expenditure:				
Revaluation of PPE	OCE	-	4,303	4,303
Revaluation of intangibles	OCE	-	6,515	6,515
Revaluation of Right of use assets	OCE	-	5,467	5,467
Revaluation of investments	OCE	-	(8,262)	(8,262)
Pension actuarial movements	OCE	(12,356)	-	(12,356)
Contributions in respect of unfunded benefits		4,600	-	4,600
Transfers between reserves		20,560	(20,560)	-
Other movements in reserves		194	-	194
Balance at 31 March 2024		(1,654,560)	158,879	(1,495,681)

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

Core department and Agencies

					2022-23
	Note/Ref	General Fund	Revaluation Reserve	Total Taxpayers' Equity	Total Reserves
		£000	£000	£000	£000
Balance at 1 April 2022		(841,689)	146,604	(695,085)	(695,085)
IFRS 16 Initial Recognition		2,871	-	2,871	2,871
Adjusted Opening balance 1 April 2022		(838,818)	146,604	(692,214)	(692,214)
Net parliamentary funding - drawn down	SoCF	5,720,000	-	5,720,000	5,720,000
Net parliamentary funding - deemed		387,391	-	387,391	387,391
Funding (to)/ from other bodies		24	-	24	24
Supply (payable) adjustment		(192,277)	-	(192,277)	(192,277)
CFER Income Payable to the Consolidated Fund		(7,829)	-	(7,829)	(7,829)
Net operating costs for the year	SoCNE	(5,088,397)	-	(5,088,397)	(5,088,397)
Non-cash adjustments					
Non-cash charges- auditors' remuneration	3.2	1,211	-	1,211	1,211
Notional recharges and other non-cash items	3.2	(43,697)	-	(43,697)	(43,697)
Movement in reserves					
Recognised in other comprehensive expenditure:					
Revaluation of PPE	OCE	-	33,103	33,103	33,103
Revaluation of intangibles	OCE	-	8,661	8,661	8,661
Revaluation of Right of use assets	OCE	-	(5,428)	(5,428)	(5,428)
Pension actuarial movements	OCE	15,238	-	15,238	15,238
Contributions in respect of unfunded benefits		4,800	-	4,800	4,800
Transfers between reserves		11,524	(11,524)	-	-
Transfer to General Fund - net asset transfer		549	-	549	549
Balance at 31 March 2023		(30,281)	171,416	141,135	141,135

The notes on pages 200 to 305 form part of these accounts.

Notes to the Departmental Accounts

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2023-24 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector.

Where the FReM permits a choice of accounting policy, a judgement has been made to select the most appropriate policy to suit the particular circumstances of the department, for the purpose of giving a true and fair view. The department's accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the accounts.

1.1 Significant Judgements and Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events and actions. Where appropriate, the relevant notes to the accounts provide further detail on estimation techniques.

In the process of applying the department's accounting policies, significant judgements and / or estimation techniques have been made by management in the following areas:

Revenue Recognition

The point at which it is appropriate to recognise revenue in the Statement of Comprehensive Net Expenditure (SoCNE), most notably:

- Rural Development Programme for England (RDPE) income (see Note 1.5.2),
- Operating Income (see Note 4.2).
- Accrued and deferred income, and contract assets / liabilities within Trade Payables and Receivables, where it is expected that income from fees and charges will break-even over a reasonable period of time (see Note 1.13).
- Judgements are used to assess the expected timing for the satisfaction of performance obligations, and determination of transaction prices per IFRS 15 (see Note 1.13).

Disallowance

- Determining the timing and value of revenue recognition and measurement basis for disallowance penalties (see Note 15.3).

Property, Plant and Equipment

- The valuation of property, plant and equipment requires professional valuers to make assessments which affect the value including the estimation of the assets' useful lives (see Note 1.6).
- The impairment of property, plant and equipment and intangible assets (Note 7).
- The selection of appropriate indices to apply in the valuation of property, plant and equipment (see Note 5) and intangible assets (see Note 6).
- The classification of expenditure in the Environment Agency (EA) between property, plant and equipment or intangible assets and capital works expensed in year (see Note 1.16).
- The estimation uncertainty around asset costings and depreciation relating to Depreciated Replacement Cost (DRC) valuations of EA's operational assets (see Note 1.16 and Note 5.1).

Leases

- Professional judgement has been applied to estimate a reasonable length for the term when calculating lease liabilities and right of use asset valuations (see Note 1.9).

Provisions and Liabilities

- Recognition of provisions according to the existence of a present obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation (see Note 1.20).
- Flood Re's liability arising from claims made under insurance contracts can fluctuate between years and requires an estimate of the values remaining unclaimed from events and the estimation of a provision where there is uncertainty in relation to the value (see Notes 1.16 and 1.20).
- Pension liabilities (see Note 1.19 and Note 16). Independent and qualified actuaries assess the specific factors that influence the pension fund position, such as life expectancy and age of scheme members, prevailing interest and inflation rates, informing the valuation of the Defined Benefit Obligation. Estimation uncertainty also features in the asset base for non market quoted assets. Finally, Defra group makes judgements based on IFRIC 14 principles on whether to constrain the recognition of surpluses where these arise.
- RPA's Delinked payments are subject to progressive reductions, which decrease the value of payments each year from 2024 to 2027. As at 31 March 2024, progressive reduction rates for 2025 and onwards were not yet published, and therefore

management have used judgement and historical trends to estimate future progressive reduction rates. (Note 1.21).

Financial Instruments and Liabilities

- Assessment and calculation of Expected Credit Losses, according to IFRS 9 business model including the estimation of the impact of future events (see Note 9).
- The recognition and treatment of financial liabilities relating to EA reservoir operating agreements compliant with IFRS 9 (see Note 9), including recognition of the liability as a perpetuity at amortised cost and the expected future Retail Prices Index (RPI). The liability is discounted using the Effective Interest Rate (EIR) method, which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its' amortised cost.

1.2 Accounting Convention

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

1.3 Going Concern

In common with other government departments, the future financing of Defra's liabilities is to be met by future grants of supply and the application of future income approved annually by Parliament. Parliament provides approval for amounts annually, prior to the parliamentary recess and there is no reason to believe that future approvals will not be made.

1.4 Basis of Consolidation

These accounts comprise a consolidation of the Core department, executive agencies and those other delivery bodies which fall within the departmental boundary. Transactions between entities within the consolidation are eliminated.

IFRS 10, as adapted by the FReM, requires the department to apply the criteria used by the Office for National Statistics (ONS) in determining control by the parent over the subsidiary; as such, the departmental boundary defines the Defra group in a manner similar to the group concept under generally accepted accounting practice. Note 20 provides details of entities within the departmental boundary, comprising supply financed agencies and those entities listed in the designation and amendment orders presented to Parliament.

1.5 Scheme Costs and Grants

1.5.1 Rural Payments Agency Reported Income and Expenditure

The accounting policies applying to both income and expenditure under Commission funded schemes, and expenditure under UK Exchequer funded schemes, excluding delinked payments (Note 1.21) are detailed below.

1.5.1.1 Rural Payments Agency European Commission funded schemes

European Commission Funding for EU schemes recognised in the accounts prior to 1 April 2023 ceased on 15 October 2020 and was replaced by UK Exchequer funding from that point onwards. These schemes were principally the Basic Payments Scheme, Fruit and Vegetables Scheme, and School Milk Scheme. However, RPA continues to recover debts from farmers in relation to scheme payments which were originally funded by the European Commission and continues to repay a proportion of the monies recovered to the European Commission. These recoveries are presented as negative expenditure, whilst the corresponding repayments to the European Commission are presented as negative income. Entries are against expenditure and income, rather than the Statement of Financial Position, since RPA is recovering and paying over money owed by customers ultimately to the European Union, rather than owed by customers to the RPA itself.

1.5.1.2 Rural Payments Agency UK Exchequer funded schemes

RPA recognises the expenditure relating to all UK Exchequer funded schemes when both the following criteria are judged to be met:

- The claimant has fulfilled all their performance obligations in line with the applicable scheme rules and regulations; and
- The value of the claim can be reliably estimated by RPA.

This commonly results in expenditure being recognised on receipt of claims, or annual declarations from customers. However, expenditure may be recognised later when claims, or declarations are received in advance of other underlying performance obligations being completed by the claimant. This is the case for the Basic Payment Scheme (BPS), where recognition is the later of the receipt of claims, and the 15 May eligibility date when claimants must have land at their disposal; and Sustainable Farming Incentive (SFI) revenue agreements where recognition is on the latter receipt of a claimant's annual declaration and the final day of their agreement year.

Delinked payments will replace the BPS in England in 2024 and the accounting policy is described below (Note 1.21).

RPA administers several schemes for all UK claimants, principally the Fruit and Vegetables and School Milk Schemes. Where RPA makes payments to claimants outside of England these are reclaimed from the associated devolved administrations in Scotland, Wales and Northern Ireland. RPA recognises the income when it is probable that it will receive a reimbursement from the devolved administration for scheme expenditure incurred and the amount to be received is considered reliably measurable. These conditions are deemed to be met at the point that the related scheme expenditure is recognised.

1.5.2 RDPE Scheme Income and Expenditure

Up until the 31 March 2023, payments under RDPE were made by RPA on behalf of Defra and Forestry Commission (FC). Defra's status as managing authority for RDPE conveys the risks and rewards associated with budget responsibility and consequently RDPE expenditure and associated Commission income was recognised in the Core department. Defra

delegated authority to RPA to administer certain elements of RDPE, including validation and payments of eligible claims as authorised by Natural England (NE) and RPA.

As of 1 April 2023, EU funding was exhausted and Defra's status as the controlling Managing Authority for RDPE ceased to be meaningful, with control of the schemes transferred to RPA with all RDPE expenditure and recoveries recognised within RPA's Statement of Comprehensive Expenditure. Note that because Defra recognised expenditure for these schemes on average, in advance of cash payments being made, RPA continued to make cash payments to claimants on behalf of Defra during the 2023-24 financial year to settle in cash terms expenditure which was accrued by Defra during financial year 2022-23.

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

1.6 Property, Plant and Equipment

Recognition and Valuation

Basis of Valuation

Land and buildings are stated at fair value, which is either depreciated replacement cost (DRC), open market value (MV) or existing use value (EUV). Non-specialised properties are stated at EUV.

The specialist science estate operated by the Animal and Plant Health Agency (APHA) is valued using the DRC method taking into account the expected construction costs to rebuild equivalent assets.

EA dwellings, typically lock keeper cottages are valued at EUV Social Housing to reflect that the property is being held and occupied for the delivery of a service in existing use.

Since 2022-23, EA's operational assets are valued using Depreciated Replacement Cost and details of the accounting policies relating to recognition and valuation can be found in Note 5.

Capitalisation Threshold

Minimum levels of capitalisation within the departmental boundary are generally in the ranges of £1,000–£10,000. Capitalisation thresholds vary, as these are set within reference to the nature and complexity of assets and related projects at each entity.

Revaluation

With the exception of some of EA's assets (see below) freehold land and buildings are subject to professional valuation at no more than five yearly intervals (quinquennial valuation).

Quinquennial Valuations are carried out by professionally qualified independent valuers, who adhere to the principles outlined in the Royal Institution of Chartered Surveyors Red Book.

The most recent valuation of the corporate estates including the Core department, administrative buildings and APHA, was completed in March 2020 by Montagu Evans, under the guidance of a qualified director in their valuation department. This included the valuation of the Weybridge site. The next valuation at the Core department will be in March 2025. The last quinquennial valuation of EA's land and buildings (including dwellings), except Assets Under Construction (AUC), was as at 31 March 2021 and the valuation was undertaken by Royal Institution of Chartered Surveyors (RICS) qualified external chartered surveyors Savills and Avison Young. This valuation was on the basis of open market value for administrative land and buildings and existing use for operational land. EA's plant and machinery, vehicles, furniture and fittings, IT equipment and operational assets were revalued internally at 31 March 2024 using suitable indices.

Following the 2021 valuation EA has implemented a rolling programme of revaluation of operational land, buildings and dwellings whereby around 20 per cent of land and building assets are selected for valuation each year. The valuation is prepared by a RICS qualified surveyor and reviewed by EA Estates and Finance apply the valuation to the assets. Administrative land and buildings, such as offices and depots are not specialised assets and are valued on a comparable replacement basis every five years as part of a quinquennial review.

In between quinquennial valuations and annual desktop valuation is conducted through the application of appropriate indices. An annual valuation report is produced regardless of whether the valuation is a desktop or based on inspection.

Details of the revaluation of EA's operational assets can be found in Note 5 below.

1.7 Assets Under Construction (AUC)

AUC are carried on the Statement of Financial Position (SoFP) at accumulated cost with depreciation commencing when the asset is completed and available to be brought into service. Balances are regularly reviewed to ensure that they only include costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

1.8 Heritage Assets

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

National Nature Reserves (NNRs) are defined as land that is held in support of the department's strategic outcome to support a healthy natural environment and continue to ensure that our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change. Although they are open to the public for quiet recreation, they are held principally for their contribution to knowledge and culture and are classified as heritage assets.

NE has one operational heritage asset which is being held for the contribution to knowledge and culture but also used to provide other services. The remaining Heritage Assets are classified as non-operational.

NE's Heritage Assets are reported in the Statement of Financial Position (SoFP) at fair value, and are subject to professional valuation every five years, the latest being in March 2022. In between valuations, a detailed desk top review is undertaken by external valuers to ensure the valuations remain current and are in line with RICS red book guidance. Any surplus compared to the historic cost is recognised in the revaluation reserve.

Although only operational Heritage Assets have to be valued externally every five years and non-operational ones could be completed by NE's own surveyors, NE have opted to have all their Heritage Assets, both operational and non-operational, valued externally due to insufficient specialist valuation resource to undertake the valuations. Valuation of non-operational Heritage Assets has always proved complex due to the unique qualities of each site making it challenging to identify comparative information. Valuations of heritage assets, while compliant with RICS methodology, rely on professional judgement, knowledge of the area, status of comparable data, status of site being valued and other subjective judgements.

Royal Botanic Gardens, Kew (RBG Kew) also holds heritage assets. RBG Kew has not capitalised heritage buildings and collections acquired before 2001-02, as the cost of obtaining valuations for older collections and buildings is onerous compared to the benefit to the readers of the accounts. Since 2001-02, additions for heritage land and buildings are recognised at cost and revalued every five years by external professionally qualified valuers, on the basis of either open market value for existing use or depreciated replacement cost. The last professional revaluation was carried out in March 2022, by Montagu Evans, Chartered Surveyors. Between professional revaluations, values are usually updated using indices provided by the professional valuers. Heritage collections purchased after 2001-02 are recognised at cost and are neither revalued nor depreciated but are subject to impairment review at five yearly intervals, or when circumstances dictate.

1.9 Leases

1.9.1 Defra as a Lessee

The department implemented IFRS 16 with effect from 1 April 2022, using the adaptations and interpretations set out by HM Treasury in the FReM.

The definition of a lease has been updated under IFRS 16 with more emphasis on being able to control the use of an asset identified in a contract. For lessees, there is no longer a distinction between operating and finance leases, instead leases in scope of IFRS16 are reflected on the SoFP as right of use (ROU) assets and corresponding lease liabilities.

Liabilities are measured at the present value of unavoidable future lease payments. ROU assets are calculated as the lease liability but may require further adjustment for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease. There will also be a difference between the liability and asset value where lease payments do not reflect market value such as those known as peppercorn leases which is described in more detail below.

The SoCNE reflects related charges for the depreciation of ROU asset and interest on the lease liability in place of rental expenses. It continues to reflect irrecoverable VAT where applicable on any leases in line with HM Treasury guidance on the application of IFRS 16

Leases which state that VAT should not form part of the initial measurement of the ROU asset.

This treatment has been applied to all leases except short-term leases (12 months or less) or in some cases where the underlying asset is of low value, which continue to be accounted as expenses on a straight-line basis in the SoCNE for the duration of the lease term.

The definition of a contract is expanded in the FReM to include intra UK government agreements such as Memorandum of Terms of Occupation. The FReM also expands the definition of a lease to those with nil consideration, or significantly below market value, such as those known as peppercorn leases. For peppercorn leases, the department has obtained a professional valuation of the ROU assets from an appropriately qualified professional which is used to value the ROU asset, rather than any rent paid as this does not reflect a market value of the asset. This creates a difference between the ROU asset value and the lease liability which is recognised in the Statement of Changes in Taxpayers Equity (SoCTE).

Leases have been entered into across the Defra group for the use of buildings, land, IT and vehicles. Leases are used where they provide more flexibility than purchase, or because that is what is available for the location or purpose required. Some leases contain break clauses at defined points in the lease. This provides greater flexibility to the Defra group to exit leases early if circumstances change. Professional judgement has been applied where there are break clauses and the expected point of exiting the lease has been used when measuring the lease liability.

Professional judgement on the expected term of a lease is also applicable where the department is still in occupation after the lease end date and the lease is "holding over". Reliance has been placed on estates staff, supported by information in the estate strategy, in forming an estimate of a reasonable length for the term when calculating lease liabilities and right of use asset valuations. The most material leases have a fixed end date, limiting the impact of this professional judgement.

When calculating the lease liability, if the interest rate cannot be readily determined within a lease, the department has calculated the lease liability using the discount rates set out in the latest HM Treasury's Public Expenditure System paper as the incremental borrowing rate which for the 2022 calendar year is 0.95 per cent, 3.51 per cent for 2023, and 4.72 per cent for 2024. These rates are used when calculating and initial lease liability or transition, for a new lease or when reassessing the lease.

The adoption of IFRS16 does not affect the departments liquidity risk, which is not significant, as the department's net resource outturn is financed through resources voted annually by Parliament.

The department is not exposed to any significant risk in future cash flows from extension clauses, termination clauses, variable lease payments or residual value guarantees as these are not standard in Defra lease agreements. There are no restrictions or covenants, or any current sale and leaseback transactions affecting these accounts, nor are there any lease agreements where we are committed but the lease has not yet commenced.

Subsequent measurement of ROU assets is at fair value or current value in existing use where assets are held for their service potential unless cost represents a reasonable proxy.

For land and buildings, valuations will be determined by appropriately qualified professionals in accordance with RICS Guidance. For the majority of assets cost is a reasonable proxy due to the relatively short term nature of leases compared to freehold assets, and also because most leases contain regular rent reviews. In practice Defra group has sought a valuation for ROU assets which are peppercorn leases, or where there is no rent review.

1.9.2 Defra as a Lessor

Lessor accounting is largely unchanged by IFRS 16 with lessors continuing to distinguish finance and operating leases. Leases which transfer substantially all the risks and economic benefits of the underlying asset have been classed as finance leases. All other leases have been classed as operating leases.

Where a sub-lease has been judged to be a finance lease, Defra has derecognised the ROU asset and recognised a receivable for the net investment in the finance lease equivalent to discounted future income.

Occupation of the corporate estate by Defra group bodies is on a flexible shared basis with very few formal occupancy agreements in place between the leaseholder (either Core department or the Environment Agency) and the occupant. Corporate estate leases will therefore be recognised in full by the legal leaseholder unless there is a formal arrangement in place.

1.10 Intangible Non-Current Assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. These comprise software licences and internally developed IT software, including AUC.

The department holds various software licences, which were capitalised at purchase cost where this exceeded capitalisation thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value.

The department's expenditure on research activities is written off to the SoCNE as incurred. Development costs may be capitalised where the criteria noted in IAS 38, Intangible Assets are satisfied.

Internally developed computer software includes the costs of internal employees where evidence demonstrates that these are necessarily incurred and directly attributable to creating, producing, and preparing the asset to be capable of operating in the manner intended by management. The department does not hold any intangible assets with an indefinite useful life.

Costs, including configuration and customisation costs, are only recognised on the SoFP under IAS 38 when the underlying asset is controlled by Defra group. Where this is not the case, as in some Software as a Service arrangements, costs of customisation will be taken directly to net expenditure even if the economic benefits of these costs are expected to last multiple years.

The capitalisation threshold for the Defra group generally ranges between £1,000 and £250,000. Capitalisation thresholds vary, as these are set with reference to the nature and complexity of assets and related projects at each entity.

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

1.11 Depreciation and Amortisation

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

Land, AUC, non-operational heritage assets and assets held for sale are not depreciated.

Where non-current assets contain components that have differing patterns of benefits and values that are significant relative to the total cost of the item, each component is capitalised, where possible, and depreciated separately over the appropriate estimated useful economic life of the component. Where componentisation is not possible or practicable, useful lives are estimated using the weighted average useful life method.

Non-current assets are depreciated over the following timescales:

Infrastructure assets (e.g. Thames Barrier)	Up to 100 years
Freehold and leasehold buildings	Up to 80 years or remaining life of lease
Vehicles, furniture and fittings and equipment	Up to 30 years
Plant and machinery	Up to 50 years
Intangible assets - Internally Developed Software	Up to 15 years
Intangible assets - Software Licenses	Up to 25 years

Depreciation on EA's operational assets valued using the DRC method is calculated to write off the value of the asset over the expected useful economic life. Depreciation is charged in the month of capitalisation but not in the month of disposal and this is between 10 and 100 years.

Typically, intangible assets have no residual values and are not sold but are used until decommissioned and amortised over the life of the asset. Whilst the useful economic life (UEL) of intangible assets is normally within the ranges quoted above, there may be specific circumstances where a case by case assessment results in a UEL outside of these ranges.

1.12 Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount. An impairment review is carried out on an annual basis.

Any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential is recognised in full as an impairment loss in the SoCNE. An amount up to the value of the impairment is transferred from the revaluation reserve (to the extent that a balance exists) to the General Fund for the individual asset concerned.

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

1.13 Income

Revenue is measured based on the consideration specified in a contract with a customer. Income from government grants (accounted under IAS 20: Accounting for Government Grants), insurance income and charity income are recorded as other operating income. Defra group recognises revenue from contracts with customers in accordance with the five stage model set out in IFRS 15 Revenue from contracts with customers. This is a framework to establish the timing and value of revenue recognised within the accounts; revenue is either recognised 'at a point in time' or 'over time' depending on the assessment of criteria within the framework.

Significant judgements are required to assess the timing of revenue recognition based on the satisfaction of performance obligations. A performance obligation is a promise to deliver a good or service (or series of substantially the same good or service). In determining whether a performance obligation is met and whether income is recognised over time a set of criteria has been established which considers the following;

- whether any contract asset has an alternate use to Defra,
- the control of the customer over any asset created,
- whether the benefit to the customer is received and consumed simultaneously.

The transaction price is the amount that Defra expects to receive for the goods and services provided and is determined in accordance with Managing Public Money⁵⁹ and for sales of goods will be transacted at the value agreed on the invoice. Fees and Charges will be established either by the Secretary of State or by an entity's board. The department considers the impact of any variable consideration within a contract including any significant financing component and any non-cash consideration, however, this is not generally relevant to contracts within Defra group.

Further details can be found in Note 4.1.

Accrued income may involve a greater element of judgement, requiring management to make an estimate of the amount accruing to the department based on the information they

⁵⁹ <https://www.gov.uk/government/publications/managing-public-money>

hold at that point in time (for example, accruing for the value of work completed but not yet invoiced).

Within receivables and payables there are accrued and deferred income balances for EA's fees and charges representing previous surpluses or deficits of income compared to expenditure. Charging schemes are required to recover full costs over a reasonable period of time and judgement is required in assessing the factors behind whether the surplus or deficit will result in a full cost recovery position over this reasonable period.

Insurance income is accounted through IFRS 4 (Insurance Contracts). This includes:

- Gross written premiums are earned on a pro rata basis over the term of the underlying insurance contract as a proxy to the underlying risk.
- Ceded premiums, which comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts.
- Fee and commission income consists entirely of commissions receivable on ceded reinsurance contracts.
- Commission income varies with, and is directly related to, the underlying reinsurance contracts.

1.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, and short term investments that are cancellable on demand.

The EA holds amounts within the Government Banking Service (GBS) and in escrow accounts as security for permitting deposits which are permits issued for landfill sites, dredging lagoons, mining waste and hazardous waste facilities. These are recognised as cash and cash equivalents as, although they require an environmental incident under section 57 The Environmental Permitting (England and Wales) Regulations 2016 to be utilised, they meet the definition of cash under IAS 7. On the occurrence of an environmental incident, funds would be withdrawn from demand accounts and recognised as income in line with IFRS15 as remedial actions are completed. The amounts held reduce over the life of the closure period of the sites, reducing each year as the obligations of the permit holder decrease. The deposits are held purely as security and on completion of obligations under site closure plans, are repayable to the permit holder. Interest earned on deposits in the accounts is payable to the permit holder. The corresponding liability is included within Note 12.

1.15 Grant-in-Aid Funding

Grant-in-aid from the Core department to non-departmental public bodies (NDPBs), both in respect of capital and revenue expenditure, is recognised in the period that the payment is made. In the Core department, Grant-in Aid is recognised as expenditure and within the NDPBs as funding. Grant-in-Aid is eliminated within the Defra group consolidated accounts.

1.16 Expenditure

Expenditure is recognised on an accruals basis.

Expenditure is recognised when the department has an unconditional obligation to settle an agreed amount, either contractually or by another form of mutual agreement. Where the EA undertakes works which are capital in nature but will not itself receive direct future economic benefits (although the work will reduce national flood risk) or cannot reliably estimate the useful life of the asset or is restoring an asset to target condition the expenditure is reported as capital works expensed in year (Note 3.1). Further details can be found in EA's Annual Report and Accounts.

Gross insurance claims expenses, relating to Flood Re, are based on the estimated liability for compensation owed to contract holders. Claims include all insurance claims occurring during the year, an estimate of claims incurred but not reported and any adjustments to claims outstanding from previous years.

A significant period of time can elapse before the ultimate claims cost can be established with certainty. The ultimate liability for claims made under insurance contracts is estimated using standard actuarial techniques, based on empirical data and current assumptions. Estimation of the ultimate cost of losses resulting from catastrophic flood events is inherently difficult, due to the possible severity of catastrophe claims.

Flood Re has a high dependency on its outwards reinsurance programme. The ceded premium is recognised on the date that the policy incepts and is earned in line with the underlying risk. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are deferred to subsequent accounting periods.

As indicated above, Flood Re's insurance claim expense (and related reinsurance claim income) is related to the severity of flood events, and therefore may be subject to considerable fluctuation.

1.17 Foreign Currency Transactions

The functional and presentational currency of the department is sterling.

RPA receives reimbursements from the European Commission in Euros for funds administered by them and other UK paying agencies in relation to the Rural Development Programme. These foreign currency transactions are recognised as scheme expenditure and scheme income at the rates of exchange prevailing on the dates of recognitions. At each SoFP 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 SoCNE in the period in which they arise.

1.18 Financial Instruments

These comprise financial assets and financial liabilities. See Notes 9, 10, 11 and 12 for details of financial instruments.

1.18.1 Financial Assets

Financial assets are categorised according to the entity's business model for managing the asset and the asset's contractual cash flow characteristics. This could be either collecting the contractual cash flows, selling the financial assets, or both, and contractual cash flows' characteristics test (or Solely Payments of Principal and Interest (SPPI) – Test). This considers whether cash flows are consistent with a basic loan arrangement (i.e. repayments of principal and interest on agreed dates).

The Financial Assets are then categorised as one of the three groups:

Amortised Cost

Loans and Investments are initially held at fair value plus transaction cost, then at amortised cost. Trade and other receivables are also measured at amortised cost, which is generally invoiced value, as these are generally short term in nature. Trade and other receivables include accrued income that does not meet the definition of financial instruments.

Flood Re's short term investments with a duration of greater than three months are classified as other financial assets in Note 11. These are initially held at fair value and then measured at amortised cost using the Effective Interest Rate (EIR) Method and are subject to impairment. (See Flood Re's Annual Report and Accounts Note 2.8).

Fair Value through Profit and Loss (FVPL)

Derivative financial instruments held for trading are valued at FVPL, with changes in fair value recorded against expenditure.

Fair Value through Other Comprehensive Income (FVOCI)

The Eco Business Fund, Land Degradation Neutrality Fund investments and Big Nature Impact Fund, forming part of the department's official development assistance spend, are classified at FVOCI, as are derivative instruments in designated hedging relationships.

1.18.2 Financial Liabilities

These comprise trade and other payables and other financial liabilities (including derivatives). They are initially recognised at fair value and are subsequently measured at amortised cost. Trade and Other Payables includes accrued expenses that do not meet the definition of financial instruments.

EA recognises financial liabilities relating to operating agreements with a number of water companies entered into at their privatisation. These liabilities are treated as perpetuities and recorded in the SoFP at amortised cost using the effective interest rate method. The annual payments arising from these liabilities increase annually in line with the RPI.

Promissory Notes payable have been classified as financial liabilities measured at amortised cost. They are carried as current liabilities in the Consolidated SoFP, and by law are payable on demand. In practice drawdown of the department's promissory notes is dependent upon the fulfilment of agreed criteria. Note 12 provides an analysis of the expected maturity profile of payments against promissory notes in future years.

Contract liabilities are measured at amortised cost, which is the invoiced amount payable.

1.18.3 Derivative Financial Instruments

RPA enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Despite a number of schemes ceasing to be EU funded, RPA continues to be exposed to exchange rate risk in respect of reimbursements due from the EU (further detail can be found in RPA's Annual Report and Accounts).

Derivative financial instruments 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 SoCNE immediately.

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. RPA does not trade derivative arrangements for speculative purposes and does not perform designated hedge accounting.

1.19 Pensions

Generally, pension benefits are provided through the Civil Service pension arrangements, full details of which can be found in the Remuneration Report.

Although the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as alpha, are unfunded defined benefit schemes, in accordance with explicit requirements in the FReM, departments, agencies and other bodies account for the schemes as if they were defined contribution plans. The expected costs of the pension schemes are recognised on a systematic and rational basis over the period during which they benefit from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. The PCSPS and alpha pension schemes undergo a reassessment of the contribution rates by the Government Actuary at four-yearly intervals. In respect of defined contribution schemes, the department recognises the contributions payable for the year.

Where the department is responsible for pension schemes for delivery bodies, it has fully adopted IAS 19, Employee Benefits. The department recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the department has a legal or constructive obligation to make good the deficit in the scheme. Scheme managers / trustees are required to undertake a sensitivity analysis for each significant actuarial assumption, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. Details of this can be found in Note 16.

1.20 Provisions

The department recognises a provision where it has a present obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where material, future costs have been discounted using the rates as directed by HM Treasury.

The material provisions disclosed by the department include legacy liabilities relating to abandoned metal mines and foot and mouth disease (FMD) burial sites, RPA Delinked Payments and some of Flood Re's insurance claim liabilities, where the timing and the value is subject to uncertainty.

See Note 15 for full details of all material provisions, including key management judgements and disclosures around estimation uncertainty.

1.21 Rural Payments Agency Delinked Payments

Delinked payments will replace BPS payments in England in 2024 and will reduce each year until these payments finish. These reductions to BPS and delinked payments are known as progressive reductions.

The full value of delinked payments has been recognised during the 2023-24 financial year, in line with the recognition point of BPS 2023 expenditure, as eligibility for delinked payments is linked to the submission of valid BPS claims. As progressive reduction rates for 2024 have been published, there is considerable certainty over the value of delinked payments for that year. Therefore, this proportion of expenditure has been recognised in the Statement of Financial Position as an accrual. The value of delinked payments in 2025 onwards is subject to greater uncertainty and has therefore been recognised as a provision. The provision is measured at present value using discount rates issued by HM Treasury. See Note 1.1 for further details of the estimation uncertainty associated with the provision element of delinked payments and Note 15.4 for details of the delinked payments values recognised within the Statement of Financial Position.

RPA enters into multi-annual agreements in respect of some schemes. In accordance with the recognition criteria above, where such agreements contain obligations that customers have not yet performed, those elements of the agreements are not recognised as expenditure. The extent of these unrecognised commitments is disclosed in Note 8.2. To the extent that customers meet their future performance obligations, RPA expects that these commitments will be recognised as expenditure in future years.

1.22 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the department discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote. Further information is provided in the Remote Contingent Liabilities as part of the Further Information Relating to Parliamentary Accountability section.

Where the time value of money is material, contingent liabilities are stated at discounted amounts.

1.23 Impending Application of Newly Issued Accounting Standards Not Yet Effective

IFRS 17 – Insurance Contracts

IFRS 17 will apply to all types of insurance and reinsurance contracts and proposes an approach to measuring insurance contract liabilities that is based on the expected present value of future cash flows. It is being applied by HM Treasury in the FReM from 1 April 2025 (with limited options for early adoption). The Department is not adopting the standard early and therefore, the Consolidated Annual Report and Accounts will be prepared in accordance with IFRS 4 until 1 April 2025.

The impact of IFRS 17 within the consolidated ARA is still being assessed. However, early indications suggest that the material impact will relate to Flood Re's activities and the arrangements relating to the Thames Tideway Tunnel.

The standard brings significant change to the accounting treatment of reinsurance inwards and reinsurance outwards contracts cash flows, which is expected to have a material impact on the Defra financial statements on initial recognition.

The amounts recognised in the Statement of Comprehensive Net Expenditure will be disaggregated into:

- An insurance service result, comprising insurance revenue and insurance service expenses.
- Insurance finance income or expenses.

Income or expenses from reinsurance contracts held will be presented separately from the expenses or income from insurance contracts issued.

Flood Re has applied IFRS 17 for the first time in their Annual Report and Accounts for the period ended 31 March 2024, including full retrospective adoption to the restatement of results of prior period balances. The adoption of IFRS 17 produced a material impact on the Flood Re's Financial Statements and disclosures. Flood Re has also prepared statements for consolidation into the department's financial statements in accordance with IFRS4 Insurance Contracts.

Flood Re

Under IFRS17, Flood Re's reinsurance inward and outward contracts are all eligible to be measured by applying the Premium Allocation approach (PAA) which differs from IFRS4 in the following key areas:

- The carrying amount of the liability for remaining coverage (LFRC) excluding the loss component (LFRC ex-LC) or asset for remaining coverage (AFRC) excluding the loss-recovery component (AFRC ex-LRC) comprised of premiums relating to the contracts in-force within the boundary of one year from the beginning of the relevant accounting period and balances brought forward from the previous accounting period (if any).
- The LFRC reflects premiums received less amounts recognised in revenue for insurance services provided.
- Measurement of the LFRC does not include an adjustment for the time value of money because premiums are received on average within 1 month after the due date, and overall, below the 12 month thresholds required under IFRS 17.

- Measurement of the LFRC does not include an adjustment for non-financial risks. Management considers in its evaluation that non-financial risk relating to LFRC is extremely low.
- Measurement of the liability for incurred claims (previously claims outstanding and incurred but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes Flood Re's obligation to pay all incurred insurance expenses.
- Measurement of the LFRC (reflecting premiums received for reinsurance inward contracts) is adjusted to include a loss-component to reflect the expected onerous contract losses on Flood Re's bound but not incepted (BBNI) contracts.
- Measurement of the AFRC (reflecting reinsurance outward premiums paid for reinsurance outward contracts) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The impact on the Statement of Financial Position for the Defra group had Flood Re's transition to IFRS 17 been reflected as at the 31 March 2024 is: an £11.449 million increase in financial assets; a £65.37 million increase in liabilities (comprising of a reduction in trade, other payables and contract liabilities of £83.253 million, a reduction in provisions of £325.653 million and the introduction of the re-insurance inward contract liability of £474.276 million); and a reduction in retained earnings in equity of £53.921 million.

Flood Re's tax position has been consolidated on an actual tax basis, which is driven by changes arising from IFRS 17, but excludes any other impact of restatement. This has resulted in the Group recognising a corporation tax refund in 2023-24 of £3.9 million (2022-23: charge of £21 million).

While IFRS 17 valuations for Flood Re's liabilities (higher than the IFRS 4 values recognised in the Group) have driven these tax consequences, the Group considers that no deferred tax arises from this difference because it is not expected to reverse and is not a temporary difference within the scope of IAS 12.

The introduction of IFRS 17 has resulted in presentational and disclosure adjustments in Flood Re's accounts the details of which can be found in Flood Re's Annual Report and Accounts.

1.24 Changes to Accounting Policies

All accounting policies are unchanged compared to those in the 2022-23 departmental group financial statements.

1.25 Prior Period Adjustments

The prior year accounts have been restated to reflect changes to the opening positions following on from a review of how project spend has been classified in the EA, along with revised land and building asset revaluation balances in the EA. Also included is a restatement to reflect the impact of the implementation of IFRS 16 in 2022-23 on the SoCNE. Further detail can be found in Note 19.

1.26 Adoption of new and revised standards

As at the date of authorisation no new standards have become effective and been adopted within the departments Consolidated Accounts.

2 Statement of Operating Costs by Operating Segment

The segmental analysis detailed below covers the key spending areas of the department and is aligned with the internal reporting to the Defra Board and Executive Committee. Senior management review regularly on this basis and performance is monitored against these areas. The reportable segments are split by the Core department director general structure. Where a reportable segments revenue is ten per cent or less of the combined revenue of all operating segments, they have been grouped together.

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

In 2023-24, Defra received funding of £109 million from the EU, eight per cent of its income (2022-23 £240 million, 18 per cent). The majority of this falls to the Rural Payments Agency and Core department. This is in respect of rural development schemes for Defra and the other UK paying agencies where reimbursement, against existing budgets, can still be sought under the Common Agricultural Policy (CAP). The decrease in income is as a result of previous CAP funding for direct aid measures, principally the Basic Payment Scheme, switching to being funded by the UK government following the UK's departure from the EU. Of the remaining income Defra does not rely on any one major customer.

	2023-24			Restated 2022-23		
	Gross Expenditure £000	Gross Income £000	Net Total £000	Gross Expenditure £000	Gross Income £000	Net Total £000
Director General Budget Area						
Group Corporate Services including centrally held budgets*	432,818	(119,628)	313,190	206,050	(12,864)	193,186
Environment, Rural and Marine including ALB's**	3,960,271	(1,020,172)	2,940,099	2,911,942	(912,819)	1,999,123
Food, Farming and Biosecurity including ALB's***	4,564,909	(249,752)	4,315,157	3,129,018	(389,583)	2,739,435
Other including International and Borders and Strategy and Change	499,287	1,068	500,355	229,532	(296)	229,236
Total	9,457,285	(1,388,484)	8,068,801	6,476,542	(1,315,562)	5,160,980

* Includes CAP Disallowance.

** Includes ALB's CCW, CEFAS, EA, FC, Flood Re, JNCC, MMO, NE, NFC, OEP, RBG Kew and SFIA

*** Includes ALB's AHDB, APHA, LI Ltd, RPA and VMD

3 Expenditure

3.1 Staff and other Costs

	2023-24		Restated 2022-23	
	Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Staff Costs				
Wages and salaries	695,374	1,458,604	588,444	1,230,078
Social security costs	63,783	146,733	57,044	126,778
Other pension costs	142,821	190,573	129,588	169,443
Other Costs				
Travel, subsistence and hospitality	29,033	54,801	20,499	37,236
Research and development expenditure	149,214	193,497	110,967	138,871
Veterinarian costs	47,023	47,023	48,630	48,630
Consumables	23,979	40,283	25,233	39,335
IT service costs	363,260	445,308	259,123	347,795
Vessels	7,207	7,207	6,916	6,916
Estate management	124,325	181,560	110,683	156,165
Consultancy	42,378	161,445	29,159	135,880
Hired and contracted services	31,705	189,634	61,799	228,518
Training	9,802	22,746	9,004	20,868
Publicity, marketing and promotion	2,250	21,194	1,073	18,048
Office services	52,309	54,135	43,542	44,283
Early retirement	34	119	49	333
Exchange rate (gains)/losses - realised	(821)	(803)	505	530
NAO auditors' remuneration	2,413	3,092	508	1,079
Flood Re statutory audit fee	-	675	-	377
Other audit fees	17	275	1,995	2,140
Internal audit fees	2,589	3,382	2,427	3,427
Flood and coastal defence works	-	302,328	-	256,591
Operational maintenance	-	17,068	-	17,255
Fees and commissions	21,854	58,479	18,724	55,332
Reservoir operating agreements	-	67,770	-	58,013
Transport and plant costs	-	39,775	-	26,589
EU disallowance	(6,124)	(6,124)	1,771	1,771
Forestry Commission subsidy to Forestry England	16,147	16,147	20,427	20,427
Corporation tax paid by NDPBs	-	(3,533)	-	20,966
Flood Re reinsurance expenditure	-	74,744	-	72,769
International subscriptions	56,756	56,836	64,382	64,468
Credit losses	15,341	17,993	(1,195)	1,574
Expense related to short-term leases	606	3,161	3,197	8,603
Expense related to low-value asset leases (excluding short term leases)	1	713	-	14
Other	8,114	76,294	37,454	137,530
Total	1,901,390	3,943,134	1,651,948	3,498,632

For more detailed disclosures regarding staff costs, see the Staff Report.

The Core department figures for NAO auditors' remuneration include cash fees for EA and NE which form part of the corporate services finance charge within their own ARAs.

The 2023-24 NAO's auditor remuneration includes £286,000 relating to the 2022-23 audits of the Consumer Council for Water, Environment Agency, Livestock Information Ltd, Marine

Management Organisation, Natural England, National Forestry Company and Office for Environmental Protection.

The 2022-23 NAO auditors' remuneration includes £4,000 relating to the 2021-22 audit of OEP.

3.2 Non-cash items

	2023-24		Restated 2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Depreciation	36,470	376,687	35,811	131,218
Depreciation on Right of Use Assets	31,575	49,026	30,506	44,491
Amortisation	32,606	55,873	31,103	59,393
Profit on the disposal of PPE and financial investments	(193)	312	(52)	(598)
Loss on the disposal of PPE and financial investments	1,349	20,925	(2,214)	19,139
Impairment on non financial assets	68,369	122,968	(2,685)	10,393
Exchange rate (gains)/losses - unrealised	-	(11)	(43)	(43)
NAO auditors' remuneration	1,320	1,320	1,211	1,211
Pensions – current service cost	-	94,434	-	197,470
Pensions – net interest charge	6,319	(16,880)	3,301	23,088
Other provisions provided for/(written back) as detailed in Note 15	613,084	847,247	(481,633)	(411,464)
Utilisation of capital provision	(482)	(482)	(485)	(485)
Unwinding of discount on provisions	32,829	32,672	6,087	6,087
Capital grant-in-kind	1,977	8,045	135	135
Notional recharges and other non-cash items	(53,787)	1	(43,697)	(5)
Total	771,436	1,592,137	(422,655)	80,030

The 2022-23 NAO auditors' remuneration stated above includes £9,000 relating to the 2021-22 audit of VMD.

3.3 Grants and subsidies

	2023-24		Re-presented 2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Grants and subsidies: EU				
Current grants - Basic Payment Scheme	(250)	(250)	(264)	(264)
Current grants - Rural Development Programme for England	(3,064)	(3,064)	135,019	135,019
Current grants - payments to other paying agencies	85,154	85,154	99,721	99,721
Other EU current grants	15,351	15,351	1,146	1,146
Unrealised (gains)/losses	453	453	(1,214)	(1,214)
Grants and subsidies: other				
Capital Grants - Other	263,181	417,304	228,459	393,765
Capital Grants Countryside Stewardship	163,662	163,662	101,958	101,958

	2023-24		Re-presented 2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Capital Grants Environment Stewardship	409	409	-	-
Capital Grants Simpler Recycling Scheme	258,286	258,286	-	-
Current Grants - De-Linked Payments	809,486	809,486	-	-
Current grants - Grant-in-Aid to NDPBs	1,968,628	-	1,604,330	-
Current grants - Rural Development Programme for England	5,334	5,334	131,494	131,494
Current grants - BPS Exchequer funded	1,087,362	1,087,362	1,369,142	1,369,142
Current grants - Other RPA schemes	24,609	24,609	31,884	31,884
Current grants - Canal & Rivers Trust	52,623	52,623	52,623	52,623
Current grants - South West Water Customer Rebate Scheme	40,586	40,586	40,300	40,300
Current grants - TB Compensation Scheme	31,012	31,012	29,268	29,268
Current Grants Countryside Stewardship	395,721	395,721	169,466	169,466
Current Grants Environment Stewardship	108,944	108,944	-	-
Current Grants Sustainable Farming Incentive	32,091	32,091	12,490	12,490
Grants to national parks	48,766	48,766	53,166	53,166
Waste Infrastructure Grants to local authorities	83,592	83,592	87,459	87,459
Other grants to local authorities	107,217	136,498	98,414	106,558
Other current grants and subsidies	132,745	128,085	86,319	83,899
Total	5,711,898	3,922,014	4,331,180	2,897,880

There have been changes to the grant profiles this year, this is predominantly due to RPA scheme changes. To reflect this, we have included several new disclosure lines in the note above. These have also been re-presented for the prior year to provide a comparison where available.

4 Income – Analysis of Operating Income

4.1 Analysis of revenue from contracts with customers

	2023-24						
	Core department	Rural Payments Agency	Other Agencies	Core department and Agencies	Environment Agency	Other Non- Departmental Public Bodies	Defra group
	£000	£000	£000	£000	£000	£000	£000
Sales of goods and services							
Scientific advice, analysis and research	-	-	28,683	28,683	-	1,535	30,218
Animal disease surveillance and diagnostics	-	-	8,782	8,782	-	-	8,782
Veterinary research and development	-	-	1,630	1,630	-	-	1,630
Scientific products	-	-	1,754	1,754	-	-	1,754
Provision of corporate services (outside Defra group)	-	-	613	613	-	-	613

Department for Environment, Food and Rural Affairs Annual Report and Accounts 2023-24
Notes to the Departmental Accounts

2023-24							
	Core department	Rural Payments Agency	Other Agencies	Core department and Agencies	Environment Agency	Other Non- Departmental Public Bodies	Defra group
	£000	£000	£000	£000	£000	£000	£000
TB Compensation salvage receipts	10,189	-	422	10,611	-	-	10,611
Sale of other goods	3,658	-	(289)	3,369	-	18,947	22,316
Other services (including Defra group)	7,262	2,683	4,205	14,150	7,458	(11,897)	9,711
Fees, levies and charges							
Veterinary medicines authorisations	-	-	8,130	8,130	-	-	8,130
Veterinary medicine residues surveillance	-	-	4,373	4,373	-	-	4,373
Plant health inspections and seeds charges	-	-	12,598	12,598	-	-	12,598
Environmental protection charges	-	-	-	-	223,720	-	223,720
Abstraction charges	-	-	-	-	191,408	-	191,408
Flood risk levies	-	-	-	-	45,574	-	45,574
Flood Re Levy Income	-	-	-	-	-	135,000	135,000
Agriculture and horticulture levies	-	-	-	-	-	40,953	40,953
Sea Fish industry levies	-	-	-	-	-	7,495	7,495
Discretionary Advice	-	-	-	-	-	2,288	2,288
Other fees, levies and charges	-	-	3,059	3,059	-	1,965	5,024
EU income	-	-	(45)	(45)	-	-	(45)
Licences							
Fishing licence duties	-	-	-	-	22,754	-	22,754
Navigation licence income	-	-	-	-	10,059	-	10,059
Other licences	7,060	-	-	7,060	-	3,681	10,741
Other Income							
Capital grant income	(2,438)	1,509	-	(929)	23,257	(5,446)	16,882
Other grant income	-	-	-	-	-	3,006	3,006
Recoveries for secondments outside Defra group	2,412	-	86	2,498	-	1,716	4,214
APHA income from devolved administrations	-	-	42,990	42,990	-	-	42,990
Other Income	-	-	357	357	-	539	896
Total income from contracts with customers	28,143	4,192	117,348	149,683	524,230	199,782	873,695

Department for Environment, Food and Rural Affairs Annual Report and Accounts 2023-24
Notes to the Departmental Accounts

	2022-23						
	Core department	Rural Payments Agency	Other Agencies	Core department and Agencies	Environment Agency	Other Non-Departmental Public Bodies	Defra group
	£000	£000	£000	£000	£000	£000	£000
Sales of goods and services							
Scientific advice, analysis and research	-	-	28,675	28,675	-	1,683	30,358
Animal disease surveillance and diagnostics	-	-	9,017	9,017	-	-	9,017
Veterinary research and development	-	-	1,696	1,696	-	-	1,696
Scientific products	-	-	1,602	1,602	-	-	1,602
Provision of corporate services (outside Defra group)	-	-	214	214	-	-	214
TB Compensation salvage receipts	9,999	-	199	10,198	-	-	10,198
Sale of other goods	7,052	-	289	7,341	-	31,084	38,425
Other services (including Defra group)	2,059	418	4,194	6,671	4,914	(6,011)	5,574
Fees, levies and charges							
Veterinary medicines authorisations	-	-	7,501	7,501	-	-	7,501
Veterinary medicine residues surveillance	-	-	4,142	4,142	-	-	4,142
Plant health inspections and seeds charges	-	-	12,545	12,545	-	-	12,545
Environmental protection charges	-	-	-	-	196,506	-	196,506
Abstraction charges	-	-	-	-	167,088	-	167,088
Flood risk levies	-	-	-	-	39,495	-	39,495
Flood Re Levy Income	-	-	-	-	-	135,000	135,000
Agriculture and horticulture levies	-	-	-	-	-	42,150	42,150
Sea Fish industry levies	-	-	-	-	-	7,153	7,153
Discretionary Advice	-	-	-	-	-	2,412	2,412
Other fees, levies and charges	-	-	2,445	2,445	-	1,440	3,885
EU income							
Other EU income	-	-	1,518	1,518	-	-	1,518
Licences							
Fishing licence duties	-	-	-	-	21,201	-	21,201
Navigation licence income	-	-	-	-	9,789	-	9,789
Other licences	7,060	-	-	7,060	-	3,389	10,449
Other Income							
Capital grant income	-	2,824	-	2,824	28,709	(8,783)	22,750
Other grant income	-	-	-	-	-	749	749
Recoveries for secondments outside Defra group	1,328	-	-	1,328	-	1,494	2,822
APHA income from devolved administrations	-	-	43,366	43,366	-	-	43,366
Other Income	95	(55)	760	800	-	512	1,312
Total income from contracts with customers	27,593	3,187	118,163	148,943	467,702	212,272	828,917

Material income streams disclosed in accordance with IFRS 15 Contracts with Customers are determined as detailed in the table below:

Contract Type	Note 4 Headings	Entity Impacted	Categories of Performance Obligation	Basis of Recognition
Fees and Charges (for Environmental protection and water abstraction).	Environmental Protection Charges, Abstraction Charges.	EA	EA issues licences and permits and imposes levies.	The licence or permit revenue is recognised at the time of application and regulatory charge recognised at the point the permit commences.
Statutory Levy.	Flood Re Levy Income and Agriculture and Horticulture Levies.	Flood Re AHDB	Statute requires that the bodies charge levies.	Flood Re Levy is required by statute and has no associated performance obligation and is recognised on the 1 April each year with payment received quarterly. AHDB levies are recognised over time as the levies fund services provided to levy payers throughout the year.
Flood Risk Levies.	Flood Risk Levies.	EA	Construction and Maintenance of new and existing flood defences.	Costs and revenues are matched over time.
Capital Works Expensed in Year Income.	Capital Grant Income.	EA	Construction and Maintenance of new and existing flood defences.	Income recognition is based on individual legally binding agreements and the completion of performance obligations.
Environmental Services.	Other Services.	NE	Receipts from developers for the purchase of nutrient pollution credits to mitigate for the development's nutrient pollution.	Costs and revenue are recognised over time.

Contract Type	Note 4 Headings	Entity Impacted	Categories of Performance Obligation	Basis of Recognition
Environmental Services.	Other Goods.	NE	Receipts from developers for Great Crested Newt District Level Licensing. Revenue is for the creation and maintenance of ponds over a 25 year period.	Costs and revenue are recognised over time.
Scientific Project Income.	Scientific advice, analysis and research.	APHA	Production of a report (Performance obligations are contracted milestones within the process).	Costs and revenues are matched over time.
Scientific Project Income.	Scientific advice, analysis and research.	CEFAS	Production of a report (Performance obligations are contracted milestones within the process).	Project income is generally recognised at the completion of a contracted milestone on the basis that the contract will specify whether money spent to a determined date or deliverable can be recovered from the the customer prior to the completion of the project.
Customer Board Reports.	APHA Income from Devolved Administrations.	APHA	Production of a report for the Customer Boards of the Welsh Government and Scottish Government.	Costs and revenues are matched over time.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period is:

	2023-24
	£000
Flood Risk Management Charges	100,863
Water Abstraction Charges*	-
Environmental Protection Charges*	-

*Water abstraction charges and environmental protection charges were zero at 31 March 2024 as EA have satisfied more performance obligations than they were able to recover in charges.

Flood risk management chiefly involves the construction and maintenance of new and existing flood defences.

4.2 Analysis of Other Operating Income

	2023-24		Restated 2022-23	
	Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Goods and services				
Veterinary research and development	804	804	755	755
Covent Garden Market income	-	-	2,030	2,030
Other services	90,638	33,262	67,857	33,670
Income payable to the consolidated fund	15,884	15,884	7,829	8,272
EU Income				
Basic Payment Scheme	(71)	(71)	(327)	(327)
Income payable to other paying agencies	84,715	84,715	99,642	99,642
Structural fund / RDPE income	(3,064)	(3,064)	135,019	135,019
Current grant income - EU	5,968	16,189	(1,797)	3,471
Other EU Income	10,682	11,115	(10)	1,126
Other Income				
Flood Re insurance income	-	192,973	-	97,040
Lease income	-	4	-	60
Sub Leasing income	-	56	1,876	1,892
Charity income	-	65,432	-	64,175
Lottery Grant Income	-	2,170	-	2,422
Other interest receivable	-	46,101	-	16,134
Current grant income - non EU	8,275	18,508	7,398	13,133
Capital grant income - non EU	12,503	9,251	88	5,358
Other income	2,527	21,460	2,773	2,773
Total other operating income	228,861	514,789	323,133	486,645

5 Property, Plant and Equipment**5.1.1 Non-Current – Defra group**

	Land	Buildings Excluding Dwellings	Dwellings	Infrastructure Assets - Operational	Infrastructure Assets - Land	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation											
At 1 April 2023 (restated)	89,660	609,912	17,624	23,378,437	237,311	62,105	117,474	201,706	85,788	583,469	25,383,486
Additions	6,049	7,145	-	126,760	30	1,050	(160)	9,008	4,374	208,058	362,314
Transfers	140	17,967	-	-	-	711	-	2,849	-	(20,219)	1,448
Disposals	(2,102)	(5,512)	(356)	-	(9,978)	(11,401)	(2,174)	(13,266)	(3,761)	(1,977)	(50,527)
Impairment	(6,700)	(11,889)	(601)	-	(34,313)	-	(90)	(185)	21	(23,221)	(76,978)
Reclassifications	928	(30,694)	(3,081)	6,037	22,017	(91)	18,499	1,340	-	(17,945)	(2,990)
Reclassified as held for sale	(246)	(2,875)	(49)	-	(251)	-	-	-	-	-	(3,421)
Revaluation	4,349	(231)	(3,575)	2,286,048	13,527	1,254	5,724	8,733	10,689	-	2,326,518
At 31 March 2024	92,078	583,823	9,962	25,797,282	228,343	53,628	139,273	210,185	97,111	728,165	27,939,850
Depreciation											
At 1 April 2023 (restated)	-	147,392	9,803	13,772,353	-	51,797	69,459	120,309	61,643	-	14,232,756
Charges in year	-	28,516	420	304,173	142	3,484	11,373	15,576	10,238	-	373,922
Transfers	-	-	-	-	-	97	-	55	-	-	152
Disposals	-	(1,368)	(267)	-	(80)	(11,401)	(2,149)	(6,627)	(3,720)	-	(25,612)
Impairment	-	(294)	(74)	-	(333)	-	(6)	(171)	9	-	(869)
Reclassifications	-	(10,755)	(1)	923	4,084	(113)	5,851	(102)	-	-	(113)
Revaluation	-	(8,073)	(5,710)	1,803,590	(1,151)	966	2,428	216	4,598	-	1,796,864
At 31 March 2024	-	155,418	4,171	15,881,039	2,662	44,830	86,956	129,256	72,768	-	16,377,100
Net book value 31 March 2024	92,078	428,405	5,791	9,916,243	225,681	8,798	52,317	80,929	24,343	728,165	11,562,750
Net book value 31 March 2023	89,660	462,520	7,821	9,606,084	237,311	10,308	48,015	81,397	24,145	583,469	11,150,730
Assets financing											
Owned	92,078	428,405	5,791	9,916,243	225,681	7,785	52,317	80,929	24,343	728,165	11,561,737
Finance leased	-	-	-	-	-	1,013	-	-	-	-	1,013
Net book value 31 March 2024	92,078	428,405	5,791	9,916,243	225,681	8,798	52,317	80,929	24,343	728,165	11,562,750
Of which:											
Core department and agencies	32,375	297,263	-	-	-	4,651	16,822	38,213	531	177,607	567,462
NDPBs	59,703	131,142	5,791	9,916,243	225,681	4,147	35,495	42,716	23,812	550,558	10,995,288
Total	92,078	428,405	5,791	9,916,243	225,681	8,798	52,317	80,929	24,343	728,165	11,562,750

Plant and machinery includes vessels owned by Cefas with a net book value of £4.9 million (2022-23, £5.4 million). Infrastructure assets include flood defences owned by EA, including the Thames Barrier with a net book value of £979 million (2022-23, £1,483 million).

	Land	Buildings Excluding Dwellings	Dwellings	Infrastructure Assets - operational	Infrastructure Assets - land	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets Under Construction	Restated Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation											
At 1 April 2022	85,327	476,484	14,125	6,470,969	282,684	109,224	92,850	155,052	79,746	423,660	8,190,121
Reclassified to Right of Use asset	(1,827)	(5,513)	-	(54)	(1,790)	(30,454)	-	-	-	-	(39,638)
Adjusted opening balance 1 April 2022	83,500	470,971	14,125	6,470,915	280,894	78,770	92,850	155,052	79,746	423,660	8,150,483
Additions	10,500	4,960	-	65,118	-	1,120	7,625	14,609	3,240	210,226	317,398
Transfers	-	6,155	-	-	-	-	-	2,559	(4)	(8,904)	(194)
Disposals	(121)	(892)	-	(55,471)	(232)	(4,013)	(8,293)	(5,724)	(3,814)	2,334	(76,226)
Impairment	320	5,026	16	-	(1,979)	(16,382)	-	(4)	-	(8,078)	(21,081)
Reclassifications	1,464	80,168	2,285	2,599	(81,685)	(429)	15,795	19,988	(869)	(35,769)	3,547
Reclassified as held for sale	(415)	142	(75)	-	(634)	-	-	-	-	-	(982)
Revaluation	(5,588)	43,382	1,273	486,701	40,947	3,039	9,497	15,226	7,485	-	601,962
Impact of transition to DRC	-	-	-	16,408,575	-	-	-	-	-	-	16,408,575
At 31 March 2023	89,660	609,912	17,624	23,378,437	237,311	62,105	117,474	201,706	85,784	583,469	25,383,482
Depreciation											
At 1 April 2022	-	104,834	7,490	3,467,292	-	73,704	57,909	100,248	53,189	-	3,864,666
Reclassified to Right of Use asset	-	(3,092)	-	(332)	-	(10,559)	-	-	-	-	(13,983)
Adjusted opening balance 1 April 2022	-	101,742	7,490	3,466,960	-	63,145	57,909	100,248	53,189	-	3,850,683
Charges in year	-	17,085	435	73,771	-	8,712	7,151	10,884	7,696	-	125,734
Transfers	-	-	-	-	-	-	-	-	(4)	-	(4)
Disposals	-	(391)	-	(37,617)	-	(3,610)	(7,253)	(5,569)	(3,472)	-	(57,912)
Impairment	-	789	-	-	-	(16,109)	(611)	(9)	-	-	(15,940)
Reclassifications	-	15,253	1,339	(24,284)	-	(2,538)	6,810	7,267	(4)	-	3,843
Revaluation	-	12,914	539	424,708	-	2,197	5,453	7,488	4,234	-	457,533
Impact of transition to DRC	-	-	-	9,868,815	-	-	-	-	-	-	9,868,815
At 31 March 2023	-	147,392	9,803	13,772,353	-	51,797	69,459	120,309	61,639	-	14,232,752
Net book value 31 March 2023	89,660	462,520	7,821	9,606,084	237,311	10,308	48,015	81,397	24,145	583,469	11,150,730
Net book value 31 March 2022	85,327	371,650	6,635	3,003,677	282,684	35,520	34,941	54,804	26,557	423,660	4,325,455
Assets financing											
Owned	89,660	462,520	7,821	9,606,084	237,311	8,268	48,015	81,397	24,145	583,469	11,148,690
Finance leased	-	0	-	-	-	2,040	-	-	-	-	2,040
Net book value 31 March 2023	89,660	462,520	7,821	9,606,084	237,311	10,308	48,015	81,397	24,145	583,469	11,150,730
Of which:											
Core department and agencies	32,584	307,146	-	-	-	5,371	14,282	33,871	494	146,968	540,716
NDPBs	57,076	155,374	7,821	9,606,084	237,311	4,937	33,733	47,526	23,651	436,501	10,610,014
Total	89,660	462,520	7,821	9,606,084	237,311	10,308	48,015	81,397	24,145	583,469	11,150,730

During 2022-23 EA conducted a revaluation of operational assets using the DRC method, the opening balances have not been restated and these remain as the values using the modified historic cost method as at 31 March 2022. The infrastructure assets have been represented between operational and land. The impact of the transition to DRC in 2022-23 is reflected in the revaluation and depreciation values within the Infrastructure assets (further details can be found in EA's Annual Report and Accounts).

Impact of transition to Depreciated Replacement Cost (DRC)

The government's financial reporting manual (FrM) requires that relatively specialised assets held for their service potential, including networked assets, to be accounted for at Depreciated Replacement Cost (DRC) to give the most appropriate valuation.

During 2022-23, the Environment Agency (EA) transitioned from valuing operational assets using the Modified Historic Cost (MHC) method to the Depreciated Replacement Cost method. In readiness for the transition to DRC, the EA has taken steps to significantly improve the reliability of source data on its asset base, especially in respect of its completeness. This led to the recognition of assets for which the EA has taken control and responsibility, but which were not previously valued under MHC as the EA neither purchased nor built them.

For 2022-23, the impact of transition to DRC under cost shows the adjustment from the gross book value as at the 31 March 2023, to the Modern Equivalent Asset Value (MEAV), i.e. the replacement cost of the asset portfolio based on modern equivalents. The impact of transition to DRC under depreciation shows the additional depreciation required to bring the MEAV down to the Depreciated Replacement Cost values as at the 31 March 2023. This ensures that the closing net book value of DRC assets reflects a replacement cost appropriately adjusted for the overall condition of the assets, which are part-way through their life.

As the transition to a DRC valuation was as at 31 March 2023, the opening balances are valued under MHC and are still subject to a qualified opinion based on the valuation approach not being in line with the financial reporting framework.

Operational assets includes a number of habitat creation schemes which remain valued using the Modified Historic Cost method, with a value of £43.2 million at 31 March 2024 (£64.0 million at 31 March 2023). Their primary purpose is to reduce the risk of flooding, but at the same time to enhance the natural habitat of the area and promote biodiversity. These are relatively recently constructed schemes and are not yet categorised as a separate asset type in the EA's asset management system, however in most cases conventional operational assets, such as outfalls, sluices and embankments have also been built on the site.

The number of schemes that use natural solutions to managing flood risk is expected to increase in the future and alternative valuation approaches may be worthy of review at future valuations.

Accounting convention:

The Environment Agency’s tangible non-current assets fall into four categories:

Asset category	Accounting conventions
Operational assets	Valued using the depreciated replacement cost method
Land and buildings	Valued on an existing use value basis
Other property, plant and equipment	Valued using the modified historic cost method
Assets under construction	Valued at historic cost before they are capitalised and transferred to one of the categories above.

The accounting policies for recognition, valuation and depreciation for each asset category is described below.

Operational assets

Operational assets are assets that directly enable the delivery of the primary outcomes of the EA. In-scope assets are specialised in nature and function for the delivery of these outcomes and, as such, are not likely to be available in the general marketplace. These assets include flood risk management assets such as control gates, flood gates, pumping stations and screens; water, land and biodiversity assets such as boreholes, gauging stations and weirs; and navigation assets such as locks.

Out of scope assets include assets that do not meet the following criteria:

1. Assets that are not EA owned or maintained (assets which the EA does not own but is responsible for keeping in good working condition and from which it receives economic benefit). These assets are not controlled by the EA, so do not meet the accounting test of providing economic value to the EA.
2. Assets where the MEAV is less than £5,000. This is the de-minimis criteria for inclusion in the valuation, even if the other criteria are met.
3. Assets where the useful economic life is less than 1 year.

EA had historically valued operational assets using the MHC method as a proxy for the DRC method, which was found not to be compliant with the FReM and this led to a qualification of the accounts. In 2022-23, EA implemented a DRC method, for the valuation of operational assets, which determines the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Operational asset categories

The net book value of operational assets of £9.9 billion can be split into categories as follows:

- Aids to Navigation: £425.7 million
- Buildings and compounds: £170.0 million
- Channel Crossings and channels: £1,284.6 million
- Defence: £2,185.7 million
- Instruments: £38.7 million
- Mechanical, Electrical, Instrumentation, Control and Automation: £165.3 million
- Other: £190.1 million
- Structures: £4,422.0 million
- Thames Barrier and associated gates: £978.6 million
- Total £9,860.7 million

Aids to Navigation

Assets that are used to aid navigation in the marine and fluvial environment. Included in this asset category are locks moorings, navigation booms and other navigational assets.

Buildings and Compounds

Assets that are used to provide shelter for equipment or storage. Included in this asset category are control buildings, pump houses, gauge station buildings and monitoring buildings.

Channel Crossings

Assets that allow access across a channel. Included in this asset category are bridges and utility service crossings.

Channels

Assets that convey water. Included in this asset category are simple and complex culverts.

Defences

Assets that provide flood defence or coastal protection functions. These include both man-made and natural defences. Natural defences may include man-made elements to make them more effective or protect them from erosion. Included in this asset category are embankments, walls, spillways, floodgates, quays and demountable defences.

Instruments

Assets used to measure water level and flow. Included in this asset category is instrumentation, CCTV systems, and flood warning systems.

Mechanical, Electrical, Instrumentation, Control and Automation (MEICA)

Included in this asset category are Motor Control Centre Controls, High Voltage Electrical Equipment, and Pump Assemblies.

Structures

Assets used to enable, restrict or affect the movement of water, people, fish, animals or materials. Included in this asset category are control gates, weirs, outfalls, debris screens, fish passes and water distribution pipelines.

Measurement principles

For each asset type there is a measurement principle which aligns to the key cost drivers within each individual cost model used to provide the MEAV for each individual asset. These differ across the 69 asset types and within the asset categories.

The measurement rules are:

- Control Gates: m² (cross-sectional area)
- Embankments: m³ (length, assuming 2 metre crest and 1:3 slope)
- Culverts: m (length based on varying cross-sectional sizes)
- Walls: m² (facing area)
- Outfalls m² (cross sectional area)
- Weirs: m (length)
- Lock: m³ (chamber volume)
- Bridge: m² (deck area)
- Debris Scheme: m²
- Water Distribution Pipelines: m (length)

Thames Barrier and associated gates

The Thames Barrier is a retractable barrier system built to protect the floodplain of most of Greater London from exceptionally high tides and storm surges on the North Sea. The associated gates function in the same way as the EA's large tidal barriers and other complex defence structures.

As a bespoke asset with limited recent replacement cost information available, a specialised methodology was developed to value the Thames Barrier. The approach has been to triangulate between indexed historical costs, a materials and quantities estimate, and international benchmarks. The valuation placed most weight on the materials and quantities estimate because this is where there was best available data to produce a DRC value of the Thames Barrier.

The valuation was based on:

- A high-level breakdown of the assets and dimensions of assets that comprise the Thames Barrier and are in scope of a DRC valuation.

- The best available data for the cost of replacing these assets. Due to the bespoke nature of the assets the availability of recent cost data associated with replacing or refurbishing components of the barrier is relatively limited. The sources of cost data for the Thames Barrier include:
 - market rates
 - adjusted cost models e.g. for the gates and piers
 - lump sum estimates provided by the EA experts – e.g. for replacement of the Higher Voltage / Low Voltage power assets
- The barrier has been depreciated using the same methods as explained below for all other operational assets. The majority of the value is in the gates and the piers and these have been depreciated based on an assessment of actual condition of these assets and application of EA's modelled deterioration curves for these assets and as also explained further in the section on civils deterioration curves.

A specific cost model was developed for the EA's tidal barrier control gates which was also applied to value the associated gates and also adjusted for use in the Thames Barrier valuation.

Recognition and capitalisation policy

Operational assets are initially recognised in Assets Under Construction (AUC) at cost and are not depreciated. When the asset is fully operational, the cost is transferred to operational assets, it is depreciated and included in the valuation process until the time the asset is disposed of or decommissioned.

Capital expenditure is the money that we spend on acquiring, improving or renewing our assets. All direct construction costs are capitalised. Design costs that are directly attributable to an asset are also capitalised, including salaries when they are incurred as a result of staff spending time on capital projects and can be directly linked to bringing specific, separately identifiable assets into working condition or substantially enhancing the working life of an existing asset.

Revalue using DRC

The DRC method is a cost-based valuation approach applied for specialised and networked assets held for their service potential, where market comparators do not exist and / or would not be appropriate. It is the cost a company would need to spend today to replace the asset to deliver the same functionality, adjusted (depreciated) to reflect the level of physical, functional and economic deterioration of the current asset.

The key steps and assumptions are summarised below.

Define Modern Equivalent Asset (MEA)

As the EA's assets tend to be bespoke assets which is necessary to deliver functional requirements, the MEA is based more on a like for like replacement than in other sectors. The EA has developed some MEA assumptions where assets can be more standardised, for buildings for example or because the valuation is based on using modern construction materials.

Create cost models

Developed cost models and in exceptional cases unit rates for the valuation. These models have been developed to reflect current design standards and modern materials, the source data and the processes for 'cleansing' of costs that do not align with DRC methodology arising from assumptions such as instant build, no financing and greenfield site.

Estimate MEAV

Every asset type then has a measurement rule which aligns to the key cost drivers within each individual cost model to calculate the MEAV for each asset in each asset type according to the attribute data for each asset (see descriptions for different categories including structures at the top of this note). Significant steps were taken during the valuation process to improve the level of actual attribute data available for the valuation. The valuation uses a mix of valuations driven by attribute data where the cost of an asset is significantly responsive to its dimensional extent (for example length / height) and, standardised measurements for the MEA design in other cases where there is limited sensitivity or potential for variance.

Where there remained gaps, assumptions were made based on statistical analysis of the known data points.

Depreciation

In-year depreciation

Depreciation is calculated to apportion the value of operational assets over the expected useful economic life. Depreciation is charged in the month of capitalisation but not in the month of disposal. In year depreciation was straight line over the asset useful life. Additional depreciation was applied to bring the MEAV down to the DRC value at 31 March 2024.

Application of depreciation adjustment to the closing DRC model

As described above, the aim of a DRC valuation is to provide a current cost of asset replacement after an adjustment (depreciation) for physical, functional, or economic obsolescence of the actual asset as compared against the hypothetical as-new modern equivalent asset. The most significant factor for the EA's assets in terms of this adjustment is a physical deterioration associated with the assets being active over time.

To arrive at this adjustment, the DRC valuation applies one of three approaches (explained below) to arrive at a depreciation factor (a number between 0 and 1 by which the MEAV is multiplied to arrive at a DRC, with 0 being a fully depreciated asset and 1 being an as-new asset).

The approaches were developed according to the data available across the asset types to provide a best estimate.

1. Using inspection data either on asset condition or, in the case of MEICA assets, reliability to determine a point on a depreciation curve which models how assessed condition and reliability are expected from an engineering point of view to deteriorate over time, and therefore allow the existing inspection and other asset management

information to be used to estimate how far the asset is expected to be through its useful life.

2. Applying straight line depreciation, with the depreciation factor calculated based on asset start date data and useful economic lives for the asset type. This approach is used as the basis of a best estimate where assets have not yet been included in the inspection regime so do not yet have sufficient data on asset condition to use the methods above.

Deterioration curve

This method uses data routinely collected on asset condition and post inspection actions to estimate deterioration curves to calculate the asset's residual life. It has been applied to all civil assets where a suitable EA deterioration curve is available. For consistency within asset types the same depreciation method was used. The curves have been developed as a predictive tool for estimation of future asset condition and expected residual asset life, considering characteristics related to the:

- environment, whether the asset is located in a fluvial, tidal or coastal location
- asset age
- material type and construction
- past and intended (future) maintenance practices

Asset attribute data such as target condition, location and material type is used to select the relevant deterioration curve and the depreciation factor is calculated across this curve based on the actual recorded condition of the asset.

MEICA curve

For MEICA assets, this method uses data from the EA's inspection regime to provide a depreciation factor. MEICA maintained flood and coastal risk management (FCRM) assets are routinely inspected for availability, i.e. will they operate and perform as intended when needed, and the outcomes are recorded for each element of the MEICA asset. These inspections assess:

- Likelihood of failure in the future (LOF): Unlikely, Possible, Likely, or Imminent.
- Time to repair if failure does occur (TTR): designated as Quick (2 days), Short (10 days), Medium (30 days), Long (70 days) or Very Long (180 days).
- Whether they fall below the target condition grade.

To use this data as the basis for a DRC valuation, two residual life percentage matrix tables were developed; one for assets not below target condition and one for assets that are.

Straight line with residual balance

Straight line depreciation with an estimated residual balance is used where assets have not yet been included in the inspection regime so do not yet have sufficient data on asset condition to use either deterioration curves or reliability data. The depreciation factor is

calculated based on asset start date data with straight line depreciation calculated based on its' useful economic life.

Summary of key valuation assumptions

The valuation is based on the best available attribute data available at the valuation date. This includes data needed to derive for each individual asset the MEAV and depreciation factor applied to derive the DRC for each asset. This included an exercise, during the valuation, to improve the level data available focusing on the asset types that are most material to the overall valuation. Where there remains data 'gaps' we have made assumptions. The EA has a further data improvement plan in place to drive continuous improvement in the valuation.

Useful economic life (UEL) breakdown

Asset group	Range in years
Aids to navigation	12 – 90
Beach structures	60
Buildings and compounds	40 – 60
Channels	100
Channel crossings	40 – 100
Defence	40 – 60
Instruments	10 – 20
MEICA	10 – 20
Structures	10 - 100

The UEL weighted average of the DRC portfolio is 25 years.

The key assumptions are:

Process	Key data input assumptions
Modern Equivalent Asset (MEA)	For 17 standardised asset types a MEA assumption relating to design and / or materials has been made. For example, for culverts it was assumed that small culverts are circular in design, medium culverts are square and large culverts are rectangular, and all are constructed from pre-cast concrete sectional units. For monitoring station buildings the MEA was a glass reinforced plastic (GRP) kiosk with a footprint of 4m by 4m. This is in line with RICS guidance on MEA assumptions. Other asset types were assumed to be designed to be replaced on a like for like basis.
Dimensional data (to use to apply the cost model to derive the MEAV)	During the valuation, improvements were made to the level of attribute data required as inputs into the valuation focused on assets most material to the valuation. In addition, for 21 asset types, in consultation with EA business experts, standardised measurements for at least one required dimension were adopted based on the MEA design for that

Process	Key data input assumptions
	<p>asset type. For example, standardised widths were used for foot (2m), farm (4m), road (8m), rail (11m), aqueduct (7m) bridges.</p> <p>Where attribute data was not available (either a MEA assumed dimension or actual dimension for like for like replacement), statistical analysis was undertaken to derive an assumption and tested with internal experts to confirm they were reasonably representative of the overall portfolio of assets.</p>
<p>Depreciation factors – method 1 (civils based on condition data and EA deterioration curve)</p>	<p>The methodology relies on key data from Asset Information Management System, Operations and Maintenance (AIMS OM) to be able to apply the most appropriate deterioration curve. The assumptions the EA have made where there is incomplete data are:</p> <ul style="list-style-type: none"> • Where there is no asset raw condition then the EA have used the asset’s actual condition grade if this is populated and if this is also blank, the EA have assumed the asset’s target condition grade • Where there is no target condition data the EA assume a target condition of 3 (out of a scale of 5) – this is the most common target condition for the EA’s assets • Where there is no protection type or it is classified as ‘surface water’ protection then the EA have assumed that the protection type is fluvial <p>The EA also developed a set of rules to determine the appropriate material type drawing on data on material type of assets that is available at an asset element level in order to select the most appropriate curve for individual assets.</p>
<p>Depreciation factors – method 2 (MEICA assets using EA available data)</p>	<p>This method calculated a depreciation factor for each asset element comprising the asset, and a mean average single factor derived for assets with multiple elements to apply to the calculated MEAV for the asset.</p> <p>The assumptions where there was incomplete data were to assume the mid points for the data inputs required to generate the depreciation factor</p> <ul style="list-style-type: none"> • Where element LOF is ‘blank’ the EA have assumed ‘Possible’ • Where TTR is ‘blank’ the EA have assumed ‘Medium’

Process	Key data input assumptions
Depreciation factors – method 3 (using data on asset start dates and useful economic life (UEL))	Where an actual start date for an asset cannot currently be confirmed, the EA have applied a depreciation factor assuming the asset is at the mid-point of the UEL for the asset type. This equates to a depreciation factor of 0.51 which reflects the assumption of 2 per cent residual life when an asset is still in use but is beyond its UEL. Asset types where this methodology is used are generally maintained to a fair operational standard and as such it is reasonable to assume across the portfolio of assets, that these will be at the mid-point of their UEL.

Revaluation and Indexation

To ensure that the DRC model continues to output a reasonable replacement cost adjusted for asset condition, the models will be updated annually to reflect the latest source data on asset quantities and conditions, as well as an update for indexation using appropriate construction-related indices to retain this being a current cost.

Every five years, a more thorough refresh will be carried out to update costing rates and consider modern equivalents based on an updated professional assessment, alongside a fuller check of judgements on modern equivalents.

The building cost information service (BCIS) construction data index, which is updated monthly has been applied to all EA's operational assets. A review of the most appropriate index is completed on an annual basis.

Accounting for revaluation

Any increase in asset values by category is recognised in the revaluation reserve. Any decrease in asset values is either recognised against the revaluation reserve, where a revaluation reserve surplus is available, or written off as an impairment where a revaluation reserve surplus is not available, by asset category.

Revaluation movement	£000's
Revaluation - Indexation	£324,000
Revaluation - Dimensional variance	£191,000
Technical valuation adjustment	£0

Derecognition and impairment

Assets are derecognised when the EA has either sold or decommissioned the asset or transferred control and responsibility to a third party.

Data limitations and Sensitivity analysis

The sensitivities reflected below show the impact of changes to assumptions that affect the valuation of operational assets, excluding the Thames Barrier and habitat creation.

There are limitations on the data included within the DRC valuation until the data cleanse project is completed.

Type	DRC £m	DRC (-) £m	DRC (+) £m	Potential DRC £m	Variance as %
Scenario 1: Alternative Inflation Index	9,814	-	147	9,961	1.5%
Scenario 2 Combined Depreciation sensitivity (Lower)	9,814	(264)	-	9,550	(2.7)%
Scenario 3 Combined Depreciation sensitivity (Upper)	9,814	-	294	10,108	3.0%
Scenario 4 Change the assumption (indirect cost uplifts) by - /+10%	9,814	(431)	431	9,383/10,245	(4.4)%

A description of the sensitivities is shown in the table below. Sensitivities 2 and 3 are the lower and upper values for a combined sensitivity relating to the three depreciation methods applied in the valuation.

Sensitivity	Assumption in valuation	Sensitivity
Inflation	Building Cost Information Service (BCIS) all construction costs index. Inflation has been applied to cost data, so all costs are at March 2023 prices.	The sensitivity uses RPI which is a recognised general economic index.
Depreciation Civils – Condition grade	For this depreciation method where there is no actual condition data recorded, the EA have assumed the asset is at its target condition grade. In some cases, for assets below required condition grade the target condition grade has been applied to calculate the depreciation factor.	Change the assumption (target condition grade) by plus or minus 10 per cent.
Depreciation Civils - Asset Start Date	For this depreciation method where the EA do not have an asset start date, it is assumed that the asset is at the midpoint of the asset's useful economic life (UEL).	Change the assumption (depreciation factor) by plus or minus 10 per cent.

Sensitivity	Assumption in valuation	Sensitivity
Depreciation MEICA assets	For this depreciation method where there is no actual data for Likelihood of Failure (LoF) the EA have assumed 'Possible' and where there is no actual data for Time to Repair (TTR) assumed 'Medium'. These are the middle categories of the data used to calculate the depreciation factor.	Change the category of data used to calculate the depreciation factor to 'Unlikely' 'Short' and 'Likely' 'Long'.
Cost Models: Indirect cost uplift	The EA have assumed a range of indirect cost uplifts differentiating between very complex, complex, less complex and in house delivery arrangements.	Change the assumption (indirect cost uplifts) by plus or minus 10 per cent.

Thames Barrier sensitivity

The EA have adopted a specialist methodology for valuing the Thames Barrier. The approach is to triangulate between three estimates: indexed historical costs, a materials and quantities estimate, and international benchmarks. Across the various methods when assessed against an industry standard cost estimate maturity assessment criterion, the EA's judgement is that the materials and quantities estimate provides the most accurate class of estimate to include in the valuation for the replacement cost of the Thames Barrier.

The assumptions and therefore the sensitivities run for the operational assets are not applicable across this methodology. Instead, the EA have provided a sensitivity based on the Association for the Advancement of Cost Engineering (AACE International) estimate maturity assessment criteria. This can be used to derive an expected level of accuracy range for the MEAV for the Thames Barrier, based on an expert judgement on the class of estimate for the materials and quantities approach. The DRC has then been calculated for the lower and upper limits based on the proportion of DRC / MEAV for the most likely valuation.

5.2 Right of Use Assets

This table reflects Right of Use Assets recognised under IFRS16 reflecting the opening balances brought forward from 2022-23.

Land mainly relates to Natural England leases of heritage land.

Buildings mainly represent office space and depots used across the Defra group.

	2023-24					
	Land	Buildings	IT	Plant and Machinery	Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2023	8,711	172,057	41,652	-	18,305	240,725
Additions	-	19,540	10,781	33	20,540	50,894
Derecognition	-	(15)	-	-	-	(15)
Transfers	(84)	84	-	-	-	-
Disposals	-	(2,485)	-	-	(906)	(3,391)
Impairment	(1,565)	(5,483)	-	-	-	(7,048)
Revaluation	664	6,046	-	-	-	6,710
Reclassification from PPE	-	-	347	-	-	347
At 31 March 2024	7,726	189,744	52,780	33	37,939	288,222
Depreciation						
At 1 April 2023	22	29,417	22,230	-	5,136	56,805
Charges in year	461	27,238	12,787	1	8,539	49,026
Transfers	-	-	37	-	-	37
Disposals	-	(480)	-	-	(770)	(1,250)
Reclassification from PPE	-	-	245	-	-	245
At 31 March 2024	483	56,175	35,299	1	12,905	104,863
Carrying amount at 31 March 2024	7,243	133,569	17,481	32	25,034	183,359
Carrying amount at 31 March 2023	8,689	142,640	19,422	-	13,169	183,920

	2022-23				
	Land	Buildings	IT	Vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2022	-	-	-	-	-
Initial Recognition	7,101	152,701	451	10,002	170,255
Reclassification from PPE	2,160	7,024	30,454	-	39,638
Adjusted opening balance 1 April 2022	9,261	159,725	30,905	10,002	209,893
Additions	89	22,968	10,532	8,303	41,892
Derecognition	-	(7,641)	-	-	(7,641)
Disposals	-	(1,884)	215	-	(1,669)
Revaluation	(639)	(1,111)	-	-	(1,750)
At 31 March 2023	8,711	172,057	41,652	18,305	240,725
Depreciation					
At 1 April 2022	-	-	-	-	-
Reclassification from PPE	-	3,424	10,559	-	13,983
Adjusted opening balance 1 April 2022	-	3,424	10,559	-	13,983
Charges in year	22	27,877	11,456	5,136	44,491
Disposals	-	(1,884)	215	-	(1,669)
At 31 March 2023	22	29,417	22,230	5,136	56,805
Carrying amount 31 March 2023	8,689	142,640	19,422	13,169	183,920

5.2.1 Quantitative disclosures around elements in the Statement of Comprehensive Net Expenditure

	2023-24		2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Sub-leasing income	-	(56)	(1,876)	(1,892)
Expense related to short-term leases	606	3,161	3,197	8,603
Expense related to low-value asset leases (excluding short term leases)	1	713	-	14
Total	607	3,818	1,321	6,725

5.2.2 Quantitative disclosures around cash outflow for leases

	2023-24		2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Total cash outflow for leases	38,154	59,139	26,005	41,095

5.3 Heritage Assets

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

Heritage assets are held by both NE and RBG Kew. NE's heritage assets comprise National Nature Reserves (NNRs), whilst RBG Kew's heritage assets comprise land and buildings and collections. Further details regarding the stewardship functions relating to these heritage assets can be found in their respective ARAs.

Defra group

	2023-24			2022-23		
	Operational	Non-Operational	Total	Operational	Non-Operational	Total
	£000	£000	£000	£000	£000	£000
Valuation						
At 1 April	196,603	107,129	303,732	175,886	92,746	268,632
Additions	13,044	(517)	12,527	6,882	8,961	15,843
Transfers	-	(665)	(665)	(390)	-	(390)
Disposals	(4,126)	26	(4,100)	(1,190)	(26)	(1,216)
Impairment	(1,500)	(239)	(1,739)	(478)	(577)	(1,055)
Revaluation	3,629	3,519	7,148	15,893	6,025	21,918
At 31 March	207,650	109,253	316,903	196,603	107,129	303,732
Depreciation						
At 1 April	-	-	-	656	-	656
Charged in year	2,765	-	2,765	2,325	-	2,325
Disposals	(76)	-	(76)	(28)	-	(28)
Revaluation	(2,689)	-	(2,689)	(2,953)	-	(2,953)
At 31 March	-	-	-	-	-	-
Net book value at 31 March 2024	207,650	109,253	316,903	196,603	107,129	303,732
Net book value at 1 April 2023	196,603	107,129	303,732	175,230	92,746	267,976
Assets financing						
Owned	207,650	109,253	316,903	196,603	107,129	303,732
Net book value at 31 March 2024	207,650	109,253	316,903	196,603	107,129	303,732
Of which:						
NDPBs	207,650	109,253	316,903	196,603	107,129	303,732
Total	207,650	109,253	316,903	196,603	107,129	303,732

5.4 Cash Additions

Cash additions (adjusted for capital accruals) for property, plant and equipment, heritage assets and agricultural assets amount to £363 million (2022-23, £351 million (restated)) as per the Consolidated Statement of Cash Flows (SoCF).

6 Intangible Assets

Defra group

	2023-24				Restated 2022-23			
	Internally Developed Software	Software Licences	IT Assets Under Construction	Total	Internally Developed Software	Software Licences	IT Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2023	684,282	126,919	178,322	989,523	640,588	109,393	97,368	847,349
Additions	9,318	27,702	142,957	179,977	2,134	13,340	113,475	128,949
Disposals	(14,980)	(4,731)	-	(19,711)	(9,672)	(546)	-	(10,218)
Impairments	103	(1,384)	(36,147)	(37,428)	1,554	139	(3,255)	(1,562)
Transfers	23,506	(17,983)	(6,765)	(1,242)	21,301	-	(19,227)	2,074
Reclassifications	55,962	(1,202)	(51,733)	3,027	417	2,878	(6,841)	(3,546)
Reclassified as held for sale	-	-	-	-	-	-	(3,198)	(3,198)
Revaluation	28,609	2,031	-	30,640	27,960	1,715	-	29,675
At 31 March 2024	786,800	131,352	226,634	1,144,786	684,282	126,919	178,322	989,523
Amortisation								
At 1 April 2023	495,076	72,429	-	567,505	441,720	62,170	-	503,890
Charged in year	48,163	7,710	-	55,873	48,953	10,440	-	59,393
Disposals	(13,364)	(4,710)	-	(18,074)	(8,862)	(544)	-	(9,406)
Impairments	110	-	-	110	2,321	140	-	2,461
Transfers	6,476	(6,476)	-	-	-	-	-	-
Reclassifications	(1)	(130)	-	(131)	(3,575)	(267)	-	(3,842)
Revaluation	19,404	1,425	-	20,829	14,519	490	-	15,009
At 31 March 2024	555,864	70,248	-	626,112	495,076	72,429	-	567,505
Net book value at 31 March 2024	230,936	61,104	226,634	518,674	189,206	54,490	178,322	422,018
Net book value at 1 April 2023	189,206	54,490	178,322	422,018	198,868	47,223	97,368	343,459
Assets financing								
Owned	230,936	61,104	226,634	518,674	189,205	54,473	178,322	422,000
Finance leased	-	-	-	-	1	17	-	18
Net book value at 31 March 2024	230,936	61,104	226,634	518,674	189,206	54,490	178,322	422,018
Of which:								
Core department and agencies	175,490	1,084	165,137	341,711	144,394	1,514	132,076	277,984
NDPBs	55,446	60,020	61,497	176,963	44,812	52,976	46,246	144,034
Total	230,936	61,104	226,634	518,674	189,206	54,490	178,322	422,018

The effective date of revaluations was 31 March 2024.

The net book value for internally developed software includes software assets held by RPA for the delivery of rural scheme payments. At 31 March 2024, these intangible assets have a net book value of £36 million with four years remaining amortised life ending 31 March 2028 to coincide with the agricultural transitional plan.

The difference between the revalued carrying amount and the carrying amount that would have arisen under the historic cost model is not material.

Cash additions (adjusted for capital accruals) shown in the SoCF amount to £167 million (2022–23, £129 million (restated)).

7 Impairments

	Note	2023-24		Restated 2022-23	
		Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
PPE – including investment properties		29,579	78,255	(2,685)	6,301
Right of use assets		5,467	7,048	-	-
Intangibles		33,323	37,538	-	4,023
Investments		-	127	-	69
Total impairment charge for the year	3	68,369	122,968	(2,685)	10,393
of which:					
Amount released from Revaluation Reserve to General Fund		-	-	(105)	(105)

The impairment table includes significant impairments as follows; EA £47.3 million (2022-23 £12.1 million (restated)), APHA £10.9 million (2022-23 (£5.3) million) and Core department £55.7 million (not material in 2022-23).

EA's annual review resulted in an impairment of £44.8 million for property, plant and equipment and £2.5 million for intangible assets. The increase of impairment from 2022-23 to 2023-24 was driven by several factors, including: an unfavourable indexation impact of £24.0 million and an impairment of £7.5 million on assets under construction: £6.0 million impairment arose from corrections related to misapplied indexation on land assets; a further impairment of £4.2 million following the quinquennial review of land and buildings where assets were primarily valued downwards and additional adjustment was made to the valuation of riverside commercial land, which led to a £4.14 million impairment. These impairments are reported within the Environment, Rural and Marine Operating Segment (Note 2).

The Core department impairment of £55.7 million (2022-23: £0.3 million) relates to a reassessment of intangible assets which do not meet the capitalisation policy (£41.3 million). the impairment of the Incinerator project due to changes in the equipment design, resulting in significant delays and additional costs (£8.9 million), and rent paid exceeding actual market rent value under IFRS16 (£5.5 million). £34.7 million of this impairment has been reported in the Group Corporate Services including centrally held budgets operating segment, £11.4 million has been reported in Other including International and Borders and Strategy and Change operating segment and the remaining £9.5 million has been reported within the Environment, Rural and Marine including ALB's operating segment.

APHA's impairment of £10.9 million relates to land and buildings. This has been reported in the Food, Farming and Biosecurity operating segment (Note 2).

8 Financial Commitments

8.1 Capital Commitments

Defra group

	2023-24	2022-23
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made:		
PPE	157,296	89,196
Intangible assets	2,422	-
Total	159,718	89,196
Of which:		
Core department and agencies	66,433	33,958
NDPBs	93,285	55,238
Total	159,718	89,196

The increase in PPE capital commitments relates to build and science programme investments and site reconfiguration within the Core department, and further investment in flood defence schemes in EA.

8.2 Other Financial Commitments

The department's commitments relating to the non-cancellable periods of contracts which are not leases or other service concession arrangements are as follows:

	2023-24		Restated 2022-23	
	Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Not later than one year	1,962,520	2,181,735	996,842	1,199,023
Later than one year and not later than five years	3,664,806	4,093,226	2,080,382	2,477,105
Later than five years	802,217	806,917	794,666	815,059
Total	6,429,543	7,081,878	3,871,890	4,491,187

The RPA has significant commitments in relation to UK funded schemes payable to farmers, land managers, schools, local authorities, and other organisations. It is common for schemes, depending on their nature, to see a significant percentage of customers in receipt of a grant funding agreement either not proceeding to claim, or legitimately electing to claim less than the maximum agreement value. No adjustment has been made for this factor and therefore, the figures in the table above include the maximum possible scheme expenditure that the RPA is committed to at 31 March 2024. Payment rates in grant agreements have been adjusted by published increases in payment rates since inception of the agreements through to 31 March 2024 to disclose commitments at their current values. The total disclosed in RPA's accounts is £4.502 billion (2022-23, £1.936 billion), of which £1.468 billion is within one year, £2.933 billion later than one year and not later than five years and £0.101 billion later than five years. A full breakdown by scheme and detailed assumptions and methodology is included in the RPA accounts, including an assessment of the

commitments based on the six month notice period included in the terms and conditions of the Countryside Stewardship, Farming Investment Fund, Sustainable Farming Incentive and Environmental Stewardship schemes.

The Core department has agreements with local authorities on 23 Waste Infrastructure Grant Projects that are receiving grant payments. Defra will continue to support these projects while they meet the terms of their agreement with Defra. Future commitments are £1,108 million (2022–23 £1,252 million). All projects are now in receipt of grant and no further agreements are planned.

The department has a commitment to provide grant funding to the Canal & River Trust until 31 March 2027. The commitment at 31 March is £158 million (2022-23 £210 million), of which £52 million (2022-23 £53 million) is not later than one year.

£304 million (2022-23 £229 million) relating to service contracts for information technology.

£131 million relating to ISS Facilities Management, this contract replaces the previous Mitie Facilities Management Contract (2022-23 £41 million).

£3 million (2022-23 £7 million) relates to the Fisheries and Seafood Scheme (FASS) grants, administered by the MMO. The FASS offer of funding letter lists a number of conditions the award of the funding is contingent upon but as long as the claimant meets all the conditions, Defra is committed to pay the grant. There is no clause which would enable Defra to terminate the agreement outside of the claimant failing to meet the grant conditions.

£8 million (2022-23 £8 million) relates to three schemes to support and encourage the planting of new trees to meet government targets. Newly planted trees require ongoing maintenance in their early years in order to survive so each grant represents a multi-year commitment by Defra to provide funding.

£83 million (2022-23 £63 million) relates to farming research and development grants, Farming Innovation Programme (FIP) and Pathways.

The Core department is committed to £15 million (2022-23 £29 million) to a service agreement between FERA and Defra for science services that they provide. The contract finishes in March 2025 and is currently going through a re-procurement exercise for future contractual years, with agreement expected in August or September 2024.

£18 million (2022-23 £60 million) with regard to the Steria Shared Services Connected Limited (SSCL) contract. Defra entered into a seven-year contract with SSCL in November 2013 for the provision of shared services across HR, Payroll and Finance. The contract was subsequently extended in 2019 to utilise the full three-year optional extension period available. The contract ended on 31 October 2023. The contract is under review with the potential to extend for a maximum of three years but as the position is not fully concluded the amounts and the periods cannot be quantified.

£2 million (2022-23 £3 million) relates to Government Property Estates Agent Management - forecast annual core property management service commitment based on the estimated cost of service for 2023-24 for the remaining 17 months of the contractual service post 1 April 2024.

£2 million relates to Memorandum of Agreement (MoA) for Central Support to Waste Infrastructure Delivery Programme. The MoA commenced on 1 April 2024 and will end on 31 March 2027. Through the MoA, Local Partnerships (LP) support Defra in areas including project and commercial support, assessing contract variations, input into audits, judicial or potential judicial reviews and Freedom of Information or Environmental Information Regulation responses, providing knowledge transfer, monitoring projects, and providing management information.

The EA also recognises commitments for approved applications for grant payments relating to flood and coastal erosion risk management capital schemes, which have incorporated into the table above. In 2023-24 these totalled £597.4 million (2022-23, £577.6 million (restated)).

9 Financial Instruments and Risk

IFRS requires disclosures in the financial statements that enable users to evaluate the significance of financial instruments to the financial position and performance, and the nature and extent of risks arising from financial instruments to which Defra is exposed during the year and at the financial year end, and how those risks are being managed.

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the department's expected purchase and usage requirements and the department is therefore exposed to little credit, liquidity or market risk, except where detailed below.

	2023-24		2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Financial Assets				
Financial assets measured at amortised cost				
Loans and investments	429	5,499	474	5,275
Hazel II Loan Notes and Priority Shares	20,507	20,507	-	-
Short Term Deposits	-	564,900	-	267,800
Financial assets measured at fair value through other comprehensive expenditure (FVOCE)				
Flood Re HM Treasury Gilts	-	343,642	-	498,065
Big Nature Impact Fund	30,000	30,000	-	-
ECO Business Fund	27,956	27,956	32,544	32,544
LDN Fund	2,349	2,349	6,023	6,023
Total financial assets other than cash – non-current	81,241	994,853	39,041	809,707
Financial assets measured at fair value through profit or loss (FVPL)				
Derivative instruments classified as held for trading	1,335	1,335	90	90
Total financial assets other than cash - current	1,335	1,335	90	90
Cash and cash equivalents	208,974	498,713	192,536	471,776
Total	291,550	1,494,901	231,667	1,281,573

	2023-24		2022-23	
	Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Financial Liabilities				
Financial liabilities measured at amortised cost				
EA reservoir agreements	-	(461,201)	-	(448,042)
Financial liabilities measured at fair value through profit and loss (FVPL)				
Derivative instruments classified as held for trading	(706)	(706)	(4,847)	(4,847)
Total	(706)	(461,907)	(4,847)	(452,889)

Other receivables and other payables are disclosed in Notes 11 and 12 respectively. These financial instruments are simple in nature, and carried at amortised cost, which is deemed to be a reasonable approximation of their fair value. Notes 11 and 12 also include non-financial instrument balances relating to taxation, accruals and prepayments. Flood Re's UK Treasury Gilts and the short term deposits held by Flood Re and AHDB, with a duration of greater than three months are classified as other financial assets in the receivables note, therefore, these are shown separately from cash and cash equivalents within Note 11.

During the year, the department disposed of its 25 per cent shareholding in Fera Science Limited in exchange for a 25 per cent shareholding in Hazel II Topco Limited, interest-bearing priority shares in Hazel II Topco Limited, and interest-bearing loan notes in Hazel II Midco I Limited. The priority shares and loan notes are measured at amortised costs and are included in the 'loans and investments' total in the table above. The 25 per cent shareholding in Hazel II Topco Limited is accounted for as an Investment in Associate, which is outside the scope of IFRS 9 and is therefore excluded from the table above.

Those financial instruments measured at fair value are classed under IFRS 13 as either level one or level two inputs, with no unobservable inputs being relevant. Financial assets measured at amortised cost (which is generally invoiced value) are usually short term in nature and, generally, their fair value is not materially different from their carrying value.

Flood Re recognises the fair value of the debt instruments portfolio, which as at 31 March 2024 comprised of £56.8 million UK HM Treasury gilts and £286.9 million UK HM Treasury bills, at fair value using the unadjusted quoted prices in active markets for identical instruments. Short term deposits invested with the UK Debt Management Office (DMO), which vary in maturity between one day and a maximum of six months, are disclosed at the carrying amount as an approximate fair value at the reporting date.

The EA's reservoir agreements whose fair value would be approximately £3.2 billion (2022-23, £3.4 billion) using current HM Treasury rates. The difference between fair value and carrying value is due to the prevailing discount rate (around 1 per cent being the rate applicable to RPI-linked cash flows stated in current cost) being significantly lower than the Effective Interest Rate (EIR) set at initial recognition of the instrument, as well as inherent differences between amortised cost accounting and a snapshot of fair value.

Details of the financial liability for Environment Agency Reservoir Operating Agreements reported on the statement of financial position

Counterparty	Liability at 31 March 2023	Finance charge 2023-24	Amounts paid 2023-24	Liability at 31 March 2024	Due within 1 year	Due later than 1 year
	£000's	£000's	£000's	£000's	£000's	£000's
Northumbrian Water	(354,000)	(35,400)	24,600	(364,800)	(23,200)	(341,600)
Severn Trent Water	(94,000)	(4,800)	2,400	(96,400)	(2,400)	(94,000)
Total	(448,000)	(40,200)	27,000	(461,200)	(25,600)	(435,600)

The contractual liability relating to the return on asset component payable to water companies under Reservoir Operating Agreements by EA is accounted for as a financial liability. The cash payments relating to these financial liabilities are recoverable under legislation through water resources abstraction licences. Water companies who receive payments for operating reservoirs also pay the majority of the charges for water abstraction. Net Increases in the liability (i.e. the extent the finance charge exceeds the cash payments) have been approved by HM Treasury as being non-recoverable from charge payers. The payments for a return on investment in the reservoir assets, indexed upwardly annually based on the RPI, are payable in perpetuity in line with the agreements negotiated on privatisation and were made to enable privatisation to occur.

Historically, EA used the current RPI as an estimate for the future RPI, to estimate the future cash flows relating to the agreements. In 2022-23, EA considered the levels of inflation in the UK were not indicative of the expected future levels of inflation. EA opted instead to use the Office for Budget Responsibility (OBR) five-year forecast rates of RPI and assumed the rate at the end of five years will be representative of RPI beyond this point in time. This change in accounting estimate is being applied prospectively and not retrospectively, in line with accounting standards. If the RPI assumption is changed for every year in the future by plus or minus one per cent then the value of the liability (and the cost) increases or decreases by £4.2 million (2022-23, £4.0 million). Further details can be found in EA's accounts.

The RPA has financial guarantee contracts mainly in the form of non-cash guarantees totalling £0.314 billion as at 31 March 2024. (£0.352 billion, 31 March 2023). Please see RPA accounts for more details.

Significant Estimates and Judgements (Financial Assets)

Business model assessment

With respect to trade and other receivables the business model of Defra is chiefly to collect payments of principal from customers. This also includes receivables from the EU in respect of money owed for schemes processed. Also, the hold to collect and SPPI test, which requires that the contractual cash flows relating to financial assets are solely payments of principal and interest on the principal amounts outstanding (i.e. cash flows that are consistent with a basic lending arrangement), is assessed as being passed. Therefore, Defra

records the receivables at amortised cost which, for receivables with no financing component, is the invoiced amount.

For the Eco Business Fund and the Land Degradation Neutrality (LDN) fund, the shares are neither classified as hold to collect nor hold to collect and sell, so by default would be classified at FVTPL. However, under the provisions of IFRS 9, Defra has made an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income. This is appropriate, given that the department's incentive is to bolster the fund and support its initiatives, with any dividends being reinvested, and not to invest for profit.

Derivative financial assets fall outside of this assessment.

Expected credit losses

Receivables, other than receivables from other public bodies, are grouped together for the purpose of assessing the lifetime Expected Credit Loss. In general, Defra's customers tend to be other public sector entities, to which no real prospect of default applies.

For trade receivables with no significant financing components, IFRS 9 allows an entity to use a simplified method for calculating expected losses using historical default rates over the expected life of the trade receivables and adjusting for forward-looking estimates. Defra's receivables tend to be short term in nature (for example, trade receivables), and any longer term elements are not subject to financing components. Therefore, the majority of receivables are shown net of expected credit loss using the simplified method. Forward-looking estimates are inherently difficult given the current pace of political and economic developments.

Defra has created a provision matrix for receivables, which gives the latest estimated lifetime Expected Credit Loss for each stream. This is based on the department's experience of credit losses over the past few financial years, updated for any known future credit issues. The greatest impact across the Defra group is at the EA, who have based their estimate on their historic experience of credit losses by charge scheme over the past four financial years, updated for any known future credit issues. There has not been a material change in the expected credit losses for any charge scheme.

Flood Re holds balances in short term deposits and in UK HM Treasury Gilts and Bills investments and applies the low credit risk simplification, and at each reporting date evaluates the credit risk, including using credit rating of the instrument issuer. The UK HM Treasury gilts portfolio is rated as AA. Flood Re has concluded that the provision for expected credit losses on balances held as cash deposits with a UK financial institution, short term deposits with the UK DMO and debt instruments was not material to the financial statements.

9.1 Categories of Financial Instruments

Details of financial instruments held by the department are included in Notes 9, 10, 11 and 12 (non-financial instrument balances relating to taxation and prepayments are also included in these notes). Further details are given below only where the risks are significant. For further information on financial instruments see RPA's, EA's and Flood Re's ARAs.

9.2 Exposure to Risk

9.2.1 Credit Risk

A significant proportion of the department's customers and counterparties are other public sector organisations. Minimal credit risk arises from these organisations.

For those customers and counterparties that are not public sector organisations the department has policies and procedures in place to ensure credit risk is kept to a minimum.

The EA holds security for permit holders in permitting deposits, as described in Note 1.14, to mitigate the risk of the EA not being able to recover lost income following an environmental incident. Security can be provided by permit holders as cash (see Note 10) or as bond agreements. Bond agreements are triparty bond agreements between the permit holder, the EA and the banking organisation. Under the bond agreements, the EA can only call on the banks to provide cash in the event of an environmental incident. The bonds are financial guarantees under IFRS9 but unless and until they crystallise, they do not meet the recognition criteria because they are contingent on uncertain future events. On the event of an environmental incident and call of the bond, the cash received would be recognised as a liability and released to income once the required actions had been completed in line with IFRS15. The value of bond agreements in the EA's favour as at the 31 March 2024 was £654.0 million (2022-23, £606.5 million).

The EA is required by statute to check that waste importers and exporters have sufficient financial guarantees in place when it processes relevant applications for consent. This guarantee is designed to remediate any non-compliance with delivery and processing or due to waste being illegal. The year end value of the guarantees which could be called upon is immaterial and as with other guarantees disclosed above, these do not meet the criteria for recognition and the possibility of conversion is extremely remote; no calls have been made in recent years to convert the guarantees.

The department is not exposed to material credit risk.

9.2.2 Liquidity Risk

There is no significant exposure to liquidity risk, as the department's net resource outturn is financed through resources voted annually by Parliament.

9.2.3 Market Risk – Foreign Currency Risk

Excluding RPA, there is no significant foreign currency risk.

RPA's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. RPA enters into forward foreign exchange contracts to manage its exposure to foreign currency risk relating to euro denominated receipts from the Commission for the BPS and RDPE 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 Commission in euros. However, the majority of distributions by RPA are transacted in sterling, which creates an exposure to gains or losses from fluctuations in foreign exchange

rates between the euro and sterling. RPA has managed its exposure to this risk through the purchase of forward foreign currency contracts.

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

	31 March 2024		31 March 2023	
	Assets	Liabilities	Assets	Liabilities
	£000	£000	£000	£000
Euro	218,175	157	234,979	23,496

The following table details RPA's, and therefore the department's, sensitivity to a ten per cent increase and decrease in sterling against the euro.

Impact of Movement in Euro/Sterling rate

	Sterling appreciates by 10%	Sterling appreciates by 10%	Sterling depreciates by 10%	Sterling depreciates by 10%
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£000	£000	£000	£000
(Increase)/decrease in Net operating cost	(21,753)	(21,146)	21,753	21,146
Derivative instruments				
(Increase)/decrease in Net operating cost	21,804	22,337	(21,804)	(22,337)

9.2.4 Market Risk – Inflation

The EA is exposed to the risk of changes in the rate of inflation. The RPI has fluctuated significantly over the life of these financial liabilities. This is a macro-economic risk that the EA cannot manage in any way. However, the EA is able to recover the cost of reservoir operating agreement payments through its charges on water abstraction. HM Treasury have approved the increase in the liability that will not result in a payment, as being non-recoverable.

9.2.5 Market Risk – Investments

As at 31 March 2024, the Defra Group had £86.3 million in investments (2022-23, £61.3 million), including £30.0 million invested in the Big Nature Impact Fund, £28.0 million in the Eco-Business Fund, £20.5 million investment in Hazel II Topco Limited and its 100 per cent owned subsidiary Hazel II Midco I Limited, £2.3 million in the Land Degradation Neutrality (LDN) Fund and £4.2 million invested in by RBG Kew in the Cazenove Investment Portfolio.

9.3 Flood Re Exposure to Insurance Contract Risk

The risks described below are attributable to Flood Re, which is consolidated into the departmental accounting boundary.

9.3.1 Credit Risk

Flood Re defines counterparty credit risk as the risk of not recovering money owed to Flood Re by third parties. Flood Re's maximum exposure to credit risk is the gross carrying value of its levy receivables, reinsurance premium receivables, outwards reinsurance recoveries, trade and other receivables, debt instruments at fair value through other comprehensive income and cash and short-term deposits.

Flood Re uses issuer credit ratings provided by external credit rating agencies to monitor the ongoing creditworthiness of its counterparties together with other publicly available data and market information.

Ceded reinsurance arrangements do not relieve Flood Re from its obligations to policy holders. Reinsurance is only placed with counterparties that have a minimum credit rating of A- (S&P equivalent) or provide equivalent collateralisation. Flood Re's Credit Risk Appetite Statements set out the maximum single counterparty exposure aligned to their credit ratings. These risk appetites seek to balance reinsurance Counterparty credit risk with pricing and placement risks.

Insurance Risk

Premium risk

Flood Re is exposed to premium risk, which is defined as the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing assumptions. The premium Flood Re charges is not reflective of the underlying risk that Flood Re assumes. Flood Re's principal objective is to enable the continued availability of affordable flood cover for households at risk of flooding and to manage a transition to a market with risk-reflective pricing over a 25-year period. Accordingly, Flood Re's premium risk strategy is to charge insurers a subsidised fixed rate that is set according to the council tax band associated with the insured property.

Flood Re expects that assumed premium will not be sufficient to cover the estimated mean cost of claims. The cost of the subsidy provided through the premium charged is met by a levy raised from all insurers writing home insurance in the UK. The levy for the first six years of the scheme was set at £180 million a year. From 1 April 2022, for the following three years, this was decreased to £135 million.

Reserve risk

Reserve risk is defined as the risk of loss or of adverse change in the value of insurance liabilities due to the actual future costs of claims differing from expectations based on reserving assumptions. This is influenced by the frequency of claims, the severity of claims, the timing of actual claims payments and the development of the claims over a period of time.

Flood Re monitors flood risk exposure on a per risk basis and on an aggregate sum insured basis and performs exposure modelling on at least a quarterly basis or on the occurrence of an event.

Sensitivity

Flood Re uses scenario analysis to illustrate the potential financial impact of assumptions varying from expectations where there is little or no historical data and in turn this is used to inform the risk adjustment. (Further details can be found in Flood Re's Annual Report and Accounts, Note 4.1).

Catastrophe risk

Flood Re's most significant insurance risk exposure is to losses arising from infrequent, high severity catastrophe flood events. Flood Re relies on probabilistic catastrophe risk modelling to assess their claims potential.

The year ending 31 March 2024 was more active for catastrophe flood events than the prior year. Storm Babet caused significant flooding in October 2023 and was followed in January 2024 by Storm Henk which caused further flooding, although of lower severity.

The table below shows the probable maximum loss, on a prospective basis, for different levels of severity of catastrophe loss years. The estimates allow for new business as well as run-off of existing liabilities for the portfolio as at 31 March 2024. Between Year End 2023 and Year End 2024, there has been no change in Flood Re's view of flood risk. Therefore, the movement between the dates only reflects the change in Flood Re's exposure.

	2024 Estimated net claims £000	2023 Estimated net claims £000
1 in 50 year or 2% probability	120,292	118,236
1 in 200 year or 0.5% probability	131,926	127,679
1 in 250 year or 0.4% probability	133,144	129,566

Risk Mitigation

Flood Re purchases reinsurance as part of its overall risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis and is Flood Re's primary mechanism for managing and mitigating insurance risk.

The Flood Re Scheme document establishes the requirement for Flood Re to set an annual aggregate loss amount (liability limit). The liability limit for the year ended 31 March 2024 was £2.1 billion (2023: £1.9 billion). Each financial year the Liability Limit is adjusted for the change in the Consumer Price Index (CPI) in the prior calendar year. If claims were to exceed the Liability Limit, relevant insurers would continue to be liable to policyholders in accordance with the terms of the insurance policy sold.

Flood Re requires that outwards reinsurance purchased protect the full Liability Limit. Furthermore, Flood Re protects itself from an annual accounting loss above £100 million in any one accounting period. To provide for both of these requirements Flood Re has purchased an extensive reinsurance programme.

9.3.2 Market Concentration Risk

Flood Re defines market concentration risk as the risk of a financial loss arising from a lack of diversification in the investment portfolio or from a large exposure to any single issuer or sector.

Flood Re has a conservative market risk strategy which prioritises capital preservation over investment return. The investment mandate restricts the type of holdings that may be invested in. Flood Re only invests in UK government backed securities (gilts, treasury notes and UK government backed liquidity funds).

The market risk of gilt investments is recognised through Other Comprehensive Income (OCI) and comprises a net unrealised gain in 2023-24 of £0.77 million (2022-23, an unrealised loss of £0.167 million). The book value of gilt investments is calculated on an amortised cost basis, using the effective interest rate methodology, whereby interest unwinds over the period from inception to maturity, and is recognised as an interest charge in the SoCNE.

9.3.3 Capital Adequacy

Flood Re has complied at all times with the regulatory minimum capital requirements and the solvency capital requirements.

For more information on insurance risk, see Flood Re's Annual Report and Financial Statements.

9.4 Thames Tideway Tunnel Indemnity Agreement Insurance Contract Risk

As part of the government support package for the Thames Tideway Tunnel project, Defra has provided an indemnity (Supplemental Compensation Agreement) to the Infrastructure Provider (IP) on commercial terms to cover liability claims that exceed the IP's commercially arranged insurance limits or where insurance is unavailable or subsequently becomes unavailable. The contract only covers risks that are insurable in the market (though at a higher level); non-insurable risks are borne by the IP as they would be under commercial insurance (for example, the cost of construction delays resulting from a major insurance event).

In certain specified circumstances whilst the project is being built, Defra would be liable for claims above £2.26 billion per event for damage to construction works, and above £750 million per event for third party death, injury or damage. At the outset of the project, Defra estimated that government's total exposure under this indemnity in the event of its 'reasonable worst case' scenario (a major catastrophic event) could be as high as £1.5 billion.

This indemnity agreement meets the definition of an insurance contract according to IFRS 4. At the financial year-end, no claims have been made under this insurance contract and the likelihood of a future claim has been assessed as remote (less than one per cent). The only cashflows that are expected to occur under this contract are the premiums payable to Defra by the IP, which are surrendered to the Consolidated Fund. Consequently, Defra does not recognise an insurance liability for this contract.

The insurance risk relating to the project is actively managed through Defra's governance structures and governance products. This includes a liaison committee which oversees the project's progress, including representatives from Defra, Thames Water Utilities Ltd, and the IP.

The construction phase of the project is due to complete in 2025, after which the insurance risk is expected to reduce further.

10 Cash and Cash Equivalents

	2023-24		2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Balance at 1 April	192,536	471,776	387,391	640,284
Net change in cash balance	16,438	26,937	(194,855)	(168,508)
Balance at 31 March	208,974	498,713	192,536	471,776
The following balances at 31 March are held at:				
Government Banking Services	208,974	271,155	192,536	243,560
Demand accounts - GBS	-	136,405	-	119,639
Demand accounts - Escrow	-	19,887	-	17,586
Commercial bank accounts and cash in hand	-	67,234	-	72,486
Short term investments	-	4,032	-	18,505
Balance at 31 March	208,974	498,713	192,536	471,776

For further information see the Net Cash Requirement section of the Financial Analysis section.

The majority of the short term investments relate to Flood Re's short term deposits with a maturity of three months or less which are subject to insignificant risk of changes in value. Demand accounts include amounts that the EA hold in cash and cash equivalents in Government Banking Service (GBS) and escrow accounts as security for permitting deposits (Note 1.14).

11 Trade Receivables, Financial and Other Assets

	2023-24		2022-23	
	Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Amounts falling due within one year:				
Trade receivables	66,314	82,364	51,844	74,689
Deposits and advances	1,947	2,101	2,197	2,331
Flood Re reinsurance receivables	-	188,379	-	71,419
Other receivables	11,268	21,617	9,694	14,453
VAT	37,260	82,057	20,710	62,063
Prepayments and accrued income	237,031	277,704	222,337	218,935
Accrued income relating to EU funding	217,163	219,279	212,772	215,483
Contract assets	4,062	4,107	3,032	3,034
Less expected credit loss for receivables and contract assets	(16,674)	(23,021)	(1,526)	(7,074)
Trade and other receivables	558,371	854,587	521,060	655,333
Current loans	27	27	27	27
Current part of derivative financial instrument asset	1,335	1,335	90	90
Short Term Deposits	-	564,900	-	267,800
Flood Re UK treasury Gilts	-	312,608	-	473,076
Financial assets	1,362	878,870	117	740,993
Amounts falling due after one year:				
Trade receivables	77	77	51	51
Deposits and advances	5	5	-	-
Other receivables	4,576	4,584	5,829	5,829
Prepayments and accrued income	14	3,447	21	752
Receivables due after more than one year	4,672	8,113	5,901	6,632
Big Nature Impact fund	30,000	30,000	-	-
Eco Business fund	27,956	27,956	32,544	32,544
LDN fund	2,349	2,349	6,023	6,023
Hazel II Loan Notes and Priority Shares	20,507	20,507	-	-
Flood Re UK treasury Gilts	-	31,034	-	24,989
Other financial assets	402	5,472	447	5,248
Non-current financial assets	81,214	117,318	39,014	68,804
Total receivables, financial and other assets	645,619	1,858,888	566,092	1,471,762

For short term deposits with a maturity greater than 3 months at inception, additions are £568 million, (£21 million AHDB and £547 million Flood Re) (2022-23, £1,014 million, (£20 million AHDB and £994 million Flood Re), repayments and redemptions are £271 million (£23 million AHDB and £248 million Flood Re) (2022-23, £1,392 million Flood Re) and interest capitalised is £Nil (2022-23, £Nil).

12 Trade Payables, Financial and Other Liabilities

	2023-24		Restated 2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Amounts falling due within one year:				
VAT	5,645	6,853	(298)	783
Other taxation and social security	15,841	32,230	13,480	27,512
Flood Re reinsurance payables	-	45,591	-	29,698
Promissory notes	53,059	53,059	68,688	68,688
Trade payables	93,920	119,350	66,399	86,066
Other Payables: EU	9,254	9,254	5,025	5,025
Other payables	18,040	39,682	40,610	51,441
Accruals and deferred income	1,602,489	1,928,853	420,599	740,623
Current part of finance leases	-	-	46	46
Amounts issued from the Consolidated Fund for supply but not spent at year end	193,678	193,678	192,277	192,277
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund				
Received	15,296	15,296	259	259
Receivable	38,072	38,072	11,970	11,970
Contract liabilities	5,038	178,730	5,271	188,705
Trade and other payables	2,050,332	2,660,648	824,326	1,403,093
Current part of derivative financial instrument liability	706	706	4,847	4,847
Current part of Environment Agency reservoir agreements	-	25,600	-	24,300
Financial liabilities	706	26,306	4,847	29,147
Amounts falling due after more than one year:				
Other payables, accruals and deferred income	-	8,875	-	8,442
Permitting deposits	-	161,888	-	137,225
Finance leases	-	-	(21)	(21)
Contract liabilities	192	192	133	133
Other Payables	192	170,955	112	145,779
Environment Agency reservoir agreements	-	435,601	-	423,742
Financial liabilities	-	435,601	-	423,742
Total payables	2,051,230	3,293,510	829,285	2,001,761

Included within promissory notes payable is an amount of £16.0 million (2022-23, £25.5 million) which is expected to be encashed within 1 year and £37.1million (2022-23, £43.2 million) which is expected to be encashed after 1 year based on non-legally binding encashment schedules. During 2023-24, two new promissory notes were laid with the Bank of England, relating to: Big Nature Impact Fund (£30 million) and the Global Biodiversity Framework Fund (£15 million). In addition, the BioCarbon Fund in Indonesia and Zambia promissory note 2014-15 was cancelled and reissued by the Department for Energy, Security and Net Zero. Two other promissory notes were fully utilised in 2023-24.

The increase in the Core department and agencies and the Defra group accruals and deferred income relates to the estimated outstanding payments of £808.2 million for the delinked payments scheme for 2024, which was introduced in the current year in RPA.

Permitting deposits are amounts held by the EA as security for permits issued for landfill sites, dredging lagoons, mining waste and hazardous waste facilities. Further explanation of the permitting deposits and accounting policy is included in Note 1.14 and Note 10.

13 Lease liabilities

Maturity analysis of leases liabilities are shown in the table below.

	2023-24		2022-23	
	Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Land and buildings				
Not later than one year	15,389	25,477	21,784	31,935
Later than one year and not later than five years	47,809	71,675	49,069	75,044
Later than five years	35,964	47,904	36,252	45,570
Total	99,162	145,056	107,105	152,549
Less interest element	(9,141)	(14,754)	-	-
Present value of obligations	90,021	130,302	107,105	152,549
Other				
Not later than one year	12,277	21,104	10,924	17,194
Later than one year and not later than five years	11,292	21,679	9,154	13,931
Total	23,569	42,783	20,078	31,125
Less interest element	(1,395)	(3,292)	-	-
Present value of obligations	22,174	39,491	20,078	31,125
Total present value of obligations	112,195	169,793	127,183	183,674
Current	26,471	49,510	32,708	49,129
Non-current	85,724	120,283	94,475	134,545

14 Contract Assets and Liabilities

14.1 Contract balances

	2023-24		2022-23	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Receivables which are included in trade and Other Receivables	558,981	858,593	523,929	658,931
Contract Assets	4,062	4,107	3,032	3,034
Contract Liabilities	(5,230)	(178,922)	(5,404)	(188,838)

14.2 Significant changes in the contract assets and the contract liabilities balances during the period

	2023-24 Contract Assets		2023-24 Contract Liabilities	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Contract Assets/Liabilities at 1 April 2023	3,115	3,117	(5,404)	(188,838)
Increases/Decreases due to cash received/paid	(2,464)	(2,464)	(3,237)	(19,367)
Transfers from contract assets/liabilities to receivables/payables	3,411	3,454	3,411	29,283
Contract Assets/Liabilities at 31 March 2024	4,062	4,107	(5,230)	(178,922)

Contract balances note

The contract liabilities relate primarily to the advance consideration received from customers at EA. Revenue is recognised on completion of performance obligations and acceptance by the customer of the service provided (for example, when the receivable is recognised).

Contract assets (capitalised costs) reporting

Costs to obtain a contract or fulfil a contract should be capitalised under IFRS 15. During 2023-24, this has not been relevant to Defra.

15 Provisions for Liabilities and Charges**15.1 Provisions for Liabilities and Charges (Excluding Pension Liabilities)**

	CAP Disallowance	IR35	De-Linked Payments	Flood Re Insurance	Metal Mines	FMD Sites	Core Estates Provisions	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Defra group									
Balance at 1 April 2022	59,369	4,683	-	103,849	556,476	294,262	16,998	18,119	1,053,756
Provided in the year	34,132	-	-	43,815	62,476	7,627	7,411	28,070	183,531
Provisions not required written back	(13,602)	(335)	-	-	-	(175)	(5,699)	(1,667)	(21,478)
Provisions utilised in year	(10,600)	(4,348)	-	(34,145)	(7,150)	(2,061)	-	(4,008)	(62,312)
Changes in discount rate	-	-	-	-	(391,177)	(182,281)	-	(50)	(573,508)
Unwinding of discount	-	-	-	-	3,928	2,159	-	-	6,087
Balance at 31 March 2023	69,299	-	-	113,519	224,553	119,531	18,710	40,464	586,076
Provided in the year	-	24,564	792,643	235,405	10,499	5,807	3,936	11,129	1,083,983
Provisions not required written back	(58,596)	-	-	-	(9,224)	(1)	(3,327)	(533)	(71,681)
Provisions utilised in year	(10,703)	-	-	(23,270)	(6,863)	(2,375)	(74)	(1,733)	(45,018)
Changes in discount rate	-	-	(15,434)	-	(93,301)	(43,238)	(1,034)	(288)	(153,295)
Unwinding of discount	-	-	21,458	-	7,061	3,808	502	(157)	32,672
Transfers	-	-	-	-	-	-	-	(2)	(2)
Balance at 31 March 2024	-	24,564	798,667	325,654	132,725	83,532	18,713	48,880	1,432,735

15.2 Analysis of Provision Balances

								2023-24
	IR35	De-Linked Payments	Flood Re Insurance	Metal Mines	FMD Sites	Core Estates Provisions	Other Provisions	Total
	£000		£000	£000	£000	£000	£000	£000
Defra group								
Not later than one year	-	-	261,869	3,488	2,383	7,162	2,811	277,713
Later than one year and not later than five years	24,564	798,667	63,785	13,185	9,008	10,012	41,158	960,379
Later than five years	-	-	-	116,052	72,141	1,539	4,911	194,643
Total	24,564	798,667	325,654	132,725	83,532	18,713	48,880	1,432,735
Of which:								
Core department and agencies	24,564	798,667	-	132,725	83,532	18,713	1,758	1,059,959
NDPBs	-	-	325,654	-	-	-	47,122	372,776
Total	24,564	798,667	325,654	132,725	83,532	18,713	48,880	1,432,735

The timing of cash flows for the provisions requires management to make estimates and assumptions. All estimates for provisions are based upon knowledge of current facts and circumstances, and forecasts of future events and actions. Some of the assumptions made have limitations that will mean that the actual timings of cash flows could vary significantly from these estimates.

As can be seen from the sensitivity tables in Notes 15.6 and 15.7, a modest change in the discount rate for general provisions can have a significant impact on the stated value of liabilities. These rates are advised by HM Treasury (see below) and are therefore not within the control of the department.

	2023-24
	%
Short term (0 to 5 years)	4.26
Medium term (6 to 10 years)	4.03
Long term (greater than 11 -40 years)	4.72
Very Long term (greater than 40 years)	4.40

HM Treasury provide both nominal and real discount rates, the real rate being the nominal rate inflated in line with the OBR CPI inflation forecast. Under HM Treasury guidance, there is a rebuttable presumption that departments will use the inflation rates obtained from OBR CPI forecasts when inflating provision cash flows. This presumption can only be rebutted in exceptional circumstances. The HM Treasury real rates are used for all discounted provisions in the ARA, as no logical basis has been identified for any alternatives.

15.3 Disallowance Provisions

Failure of Defra (through RPA) to comply the Commission's regulations for payments funded through the European Union funded Common Agricultural Policy (CAP) could result in the application of financial corrections. Any amounts disallowed depended on the assessed severity of the breach of regulations and on subsequent negotiations with the Commission, in accordance with the Commission's clearance of accounts procedure. If disallowance was imposed by the Commission this was a deduction from the claim for reimbursement for which Defra was liable for.

Following the UK's exit from the European Union the value of the liabilities that were expected to impact future accounting periods and therefore, disclosed as provisions has been diminishing. During 2023-24, the provision has been wound down to a nil balance, pending any potential further audits that may take place.

15.4 RPA De-linked Payments

Delinked payments will replace BPS in England in 2024 and will reduce in value each year until these payments finish. These payments are known as progressive reductions. The full value of delinked payments has been recognised during the 2023-24 financial year, in line with the recognition point of the BPS 2023 expenditure, as eligibility for delinked payments is linked to the submission of valid BPS claims.

De-linked payments are subject to progressive reductions year on year. Progressive reduction rates for 2024 have been published because of this, there is considerable certainty over the value of delinked payments for that year. Therefore, the value of delinked payments for 2024 has been recognised as a scheme accrual in Note 12.

At 31 March 2024, the value of delinked payments for 2025 onwards was subject to greater uncertainty and has therefore, been recognised as a provision. The provision for de-linked payments relates to payments expected to be made to customers during the 2025-26 to 2027-28 financial years. The provision is measured at present value using discount rates issued by HM Treasury. The short-term general provision rate of 4.26 per cent notified in the 2023 Public Expenditure (PES) paper has been applied to discount the expected cash payments in future years. It has also been assumed that the progressive rate reductions would follow the consistent pattern in published rates for earlier years, equating to the progressive reduction rates continuing to increase by 15 per cent year on year, until a full 100 per cent reduction is reached, or until the final year of de-linked payments in 2027-28. Sensitivity analysis relating to these assumptions can be found in RPA's annual report and accounts. Note that on 30 October 2024, progressive reduction rates for 2025 were announced. See Note 22 for details of this non-adjusting event after the reporting period.

For 2024, the total value of de-linked payments recognised was £1.6 billion, of which £808.2 million was recognised as an accrual (Note 12) and the remaining £798.7 million for the financial years 2024 to 2027.

15.5 Flood Re Insurance Provision

Flood Re's most critical accounting estimate is the estimation of the ultimate liability arising from claims made under inwards reinsurance contracts.

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR), at the reporting date. It can take a period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated using standard actuarial techniques, supplemented with bespoke methods where appropriate.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios.

Estimating the ultimate cost of losses resulting from catastrophic events is inherently difficult due to the uncertainty of catastrophe claims. As a result of this uncertainty, it is often harder to determine the future development of these claims with the same degree of reliability as with other types of claims.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future: for example to reflect one-off occurrences (including changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims from the range of outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of the premium deficiency provision (through the liability adequacy test). Using reinsurance inward contracts premium thresholds as described in the Flood Reinsurance (Scheme Funding and Administration) Regulations 2015 restricts the amount that Flood Re can charge insurers for reinsuring flood risk. These thresholds are capped at a rate dependent on the council tax banding of the property insured and give rise to less than adequate market pricing for the risk insured. An estimate of the premium deficiency provision is made for any anticipated claims and claims handling costs that are expected to exceed the unearned premiums.

The carrying value of gross insurance claims liabilities, including the premium deficiency provision, as at 31 March 2024 is £325.7 million (2023 £113.5 million).

15.6 Abandoned Metal Mines Provision

Under the Water Resources Act 1991 (as amended by the Environment Act 1995) mine owners / operators cannot be held liable for permitting water pollution from mines abandoned before 2000. Around 1,500 kilometres of English rivers continue to be polluted by metals being released from metal mines abandoned before 2000 and government has committed to help address this historical legacy.

Defra has established a number of measures (treatment schemes and diffuse interventions) designed to mitigate the impacts of contaminated groundwater discharging from abandoned metal mines and to limit inputs of metals from diffuse sources (such as mining waste spoil heaps) at certain sites. Defra manages the construction and operation of these facilities, through the Water and Abandoned Metal Mines (WAMM) Programme, a partnership between the Environment Agency, the Coal Authority and Defra.

For each treatment scheme, Defra has a constructive obligation to remediate water from the mine from the point at which it has announced its intention to operate the site and planning consent has been obtained for its construction. Following each obligating event, Defra recognises a provision equal to the present value of the best estimate of the expenditure that will be required to settle the obligation.

In January 2023, Parliament approved a new legally binding target to halve the length of rivers polluted by abandoned metal mines by 2038. Defra has determined that these legally binding targets do not meet the definition of a provision. The targets will create a constructive obligation on Defra at the point that Defra has announced its intention to operate the site and planning consent has been obtained for construction. At 31 March 2024, no new treatment schemes had been confirmed in relation to the new target and therefore at the balance sheet date Defra had no obligation beyond the facilities already in operation or under construction. Due to long term factors, significant inherent uncertainty exists regarding both the amount of expenditure and the time frame required to settle the obligation. These include the emergence of new technologies; possible future environmental standards and regulations; the impacts of adverse weather and climate change; price inflation of construction and operating costs; location of schemes and related land costs; the number of future schemes required, and the length of time they will be required to operate.

Defra uses an evidenced cost base, with estimated future operating costs provided by the Coal Authority based on their experience of running similar schemes for coal mines. Estimated time frames are based on scientific and geological research, which indicates that water treatment obligations could continue in perpetuity. In calculating the provision at each year-end, Defra uses a rolling 100 year time frame as a proxy for perpetuity. Defra is satisfied that this method results in a provision value that is not materially different from the value that would be obtained using a perpetual liability basis.

The present value of the expenditure required to settle the obligation is calculated using discount rates advised by HM Treasury in December each year. Discount rates can change significantly, which can cause year-on-year volatility in the provision value. The undiscounted value of the liability at the 2023-24 year-end is £351 million (2022-23, £355 million). After discounting, the value of the provision is £133 million (2022-23, £224.5 million). The HM Treasury nominal discount and inflation rates remain beyond the department's control. There is a rebuttable presumption that departments will use the published HM Treasury inflation rates, obtained from OBR CPI forecasts, when inflating provision cash flows, and Defra has no reason to rebut this presumption.

The sensitivity of the metal mine provision value to changes in the key underlying assumptions is analysed in the following table.

Change in assumption	Effect on provision (in £)	Effect on provision (in % terms)
0.5% increase in Treasury Discount Rate	Decrease of £18.4m	Decrease of 13.8%
0.5% decrease in Treasury Discount Rate	Increase of £23.8m	Increase of 18.0%
0.5% increase in Treasury Inflation Rate	Increase of £0.7m	Increase of 0.5%
0.5% decrease in Treasury Inflation Rate	Decrease of £0.7m	Decrease of 0.5%
10% increase in underlying costs	Increase of £13.3m	Increase of 10.0%
10% decrease in underlying costs	Decrease of £13.3m	Decrease of 10.0%
10 year increase in timeframe of the provisions	Increase of £3.1m	Increase of 2.3%
10 year decrease in timeframe of the provisions	Decrease of £3.9m	Decrease of 2.9%

The analysis above demonstrates that changes in discount rates are likely to be the most significant cause of volatility in the provision value. The factors impacting the volatility of the provision and the underlying running and asset replacement costs continue to be monitored annually in consultation with the Coal Authority.

15.7 FMD Burial Sites Provision

Following the Foot and Mouth Disease (FMD) outbreak in 2001, government publicly committed to preventing and remediating environmental damage at several FMD animal burial sites across the UK. Consequently, Defra has a constructive obligation to actively manage these sites to prevent the discharge of leachate through groundwater pollution. Defra recognises a provision equal to the present value of the best estimate of the expenditure that will be required to settle this obligation.

Due to long term factors, significant inherent uncertainty exists regarding both the amount of expenditure and the time frame required to settle the obligation. The provision time frame has been estimated at 100 years from the burial date, with 77 years remaining at the balance sheet date. Conceptual reports were completed in March 2020, for each site, which showed the level of contamination is decreasing and Defra plans to review this every 5 years.

Defra uses an evidenced cost base, with estimated future operating costs based on analysis of past expenditure and future expectations in consultation with suppliers.

The present value of the expenditure required to settle the obligation is calculated using discount rates advised by HM Treasury on 4 December 2023. Discount rates can change significantly each year, which can cause year-on-year volatility in the provision value. The undiscounted value of the liability at the 2023-24 year-end is £184.6 million (2022-23: £174 million). After discounting, the value of the provision is £83.5 million (2022-23: £119.5 million). The HM Treasury nominal discount and inflation rates remain beyond the department's control. There is a rebuttable presumption that departments will use the

published HM Treasury inflation rates, obtained from OBR CPI forecasts, when inflating provision cash flows, and Defra has no reason to rebut this presumption.

The sensitivity of the FMD provision value to changes in the key underlying assumptions is analysed in the following table.

Change in assumption	Effect on provision (in £)	Effect on provision (in % terms)
0.5% increase in Treasury Discount Rate (see Note 15.2)	Decrease of £10.1m	Decrease of 12.1%
0.5% decrease in Treasury Discount Rate	Increase of £12.5m	Increase of 15.0%
0.5% increase in Treasury Inflation Rate	Increase of £0.4m	Increase of 0.5%
0.5% decrease in Treasury Inflation Rate	Decrease of £0.4m	Decrease of 0.5%
10% increase in underlying costs	Increase of £8.4m	Increase of 10.0%
10% decrease in underlying costs	Decrease of £8.4m	Decrease of 10.0%
10 year increase in timeframe of the provisions	Increase of £3.6m	Increase of 4.3%
10 year decrease in timeframe of the provisions	Decrease of £4.5m	Decrease of 5.4%

The analysis above demonstrates that changes in discount rates are likely to be the most significant cause of volatility in the provision value. The factors impacting the volatility of the provision and the underlying running and asset replacement costs continue to be monitored annually.

16 Pension Liabilities

16.1 Pension Schemes Managed by the Department

The department contributes to the PCSPS and CSOPS, known as Alpha, but does not manage the scheme. Details are reported in the Staff and Remuneration Report - Civil Service Pension Schemes. Employer contributions to the funds are included in the Statement of Comprehensive Net Expenditure (SOCNE) but the share of assets and liabilities are not disclosed in the Statement of Financial Position (SOCP), as they cannot be separately identified.

In addition to these there are also a number of pension schemes which are managed by the department and NDPB's, these include a mixture of funded and by analogy schemes (unfunded). The table below details the funds managed by the Core department and those disclosed by the NDPB's:

Schemes Disclosed by the Core department	Net (Liability)/Asset £000	Schemes Disclosed in the NDPB Accounts	Net (Liability)/Asset £000
EA Pension Liability (Closed Scheme) (funded and unfunded)	(118,700)	Home Grown Cereals Authority Pension Scheme (funded)	(188)
Nature Conservancy Council Pension (by-analogy)	(7,194)	EA Active Pension Scheme (funded)	797,054
Former Countryside Agency Pension Schemes (Rural Community Council and Ex-Chairmen Schemes) (by-analogy)	(2,178)	NE Pension Scheme (by-analogy)	(107)
Horticultural Research International Pension Scheme (by-analogy).	(16,457)	Sea Fish Industry Authority (unfunded)	(2,434)
		Meat and Livestock Commission Pension Scheme (funded).	(2,300)
Sub Total	(144,529)		792,025
Total			647,496

Disclosures in relation to these schemes are made in accordance with the accounting treatment in IAS 19. The standard has no impact on the level of cash contributions paid by the department which are set reference to assumptions agreed at periodic actuarial valuations of each scheme. The standard requires the disclosure of the net liability which is an assessment of the value of any gap between the assets held by the scheme and the total present value of the funded and unfunded obligations, however, there is no requirement to address this net liability by payment of a lump sum or otherwise.

Below are details of the most material schemes to the department– the EA Pension Closed and Active Funds – which are part of the Local Government Pension Scheme (LGPS) in England and Wales and the Meat and Livestock Commission Scheme recognised by AHDB. Robust governance arrangements are in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. The overriding objective is to act in the best interests of the members and employers. Those persons responsible for governing the scheme have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.

16.1.1 EA Pension Liability (Closed Scheme)

The EA Closed Fund (the Fund) is vested in EA by Regulation 2(1) of the LGPS Regulations 1996 and the Environment Act 1996 and is maintained for the purposes of Section 7 of the Superannuation Act 1972. The Secretary of State has the function conferred by Section 173 of the Water Act 1989 to make such payments into the Fund as may be considered appropriate in respect of the actual and contingent liabilities falling from time to time. This was reaffirmed through the memorandum of understanding between the accounting officers of Defra and EA, 17 May 2005. These are met out of the Fund to persons who were ex-employees of regional water authorities and other water industry bodies at the time of water privatisation in 1989 (the Closed Fund members).

The Fund's approach to funding the pension liabilities is focused on ensuring that sufficient funds are available to meet all liabilities as they fall due for payment. Since 1 April 2006, Grant-in-Aid has been paid that is sufficient to meet the pension obligations and running costs of the Fund.

All calculations have been made by a qualified independent actuary. As required under IAS 19, the projected unit credit method of valuation has been used. The last formal valuation of the Fund was carried out as at 31 March 2022.

At the last actuarial valuation date, the weighted average duration of the defined benefit obligation was 9.6 years.

The estimated sponsor's contributions for the year to 31 March 2025 will be approximately £41 million.

16.1.2 EA Active Pension Scheme

The EA operates a defined benefit pension scheme for current and former employees and transferees from predecessor organisations. The scheme is part of the LGPS, a statutory scheme primarily governed by the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. These are subject to amendment over time. Further details on the Pension Fund including its annual report and financial statements, are on the Environment Agency Pension Fund (EAPF) website (www.eapf.org.uk).

The EAPF has three employers, EA, Natural Resources Wales (NRW) and Shared Services Connected Limited (SSCL). NRW and SSCL are closed to new entrants and pay fixed contributions of a fixed sum and fixed percentage of pay respectively. The EA guarantees the SSCL contributions and so their position is modelled within the EA for valuation and contribution setting.

The Active Fund Funding Strategy Statement ([Policies | Publications | Resources | EAPF⁶⁰](#)) sets out the funding strategy and objectives of the scheme.

Actuarial Assumptions

All calculations have been made by a qualified independent actuary and are based on the most recent actuarial valuation of the Active Fund at 31 March 2022. The assumptions

⁶⁰ <https://www.eapf.org.uk/resources/publications/policies>

underlying the calculation at 31 March 2024 are only used for accounting purposes as required under IAS 19.

The total pension charge for the EA, under IAS 19 financial reporting, was £93.9 million for the financial year 2023-24 (2022-23, £184.5 million). The pension charge was assessed using the projected unit method of valuation to calculate the service costs.

The EA's funding arrangements are to pay 14.5 per cent of the monthly gross salary of members to the Pension Fund each month, and then pay a lump sum each year to meet the equivalent employer contribution of 19 per cent. This contribution rate is payable annually through from 2023 to 2026.

The latest triennial actuarial valuation of the EAPF was at 31 March 2022. The assets taken at market value at that date (£4.5 billion) were sufficient to cover 103 per cent (2019, 106 per cent) of the value of liabilities in respect of past service benefits which had accrued to members.

When the LGPS was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an underpin which means that they cannot be lower than what they would have received under the previous benefit structure.

In December 2018, the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination, known as the 'McCloud Ruling'. The implications of the ruling are expected to apply to the LGPS, and other public service schemes. At the end of 2018-19, an initial liability was recognised within the IAS19 report of £28.3 million. In 2019-20, this has reduced by £13.4 million following Ministry for Housing, Communities and Local Government (MHCLG), (now called the Department for Levelling Up, Housing and Communities), consultation which set out qualifying member criteria. No further adjustment has been made.

In June 2020, a legal discrimination case, namely the Goodwin case, which related to unequal death benefit provision for male dependents of female scheme members was deemed successful. Whilst this case occurred in the Teacher's Pension Scheme, it is relevant to other public sector schemes including the LGPS. Initial analysis suggests this will affect a very small population of the scheme membership and may result in an increase in the cost of pensions from previous years' service estimated at around £3.4 million, which for completeness has been included in the 2019-20 IAS19 valuation with no further adjustment made since as there are no new details on the potential remedy relating to this case.

There are two further court cases which may impact on the benefits of the scheme (Walker and O'Brien). Our current understanding is that these are unlikely to be significant judgements in terms of the impact on the pension obligations. As a result, and until further guidance is released, no allowance for potential remedies to these judgements, or changes to the existing benefits structure have been made.

The estimated employers' contributions for the year to 31 March 2025 will be approximately £84.4 million.

Pension surplus and interpretation of IFRIC 14

As was the case in 2022-23, the EA's IAS 19 report received for 2023-24 showed a surplus (asset) of £0.8 billion (2022-23 - £0.5 billion surplus).

Last year, the EA considered whether the asset should be recognised in full or capped at an asset ceiling as per IFRIC 14, and if there were any additional liabilities to raise based on the Minimum Funding Requirement.

The EA noted that in forming this view they reviewed the Pensions Act and sought professional advice which noted that this legislation is not relevant to the LGPS scheme because it only applies to occupational pension schemes established under trust.

The EA's judgement was that while the EA lacks a unilateral right to a refund of surplus via a scheme exit because of its status as a Scheduled body, that economic benefit is available through potential reductions in future employer contributions based on the current snapshot of funding conditions. (The EA note that rate-setting is done with a view to both solvency and short-term stability, and that analysis of current funding conditions was performed for the purposes of analysing the asset ceiling rather than being binding on future rate-setting decisions).

In analysing the extent of economic benefit available through this route the EA considered, as required by IFRIC 14, the difference between service cost and future contributions for future service. Due to the ongoing and Scheduled nature of the scheme the EA analysed the effect of this difference in perpetuity. Again, as instructed in IFRIC 14, where available (future contribution rates) the EA analysed these factors using the funding regime basis, through a hypothetical re-basing of the primary contribution rate based on advice from their actuaries. Otherwise, the EA have relied on IAS 19 assumptions for consistency with the DBO accounting.

Based on this analysis the EA concluded that the economic benefit available through the future rate setting regime is at least sufficient to cover the existing IAS 19 surplus, and they therefore concluded that it was appropriate for the EA to recognise the full value of the net IAS 19 surplus. Were more prudent alternative assumptions to be adopted (e.g. higher future rates of contribution relevant to the Minimum Funding Requirement) the asset ceiling would be decreased, leading to a maximum effect of a full constraint of the surplus to £nil and the full amount of the surplus passing through Other Comprehensive Expenditure.

The EA consider that all of the above remains relevant and applicable for 2023-24.

Further details can be found in the Environment Agency Annual Report and Accounts.

16.1.3 Meat and Livestock Commission (MLC) Pension Scheme

Defined Benefits Scheme

The AHDB is the principal employer in a contributory pension scheme providing defined benefits to legacy MLC employees and ex-employees. This scheme is closed to new entrants and, with effect from 31 March 2022, was also closed to all the future accrual of benefits. The assets of the scheme are held separately from those of AHDB, being invested with insurance and investment companies. Contributions to the scheme are charged to AHDB's income and expenditure account and are determined by a qualified actuary on the basis of annual valuations using the projected unit method.

For the purposes of the IAS 19 accounts, the employer's contributions to the scheme in 2024-25 are estimated to be £0.7 million, including recovery plan contributions but excluding payments for expenses.

The Scheme Trustees and AHDB are required to agree a "Technical Provisions" valuation at least once every three years. The latest valuation was completed as at 31 March 2021.

At 31 March 2024, 60 per cent of the scheme's total assets were represented by the buy-in policies.

The effect of the ruling in the Lloyds Trustees vs Lloyds Bank PLC and Others [2018] case on Guaranteed Minimum Pensions (GMP) has been taken into account in the valuation of the liabilities of the scheme. On the 20 November 2020, the High Court ruled that pensions schemes should revisit past transfers to allow for GMP equalisation. In 2021-22 the scheme actuary included an additional liability of £0.1 million for this purpose and accounted for it as a past service cost.

Defined Contribution Scheme

The defined contribution section of the MLC Pension Scheme was closed to new members in 2008. As noted above, on 31 March 2022 both sections of the MLC Pension Scheme ceased all future accrual of benefits. Consequently, the defined contribution section of the MLC Pension Scheme had no active members as at 31 March 2022.

Further details can be found in the AHDB Annual Report and Accounts.

16.2 Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability**As at 31 March 2024**

	Total Core department and Agencies			Total Department			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	266,400	-	266,400	4,305,478	-	-	4,305,478
Present value of funded liabilities	-	(378,500)	(378,500)	-	(3,906,805)	-	(3,906,805)
Present value of unfunded liabilities	-	(62,828)	(62,828)	-	(65,593)	-	(65,593)
Less irrecoverable surplus	-	-	-	-	-	(9,823)	(9,823)
Opening Position as at 31 March 2023	266,400	(441,328)	(174,928)	4,305,478	(3,972,398)	(9,823)	323,257
Service cost							
Current service cost	-	-	-	-	(93,202)	-	(93,202)
Past service cost (including curtailments)	-	-	-	-	(793)	-	(793)
Other expenses	-	-	-	(439)	-	-	(439)
Total service cost	-	-	-	(439)	(93,995)	-	(94,434)
Net interest							
Interest income on plan assets	11,000	(92)	10,908	202,977	(96)	-	202,881
Interest cost on defined benefit obligation	-	(17,227)	(17,227)	-	(185,553)	-	(185,553)
Impact of asset ceiling on net Interest	-	-	-	-	-	(448)	(448)
Total net interest	11,000	(17,319)	(6,319)	202,977	(185,649)	(448)	16,880
Total defined benefit cost recognised in profit or (loss)	11,000	(17,319)	(6,319)	202,538	(279,644)	(448)	(77,554)

	Total Core department and Agencies						Total Department
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Cashflows							
Plan participants' contributions	-	-	-	34,251	(34,251)	-	-
Employer contributions	42,500	-	42,500	139,582	229	-	139,811
Contributions in respect of unfunded benefits	5,400	-	5,400	5,400	-	-	5,400
Benefits paid	(42,200)	44,174	1,974	(153,935)	155,919	-	1,984
Unfunded benefits paid	(5,400)	5,400	-	(6,307)	6,307	-	-
Expenses	(800)	-	(800)	(800)	-	-	(800)
Expected closing position	276,900	(409,073)	(132,173)	4,526,207	(4,123,838)	(10,271)	392,098
Remeasurements							
Change in demographic assumptions	-	3,300	3,300	-	28,538	-	28,538
Change in financial assumptions	-	20,234	20,234	-	245,293	-	245,293
Other experience	-	(17,990)	(17,990)	-	(117,706)	-	(117,706)
Return on assets excluding amounts included in net interest	(17,900)	-	(17,900)	98,321	-	-	98,321
Changes in asset ceiling	-	-	-	-	-	952	952
Total remeasurements recognised in Other Comprehensive Income (OCI)	(17,900)	5,544	(12,356)	98,321	156,125	952	255,398
Fair value of employer assets	259,000	-	259,000	4,624,528	-	-	4,624,528
Present value of funded liabilities	-	(347,300)	(347,300)	-	(3,908,943)	-	(3,908,943)
Present value of unfunded liabilities	-	(56,229)	(56,229)	-	(58,770)	-	(58,770)
Less irrecoverable surplus	-	-	-	-	-	(9,319)	(9,319)
Closing position as at 31 March 2024	259,000	(403,529)	(144,529)	4,624,528	(3,967,713)	(9,319)	647,496

As at 31 March 2023

	Total Core department and Agencies						Total Department
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	328,100	-	328,100	4,735,758	-		4,735,758
Present value of funded liabilities	-	(480,400)	(480,400)	-	(5,535,282)		(5,535,282)
Present value of unfunded liabilities	-	(84,856)	(84,856)	-	(88,419)		(88,419)
Less irrecoverable surplus	-	-	-	-	-	(4,783)	(4,783)
Opening Position as at 31 March 2022	328,100	(565,256)	(237,156)	4,735,758	(5,623,701)	(4,783)	(892,726)
Service cost							
Current service cost	-	-	-	-	(184,530)	-	(184,530)
Past service cost (including curtailments)	-	-	-	-	(123)	-	(123)
Effect of settlements	-	-	-	-	(12,395)	-	(12,395)
Other expenses	-	-	-	(422)	-	-	(422)
Total service cost	-	-	-	(422)	(197,048)	-	(197,470)
Net interest							
Interest income on plan assets	5,100	-	5,100	125,778	-	-	125,778
Interest cost on defined benefit obligation	-	(8,401)	(8,401)	-	(148,532)	(200)	(148,732)
Impact of asset ceiling on net interest	-	-	-	-	-	(134)	(134)
Total net interest	5,100	(8,401)	(3,301)	125,778	(148,532)	(334)	(23,088)
Total defined benefit cost recognised in profit or (loss)	5,100	(8,401)	(3,301)	125,356	(345,580)	(334)	(220,558)

	Total Core department and Agencies						Total Department
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Cashflows							
Plan participants' contributions	-	-	-	28,497	(28,459)	-	38
Employer contributions	43,600	-	43,600	104,724	1,157	-	105,881
Contributions in respect of unfunded benefits	5,600	-	5,600	5,600	(38)	-	5,562
Benefits paid	(42,600)	44,491	1,891	(139,427)	141,332	-	1,905
Unfunded benefits paid	(5,600)	5,600	-	(6,610)	6,610	-	-
Expenses	(800)	-	(800)	(800)	-	-	(800)
Expected closing position	333,400	(523,566)	(190,166)	4,853,098	(5,848,679)	(5,117)	(1,000,698)
Remeasurements							
Change in demographic assumptions	-	5,800	5,800	-	(21,287)	-	(21,287)
Change in financial assumptions	-	97,404	97,404	-	2,180,389	-	2,180,389
Other experience	-	(20,966)	(20,966)	(41,133)	(337,712)	-	(378,845)
Return on assets excluding amounts included in net interest	(67,000)	-	(67,000)	(457,259)	-	-	(457,259)
Changes in asset ceiling	-	-	-	(49,228)	54,891	(4,706)	957
Total remeasurements recognised in Other Comprehensive Income (OCI)	(67,000)	82,238	15,238	(547,620)	1,876,281	(4,706)	1,323,955
Fair value of employer assets	266,400	-	266,400	4,305,478	-	-	4,305,478
Present value of funded liabilities	-	(378,500)	(378,500)	-	(3,906,805)	-	(3,906,805)
Present value of unfunded liabilities	-	(62,828)	(62,828)	-	(65,593)	-	(65,593)
Less irrecoverable surplus	-	-	-	-	-	(9,823)	(9,823)
Closing position as at 31 March 2023	266,400	(441,328)	(174,928)	4,305,478	(3,972,398)	(9,823)	323,257

16.3 Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability – By Scheme

As at 31 March 2024

	Environment Agency Closed Scheme (within Core department)			Environment Agency Active Scheme (within NDPB)		
	Assets £000	Obligations £000	Net (liability) /asset £000	Assets £000	Obligations £000	Net (liability) /asset £000
Fair value of employer assets	266,400	-	266,400	3,869,498	-	3,869,498
Present value of funded liabilities	-	(378,500)	(378,500)	-	(3,366,148)	(3,366,148)
Present value of unfunded liabilities	-	(34,900)	(34,900)	-	-	-
Opening Position as at 31 March 2023	266,400	(413,400)	(147,000)	3,869,498	(3,366,148)	503,350
Service cost						
Current service cost	-	-	-	-	(93,202)	(93,202)
Past service cost (including curtailments)	-	-	-	-	(793)	(793)
Total service cost	-	-	-	-	(93,995)	(93,995)
Net interest						
Interest income on plan assets	11,000	-	11,000	183,942	-	183,942
Interest cost on defined benefit obligation	-	(16,200)	(16,200)	-	(160,521)	(160,521)
Total net interest	11,000	(16,200)	(5,200)	183,942	(160,521)	23,421
Total defined benefit cost recognised in profit or (loss)	11,000	(16,200)	(5,200)	183,942	(254,516)	(70,574)
Cashflows						
Plan participants' contributions	-	-	-	34,251	(34,251)	-
Employer contributions	42,500	-	42,500	96,147	-	96,147
Contributions in respect of unfunded benefits	5,400	-	5,400	-	-	-
Benefits paid	(42,200)	42,200	-	(101,435)	101,435	-
Unfunded benefits paid	(5,400)	5,400	-	-	-	-
Expenses	(800)	-	(800)	-	-	-
Expected closing position	276,900	(382,000)	(105,100)	4,082,403	(3,553,480)	528,923

	Environment Agency Closed Scheme (within Core department)			Environment Agency Active Scheme (within NDPB)		
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Net (liability) /asset
	£000	£000	£000	£000	£000	£000
Remeasurements						
Change in demographic assumptions	-	3,300	3,300	-	21,797	21,797
Change in financial assumptions	-	17,800	17,800	-	225,831	225,831
Other experience	-	(16,800)	(16,800)	-	(100,319)	(100,319)
Return on assets excluding amounts included in net interest	(17,900)	-	(17,900)	120,822	-	120,822
Total remeasurements recognised in Other Comprehensive Income (OCI)	(17,900)	4,300	(13,600)	120,822	147,309	268,131
Fair value of employer assets	259,000	-	259,000	4,203,225	-	4,203,225
Present value of funded liabilities	-	(347,300)	(347,300)	-	(3,406,171)	(3,406,171)
Present value of unfunded liabilities	-	(30,400)	(30,400)	-	-	-
Closing position as at 31 March 2024	259,000	(377,700)	(118,700)	4,203,225	(3,406,171)	797,054

	MLC (within NDPB)				Other (all other schemes)			
	Assets	Obligations	Adjustments	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	150,100	-	-	150,100	19,480	-	-	19,480
Present value of funded liabilities	-	(145,700)	-	(145,700)	-	(16,457)	-	(16,457)
Present value of unfunded liabilities	-	-	-	-	-	(30,693)	-	(30,693)
Less irrecoverable surplus	-	-	(6,800)	(6,800)	-	-	(3,023)	(3,023)
Opening Position as at 31 March 2023	150,100	(145,700)	(6,800)	(2,400)	19,480	(47,150)	(3,023)	(30,693)
Service cost								
Other expenses	(400)	-	-	(400)	(39)	-	-	(39)
Total service cost	(400)	-	-	(400)	(39)	-	-	(39)
Net interest								
Interest income on plan assets	7,100	-	-	7,100	935	(96)	-	839
Interest cost on defined benefit obligation	-	(6,900)	-	(6,900)	-	(1,932)	-	(1,932)
Impact of asset ceiling on net Interest	-	-	(300)	(300)	-	-	(148)	(148)
Total net interest	7,100	(6,900)	(300)	(100)	935	(2,028)	(148)	(1,241)
Total defined benefit cost recognised in profit or (loss)	6,700	(6,900)	(300)	(500)	896	(2,028)	(148)	(1,280)
Cashflows								
Employer contributions	700	-	-	700	235	229	-	464
Contributions in respect of unfunded benefits	-	-	-	-	-	-	-	-
Benefits paid	(10,300)	10,300	-	-	-	1,984	-	1,984
Unfunded benefits paid	-	-	-	-	(907)	907	-	-
Expenses	-	-	-	-	-	-	-	-
Expected closing position	147,200	(142,300)	(7,100)	(2,200)	19,704	(46,058)	(3,171)	(29,525)
Remeasurements								
Change in demographic assumptions	-	3,100	-	3,100	-	341	-	341
Change in financial assumptions	-	(700)	-	(700)	-	2,362	-	2,362
Other experience	-	500	-	500	-	(1,087)	-	(1,087)

	MLC (within NDPB)				Other (all other schemes)			
	Assets	Obligations	Adjustments	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000
Return on assets excluding amounts included in net interest	(3,300)	-	-	(3,300)	(1,301)	-	-	(1,301)
Changes in asset ceiling	-	-	300	300	-	-	652	652
Total remeasurements recognised in Other Comprehensive Income (OCI)	(3,300)	2,900	300	(100)	(1,301)	1,616	652	967
Fair value of employer assets	143,900	-	-	143,900	18,403	-	-	18,403
Present value of funded liabilities	-	(139,400)	-	(139,400)	-	(16,072)	-	(16,072)
Present value of unfunded liabilities	-	-	-	-	-	(28,370)	-	(28,370)
Less irrecoverable surplus	-	-	(6,800)	(6,800)	-	-	(2,519)	(2,519)
Closing position as at 31 March 2024	143,900	(139,400)	(6,800)	(2,300)	18,403	(44,442)	(2,519)	(28,558)

As at 31 March 2023

	Environment Agency Closed Scheme (within Core department)			Environment Agency Active Scheme (within NDPB)		
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Net (liability) /asset
	£000	£000	£000	£000	£000	£000
Fair value of employer assets	328,100	-	328,100	4,133,315	-	4,133,315
Present value of funded liabilities	-	(480,400)	(480,400)	-	(4,788,039)	(4,788,039)
Present value of unfunded liabilities	-	(45,200)	(45,200)	-	-	-
Opening Position as at 31 March 2022	328,100	(525,600)	(197,500)	4,133,315	(4,788,039)	(654,724)
Service cost						
Current service cost	-	-	-	-	(184,364)	(184,364)
Past service cost (including curtailments)	-	-	-	-	(123)	(123)
Total service cost	-	-	-	-	(184,487)	(184,487)
Net interest						
Interest income on plan assets	5,100	-	5,100	113,640	-	113,640
Interest cost on defined benefit obligation	-	(7,800)	(7,800)	-	(133,333)	(133,333)
Total net interest	5,100	(7,800)	(2,700)	113,640	(133,333)	(19,693)
Total defined benefit cost recognised in profit or (loss)	5,100	(7,800)	(2,700)	113,640	(317,820)	(204,180)
Cashflows						
Plan participants' contributions	-	-	-	28,459	(28,459)	-
Employer contributions	43,600	-	43,600	59,868	-	59,868
Contributions in respect of unfunded benefits	5,600	-	5,600	-	-	-
Benefits paid	(42,600)	42,600	-	(84,495)	84,495	-
Unfunded benefits paid	(5,600)	5,600	-	-	-	-
Expenses	(800)	-	(800)	-	-	-
Expected closing position	333,400	(485,200)	(151,800)	4,250,787	(5,049,823)	(799,036)

	Environment Agency Closed Scheme (within Core department)			Environment Agency Active Scheme (within NDPB)		
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Net (liability) /asset
	£000	£000	£000	£000	£000	£000
Remeasurements						
Change in demographic assumptions	-	5,800	5,800	-	(27,030)	(27,030)
Change in financial assumptions	-	84,500	84,500	-	2,017,684	2,017,684
Other experience	-	(18,500)	(18,500)	(41,133)	(306,979)	(348,112)
Return on assets excluding amounts included in net interest	(67,000)	-	(67,000)	(340,156)	-	(340,156)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(67,000)	71,800	4,800	(381,289)	1,683,675	1,302,386
Fair value of employer assets	266,400	-	266,400	3,869,498	-	3,869,498
Present value of funded liabilities	-	(378,500)	(378,500)	-	(3,366,148)	(3,366,148)
Present value of unfunded liabilities	-	(34,900)	(34,900)	-	-	-
Closing position as at 31 March 2023	266,400	(413,400)	(147,000)	3,869,498	(3,366,148)	503,350

	MLC (within NDPB)				Other (all other schemes)			
	Assets	Obligations	Adjustments	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	196,500	-	-	196,500	77,843	-	-	77,843
Present value of funded liabilities	-	(196,500)	-	(196,500)	-	(70,343)	-	(70,343)
Present value of unfunded liabilities	-	-	-	-	-	(43,219)	-	(43,219)
Less irrecoverable surplus	-	-	-	-	-	-	(4,783)	(4,783)
Opening Position as at 31 March 2022	196,500	(196,500)	-	-	77,843	(113,562)	(4,783)	(40,502)
Service cost								
Current service cost	-	-	-	-	-	(166)	-	(166)
Effect of settlements	-	-	-	-	-	(12,395)	-	(12,395)
Other expenses	(400)	-	-	(400)	(22)	-	-	(22)
Total service cost	(400)	-	-	(400)	(22)	(12,561)	-	(12,583)
Net interest								
Interest income on plan assets	5,400	-	-	5,400	1,638	-	-	1,638
Interest cost on defined benefit obligation	-	(5,200)	(200)	(5,400)	-	(2,199)	-	(2,199)
Impact of asset ceiling on net interest	-	-	-	-	-	-	(134)	(134)
Total net interest	5,400	(5,200)	(200)	-	1,638	(2,199)	(134)	(695)
Total defined benefit cost recognised in profit or (loss)	5,000	(5,200)	(200)	(400)	1,616	(14,760)	(134)	(13,278)
Cashflows								
Plan participants' contributions	-	-	-	-	38	-	-	38
Employer contributions	700	-	-	700	556	1,157	-	1,713
Contributions in respect of unfunded benefits	-	-	-	-	-	(38)	-	(38)
Benefits paid	(10,900)	10,900	-	-	(1,432)	3,337	-	1,905
Unfunded benefits paid	-	-	-	-	(1,010)	1,010	-	-
Expected closing position	191,300	(190,800)	(200)	300	77,611	(122,856)	(4,917)	(50,162)

	MLC (within NDPB)				Other (all other schemes)			
	Assets	Obligations	Adjustments	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000
Remeasurements								
Change in demographic assumptions	-	-	-	-	-	(57)	-	(57)
Change in financial assumptions	-	44,700	-	44,700	-	33,505	-	33,505
Other experience	-	(5,200)	-	(5,200)	-	(7,033)	-	(7,033)
Return on assets excluding amounts included in net interest	(41,200)	-	-	(41,200)	(8,903)	-	-	(8,903)
Changes in asset ceiling	-	5,600	(6,600)	(1,000)	(49,228)	49,291	1,894	1,957
Total remeasurements recognised in Other Comprehensive Income (OCI)	(41,200)	45,100	(6,600)	(2,700)	(58,131)	75,706	1,894	19,469
Fair value of employer assets	150,100	-	-	150,100	19,480	-	-	19,480
Present value of funded liabilities	-	(145,700)	-	(145,700)	-	(16,457)	-	(16,457)
Present value of unfunded liabilities	-	-	-	-	-	(30,693)	-	(30,693)
Less irrecoverable surplus	-	-	(6,800)	(6,800)	-	-	(3,023)	(3,023)
Closing position as at 31 March 2023	150,100	(145,700)	(6,800)	(2,400)	19,480	(47,150)	(3,023)	(30,693)

16.4 History of Experience Gains and Losses – Material Schemes

Year Ended :	EA Closed Scheme (funded)					EA Active Scheme (funded)				
	31-03-24	31-03-23	31-03-22	31-03-21	31-03-20	31-03-24	31-03-23	31-03-22	31-03-21	31-03-20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	259,000	266,400	328,100	305,500	301,100	4,203,225	3,869,498	4,133,315	3,893,900	3,247,426
Present value of defined benefit obligation	(377,700)	(413,400)	(525,600)	(547,800)	(586,100)	(3,406,171)	(3,366,148)	(4,788,039)	(4,954,156)	(3,380,705)
(Deficit)/surplus	(118,700)	(147,000)	(197,500)	(242,300)	(285,000)	797,054	503,350	(654,724)	(1,060,256)	(133,279)
Experience gains/(losses) on assets	(17,900)	(67,000)	16,800	(2,400)	(3,300)	120,822	(381,289)	160,927	522,734	(107,859)
Experience gains/(losses) on liabilities	(16,800)	(18,500)	(4,400)	11,000	39,500	(100,319)	(306,979)	(10,587)	24,499	204,011
Actuarial gains/(losses) on employer assets	(17,900)	(67,000)	16,800	(2,400)	(3,300)	120,822	(381,289)	160,927	522,734	(107,859)
Actuarial gains/(losses) on obligation	4,300	71,800	(22,800)	(7,300)	21,600	147,309	1,683,675	419,770	(1,438,729)	726,112
Actuarial gains/(losses) recognised in SoCTE	(13,600)	4,800	(6,000)	(9,700)	18,300	268,131	1,302,386	580,697	(915,995)	618,253

Year Ended :	MLC Scheme				
	31-03-24	31-03-23	31-03-22	31-03-21	31-03-20
	£000	£000	£000	£000	£000
Fair value of employer assets	143,900	150,100	196,500	210,900	203,200
Present value of defined benefit obligation	(139,400)	(145,700)	(196,500)	(218,100)	(208,800)
(Deficit)/surplus	4,500	4,400	-	(7,200)	(5,600)
Experience gains/(losses) on assets	(3,300)	(41,200)	(8,500)	15,100	(7,800)
Experience gains/(losses) on liabilities	500	(5,200)	(900)	3,700	2,000
Actuarial gains/(losses) on employer assets	(3,300)	(41,200)	(8,500)	15,100	(7,800)
Effect of limit of asset ceiling	300	(1,000)	(5,600)	-	-
Actuarial gains/(losses) on obligation	2,900	39,500	21,900	(16,000)	10,200
Actuarial gains/(losses) recognised in SoCTE	(100)	(2,700)	7,800	(900)	2,400

16.5 Fair Value of Assets in the Fund – Material Schemes

The assets in the scheme were:

	EA Closed Scheme	EA Active Scheme	MLC Pension Scheme
As at 31 March 2024	£000	£000	£000
Equities	-	1,767,339	6,500
Bonds	233,700	1,541,073	44,200
Liability Driven Investment	-	-	6,500
Property	-	704,889	-
Cash	25,300	189,924	400
Insurance policy	-	-	86,300
Total 31 March 2024	259,000	4,203,225	143,900
Percentage of closing fair value	%	%	%
Equity	-	42	5
Bonds	90	37	30
Liability Driven Investment	-	-	5
Property	-	17	-
Cash and insurance policy	10	4	60
Total	100	100	100
As at 31 March 2023	£000	£000	£000
Equities	-	1,530,399	16,500
Bonds	239,600	1,487,671	32,900
Liability Driven Investment	-	-	7,600
Property	-	721,486	-
Cash	26,800	129,942	400
Insurance policy	-	-	92,700
Total 31 March 2023	266,400	3,869,498	150,100
Percentage of closing fair value	%	%	%
Equity	-	40	11
Bonds	90	38	22
Liability Driven Investment	-	-	5
Property	-	19	-
Cash and insurance policy	10	3	62
Total	100	100	100

The majority of equity holdings relate to assets held in pooled investment vehicles. Valuations for unit holdings in these vehicles are not based on quoted prices in active markets and are informed by the most recent investment manager returns related to the Funds in which Defra group is invested.

16.6 Financial Assumptions – Material Schemes

The major financial assumptions, based on market data, are used by the actuary when providing the assessment of the accrued liabilities as at the following dates.

	EA Closed Scheme	EA Active Scheme	MLC Pension Scheme
	% pa	% pa	% pa
As at 31 March 2024			
Inflation/pension increase rate (CPI)	2.6	2.8	2.9
Salary increase rate	-	3.3	-
Discount rate	5.1	4.9	4.9
As at 31 March 2023			
Inflation/pension increase rate (CPI)	2.4	3.0	2.9
Salary increase rate	-	3.5	-
Discount rate	4.2	4.8	4.9

16.7 Mortality Assumptions – Material Schemes

There is also uncertainty around the life expectation of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. The mortality assumptions used by the actuary were:

	EA Closed Scheme		EA Active Scheme		MLC Pension Scheme	
	Male	Female	Male	Female	Male	Female
Average future life expectancies at age 65						
Current pensioners (years)	20.0	23.2	21.6	24.1	21.0	23.6
Future pensioners (years)	19.9	23.9	22.6	25.8	22.1	24.9

16.8 Sensitivity Analysis - Material Schemes

IAS 1 requires the disclosure of the sensitivity of the results to the methods and assumptions used. Any changes in assumptions would impact on the EA and MLC pension schemes. Please note that the below sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The sensitivities regarding the principal assumptions used to measure the EA Closed scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2024	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	3	11,700
1 year increase in member life expectancy	3	11,300
0.5% increase in pension increase rate	3	11,700

The sensitivities regarding the principal assumptions used to measure the EA Active scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2024	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.1% decrease in real discount rate	2	72,016
1 year increase in member life expectancy	4	136,247
0.1% increase in salary increase rate	-	3,756
0.1% increase in pension increase rate	2	69,566

The sensitivities regarding the principal assumptions used to measure the MLC Pension scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2024	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	5	7,600
0.5% increase in RPI	3	4,500
Post-retirement mortality assumption - 1 year age rating	3	4,900

17 Contingent Liabilities and Contingent Assets

17.1 Contingent Liabilities

17.1.1 Quantifiable

The department has the following quantifiable contingent liabilities as at 31 March 2024. Unless otherwise stated liabilities relate to the Core department.

- The Woodland Carbon Guarantee is a £50 million scheme that aims to help accelerate woodland planting rates and develop the domestic market for woodland carbon for the permanent removal of carbon dioxide from the atmosphere. It provides the option to sell captured carbon in the form of verified carbon credits, called Woodland Carbon Units, to the government for a guaranteed price every five or ten years up to 2055-56. If preferred, credits can be sold on the open market rather than to the government. The Forestry Commission's liabilities under the Woodland Carbon Guarantee are contingent on others deciding to exercise their rights to sell the Woodland Carbon Units to the government. The limit of this liability under the Guarantee at 31 March 2024 is £10.4 million.
- Small potential liabilities against the Defra group are estimated at no more than £0.7 million (2022-23, £1.9 million).

17.1.2 Unquantifiable

The department has the following contingent liabilities which are unquantifiable due to their variable nature. Unless otherwise stated liabilities relate to the Core department.

- In January 2024, the High Court, in LJ Fairburn & Son Ltd & Ors v Secretary of State for Environment Food and Rural Affairs, upheld a challenge by way of judicial review against Defra's compensation policy in respect of birds culled for avian influenza control. The issue in the challenge was: by reference to what point in time should compensation be calculated, the point of culling or the (earlier) point of condemnation (the latter being more favourable to the claimants). The High Court determined that it should be at the point of condemnation and therefore that Defra's policy was unlawful. The Secretary of State has appealed the decision to the Court of Appeal, which heard the appeal on 7-8 November 2024. Defra expect the Court of Appeal's decision to be handed down in the coming months.

The total compensation paid in 2022-23 for Avian Influenza was £39 million. Should the Secretary of State's appeal not succeed, the Department may be legally obligated to retrospectively revise the compensation awarded. The timing and amount of any outflow associated with this scenario cannot be reasonably estimated at this time since:

- inspection records showing numbers of compensable birds at the point of condemnation are not commonly available, since in keeping with the current design of the compensation scheme, inspections have typically taken place shortly prior to culling, not at the relevant earlier time;

- the extent of evidence available from alternative sources is limited, and will differ as between livestock keepers, with the small number and the nature of current claimants not supporting any statistical extrapolation; and
 - a number of other important variables remain uncertain and are subject to the detail of any adverse judgment, including the applicability of the court's ruling to other disease control legislation, and limits that may apply to retrospective revisions to compensation.
-
- Defra has contingent liabilities relating to retained rights to former staff affected by Transfer of Undertaking Protection of Employment (TUPE) Regulations.
 - Potential liability under Authorised Guarantee Agreements. The contingent liability covers the potential costs associated with Defra guaranteeing the performance of incoming tenants, where Defra was the outgoing tenant for pre-1995 leases.
 - The department is currently involved in a number of ongoing legal cases.
 - EA have a potential liability in respect of damage to an existing weir when EA works took place nearby. The claimants have indicated their claim would be in the region of £3 million. The EA disagrees with that valuation. The uncertainty and difference between these positions mean a reliable value cannot be attributed.
 - EA have a further potential liability which relates to an ongoing maintenance contract for coastal works, with the contractor claiming for additional costs incurred due to winter storms. The claimants have indicated their claim would be in region of £3.5 million. The EA disagrees with that valuation. The uncertainty and difference between these positions mean a reliable value cannot be attributed.

17.2 Contingent Assets

- The department is entitled to a future share of enhancement in value on a number of properties and land previously sold (clawback). This could result in future receipts which are contingent on events outside of the department's control and could arise based on a number of trigger points, planning thresholds and increased values.
- The Defra group has other potential small assets, with an estimated value of £0.9 million (2022–23, £0.9 million).
- In April 2024, HM Revenue and Customs amended the IR35 legislation to allow departments to offset tax already paid by contractors against any IR35 liability they have. The legislation will apply from 6 April 2024 for deemed direct payments made on or after 6 April 2017.

18 Related Party Transactions

The department is the sponsor of the executive agencies, NDPBs and levy funded bodies, all of which are within the departmental accounting boundary, shown in Note 20. Public corporations are outside the accounting boundary and are shown in Note 21. All the bodies above are regarded as related parties with which the department has had various material transactions during the year. These bodies also trade with each other and have had material transactions during the year.

The department has a 25 per cent shareholding in Hazel II Topco Limited. This investment is accounted for as an Investment in Associate due to the department having significant influence, but not control or joint control. Significant influence is conveyed by the power to participate in the financial and operating policy decisions of Hazel II Topco Limited but not control them. The amount of the investment is shown in the Statement of Financial Position. In addition, the department has had a number of transactions with other government departments and the devolved administrations.

Where the board members claim payments within the Farming and Countryside Programme, as detailed below, the standard terms and conditions for these schemes apply.

Rt. Hon. Mark Spencer (Minister of State) has received £9,857 in BPS payments for a farm in which he is a partner for the period during which he has been a Defra board member.

Rt. Hon. Lord Benyon (Minister of State) received £77,066 in BPS, Countryside Grants and Woodland improvement Grants for a family trust, a trust corporation and farms.

Heather Hancock (Non-Executive Director, from 4 September 2023) is a partner in a family business which received £17,916 in BPS, Countryside Stewardship and Woodland Grants for the period she has been a Defra board member.

Other than those disclosed above, none of the board members or other related parties has undertaken any material transactions with the department during the year.

Compensation (including remuneration) paid to key management personnel falls within the definition of related party transactions. Please see the Remuneration Report for further details.

Details for related party transactions for executive agencies, NDPBs and levy funded bodies can be found in the notes to their ARA.

19 Prior Period Adjustments

The tables below summarise the impact on the key financial statements of the Prior Period Adjustments made in relation to the following:

- IFRS 16 implementation.

All the revaluation adjustments relating to IFRS16 were completed in 2022-23 and disclosed appropriately in the SOCTE and Right of use asset note in the 2022-23 ARA, however the impact to the SoCNE was not disclosed. This has been corrected in the 2023-24 ARA, with the update of the prior year figures on the 'revaluation of right of use assets' line within the SoCNE.

- Environment Agency project accounting.

The prior year accounts have been restated to reflect changes to opening positions following on from a review of how project spend has been classified in the EA.

During 2022-23 and 2023-24, the EA performed an in-depth review of project accounting, firstly covering capital works expensed in year (CWEIY) spend and later capital additions to assets under construction (AUC).

For CWEIY spend, this was initially driven by a change in the agreement with HM Treasury regarding what could be classified as CWEIY, effective from 1 April 2022. This change meant that CWEIY expenditure had to be capital, as per the International Accounting Standard (IAS) 16 on property, plant and equipment. This significantly reduced the amount of project spend that fell under CWEIY, as previously repairs and maintenance costs could be included.

Later, the review work moved onto the valuation of AUC, as part of the EA's efforts to resolve the issues that lead to the audit limitation of scope (that was in place for 2021-22 and 2022-23). Again, costs included within AUC have been reviewed to ensure that they meet the definition of capital as per the accounting standards and that, once completed, the EA will maintain the assets that have been created.

These reviews have generated prior period adjustments, and the 2023-24 financial statements show the restated positions for 2022-23 and the impact on the SoFP as at 1 April 2022.

These adjustments have predominantly been attributable to the following:

- Costs previously classified as CWEIY, where the spend was correctly assessed as capital but was incurred creating assets the EA ultimately maintained and so should have been included within AUC.
- Costs previously classified as CWEIY, where the spend was not capital in nature and so should have been accounted for as resource expenditure.
- Costs previously included within AUC, where the spend was correctly assessed as capital but was incurred creating assets the EA ultimately would not maintain and so should have been included within CWEIY.

- Costs previously included within AUC, where the spend was not capital in nature and so should have been accounted for as resource expenditure.
- Costs that had remained within AUC but where the assets were already live, and so should have been transferred to operational assets. This also required an adjustment to the revaluation reserve in 2022-23 to reflect that these assets had been included within the DRC valuation.

- Environment Agency land and buildings valuation.

During 2023-24, EA improved the data on land the EA holds and, as part of this, reviewed the valuation techniques applied.

In some cases, parcels of land owned by the EA had been significantly valued upwards by external, third-party valuers, based on what the land might be sold for on the open market. However, this was using market rates for prime land parcels for development.

On review by EA specialist surveyors, with expert knowledge of the land the EA owns, it was noted that some of these pieces of land did not have development potential and therefore had been valued incorrectly. It has been determined that these assets should be revised downwards, utilising the revaluation reserve previously created when the assets had been revalued above their purchase cost.

Other notes to the accounts have also been adjusted and where applicable the 2022-23 comparators are marked as restated.

Consolidated Statement of Financial Position

Restated as at 31 March 2023

	As previously reported as at 31 March 2023	Adjustment project	Adjustment land and buildings	Restated as at 31 March 2023		
	Core department and Agencies	Defra group		Core department and Agencies	Defra group	
	£000	£000	£000	£000	£000	
Non-current assets						
Property, plant and equipment	540,716	11,407,928	(149,798)	(107,400)	540,716	11,150,730
Right of use assets	115,468	183,920	-	-	115,468	183,920
Investment properties	613	13,941	-	-	613	13,941
Heritage assets	-	303,732	-	-	-	303,732
Agricultural assets	-	141	-	-	-	141
Intangible assets	277,984	442,107	(20,089)	-	277,984	422,018
Financial assets	39,014	68,804	-	-	39,014	68,804
Investment in Associate	7,769	17,514	-	-	7,769	17,514
Net pension assets	-	503,350	-	-	-	503,350
Receivables and contract assets falling due after more than one year	5,901	6,632	-	-	5,901	6,632
Total non-current assets	987,465	12,948,069	(169,887)	(107,400)	987,465	12,670,782

	As previously reported as at 31 March 2023		Adjustment project	Adjustment land and buildings	Restated as at 31 March 2023	
	Core department and Agencies	Defra group			Core department and Agencies	Defra group
	£000	£000	£000		£000	£000
Current assets						
Assets classified as held for sale	-	13,403	-	-	-	13,403
Inventories	5,095	6,794	-	-	5,095	6,794
Financial assets	117	740,993	-	-	117	740,993
Trade, other receivables and contract assets	521,060	655,333	-	-	521,060	655,333
Cash and cash equivalents	192,536	471,776	-	-	192,536	471,776
Total current assets	718,808	1,888,299	-	-	718,808	1,888,299
Total assets	1,706,273	14,836,368	(169,887)	(107,400)	1,706,273	14,559,081
Current liabilities						
Trade, other payables and contract liabilities	(824,326)	(1,403,093)	-	-	(824,326)	(1,403,093)
Lease Liability	(32,708)	(49,129)	-	-	(32,708)	(49,129)
Provisions	(81,010)	(159,119)	-	-	(81,010)	(159,119)
Net pension liability	(47,577)	(47,581)	-	-	(47,577)	(47,581)
Financial liabilities	(4,847)	(29,147)	-	-	(4,847)	(29,147)
Total current liabilities	(990,468)	(1,688,069)	-	-	(990,468)	(1,688,069)
Non-current assets plus/less net current assets/liabilities	715,805	13,148,299	(169,887)	(107,400)	715,805	12,871,012
Non-current liabilities						
Provisions	(352,732)	(426,957)	-	-	(352,732)	(426,957)
Lease Liability	(94,475)	(134,545)	-	-	(94,475)	(134,545)
Net pension liability	(127,351)	(132,512)	-	-	(127,351)	(132,512)
Other payables and contract liabilities	(112)	(142,949)	(2,830)	-	(112)	(145,779)
Financial liabilities	-	(423,742)	-	-	-	(423,742)
Total non-current liabilities	(574,670)	(1,260,705)	(2,830)	-	(574,670)	(1,263,535)
Assets less liabilities	141,135	11,887,594	(172,717)	(107,400)	141,135	11,607,477
Taxpayers' equity and other reserves						
General Fund	(30,281)	2,083,878	19,363	-	(30,281)	2,103,241
Revaluation reserve	171,416	9,456,082	(192,080)	(107,400)	171,416	9,156,602
Charitable funds - restricted funds	-	132,222	-	-	-	132,222
Charitable funds - unrestricted funds*	-	215,412	-	-	-	215,412
Total equity	141,135	11,887,594	(172,717)	(107,400)	141,135	11,607,477

Consolidated Statement of Financial Position

Restated as at 31 March 2022

	As previously reported as at 31 March 2022		Adjustment / project	Adjustment / land and buildings	Restated as at 31 March 2022	
	Core department and Agencies	Defra group			Core department and Agencies	Defra group
	£000	£000	£000	£000	£000	£000
Non-current assets						
Property, plant and equipment	472,322	4,335,191	69,264	(79,000)	472,322	4,325,455
Right of use assets	3,585	3,585	-	-	3,585	3,585
Investment properties	632	11,513	-	-	632	11,513
Heritage assets	-	267,976	-	-	-	267,976
Agricultural assets	-	141	-	-	-	141
Intangible assets	220,910	373,090	(29,631)	-	220,910	343,459
Financial assets	39,058	39,831	-	-	39,058	39,831
Investment in Associate	7,769	7,769	-	-	7,769	7,769
Receivables and contract assets falling due after more than one year	751	3,790	-	-	751	3,790
Total non-current assets	745,027	5,042,886	39,633	(79,000)	745,027	5,003,519
Current assets						
Assets classified as held for sale	-	9,223	-	-	-	9,223
Inventories	5,396	6,772	-	-	5,396	6,772
Financial assets	54	660,631	-	-	54	660,631
Trade, other receivables and contract assets	391,386	553,838	-	-	391,386	553,838
Cash and cash equivalents	387,391	640,284	-	-	387,391	640,284
Total current assets	784,227	1,870,748	-	-	784,227	1,870,748
Total assets	1,529,254	6,913,634	39,633	(79,000)	1,529,254	6,874,267
Current liabilities						
Trade, other payables and contract liabilities	(1,024,472)	(1,654,434)	-	-	(1,024,472)	(1,654,434)
Provisions	(73,986)	(160,847)	-	-	(73,986)	(160,847)
Net pension liability	(45,789)	(45,805)	-	-	(45,789)	(45,805)
Financial liabilities	(3,370)	(24,470)	-	-	(3,370)	(24,470)
Total current liabilities	(1,147,617)	(1,885,556)	-	-	(1,147,617)	(1,885,556)
Non-current assets plus/less net current assets/liabilities	381,637	5,028,078	39,633	(79,000)	381,637	4,988,711
Non-current liabilities						
Provisions	(859,699)	(892,909)	-	-	(859,699)	(892,909)
Net pension liability	(191,367)	(846,921)	-	-	(191,367)	(846,921)
Other payables and contract liabilities	(25,656)	(30,590)	(2,830)	-	(25,656)	(33,420)
Financial liabilities	-	(412,346)	-	-	-	(412,346)
Total non-current liabilities	(1,076,722)	(2,182,766)	(2,830)	-	(1,076,722)	(2,185,596)

	As previously reported as at 31 March 2022		Adjustment / project	Adjustment / land and buildings	Restated as at 31 March 2022	
	Core department and Agencies	Defra group			Core department and Agencies	Defra group
	£000	£000	£000	£000	£000	£000
Assets less liabilities	(695,085)	2,845,312	36,803	(79,000)	(695,085)	2,803,115
Taxpayers' equity and other reserves						
General Fund	(841,689)	(91,995)	36,803	-	(841,689)	(55,192)
Revaluation reserve	146,604	2,649,371	-	(79,000)	146,604	2,570,371
Charitable funds - restricted funds	-	102,687	-	-	-	102,687
Charitable funds - unrestricted funds*	-	185,249	-	-	-	185,249
Total equity	(695,085)	2,845,312	36,803	(79,000)	(695,085)	2,803,115

Consolidated Statement of Comprehensive Net Expenditure

Restated for the year ended 31 March 2023

	As previously reported 2022-23		Adjustment	Adjustment	Restated 2022-23	
	Core department and Agencies	Defra group	Core department and agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000	£000	£000
Revenue from contracts with customers	(148,943)	(828,917)	-	-	(148,943)	(828,917)
Other operating income	(323,133)	(480,284)	-	(6,361)	(323,133)	(486,645)
Total income	(472,076)	(1,309,201)	-	(6,361)	(472,076)	(1,315,562)
Staff expenditure	775,076	1,511,501	-	14,798	775,076	1,526,299
Other expenditure	876,872	1,965,053	-	7,280	876,872	1,972,333
Non-cash items	(422,655)	78,307	-	1,723	(422,655)	80,030
Grants and subsidies	4,331,180	2,897,880	-	-	4,331,180	2,897,880
Total operating expenditure	5,560,473	6,452,741	-	23,801	5,560,473	6,476,542
Net operating expenditure	5,088,397	5,143,540	-	17,440	5,088,397	5,160,980
Net expenditure for the year	5,088,397	5,143,540	-	17,440	5,088,397	5,160,980
Other Comprehensive Net Expenditure						
Items that will not be reclassified to net operating expenditure						
Net (gain)/loss on:						
Revaluation of PPE	(33,103)	(6,907,243)	-	220,480	(33,103)	(6,686,763)
<i>of which:</i>						
<i>Environment Agency projects</i>	-	-	-	192,080	-	-
<i>Environment Agency land and buildings</i>	-	-	-	28,400	-	-
Revaluation of right of use assets	-	-	5,428	1,750	5,428	1,750
Charitable funds revaluation	-	(23,288)	-	-	-	(23,288)
Revaluation of intangibles	(8,661)	(14,666)	-	-	(8,661)	(14,666)
Pension actuarial movements	(15,238)	(1,323,955)	-	-	(15,238)	(1,323,955)
Items that may be reclassified subsequently to net operating costs						
Net (gain)/loss on:						
Revaluation of investments	-	184	-	-	-	184
Total comprehensive net expenditure for the year	5,031,395	(3,125,428)	5,428	239,670	5,036,823	(2,885,758)

The Defra group adjustments column all relates to EA Projects prior period adjustments except for the revaluation of PPE line where the split between Projects and Land and Buildings is shown within the note. The revaluation of right of use assets line corrects the group disclosure for 2022-23 and does not relate to the EA prior period adjustments.

Consolidated Statement of Cash Flows

Restated for the year ended 31 March 2023

	As previously reported 2022-23		Adjustments		Restated 2022-23	
	Core department and Agencies	Defra group	Defra group project	Defra group Land and buildings	Core department and Agencies	Defra group
	£000	£000	£000	£000	£000	£000
Cash flows from operating activities						
Net operating expenditure	(5,088,397)	(5,143,540)	(17,440)	-	(5,088,397)	(5,160,980)
Adjust for non-cash transactions	(418,531)	79,570	1,723	-	(418,531)	81,293
(Increase)/decrease in trade and other receivables excluding derivatives	(134,824)	(107,376)	-	-	(134,824)	(107,376)
Less movements in receivables relating to items not passing through the SoCNE	4,202	4,202	-	-	4,202	4,202
Adjustments for derivative financial instruments	1,402	1,402	-	-	1,402	1,402
(Increase) / decrease in inventories	301	(22)	-	-	301	(22)
Increase / (decrease) in trade payables and other liabilities excluding derivatives	(225,690)	(124,386)	-	-	(225,690)	(124,386)
Less movements in payables relating to items not passing through the SoCNE	210,294	229,614	-	-	210,294	229,614
IFRS16 Implementation adjustment	-	(2,288)	-	-	-	(2,288)
Use of provisions / pension liabilities	(69,897)	(170,098)	-	-	(69,897)	(170,098)
Net cash outflow from operating activities	(5,721,140)	(5,232,922)	(15,717)	-	(5,721,140)	(5,248,639)
Cash flows from investing activities						
Purchase of PPE, heritage and agricultural assets	(81,495)	(377,819)	26,391	-	(81,495)	(351,428)
Purchase of intangible assets	(78,777)	(118,275)	(10,674)	-	(78,777)	(128,949)
Purchase / repayment of financial assets	12	(131,243)	-	-	12	(131,243)
Proceeds of disposal of PPE, heritage and agricultural assets	52	1,773	-	-	52	1,773
Proceeds of disposal of financial assets	-	18,000	-	-	-	18,000
Repayments from other bodies	44	(1)	-	-	44	(1)

	As previously reported 2022-23				Restated 2022-23	
	Core department and Agencies	Defra group	Adjustments Defra group project	Defra group Land and buildings	Core department and Agencies	Defra group
	£000	£000	£000	£000	£000	£000
Net cash outflow from investing activities	(160,164)	(607,565)	15,717	-	(160,164)	(591,848)
Cash flows from financing activities						
From Consolidated Fund (supply): current year	5,720,000	5,720,000	-	-	5,720,000	5,720,000
Capital element in respect of service concession arrangements and finance leases and non balance sheet PFI contracts	(241)	(313)	-	-	(241)	(313)
Payment of lease liabilities	(24,823)	(38,749)	-	-	(24,823)	(38,749)
Funding (to) / from other bodies	24	(5)	-	-	24	(5)
Net financing	5,694,960	5,680,933	-	-	5,694,960	5,680,933
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	(186,344)	(159,554)	-	-	(186,344)	(159,554)
Receipts due to the Consolidated Fund which are outside the scope of the department's activities	(4,202)	(4,202)	-	-	(4,202)	(4,202)
Payments of amounts due to the Consolidated Fund	(4,309)	(4,752)	-	-	(4,309)	(4,752)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the consolidated fund	(194,855)	(168,508)	-	-	(194,855)	(168,508)
Cash and cash equivalents at the beginning of the period	387,391	640,284	-	-	387,391	640,284
Cash and cash equivalents at the end of the period	192,536	471,776	-	-	192,536	471,776

Consolidated Statement of changes in Taxpayers' Equity

Restated for the year ended 31 March 2023 - General Fund

	As previously reported 2022-23	Adjustments	Adjustments	Restated 2022-23
	General Fund	General Fund / projects	General Fund / land and buildings	General Fund
	£000	£000	£000	£000
Balance as at 1 April 2022	(91,995)	36,803	-	(55,192)
IFRS 16 Initial Recognition	5,762	-	-	5,762
Adjusted opening balance 1 April 2022	(86,233)	36,803	-	(49,430)
Net parliamentary funding - drawn down	5,720,000	-	-	5,720,000
Net parliamentary funding - deemed	387,391	-	-	387,391
Funding to/from other bodies	(5)	-	-	(5)
Supply (payable) adjustment	(192,277)	-	-	(192,277)
CFER Income Payable to the Consolidated Fund	(8,272)	-	-	(8,272)
Net operating costs for the year	(5,179,923)	(17,440)	-	(5,197,363)
Non-cash adjustments				-
Non cash charges-auditors' remuneration	1,211	-	-	1,211
Notional recharges and other non cash items	(5)	-	-	(5)
Movement in reserves				
Recognised in other comprehensive expenditure:				
Pension actuarial movements	1,323,955	-	-	1,323,955
Contributions in respect of unfunded benefits	4,800	-	-	4,800
Transfers between reserves	113,237	-	-	113,237
Transfer to General Fund - net asset transfer	(1)	-	-	(1)
Balance at 31 March 2023	2,083,878	19,363	-	2,103,241

Consolidated Statement of changes in Taxpayers' Equity

Restated for the year ended 31 March 2023 - Revaluation Reserve

	As previously reported 2022-23	Adjustments	Adjustments	Restated 2022-23
	Revaluation Reserve	Revaluation Reserve / projects	Revaluation Reserve / land and buildings	Revaluation Reserve
	£000	£000		£000
Balance as at 1 April 2022	2,649,371	-	(79,000)	2,570,371
IFRS 16 Initial Recognition	-	-	-	-
Adjusted opening balance 1 April 2022	2,649,371	-	(79,000)	2,570,371
Movement in reserves				
Recognised in other comprehensive expenditure:				
Revaluation of PPE	6,907,243	(192,080)	(28,400)	6,686,763
Revaluation of intangibles	14,666	-	-	14,666
Revaluation of Right of use assets	(1,750)	-	-	(1,750)
Revaluation of investments	(184)	-	-	(184)
Transfers between reserves	(113,264)	-	-	(113,264)
Balance at 31 March 2023	9,456,082	(192,080)	(107,400)	9,156,602

20 Entities Within the Departmental Boundary

The entities within the departmental boundary during 2023-24 comprise supply financed agencies and those entities listed in the designation and amendment orders presented to Parliament.

Executive Agencies

Animal and Plant Health Agency	APHA Weybridge, Woodham Lane Addlestone, Surrey. KT15 3NB
Centre for Environment, Fisheries and Aquaculture Science	Lowestoft Laboratory, Pakefield Road, Lowestoft, Suffolk. NR33 0HT
Rural Payments Agency	Northgate House, 21-23 Valpy Street, Reading. RG1 1AF
Veterinary Medicines Directorate	Woodham Lane, New Haw, Addlestone, Surrey. KT15 3LS

The executive agencies' Annual Reports and Accounts (ARAs) have been prepared under the direction of HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000 (GRAA) and are published separately.

The Forestry Commission (FC) is a non-ministerial department but is included in Defra's Estimate and therefore is fully consolidated and included within the results for the Core department and executive agencies.

The Forestry Commission	620 Bristol Business Park, Coldharbour Lane, Bristol. BS16 1EJ
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Executive NDPBs

Consumer Council for Water	23 Stephenson Street, Birmingham, B2 4BH
Environment Agency	Horizon House, Deanery Road, Bristol. BS1 5AH
Joint Nature Conservation Committee	Quay House, 2 East Station Road, Fletton Quays, Peterborough. PE2 8YY
Marine Management Organisation	Lancaster House, Hampshire Court, Newcastle upon Tyne. NE4 7YH
Natural England	Foss House, Kings Pool, 1-2 Peasholme Green, York. YO1 7PX
Board of Trustees of the Royal Botanic Gardens, Kew (included RBG Kew Enterprises)	Richmond, London. TW9 3AE
Flood Re Limited	75 King William Street, London. EC4N 7BE
Office for Environmental Protection	Worcestershire County Hall, Spetchley Road, Worcester. WR5 2NP
Livestock Information Ltd (from 1 November 2023)	Curwen Road, Workington. CA14 2DD

Levy Funded Bodies

Agriculture and Horticulture Development Board (includes Sutton Bridge Experimental Unit Limited and Livestock Information Limited (until 31 October 2023))	Middlemarch Business Park, Siskin Parkway East, Coventry. CV3 4PE
Sea Fish Industry Authority	18 Logie Mill, Logie Green Road, Edinburgh, EH7 4HS

Non-profit Institution within the Public Sector, specifically Central Government

National Forest Company (includes Forest Experience Limited and National Forest Enterprises Limited)	Enterprise Glade, Bath Yard, Moira, Swadlincote, Derbyshire, DE12 6BA
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Executive NDPBs, levy funded bodies, National Forest Company and Flood Re's ARA are published separately.

Advisory NDPBs (Defra Funded)

Advisory Committee on Releases to the Environment	ACRE Secretariat, 2nd Floor, Seacole Building, Marsham Street, London. SW1P 4DF
Independent Agricultural Appeals Panel	Appeals Team, Rural Payments Agency, Sterling House, Dix's Field, Exeter, Devon. EX1 1QA
Science Advisory Council	2 Marsham Street, Seacole Block (NW Quarter), London. SW1P 4DF
Veterinary Products Committee	Woodham Lane, New Haw, Addlestone, Surrey. KT15 3LS

Tribunal NDPBs (Defra Funded)

Plant Varieties and Seeds Tribunal (dormant)	Plant Variety Rights Office (APHA), Eastbrook, Shaftesbury Road, Cambridge. CB2 8DR
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The advisory and tribunal NDPBs do not produce a separate ARA as they are accounted for as part of the Core department accounts.

21 Entities Outside the Departmental Boundary

The public sector bodies which have not been consolidated in these accounts, but for which Defra's ministers had lead policy responsibility during the year, are as follows:

Public Corporations

Covent Garden Market Authority
 Forestry England (formerly Forest Enterprise England)
 Canal & River Trust
 British Wool

Other Bodies

National Parks Authorities (x9)
 Water Services Regulation Authority (Ofwat)
 Broads Authority

22 Events After the Reporting Period

Defra's financial statements are laid before the House of Commons by HM Treasury. IAS10, Events after the Reporting period, requires Defra to disclose the date on which the accounts are authorised for issue.

The Annual Report and Accounts were authorised by the Accounting Officer for issue on the date of the Comptroller and Auditor General's audit certificate.

There have been no adjusting events after the reporting period and one non-adjusting event.

As part of the budget on 30 October 2024, progressive reduction rates for the 2025 year of delinked payments were announced. The announcement does not impact the amounts recognised in these financial statements for the year ended 31 March 2024 (see Note 15). However, as the announced progressive reduction rates were significantly higher than those estimated by Defra management as at 31 March 2024, the value of delinked payments which Defra expects to pay in 2025 has been reduced. Accordingly, the carrying value of the provision as at 30 October 2024 has been reduced by £366 million.

Although the budget announcement fixed progression rates for 2025, no such announcement was made in respect of progressive reduction rates for 2026 and 2027. As such, these obligations continue to be recognised as a provision, and their value is subject to uncertainties depending on future announcements.

Annexes

These annexes do not form part of the financial statements and have not been subject to audit.



Annex 1: Core Tables 2023-24

These tables provide an analysis of departmental expenditure, split between resource consumption and capital investment, covering the period from 2019-20 to 2024-25.

These tables follow the layout of the Part II Table of the 2023-24 Supplementary Estimate and have been produced from HM Treasury’s Online System for Central Accounting and Reporting (OSCAR) database and are on the same basis as the Statement of Parliamentary Supply. Details of the Parliamentary Main Estimate⁶¹ and Parliamentary Supplementary Estimate⁶² are published separately.

Table 1 sets out a summary of the net resource and capital expenditure for the department. It shows Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) elements separately for control purposes. Spending has increased across the period due to the UK exiting the EU. This is due to initial transition work and embedding new regulatory processes, supporting the UK’s food, farming, and fishing industries as the UK exited the EU.

Capital spending also increases across the period, mainly for the farming budget, additional funding for Science Capability in Animal Health (SCAH) and the Critical Works programme at Weybridge; flood and coastal defence programmes; biodiversity; and Nature for Climate Fund (NCF).

Table 2 shows the administration costs of running the department in more detail. The administration budget includes staff costs, resource expenditure on accommodation, utilities and services etc., where they are not directly associated with front-line service delivery. The commentary on administration costs is included in the detailed analysis below.

Table 1 – Defra’s Resource and Capital Budget

Resource Budget (Programme and Administration) DEL

Food and Farming

The large increase from 2020-21 onwards relates to direct payments for farmers following the UK’s departure from the EU. These payments were previously funded from the European Commission (the Commission). The slight decrease from 2021-22 reflects internal transfers of budget from direct aid to environmental measures. The 2024-25 increase is due to a transfer of Farm Support budget out of 2023-24 capital DEL into 2024-25 resource DEL to reflect a more up to date resource / capital split.

⁶¹ <https://www.gov.uk/government/collections/hmt-main-estimates>

⁶² <https://www.gov.uk/government/collections/hmt-supplementary-estimates>

Improve the Environment and Rural Services

The increases from 2022-23 onwards reflect funding provided in the Spending Review (SR) 2021 for the wider Northern Ireland programme, including the Digital Assistance Scheme, additional funding for Official Development Assistance and new funding for biodiversity, as set out in the Environment Act. The large increase in 2024-25 reflects a further increase in funding for Official Development Assistance and increased budget for the Collection and Packaging Reforms programme, mainly relating to grants to Local Authorities for Simpler Recycling.

Animal and Plant Health

The increases from 2020-21 onwards reflect additional budget for preparation to exit the EU and continuing investment following the UK's departure from the EU. The increase in 2022-23 is primarily due to costs relating to the Avian Influenza outbreak. The 2023-24 outturn remains high in comparison to prior year figures due to the Biosecurity, Borders and Trade Programme (BBTP). This programme incorporates a number of one-off costs relating to the completion of two Border Control Posts (BCPs) and IT development, as well as associated operational costs and lease payments.

Marine and Fisheries

The increase in 2020-21 primarily reflects additional budget for preparation to exit and transition from the EU and continuing investment following the UK's departure from the EU. The 2020-21 increase also reflects the department's response to COVID-19 for the marine and fisheries sectors. The profile from 2021-22 onwards largely reflects the profile of the UK Seafood Fund, which aims to improve the long-term sustainability of the UK fisheries sector, with the investment split between resource and capital DEL.

Departmental Operating Costs

The overall operating costs of the Defra group have reduced over the Spending Review periods, this has been offset by increases in spending due to EU exit and increases in cross-cutting functions including preparations for international trade agreements and new border arrangements. The increase in 2023-24 primarily reflects increased expenditure relating to various digital projects and programmes.

Improve the Environment and Rural Services (ALB) (Net)

The spending pattern largely reflects the agreed spending profile for the Environment Agency (EA) across the SR periods. The higher outturn in 2021-22 reflects higher depreciation and impairment charges due to some fixed asset adjustments at the EA. The increase in 2023-24 primarily reflects an increase in EA's depreciation costs, due to a change in the method of valuing their operational assets.

Protect the Country from Floods (ALB) (Net)

The spending pattern largely reflects the agreed spending profile for the EA across the SR periods. The increase in 2020-21 is mainly due to the extra funding announced in the 2020 Budget to support flood defence asset repairs. The increase in 2022-23 is largely due to EA expenditure previously classified as capital now being treated as resource expenditure to better align the budgeting treatment of project expenditure with accounting

standards. The large increase in 2023-24 is mainly due to an increase in EA's depreciation costs, as described above, and also the ongoing impact of the capital to resource reclassification. The decrease in 2024-25 is due to the fact that the capital to resource reclassification of EA project expenditure is yet to be reflected in the 2024-25 budget and EA are also yet to secure increased depreciation budget following the change to how their operational assets are valued.

Marine and Fisheries (ALB) (Net)

The increase from 2020-21 onwards reflects the Marine Management Organisation's (MMO) expenditure on preparations to exit and transition from the EU and continuing investment following the UK's departure from the EU.

Resource Budget AME

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

Food and Farming

The changing profile in this area is primarily due to the Common Agricultural Policy (CAP) Disallowance provision⁶³ and the Commission's audit findings. Disallowance has been transferred between years so that the AME credit entries recorded here match the expected profile of the payments recorded under resource DEL. In addition to this, any movements to the CAP Disallowance provision are recorded in this section. Debit balances are seen where increases to the provision are higher than payments made in that particular year. As with the timing of Disallowance payments, changes in the value of the provision are also reliant on Commission decisions. The large credit in 2020-21 relates to the write back of the CAP Disallowance provision for BPS scheme years 2017 to 2019 following bilateral meetings and challenge on the original calculation method used. The 2023-24 increase relates to area based direct payments for farmers, which are being phased out between 2021 and 2028 and replaced by new schemes. From 2024, the residual payments will be delinked from land area and farmers will receive the delinked payment annually by virtue of having claimed this year and will not need to submit further applications or evidence. The 2023-24 increase reflects this commitment to make these payments up to 2027-28. The large drop in 2024-25 ties in with the delinked payments and represents the AME provision unwinding to resource DEL as payments are made.

⁶³ The CAP is the agricultural policy of the European Union (EU) and is a system of agricultural subsidies and rural development programmes. As part of their oversight of EU Budget spending, the Commission can impose financial corrections on member states for failing to apply EU Regulations correctly in managing and administering EU schemes. These financial penalties are known as disallowance. In practical terms this means the EU reduces the amount of money that is reimbursed to member states for monies they have paid out on the CAP schemes. Defra's accounts in previous years included a provision to recognise the outstanding liability for disallowance.

Improve the Environment and Rural Services

The fluctuations in trends mainly reflect movements in the provision for the Metal Mines, due to changes in the discount rate used for valuing provisions, as per HM Treasury guidance. The provision represents the ongoing future liabilities relating to remediating mine water pollution arising from abandoned metal mines.

Departmental Operating Costs

The fluctuations in trends mainly reflect movements in the provision for the Foot and Mouth Disease (FMD) burial sites. These fluctuations mainly reflect changes in the discount rate used for valuing provisions, as per HM Treasury guidance. The provision represents the ongoing future liabilities relating to preventing and remediating any leachate pollution arising from burial sites.

Improve the Environment and Rural services (ALB) (Net)

The fluctuations in trends mainly reflect the movements in the EA pension fund.

Protect the Country from Floods (ALB) (Net)

The changing profile is mainly due to Flood Re, a limited company set up to administer the Flood Re scheme which aims to protect property owners who were previously unable to procure home insurance against the risk of flooding. The 2019-20 to 2023-24 outturn primarily reflects the surplus position for Flood Re's final accounts in those years. The budget for 2024-25 includes cover in case a significant flood event occurs and reflects the maximum impact Flood Re can have on public sector net borrowing. The fluctuations in trends on this line also include movements in the EA pension fund and accounting entries for the EA reservoir operating agreement.

Marine and Fisheries (ALB) (Net)

The increase in 2022-23 is due to increased pension liabilities at the Sea Fish Industry Authority upon settlement of one of their pension schemes.

Capital Budget DEL

Food and Farming

The increase from 2021-22 onwards is mainly driven by an increase to the SR20 and SR21 budgets for capital scheme costs for future farming and countryside schemes following the UK's departure from the EU. The increase in 2024-25 is due to an increase in the ring-fenced Farm Support payments and a £200 million reprofiling of capital DEL budget from 2023-24 into 2024-25 resource DEL, making 2023-24 capital DEL comparatively lower.

Improve the Environment and Rural Services

The increase from 2022-23 onwards relates to additional funding in SR21 for NCF and biodiversity. This supports ambitious tree planting and peat restoration goals. The additional increase in 2023-24 relates to the Consistent Collection arm of the Collection and Packaging Reforms programme.

Animal and Plant Health

The increase in 2021-22 reflects APHA's investment in stabilising, enhancing and transforming a number of IT systems relating to endemic diseases, science, trade and biosecurity. This investment was agreed as part of SR20. The increase in 2024-25 is mainly driven by an increase in the capital budget in SR21 for the BBTP, which has also been reprofiled due to delays, and some research and development (R&D) budgets, including Weybridge, which were previously held in the centre under the departmental operating costs Estimate line.

Marine and Fisheries

The increase in 2023-24 relates to increased capital funding for marine programmes to improve the long-term sustainability of the UK fisheries sector over the SR period, with the investment split between resource and capital DEL.

Departmental Operating Costs

The increases in 2020-21 and 2021-22 are primarily due to R&D funding to support SCAH and the Critical Works programme at Weybridge and Defra, and also funding to support EU exit transition. The increase in 2023-24 is mainly due to the Extended Producer Responsibility and Northern Ireland Trade projects. The increase in 2024-25 reflects the profile of the ringfenced Science R&D budget, an element of which is yet to be allocated out across the Defra group.

Improve the Environment and Rural Services (ALB) (Net)

The increase in 2021-22 relates to increased expenditure for National Nature Reserves. The increase in 2022-23 is due to increased expenditure by Natural England (NE) on capital investment and R&D. The further increase in 2023-24 includes capital grants payments made by NE across various schemes, increased R&D expenditure by NE and increased capital funding for Royal Botanic Gardens Kew, primarily for the decarbonisation of the Jodrell laboratories.

Protect the Country from Floods (ALB) (Net)

There has been increased investment across the years in flood and coastal erosion risk management which includes part of the six-year flood defence programme. As mentioned above, a reclassification of expenditure from capital DEL to resource DEL within EA occurred in 2023-24; the 2024-25 increase reflects the fact that an equivalent transfer for 2024-25 is yet to be made.

Capital Budget AME

Departmental Operating Costs

The 2024-25 budget mainly reflects dilapidation provisions capitalised as part of the right of use asset under IFRS 16. This accounting standard states how leases should be presented, recognised, measured and disclosed in the annual accounts.

Food and Farming (ALB) (Net)

The increase in budget in 2024-25 is required for potential reclassification of R&D expenditure from resource to capital in the Agriculture and Horticulture Development Board.

Improve the Environment and Rural Services (ALB) (Net)

The 2023-24 outturn reflects a charge for the creation of dilapidation provisions for EA owned property following the implementation of IFRS16.

Protect the Country from Floods (ALB) (Net)

The figures for 2019-20 onwards relate to capital additions in Flood Re. Flood Re adopted IFRS 16 leases in 2019-20. The increase in 2022-23 reflects the recognition of intangible assets relating to the implementation of an insourced management system and software. The 2023-24 outturn reflects a charge for the creation of dilapidation provisions for EA owned property following the implementation of IFRS16.

Table 1 – Defra's Resource and Capital Budget

	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Plans
	£000	£000	£000	£000	£000	£000
Resource DEL						
Food and farming	293,905	2,417,013	1,965,221	1,924,129	1,892,465	2,038,466
Improve the environment and rural services	516,484	511,983	550,274	615,373	699,803	815,635
Protect the country from floods	1,356	3,052	3,314	1,551	2,440	-
Animal and plant health	204,401	262,613	330,272	424,965	385,916	340,583
Marine and fisheries	53,258	82,456	60,877	73,672	78,118	65,574
Departmental operating costs	487,113	525,548	535,745	546,919	714,048	538,654
Improve the environment and rural services (ALB) (net)	278,774	296,160	362,628	417,346	517,804	348,767
Protect the country from floods (ALB) (net)	386,740	496,847	447,890	596,562	947,671	454,041
Marine and fisheries (ALB) (net)	23,088	25,718	32,712	32,382	36,785	31,152
Total Resource DEL	2,245,119	4,621,390	4,288,933	4,632,899	5,275,050	4,632,872
Resource AME						
Food and farming	628,704	(530,714)	(59,847)	8,791	1,540,502	(773,119)
Improve the environment and rural services	14,146	(3,936)	333,502	(332,893)	(83,615)	(215)
Animal and plant health	(573)	(236)	(6,627)	(6,741)	1,153	3
Marine and fisheries	(2,440)	(1)	232	(246)	(138)	6
Departmental operating costs	50,623	24,599	108,294	(178,244)	(16,380)	45,986
Food and farming (ALB) (net)	2,332	(343)	(930)	7,320	7,908	5,401
Improve the environment and rural services (ALB) (net)	9,829	(27,381)	74,826	27,393	(34,214)	42,270
Protect the country from floods (ALB) (net)	(6,063)	(76,104)	(15,586)	12,368	(31)	156,148
Marine and fisheries (ALB) (net)	1,825	2,067	(1,123)	12,565	1,138	65
Total Resource AME	698,383	(612,049)	432,741	(449,687)	1,416,323	(523,455)
Total Resource Budget	2,943,502	4,009,341	4,721,674	4,183,212	6,691,373	4,109,417

	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Plans
	£000	£000	£000	£000	£000	£000
<i>Of which:</i>						
Depreciation - DEL	209,170	203,009	247,203	238,941	537,407	405,267
Depreciation - AME	5,683	37,531	(1,599)	1,672	66,901	16,527
Depreciation ¹	214,853	240,540	245,604	240,613	604,308	421,794
Capital DEL						
Food and farming	9,324	23,799	152,225	274,376	279,899	690,547
Improve the environment and rural services	63,646	57,489	105,575	134,080	541,359	336,690
Protect the country from floods	716	2,580	7,067	2,940	61	500
Animal and plant health	17,919	11,439	35,502	27,333	33,382	129,959
Marine and fisheries	9,079	11,845	18,207	21,792	47,260	3,265
Departmental operating costs	50,564	86,619	131,512	159,839	234,997	516,003
Improve the environment and rural services (ALB) (net)	35,246	61,527	112,401	145,774	223,592	137,585
Protect the country from floods (ALB) (net)	537,632	634,531	769,630	696,965	623,335	944,364
Marine and fisheries (ALB) (net)	2,279	879	1,759	497	230	508
Total Capital DEL	726,405	890,708	1,333,878	1,463,596	1,984,115	2,759,421
Capital AME						
Departmental operating costs	-	-	-	9	479	41,990
Food and farming (ALB) (net)	423	1,438	271	1,805	(560)	14,096
Improve the environment and rural services (ALB) (net)	-	-	-	-	6,330	-
Protect the country from floods (ALB) (net)	2,556	2,060	2,359	7,214	6,553	20
Marine and fisheries (ALB) (net)	113	102	25	56	414	591
Total Capital AME	3,092	3,600	2,655	9,084	13,216	56,697
Total Capital Budget	729,497	894,308	1,336,533	1,472,680	1,997,331	2,816,118
Total departmental spending²	3,458,146	4,663,109	5,812,603	5,415,279	8,084,396	6,503,741

	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Plans
	£000	£000	£000	£000	£000	£000
<i>Of which:</i>						
Total DEL	2,762,354	5,309,089	5,375,608	5,857,554	6,721,758	6,987,026
Total AME	695,792	(645,980)	436,995	(442,275)	1,362,638	(483,285)

¹ Includes impairments.

² Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

These tables now reflect the Machinery of Government changes included in the 2023-24 Supplementary Estimates. The figures for 2019-20 to 2022-23 are therefore different to those published in the 2022–23 ARA and the prior period figures in the Accounts section of the 2023–24 ARA.

The 2024-25 plans figures are based on provisional allocations and are subject to change, following further business planning decisions.

Table 2 – Defra's Administration Costs

	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Plans
Resource DEL						
Food and farming	68,358	72,957	79,195	81,385	83,321	87,166
Improve the environment and rural services	89,893	97,499	108,423	107,133	141,931	119,452
Protect the country from floods	1,237	1,954	2,450	1,695	2,350	-
Animal and plant health	29,314	42,877	59,117	71,451	74,410	69,046
Marine and fisheries	17,381	17,303	21,886	22,863	23,895	24,566
Departmental operating costs	361,688	350,685	397,420	403,074	540,954	509,577
Improve the environment and rural services (ALB) (net)	69,004	64,635	82,444	122,513	85,779	95,586
Protect the country from floods (ALB) (net)	69,072	82,348	79,161	123,072	93,721	52,979
Marine and fisheries (ALB) (net)	2,149	2,047	2,198	5,578	5,416	3,558
Total administration budget	708,096	732,305	832,294	938,764	1,051,777	961,930

The underlying administration budget reflects the savings required by Spending Reviews which have been met to a large extent by the transformation of Defra's corporate services. These savings have been offset by increased expenditure on EU exit, COVID-19 and increases in the SR21 budget, which gave the department a three-year spending settlement and provides more certainty to plan for the delivery of our ambitious outcomes, including a commitment to make savings and efficiencies across the Defra group.

Within the detail of the table, departmental operating costs increases over the years. This largely reflects the administration element of the consolidation of Defra Group Corporate Service functions. The remaining increases from 2023-24 onwards reflect additional budget in the SR21 for digital funding, BBTP and property rationalisation and places for growth.

Annex 2: Disaggregated Information on Arm’s Length Bodies

This information is not subject to audit.

The Public Expenditure System (PES) publication, Guidance on the preparation of annual reports and accounts for 2023-24, (Section 16, Reporting of Information on arm’s-length bodies), requires additional reporting to improve the transparency of reporting at group level. This Annex is prepared in compliance with these requirements.

This table provides an analysis of total operating income, total operating expenditure and net expenditure for the year, also staff numbers and costs.

	Total Operating Income	Total Operating Expenditure	Net Expenditure for the Year (including financing)	Permanently Employed Staff	Permanently Employed Staff	Other Staff	Other Staff
	£000	£000	£000	Number of employees	Staff costs	Number of employees	Staff costs
	£000	£000	£000	£000	£000	£000	£000
Core department	72,868	1,887,589	1,814,721	6,153	412,254	960	125,978
APHA	72,749	386,576	313,827	2,775	145,487	293	17,125
CEFAS	18,353	79,764	61,411	610	35,367	-	-
FC	14,316	174,758	160,442	814	47,534	165	3,375
RPA	105,262	3,829,651	3,724,389	2,614	109,240	15	1,134
VMD	14,023	24,849	10,826	160	11,245	11	1,248
AHDB	43,988	40,953	(3,035)	348	18,943	1	30
CCW	503	7,607	7,104	85	4,452	21	581
EA	541,567	2,172,075	1,630,508	12,093	710,272	977	25,393
Flood Re	367,874	330,521	(37,353)	69	8,559	-	-
JNCC	2,173	24,984	22,811	282	14,988	8	24
MMO	5,062	49,533	44,471	488	26,397	28	2,387
NFC	3,948	7,059	3,111	31	1,892	8	406
NE	28,480	302,166	273,686	2,944	148,299	90	2,332
OEP	-	8,570	8,570	56	5,677	16	530
RBG Kew	87,571	109,472	21,901	1,131	53,251	20	3,297
SFIA	9,747	10,885	1,138	75	4,439	12	438
LI Ltd	-	10,273	10,273	35	1,208	-	-

Total operating income, total operating expenditure and net expenditure are defined against the accounts set out in the illustrative statements, specifically NDPB Green and Agency Pink (These provide guidance for government bodies on the formal disclosures required to ensure alignment with the Financial Reporting Manual (FRm) and PES, as issued by HM Treasury).

The figures in the table may not agree directly to the published ALB accounts, due to FRm alignment, intergroup eliminations, timing differences and other consolidation adjustments.

Annex 3: Commentary on Sustainable Performance

Background

The environmental data and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting Guidance 2023-24.

The information contained within this annex has not been subject to audit and does not form part of the auditors' opinion on the accounts.

Introduction

This annex sets out Defra's performance against sustainability objectives for its properties and operations.

This report focuses on the most significant operational impacts as measured against the Greening Government Commitments (GGC) targets. These targets are for reductions in Greenhouse Gas (GHG) emissions, waste produced, water use, climate change adaptation, ICT, nature recovery and for increasing procurement of more sustainable goods and services.

The targets, to be met by the end of March 2025 and measured from a 2017-18 baseline, include:

- Reduce GHG from the whole estate and business-related transport by 50 per cent.
- Reduce direct GHG from buildings by 15 per cent.
- Reduce the amount of waste to landfill to below 5 per cent.
- Increase the amount of recycled waste to above 70 per cent.
- Reduce total waste by 15 per cent.
- Reduce water consumption by 8 per cent.
- Reduce the GHG from domestic flights by 30 per cent.
- Reduce paper use by 50 per cent.
- Upgrade all fleet vehicles to zero emissions (by end 2027).
- Remove single use plastics from offices.

Performance against these targets is defined using the following terms:

Exceeded target: our performance is **better** than that to which we committed.

Target met: we have **achieved** the target.

On target: we are **on track** to meet the target by the due date.

Below target: our performance is **worse** than that to which we committed.

Increase from baseline: our performance is **worse than it was in the baseline year**.

Assurance and Data

The information in the Sustainability Data tables present the GHG, energy consumption, water use, and waste figures as reported as part of the GGC and reports performance for 1 January 2023 to 31 December 2023. Cost data is not reported as part of the GGC, therefore all financial data presented in this report is sourced from accounting records for this period.

Energy and water data is primarily taken from supplier invoices. In most cases, the data in these invoices is informed by manual meter readings or Smart Meter readings.

Waste data is derived from figures provided by the Defra group's waste contractors. Wherever possible actual weights are used but where this is not possible waste data is calculated using a metric based on the number of bins emptied. Audits have been undertaken to validate and improve the accuracy of this data for common waste streams. This estimation methodology will result in a small margin of error. It is not currently cost effective to weigh all waste streams.

Departmental Group Performance⁶⁴

This section of the report provides an overview of Defra group performance against the GGC targets. For the purposes of GGC reporting the departmental group comprises the following bodies:

Core department

Non-ministerial departments:

- Forestry Commission (Forestry England) (FE)
- The Water Services Regulation Authority (Ofwat)

Executive agencies:

- Animal and Plant Health Agency
- Centre for Environment, Fisheries and Aquaculture Science
- Rural Payments Agency
- Veterinary Medicines Directorate

Executive non-departmental public bodies:

- Agriculture and Horticulture Development Board
- Royal Botanic Gardens Kew (RBG Kew)
- Consumer Council for Water
- Environment Agency (EA)
- Joint Nature Conservation Committee
- Marine Management Organisation

⁶⁴ The data contained in this annex is reported as absolute values. It has not been normalised against metrics such as FTE staff, financial turnover or floor area. The diversity of business delivery across Defra group is influenced by numerous factors such as weather, scientific undertakings and tourism numbers. This makes it difficult to report trends and make fair comparisons to other organisations.

Natural England
Sea Fish Industry Authority
Office for Environmental Protection

Others:

Lake District National Park Authority
Forest Research

Other Defra group bodies and other government departments

(Under the major occupier rule, Defra reports the environmental impact of other government departments which occupy its buildings. Also included are some of Defra group bodies which do not meet the threshold for GGC reporting but are of insufficient materiality to remove from the departmental dataset.)

Whilst this report represents the collective achievements of all Defra group organisations participating in the GGCs, it is not possible to capture every performance aspect for each individual organisation. Therefore, we recommend this report is read in conjunction with the individual reports of those organisations listed above to gain a complete picture.

Governance

Progress against the GGC targets is reported to the Group Chief Sustainability Officer on a quarterly basis.

Quality assurance is managed through the Sustainability Centre of Expertise which is responsible for producing the Defra group sustainability reports. These have been subject to internal audit in the past and found to be compliant with GGC and HM Treasury guidelines.

Greening Government Commitments

In October 2021, the government launched its latest set of GGC targets. They are designed to help the government achieve its net zero goal and contribute to policy objectives such as the aims of the Environmental Improvement Plan.

Full detail on the new GGC targets can be found at

<https://www.gov.uk/government/publications/greening-government-commitments-2021-to-2025>⁶⁵

The targets have a baseline year of 2017-18 and we began collecting data for the targets in 2021-22. We have expanded the scope of our GGC reporting to include more organisations across the Defra group.

Any data for years in-between 2017-18 and 2021-22 is taken from prior GGC reporting and therefore does not cover the same scope of organisations. It is included merely for general comparative purposes.

⁶⁵ <https://www.gov.uk/government/publications/greening-government-commitments-2021-to-2025>

Our performance against these targets is continually monitored as part of our on-going assessment of our progress to support sustainable development goals. We are also developing some additional performance indicators that will further add to our insight.

Targets and Performance - Table 1

	Current Achievements	Target April 2025	Current Performance	Supporting of UN Sustainable Development Goals
Total GHG Reduction 2023* vs. Baseline	25% reduction	50% reduction	Below target	Climate Action
Direct GHG from buildings 2023* vs. Baseline	15% reduction	15% reduction	On target	Climate Action
Landfill Waste Reduction 2023*	7% sent to Landfill	Less than 5% sent to landfill	Below target	Responsible Consumption and Reduction
Recycling Waste 2023*	66% recycled	More than 70% recycled	Below target	Responsible Consumption and Reduction
Total Waste Reduction 2023* vs Baseline	4% reduction	15% reduction	Below target	Responsible Consumption and Reduction
Water Reduction 2023* vs. Baseline	8% reduction	8% reduction	On target	Clean Water and Sanitation and Responsible Consumption and Reduction
Domestic Flights emissions Reduction 2023* vs. Baseline	43% reduction	30% reduction	Exceeded target	Climate Action
Paper Use Reduction 2023* vs. Baseline	78% reduction	50% reduction	Exceeded target	Responsible Consumption and Reduction

	Current Achievements	Target April 2025	Current Performance	Supporting of UN Sustainable Development Goals
Conversion of Fleet and Hired Vehicles to Ultra Low Emissions (ULEV)	25% converted to ULEV	25% by End 2022	Target met	Climate Action
Conversion of Fleet and Hired Vehicles to Zero Emission	25% converted to zero emission	100% by end 2027	On target	Climate Action
Report on policies in place to compensate for emissions	Currently the department is prioritising carbon reduction and has no offsetting policies	Report on policies in place to compensate for emissions	Target Met	Climate Action
Travel policies to prioritise low carbon options	Target met	Travel policies to prioritise low carbon options	Target met	Climate Action
Remove consumer single use plastic from office estate	1,769,411 individual items of single use plastic.	Remove consumer single use plastic from office estate	Below target	Responsible Consumption and Reduction
Measure and report on food waste	74 tonnes to anaerobic digestion in 2022-23	Report by end 2022	Target met	Responsible Consumption and Reduction

	Current Achievements	Target April 2025	Current Performance	Supporting of UN Sustainable Development Goals
Implement waste reuse schemes	Defra’s Information and Communication Technology (ICT) kit is refurbished and reused. Furniture follows a reuse or charity before recycling hierarchy.	Implement waste reuse schemes	On target	Responsible Consumption and Reduction
Ensure all water consumption is measured	Water use is metered in Defra group	Ensure all water consumption is measured	Target met	Clean Water and Sanitation and Responsible Consumption and Reduction
Encourage efficient use of water	Low flow taps and waterless urinals in offices. Boom and drip pipe irrigation in FE operations	Show what is being done	On target	Responsible Consumption and Reduction

*Reporting period from Q4 22-23 to Q3 23-24. (1 January 2023 to 31 December 2023)

Greenhouse gas emissions

Key parts of our decarbonising strategy include switching to electric vehicles, swapping our gas and oil-fired boilers for electric heat pumps in our buildings and improvements to energy efficiency and building management systems. Some of these installations are being carried out in partnership with the Government Property Agency.

These initiatives are running behind programme. There has been a shortage of electric vehicles to buy in the market due to a prolonged issue with the supply of semiconductors used in their manufacture. The move to heat pumps is also taking longer to deliver than planned. More of our properties than we anticipated will require upgrades to their electricity supply before these heat pumps can be installed. In addition, as with other planned sustainability investments, COVID-19 led to delays early in the GGC reporting period which we have not been able to recover. Although GHG emissions reduced significantly due to reduced travel and office use during COVID-19 restrictions we are now seeing them increase as office use and business travel resumes.

These factors have contributed to a slowing down of the rate at which we have been able to reduce greenhouse gas emissions. In addition, the size of the Defra group's workforce (and associated work) has grown by almost 40 per cent over the GGC reporting period to date.

Nonetheless we are still on track to meet our direct emissions target.

Waste

Our total waste figures have reduced by 4 per cent against a target of a 15 per cent reduction.

One of the areas where we have seen increases in our total waste are the sites that are open to the public, such as forests, national parks and nature reserves, which are expanding and have seen increased numbers of visitors. The percentage of our waste that is going to landfill and is recycled has improved to 7 per cent and 66 per cent respectively. These improvements have been achieved through working with our waste contractors to improve segregation and setting higher targets of recycling within our new waste contracts.

We have worked through historical data to identify the amount of waste that has been removed from rivers as part of our operational maintenance, which hadn't been reported previously. Therefore, we have updated the baseline data and subsequent years prior to a new national contract that we now have in place. We are continually looking to improve our data collection and take the opportunity when contracts come up for renewal to build this in. We have reduced the amount of information communication technology (ICT) waste by extending the life of the assets through refurbishing and resetting used ICT. When they no longer meet the baseline specification, then they are sold on behalf of Defra or donated to charity.

Similarly, we have worked with our furniture supplier to ensure that they offer furniture that we no longer require to other offices, local schools, charities and finally it is then taken away for recycling. This ensures the maximum amount of our existing office furniture is reused or recycled.

Water

We are achieving an 8 per cent reduction in water use. We are exploring new ways to manage our water usage, for example, Royal Botanical Gardens, Kew (RBG Kew) are currently developing an irrigation strategy which addresses water use efficiency and maximises rainwater harvesting opportunities. Although this may not lead to a reduction in overall water usage, it aims to reduce RGB Kew reliance on mains water consumption and provide a greater resilience to the changing climate.

Environmental Management System

A certified ISO14001 Environmental Management System (EMS) covering over 100 sites operates across the Defra group. This covers our larger sites and those which carry the most significant environmental risk across the portfolio, and smaller sites amounting to 95 per cent of our properties. Achieving and retaining the standard recognises continuing commitment to reducing environmental impact, implementing sound environmental practice, and ensuring environmental policy is considered when making decisions and delivering projects. The EMS is supported by Environmental; Waste and Energy policies and our Director of group Property is signatory to these policies.

Transparency Reporting

We also publish a transparency statement as part of our commitment⁶⁶. As well as the quantitative measures, this covers sustainable procurement, climate change adaptation, nature recovery, green ICT and sustainable construction, which are set out below.

Sustainable Procurement

Addressing sustainability in commercial activity is a core part of our approach, this is reflected in our Procurement Policy and processes. We prioritise the work we do with supply markets and suppliers based on sustainability impacts, business risk and spend, so that we can focus our efforts in the highest risk areas. A sustainability risk assessment is completed as part of commercial strategies to determine which impacts are relevant to the contract and how they will be managed throughout procurement and for the entire life of the contract.

Sustainable Construction

Building construction projects on Defra's estate take account of sustainability in several ways.

Firstly, we look to design buildings to an 'excellent' BREEAM (Building Research Establishment Environmental Assessment Method) standard, this is a method that demonstrates the design team has considered and evolved the structure and its components to be as environmentally sustainable as is viable, using the latest range of products and practices from within the construction sector.

Secondly, building energy loads are considered alongside options for the building to generate its own local or site-based energy from renewable energy systems.

Lastly, we look at how the construction work can demonstrate 'Social Value', for example through use of locally sourced materials, labour, and traders.

The Science Capability in Animal Health (SCAH) Programme is one of government's major programmes to secure the future of the Weybridge Science Campus through systematic

⁶⁶ Greening government commitments: Defra's performance – (<https://www.gov.uk/government/publications/greening-government-commitments-defras-performance/51bee480-900f-436f-9ad4-7e5c2c0c73ef#:~:text=We%20aim%20to%20achieve%20the.a%20final%20target%20of%2050%25>)

redevelopment of the site. An outline masterplan for the scheme has been developed, with the aim of restoring clarity and order to the site, creating a science campus of excellence and enhancing capabilities, while improving efficiency and environmental performance across the site. Construction is expected to take place over a period of 15 years without impeding current science activities on site and minimising any negative impact on the local community. We have built into the outline masterplan significant sustainability commitments relating to energy efficiency, renewables, nature recovery (biodiversity net gain), resource and water conservation and flood protection.

Climate Adaptation

We are taking steps to understand and plan for the risk of climate change to our estate and operations across Defra group in line with GGC targets.

Defra group Property (DgP) and Environment Agency (EA) Estates are currently undertaking site-based climate vulnerability assessments using a bespoke tool developed for the purpose by the EA. This screening exercise will identify where the Defra group Estate is at higher risk from climate impacts and help us ensure we can maintain business operations during chronic or acute climate events.

This year, we have launched bespoke Carbon Literacy Training which is available to all staff. The training seeks to educate our staff on measures they can adopt both as part of their work, and within their personal lives, to mitigate and adapt to climate change.

Nature Recovery

We are responsible for a large and diverse portfolio of land; from the grounds of our offices and depots to nationally significant protected sites. In 2022, we began a collaborative project across Defra group to better understand the distribution and habitat classification of our natural assets to improve and enhance nature in line with national targets. This work will support the requirements of our GGC to develop and deliver a nature recovery plan, and that of the Defra group Sustainability Strategy to develop a group-wide evidence base of our land assets.

Work to date to inform the natural asset evidence base has involved extensive consultation across Defra group to determine data held, and stakeholder requirements for a cross-group natural asset register to inform decision making for nature recovery and enhancement. We have engaged with other large land holding departments to share learning and align our approaches to nature conservation across the wider government estate. This has led to Defra leading on a cross-government nature strategy that was initiated in 2023 creating a best practice approach to nature recovery. We are looking at how to develop a natural asset register, presented within an accessible geospatial mapping format. The natural capital evidence base will inform the subsequent development of the Nature Recovery Plan, bringing together data to inform decision making. It will enable the setting of quantifiable targets for nature recovery aligned to Environment Improvement Plan commitments.

Recognising opportunities for nature enhancement within Defra group assets (offices, depots), we are working to develop relevant biodiversity KPIs against which progress can be measured and reported. There are several grounds maintenance and land management regimes at our properties that aim to enhance biodiversity including: reducing the frequency

of mowing regimes and leaving grassland patches to grow wild, providing food and shelter for pollinators; incorporating features such as bird and bat boxes, indigenous planting and maintenance and care of wildflower meadows or areas.

Green ICT

Defra (through the Chief Digital and Information Officer) are the Senior Responsible Owner and Policy owner for digital sustainability, or green ICT, across government. Our vision for sustainability in Digital, Data, Technology and Security (DDTS) is to show leadership and expertise as a “Centre of Excellence” in sustainability.

We have authored and adopted the Greening Government ICT and Digital Services Strategy⁶⁷. Additionally, we have a Departmental Sustainable ICT Strategy and Policy which we apply to all our Digital, Data, Technology and, Security projects. This strategy contains globally leading targets for digital sustainability, facilitating of digital sustainability. This means our DDTS projects deliver sustainability improvements, supports the GGCs and wider sustainability commitments, supporting the path to Net Zero.

Targets included within this strategy include;

- Carbon emissions for Defra Group ICT
- Power consumption for Defra Group ICT
- ICT electronic waste returns: broken into volume of refurbished, donated, sold or recycled devices.

More information can be found in the Greening Government ICT and Digital Services annual reports⁶⁸.

Our Digital Sustainability team leads engagements with key stakeholder groups:

- the Sustainable Technology Advice and Reporting (STAR) group, which comprises representatives from across government. The purpose of the group is to collate and share data for annual sustainability reporting, as well as sharing or receiving knowledge on tools, techniques, and best practice on sustainable technology and sustainable procurement.
- the Government Digital Sustainability Alliance (GDSA), a collaborative working group that brings together Defra, current and prospective government suppliers, and their supply chain. The main purpose of GDSA is promoting and progressing knowledge, and capabilities to deliver sustainable digital data and technology across UK government and their suppliers.
- Cross Government Digital Sustainability Steering Group, formed in March 2024, the group includes representatives from most government departments. The aim of the group is to aid the delivery of Digital Sustainability best practice by working collaboratively across government.

⁶⁷ <https://www.gov.uk/government/publications/greening-government-ict-and-digital-services-strategy-2020-2025/greening-government-ict-and-digital-services-strategy-2020-2025>

⁶⁸ <https://www.gov.uk/government/collections/ict-strategy-resources#greening-government-ict>

Further Information

Quarterly updates on Defra group’s performance towards the GGC can be found online⁶⁹.

This report should be read in conjunction with the Annual Report and Accounts Sustainability Reports produced by each of the Defra group public bodies.

Sustainability Data

ENERGY			2017-18	2021-22	2022-23	2023-24*
Non financial indicators (kWh)	Energy consumption	Total energy consumption	203,297,967	193,921,369	199,251,811	202,080,541
		Total electricity	100,028,361	82,576,760	103,285,282	105,925,517
		Electricity: standard	49,183,249	4,781,589	8,650,541	8,994,468
		Electricity: green	48,364,769	76,188,564	89,854,709	94,834,989
		Electricity: Purchased CHP	-	-	-	-
		Gas	81,030,642	92,658,714	84,540,626	84,159,733
		Oil	18,122,019	14,816,340	7,683,240	8,117,105
		Biomass	1,773,783	1,540,157	1,710,767	1,616,032
		CHP (heat and electricity)	2,306,324	1,620,964	1,173,662	1,302,055
		Self-generated renewables	1,564,879	1,645,569	4,815,633	2,096,059
		LPG	535,152	440,182	556,274	364,295
		Other	417,150	229,289	266,359	587,853
Financial Indicators (£000)	Energy Costs	Electricity costs	Included in other energy costs		21,771	28,808
		Gas costs			5,592	4,620
		Oil costs			1,013	599
		Other energy costs			13,530	19,179

⁶⁹ [Greening government commitments: Defra’s performance – \(https://www.gov.uk/government/publications/greening-government-commitments-defras-performance/51bee480-900f-436f-9ad4-7e5c2c0c73ef#:~:text=We%20aim%20to%20achieve%20the,a%20final%20target%20of%2050%25\)](https://www.gov.uk/government/publications/greening-government-commitments-defras-performance/51bee480-900f-436f-9ad4-7e5c2c0c73ef#:~:text=We%20aim%20to%20achieve%20the,a%20final%20target%20of%2050%25)

Department for Environment, Food and Rural Affairs Annual Report and Accounts 2023-24
Annex 3 – Commentary on Sustainable Performance

WASTE		2017-18	2021-22	2022-23	2023-24*
Non financial indicators ('000 kgs)	Total waste	10,666	8,466	9,605	10,280
	Hazardous waste	272	29	54	22
	IT waste recycled and unrecyclable	30	3	38	-
	Recycled	6,780	4,796	5,734	6,810
	Composted	248	227	198	202
	Incinerated with energy recovery	1,745	1,907	2,653	2,227
	Incinerated without energy recovery	464	511	341	385
	Landfill	1,674	1,204	875	703
Financial indicators (£000)	Total disposal cost	3,510	4,750	3,991	4,047
	Hazardous waste	623	375	527	493
	IT waste recycled and unrecyclable	Not reported in these years		3	3
	Recycled	698	1,122	944	1,154
	Composted	Included in recycled cost		57	47
	Incinerated with energy recovery	347	480	1,006	987
	Incinerated without energy recovery	n/a	6	91	153
	Landfill	119	404	1,346	1,211

WATER			2017-18	2021-22	2022-23	2023-24*
Non financial indicators (m3)	Water Consumption	Total scope 2 water consumption	598,781	405,797	570,582	551,136
Financial indicators (£000)	Water supply costs		1,051	1,076	1,272	1,541

GREEN HOUSE GAS EMISSIONS		2017-18	2021-22	2022-23	2023-24*
Non financial indicators ('000 kgs CO2e)	Scope 1: direct emissions	31,698	27,959	25,339	27,117
	Scope 2: indirect emissions	34,275	17,192	19,049	21,247
	Scope 3: emissions	10,214	5,886	8,518	10,954
	Total emissions	76,188	51,037	52,906	59,318
	Direct emissions from buildings	21,604	21,576	17,925	18,436
	Scope 3: emissions from electricity	3,206	1,521	1,743	1,866
	Scope 3: emissions from domestic public transport	7,008	4,364	6,775	9,089
Financial indicators (£000)	Expenditure on official business travel	27,560	17,366	33,955	38,862

OTHER TARGET AREAS		2017-18	2021-22	2022-23	2023-24*
Non financial indicators	Emissions from domestic flights ('000 kgs CO2e)	265	26	87	155
	Emissions from International travel ('000 kgs CO2e)	203	270	1,870	2,844
	Number of domestic flights	3,457	386	1,347	1,161
	Distance of domestic flights (kms)	1,877,458	199,188	672,822	1,002,170
	Distance of International flights (kms)	2,374,360	2,909,213	20,465,469	21,898,172
	Distance of International rail (kms)	54,171	7,008	263,055	299,616
	Paper use (reams)	72,833	10,359	9,735	10,585

* Reporting period from Q4 2022-23 to Q3 2023-24. (1 January 2023 to 31 December 2023)

Notes

(i) Under GGC reporting, areas of a building occupied by non-government occupants are not included. Where this is the case buildings have been apportioned according to floor space occupancies.

(ii) Distance of international flights, distance of international rail and emissions from international travel were only partially collected in 2017-18 so do not cover all organisations. International travel was lower in 2021-22 due to COVID-19 lockdowns.

(iii) Gas used in combined heat and power (CHP) units is not included in the gas figure as GGC reporting guidance states that this energy is reported as CHP output.

(iv) All consumption data presented in this report reflects reported GGC figures. Cost figures reflect the accounting records for the respective year.

(v) Hazardous waste is included in the landfill waste figure as per GGC reporting.

(vi) Previous years' data has been revised from last year's publication to incorporate any corrections, adjustments and to reflect the increased GGC reporting scope. For this reason, tables and performance may appear differently to previous year's reports.

(vii) Emissions from electricity are captured across scope 2 and 3 as electricity generated and supplied to the national grid and due to losses in transmission and distribution of electricity through the national grid to the consumer.

(viii) Public transport emissions are captured within the scope 3 emissions. For the purposes of taxi travel, mileage is estimated from spending on taxis using a rate of £2.50 per km.

(ix) Some ICT waste information is currently unavailable. Changes to our contract are being put in place for future reporting. It is not expected that the ICT waste data is material to overall waste targets performance.

(x) Data for the baseline year 2017-18 differs from previous versions of this report due to the baseline being recalculated following the launch of the new GGCs and with a larger scope of organisations. Further amendments were made to the baseline in 2022 to incorporate Forest Research into scope. Other years prior to 2022-23 have not been adjusted to incorporate Forest Research.

(xi) Incinerated waste costs appear lower as we use our own incinerators rather than third party suppliers. Costs for fuel used in incineration are reflected in the costs for energy.

(xii) In instances where data is unavailable but believed to be immaterial or minimal impact to the overall performance, an estimate has been used. A methodology of reproducing figures from a previous quarter or previous year has been applied for the missing data points. For missing quarterly data, this will either be the quarter immediately before the missing quarter or the same quarter from the previous year in order to avoid seasonality impacts. When the data becomes available, corrections will be made in future editions of this report.

Definitions

Scope 1: direct emissions – emissions from buildings that 'burn' fuel on site such as emissions from oil, natural gas, liquid petroleum gas, biomass etc. Also includes emissions from vehicles owned or leased by the department such as badged vans and lease cars.

Scope 2: indirect emissions – only emissions from electricity that comes from the national grid, regardless of supply contract type. As these emissions are from the generation process of creating electricity, mostly at power stations, the emissions occur away from the department's sites and so are considered scope 2.

Scope 3: emissions – emissions from vehicles and public transport that are not owned by the department, such as trains, planes and staff's own personal vehicles used for business purposes. Also includes emissions from national grid electricity generated by the distribution of electricity, e.g. the maintenance of the power lines and other operations carried out by network operators. Note that the scope 3 emissions in this report do not include emissions from any other suppliers to the department as these are out of scope for GGC reporting.

E03217704

ISBN 978-1-5286-5217-9
