



Department
for Environment,
Food & Rural Affairs

Annual Report and Accounts 2024-25

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Department
for Environment,
Food & Rural Affairs

Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2024-25 for the year ended 31 March 2025

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This is part of a series of departmental publications which, along with the Main Supply Estimates 2025-26 and the document Public Expenditure: Statistical Analyses 2025, present the government's outturn for 2024-25 and planned expenditure for 2025-26.



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Performance Report



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

Paul Kissack



The Annual Report and Accounts (ARA) for the Department for Environment, Food and Rural Affairs (Defra) sets out how Defra, alongside its arm's length bodies, has supported delivery of the government's Plan for Change and the government's missions.

This Annual Report covers the period 2024-25. In July 2024, following a change of government, we welcomed new ministers into their roles. Since then, we have also welcomed a new Secretary of State, the Rt Hon. Emma Reynolds MP. I joined the department as Permanent Secretary in October 2025 and want to thank my predecessor, Dame Tamara Finkelstein, for her leadership of the department over the last six years, including throughout the period covered by this report.

Under the new government, the department is working to some clear priorities.

Economic growth is this government's number one mission, and it is at the heart of everything we do in Defra group. Defra group **enables** win-wins for growth and nature through regulatory and planning reforms and helping to catalyse innovation in new green industries and financing, including through the recommendations of the Corry review to modernise environmental regulation and setting up the Nature Restoration Fund and Marine Recovery Fund. Defra group **drives** development of economic sectors that are essential for increasing living standards, such as water infrastructure. Defra group **protects** growth through strengthening the UK's economic resilience, including enhanced flood risk management, biosecurity and food security, whilst directly addressing the risks to the economy associated with biodiversity loss and ecosystem decline.

We are taking action to clean up our rivers, lakes and seas including passage of the Water (Special Measures) Act to sharpen accountability arrangements for water companies; close working with Ofwat to secure £104 billion investment in water quality and water resources by 2030; and supporting the work of the Independent Water Commission, which has made far-reaching recommendations for reform of the regulated water system.

To ensure nature's recovery we published the UK National Biodiversity Strategy and Action Plan setting out how the four nations of the UK, and our overseas territories, will work together to address biodiversity loss by 2030, consistent with our obligations under the Kunming-Montreal Global Biodiversity Framework (GBF). To create a lasting public legacy for nature and people, we established three new National Nature Reserves, delivered the most successful year of tree planting in England in over twenty years, and announced a new National Forest - the Western Forest.

To improve our nation's resilience to the dangers of flooding, the government established a new Floods Resilience Taskforce. Defra group also responded to several extreme weather events in this period, including storms Bert, Conall and Éowyn, protecting around 167,000 properties from flooding. In the reporting year, we announced a commitment of £2.65 billion investment in flood defences over two years, with further long-term commitments made in the subsequent Spending Review. We have started to reform how floods funds are distributed and launched an independent review of Property Flood Resilience in January 2025.

To support farmers to boost food security we supported over 50,000 farm businesses through Agri-Environment schemes, managing the transition away from direct farm subsidies. Our support for the sector included £150 million in innovation funding. In July, we published a new Food Strategy in England, which will drive the changes that we need to create a healthier, more affordable, and sustainable food system that grows the economy. The strategy will complement the upcoming 25-Year Farming Roadmap, to provide long-term direction for productive, profitable and sustainable farming.

The department is undertaking a review and revision of the Environmental Improvement Plan (EIP). This captures how we will deliver our priorities to improve the natural environment. It will include a revised set of interim Environment Act targets for this Parliament and beyond.

Defra manages a series of critical risks on behalf of the nation. We contained outbreaks of Avian Influenza and Bluetongue virus, safeguarding our livestock industry and trade. We have secured a £1 billion investment into the National Biosecurity Centre at Weybridge. And we have maintained our world-leading scientific and veterinary capability, with a £58 million investment over the next two years for research into climate resilience and Net Zero.

The department has made good progress and removed the ARA qualifications that existed in previous years. 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 for their hard work and commitment during 2024-25 in delivering our outcomes and services.

Paul Kissack
Permanent Secretary

Non-Executive Directors' Report

For Defra, 2024-25 was a year of significant change as the UK underwent a political shift following the election in July 2024 and Defra welcomed a new team of Ministers as the Labour Government came into power. This report provides an overview of developments and areas of focus, rather than highlighting a specific case study.

In May 2024, Baroness Kate Rock and Julian Glover were appointed by Steve Barclay MP as Non-Executive Directors (NEDs) and served the department for a short period until after the General Election. Nick Folland was also appointed as Chair of the Audit, Risk and Assurance Committee (ARAC), replacing Colin Day. Following a period of induction, Nick chaired five ARAC meetings during the reporting period and provided scrutiny and challenge on the incoming government's Spending Review process, a crucial contribution in the context of setting the department's budget for future years.

Indro Mukerjee and Sachin Jogia were appointed to Defra Board as NEDs in March 2025. At the end of the reporting year both were completing their induction and areas were being identified where the department could benefit from their respective skills and experiences in 2025-26.

Chris Tyas provided advice and challenge on several food and agriculture-related policy issues and challenges. Chris also sat on the project steering group for the Synergy Programme which aims to transform the way the group manages its HR, finance and commercial processes.

My own focus for the reporting year, in addition to the recruitment of new Board members and helping to steer the effective operation of the Board, largely centered around the Optimising Delivery Review which I led at the request of the Secretary of State, Steve Reed MP. My review examined the extent to which Defra group is set up to deliver Ministerial priorities effectively, with agility and speed. I explored how Defra and its six largest arm's length bodies might optimise their delivery system to improve outcomes with the customer experience front and Centre. My review sits alongside that of Dan Corry, commissioned by the Secretary of State, Steve Reed MP. to examine the regulatory landscape in Defra. The findings and changes of these reviews will lead to a significant period of reform for the department.

Towards the end of this reporting period, Permanent Secretary Dame Tamara Finkelstein announced that she would depart Defra in the coming summer. It has been a pleasure and deeply instructive to work with Tamara, and to observe her calm, measured and thoughtful leadership of the department during periods of considerable change and challenge. As always, the opportunity to engage with officials across the department has evidenced their dedication to public service and keen commitment to advance Defra's impact and effectiveness. I am grateful to all those who have supported the Board as it seeks to add value, fresh perspective, challenge and impetus to the department's contribution to the Government's missions.

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. Defra group leads on the fundamentals: the food we eat, the water we drink, the air we breathe. It encompasses food, environment, biosecurity, trade and more. Defra is a policy, growth, delivery and international science and analysis-led department. 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 has responsibility for managing the department and safeguarding public funds provided under the Defra Estimate.

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 activities².

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

Our vision: Improving nature, delivering growth

We improve and protect the essentials of life: food, water, land, and air. We drive economic growth, enhance nature, strengthen food security and protect animals, people and property from disease and flooding. Our impact extends beyond borders, sharing expertise and shaping policies globally.

Stronger together, Defra group is a network of organisations, collaborating across teams, professions and with partners to a shared vision. We are applying science, data and innovation to transform how we work, creating efficient services that benefit people and communities. Through bold choices and careful prioritisation, we strengthen resilience and deliver ambitious outcomes.

We are building an inclusive, dynamic workplace and investing in our people. Working together, we continually improve our services to customers, enhance living standards and create a more sustainable future.

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-2024/defra-accounting-officer-system-statement-2024>) where Annex A shows the wide range of bodies that are included in Defra's system of accountability.

Our delivery priorities

Defra supports the cross-government missions to: kickstart economic growth; make Britain a clean energy superpower; build an NHS fit for the future; take back our streets; and break down barriers to opportunity. In 2024-25, the department was focussed on five priority outcomes. It also had stewardship of other outcomes, through which it also supported and managed certain sectors, systems and risks:

Priority outcome 1:

Clean up Britain's rivers, lakes and seas

Priority outcome 2:

Maximise the value of resources

Priority outcome 3:

Ensure nature's recovery

Priority outcome 4:

Support farmers to boost food security

Priority outcome 5:

Improve our nation's resilience to the dangers of flooding

Stewardship outcomes:

- Reduce carbon emissions (to achieve Net Zero) and manage the impacts of climate change.
- Enhance biosecurity.
- Planning and Infrastructure.
- Delivering for rural communities.
- Facilitate economic resilience and sustainable practices in the fisheries sector.
- Facilitate economic resilience and sustainable practices in the forestry sector.

Internal Transformations and Services

To deliver our priority outcomes, we will unlock effective, efficient delivery of our outcomes, at lower cost, by ensuring that we:

Lead, collaborate, and unleash the talent within our organisations

Deliver science, analysis and data to enable innovative policy creation and effective decision-making

Work with users, partners, and stakeholders to co-design effective delivery approaches and service

Deliver Change and Enabling programmes

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

Environmental Improvement Plan

The Environment Improvement Plan (EIP) is the statutory plan for restoring and improving the natural environment in England required by the Environment Act 2021.

In July 2024, the government launched a rapid review of the 2023 Environmental Improvement Plan. A statement was published of the rapid review's key findings on 30 January 2025 setting out that government intends to publish a revised Environmental Improvement Plan in 2025.

Risks affecting delivery of our outcomes

Defra manages some of the most significant risks 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 enterprise risks such as those associated with cyber security, IT business resilience, physical infrastructure, financial and delivery of our long-term outcomes, change programmes, staff wellbeing, and professional capability.

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

Working with devolved governments

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 UK and devolved governments. It provides central coordination and promotes collaboration in areas of shared interest such as agriculture, fisheries, environment, forestry, biodiversity and rural

affairs, and considers policy, delivery, technical and legislative matters. During 2024-25, three meetings were held, and more are planned for the rest of 2025. As a result of the IMG discussions, Defra and devolved governments agreed an enhanced joint work programme covering a range of common priorities on water quality, EU agri-food trade, circular economy, food security, biodiversity and nature markets. In addition, various items of importance ranging from borders to food strategy have been discussed. Communiqués from the IMG EFRA meetings can be viewed at IMG EFRA communiqués³. The IMG is just one of several engagement mechanisms alongside issue-specific ministerial meetings, senior official meetings, and policy level forums.

Our resources

For the financial year 2024-25, the government provided £7.26 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): £7.99 billion of which; Net Resource DEL: £5.69 billion. This is all current expenditure, such as purchasing goods and services, salaries and includes depreciation. Net Capital DEL: £2.30 billion. This is expenditure for Capital Grants and new investment (for example, buildings or other assets for long-term use) and is net of income.
- Net Annually Managed Expenditure (AME): -£0.84 billion. This is used mainly for movements in provisions, primarily relating to delinked payments (area-based direct payments linked to 2023 claims). It also includes net expenditure by Defra group levy funded bodies and Flood Re⁴.
- Net non-Budget: £0.11 billion.

Further detail can be found in the Financial Analysis section.

³ <https://www.gov.uk/government/publications/inter-ministerial-group-for-environment-food-and-rural-affairs-communiques>

⁴ 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.

Full-time Equivalent (FTE) employees by region

As of 31 March 2025, Defra group had 31,616.4 full-time equivalent (FTE) employees. For the same organisations, the comparable figure as of 31 March 2024 was 31,325.2. Defra group'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. The Core department has, however, reduced. In August 2024, the number of FTE permanent Core department staff was 6,624.2. By end July 2025 that had reduced to 6,279.8. Ongoing VES schemes will mean further reductions in the coming months, both of the Core department and some other organisations within the group.

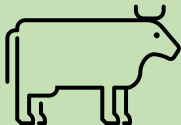
Region	FTE 31 Mar 2025	FTE 31 Mar 2024
London	4,436.0	4,416.2
South East	3,897.9	3,870.4
East of England	2,903.1	2,930.7
East Midlands	1,649.2	1,665.3
West Midlands	2,587.8	2,562.8
Yorkshire and the Humber	3,536.4	3,635.1
North East	1,880.5	1,871.5
North West	3,693.1	3,750.8
Scotland	300.2	299.6
South West	4,832.0	4,963.4
Wales	400.1	386.4
Northern Ireland	10.8	2.0
Home Based	1,489.3	970.9
Total*	31,616.4	31,325.2

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

Note: The 31,616.4 FTE figure is employment of payrolled staff as of 31 March 2025 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), Sea Fish Industry Authority (SFIA), and the Office for Environmental Protection (OEP). The data in the above table does not include the FTE for Forestry England as Forestry England is not included in MWMI (workforce management information).

<https://www.gov.uk/government/collections/defra-workforce-management-information#mwmi-reports-2025>

Performance at a glance

The total area covered by Environmental Stewardship, Countryside Stewardship and Sustainable Farming Incentive scheme agreements in England on 31 December 2024 was estimated to be around 5.6 million hectares. This is equivalent to 64 per cent of the utilised agricultural area of England.	At the end of December 2024, 95.8 per cent of herds were Bovine TB free. 	50,000 farm businesses, and more than half of all farmed land, is now managed under at least one of our three Environmental Land Management (ELM) schemes.
Starting in 2024-25, we funded 78 new biodiversity and conservation projects across the UK Overseas territories through our Darwin Plus grants programme.	Over 2,000 miles have been approved as King Charles III England Coast Path, with over 1,000 miles already open creating 250,000 hectares of new open access land within the coastal margin.	£14.5 million of funding awarded to help recover 150 species nationwide through Natural England’s Species Recovery Programme Capital Grants Scheme.
Secured a record £2.65 billion to be invested over two years in building, maintaining and repairing flood defences, better protecting 52,000 properties by March 2026.	In 2024-25, over 27,000 additional properties are better protected from flooding. 	Updated 99 per cent of our estate to Windows 11 to remediate obsolescence. 

Performance Analysis

Introduction

This section is structured by five priority outcomes and by other stewardship outcomes through which we support and manage critical sectors, systems and risks. Under each priority outcome and additional topic, we first explain in more detail what we are trying to achieve in that outcome in the definition of outcome section. We then set out the current progress made using key performance metrics. Following this, we detail the successes and activities completed this year to delivering those ambitions within the last financial year in the Defra's key activities and achievements to improve performance between April 2024 and March 2025. Many of our measurements have a significant lag between the actions being taken and the observation of a measurable improvement in performance metrics.

As part of the annual business planning process, we continually refine performance metrics to present the best available data to monitor our plans. This ensures they cover both our strategic, longer-term outcomes and the metrics we use at delivery and operational level and explains why the list of indicators may change from one year to the next.

Priority outcome 1:

Clean up Britain's rivers, lakes and seas

Definition of the outcome

The government inherited a water system where water companies have pumped record levels of sewage into our waterways. Ministers have delivered on their promise to put water companies under tough special measures through our landmark Water Act, introducing two-year prison sentences for polluting water bosses, and banning unfair bonuses. The government has taken immediate action to reset the water sector. Change is being delivered in three stages:

- Ringfencing funding for vital water infrastructure so that it can only be spent on upgrades benefiting the environment - not diverted for bonuses, dividends or salary increases. Where money is not spent, we will return it to customers. The government has secured over £104 billion of private sector investment to upgrade and build new water infrastructure to clean up our waterways and support the building of 1.5 million new homes.
- Water (Special Measures) Act 2025⁵ has been signed into law, marking the most significant increase in enforcement powers in a decade. This Act aims to enhance regulatory oversight, empower the water regulator to prohibit executive bonus payments if environmental standards are not met, and increase accountability within the sector.

⁵ <https://www.gov.uk/government/news/new-law-to-ban-bonuses-for-polluting-water-bosses>

- In October 2024, Defra commissioned the Independent Water Commission, chaired by Sir John Cunliffe, which published its final report to England and Wales in July 2025, setting out 88 recommendations to reform the water sector.

Key Performance Information

Summary

Water quality and supply is overseen by government through a multi-agency delivery system. The Core department is responsible for establishing water quality and supply targets, then devising policy and plans to meet these targets. Environment Agency (EA) is responsible for monitoring and regulating water quality and resources. Ofwat regulates the water sector to ensure they provide sustainable, reliable and affordable water and wastewater services for everyone, both now and in the future.

Ofwat's most recent Water Company Performance Report 2023-24⁶ alongside the EA's Environmental Performance Report 2023 shows that more must be done to drive sustained improvements to reach environmental and water company performance targets.

Water company performance

The Ofwat Water Company Performance Report 2023-24 found that there was an increase in pollution incidents for 9 of the 11 companies in 2023. One key source of pollution incidents is storm overflows. Storm overflows are designed to act as relief valves when the sewerage system is at risk of being overwhelmed, such as during heavy downpours when a lot of rainwater runs into drains and the sewerage system in a short space of time. If the system does get overwhelmed, it can have significant impacts for customers and can lead to flooding. To prevent that happening, water companies sometimes use storm overflows to release extra rainwater and wastewater into rivers or seas. National storm overflow data shows that storm overflow spill incidents remained broadly static between 2023 and 2024 (Figures 1a and 1b).

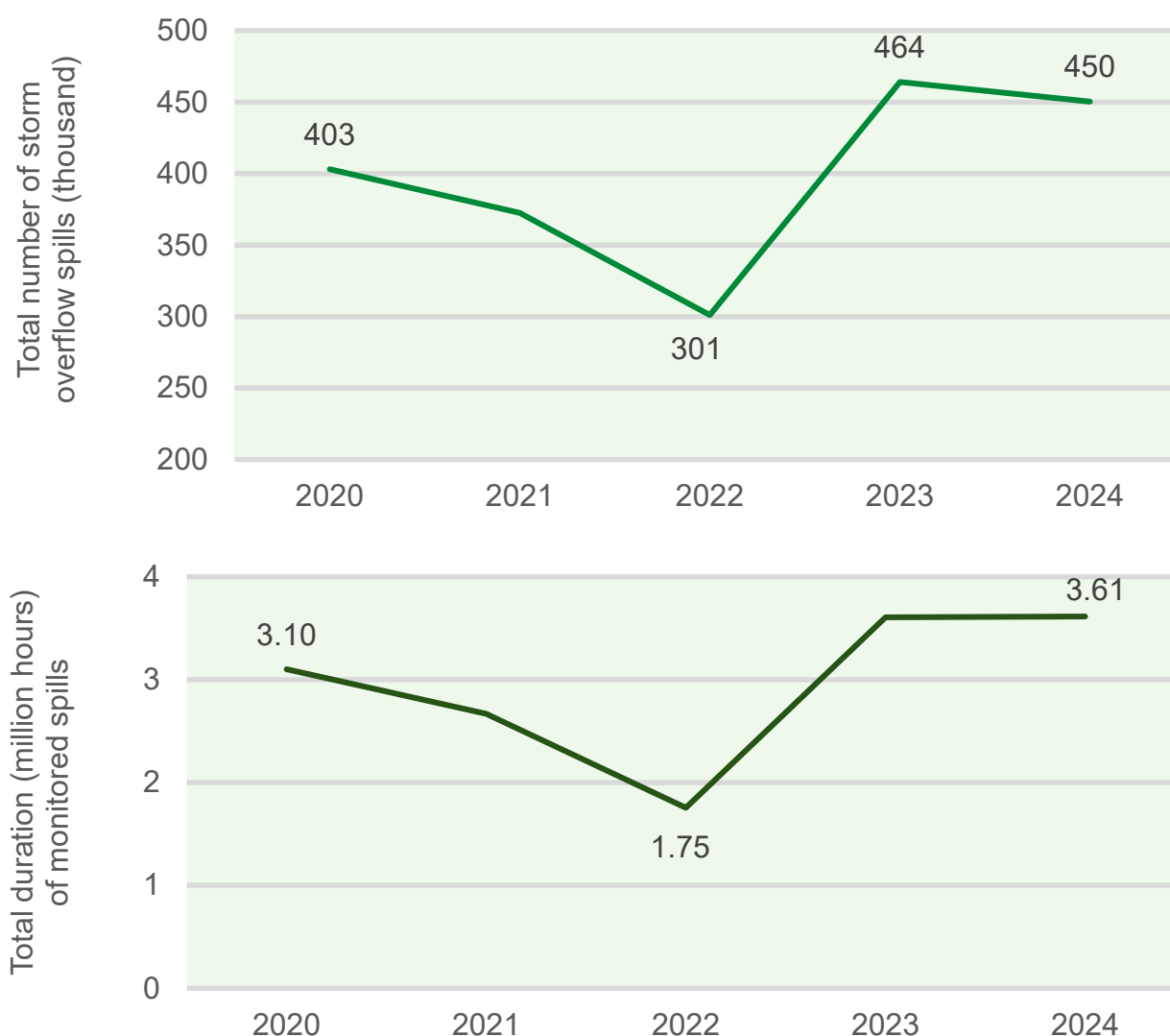
Alongside pollution incidents, there are a range of other water company targets. Water companies have made progress on reducing annual leakage, which in 2023-24 was 6 per cent lower than in 2019-20 (measured using a three-year rolling average). Significant progress is still required to meet a target of 16 per cent by 2025. The sector committed to reduce internal sewer flooding incidents by 41 per cent by 2025, but by 2023-24 it has achieved a 10 per cent reduction.

There are several areas where the sector is doing better, and most water companies are meeting their targets. These include asset health measures, reducing supply interruptions and ensuring more vulnerable customers are on the Priority Services Register. A complete assessment of water company performance can be found in the Ofwat Water Company Performance Report 2023-24.

⁶ <https://www.ofwat.gov.uk/regulated-companies/company-obligations/outcomes/water-company-performance-report-2023-24/>

Figure 1a: Total number of storm overflow spills between 2020 and 2024 (in thousands). The graph shows that the total number of storm overflow spills recorded in 2024 was 450,398. This is a decrease of 2.9 per cent compared to the 464,056 spills in 2023.

Figure 1b: Total duration (million hours) and monitored spills between 2020 and 2024. The total duration (hours) of monitored pollution spills in 2024 was 3.6 million – this is relatively stable compared to 2023 (3.6 million).



Source: Event Duration Monitoring - Storm Overflows - Annual Returns
<https://environment.data.gov.uk/dataset/21e15f12-0df8-4bfc-b763-45226c16a8ac>

Ofwat customer satisfaction metric (C-Mex)

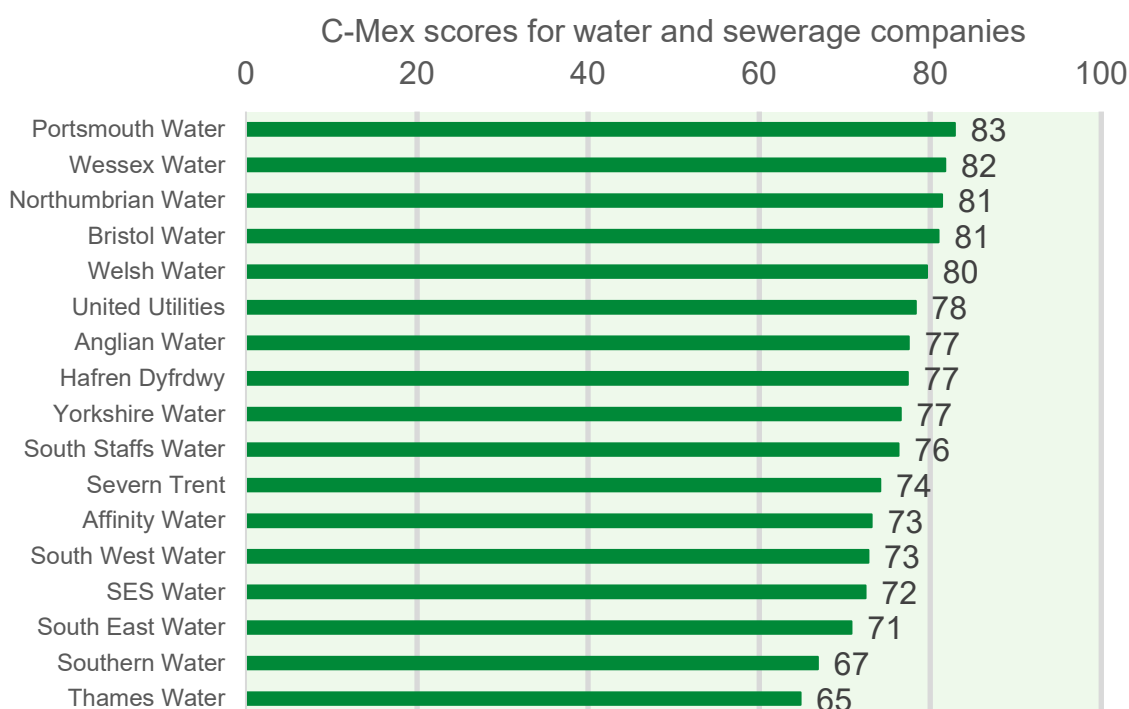
The C-Mex score is produced from the results of two surveys:

- Customer Service Survey (CSS) – a survey of a sample of domestic customers who have contacted their water company, asking them how satisfied they are with how the company has handled their issue.

- Customer Experience Survey (CES) – a survey of a randomly selected sample of a company’s overall customer base, asking them how satisfied they are with their company.

Ofwat 2024 C-Mex scores for water and sewerage companies (industry average score is 75.74). Customer satisfaction has continued to decline for most companies in 2023-24 and is now at its lowest point since the measure was introduced in 2020-21.

Figure 2: Customer satisfaction score (C-Mex) by water company.



Source: C-Mex and D-Mex Final Report 2024 (<https://www.ofwat.gov.uk/wp-content/uploads/2024/10/2023-24-C-MeX-D-MeX-Y4-Report-Ofwat-Final.pdf>) (note that figures are rounded to the nearest whole number within the chart)

Total number of serious environmental incidents as regulated by the EA that have occurred in the last twelve months

Serious environmental incidents are those that are rated as either Category 1 (the most serious) or Category 2 out of a four-point categorisation scale. Category 3 incidents are considered to have a minor impact and category 4 are considered to have no impact on the environment. The measure has been revised in recent years to focus on those incidents that have occurred from industries permitted and regulated by the EA; and now excludes incidents that can occur naturally, illegally or via other non-regulated sources (for example, domestic incidents from wrongly connected plumbing). Of the 164 incidents that have occurred in the last twelve months the greatest proportion has come from the landfill sector with 55 incidents.

Defra's key activities and achievements to drive performance between April 2024 and March 2025

Immediately following the general election, the government took forward the Water Special Measures Bill (which gained Royal Assent in February 2025). The Water Special Measures Act will drive improvements in the performance of the water industry for customers and the environment. It delivers the government's commitments by:

- Blocking bonuses for executives who pollute our waterways.
- Bringing criminal charges against persistent law breakers.
- Enabling automatic and severe penalties for wrongdoing.
- Ensuring monitoring of every sewage outlet.

In December 2024, Ofwat confirmed at their final determinations for the price review 2024 that £104 billion will be invested in the water sector between 2025 and 2030. This is a 76 per cent increase in expenditure compared to the current investment cycle and the largest investment since privatisation. This includes upgrading more than 2,800 storm overflows, £8 billion to boost water supply and reducing leakage by 17 per cent, upgrading water infrastructure across the country. The increase in investment needs is driven by delivering on the statutory standards and regulatory requirements set out by the EA, Natural Resources Wales and the Drinking Water Inspectorate. This funding will ensure supplies of water for the future, deliver cleaner rivers, lakes and seas and create thousands of new jobs across the country.

In 2024, Defra conducted the first reform to bathing waters since 2013. This will remove fixed bathing season dates from the regulations to allow greater flexibility to monitoring and better reflect when people use bathing waters. Defra has also published new technical guidance on the management and regulation of storm overflows in England. It covers how storm overflow improvements are expected to meet the targets set out in government's Storm Overflows Discharge Reduction Plan, while meeting existing legal requirements, including obligations under the Urban Wastewater Treatment (England and Wales) Regulations 1994.

To improve compensation for customers that experience a failure in service standards, Defra has updated the Guaranteed Service Standards (GSS) Regulations. This includes at least doubling the compensation payments in a number of circumstances including internal and external flooding from sewers; low water pressure; and water supply not restored on time for both households and businesses.

Priority outcome 2:

Maximise the value of resources

Definition of the outcome

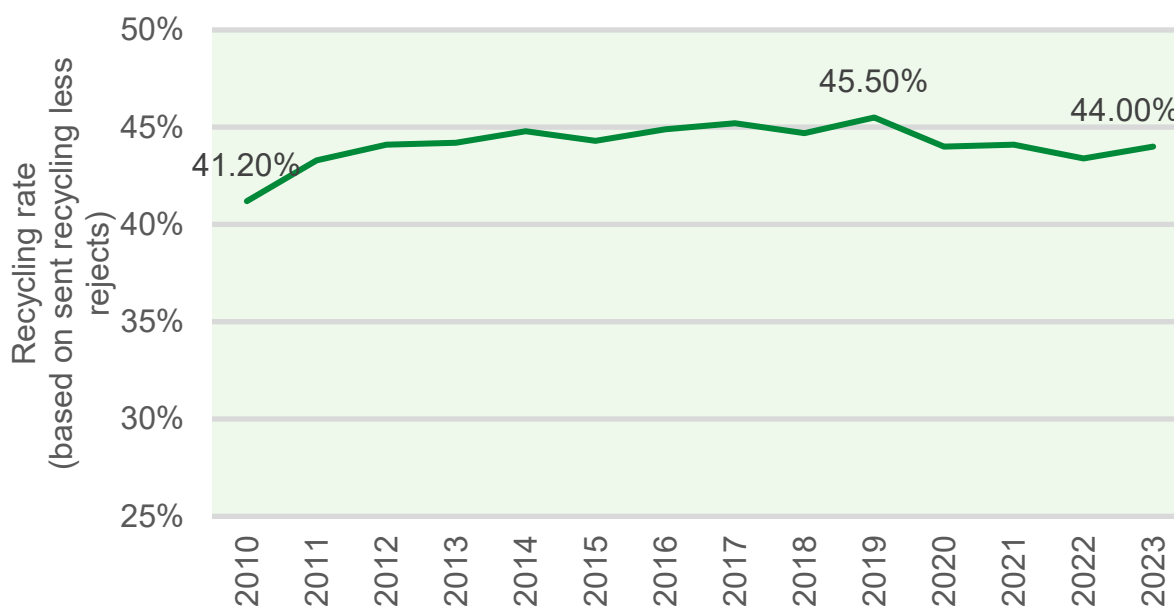
As set out in its manifesto, the government is committed to transitioning the UK from its current 'linear - take, make, use, throw' society to a circular economy in which the life of products are extended and materials are kept in circulation for as long as possible.

Key Performance Information

Waste from Households recycling rate

The latest update on the England Waste from Households recycling rate was published on 27 March 2025. This shows that the provisional recycling rate increased in 2023 to 44 per cent but has remained broadly between 43 per cent and 46 per cent for the last decade.

Figure 3: Waste from Households recycling rate between 2010 and 2023. The provisional household recycling rate for 2023 was 44 per cent.

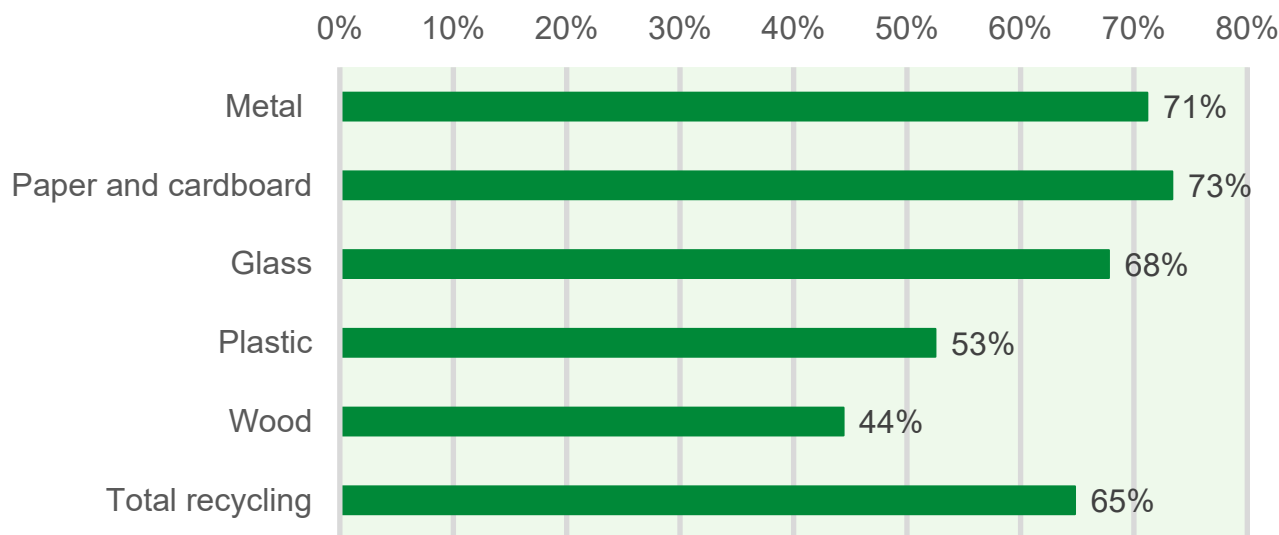


Source: Local authority collected waste management - annual results
<https://www.gov.uk/government/statistics/local-authority-collected-waste-management-annual-results>

Packaging waste and recycling rate, split by material

The recycling rate for UK packaging is higher than the overall recycling rate at 64.8 per cent in 2023. Paper and cardboard are the most recycled materials, and wood is the least recycled.

Figure 4: 2023 packaging recycling rates split by material.



Source: UK statistics on waste - GOV.UK (<https://www.gov.uk/government/statistics/uk-waste-data>)

Residual waste excluding major mineral wastes kilograms per person per year (kg / person)

Waste that is not reused or recycled, including material that is too degraded or contaminated for these purposes, is termed residual waste. Residual waste, when collected from households or commercial businesses, is often termed black bag or black wheelie bin waste. The latest residual waste data is from 2023 and shows that England’s residual waste (excluding major mineral wastes) was 558.2kg / person in 2023. The long-term residual waste reduction target commits government to ensuring that by 31 December 2042, the total mass of residual waste excluding major mineral waste in England does not exceed 287kg / person per year.

Defra’s key activities and achievements to drive performance between April 2024 and March 2025

To support the government in achieving a circular economy, Defra has convened a Circular Economy Taskforce. It is comprised of experts from across government, industry, academia and civil society. They are helping to develop a Circular Economy Strategy for England and will be accompanied by a series of roadmaps detailing the interventions that the government and others will make on a sector-by-sector basis. The Secretary of State has outlined that the taskforce will focus on five sectors that have the greatest potential to grow the economy: agrifood; built environment; chemicals and plastics; transport; and textiles.

The Circular Economy Strategy for England will identify and assess mechanisms through which the UK government, industry and civil society can:

- Drive economic growth by stimulating investment in technologies, sectors and infrastructure that enable resource circularity.
- Create green jobs across the circular economy and bolster the security of supply chains.
- Increase resource efficiency and productivity.
- Minimise negative environmental impacts.
- Reduce emissions and accelerate to net zero.
- Support the delivery of the UK government's Industrial Strategy and refreshed Carbon Budget Delivery Plan.

Alongside establishing the Taskforce, implementing the Collection and Packaging Reforms is an important starting point in driving the transition to a circular economy. We have laid multiple Statutory Instruments (SIs) in Parliament to achieve this, including:

- The Deposit Refund Scheme (DRS) for Drinks Containers (England and Northern Ireland) Regulations 2025 which will take effect in 2027. This scheme will put a redeemable deposit on specific drinks containers that can be claimed when the item is returned to a collection point, such as a local supermarket. The Deposit Management Organisation (DMO) for DRS was appointed on 2 February 2025.
- The Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024 which came into force on 2 January 2025. These new regulations apply to all UK organisations that import or supply packaging. The regulations mean that these organisations are responsible for the costs of dealing with packaging waste. To enable the implementation of the regulations in January we also completed final preparations including mobilisation of the scheme administrator for extended producer responsibility on packaging (pEPR) (PackUK) and published three iterations of the illustrative pEPR base fees and the Recyclability Assessment Methodology to enable organisations to plan and prepare for the changes.
- The Separation of Waste (England) Regulations 2025, which will ensure that dry recyclable materials, food waste and non-recyclable waste are separated before collection for businesses from March 2025 and households from March 2026. We have also published extensive advice and guidance on the implementation of Simpler Recycling⁷.

Beyond the collection and packaging reforms, we have passed legislation to ban single use vapes from June 2025. Single use vapes have a very short life span and research carried out by Material Focus estimates that almost five million single use vapes are either littered or thrown away in general waste every week, and many are being carelessly discarded. This littering of vapes wastes precious resources, blights our communities and pollutes our soil and water. Incorrect disposal of single use vapes also causes fires, which lead to release of

⁷ <https://www.gov.uk/government/publications/simpler-recycling-in-england-policy-update>

harmful emissions and threaten to damage our waste treatment infrastructure and pose a risk to those working in waste sites. A ban on these throwaway items will help to protect both our environment and future generations from the harmful effects of single use vapes.

In December 2024, we announced a £15 million grant scheme⁸ to help deliver surplus food from farms to those in need. The new scheme will see grants starting from £20,000 made available to the not-for-profit food redistribution sector in England. It aims to strengthen connections between farmers and charities to address food surplus on farms and help organisations to use this surplus to fight hunger in communities. A total of 46 applications were received by the closing date of 27 March 2025. We announced on 10 June grants totalling £13.6 million have been offered to 12 food charities across England, including City Harvest, Food in Community and FareShare, to redistribute an estimated 19,000 tonnes of food directly from farms into the charitable sector.

Working with the Waste & Resources Action Programme (WRAP), we published an assessment of recycling infrastructure capacity⁹. This provides a signal to businesses and investors as to where there is considered to be a likely over or under-provision of waste management capacity so as to target investment. In late December 2024, we published the residual waste infrastructure capacity note¹⁰ and set out clear conditions¹¹ for new energy from waste plants that support economic growth, net zero and the government's Plan for Change.

⁸ <https://www.gov.uk/government/news/15-million-to-help-charities-get-spare-produce-to-those-in-need>
<https://www.gov.uk/government/statistics/estimates-of-residual-waste-excluding-major-mineral-wastes-and-municipal-residual-waste-in-england>

⁹ <https://www.wrap.ngo/resources/report/recycling-infrastructure-capacity-analysis>

¹⁰ <https://www.gov.uk/government/publications/residual-waste-infrastructure-capacity-note>

¹¹ <https://www.gov.uk/government/news/government-to-crack-down-on-waste-incinerators-with-stricter-standards-for-new-builds>

Priority outcome 3:

Ensure nature's recovery

Definition of Outcome

Defra is committed to ensuring Nature's recovery. Nature provides essential services that underpin healthy and prosperous lives, including the food, water, resources, and the places we enjoy.

Restoring nature has many wider benefits. For example, we can reduce the risk of floods that damage property and livelihoods and store carbon to help net zero. Provide cleaner water by creating woodlands, restoring or sustainably managing peatlands, and protecting, recovering and enhancing important coastal habitats such as seagrass.

We are making progress on achieving our outcome including, delivery towards biodiversity targets, our international commitment to protect 30 per cent of land and sea for nature by 2030 (30by30) and increased green finance. We have undertaken a rapid review of the Environmental Improvement Plan (EIP) and will be publishing a revised EIP shortly. Over the last 12 months we have supported the reintroduction of beavers and announced the creation of the first new national forest in over 30 years, the Western Forest. This will see 20 million trees planted across the west of England over the coming years.

Terrestrial Biodiversity

Key Performance Information

All-species abundance indicator

When fully developed, the all-species abundance indicator will be used to track the government's progress towards meeting the statutory targets of halting the decline in species abundance by 2030 and then reversing these declines by 2042. Currently this measure includes data for 1,176 of the species listed in Schedule 2 of the Environmental Targets (Biodiversity) (England) Regulations 2023 and has been produced for overall species abundance from 1970 up to 2023.

As the all-species abundance indicator is an official statistic in development it cannot yet be used to assess whether we are on track to meet our target. Future updates could include improvements to the methodology, or the inclusion of new datasets that will result in further revisions in future releases and lead to changes in the current trends. The indicator shows an overall decline to around 67 per cent of its starting value in 1970. In the medium term (2013 to 2023) and short term (2018 to 2023) the indicator shows little or no overall change.

Extent of land protected for nature

In October 2024 at the Conference of the Parties (COP)16, we reiterated our international commitment to protect 30 per cent of land and sea for nature by 2030 (30by30) and set out our vision for delivering 30by30 on land in England. We also published the criteria for land and inland water areas which can count towards this target.

Total areas that currently count towards 30by30 on land: 7.1 per cent of England (to Mean Low Water). This is an indicative assessment pending the launch of the official reporting process. We are using the figure for land currently counting towards 30by30 on land in England as a proxy for extent of land protected for nature.

The indicative 7.1 per cent figure published in October 2024¹², provides an indication of the scale of action required to meet the target. It should not be viewed as a comprehensive analysis of all areas likely to qualify under the criteria. Official figures will be confirmed once the formal reporting process is established.

Defra's key activities and achievements to drive performance between April 2024 and March 2025

We continue to work towards achieving our legally binding biodiversity targets to halt and reverse the decline in species abundance, reduce the risk of species extinction, and restore or create over 500,000 hectares of wildlife-rich habitat.

In April 2024, information was published about actions that will count toward the statutory habitat target, the list of wildlife rich habitats, and definitions of restoration and creation¹².

We have continued to make funding available to support species recovery. £14.5 million of funding was awarded to 63 projects to help recover 150 species nationwide through Natural England's Species Recovery Programme Capital Grants Scheme between 2023-24 and 2024-25.

We have advanced the data and evidence being used to support our policy making. In May 2024, we published the new indicators of species abundance in England¹³ as an official statistic in development for the first time. When fully developed, the all-species abundance measure will be used to track the government's progress towards meeting the statutory targets of halting the decline in species abundance by 2030 and then reversing these declines by at least ten per cent relative to 2030 by 2042.

We have supported the creation and restoration of habitats. In 2024-25, Natural England declared a further four new National Nature Reserves (NNRs) and significantly extended another NNR, as part of The King's Series. The total area declared was over 22 square miles and involves 19 different organisations in managing the sites.

We have improved sustainable planning and development by introducing mandatory Biodiversity Net Gain (BNG) for developments under the Town and Country Planning Act through the Environment Act.

We have progressed work to take a place-based approach to nature recovery. Rollout of Local Nature Recovery Strategies (LNRS) covering the whole of England have progressed well. The first LNRS was published in November 2024, with the second in March 2025 and the third and fourth in May 2025. The remaining 44 are expected to be published this year or shortly after. Defra shared an "LNRS delivery policy update" with LNRS Responsible

¹² <https://publications.naturalengland.org.uk/publication/6427187599900672>

¹³ [https://www.gov.uk/government/statistics/indicators-of-species-abundance-in-england/indicators-of-species-abundance-in-england#:~:text=By per cent202022 per cent20the per cent20index per cent20of,weak per cent20increase per cent20\(Figure per cent202022\).](https://www.gov.uk/government/statistics/indicators-of-species-abundance-in-england/indicators-of-species-abundance-in-england#:~:text=By per cent202022 per cent20the per cent20index per cent20of,weak per cent20increase per cent20(Figure per cent202022).)

Authorities and key stakeholders in December 2024. This set out how LNRSs will be used by other policies, such as Environment Land Management (ELM), to drive delivery of the actions the LNRS propose. The government also published LNRS planning guidance in February 2025 which sets out the important role of LNRSs in local plan preparation.

In December 2024, the data model and standard for habitat target reporting was published. This document supports partners who may wish to supply information on the activities they are undertaking to restore or create wildlife rich habitat.

Private Finance into Nature Recovery

Defra's key activities and achievements to drive performance between April 2024 and March 2025

The government continues to support the development of private nature markets to mobilise investment into nature's recovery. At COP29 in November 2024, the government launched its principles for voluntary carbon and nature market (VCNM) integrity. This was followed in April 2025 by a public consultation on how these principles could be put into practice, through guidance, policy and regulatory oversight.

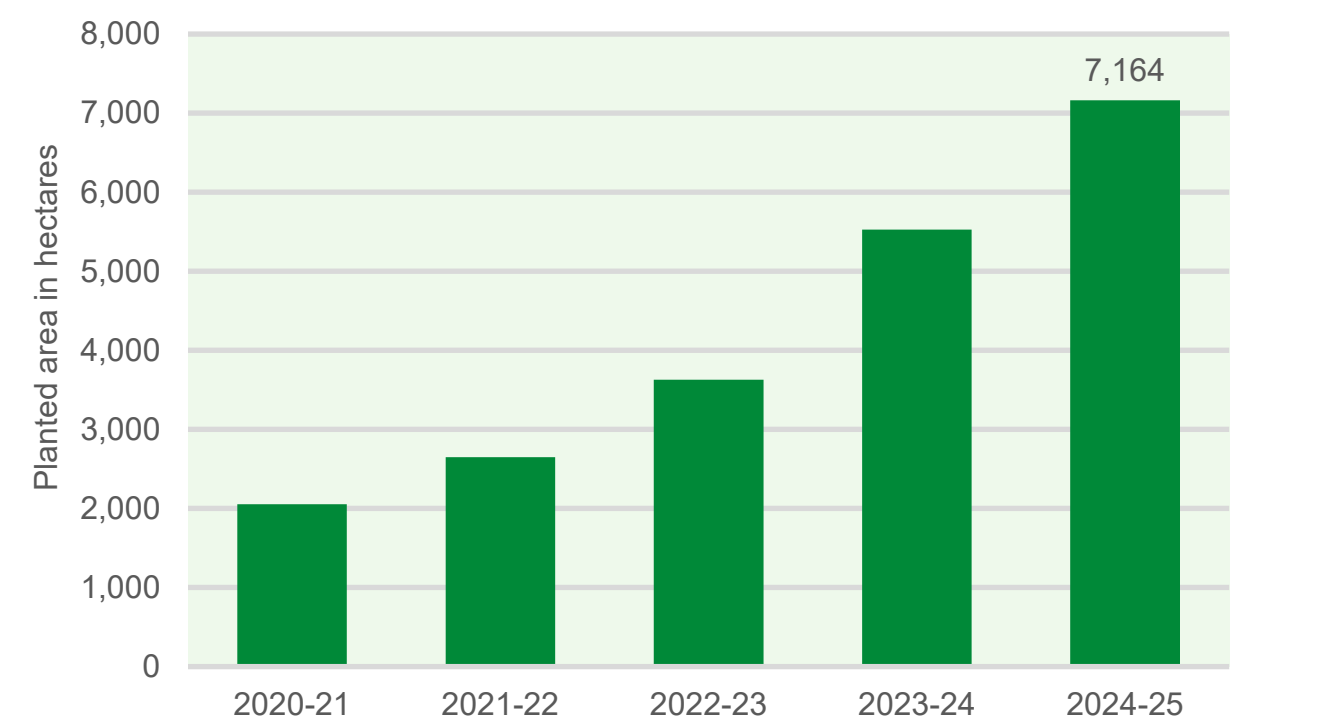
We continue to fund the British Standards Institution (BSI) to develop a suite of Nature Investment Standards to bring greater confidence and consistency to UK nature markets. The first of these, the Overarching Principles Standard, was launched in March 2025, it sets out clear guidelines on transparency, measurement, governance and environmental benefits in nature markets.

Tree Planting

Key Performance Information

These are Official Statistics showing the annual hectares of trees planted both in woodland and outside of woodland in England. There was a 30 per cent increase in the hectares of trees planted in 2024-25 compared to 2023-24, as grants saw an increase in applications.

Figure 5: Hectares of newly planted woodland and trees outside of woodland in England per year between 2020-21 and 2024-25



Source: Forestry Commission Key Performance Indicators: Report for 2024-25 - GOV.UK
(<https://www.gov.uk/government/statistics/forestry-commission-key-performance-indicators-report-for-2024-25>)

Defra’s key activities and achievements to drive performance between April 2024 and March 2025

Our statutory tree and woodland target to increase tree canopy and woodland cover in England to 16.5 per cent by 2050. Woodland creation has increased 164 per cent since 2020-21, with the highest level of tree planting in 2024-25.

Our England’s Community Forests and the England Woodland Creation Offer initiatives have been the biggest contributors to tree planting over the last five years. In 2024-25 they contributed 4,625 hectares combined. This includes supporting greater access to nature for the public through five new Community Forests created since 2020 in and around England’s major towns and cities.

The government’s manifesto commitment is to create three new national forests during this Parliament, a key priority for our department. We have taken the first steps to achieve this over the last year. Defra has announced the winner of the competition to create a new

national forest, the Western Forest. It will be the first new national forest in over 30 years. The forest's ambition is to plant 20 million trees across Bristol, Wiltshire, Gloucestershire and Somerset by 2050, creating at least 2,500 hectares of new woodland by 2030. The project will be led by the Forest of Avon charitable trust with Defra providing up to £7.4 million of funding over five years.

Protected Landscapes

Defra's key activities and achievements to drive performance between April 2024 and March 2025

In December 2024, we committed to modernise Protected Landscapes legislation: strengthening their statutory purposes to provide a clear mandate to recover nature and updating their governance to ensure it creates the conditions for success, innovation and collaboration. This will include providing National Park Authorities with a general power of competence to clarify their legal framework. We also announced that we will introduce regulations, and published guidance¹⁴, to ensure that relevant authorities deliver better outcomes in Protected Landscapes.

The Farming in Protected Landscapes (FiPL) programme provides funding for farmers and land managers to work with National Parks and National Landscape bodies. The £130 million programme will run until the end of March 2026. It funds projects that support nature recovery; mitigate the impacts of climate change; provide opportunities for people to discover, enjoy and understand the landscape and its cultural heritage; and protect or improve the quality and character of the landscape.

More than 4,700 projects have been approved across England's 44 Protected Landscapes.

Access to nature

Defra's key activities and achievements to drive performance between April 2024 and March 2025

Defra is continuing work to enable access to the outdoors for people's health and wellbeing. We are committed to delivering the government's manifesto to create nine new national river walks and three new national forests in England, expanding access to the great outdoors. We have also committed to ensuring that everyone lives within a 15-minute walk of a green or blue space, and to reducing barriers to accessing these spaces.

Throughout 2024-25, we have been progressing several policies to increase access to nature including:

- Working to complete the King Charles III England Coast Path which, at around 2,700 miles, will be the longest waymarked and maintained coast walking route in the world. Over 2,000 miles have now been approved as King Charles III England Coast Path, with over 1,000 miles already open. It will also create 250,000 hectares of new open access land within the coastal margin.

¹⁴ <https://www.gov.uk/government/publications/the-protected-landscapes-duty/guidance-for-relevant-authorities-on-seeking-to-further-the-purposes-of-protected-landscapes>

- Designating Wainwright's Coast to Coast route across the north of England as a National Trail.
- Delivering the £16 million Access for All programme, which consists of a package of targeted measures in our protected landscapes, national trails, forests and the wider countryside to make access to green and blue spaces more inclusive.

In 2024-25, we delivered a second phase of the cross-government preventing and tackling mental ill health through Green Social Prescribing programme, led by Defra. The aim of this phase was to produce the data and evidence needed (for example, on value for money) to support national roll-out, ensuring that anyone, anywhere in the country, can receive a green social prescribing prescription and benefit from these valuable nature-based interventions. Delivery closed on 31 March 2025 and the evaluation report will be published later this year.

In 2024-25, we also delivered a second phase of the Generation Green programme, connecting children from disadvantaged backgrounds with our most beautiful landscapes.

International Biodiversity and Climate

Defra's key activities and achievements to drive performance between April 2024 and March 2025

Defra has continued to play a leading role in the implementation of the Kunming-Montreal Global Biodiversity Framework (GBF). In February 2025, the UK published our National Biodiversity Strategy and Action Plan (NBSAP). It commits the UK to achieving the 23 GBF targets at home and outlines how its four countries will work together to fully implement them all. At the COP16 Convention on Biological Diversity, the UK co-chaired the negotiations of the new multilateral benefit sharing mechanism, facilitating the launch of the Cali Fund, a global fund which provides a route for companies using genetic information from nature to contribute finance for biodiversity. The UK has also agreed to a strategy for raising finance from all sources for delivery of the GBF. The independent International Advisory Panel on Biodiversity Credits (co-sponsored by UK and French Governments) also launched a Framework for high integrity biodiversity credit markets, bringing together High-Level Principles, market actor guidance and pilot projects to help accelerate investment in nature.

We have continued to deliver Defra's Official Development Assistance (ODA) portfolio which is focused on tackling nature loss, climate change and poverty reduction in developing countries. In 2024-25, this includes continued implementation of the Biodiverse Landscapes Fund which supports work in six of the world's most important biodiversity hotspots, spanning 18 countries; continued delivery of the Darwin Initiative and Illegal Wildlife Trade Challenge Fund which conserve biodiversity and safeguard the environment for local people; and delivery of the Blue Planet Fund, including the marine challenge fund Ocean Community Empowerment and Nature (OCEAN) which works to build resilience for coastal people and communities. Alongside this we are continuing to address critical research gaps through the new Global Centre for Biodiversity for Climate (GCBC). GCBC has funded 18 new projects this year and launched a third grant competition focusing on two themes: biodiversity in agriculture, food and bioeconomy value chains and biodiversity hotspots in Small Island Developing States.

Examples of programme impact reported in 2024-25 include:

- £15.9 million of public and £8 million of private finance leveraged for climate and nature respectively, around 19,000 people with improved resilience to climate change, and 1,600 hectares under ecological management through Defra's investment in the Global Fund for Coral Reefs since 2021.
- Around 570,000 tonnes of greenhouse gas emission reduce or avoided, over 6,000 hectares of ecosystem loss avoided, over 46,000 hectares of land under ecological management, around 17,000 people with sustainable livelihoods created or protected, and over 8,000 people with improved tenure or access rights through Defra's support to Rural Sustentável in Brazil since 2021.
- Over 500,000 tonnes of greenhouse gas emissions avoided or reduced, £59.5 million and £38.6 million of public and private investment leveraged for climate and nature respectively, around 100,000 hectares of land under ecological management, and over 80,000 people with sustainable livelihood created or protected through Defra's investment in the Eco Business Fund and Land Degradation Neutrality Fund since 2017.

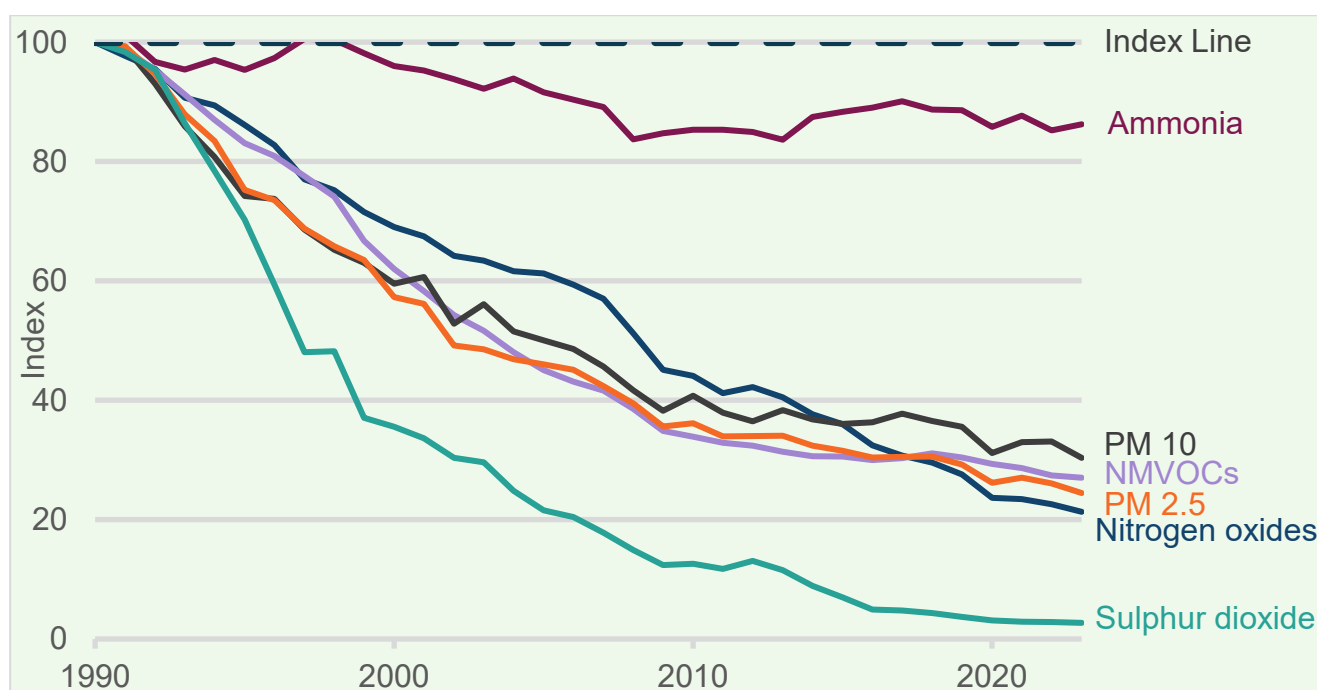
Air Quality and Noise

Key Performance Information

Key air pollutants emissions

For the emissions we have committed to reduce¹⁵, the following recent trends have been estimated. Emissions of ammonia¹⁶ have remained fairly steady between 2013 and 2023, having fallen by 1 per cent. Among the other key pollutants, emissions of sulphur dioxide have fallen by 77 per cent, emissions of non-methane volatile organic compounds¹⁷ have fallen by 17 per cent, emissions of nitrogen oxides¹⁸ have fallen by 48 per cent, and emissions of fine particulate matter have fallen by 28 per cent.

Figure 6: Trends in annual emissions of particulate matter (PM10 and PM2.5), nitrogen oxides, ammonia, non-methane volatile organic compounds (NMVOCs), and sulphur dioxide in the UK: 1990-2023.



Source: Emissions of air pollutants in the UK- summary (<https://www.gov.uk/government/statistics/emissions-of-air-pollutants/emissions-of-air-pollutants-in-the-uk-summary>)

Particulate Matter (PM)2.5 Emissions

Estimated annual emissions of particulate matter have fallen overall since the late 2000s, but the rate of change has reduced compared to earlier decades. Emission levels have been relatively steady with small annual fluctuations as considerable decreases in emissions from some sources (for example, from road transport and energy industries) have been partly offset by increases in emissions from other activities, such as wood burning in domestic

¹⁵ For all pollutants, only emissions generated by human activity are included. Ammonia, sulphur dioxide and non-methane volatile organic compounds also have further exclusions applied to reduction commitments.

¹⁶ 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/ukksi/2018/129/contents>)

¹⁷ Excludes emissions from agricultural soils and manure management.

¹⁸ Excludes emissions from agricultural soils and manure management.

settings and the burning of biomass-based fuels in industrial settings. In 2023, PM2.5 emissions reached the lowest level since emission estimates have been calculated.

Ammonia Emissions

Estimates of annual ammonia¹⁹ emissions reached the lowest level since estimates began in 2022 at 246,000 tonnes. In 2023, emissions rose slightly to 249,000 tonnes but still remained relatively low compared to historic estimates. Year on year changes to emissions of ammonia are largely driven by changes to farming practices and herd sizes.

Defra's key activities and achievements to drive performance between April 2024 and March 2025

Air quality in the UK has improved over recent decades, with most air pollutants showing a declining trend. These reductions mean the UK has met the current domestic and international emission reduction commitments for emissions of nitrogen oxides, sulphur dioxide, non-methane volatile organic compounds and fine particulate matter (PM2.5). The UK has also met its emission reduction commitment for ammonia with the inclusion of an approved adjustment. However, there is still progress to be made and the government will continue to work with local authorities and stakeholders to reduce air pollution and its harmful effects.

Key activities we have achieved to improve air quality:

- In April 2024, an industry-led scheme to reduce ammonia emissions was implemented through Red Tractor Assurance Scheme standards and Fertiliser Advisers Certification and Training Scheme (FACTS) trained farm advisors. The scheme was developed in response to government proposals for regulation to reduce ammonia emissions from urea fertilisers.
- In August 2024, the Air Quality Hub²⁰ was relaunched, a key resource for local authorities, which now features improved navigation and updated content based on feedback from authorities and government departments.
- In October 2024, the Air Quality digital project launched the first public version of the new web service providing air quality information for citizens.
- The PM2.5 Interim Planning Guidance was published on UK Air in October 2024. This interim guidance outlines the considerations for incorporating the Environment Act PM2.5 targets into planning decisions.
- 35 new PM2.5 monitoring sites were delivered in 2024-25 taking us to a total of 125 out of the target 200 sites planned for the Air Quality monitoring expansion programme.

¹⁹ 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>)

²⁰ <https://www.airqualityhub.co.uk/>

- Through Phase 2 of the Air Quality Competition, managed by Innovate UK, six companies were funded to develop their ideas from concept to prototype and develop new ways to reduce emissions of ammonia, and emissions of fine particles from domestic burning.
- In March 2025, the government published its review of the Air Quality Information System. The expert-led review (working with respiratory experts, the charity sector, central government and local authorities) makes a series of recommendations aimed at informing the public about the link between poor air quality and ill health. In December 2024, Minister Hardy convened a roundtable of experts, the health community and campaigners, which focussed on taking forward these recommendations.
- In March 2025, the UK supported the World Health Organisation's (WHO) pledge to take actions towards a voluntary 50 per cent reduction in the health impacts of air pollution by 2040 at the second Global Conference on Air Pollution and Health.
- We are continuing to work with English local authorities as part of the NO₂ programme, to meet NO₂ concentration limits. Defra in partnership with the Department for Transport (DfT) has provided £1.45 million in the financial year 2024-25, to help local authorities to develop and implement measures to address their NO₂ exceedances in the shortest possible time and improve the health of their residents. We have also agreed an £86 million investment-led, non-charging plan for Greater Manchester, from funding issued in previous financial years, that will see the city benefit from 117 new lower and zero-emission buses to help clean up the region's air.

Noise is second only to poor air quality as an environmental cause of ill health. The way we experience noise is a key factor in people's health, and prolonged exposure can lead to serious health effects including cardiovascular and metabolic diseases. Noise maps covering every road and railway in England were published in October 2024, using Defra's award-winning, state-of-the-art Noise Modelling System, which provides data in line with obligations under the Environmental Noise (England) Regulations 2006.

Chemicals and Pesticides

Since EU Exit, we have operated statutory chemicals and pesticides regulatory regimes ensuring that chemicals are safely used and managed throughout their lifecycle. Each year, we deal with thousands of regulatory decisions across chemicals and pesticides. We have also progressed reform to review how we operate our regulatory functions and tackle the most hazardous chemicals at source, encouraging where possible the use of alternatives.

Our primary chemical regulatory regime is UK REACH (Registration, Evaluation and Authorisation and Restriction of Chemicals). In 2024, we consulted on an Alternative Transitional Registrations model (ATRm), which aims to reduce industry costs. In 2024-25, we completed work to reform UK REACH fees which were brought into force on 1 April 2025. This will reduce industry costs by an estimated £40 million in total over the next six years, with the cost of registration expected to reduce for over 90 per cent of firms. In 2024-25, we delivered decisions on 35 Applications for Authorisation (AFA), assessing company requests

to use specific chemicals listed on the UK REACH Authorisation List for specific time limited circumstances across a range of sectors, including aerospace and surface engineering. As set out in the REACH 2024-25 work programme, we have also been considering potential restrictions around firefighting foams, lead in ammunition and tattoo inks and permanent make-up. We are on track to publish final decision reports on lead in ammunition and on tattoo inks and permanent make-up in the financial year 2025-26.

We are also committed to reducing Persistent Organic Pollutants (POPs). We have introduced legislation implementing relevant decisions and prohibitions made under the Stockholm Convention, a global treaty that aims to protect human health and the environment from the effects of POPs. The EA has assessed compliance with the regulations, including supporting business to properly manage waste containing POPs. We published the first triennial report on the regulation of POPs covering the years 2019 to 2021.

In December 2024, Defra published a policy statement on delivering the government's commitment to end the use in England of three neonicotinoid pesticides that carry substantial risks to pollinating insects. To that end, we will update guidance on pesticide emergency authorisations and assess potential options for legislation that would stop emergency authorisations for the three neonicotinoids.

In January 2025, we successfully introduced additional controls on waste electrical and electronic equipment exports (WEEE) to protect the environment and human health and in line with our commitments under the Basel Convention. We also continued to lead work on our proposal to list Medium Chain Chlorinated Paraffins (MCCPs) as a POP under the Stockholm Convention and invited stakeholder comments on two other proposals under that Convention.

As part of Defra's ongoing pesticides work, we assessed an application for emergency authorisation for use of the neonicotinoid pesticide Cruiser SB and concluded that it could not be granted. We notified a range of GB decisions regarding pesticide active substances and maximum residue levels to the WTO. We published a post-implementation review for The Official Controls (Plant Protection Products) Regulations 2020.

In March 2025, Defra published the UK Pesticides National Action Plan 2025. This plan sets out the priorities of the four UK governments for the sustainable management of pests, weeds and diseases. It seeks to minimise the risks and impacts of pesticide use on the environment and human health, while supporting agricultural productivity.

Priority outcome 4:

Support farmers to boost food security

Definition of Outcome

Defra is committed to delivering sustainable food production and nature’s recovery. We have also committed to making farming and food production more profitable and supporting farmers with a range of measures to help farmers grow their businesses and incorporate new technology to deliver innovation and help maximise efficiency.

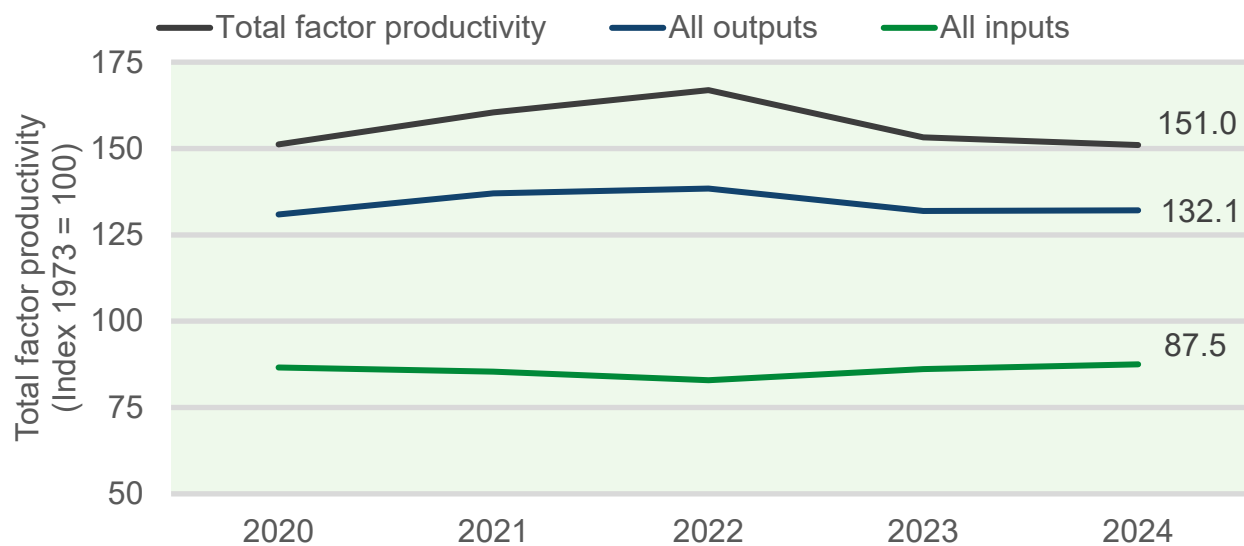
Sustainable Food Production

Key Performance Information

Productivity of UK agricultural industry

Total factor productivity is estimated to have decreased by 1.4 per cent between 2023 and 2024. This was driven by an increase in the volume of inputs, which was only partially offset by a small increase in the volume of outputs. ‘All inputs’ captures items which are used in agricultural production, for example fertiliser, energy and seeds. ‘All outputs’ captures agricultural commodities, for example, wheat, beef and milk. The volume of all inputs increased by 1.6 per cent. There was a mixture of increases and decreases in volume across inputs used. For intermediate consumption, seeds showed the largest increase (+8.0 per cent) due to an increased 2024 spring crop area in compensation for failed plantings in 2023.

Figure 7: Productivity of the UK agricultural industry

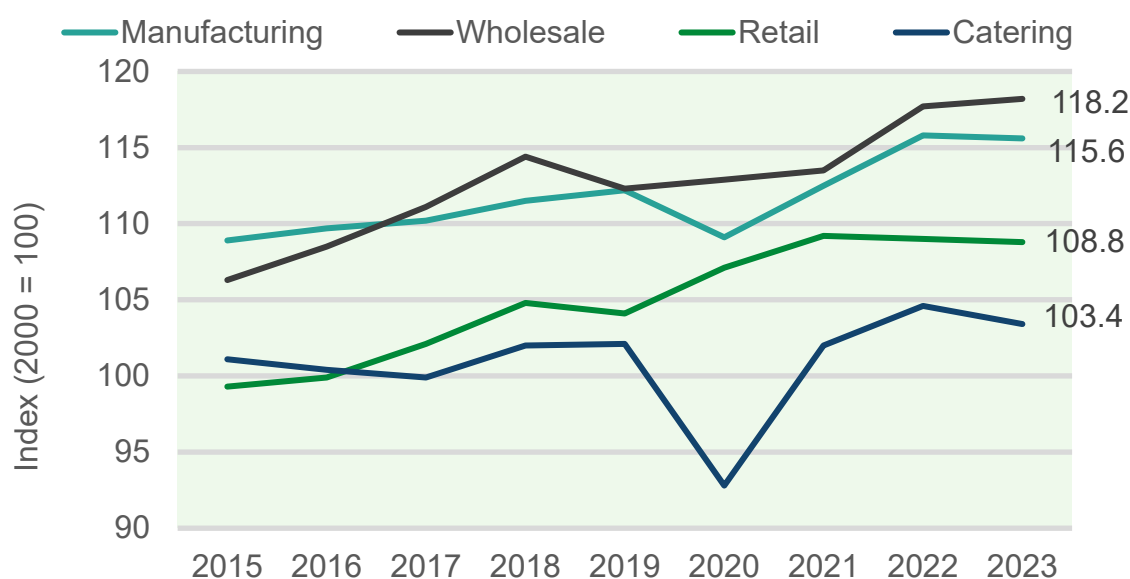


Source: Total factor productivity of the agricultural industry (<https://www.gov.uk/government/statistics/total-factor-productivity-of-the-agricultural-industry>)

Productivity of UK food industry

In 2023, the productivity of the food chain showed no significant change from 2022, while the productivity of the wider economy also showed no significant change. In the ten years prior to 2023, the average annual growth rate of the food chain was 0.6 per cent, while the wider economy's average annual growth rate was 0.4 per cent. In 2023, out of the four food sectors, two showed a significant change compared with 2022. Manufacturing decreased by 0.2 per cent, wholesale increased by 0.4 per cent, retail decreased by 0.2 per cent and catering decreased by 1.1 per cent. The latter had previously demonstrated nearly a full recovery from the conditions faced during the height of the pandemic. The lag in data is because this indicator relies on multiple administrative data sources.

Figure 8: Total Factor Productivity trends within the UK food industry 2015 - 2023

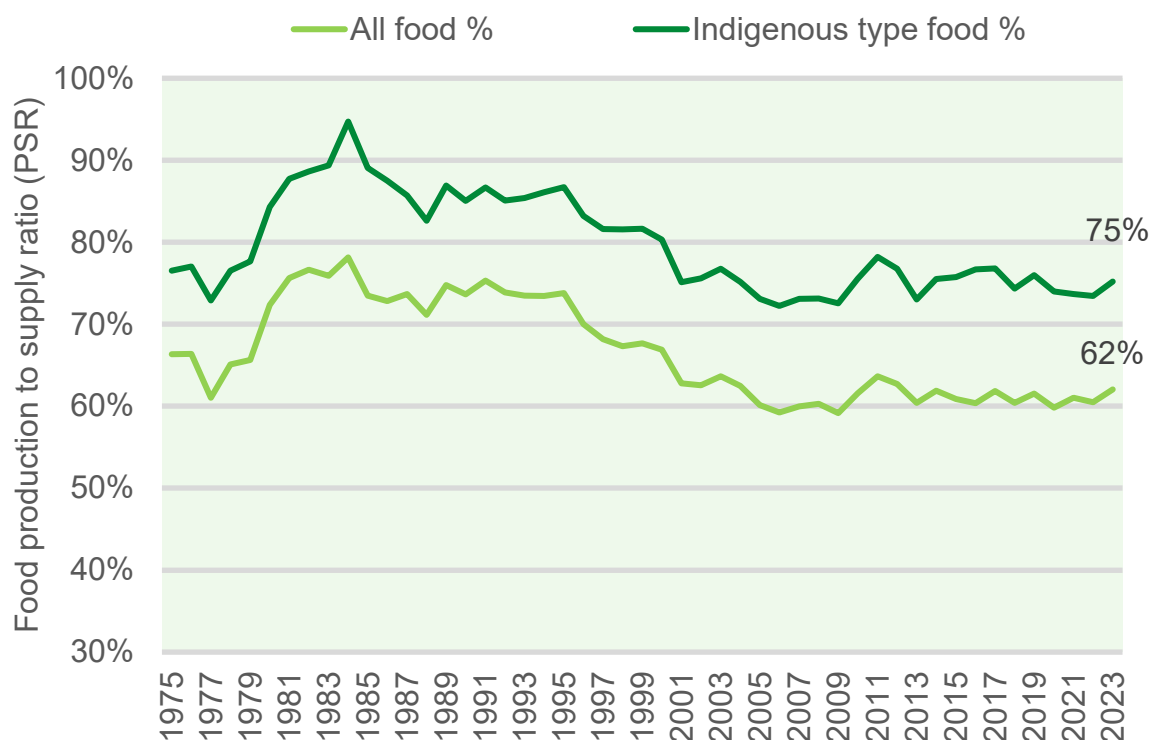


Source: Food chain productivity (<https://www.gov.uk/government/statistics/food-chain-productivity>)

Food production to supply ratio (PSR)

The food production to supply ratio (commonly referred to as the “self-sufficiency ratio”) indicates the proportion of food consumed that is produced domestically and is calculated as the farmgate value of raw food production divided by the value of raw food for human consumption and is estimated to be 62 per cent for all food in 2023 and 75 per cent of indigenous type food. The ratio has stabilised in the most recent decade at around 60 per cent after falling from over 80 per cent in the 1980s. The ratio for indigenous only food types follows the same trend but is consistently several percentage points higher than the ratio for all food types.

Figure 9: Food production to supply ratio (PSR)



Source: Agriculture in the UK: Chapter 14: The food chain - GOV.UK
<https://www.gov.uk/government/statistics/agriculture-in-the-united-kingdom-2023/chapter-14-the-food-chain#food-production-to-supply-ratio>

Defra’s key activities and achievements to drive performance between April 2024 and March 2025

We are making the Supply Chain fairer. In July 2024, the new Fair Dealing regulations for the Milk sector came into force. We have also established the new Agricultural Supply Chain Adjudicator who will enforce the Regulations and work as a trusted party across the supply chain.

Under the Agricultural Transition plan, we gradually phased out Direct Payments. The Basic Payment Scheme (BPS) in England was replaced with delinked payments in 2024. The 2023 scheme year was the last year of BPS. We will target investments away from Direct

Payments towards improving the Environment Land Management (ELM) schemes, including to those farms least able to adapt.

In October 2024, we announced that we are committing £1.8 billion to ELM schemes in 2025-26. This is the largest ever budget directed at sustainable food production and nature's recovery. We will continue to invest in our farmers and land managers through ELM schemes to boost Britain's food security and accelerate the transition to a more resilient and sustainable farming.

Preparations were completed for the launch of the latest application round of the Farming Equipment and Technology Fund (FETF) in Spring 2025. There will be a budget of £30 million for Productivity and Slurry, and £16.7 million for Animal Health and Welfare.

Preparations have also been completed for up to £63 million to be available for Farming Innovation Programme (FIP) competitions in 2025-26. This includes the new Accelerating Development of Practices and Technologies (ADOPT) fund which provides farmer-led, smaller-scale innovation grants, for farmers and farm businesses to trial new technology and methods on their farm.

In January 2025, changes came into force to help farmers deal with the impact of any future Avian Influenza outbreaks and to provide certainty and stability to our egg sector. The changes mean that free-range egg producers and packers can label and market their eggs as free-range for the duration of a mandatory housing measure, and they no longer have to change their labelling if mandatory housing measures last longer than 16 weeks.

In February 2025, we announced the extension of the Seasonal Worker visa route for five more years giving farms a pipeline of workers and certainty to grow their businesses. Annual quota reviews will ensure we strike the right balance, supporting farms while gradually reducing visa numbers.

Farming and Nature Recovery

Key Performance Information

Percentage of farms undertaking nature-friendly practices on at least 10 per cent of their land

The total area covered by Environmental Stewardship, Countryside Stewardship and Sustainable Farming Incentive scheme agreements in England on 31 December 2024 was estimated to be around 5.6 million hectares. This is equivalent to 64 per cent of the utilised agricultural area of England.

As this is a newly developed statistic using an updated methodology, we are unable to compare it to previous years, but it is likely that the area being managed under Agri-environment schemes in England increased between 2023 and 2024.

Defra's key activities and achievements to drive performance between April 2024 and March 2025

The Water Restoration Fund, which launched in April 2024, is reinvesting funding based on water company environmental fines and penalties accumulated from April 2022 until October 2023 to improve the water environment. Up to £11 million of funding was made available on

a competitive basis to support over 40 water restoration projects, which will commence over the 2025-26 financial year. The fund will help deliver objectives for the water environment, including preventing deterioration; protecting designated areas (protected areas); and improving water bodies to achieve their status objectives.

Following huge determination to get more farmers to participate, a record 50,000 farm businesses and more than half of all farmed land are now managed under our Agri-environment schemes, Sustainable Farming Incentive scheme, Countryside Stewardship Higher Tier and Landscape Recovery.

In December 2024, we published the Countryside Stewardship Higher Tier preview guidance, which sets out what funding will be available and what farmers and land managers can do to prepare to apply. Countryside Stewardship Higher Tier pays farmers, land managers and foresters to manage land in a way that protects, restores or enhances the environment and mitigates the effects of climate change. As of March 2025, 31,400 Countryside Stewardship agreements are in place across England (4,543 Higher-Tier and 26,857 Mid-Tier).

Landscape Recovery is for landowners and managers who want to take a large-scale, collaborative, long-term approach to producing environmental and climate goods on their land. It will facilitate and fund ambitious projects through bespoke, 20 plus year agreements. 22 Round One projects were awarded around £17 million in development funding in 2022, focused on restoring over 600 kilometres of rivers and supporting the conservation of more than 260 flagship species. They have been progressing through the development phase and are aiming to enter the implementation phase soon. In 2023, we awarded 34 projects a share of around £25 million project development funding for Round Two, focusing on net zero, protected sites and wildlife rich habitat. These projects have been progressing through the development phase.

An improved and expanded SFI offer (SFI24) was launched in May 2024, which consists of 102 actions, including actions for soil health, moorland, hedgerows, integrated pest management, farmland wildlife, buffer strips, agroforestry, precision farming, and grassland. As of 14 April 2025, there were just over 39,000 Sustainable Farming Incentive (SFI) multi-year agreements live, delivering sustainable food production whilst protecting and enhancing the environment for nature's recovery.

Rural Payments Agency (RPA) has published statutory guidance on the regulatory approach and the use of civil sanctions policy and delivered a regulatory regime in line with this approach. The Hedgerows Statutory Instrument was laid in Parliament on 16 April 2025 and approved on 21 May 2025 which puts hedgerow management practices into law.

We published our one-year progress update on the response to the Rock Review. Our response to the Rock Review: one year on – Farming.²¹ We have active work underway to deliver or have completed on 64 of 75 of the commitments and published our response to the Dartmoor review setting out how we plan to support farmers on Dartmoor.

²¹ <https://defra.farming.blog.gov.uk/2024/04/23/our-response-to-the-rock-review-one-year-on/>

Animal Health and Welfare

Defra's key activities and achievements to drive performance between April 2024 and March 2025

Legislation to make pet abduction a criminal offence received Royal Assent in May 2024. Under the Pet Abduction Act anyone found guilty of stealing a pet in England or Northern Ireland will face up to five years in prison, a fine, or both. The new law recognises that cats and dogs are sentient beings, capable of experiencing distress and other emotional trauma when they are stolen from their owners or keepers.

A new ban on exporting live animals came into law in May 2024. The Animal Welfare (Livestock Exports) Act bolsters the UK's position as a world leader in animal welfare standards. The legislation covers the export of cattle, sheep, and pigs for slaughter and fattening from Great Britain.

From June 2024, all cat owners should have their pets microchipped under new legislation. Owners must ensure their cat is microchipped before they reach the age of 20 weeks with their contact details stored and kept up to date in an approved pet microchipping database. The introduction of mandatory microchipping will make it easier for lost or stray pet cats to be reunited with their owners and returned home safely.

The legal deadline for XL Bull-type breeds to be neutered came into force in June 2024. Owners who have not had their dog neutered by the deadline, will be breaching the legal requirements to keep an XL Bull-type breeds and it could be seized by the police.

Under the Animal Health and Welfare Pathway, farmers can apply for grants to co-fund capital investments to support the delivery of published health and welfare priorities. New support became available under the Laying Hen Housing for Health and Welfare Grant, which opened for applications in June 2024.

Following a two-year adjustment period, new restrictions on the use of rodent glue traps came into force on 31 July 2024. It is now an offence to use glue traps for rodent control unless done under a licence. The Glue Traps (Offences) Act 2022 aims to improve humaneness for target rodents, but also other animals that can sometimes become accidentally trapped.

In January 2025, Defra banned the importing, exporting and dealing in items containing ivory from hippopotamus, narwhal, killer and sperm whale under the UK's world-leading Ivory Act.

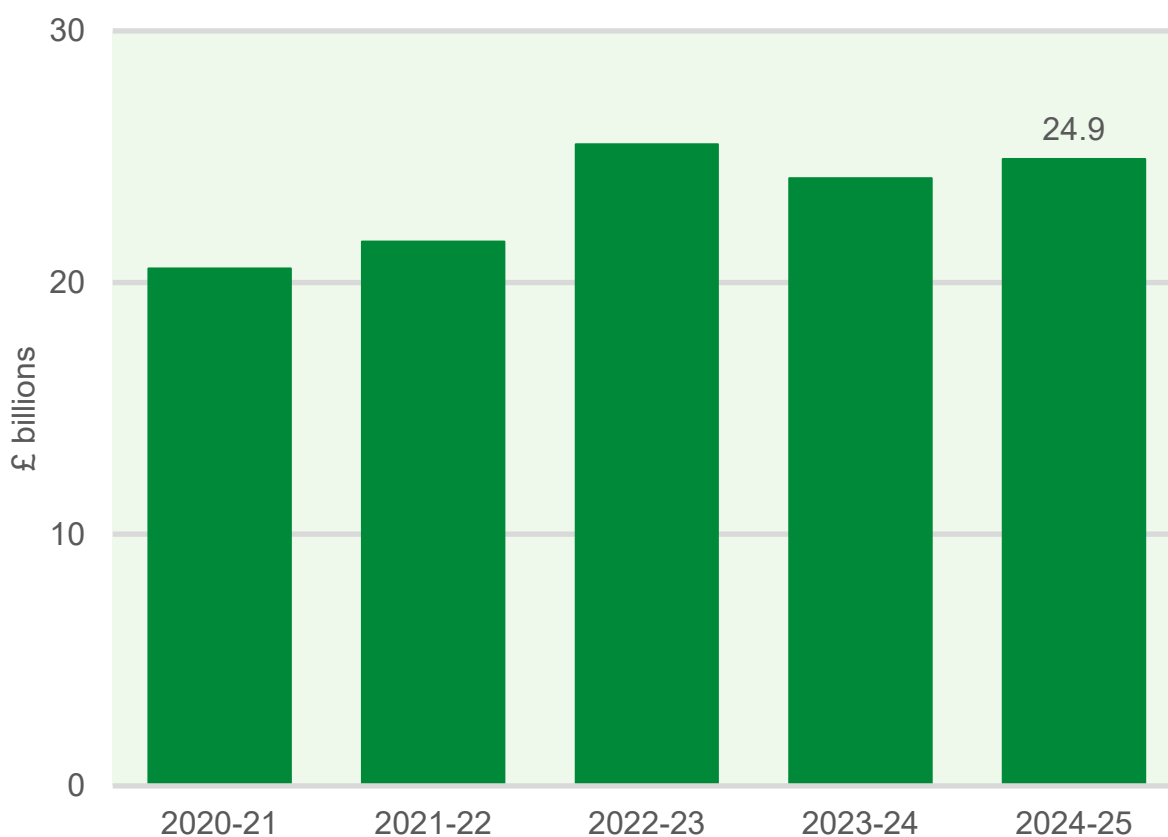
Trade of food, feed and drink

Key Performance Information

Value of UK food, feed and drink exported

The total value of agri-food exports from the UK in 2024-25 was £24.9 billion, an increase of three per cent from 2023-24.

Figure 10: Value of UK food and drink exported from the UK (£ billion)



Source: HMRC, tradeinfo (<https://www.uktradeinfo.com/>)

Defra's key activities and achievements to drive performance between April 2024 and March 2025

Defra is leading on the preparation for negotiating a sanitary and phytosanitary (SPS) agreement with the European Union (EU), in line with the government's manifesto commitment. The UK and EU are like-minded partners with similarly high standards. An SPS agreement could boost trade and deliver significant benefits on both sides.

Defra has continued to support negotiations on Free Trade Agreements to deliver the government's priorities on growth, while upholding and protecting our high environmental and animal welfare standards and promoting the best of British production.

Defra has supported the multilateral trading system at the World Trade Organization (WTO) to ensure fairer, predictable conditions for agri-food trade while defending the UK's right to develop policies that support UK standards, food production and farming. Defra has fulfilled UK obligations through the WTO SPS and Agriculture Committees and worked to advance agriculture reform, fisheries subsidies negotiations, and trade-environment discussions. Defra also played a key role in securing G20 and G7 declarations to promote sustainable agriculture and food security.

We are working to tackle the global barriers to exports, starting with the UK's top 100 barriers, a quarter of which are in food and drink. In 2024, we achieved a departmental record of resolving 65 agrifood barriers, reflecting the impact of our expanded agrifood network that is now 16 roles in key global markets. Two examples included resolving pork barriers to China, worth £80 million, and lifting the poultry export ban to South Africa. We introduced a new £1 million export support fund for the dairy sector, with a particular focus on support for small and medium enterprises.

Priority outcome 5:

Improve our nation's resilience to the dangers of flooding

Definition of the outcome

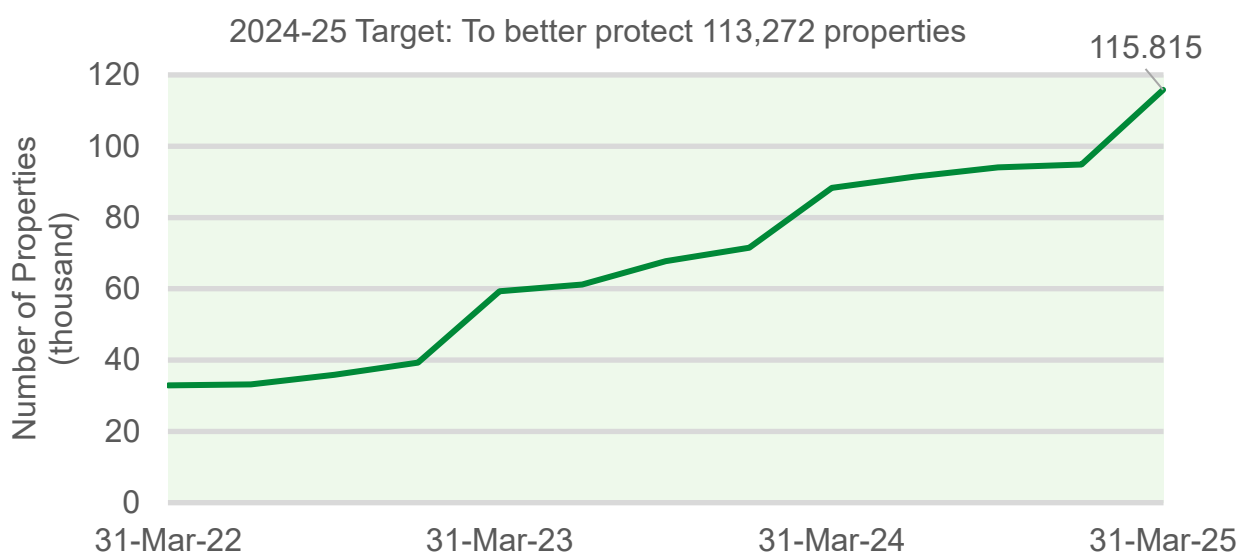
Protecting communities around the country from flooding and coastal erosion is one of the government's priorities. In February 2025 it was announced, as part of the government's Plan for Change, a record £2.65 billion will be invested over two years in building, maintaining and repairing flood defences.

Key Performance Information

Number of properties better protected from flooding in England

In 2024-25, the Flood and Coastal Investment Programme better protected over 27,000 properties from flooding. The Environment Agency (EA) achieved 27,543 properties better protected from flooding exceeding the annual target of 25,921. This takes the cumulative total for this programme to 115,815 properties better protected since April 2021.

Figure 11: Properties better protected from flooding in England (cumulative totals)



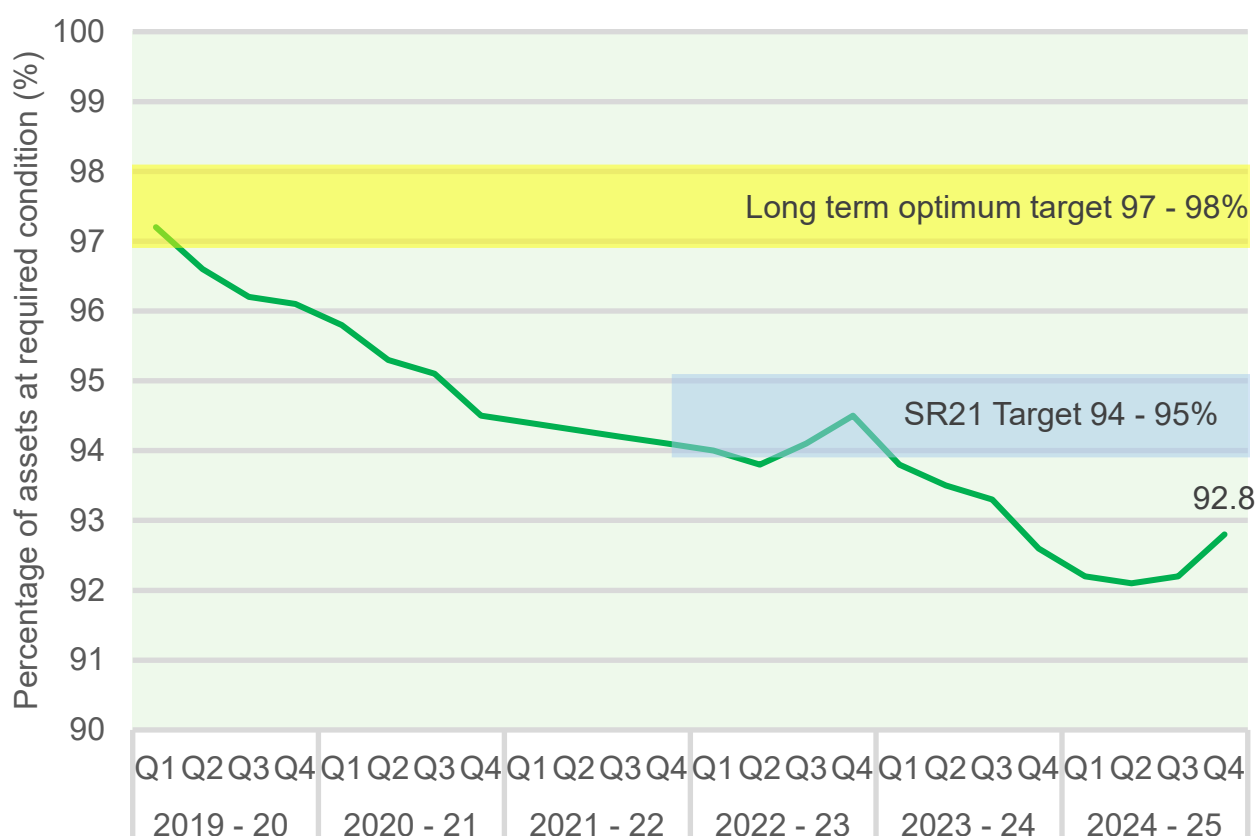
Source: Environment Agency Corporate Scorecard (<https://www.gov.uk/government/collections/environment-agency-corporate-scorecard>)

Flood and coastal risk management assets at or above the target 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 improved over 2024-25 from 92.2 per cent to 92.8 per cent. This means that we have temporarily stabilised asset condition at around 92 per cent, after a steady decline since 2018-19, by redirecting £108 million from the investment programme into maintenance for 2024-25 and 2025-26. This will maintain the reliability of defences during flood incidents and avoid further deterioration of assets.
- The outcome of SR24 was confirmed in January 2025, and the target condition will change from 94-95 per cent to 92 per cent from Q1 of 2025-26.

Figure 12: Flood and coastal risk management assets at or above the target condition

*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>)

Flooding Events and Incident Response

During the last 12 months, Defra has responded to multiple incidents, including widespread flooding.

In 2024, we have seen another year of above average rainfall, especially in central southern England, where rainfall was 25 per cent to 33 per cent higher than usual. Oxfordshire, Wiltshire, Gloucestershire, Bedfordshire, and Buckinghamshire all experienced their second-wettest year since records began in 1836. Overall, England had its eighth wettest year, though it wasn't as wet as 2023, which ranked fourth. Approximately 4,300 properties were reported as flooded, and 172,000 properties have been protected by flood defences.

A series of flooding events started in September 2024, which included Storms Bert and Darragh, and culminated in flooding across Greater Manchester and the Midlands over New Years Eve and early January 2025. Regions suffered different impacts during the storms. Nottinghamshire, Leicestershire and Northamptonshire were particularly affected on multiple occasions. Storm Bert caused severe impacts in South Wales and the New Year flooding impacted Greater Manchester and surrounding counties.

The EA Flood Warning Service for England issued over 2,500 Flood Alerts, over 1,400 Flood Warnings, and 3 Severe Flood Warnings between 1 September 2024 and 14 January 2025, enabling communities and partner agencies to prepare and save lives. An Emergency Alert was issued on 6 January 2025 to assist evacuation of Caravan Parks in Leicestershire. In January 2025, the EA completed a post-incident assessment, working with the government's Floods Resilience Taskforce. This concluded that 82 per cent of flood warnings were issued ahead of flooding occurring.

Defra's key activities and achievements to improve performance between April 2024 and March 2025

In February 2025, it was announced, as part of the government's Plan for Change, a record £2.65 billion will be invested over two years (2024-25 and 2025-26) in building, maintaining and repairing flood defences, better protecting 52,000 properties by March 2026. This funding also includes £108 million that government is re-prioritising into asset maintenance, ensuring an additional 14,500 properties will have their expected level of protection maintained or restored.

In March 2025, the government announced a £16 million boost for internal drainage boards uplifting the Internal Drainage Board (IDB) Fund from £75 million to £91 million helping to provide opportunities to modernise and upgrade assets. This vital funding will support greater resilience for farmers and rural communities in the long term.

The government has established a new Floods Resilience Taskforce. The taskforce met in September 2024, February 2025 and May 2025. It is focussed on national and local flood resilience and preparedness and longer-term policy and strategy. Meetings have looked at preparedness for (and learnings from) the winter 2024-25 floods season, floods funding and investment reform and working across organisations to support vulnerable people. Action Groups led by taskforce members have been created to lead improvements on flood warnings and public awareness of flood recovery schemes and insurance services.

We are also working to protect our National Flood Rescue Boat System in England.

Stewardship outcomes

Reduce carbon emissions (to achieve Net Zero) and manage the impacts of climate change

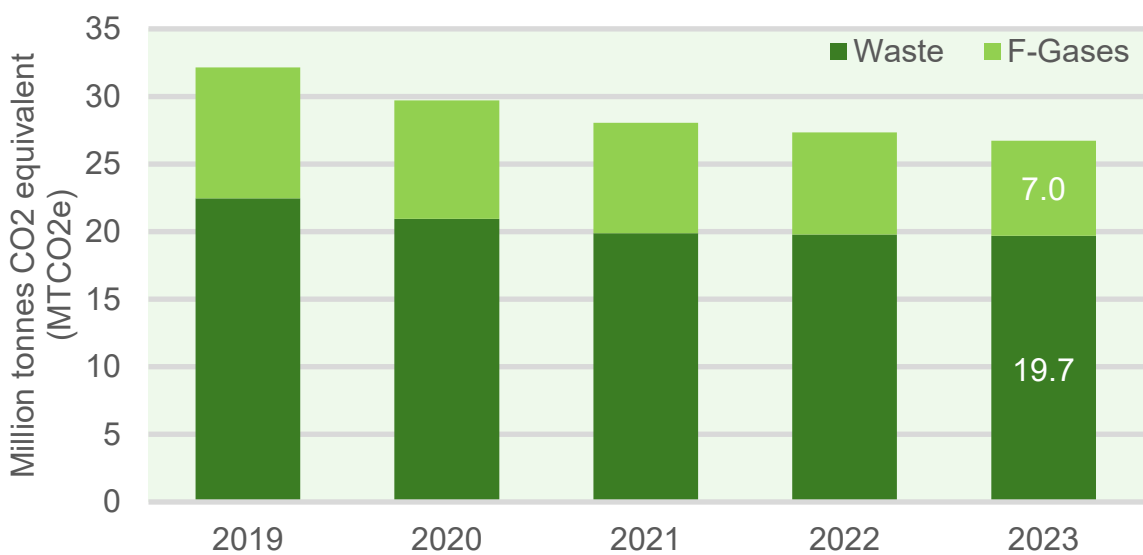
Key Performance Information

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

The latest UK Greenhouse Gas (GHG) Inventory (the Inventory) was published in February 2025. It includes updated figures for 2023 and revisions to past years based on the latest data. In 2023, emissions from sectors overseen by Defra (those stated in the title above) were 74.5 million tonnes of carbon dioxide equivalent (MtCO₂e), which is slightly lower (by 0.2 MtCO₂e) than in 2022. There were no significant changes to the figures for previous years.

For waste, emissions showed no significant changes between 2022 and 2023. The historical updates, however, show an increase of 1.2 MtCO₂e caused by an increase in emissions from landfill. Further detail on waste programmes contributing to net zero can be found in the section Create a roadmap to a circular economy (Priority Outcome 2). For F-gases, UK emissions reduced to 7.0 MtCO₂e in 2023. This represents a reduction of 0.6 MtCO₂e (7 per cent) compared to 2022 and is caused by a decline in hydrofluorocarbon (HFCs) (detailed below).

Figure 13: F-gases and waste greenhouse gas emissions average per annum 2019-2023

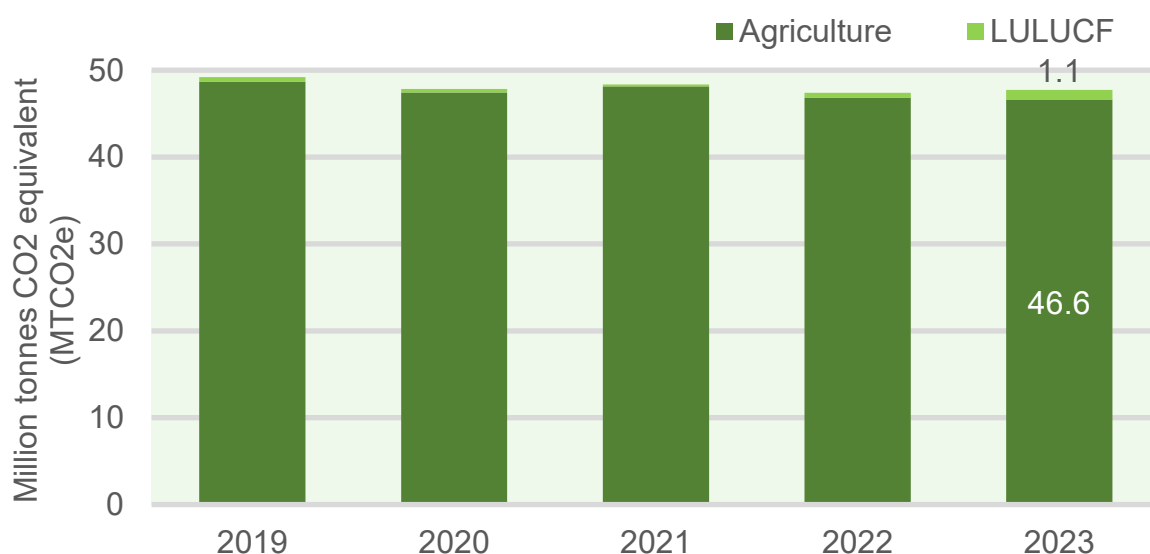


Source: Final UK greenhouse gas emissions statistics (<https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-statistics-1990-to-2023>)

For Agriculture, UK emissions reduced to 46.6 MtCO₂e in 2023. This represents a reduction of 0.3 MtCO₂e or 1 per cent compared to 2022. The reductions in emissions between 2022 and 2023 is mainly due to a decrease in livestock emissions, and despite increased emissions from agricultural machinery. The reason for the historical decrease in agricultural emissions between 1990 and 2023 (of 14 per cent) is mainly due to a fall in animal numbers and synthetic fertiliser use. To note, the Inventory updated the 2022 emissions, decreasing them by 0.8 MtCO₂e compared to the previous Inventory. The change between Inventories is caused by additional information causing changes to historical emissions data. Further detail on agriculture schemes and programmes contributing to net zero can be found in the section Support farmers to boost food security (Priority Outcome 3).

The Inventory reports that for LULUCF, UK emissions increased to 1.1 MtCO₂e in 2023. This represents a marginal increase of 0.6 MtCO₂e compared to 2022, largely due to lower emissions sinks from forestland. Further details on agricultural schemes and programmes can be found in the section Support farmers to boost food security under Farming and Nature Recovery - Defra's key activities and achievements (Priority Outcome 3).

Figure 14: LULUCF and agriculture greenhouse gas emissions average per annum 2019-2023



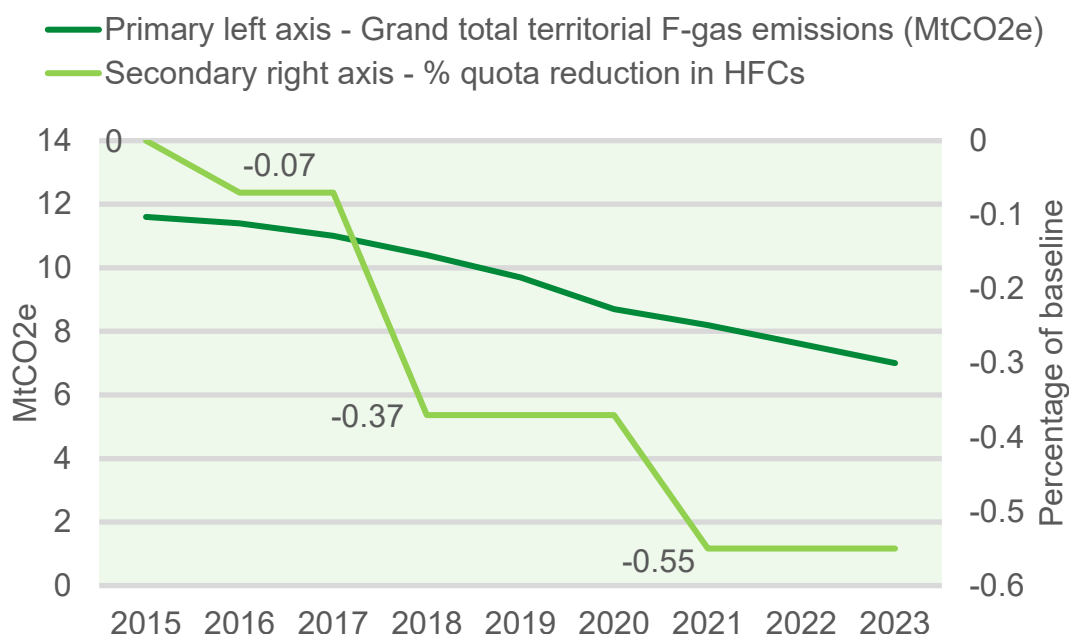
Source: 2023 UK greenhouse gas emissions: final figures – statistical summary
<https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-statistics-1990-to-2023>

Hydrofluorocarbons (HFC) restrictions – control of potent greenhouse gas usage

The stepped hydrofluorocarbon (HFC) phasedown in GB legislation has reduced the amount of HFCs placed on the market by 69 per cent in 2025, compared to a 2015 baseline. By 2030 the UK will have reached 79 per cent. The UK is committed to reaching a target of 85 per cent by 2036 in line with the Kigali amendment to the UN Montreal Protocol. The Inventory proves the regulatory phasedown action on HFCs has been effective, with territorial F-gas emissions falling by 40 per cent in 2023 compared with 2015. There is a lag between quota reductions and emissions coming down; equipment reliant on HFCs form banks of the gases, with emissions occurring during the lifetime of such equipment through

leaks. Therefore, there is not a direct link between HFC quota each year and annual emissions.

Figure 15: Percentage change in HFC quota and territorial F-gas emissions relative to 2015



Source: Final UK greenhouse gas emissions statistics: 1990 to 2023
<https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-statistics-1990-to-2023>

Defra's key activities and achievements to improve performance between April 2024 and March 2025

Defra is the lead department for domestic adaptation to climate change, responsible for coordinating requirements set out in the UK Climate Change Act 2008. This includes preparing a UK Climate Change Risk Assessment every five years, followed by a National Adaptation Programme, setting out actions by relevant government departments to address the risks identified in the latest risk assessment.

This work is driven by a recognition that preparing for the future not only means tackling the climate and nature emergencies but also adapting to the changes they will bring. For climate adaptation, 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 Programme (NAP3)²² was published in July 2023. While Defra coordinates climate adaptation, this is a whole of government effort. NAP3 details the policies developed across multiple government departments to respond to each of the 61 climate risks and opportunities to the UK, identified in the government's Third Climate Change Risk Assessment. Defra continues to monitor progress and delivery of climate adaptation across government and works closely with government departments, including

²² <https://www.gov.uk/government/publications/third-national-adaptation-programme-nap3>

HM Treasury and Cabinet Office, to ensure adaptation is considered in policy and financial decision-making.

Alongside NAP3, the fourth round of reporting under the Adaptation Reporting Power concluded in December 2024. This reporting round, we continued to improve the information that government gathers on the climate change preparedness of infrastructure sectors and support climate risk management by reporting organisations. Organisations from the energy, transport, water, telecoms, environment, land, food, finance, heritage, and health sectors were represented, and for the first time the government has piloted reporting by a group of local authorities.

We developed the Climate Adaptation Research and Innovation Framework, which was published in April 2025. It is a new guide to evidence needs that supports action to make the UK more resilient to climate change. Developed in collaboration with the Government Office for Science, the framework outlines the research and innovation needed around climate adaptation to fill evidence gaps and support action within government, industry, and research communities to make UK society resilient to climate change. The framework is the first of its kind and identifies over a thousand specific research and innovation needs for climate adaptation across 11 key sectors. Defra also published a revision to the Green Book Supplementary Guidance earlier this year on Accounting for the Effects of Climate Change. This provides the basis for policy makers to ensure that policies, programmes, and projects across government activity are developed and delivered in a way that is resilient to climate change.

As well as leading domestic adaptation to climate change, Defra also continues to contribute to the government's cross-cutting net zero ambition and Clean Energy Superpower Mission, led by the Department for Energy Security and Net Zero (DESNZ). Our key programmes take a dual approach: to minimise emissions or maximise carbon sequestration whilst taking account of our wider environmental commitments.

In 2024-25, Defra has continued to implement the net zero pathway as set out in the Carbon Budget Delivery Plan published by DESNZ (under the previous government) in March 2023. Defra has also been preparing its approach towards a more ambitious Carbon Budget 7 in 2024-25, the level for which is legally required to be set by June 2026.

Defra's sectors' progress is detailed throughout this report alongside the relevant Priority Outcomes and below in relation to F-gas.

A review of the F-gas Regulation has continued throughout 2024-25. 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.

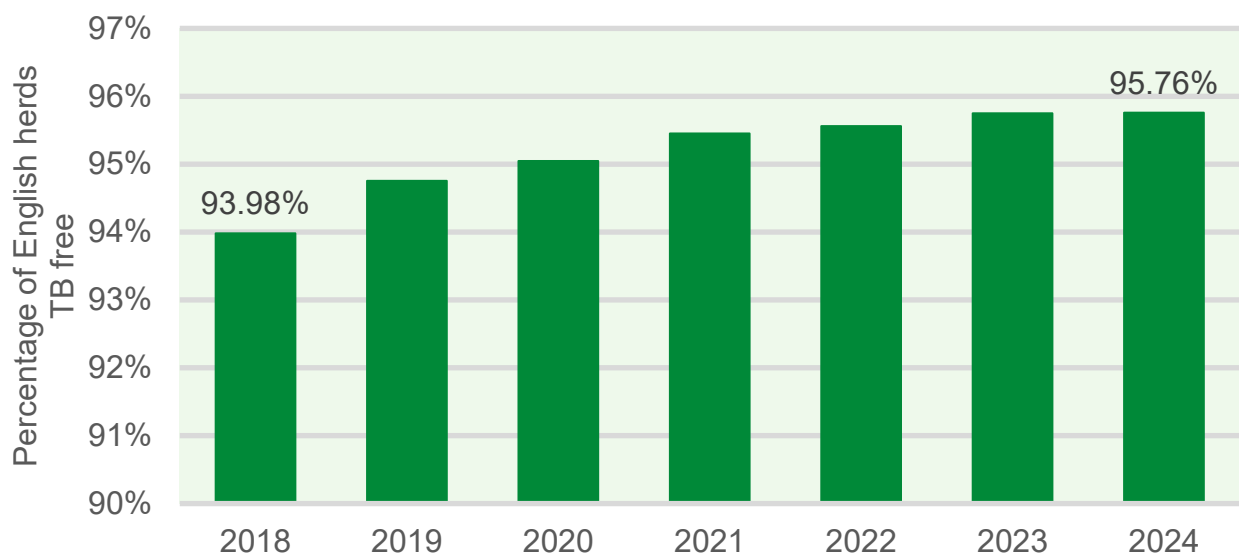
Enhance Biosecurity

Key Performance Information

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 2024, 95.8 per cent of herds were officially TB-free in England, compared with 95.7 per cent at the end of December 2023.

Figure 16: Percentage of English herds bovine TB free



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

Defra’s key activities and achievements to improve performance between April 2024 and March 2025

In April 2024, the government introduced crucial changes to the way the UK imports food, animal and plant products to improve our biosecurity. Products which present a ‘medium’ risk to our biosecurity will now undergo identity and physical checks, which test for pests and diseases that could impact the safety of our food and harm our natural environment. Checks involve visual inspections and temperature readings of goods. Additionally, ‘high risk’ goods will now be checked at the border, where before they were checked at destination. These checks will help identify public health issues such as salmonella and build on existing safeguarding measures which identify diseases like African Swine Fever, which is widespread in certain countries across Europe and could be devastating to our pig farms.

In May 2024, the government set out how it will work with the farming industry to manage future outbreaks of bluetongue virus in England. The Bluetongue Serotype 3 Disease Control Framework was developed in discussion with the farming industry. It sets out how disease control efforts will focus on movement control of susceptible animals and their germinal products (semen, eggs, ova and embryos) as a precautionary tool to stem spread of the

disease until a safe and effective vaccine for bluetongue virus serotype 3 (BTV-3) becomes widely available.

In May 2024, the battle against tree-disease spreading beetles such as the Emerald ash borer and the larger eight-toothed spruce bark beetle took a significant step forward thanks to new government funding for a new £4 million research and containment facility at the UK's Forest Research Alice Holt Research Station in Surrey. The new facility will expand the capacity of the existing Holt containment laboratory by almost double. This will boost capability to study pests and pathogens in a contained and controlled environment – enhancing our national response and facilitating safe international trade.

In May 2024, government published its second national action plan, confronting antimicrobial resistance (AMR) 2024 to 2029, which builds on the achievements and lessons of the first.

In August 2024, work on a comprehensive new Bovine Tuberculosis (TB) eradication strategy was launched to end the badger cull and drive down TB rates to save cattle and farmers' livelihoods. For the first time in over a decade, the government will introduce a new bovine TB eradication strategy working with farmers, vets, scientists and conservationists to rapidly strengthen and deploy a range of disease control measures. The new strategy will mark a significant step-change in approach to tackle this devastating disease, driving down TB rates and saving farmers' livelihoods and businesses. It will use a data-led and scientific approach to end the badger cull by the end of this Parliament.

In September 2024, urgent measures were introduced to protect pig farmers and industry from an African swine fever (ASF) outbreak. ASF is a highly contagious and deadly disease in pigs and wild boar that can be transmitted through infected meat but poses no risk to human health. The new safeguarding rules will help protect UK livestock by mitigating its spread across the border to the UK. An outbreak of ASF could have a significant impact on the UK's £8 billion pig industry, as well as its annual pork and pork product exports worth £600 million.

On 1 October 2024, the Animal and Plant Health Agency (APHA) celebrated a decade of its world-leading efforts to safeguard both animal and plant health on the domestic and international stage. Over the past ten years APHA has been at the forefront of identifying and controlling endemic and exotic diseases and pests in animals, plants and bees, and surveillance of new and emerging pests and diseases.

In October 2024, new measures to better protect the poultry sector from future avian influenza outbreaks came into force including a requirement for all bird keepers, regardless of the size of their flock, to officially register themselves with APHA, if they have not already done so.

In December 2024, major UK pork producers were able resume exports to China as the government secured the end of COVID-19 era restrictions on UK unprocessed pork exports. Industry estimates this could boost revenues by around £80 million. Since October 2024, British poultry can once again reach South African tables, after the UK secured market access estimated to bring up to £160 million to industry over the next five years.

In December 2024, HM Treasury approved the business case scope and budget to strengthen Britain's biosecurity. Setting up a new National Biosecurity Centre (NBC) will transform the APHA animal health facility at Weybridge. In the subsequent Spending Review, funding of over £1bn was approved to improve our resilience against animal disease to protect farmers and food producers.

In March 2025, following outbreaks of Foot and Mouth Disease (FMD) in Hungary, Germany and Slovakia, the UK government took action to prevent the commercial import of cattle, pigs, sheep, goats and other non-domestic ruminants and porcine such as deer and their untreated products, such as fresh meat and dairy. This will protect farmers and their livestock. FMD poses no risk to human or food safety, but is a highly contagious viral disease of cattle, sheep, pigs and other cloven-hoofed animals such as wild boar, deer, llamas, and alpacas.

Planning and Infrastructure

Defra's key activities and achievements to improve performance between April 2024 and March 2025

Defra has worked closely with the Ministry of Housing, Communities and Local Government (MHCLG) and DESNZ to deliver much needed planning reforms to support the government's Growth and Clean Energy missions. Our vision is for a better system that will unlock the housing and infrastructure this country urgently needs while improving outcomes for nature.

As set out in the Plan for Change, the government will streamline development processes to meet new and ambitious targets to build 1.5 million homes and advance 150 major infrastructure projects. Planning reforms have included:

- Amending four permitted development rights that support the agricultural sector and rural communities with flexibilities and planning freedoms.
- Updating the National Planning Policy Framework to ensure that development in the Green Belt brings benefits not only for communities but for nature, encourage the incorporation of features to protect threatened species, require all developments to utilise Sustainable Drainage Systems where they could have drainage impacts and to support climate change adaptation more broadly.
- Natural England (NE) and the EA delivering evidence, tools and guidance including the Oxford Cambridge Integrated Water Management Framework and improvements to the Green Infrastructure Framework and Environmental Benefits from Nature Tool.
- Supporting the development of the Planning and Infrastructure Bill. The Bill will speed up and streamline the delivery of new homes and critical infrastructure. The Bill will also establish the Nature Restoration Fund, creating the opportunity for housing and infrastructure to do more for protected sites and species. We want to make better use of the millions of pounds that are spent each year on bespoke mitigation and compensation schemes, by using this money to fund strategic interventions that provide greater benefit for nature than the status quo. The measures in the Planning and Infrastructure Bill provide the framework to allow us to

take a more strategic approach through the creation of Environmental Delivery Plans.

- Defra is also legislating through the Planning and Infrastructure Bill to allow the Forestry Commission (via one of their executive agencies, Forestry England) to bring forward development proposals, on the land they manage, relating to the generation of electricity from renewable sources and to sell resulting electricity.
- We have also worked with MHCLG on the Planning and Infrastructure Bill to bring forward a funding framework to enable statutory consultees such as NE and the EA to be resourced adequately, and on a sustainable basis for their role in the planning system for the Town and Country Planning Act. This is in line with HM Treasury's Managing Public Money (MPM) guidance and will enable them to support the government's growth objectives in full.
- Establishing a Novel Technologies working group, bringing together NE, the EA and the relevant technology teams in DESNZ to assess research and guidance gaps in relation to new technology.
- Supported the National Energy Systems operator to develop the methodology for the Strategic Spatial Energy Plan.

Delivering for rural communities

Defra's key activities and achievements to improve performance between April 2024 and March 2025

As lead department for rural affairs, Defra works across government to ensure that we take account of rurality when designing and implementing policies, considering factors like sparsity, distance and connectivity. In the past we have produced annual rural proofing reports that reflect some of the key deliverables across government for rural areas. Since the election and the development of the government's missions, we have been reviewing our approach and have been working with other government departments to look at specific policies linked to the missions. This has led to a more strategic approach to rural delivery, culminating in the establishment of a time limited Rural Taskforce on Government Mission Delivery in April 2025.

The aim of this is to ensure that the economic transformation of the countryside goes hand in hand with nature's recovery and assists the government's five missions. The Taskforce is sponsored by Minister Zeichner and Chaired by Heather Hancock; Defra Lead Non-Executive Director. The output will be a forward-looking Rural Delivery Plan, ensuring that all places and all people in the UK contribute to and prosper from the government's mission programme.

In March 2025, it was announced that Defra would be providing an additional £33 million for the Rural England Prosperity Fund (REPF) in financial year 2025-26. This announcement continues funding beyond the lifetime of the original scheme providing new money for new projects in rural areas. In addition, it was also announced that up to a further £5 million in funding to go towards the continuation of important services for rural communities. Part of this funding will go towards the Rural Community Assets Fund, which provides capital

funding for the refurbishment and development of community-owned assets, such as village halls or community centres.

Having a rural urban classification is integral to understanding rural areas. Defra has worked closely with the Office for National Statistics and Welsh Government to review and update an official statistical classification. The 2021 rural urban classification was published in March 2025 and classifies a range of geographies from Census output areas to local authorities.

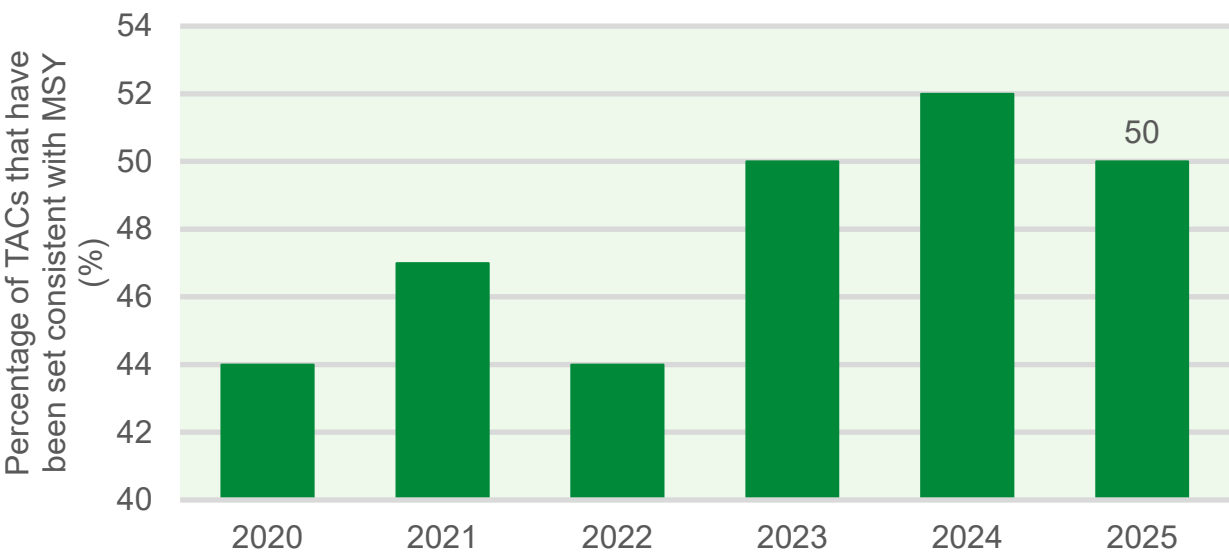
Facilitate economic resilience and sustainable practices in the fisheries sector

Key Performance Information

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 2025 found that 50 per cent of the TACs which relate to MSY advice were set consistent with MSY advice (27 out of 54 TACs). This is 1 percentage point lower than 2024. The report (Assessing the sustainability of fisheries catch limits negotiated by the UK for 2025²³) describes the assessment of TACs set during annual negotiations.

Figure 17: Percentage of TACs that have been set consistent with MSY



Source: Assessing the sustainability of fisheries catch limits negotiated by the UK for 2025 (https://assets.publishing.service.gov.uk/media/67d97ff65bad4b1a7f01ed6d/Assessing_the_sustainability_of_fisheries_catch_limits_negotiated_by_the_UK_for_2025.pdf)

²³https://assets.publishing.service.gov.uk/media/67d97ff65bad4b1a7f01ed6d/Assessing_the_sustainability_of_fisheries_catch_limits_negotiated_by_the_UK_for_2025.pdf

Defra's key activities and achievements to improve performance between April 2024 and March 2025

We continue to develop new and implement published Fisheries Management Plans²⁴ (FMP) as required by the Fisheries Act 2020 and Joint Fisheries Act.

Since its creation in April 2021, the Fisheries and Seafood Scheme has resulted in £35 million invested into the industry and has attracted a total of £19 million in match funding from private investments. The scheme has funded over 1,700 projects to support England's catching, aquaculture and processing sectors and to improve the marine environment.

The UK Seafood Fund has awarded grants to over 330 projects across the UK, alongside the UK government funding it has raised over £86 million in private investment.

This commitment includes:

- Over £46 million awarded to over 160 projects that will improve infrastructure and bring social and economic benefits to coastal communities.
- £30 million awarded to over 150 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.
- Over £1 million has also been allocated to boost seafood exports to new and existing markets.

In February 2024, we launched a new UK-based environmental science network²⁵, to gather scientific data, and carry out research to help assess the environmental impacts of deep-sea mining.

Sustainability has been at the heart of the UK's approach to negotiations. In December 2024, the UK reached agreements with the EU, Norway and coastal States in the northeast Atlantic that secured the UK fleet with access to 747,000 tonnes of fishing opportunities in 2025, worth an estimated £956 million based on historic landing prices. Further commitments to joint sustainable fisheries management were also made.

As a member of the High Ambition Coalition to End Plastic Pollution, the UK is taking a leadership role in the Intergovernmental Negotiating Committee's (INC) negotiations to develop an international legally binding instrument on plastic pollution, including in the marine environment (Global Plastic Pollution Treaty). While the INC did not reach an agreement at its fifth session in December 2024, the UK remains committed to securing an agreement at the resumed session this year and continuing its leadership role, by promoting an effective approach to problematic plastic products, one of the key areas of negotiation.

²⁴ <https://www.gov.uk/government/publications/fisheries-management-plans/fisheries-management-plans>

²⁵ <https://www.gov.uk/government/groups/uk-deep-sea-mining-dsm-environmental-science-network>

In January 2025, the UK government issued a written ministerial statement which confirmed our commitment to delivery of the Offshore Wind Environmental Improvement Package, designed to accelerate deployment of offshore wind in support of the Clean Power Mission, while protecting and enhancing the marine environment. This includes the development of the Marine Recovery Fund (the MRF) for implementation by late 2025. The MRF will be an optional way for industry to fund strategic compensation measures to offset the negative impacts of offshore wind developments on marine protected areas. The consultation to establish the MRF is currently underway.

In January 2025, the UK government also published a package of measures to reduce the impact of noise in our seas in a way that continues to support the expansion of offshore wind to meet our Clean Power by 2030 mission. This includes a Marine Noise Policy Paper that sets out the next steps Defra is taking to tackle marine noise, including the expectation that all offshore wind developments will need to demonstrate they have used best endeavours to deliver noise reductions when piling from January 2025 onwards. Additionally, the publication of a revised Joint Position Statement on Unexploded Ordnance sets out that quieter methods for clearing unexploded bombs from the seabed should now be considered the default, with loud high-order detonations restricted to extraordinary circumstances only. These steps will significantly reduce the amount of noise entering our seas.

Facilitate economic resilience and sustainable practices in the forestry sector

Defra's key activities and achievements to improve performance between April 2024 and March 2025

Through our Woodland Apprenticeship Schemes and Forestry and Arboriculture Training Fund, we are helping train the custodians of our present and future forests, with more than 4,900 applicants awarded funding since opening and apprenticeships at a number of different levels.

Since 2020, Defra has awarded over £15 million to tree nurseries to improve the quality, quantity and diversity of domestic seed and sapling, ensuring the sector has access to a secure and healthy supply of seeds and trees.

We have launched the Tree Planting Taskforce to support our plans to plant millions more trees. The four nations will work to resolve barriers to help enable tree planting, boost biodiversity and grow the UK's forestry sector.

The Woodland Creation Accelerator Fund supported 113 new posts in Local Authorities, leading to increased use of tree planting grants. This led to 3.3 million trees being planted.

In 2024, we co-funded with DESNZ research into the whole life carbon impact of buildings constructed out of timber. Key findings included that when using high timber and decarbonisation methods, 190 MtCO₂e can be saved compared to traditional construction methods.

The Woods into Management Forestry Innovation Funds have awarded £2.3 million to 14 projects through the Timber in Construction Innovation Funds to support new timber systems and uses for underutilised homegrown timber and show the suitability and viability of England's woodland resource.

In 2023-24, 4,547 hectares of new woodland was established in England. 90 per cent of this was broadleaf and 10 per cent was conifer. Conifer planting has increased from eight per cent to 10 per cent in the past five years.²⁶ To meet our carbon budget pathway, we have a goal to treble conifer planting to 30 per cent of total planting.

In February 2025, we relaunched the Timber in construction roadmap²⁷ which sets out the actions needed to increase the safe use of timber in construction as part of this decarbonisation journey. The built environment accounts for 25 per cent of the UK's annual GHGs. Timber offers a sustainable, low carbon building material that locks up carbon long-term. Using timber can reduce embodied emissions in a single building by 20 per cent to 60 per cent.

²⁶ [Forestry-Commission-Key-Performance-Indicators-Report-2023-24_.pdf](#)

²⁷ <https://www.gov.uk/government/publications/timber-in-construction-roadmap-2025/timber-in-construction-roadmap-2025>

Internal Transformation and Services

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

Defra's Group Corporate Services (GCS), Strategy and Water Group and Science and Analysis Group provided the fundamental enablers that supported the department and our arm's length bodies (ALBs) to effectively deliver our strategic plans and ambitions. Our portfolio of corporate services provided the necessary capability, workforce skills, IT, data and digital solutions, workplaces, resource management, commercial expertise, strategic and organisational planning, cross-cutting and strategic analysis, legal and legislative support, communications framework, Research and Development (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.

We work with the government Science and Engineering profession and across the analytical professions to deliver the science and analytical capability and enable innovation that is critical to delivering optimal 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 second R&D Fellowships programme, which will enhance our technical capability and capacity in Defra.

Lead, collaborate and unleash the talent within our organisation

Our workplaces continue to play a vital role in helping us connect with colleagues and partners and work continues to ensure we are supplying the right property in the right places whilst improving the workplace experience of our staff. Work is currently underway across our Office and Operational portfolios to look at sensible rationalisation and savings opportunities whilst also supporting government's wider Places for Growth agenda, but as our estate is placed based to meet front line commitments, this is a major piece of strategic work.

During 2024-25, we focused on workforce planning and transformation. We have established new processes for realigning workforce to work priorities and managing SCS talent across the organisation. We have initiated workforce management approaches including headcount planning as part of the Spending Review (SR), and the implementation of Voluntary Exit Schemes (VES) in our Core department and for Natural England (NE). We continue to focus on building and evolving capability through a professional lens, including reviewing how we attract and retain the best talent (particularly for scarce skills areas), develop our line managers and recognise and reward existing staff having delivered an above inflation pay rise and launched a pilot of flexible financial wellbeing benefits.

We are committed to innovation, automation and the use of Artificial Intelligence (AI) and have developed a digital roadmap that has seen us deliver and launch MyHR, an online portal, automating our Leavers process in December 2024 and launching a new Resourcing Queries Resolution service in March 2025.

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 Aspire Programme launched in February 2025, targeted at grades AA-EO (or equivalent) from ethnic minority backgrounds, providing 75 delegates with the skills and confidence to progress through their careers. In the most recent Civil Service People Survey, the engagement index score increased by one percentage point from the previous year. 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.

Deliver science, analysis, and data to enable innovative policy creation and effective decision-making

Science and Analysis

We continued to enhance the technical, data and skills capability across the Defra group through the Data Analytics and Science Hub service and have updated Data Service Platform for the 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.

In this final year of SR21, Defra received an uplift in the R&D budget which enabled continued investment in research and innovation across all Defra's priorities. Examples of research from across the portfolio include the Flu Trail Map, the Living Ash Project and Crop Genetics Improvement Network. It also includes a continuation of our partnership programmes in Land Use for Net Zero and Environment Monitoring Innovation Programme.

We have continued our investment in the Natural Capital and Ecosystem Assessment programme, which is delivering a comprehensive assessment of England's natural environment through a range of maps, analysis ready datasets, and reports that are already being used to shape policy and decision-making within the Department.

Work with users, partners, and stakeholders to co-design effective delivery approaches and service

We have continued to engage with the CO benchmarking exercises, looking at the corporate service functions across the group of larger ALBs and the Core department. The findings to date demonstrate the efficiency of the consolidated Defra Group Corporate Services model, with our functions broadly benchmarking below the median for their organisation clusters on cost.

Strategy and Water Group plays a critical role in supporting Ministers with the insight and resources to make informed decisions and conduct parliamentary business, and the Permanent Secretary to successfully deliver Defra's priorities. The group also ensures Defra is effectively resourced through the SR and business planning processes. Strategic direction setting and policy coherence are further assured through the Strategy Unit and risk and performance management. Strategy and Water further ensures robust policy frameworks, legislative processes and effective collaboration with devolved administrations to address the department's strategic and operational needs.

Science and Analysis Group delivers 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.

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 lead scientists and analysts, internships, academic secondments and apprenticeships. We have also launched the R&D Fellowships programme, which will enhance technical capability and capacity in Defra.

Digital

We have continued to address legacy technology in our applications and infrastructure by modernising our estate. Investments made during the SR21 period have partially reduced the legacy and security risks implementing a host of digital infrastructure upgrades, migration of some services to the cloud and implementation of additional security tooling.

Completion of multi-year projects over the SR period included:

- Over 150 live services and associated technology have been migrated to the cloud and circa 50,000 devices replaced and modernised including elements of the supporting IT network.
- Multi-Factor Authentication and advanced email security were implemented to protect user accounts.
- Systems were set up to monitor devices for high-risk activity, and security monitoring capabilities were increased within the Defra Security Operations Centre.

- Improved threat detection to manage security risks including rising cyber risk.
- Exited one legacy data centre.
- Upgraded Wi-Fi at around 100 sites.
- Updated 99 per cent of our estate to Windows 11 to remediate obsolescence.
- Modernised complex geospatial applications that serve Defra group spanning APHA, Defra, RPA, EA, and NE, supporting the transition towards Defra group's strategic geospatial vision.

We have commenced work that uses Generative AI to significantly reduce the cost of modernising legacy code bases. We have initiated AI proofs of concept that have the potential to accelerate legacy application modernisation activities across the end-to-end software development life cycle with 30-70 per cent efficiency improvements.

New digital technologies such as robotic process automation and AI are transforming Defra group. These technologies are becoming increasingly important, along with other new and rapidly evolving digital technologies. We have continued to trial initiatives, ensuring they are fit for purpose and in line with policies set.

We have released a digital service to inform people of their long-term risk of flooding, drawing on latest data from the National Assessment of Flood Risk, the service shows that 6.3 million properties across England are based in areas at risk of flooding from one or a combination of rivers, the sea and surface water.

We have published the Defra group Digital and Data Transformation Strategy (2023-2030). The strategy is a key part of delivering Future Defra between now to 2030 and it will be central to how we change to deliver our vision.

Our Architecture, Data, Information, and Innovation (ADII) team has produced Defra's very first Technology Vision. This vision shows how Defra group will make the most of new and emerging digital technologies to effectively achieve all its strategic goals and tackle the significant challenges faced in the period to 2030.

We have published a position statement on how Defra group intends to balance the sustainability opportunities and risks of AI (the first government department to do so). We have put sustainability at the heart of major technology procurements for services such as end user devices, networking, and applications support. We have developed a set of Greener Service Principles, giving practical advice for how Defra group technology services and projects can improve their sustainability.

We continue to progress our sustainability strategy which was agreed in 2022-23. This includes concluding group-wide nature recovery and adaptation plans and completing an assessment of modern slavery risks in our operations and supply chain.

We have calculated full scope 1-3 greenhouse gas emissions for Defra group, surveyed our properties for climate risk, and are improving our understanding of the extent and condition of

our natural assets.

We continue to embed sustainability into our procurement activities and our major contracts, such as for end-user digital services and facilities management.

Leadership across government

Defra co-chairs the cross-government Chief Sustainability Officer's group which delivers strategic work on behalf of all departments. Existing projects include a review of the government Buying Standards and work to bring together land-holding departments to look at nature recovery together.

Defra leads on digital sustainability of His Majesty's Government's own IT estate and digital sustainability is now well established in main strategies and policies (such as the roadmap for digital and the technology code of practice) and is a mandatory part of all digital projects and procurements.

Defra also leads the government Digital Sustainability Alliance (GDSA) whose membership represents most of UK government tier 1 and 2 suppliers, as well as some small and medium-sized enterprises. This is having results. In the last year, CO2e emissions from government IT are estimated to have reduced by 9 per cent compared to their 2022-23 levels. The volume of government e-waste dropped by 17 per cent over the same period.

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*	27 per cent reduction	50 per cent reduction
Direct GHG from buildings*	10 per cent reduction	15 per cent reduction
Landfill Waste Reduction*	8 per cent sent to landfill	Less than 5 per cent sent to landfill
Recycling Waste*	72 per cent recycled	More than 70 per cent recycled
Total Waste Reduction*	8 per cent reduction	15 per cent reduction
Water Reduction*	4 per cent increase	8 per cent reduction
Domestic Flights Emissions Reduction*	28 per cent reduction	30 per cent reduction
Paper Use Reduction*	90 per cent reduction	50 per cent reduction
Conversion of Fleet and Hired Vehicles to Ultra Low Emissions (ULEV)	25 per cent converted to ULEV	25 per cent by end 2027
Conversion of Fleet and Hired Vehicles to Zero Emission	33 per cent converted to zero emission	100 per cent by end 2027

*Reporting period from Quarter 4 2023-24 to Quarter 3 2024-25 (1 January 2024 to 31 December 2024)

Further details and data can be found in Annex 3 Commentary on Sustainable Performance.

Deliver Change and Enabling Programmes

The Enabling Programme was set up to explore new ways of delivering improvements across Defra group, identifying common problems, common platforms and solutions to deliver more cost-efficient services and improved outcomes through shared solutions. We prioritised three areas; Customer Improvement, Grants, and Geospatial (Land), to deliver cross-cutting improvements across multiple ALBs. Each of these aimed to transform our interactions with our customers, reducing duplicated activity and systems, generating cost savings, and improving productivity. Working with partners across Defra, the pilots tested new delivery models and multidisciplinary working to deliver scalable pathfinders (end to end customer service improvements) to international pet travel and tree planting schemes. These mapped end-to-end service improvements, targeting critical customer segments and delivered cashable savings. The programme also established the scope and delivery plan to create a single authoritative view of land use, biodiversity and natural resources across England, which will be accessible across Defra group to support policy developments and science.

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

There is a risk that Defra group suffers from major security incidents and / or increased cyber-attacks.

Mitigating activities

- We have continued to address legacy technology²⁸ in our applications and infrastructure by modernising our estate.
- Investments made over the last 5 years have partially reduced the legacy and security risks implementing a host of digital infrastructure upgrades, migration of some services to the cloud and implementation of additional security tooling.
- We have strengthened our Security Operations Centre (SOC) to monitor devices for high-risk activity and improve monitoring capabilities.
- Improved threat detection around specific security risks and implementation of a new incident reporting tool.

Risk: IT / business resilience

There is a risk that Defra group's technology is not able to support its business resilience, operations or user experience.

Mitigating activities

We have continued to address legacy technology in our applications and infrastructure by modernising our estate. Investments made over the last 5 years have partially reduced the legacy and security risks implementing a host of digital infrastructure upgrades, migration of some services to the cloud and implementation of additional security tooling.

Multi-year projects completed over the previous Spending Review period included:

- The Defra group Digital, Data, Technology and Security (DDTS) Legacy Application Programme moving over 150 live services and associated technology from legacy data centres to the cloud, reducing the risk of infrastructure failure and perimeter security breaches.
- Delivery of infrastructure upgrades and contract re-procurements required for ongoing support of Defra group live services including Application Maintenance and Support (AMS), mobile voice and data and connectivity procurements.

²⁸ <https://www.gov.uk/guidance/managing-legacy-technology>

- Delivery of key recommendations following legacy infrastructure incident at a data centre
- Circa 50,000 devices replaced and modernised including elements of the supporting IT network.
- We have published the Defra group Digital and Data Transformation Strategy (2023-2030). The strategy is a key part of delivering Future Defra between now to 2030, it will be central to how we change to deliver our vision.

Risk: Infrastructure failure at the Animal and Plant Health Agency (APHA) Weybridge campus

There is a risk that due to mechanical and electrical equipment and building fabric reaching end of life and the need for repairs and upgrades to infrastructure, the APHA Science Estate at Weybridge has to close on health and safety grounds or fails to operate.

Mitigating activities

- The National Biosecurity Centre (NBC) programme is building the laboratory capacity to support APHA to meet the UK's future challenges in animal disease, research, surveillance and outbreak response.
- A new Weybridge Operating Model has been agreed to provide single site leadership of the physical operations of the site. This spans responsibilities for critical works and the NBC programme.
- Progress made towards delivering Enabling and Infrastructure works to ensure the site is ready for the main construction works and delivery of Critical Works to keep existing science facilities operational.
- Delivery of operational science in the new NBC is scheduled for 2034, but progress is being made to address site resilience and realise early benefits from the investment during the delivery stages.
- Concept Design stage complete, with HM Treasury and NISTA approval of the NBC National Biosecurity Centre – Weybridge - GOV.UK²⁹ programme business case in place.
- Funding for the NBC and Critical Works at Weybridge campus for 2025-26 was confirmed (and over £1 billion was secured in the subsequent Spending Review to 2029-30 to deliver the next stages of design and construction).
- Technical and Spatial Design stages for the Animal and Laboratory Science Hub buildings progressing on track.
- Main construction partner procurement was progressed to competition stage to ensure appointment and early engagement in Technical and Spatial Design Stages,

²⁹ <https://www.gov.uk/government/publications/national-biosecurity-centre-programme-weybridge/national-biosecurity-centre-weybridge>

reducing risks as design progresses towards construction stage (Laing O'Rourke are now on board and engaging with the design process).

Risk: Aggregated delivery

There is a risk that 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

Since last year we have:

- Conducted a deep dive into aggregated delivery risk, on behalf of the departmental Executive Committee, which resulted in additional insight and re-focusing of mitigations.
- Reporting on portfolio risks, risk themes and independent assurance activity established to the Defra Audit, Risk and Assurance Committee (ARAC), a departmental advisory body.
- Established a Task and Finish Group to consider how to ensure successful delivery from policy concept to delivery. Several recommendations are being implemented.
- Continuous Improvement Assessment Framework (CIAF) annual assessment was undertaken, which helps drive continuous improvement by assessing adherence to project delivery functional standard. The assessment demonstrated a year-on-year improvement, and areas for continuous improvement will be taken forward through 2025-26 to build maturity.
- Guidance established to ensure successful project closure, evaluation and learning lessons for future projects and ensuring staff are supported and moved to area of need.
- Project delivery induction pathway developed to build departmental project delivery capability.

We continue to:

- We engaged with the Spending Review (SR) process and assessed the deliverability of new capital bids. Following the conclusion of the SR, the department will now consider the prioritisation and phasing of new activity to ensure successful delivery of outcomes, and the government's mission led Plan for Change.
- We have established a change assessment gateway approach to assure and impact overall deliverability of new projects, with clearer measures of success being identified at the start of each new initiative.
- We will implement a new service to ensure projects are set up for success, by providing support at project initiation through to the development of the strategic outline case.

- Provide ongoing improved monthly portfolio reporting to support departmental decision making and maximise successful delivery of outcomes and the delivery of the government's mission led Plan for Change.
- Launch the project delivery hub and capability academy, to build and develop project delivery capability and easy access to project delivery frameworks, tools and templates.

Risk: Concurrent incidents

There is a risk that where there are multiple serious incidents occurring (for example conflict and/ or supply chain failure combined with major flooding or plant disease outbreak), Defra's ability to provide an effective emergency response will be compromised.

Mitigating activities

- Reserve functions have been established to provide structure to Defra group's staffing for emergencies and crises.
- A surge capability for Defra group has been developed and presented to the Executive Committee.
- A Concept of Operations and playbooks for our most significant risks are now in place.
- A 'Situation and Trend Awareness Report' monitors risks across the department on a weekly basis and the Resilience Board oversees a whole department response to risk, in line with our Resilience Strategy, finalised in 2024.

Risk: Response to exotic animal disease outbreaks

There is a risk we do not have sufficient resources to manage large or concurrent exotic animal disease outbreaks, and we lack breadth of resource to ensure plans to respond and recover to exotic animal disease outbreaks are current.

Mitigating activities

- Reviewing our resource of competent officials to handle multiple outbreaks.
- Focusing on our exercise and testing capability.
- Supporting the National Audit Office (NAO) audit of animal disease resilience and we will plan further work to address any shortcomings in due course.
- Liaising closely with delivery partners and other government departments to anticipate and manage risks, including from third countries.
- Adoption of a broad and rigorous toolkit to manage risk, including measures to limit incursions, and ensuring a steady battle rhythm of clear and predictable measures and communications with stakeholders.

- Implementing improvements to identification and tracing of livestock through investment in the Livestock Information Transformation Programme (LITP) and related areas.
- Development of the NBC (see infrastructure failure at APHA Weybridge campus risk).

Risk: Organisational wellbeing, resilience and engagement

There is a risk of deteriorating employee wellbeing due to the uncertainties of business planning associated with headcount and funding reductions leading to adverse impacts on the operational delivery of Defra's priorities and increasing pressures on teams.

Mitigating activities

- Developed and implemented a consistent group wellbeing vision and strategic priorities aligned to the Civil Service People Plan and HR Functional Standards.
- Implemented a newly developed up-skilling package to raise awareness and build confidence in supporting colleagues with neurodiverse and non-visible conditions.
- Made 'supporting not fixing' mental health training available to everyone, with delivery plans in place to roll-out to Senior Civil Servants.
- Expanded Defra group's Mental Health First Aid and Mental Health Buddy Networks to build a stronger community for mental health in the workplace.
- Influenced the business to make greater use of Structured Professional Support to help prevent and reduce stress and anxiety in the workplace.
- Made Microsoft Viva Personal Insights for Outlook available to all, to help create a healthy work environment where employees have personalised insights into their working patterns and experiences, enabling them to protect their time, ensure they take breaks and dedicate time to learning.
- Launched seasonal wellbeing campaigns, including a consistent group approach to winter vaccinations to support organisational resilience.
- Piloted a new gender-inclusive and human-led health care provision to enhance and bolster the employee support offer.
- Used data and insights to develop a range of resources that pro-actively support employee wellbeing.
- Implemented a forward-thinking menopause and menstruation policy and supporting framework, including a new digital app to better support and help retain women in the workplace.

- Conducted an independent review of Defra's workplace adjustments processes, resulting in a streamlined policy and employee passport, ensuring all colleagues have the same access and opportunity for adjustments to help them be their best at work.

Risk: Compliance with environmental statutory targets

There is a risk of 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 revised Environmental Improvement Plan once published.
- Effective decision-making and oversight through Defra and cross-government governance structures.
- Monitor performance across outcomes including through the statutory reporting cycle, including annual progress reporting and Office for Environmental Protection (OEP) scrutiny.
- Due regard to the Environmental Principles Policy Statement (EPPS) which came into force in November 2023.

Risk: Accounts qualification

The long-standing qualifications in the Defra Annual Report and Accounts relating to the Environment Agency asset valuation have been removed in 2024-25. This is recognition of the significant improvements made by both operational and finance teams. Further information is provided in the Governance Statement.

There is an increasing risk of a Regularity qualification, primarily as the nature of land management grants fulfilled by the Rural Payments Agency (RPA) changes over time. We are developing proposals to improve our understanding and estimates of the tolerable error and materiality rate for this spend, as well as using evidence from scheme assessments to refine and update delivery objectives.

Risk: Water resilience / regulation

There is a risk that the 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

- Ensure an effective regulatory environment through the four main regulators: Ofwat, Environment Agency, Natural England and the Drinking Water Inspectorate.

- Deliver on programmes including reduce water pollution; mitigate flood risk; promote sustainable water resource; tackle physical modification; address legacy pollution from metal mines; and to clean up our bathing waters and internationally important chalk streams.
- Ofwat to drive delivery of five-year spending determinations.
- Water Special Measures Act now law.
- Launch of the Independent Water Commission to deliver an ambitious, long-term approach to resetting the water sector.
- Delivering recommendations of Independent Water Commission.
- Ensure effective infrastructure delivery management through water industry task force.

Risk: Insufficient Group Corporate Services (GCS) budget and resource

Due to reduced budget and resource, there is a risk that GCS functions have insufficient capacity and capability to deliver agreed services resulting in reputational damage for GCS and the Core department; ALB partners not being able to deliver priority outcomes; and potentially resulting in substantial overspend by the end of the financial year.

Mitigating activities

- Continue to maintain and develop ALBs relationships to manage need ahead of time through established partnership interfaces.
- Ongoing review of GCS function operating models.
- Extensive GCS function prioritisation and workforce planning exercises, engaging ALB partners during the process.
- Ongoing work to improve efficiency in service delivery through business process improvements, reduction in duplication and digitisation.
- Set up the 'Professional Assurance Board' to focus on modern, digital and flexible ways of working, to reduce arduous processes and drive performance and reward.
- Thorough deep dives into spend in line with SR and business planning work.
- Funding for 2025-26 has been agreed, with Defra GCS receiving a significant corporate service settlement uplift to mitigate this risk.

Risk: Organisational capacity, capability and effective deployment

There is a risk that that specialist skills which are critical to Defra's delivery are not available due to recruitment controls, headcount reductions and underdeveloped strategic workforce planning.

Mitigating activities

- Improving workforce plans across the business which are linked to business priorities and include action plans. This will be used to confirm priority capability areas for risk mitigation.
- Delivering workforce transformation to build a sustainable approach to effective planning, deployment and recruitment of appropriately skilled resource in line with organisational priorities, for example, making rapid moves of staff to priority areas, implementing voluntary exit scheme, alongside longer-term work to address headcount pressures and deploy people more agilely.
- Activity to optimise science and analysis capacity and capability, for example, inward secondment of science fellows, use of retention allowances, improved learning programmes and active deployment to priority areas.

Risks de-escalated in 2024-25

We have successfully de-escalated four risks in 2024-25:

- Professions Capability.
- Research and Development (R&D) procurement (Director General Science, Data & Analysis/Commercial).
- Budget Management and Affordability.
- Business Planning – delivering Defra group outcomes within our resource allocations.

Responding to Public Correspondence

Our Ministerial Contact Unit dealt with:

- 6,033 letters and emails from the public.
- 6,972 letters or emails from Members of Parliament and / or major stakeholders, answering 52 per cent within the target of 20 working days.
- 4,434 Parliamentary questions, 62 per cent of which were completed by the various deadlines.
- Nine e-petitions, of which 33 per cent were completed before the 21-day deadline.
- 18,392 calls on our helplines, answering 80 per cent within the target of 60 seconds.

Defra's executive agencies and non-departmental public bodies (listed in note 20 of these accounts) 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 2024-25, including setting out our budget and confirming our spend against this, giving an overview of our Statement of Financial Position (SoFP).

Financial Performance

In 2024-25, Defra group spent £7,843.2 million against a Departmental Expenditure Limit (DEL) budget of £7,994.6 million, a 98 per cent spend rate, comparable to 2023-24 (98 per cent of £7,494.2 million).

This included:

- Resource DEL (RDEL): £5,567.1 million spent (98 per cent of £5,694.3 million budget), compared to £5,285.8 million spent in 2023-24 (98 per cent of £5,381.6 million budget). RDEL numbers here include depreciation.
- Capital DEL (CDEL): £2,276.0 million spent (99 per cent of £2,300.3 million budget), compared to £1,984.1 million in 2023-24 (94 per cent of £2,112.6 million budget).

Within these allocations our budget is split into ringfenced and non-ringfenced allocations. Our RDEL underspend against ringfenced budgets was £62 million (two per cent of £2,750.5 million budget), and our underspend against non-ringfenced budgets was £34 million (one per cent of £2,943.8 million budget). Our CDEL ringfenced underspend was £2 million (zero per cent of £806.6 million budget) and our CDEL non-ringfenced underspend was £22 million (one per cent of £1,493.7 million budget).

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

Defra Achievements

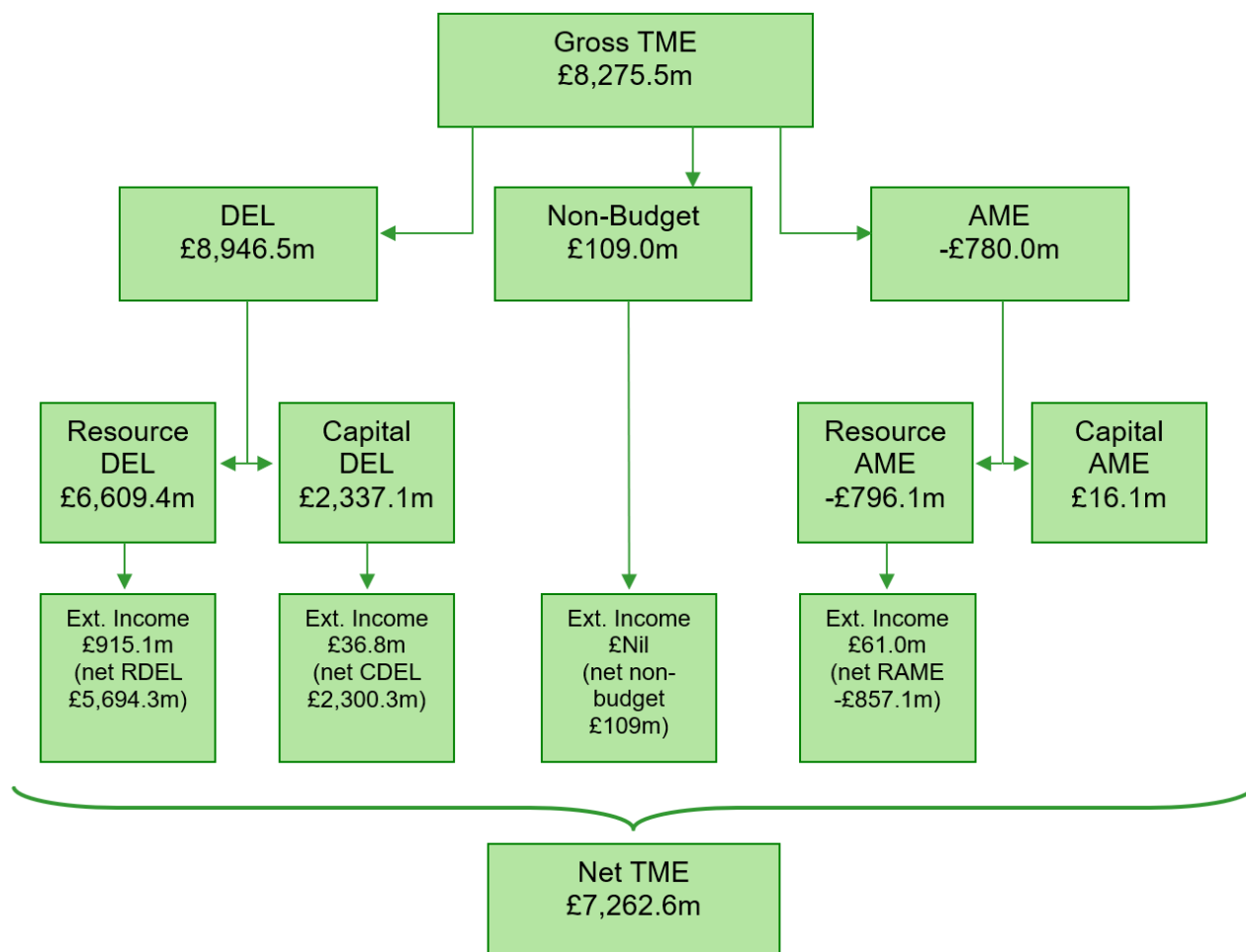
2024-25 has been a year of delivery and reform. Through a combination of direct investment, targeted interventions and reform to unlock private finance, Defra play a central role in supporting economic growth, strengthening food security, and protecting communities and the environment.

- We have taken decisive steps to clean up our rivers, lakes and seas, overseeing the largest ever investment by water companies in our water system, £104 billion between 2025 and 2030, to improve water quality and secure future supply. We passed the Water Special Measures Act, introduced tougher enforcement on water companies, and established the Independent Water Commission to drive long-term reform.
- Flood resilience has been a top priority, with a record £2.65 billion invested over two years to protect homes, businesses and infrastructure. We've also reformed funding allocations to better support nature-based solutions and vulnerable communities.

- We've laid the foundations for a New Deal for Farmers, transitioning away from direct subsidies and towards more productive, profitable and sustainable farming. This includes £150 million in innovation funding and the implementation of the Genetic Technology (Precision Breeding) Act to boost yields and reduce input costs.
- Defra has also successfully contained outbreaks of Avian Influenza and Bluetongue virus, safeguarding our livestock industry and trade. Our £1 billion investment in the National Biosecurity Centre at Weybridge will ensure long-term resilience to biosecurity threats.
- Defra completed the delivery of the core components of the Border Target Operating Model (BTOM) with the introduction of border checks on most imports of EU animal and plant products for the first time. EU imports of agri-food products represented 71 per cent of all such imports into GB in 2024 with a value of £45.5 billion. These controls deliver on international commitments, enhance UK biosecurity and help safeguard UK exports.
- The Northern Ireland Retail Movement Scheme (NIRMS) and Northern Ireland Plant Health Labelling Scheme (NIPHL) successfully implemented a variety of initiatives under the Windsor Framework Agreement, significantly reducing checks for products moving to Northern Ireland and avoiding detrimental impact on the number and type of goods available to the people of Northern Ireland. Over 650 UK businesses have registered to use NIRMS and over 800 businesses are registered to use NIPHL, movement rates have remained consistent with food availability commensurate to that in the rest of GB.
- Following extensive user research and stakeholder engagement the Pets Movement Scheme was developed to support the non-commercial movements of pets, allowing residents of GB to move their pets between GB and NI with less cost and fewer treatments.
- We have delivered the most successful year of tree planting in over two decades, with over 7,000 hectares of woodland created. Looking ahead, we plan to plant 20 million trees across the West of England as part of the new Western Forest.
- Our waste reforms are unlocking £10 billion in recycling infrastructure investment and creating over 21,000 jobs. We are also investing £1.5 billion in local recycling services and £15 million to reduce food waste from farms.

These achievements reflect our commitment to delivering real change for people, places and nature, supporting growth, resilience and sustainability across the country.

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. Non-budget covers transactions that fall outside the formal budget controls (DEL and AME) and do not count against a department's spending limits.

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; for example, Finance and Human Resources.

Net Resource DEL £5,694.3 million

The net resource DEL budget of £5,694.3 million in 2024-25 (£5,381.6 million in 2023-24), of which £2,750.5 million ring-fenced (£2,662.8 million in 2023-24) 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 (a depreciation budget £685.3 million in 2024-25). Since 2023-24, the resource DEL budget excluding depreciation has increased by £185.8 million. There was additional RDEL funding from HM Treasury in year to cover expenditure related to Exotic Diseases and a grant agreement to Covent Garden Market Authority.

Net Capital DEL £2,300.3 million

The capital DEL budget of £2,300.3 million in 2024-25 (£2,112.6 million in 2023-24), of which £806.6 million is ring-fenced (£740 million in 2023-24) 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.

External Income £1,012.9 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 £1,012.9 million in 2024-25 (£978.9 million in 2023-24) for the Departmental Group, breaking down as £214.7 million for the Core department and Agencies, and £798.2 million for other group bodies. Significant sources of external income include: fees and charges for environmental protection and abstraction; statutory levies for Flood Re and agriculture and horticulture; and flood risk levies.

Net AME (£841.0) million

The AME budget of (£841.0) million in 2024-25 (£1,778.9 million in 2023-24) is mainly for movements in provisions. Compared to 2023-24, the AME budget has decreased by £2,619.9 million. This decrease 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 2023-24 Supplementary Estimate therefore included budget cover of £1,626.0 million for these payments to 2027-28 to recognise the

commitment to make these future payments to farmers. This Main Estimate includes a credit value of £824.0 million to reduce the liability as payments are due to be made from the Resource DEL budget.

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 £109 million

The final area of Defra group funding is called non-budget, £109.0 million in 2024-25. Non-Budget has decreased by £101 million when compared to the budget of £210.0 million in 2023-24. This is due to budget cover for prior period adjustments. Prior period adjustments were needed in both 2024-25 and 2023-24 to correct spend in the Environment Agency (EA). In 2023-24, the budget for this was £200 million and was needed for one correction to cover projects where costs were categorised as capital when they should have been resource during financial years 2014-15 to 2022-23. In 2024-25, the budget for this was £99 million and was needed for three different corrections: £45 million for a change in accounting policy on accounting for deficits and surpluses on charge schemes; £44 million to change the way impairments are accounted for habitat creations; and £10 million to adjust the depreciation charged in prior years following the programme of work that was done to value operational assets on a depreciated replacement cost basis.

The final £10 million of non-budget cover is related to possible exchange rate differences relating to legacy Rural Development programmes.

Defra Group Gross Funding by Director General (DG) Group

The following table shows how our gross DEL funding of £8,946.5 million (£6,609.4 million resource DEL and £2,337.1 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.

Director General Group	RDEL	CDEL	External Income	Total
Environment	977	474	(162)	1,289
Food, Biosecurity and Trade	2,590	621	(139)	3,072
Chief Operating Officer	672	105	-	777
Science and Analysis	12	75	-	87
Strategy and Water	1,914	908	(612)	2,210
Portfolio	297	152	(23)	426
Centrally Held Budgets	147	2	(16)	133
Defra group Total	6,609	2,337	(952)	7,994

2024-25 Defra group gross DEL funding £m

Spend Against Budget

This information has been subject to audit.

Defra group Spend Against Total Net Budgets (£m)

Type	Budget	Spend	Variance	% of Budget
Total DEL	7,994	7,843	(151)	(1.89)
Of which ring-fenced	3,557	3,462	(95)	(2.67)
Of which non-ring-fenced	4,437	4,381	(56)	(1.26)
Total AME	(841)	(1,470)	(629)	74.79
Of which Resource AME	(857)	(1,474)	(617)	72.00
Of which Capital AME	16	4	(12)	(75.00)
Non-Budget	109	57	(52)	(47.71)

Defra group Spend Total DEL Budgets (£m)

Type	Budget	Spend	Variance	% of Budget
Programme DEL – Total	4,558	4,522	(36)	(0.79)
Of which ring-fenced – Depreciation	502	473	(29)	(5.78)
Of which ring-fenced – Other ¹	2,061	2,057	(4)	(0.19)
Of which non-ring-fenced	1,995	1,992	(3)	(0.15)
Admin DEL – Total	1,136	1,045	(91)	(8.01)
Of which ring-fenced – Depreciation	183	125	(58)	(31.69)
Of which ring-fenced – Other ¹	4	2	(2)	(50.00)
Of which non-ring-fenced	949	918	(31)	(3.27)
Resource DEL	5,694	5,567	(127)	(2.23)
Of which ring-fenced	2,750	2,657	(93)	(3.38)
Of which non-ring-fenced	2,944	2,910	(34)	(1.15)
Capital DEL – Total	2,300	2,276	(24)	(1.04)
Of which ring-fenced ¹	807	805	(2)	(0.25)
Of which non-ring-fenced	1493	1,471	(22)	(1.47)

¹ Other ring-fenced includes Green Finance, DAs, Marine EMFF Replacement, Mine Remediation, Official Development Assistance (ODA), Overseas 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, IFRS16 (change in lease accounting standards), CGMA & Exotic Diseases.

DEL £7,843.2 million

The final DEL outturn against the £7,994.6 million voted funding (£5,694.3 million resource DEL, £2,300.3 million capital DEL) net of £951.9 million external income received in year, was £7,843.2 million, an underspend of £151.4 million. Excluding ring-fenced items, this represents a £56 million underspend, which is 1.3 per cent of our DEL budget (excluding ring-fenced items of £3,461.4 million).

The administration outturn against the £1,135.9 million budget was £1,045.4 million, an underspend of £90.5 million. Excluding ring-fenced items, this moves to an underspend of £31 million.

AME (£1,469.7) million

The total AME outturn was (£1,469.7) million against the (£841.0) million budget, an underspend of £628.7 million. This reflects the less predictable and controllable nature of AME spending compared with DEL. The main drivers behind this underspend are within Resource AME and are as follows:

- underspend of £155.1 million due to a reduction in the provision for delinked payments. On 13 June 2025, HM Treasury announced the outcome of the 2025 Spending Review, which included a substantial reduction in the total funding planned for delinked payments in 2026-27 and 2027-28. This policy decision forms part of the government's broader fiscal realignment under the agricultural transition plan.
- underspend of £147.4 million relating to Flood Re which reflects a credit outturn of £47.4 million against their Resource AME 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.
- underspend of £96.4 million relating to the Environment Agency, mainly related to the habitat creation schemes. These assets are impaired at the point of capitalisation, with the impairment scoring as resource AME. Budget was provided in the Supplementary Estimate for expected capitalisation and impairment, but no habitat creation assets were completed in-year.
- underspend of £86.1 million for the CAP disallowance provision. When the budget was set for the CAP disallowance provision in the Supplementary Estimate, we were awaiting final closure of the 2023 and/or 2024 accounts. Until final closure, there is still a risk of a liability arising as there are still funds that the EU have the ability to audit.

Non-Budget £56.6 million

The final non-budget outturn against the £109.0 million budget was £56.6 million, an underspend of £52.4 million. This was mainly due to an underspend against the £99.0 million budget set for prior period adjustments in the Environment Agency in relation to removing an audit qualification on the valuation of its Operational Assets by processing prior period adjustments and reflects the uncertainty that existed at the time these figures were calculated for the Supplementary Estimate.

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 2024-25 was £306.7 million lower than our NCR of £7,884.0 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 £266.2 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.

Consolidated Statement of Financial Position

Over the 2024-25 financial year, Defra group's total assets less liabilities increased from £9,498 million to £11,177 million. This £1,679 million increase was driven by:

- The £56 million increase in the value of the group's non-current assets is due to an increase in Plant, Property and Equipment (PPE), intangible assets and financial assets as offset by a decrease in the pension asset.
 - The increase in PPE is largely due to the additions to assets under construction in EA which includes the River Roch, Rochdale & Littleborough and West Moor Reservoir projects as well as the application of indexation to the asset base and the Core department's construction of border inspection facilities.
 - There has also been an increase in the intangible asset balance across the group due to the Core departments spend on the Resource and Packaging Data system to support the extended producer responsibility on packaging (pEPR) scheme. In addition, there has been an increase in EA, following investment in the Emissions Monitoring Plan Data and IT Programme and National Assessment of Flood and Coastal Erosion Risk. There was also continued development of the Livestock Information Service in Livestock Information Ltd.
 - The increase in financial assets relates to Flood Re's investment of levy and premium income after settlement of inward claims. This is partially offset by the cancellation of the Big Nature Impact Fund promissory note in the Core department.
 - The increase in non-current assets has been further offset by a reduction in the pension asset to £nil (2023-24, £797.6 million). This is following a change in policy of the EA active pension scheme following the application of an asset ceiling meaning the pension surplus has been de-recognised from the statement of financial position, the rationale for this change can be found in note 16.1.2.

- Current assets value has increased by £148 million which mostly relates to an increase in the cash balance held by RPA and EA. In RPA this is due to receiving a final receipt in respect of European Commission funded schemes late in the 2023-24 financial year which increased the cash balance at the year-end date and has now since returned to a level consistent with previous year-ends. The increase in cash in EA is driven by increases in Flood and Coastal Erosion Risk Management local levy contributions.
- The reduction in current liabilities of £732 million mostly relates to a decrease in trade, other payables and contract liabilities in RPA and the Core department. In RPA, the decrease reflects lower scheme accruals compared to the prior year. Specifically, this includes fewer Delinked payments due to progressive reductions built into the scheme, and a drop in Sustainable Farming Incentive payments. In the 2023-24 financial year the Core department accrued for one-off capital section 31 grants to local authorities to help prepare for the Simpler Recycling programme which has now been released following the payment of the grants.
- A £743 million decrease in non-current liabilities predominantly relates to the reduction in provisions in RPA. During the 2023-24 financial year, a provision was recorded following the inception of the Delinked payment scheme. The provision has been reduced following the utilisation against successful claims and because of a writeback of the provision following confirmation, in October 2024, that the 2025 progressive reduction rate would be higher than assumed at the time the provision was initially recorded. This is partially offset against an unwind in the time value of money.

Core Tables

The Core Tables section of the accounts provides an analysis of departmental expenditure and plans covering the period 2020-21 to 2025-26. 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
Woodland Carbon Guarantee	10,400	10,500	(100)
Small value	700	1,100	(400)
Total	11,100	11,600	(500)

Unquantifiable

Description of Contingent Liabilities	Included in Supply Estimate (Yes/ No)	Disclosed in the ARA? (Yes/ No)	Explanation of Difference
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.	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.

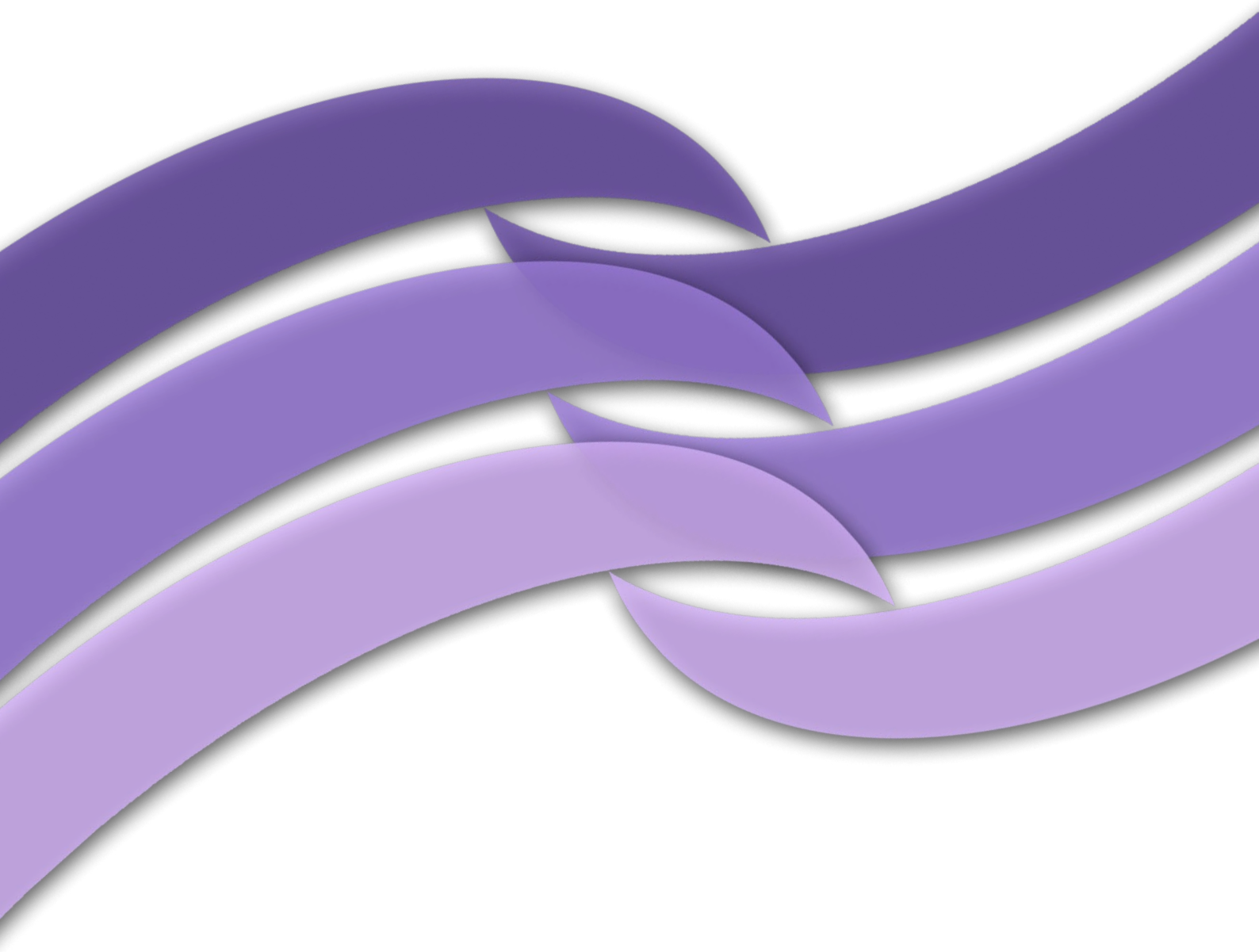
Paul Kissack

5 November 2025

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

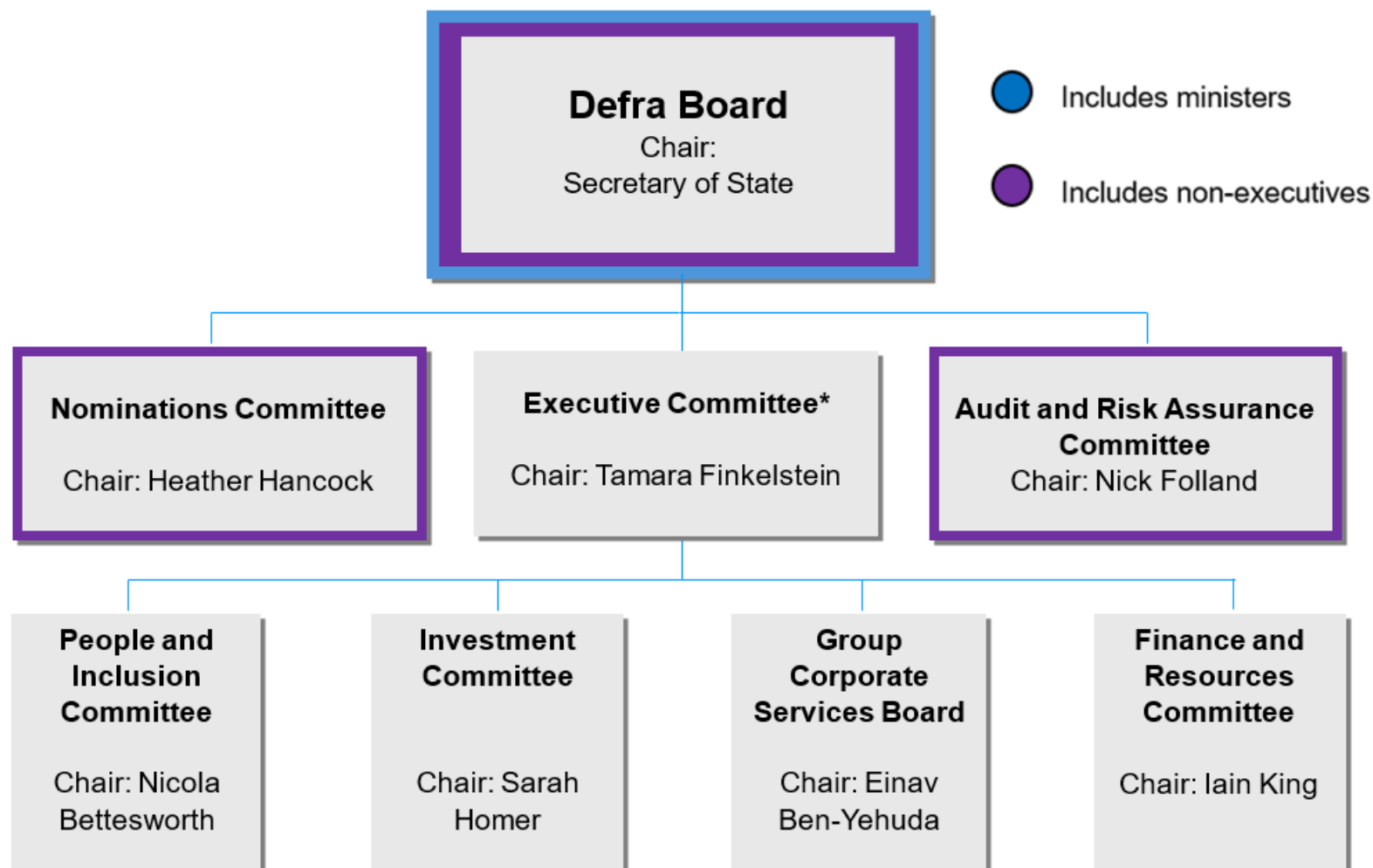
Governance Statement

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 2024-25



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

Departmental board membership and attendance

Board membership and attendance

Meetings attended out of those eligible to attend 1 April 2024 to 31 March 2025

Ministerial Team

Ministerial Team (as at 31 March 2025)		No. of Meetings Held	No. of Meetings Attended
Steve Reed OBE MP	Secretary of State for Environment, Food and Rural Affairs (from 5 July 2024)	2	2
Daniel Zeichner MP	Minister of State (from 8 July 2024)	2	1
Emma Hardy MP	Parliamentary Under-Secretary of State (from 9 July 2024)	2	1
Baroness Hayman of Ullock	Parliamentary Under-Secretary of State (from 9 July 2024)	2	1
Mary Creagh CBE MP	Parliamentary Under-Secretary of State (from 18 July 2024)	2	2
Ministerial Team (until 5 July 2024)			
Steve Barclay MP	Secretary of State for Environment, Food and Rural Affairs	1	0
Mark Spencer MP	Minister of State	1	0
Lord Richard Benyon	Minister of State	1	1
Robbie Moore MP	Parliamentary Under Secretary of State	1	1
Rebecca Pow MP	Parliamentary Under Secretary of State	1	0
Lord Robbie Douglas-Miller	Parliamentary Under Secretary of State	1	0

Non-Executive Directors

		No. of Meetings Held	No. of Meetings Attended
Heather Hancock	Lead Non-Executive Director and Chair of the Nominations Committee	3	3
Chris Tyas	Non-Executive Director	3	3
Nick Folland	Chair of the Audit and Risk Assurance Committee and Non-Executive Director (from 1 June 2024)	2	2
Indro Mukerjee	Non-Executive Director (from 18 March 2025)	1	1
Sachin Jogia	Non-Executive Director (from 18 March 2025)	1	1
Colin Day	Chair of the Audit and Risk Assurance Committee and Non-Executive Director (until 1 December 2024)	1	0
Baroness Kate Rock	Non-Executive Director (from 13 May 2024 until 26 Sept 2024)	0	0
Julian Glover	Non-Executive Director (from 13 May 2024 until 22 Aug 2024)	0	0

Executive Members

		No. of Meetings Held	No. of Meetings Attended
Tamara Finkelstein	Permanent Secretary	3	3
Nick Joicey*	Second Permanent Secretary and Group Chief Operating Officer (until 19 January 2025)	1	1
Iain King	Chief Financial Officer	3	3
David Hill	Director General for Strategy and Water (from 24 June 2024)	2	2
Lucy Smith	Director General for Strategy (until 21 June 2024)	1	1

*Nick Joicey held his Defra role until 19 January 2025. His Defra service during 2024-25 included a period of unpaid leave.

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 2024-25, the Board met three times. This was due in part to the calling of a general election, leading to the cancellation of a meeting and delaying the planning of another board meeting. 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 ongoing

Business Planning and Spending Review work. Summaries of board meetings are published on GOV.UK.³⁰

Sub-committees of the Board

Some activities are undertaken on the Board's behalf by its three 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, all Directors General (DGs), Chief Financial Officer, Chief People Officer and Group Director of Communications. The Strategy Director, Legal Director and Chief Digital and Information Officer all have a standing invite and attend as non-voting members, as relevant to the scheduled agenda.
- 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 2024-25: 42.
- Areas of focus in 2024-25: corporate leadership, finance, spending review and business planning, principal risks, performance and delivery, business transformation, general election planning, 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, as budget holders of programmes, have authority to approve project spend of up to £10 million (unless it is novel, contentious or repercussive). For all project spending requests above £10 million, the Permanent Secretary has delegated authority to the Investment Committee to scrutinise and approve these requests, with escalation to Permanent Secretary where the spend is novel, contentious or repercussive or exceeds Defra's delegated expenditure limit.

³⁰ <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/our-governance>

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.

- Additional 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 2024-25: 7.
- Areas of focus in 2024-25: 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 until 1 December 2024), current position held by Nick Folland (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 2024-25: 4.
- Defra ARAC met four times in 2024-25 (April, June, October and March) and has therefore met the requirement of the ARAC Handbook to meet at least four times a year.
- Areas of focus in 2024-25: NAO financial and value for money audits, GIAA audits, and reviews of cyber security, IT risks, data protection, National Biosecurity Centre – Weybridge, Counter Fraud, Reinforced Autoclaved Aerated Concrete (RAAC) management, Organisational Wellbeing, Resilience & Engagement, National Infrastructure and Service Transformation Authority (NISTA) reviews and recommendations, Synergy Programme and the Governance Statement.
- An ARAC effectiveness review is planned for 2025-26.

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.

- Chair: Heather Hancock, Lead Non-Executive Director.
- Membership: Chair, Permanent Secretary, Group Chief People Officer, HR Director – Talent and SCS Development, and Head of Talent for Defra group.
- Number of meetings in 2024-2025: 3 (April, May and February).
- Areas of focus in 2024-25: Directors 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; evaluation of EDI composition of the SCS and CEO cadre across group and the Gender Pay Gap report for 2023-24.

Investment Committee (IC)

In 2024-25, the IC provided the internal assurance and approvals framework for Defra's high risk, large spend business cases and investment decisions. It provides ExCo with assurance on business cases over £10 million, novel contentious or repercussive spend, 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 1 April 2024 and 31 March 2025, 76 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 Grants Scheme Assurance Group, a sub-group accountable to IC, considered 10 grants schemes greater than £5 million in line with the Grants Functional Standard.
- A subgroup of the IC controls contingent labour, and consultancy and professional services (CAPS) spend approvals. Between 1 April 2024 and 31 March 2025, 33 requests to spend were approved (19 contingent labour and 14 CAPS). Two CAPS requests were not approved. Defra has been proactively working to reduce consultancy, professional services and contingent labour spend by reinforcing advice on alternative resource approaches, implementing new consultancy Cabinet Office Control arrangements and increasing the scrutiny and challenge on spend requests received.
- No breaches of MPM have been identified between 1 April 2024 and 31 March 2025.

People and Inclusion Committee (PIC)

Defra PIC 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 2024-25, the committee endorsed a range of interventions designed to bolster workforce resilience and future readiness through the investment in wellbeing, critical professions, (including digital and data), strengthening our approach to building leadership and line manager capability, and evolving our overarching employee value proposition to create a working environment where our people want to work and can thrive.

Finance and Resources Committee

The Finance and Resources Committee is a sub-committee of Defra's ExCo. The committee meets to discuss and provide assurance to ExCo that Defra group's resources are 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, input and endorsement to the papers that are due to be presented at upcoming ExCo meetings.

Between 1 April 2024 and 31 March 2025, the committee has met on ten 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 interim Director General Group Chief Operating Officer and comprises GCS Directors, representative Directors from the Core department and senior executives from Defra group ALBs in the GCS model.

In 2024-25, 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.

In 2024-25, the Board:

- Received regular assurance updates from GIAA as well as conducting quarterly reviews of key performance areas and significant corporate service risks.

- Focused on the evolution of the corporate services funding model to ensure a firm foundation for future funding, the GCS to 2030 Strategy, and continuing to enhance governance approaches and partnership working.
- Considered cost and funding topics to ensure that the GCS model has sound underpinning foundations.
- Sat as the Synergy @ Defra Senior Steering Committee which supports the oversight of the programme's delivery. Synergy is a cross-departmental transformation programme aimed at modernising and streamlining the management of HR, Finance, and Commercial processes. It covers Defra and the larger ALBs.

The Board had oversight of a review of the GCS Performance Framework, from which a new reporting approach was designed and tested. Changes included gaining a deeper understanding of existing key performance indicators (KPIs) and data and establishing updated outcome focused KPIs to provide assurance at GCS Board meetings and sub-committees. This approach will be further refined in 2025-26. As GCS progresses through 2025-26, the Board will support GCS in maintaining assets and operations in the context of SR phase II, driving transformational projects such as automation and Artificial Intelligence (AI), tackling legacy IT risks, and enabling strategic programmes like Synergy and Cyber Security.

Compliance with the governance code and board effectiveness

The 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 was a point of departure from specific recommendations in the Code in this reporting period.

The Board met three times during the reporting period rather than the four meetings recommended in the Code. This was due to delays caused by the general election and scheduling challenges following the change in government 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.

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

Our internal review of the Board's effectiveness found its overall effectiveness to be consistent with the previous year, but with improvements made in the quality of information provided on KPIs and risk in 2024-25. Our focus is on ensuring non-executive directors are more closely engaged in the development of board agendas and reporting while over the longer term we will ensure that skills of board members best support the department's priorities.

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.³¹

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 accordance with the current Declaration of Interests policy for special advisers, all special advisers either declared any relevant interests or confirmed that they had no relevant interests to declare. These returns were reviewed by the Permanent Secretary, who concluded the following relevant interests are set out in public:

- Jamie Williams' brother is an MP and holds a role as a Parliamentary Private Secretary in a different government department.
- Joe Corry-Roake holds an unpaid role as a trustee for Grandparents Plus and is not included in discussions on any planning applications regarding Orchard Farm Kennington. He is not included in discussions relating to the review of environmental regulation led by his father Dan Corry prior to publication; however he is able to work on the recommendations.
- Louis Carserides is a Local Councillor for the South Norwood Ward in the London Borough of Croydon. He was a Special Adviser in the department up to 15 October 2024.

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.

³¹ <https://www.gov.uk/government/publications/defra-register-of-board-members-interests>

The business appointment rules (BAR) 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.
- 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 2024-25*				24
Number of BAR applications from SCS in 2024-25	2	3	0	5
Number of BAR applications approved	2	3	0	5
Number of BAR applications where conditions were set by the department	1	1	0	2
Number of appointments found to be unsuitable	0	0	0	0
Number of breaches in 2023-24				0

*The figures for the number of SCS members leaving by grade in 2024-25 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.

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 75 questions to support the evaluation and assurance of risk management within respective departments.

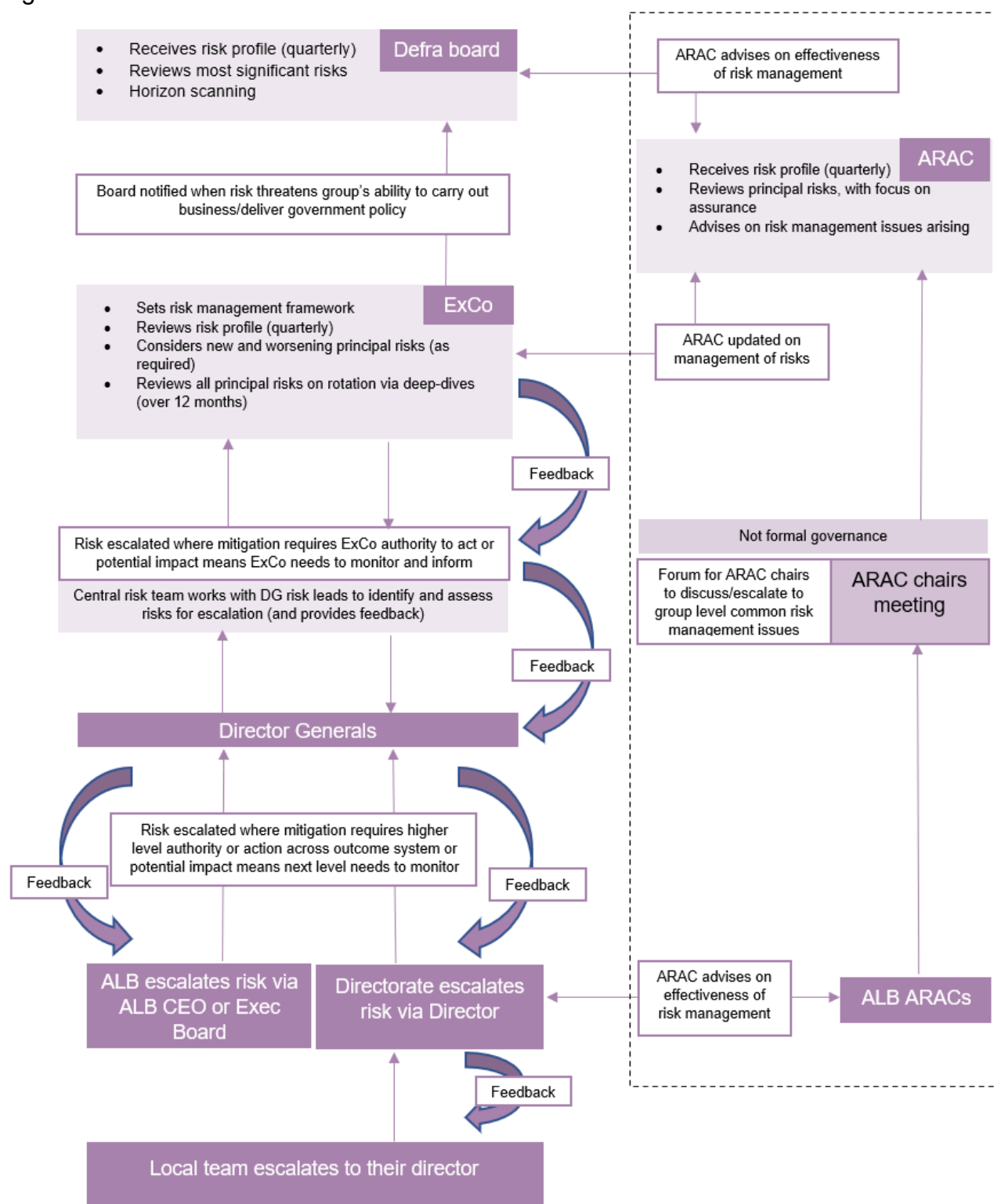
Risk assessment

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.



Risk escalation audit

The GIAA risk escalation audit report was published on 29 April 2024. All actions from the management action plan have now been addressed. Improvements made to risk escalation include:

- The creation of a DG risk leads checklist. This checklist includes specific steps to facilitate the successful escalation of risks when coordinating risk returns for their DG area.
- The Defra Group Risk Strategy was updated to clarify the guidance on risk escalation and approved by ExCo.
- Closer collaboration with Defra's ALB sponsorship teams to improve risk escalation from ALBs to the Core department. Recommendations were included in the 'Review of Defra's Sponsorship Model' to support this change.
- Quarterly meetings with the Enterprise Risk and sponsorship teams are now part of the reporting cycle to facilitate the escalation of ALBs risks to the Core department. Sponsorship teams primarily lead on corporate sponsorship and are responsible for the relationship between Defra and its ALBs and Public bodies. They act as a single point of contact ensuring effective communication, accountability and governance and alignment with Defra's strategic objectives.

Risk management maturity audit

The GIAA conducted and published a risk management maturity audit in January 2025. The scope of the audit included assessing risk maturity levels across different areas of risk in Defra. The audit has been helpful in re-enforcing priority work areas for the year ahead, including on risk appetite, maturity, governance and leadership.

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 2024-25 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 2024-25 assurance process were shared with ARAC for their review and assessment. Whilst a decrease in assurance has been observed in some areas, others remain stable and there is some improvement overall. Through the continuous improvement process, our efforts will be focused 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 ALBs. The model is based on collaboration to ensure that each organisation receives the corporate support needed to fulfil their core and statutory responsibilities. It continues to deliver good functional services and maturing our partnership whilst considering the long-term strategy for corporate services have been key focus areas in 2024-25. 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 in government by cross government benchmarking, we have continued to focus on further developing the building blocks of our model. This has included refining a proportionate funding model to apportion costs across the group and modifying 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. This work has taken place in the challenging context of the corporate services model, where demand for services has increased exponentially, whilst capacity has not kept pace.

To maintain an understanding of evolving user needs, we continue to conduct a Service Satisfaction Survey, the results of which are reported to and monitored by senior boards.

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 embedded an integrated governance structure to oversee our involvement in the cross-government Synergy Programme (working with the Department for Work and Pensions (DWP), Home Office (HO) and Ministry of Justice (MoJ)).

Aligned to the government ambition to manage headcount, staffing levels across enabling functions have been managed tightly through robust internal recruitment controls and resource planning. This sat alongside implementing a robust approach to business continuity to manage impacts of increased levels of seasonal sickness and additional surge activities.

Aligned with the Civil Service commitment to 60 per cent office attendance, we have ensured that Defra offices are safe, secure, and equipped with enabling technology to support blended and hybrid working.

The Defra group Sustainability Centre of Expertise continues to set direction, monitor performance, co-ordinate action and support corporate functions and ALBs to meet Defra group's Greening Government Commitments.

Legacy technology in our application estate, security risks and improving digital services are 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 remediating the most critical risks.

Corporate services have a key role in managing many 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, inflationary pressures and organisational wellbeing remain key risks. Risks which emerged or changed during 2024-25 and continue to be managed relate to accounts qualification, budget management, corporate services budgets and resource, and Defra's professional capability.

Corporate services will continue to review plans and develop approaches to support bids for SR phase II.

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).
- Risk management (all recommended disclosures).
- Metrics and targets (all recommended disclosures). For disclosure (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 in future reporting periods in line with the central government implementation timetable.

Governance

The Board's oversight of climate-related risks and opportunities.

Defra group's management of climate risk is embedded in its corporate risk management process. This means that climate risks are managed in line with the Defra group Risk Strategy.

If a climate-related risk is considered a principal risk it is reported on and monitored by Defra's ExCo, a sub-committee of the Defra board. After analysing the risks associated with climate change and the transition to net zero to Defra group, Defra's sustainability team do

not assess climate to be a principal risk for the organisation but maintain it on a watch list for the Group Corporate Services Board, a subcommittee of ExCo.

Climate related risks to Defra group's shared corporate services (HR, fleet, property, commercial, digital, finance), are managed locally on corporate service risk registers. It is the responsibility of each corporate service to manage climate related risks to their operational areas and escalate these as necessary to the GCS board, a subcommittee of ExCo. Climate related risks can be escalated as principal risks to ExCo by the GCS board.

Where climate related risks sit within Defra group's ALBs and agencies, for example those risks related to an operational activity unique to the respective ALB, oversight and mitigation of the risk is managed by that ALB. Risk can be escalated upward to the relevant ALBs board for mediative action and to Defra if the risk exceeds its agreed tolerance position, for example the capital expenditure limits of the organisation. For a more detailed view on Defra's ALBs climate risks please review their respective TCFD.

The Defra Resilience board has oversight of Defra risks relating to 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 the Cabinet Office (CO), 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.

Management's role in assessing and managing risks and opportunities.

Each of Defra group's shared corporate services has a Risk and Assurance Lead. They are responsible for ensuring that climate related risks to their shared service are identified, assessed and incorporated into their existing risk registers.

The Sustainability Centre of Expertise monitors the overall status of climate-related risk to Defra group corporate services and may escalate group-wide climate-related risks to Defra GCS Board if the risk is deemed unmanageable at the operational level and further mitigation is required.

Where climate related risks are not managed centrally across the group and sit within Defra group's ALBs and agencies, the ALB is responsible for managing and reporting those risks in line with TCFD reporting requirements.

Climate Change Risk Management

Defra's processes for identifying and assessing climate-related risks.

Defra has undertaken a group-level climate change risk assessment, incorporating how climate change impacts Defra group's physical assets (owned or operated) and how climate change impacts Defra group's stated organisational services.

Defra group property services identify and assess climate related risk on the estate they manage. They have used UK Climate Projections 18 (UKCP18) data to undertake an estate vulnerability assessment. This quantifies the level of exposure of the estate to a two-degrees Celsius and a four-degrees Celsius global warming scenario following ISO14001; 2019, and Adaption Reporting Power Methodology.

Defra recognises that supply chains can be vulnerable to climate-related risks, and that the extent of this risk depends on a wide range of factors related to goods and services being procured. To address this, supply chain related climate-risks are considered as part of pre-tender sustainability risk assessments. Where risks are identified these are managed through development of tender requirements.

Defra's Digital, Data, Technology and Security (DDTS) team identify risks, including climate-related risks which may cause major disruption on the performance and operations and digital services. These risks are managed through functional business continuity arrangements.

Defra's processes for managing climate-related risks.

Climate related risks are managed at the lowest appropriate operational level. Risks can be escalated up the management chain when they require action or oversight at a more senior level. The Defra group Risk Strategy sets out the organisational structure for oversight and escalation of risk in Defra group.

How processes for identifying, assessing, and managing climate-related risks are integrated into Defra's overall risk management.

Defra group assesses its climate risk impact based on the severity and likelihood of a risk occurring in line with the Defra group risk management framework. Combining the likelihood and impact of a risk provides an overall risk score or severity.

It is the responsibility of each of Defra group's corporate shared services to identify and assess which risks relate to their operational delivery and include them in the functional risk registers together with risk responses.

Metrics and Targets

The metrics used by Defra to assess climate-related risks and opportunities in line with its strategy and risk management processes.

Defra has developed a set of metrics to assess the climate related risks to its operations. The metrics, together with an initial baseline are provided below.

- 15 per cent of Defra sites at high or very high risk of flooding under a two-degrees warming scenario.
- 48 per cent of Defra sites at high or very high risk of overheating under a two-degrees warming scenario.
- 12 per cent of Defra sites at high or very high risk of extreme weather events under a two-degrees warming scenario.

Global forecasts vary regarding if and when the world will breach a two-degrees global warming threshold and depend on future emission scenarios.

This initial baseline has been established through an Estate Vulnerability Assessment conducted in 2024-25 based on the collection of data for 98 properties used by Defra. In future years, we will look to expand this assessment to cover buildings used by other parts of Defra group. Changes to this metric over time will reflect changes to the make-up of the estate or projects at sites to mitigate climate related risks. Climate vulnerability is one of the factors that will be considered in future property decisions.

Scope 1, scope 2 and if appropriate scope 3 greenhouse gas emissions.

Defra's scope 1, scope 2, and GGC-related scope 3 emissions are disclosed in the sustainability annex 3 together with energy consumption figures.

The targets used by Defra to manage climate-related opportunities and performance against targets.

Defra group's decarbonisation targets are to deliver on the 2025-2030 Greening Government Commitments. Defra group is considering options for setting a climate-risk related target.

Shared Services

Each Accounting Officer is provided with an annual Letter of Assurance on Shared Services Connected Ltd (SSCL) overall performance by Government People Group (GPG) a division of the Cabinet Office, and the Framework Authority for the Independent Shared Service Centre 2 (ISSC2) Agreement. The 2024-25 Letter was issued on 30 May 2025, following the conclusion of the year's Annual Audit Plan, which has progressed well.

This year, nine novel SSCL government audits took place. There were two alterations to the original audit plan, the previously deferred (from 2023-24) manual workarounds audit was dropped, due to scoping and testing difficulties, in favour of an audit of order to cash services. It was also agreed the planned vulnerability patch management audit would be deferred from quarter 1 to quarter 3 2024-25, and then subsequently to quarter 1 of 2025-26

due to a competing independently commissioned review in a similar area. For the second year running, there has been improvement in the audit assurance ratings received, with the two auditing organisations issuing ratings of moderate and reasonable assurance respectively. No critical risks were identified in any of the audits undertaken in 2024-25 and individual audit findings were pleasing, with all except one audit leading to a satisfactory or satisfactory with exception outcome.

GPG's Annual Audit Plan is delivered by SSCL's internal service auditors - PricewaterhouseCoopers (PwC) for core SSCL system audits and Ernst & Young (EY) for ISAE 3402, and by the GIAA for end-to-end audits involving customers. 2024-25 is the first year SSCL have utilised EY in relation to the ISAE 3402 controls audit. EY found, out of a total of 242 control activities, 213 were designed and operating effectively. Due to exceptions identified during testing, EY qualified 14 control objectives similar to the previous year. Due to the improved individual ratings of audits undertaken by GIAA this year (two moderate and one limited), GIAA increased their annual opinion from limited last year, to moderate. This reflects the continued rigour GPG has exercised in holding SSCL to account and ensuring effective remedial action has been taken to address key areas of risk where necessary. PwC's Reasonable Assurance rating remains consistent with that of last year.

The respective opinions indicate continued improvement during the 2024-25 audit period, but opportunities remain for collaboration between SSCL and ISSC2 customers to better manage and mitigate risks throughout the end-to-end processes.

Defra Group Service Management continue to work with GPG to closely monitor the overall performance of SSCL and their delivery of the standard service offering, ensuring contract KPIs and service level agreements (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 single operating platform (SOP) and SSCL processes through the continued evolution of our Joint Improvement Plan with SSCL.

Analytical models (business critical models)

Analytical models are used to inform decision-making, particularly around policy design development and implementation, and financial forecasting and evaluation. The new process and guidance introduced last year for identifying and quality assuring business critical models continues to be embedded throughout the department. This year, Defra is widening its approach beyond the Core department to ensure more consistent approaches across ALBs and GCS. This enables a better overview of the life cycle of analysis, as suggested in the government's Analytical Quality Assurance (AQUA) book. A full review is underway to ensure that business critical models across Defra group have AQUA book-compliant quality assurance processes. Analytical Assurance Statements have also been introduced. These ensure decision-makers are informed about the strengths and limitations of the analysis they receive, including the impact of uncertainty. We are also reviewing the support offer for modelling teams to ensure capabilities, software and techniques continue to develop and reflect best practice.

Many of the schemes that the RPA administers on behalf of Defra are inherently complex to administer from both a scheme design and scheme system perspective. This creates

financial management risk for the agency and the department. Scheme forecasts are often dependent on modelling unpredictable customer uptake using complex system data sources and are exposed to demand-led factors both in terms of the way in which future year commitments can be claimed for by customers but also the way in which scheme take up occurs and agreements are entered into. During the year this had an impact on a number of schemes. Countryside Stewardship (revenue) had a forecasting error identified which meant that the department was required to re-prioritise budgets during the financial year. Capital grants saw overwhelming demand for some capital grant items, which led to the main capital grant offer being temporarily closed to new applications before being reopened for on hold applications in 2025-26. Sustainable Farming Incentive 2024 saw its future year budgets successfully allocated, leading to the stopping of applications being accepted. The scheme was temporarily reopened in June 2025 for a small cohort of eligible applicants but with agreement sizes limited in order to ensure budgetary controls were met. However, a system message error led to a written ministerial statement remaking the decision to close the scheme, which will lead to unplanned expenditure in 2026-27 and beyond. The RPA and the department are working together to strengthen both internal controls and scheme design controls to mitigate the future risk of financial management complexity in schemes. This includes delivering against a set of GIAA recommendations to minimise the risk of future forecasting issues occurring alongside the introduction of further additional risk targeted measures that go beyond the GIAA's specific recommendations.

Security and cyber security

During 2024-25, we have continued to improve the robustness of our security and cyber security controls to ensure we remain vigilant to cyber attack. We have successfully invested funding secured under SR21 in security improvements and technology upgrades that will help to address challenges with legacy technology and cyber security and business resilience risks.

This includes investing £78 million to remediate the most critical legacy applications under the Legacy Applications Programme (LAP). We had remediated 160 of the 316 most at-risk applications, which were baselined in quarter 3 of 2024, by March 2025. Remediation includes moving applications to more modern cloud hosted environments from legacy infrastructure in data centres, which enhances security controls and brings applications back into mainstream support. We expect to be able to close at least three of these data centres during 2025, saving significant costs. We have secured further funding in SR25 to continue this work. We have invested £45 million on security improvement projects, including improved privileged account management, increased security monitoring capability and new incident report tooling. This will increase protection of our systems and improve detection and response capability in the event of an incident.

We have made good progress with this work, but the investment needs to be seen in the context of significantly increased threat levels globally and a growing frequency in attempts to infiltrate government networks. Further investment will be needed in SR25 and beyond to address these ongoing and growing risks.

This year we introduced a new physical security framework to drive improved security at high and medium risk sites. We created a dedicated crisis management function and are developing plans and playbooks. We have also updated our security policies including

secure IT lifecycle policy; acceptable use policy; and data loss prevention policy to underpin our technical investments.

The majority of security breaches over the past year have involved information sent by email in error or travel policy breaches (typically, staff taking corporate equipment overseas without authorisation). There have been two breaches that have met the threshold for reporting to the Information Commissioner's Office during this period.

These incidents, as well as our departmental security health check results, show the department needs to make further progress to comply with minimum baseline standards and mature its culture and processes. This is reflected in our Security Strategy and in our bids for funding in phase two of the SR, along with progressing business as usual activities to meet our Security Strategy.

Counter-fraud, whistleblowing and data protection

Counter-fraud

Defra collaborates with the Public Sector Fraud Authority (PSFA) and other government departments to prevent, detect, and recover fraud and error losses across public sector expenditure. We advocate a zero-tolerance stance on fraud and economic crime, with each organisation within the group having annual action plans to enhance counter fraud measures. Defra reports £12.3 million of prevented and recovered fraud and error against a PSFA set financial impact target of £6 million in 2024-25. However, we report lower-than-expected fraud and error given our size and spending profile, although efforts to improve fraud reporting have led to a substantial increase in reported fraud and error from grant schemes and programmes. We aim to intensify activities in high-risk areas with historically low fraud detection rates, such as procured spend, using data analytics to identify anomalies. Participation in the National Fraud Initiative (NFI) led to the identification of three cases of double employment within Defra, resulting in formal investigations.

Defra's counter fraud strategic approach is overseen by designated board members to ensure compliance with the Counter Fraud Functional Standard and the PSFA Mandate. In the Core department, the Chief Financial Officer fulfils this role supported by the Strategic Counter Fraud group. Internal scrutiny is also provided by the ARAC and governance forums such as the GCS Board.

Defra conducts Initial Fraud Impact Assessments on all new Government Major Project Portfolio (GMPP) spending initiatives as per the Green Book and MPM guidelines. Following a formal assessment against the Counter Fraud Functional Standard (GovS013), the Environment Agency has implemented actions to address identified areas for improvement. The Core department and the Rural Payments Agency are preparing for their own assessments and working with other group organisations to produce an organisational fraud risk assessment, providing Executive Committees and ARAC with an overview of Defra's fraud risk landscape.

Effectiveness of whistleblowing arrangements

Defra proactively promotes ‘speak up’ as a safe route to raise concerns, using targeted communications to signpost our policy, process and guidance, with individuals able to raise cases raised via dedicated ‘speak up’ channels, including through trained nominated officers in each of our Defra group ALBs. Defra established a register in 2021-22 for recording and tracking of all reported whistleblowing and ‘speak up’ cases and we use this insight to identify trends and themes (see below for cases captured in 2024-25, 75 cases raised in total across Defra group).

During this period there are no breaches to report, however, we have seen a rise in individuals using ‘speak up’ to raise concerns that are not appropriate to be handled via this policy or process. Whilst this positively evidences our ‘speak up’ channels are accessible, it has highlighted further opportunities to strengthen our suite of policies, processes and guidance, that in turn should provide greater clarity, access and support for individuals, and further build confidence and trust that concerns will be heard and addressed. This will also include building line manager capability and confidence, and ensuring our support wrapper considers the impact on all parties involved in cases. This aligns with our ongoing commitment to embed and mainstream a ‘speak up’ culture in Defra.

Department	Number of cases raised	Number of open cases	Number of closed cases	Outcome of cases	Recommendations
Defra	11	3	8	1 upheld and disciplinary action taken. 1 repositioned under disciplinary on receipt (not a ‘speak up’ case). 4 not upheld no further action taken. 2 not upheld but recommendations taken on board.	Recommendations ranged from improving communications (during cases to all parties involved) and assuring accurate records are maintained by the business.
Animal and Plant Health Agency	7	2	5	Cases not upheld but recommendations put in place.	Improvements put in place and communications strengthened.
Rural Payments Agency	1	1	0	N/A – Case remains open.	N/A – Case remains open.

Department	Number of cases raised	Number of open cases	Number of closed cases	Outcome of cases	Recommendations
Environment Agency	47 cases were considered	15	32	9 were closed due to lack of information. 12 cases had no merit / were not qualifying disclosures, however, useful management action / learning identified. 11 cases had merit and resulted in actions or recommendations for the business.	Only 11 of the cases raised had merit and resulted in actions or recommendations for the business.
Natural England	5 cases were considered	2	3	1 case pending decision following completion of the investigation. 1 case (linked to the ongoing investigation above) is being assessed to see if there are additional concerns that need investigating. 1 was deferred to dispute resolution policy.	N/A – No further action required at this stage.
Forestry Commission	2	0	2	Cases not upheld.	N/A

Department	Number of cases raised	Number of open cases	Number of closed cases	Outcome of cases	Recommendations
Livestock Information Ltd	2	0	2	Case One: 6 allegations raised and investigated, only one was partly upheld in relation to: Risk of non-compliance with the Procurement Act 2023 (PA 2023): alleged failure to prepare for or comply with legislation that directly impacts public contracts. Case Two: 9 allegations raised and investigated, no allegations were upheld.	Expedited implementation of procurement improvements. Implemented training on Procurement Act 2023. Integration of report findings into leadership coaching. People leader's toolkit enhanced.

No cases were raised in the following bodies: Centre for Environment, Fisheries and Aquaculture Science; Veterinary Medicines Directorate; Joint Nature Conservation Committee; Marine Management Organisation; Flood Re; Sea Fish Industry Authority; Consumer Council for Water; National Forest Company; Office for Environmental Protection; Agriculture and Horticulture Development Board; Royal Botanic Gardens, Kew.

Data protection

During 2024-25, 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 fourth year and introducing an enhanced management system for personal data related incidents, 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. This included introducing an enquiry form for staff to contact the data protection team and conducting a feedback survey with staff to improve the service we offer.

In 2024-25, 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. We are also working towards combined data protection documents across the Defra group where possible to save time and resources and have published an Employee and

Contractor privacy notice for Defra and all the executive agencies. The Personal Information Charter covers Defra and three of our executive agencies.

There were two reported breaches 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.

Environment Agency (EA)

NAO qualification: Valuation of operational assets

In 2022-23, EA delivered their first Depreciated Replacement Cost (DRC) valuation. 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 of 31 March 2023. For this reason, the NAO qualified the valuation of operational assets.

During 2023-24 and into 2024-25, significant progress has been made on EAs 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. During 2023-24, EA also began a multi-year national programme of asset dimensional data improvements led by their National Data Team. The work continued throughout 2024-25, with outputs continuing to feed into EAs methodological approach utilising a range of source data, statistical sampling, and averaging, ensuring the accuracy of their DRC portfolio valuation.

In 2024-25, EA refined their approach to the DRC valuation, ensuring robust judgements had been applied to the significantly improved asset data which the valuation is based on. EA have used the improved valuation and data to restate their comparative periods, removing genuine movements in the data and removing the impact of inflation.

Three years of data improvement works by EA asset management teams, as well as the refinement of EAs approach to the valuation completed collaboratively by their asset management and finance teams, has meant that the NAO are able to remove EAs qualification on the valuation. This is a significant milestone for the Agency as they lay an Annual Report and Accounts with an unqualified audit opinion for the first time since 2018-19.

Rural Payments Agency (RPA)

NAO qualification: Regularity of expenditure

During 2024-25, the RPA, an executive agency of the department, received a qualified audit opinion from the Comptroller and Auditor General on the regularity of expenditure within its financial statements. This qualification related to material levels of irregular expenditure identified within grant payments under the Countryside Stewardship (CS) and Sustainable Farming Incentive (SFI) schemes.

The NAO reported that RPA had not misapplied the scheme rules, and that irregularities arose primarily from non-compliance by grant recipients, where delivery against agreed outcomes was not fully completed or evidenced. In total, the RPA estimated irregular payments of £40.3 million across all schemes (2.87 per cent of total grant expenditure), with £39.1 million attributable to CS and SFI. These schemes, which involve complex environmental land management prescriptions, were introduced as part of the department's transition to outcome-based farming support.

The department recognises that some level of irregularity was foreseeable in the early years of these schemes, due to their complexity and the evolving nature of delivery. Nevertheless, the department takes the audit qualification seriously and has worked with the RPA to develop and implement actions to reduce irregularity rates over time. These include:

- Enhancing controls whilst ensuring that they remain cost-effective, including increased use of geospatial measurement.
- Improving data capture, structure, and intelligence gathering to better understand the causes of fraud and error and inform decision-making in controls and scheme design.
- Continuing to update Parliament on fraud and error within grant expenditure, including insights on root causes and the trade-offs accepted between irregularity and achieving policy objectives.

The department's ARAC reviewed the RPA's qualified opinion and the department's response. Based on the actions taken and the continued assurance available over the department's central systems of control, the department's Accounting Officer has concluded that the qualification does not undermine the overall effectiveness of governance arrangements across the departmental group. Nevertheless, this matter will remain under scrutiny in 2025-26.

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. Flood Re continue to operate within the spirit of the original draft Framework Document until the new document is finalised.

In January 2025, a statutory instrument was laid in Parliament to amend Flood Re's Levy 1, which is their primary income, from £135 million to £160 million for the next three years. This was approved by both Houses in March 2025 and effective as of 1 April 2025. In February 2025, Flood Re informed the department they would be issuing a midyear inward premium price increase. Whilst this is unusual, the proposed rise is within the scope of the appropriate regulations, so is a matter for Flood Re's Board. In March 2025, the Board appointed Perry Thomas as their new Chief Executive Officer.

Independent Assurance

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

- GIAA programme audits and opinion.
- National Infrastructure and Service Transformation Authority (NISTA) reviews.
- NAO reports (including VFM) and the audit report for the Annual Report and Accounts.

National Infrastructure and Service Transformation Authority (NISTA) reviews

In 2024-25, 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 (IAAS). The departmental Investment Committee oversees investment decisions on behalf of the departmental ExCo, and DelCo oversees delivery of the department's portfolio and outcomes.

The level of project assurance is based on a Risk Potential Assessment and captured in an Integrated Assurance and Approvals Plan (IAAP) for each project, which align to NISTA and Defra guidance and covers all assurance and approvals activity for the three lines of defence. Defra Tier A Government Major Projects Portfolio (GMPP) projects are subject to NISTA assurance reviews at key stage gates or as part of an annual review cycle. NISTA reviews are coordinated with the NISTA in accordance with the IAAPs for each project.

The NISTA provide third line assurance for our GMPP projects. GIAA review our delivery activity at a project or portfolio level and by project delivery functional standard theme 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 2024-25 financial year. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The GCIA assessed that the robustness of the control framework, overall, has weakened slightly compared to last year. Their analysis concluded that this may be a result of significant and ongoing change over time.

The GCIA recognised that Defra faces significant and intractable risks and that the control environment is under pressure caused by financial and people resource constraints alongside this high level of change. Thematic analysis of the work completed in year identified some areas for management to focus upon.

The GCIA's opinion was informed by the outcomes from engagements on the 2024-25 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 NISTA and the NAO. There is positive and productive engagement between audit teams and Defra's staff and management.

NAO Value for Money reviews and Public Accounts Committee (PAC) recommendations

The department was subject to five specific Defra focussed NAO reports from 2024-25, where it was the lead department. An overview of the recommendations made by the NAO are summarised in the table below³². The department will implement the recommendations where applicable. There were no PAC recommendations in 2024-25.

NAO Recommendations

Report title	Publication date	Recommendations	Planned Implementation Date
Implementing statutory biodiversity net gain.	17 May 2024 (NAO)	10	All accepted: 1 Implemented (quarter 4 2024-25) 9 works in progress with implementation dates quarter 2 2025-26 and quarter 4 2025-26.
The UK border: Implementing an effective trade border.	20 May 2024 (NAO)	3	3 partially accepted: 3 works in progress with implementation dates quarter 4 2025-26 and 2 awaiting opportunities.
The farming and countryside programme.	23 July 2024 (NAO)	7	6 accepted, 1 Partially accepted: 1 Implemented (quarter 4 2024-25) 6 works in progress with implementation dates quarter 2 2025-26 and quarter 4 2025-26.
Achieving environmental improvement and responding to climate change: enablers for success.	16 October 2024 (NAO)	5	Response pending.
Investigation into how government is addressing antimicrobial resistance.	26 February 2025 (NAO)	3	Response pending.

³² All NAO recommendations published since 1 April 2019 can be found on the [NAO recommendations tracker – National Audit Office \(NAO\)](#).

Evolution of TCFD requirements

The latest guidance from HM Treasury³³ confirms TCFD reporting requirements for central government departments and their larger ALBs to make climate-related disclosures in their annual reports if thresholds are met continues, covering four thematic areas: governance, strategy, risk management, and metrics and targets.

These requirements complement initiatives like the Transition Plan Taskforce Disclosure Framework, the UK's Green Finance Strategy, and updated Greening Government Commitments, all of which align with the UK's Net Zero ambitions and Green Prosperity Plan.

Ministerial Directions

During the 2024-25 financial year, and up to the date of this report, two ministerial directions were issued.

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 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's³⁴ 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 Secretary of State 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.

³³ <https://www.gov.uk/government/publications/tcf-aligned-disclosure-application-guidance>

³⁴ Tamara Finkelstein was Permanent Secretary during this period.

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 Secretary of State 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.

Hoad's Wood

On 22 May 2024, former Defra Secretary of State Steve Barclay MP, issued a direction to the EA, under Section 40 of the Environment Act 1995, requiring them to immediately put in train actions to clear the illegal waste from Hoad's Wood, Kent and to provide him 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 waste and continues to provide the Secretary of State with fortnightly updates.

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 2024-25. We will continue to improve our framework of governance, risk management and the internal control environment.

Paul Kissack

5 November 2025

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 2024 no 295 as amended by Statutory Instrument 2024 no 1323 (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 Money³⁵. These

³⁵ Managing public money – (<https://www.gov.uk/government/publications/managing-public-money>)

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.

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 2024-25 four payments were made as detailed in the table below totalling £325,355.17.

Organisation	Payment (£)	Purpose
Lincolnshire Rural Support Network (LRSN)	54,600.00	Farming mental health charity support at instruction of Minister Spencer
The Farmer Network LTD	82,688.00	Farming mental health charity support at instruction of Minister Spencer
The Farming Community Network	127,144.00	Farming mental health charity support at instruction of Minister Spencer
You Are Not Alone (YANA)	60,923.17	Farming mental health charity support at instruction of Minister Spencer

In 2023-24, no such payments were made by Defra or its delivery bodies.

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, 1,282 reports of work-related injuries or ill health were received across the Defra group from employees. This is a decrease on 2023-24 where 1,450 reports were received. This excludes reports of work-related stress as not all organisations currently record it, and this is summarised separately below.

34 injuries or ill-health involving Defra group employees were reportable 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.

- 22 were injuries or illness resulting in more than seven days absence from work or normal duties.
- 8 were HSE specified injuries (for example, fractures).
- 4 were HSE specified occupational disease.

This is a minimal decrease in comparison with the same period in 2023-24, where 36 RIDDORs for injury or ill health were reported across the Defra group.

The Defra group sub forum for work-related stress, has continued momentum on addressing stress as a health and safety risk. Across the Defra group, 627 cases were reported collectively in the reporting period. This has decreased across the group in comparison with 926 reported in 2023-24 but reflects increased awareness of preventing stress as a health and safety matter and the importance of employees receiving early support. The most common work-related root cause of stress, aligning with the HSE Management Standards for 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 145 reports (a decrease on last year where 202 were reported) followed by 135 injuries caused by contact with stationary or fixed objects and equipment (a decrease on the 145 reported last year) and 123 injuries caused by lifting, handling, carrying or physical overexertion (decrease on 153 last year).

	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
AHDB	372	0	0	0	0.00 →
APHA	3,194	123	5	6	0.10 ↑
CCW	84	0	0	0	0.00 →
Cefas	623	18	1	2	0.18 ↓
Defra	6,592	26	0	0	0.00 →
EA	12,890	597	17	22	0.09 ↓
FE	1,277	86	7	0	0.00 ↓
JNCC	283	2	0	0	0.00 ↓
Kew	1,101	43	0	0	0.00 ↓
MMO	522	51	0	0	0.00 ↓
NE	2,886	262	4	25	0.48 ↑
NFC	40	1	0	0	0.00 →
OEP	88	0	0	0	0.00 →
RPA	2,663	73	0	6	0.12 ↓
VMD	184	0	0	0	0.00 ↑
SFIA	95	0	0	0	0.00 →
TOTAL	32,894	1,282	34	61	0.10 ↓

¹ Column 2 – Total reports of work-related injury/ill health reported by employees
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’ reported by employees
EXCLUDES Dangerous Occurrences which are NON-injury events.

³ Column 4 – Number of injury/ill-health incidents resulting in absence from work reported by employees.
EXCLUDES work-related stress.

⁴ Calculated using data in column 4. LTFR is the number of employees 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 2023-24.

‘Like for like’ comparisons between organisations are not necessarily achievable or helpful as reporting cultures and categories vary, for example, 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, the 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 or 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 conditions³⁶. 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.

5,204 non-injury events were reported across Defra group in the reporting period. This equates to one in every six employees reporting a near miss incident during the reporting period. This is comparable with 2023-24 where 5,007 non-injury events were reported and one in six employees reporting an incident. This reflects a positive culture and awareness of the benefits of reporting non-injury events to prevent actual harm.

One report of a Dangerous Occurrence had to be made to the HSE under RIDDOR by APHA due to a backflow of contaminated effluent into ante room. This was also reportable under Specified Animal Pathogens Order (SAPO) licence requirements.

Other non-injury reports included:

- 4,420 near miss incidents reported by employees across the group.
- 1,324 reports of hazards, unsafe conditions or working practices were observed by employees, enabling faults to be repaired or rectified before any near miss or more significant incidents occurred.
- One Fire (no injury) also occurred in a Defra group workplace.

³⁶ an incident which could have caused an injury, for example 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.

Health and Safety Prosecutions, Interventions or Investigations

The following enforcement or interventions 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
Animal and Plant Health Agency (APHA) Sep 2024	Crown Improvement Notice	Inadequacy of validation of biological agent inactivation methods.	APHA Validation Committee has been refreshed and close oversight by the Biological Agents Steering Committee established. New committee members are in training. Validation methodology was reviewed by senior members of the committee and included review of current validation acceptance statements, review of inactivation definitions, review of key standard operating procedures and risk assessments and review of actions resulting from the reviews. A review process for all inactivation procedures has been established and there is a plan for each relevant scientific department. There is a new standard operating procedure for the management of validation of inactivation processes.
APHA Dec 2024	HSE Intervention Letter	Human Factors not being considered as part of our safety critical processes.	There were three actions. APHA engaged with an external consultant who was a former HSE specialist human factors inspector. Training was delivered on how to incorporate human factors into incident investigations. The APHA standard for management of incidents was reviewed Safety critical tasks for each high containment facility were identified and prioritised. A time bound programme was prepared that detailed when each safety critical task would be subjected to a full

Organisation /Month of enforcement	Type/Body e.g. HSE notice	Why enforcement/ intervention received	Preliminary actions taken (if applicable) or lessons learned
			human factors risk assessment. This programme will take over four years to complete. A human factors risk assessment was undertaken for entry/exit tasks in one of our Advisory Committee on Dangerous Pathogens (ACDP3) / Specified Animal Pathogens Order (SAPO4) facilities. Actions were generated and have been assigned to an appropriate person. HSE have accepted the APHA response to the three actions
APHA Feb 2025	Crown Improvement Notice	Inadequate procedures to minimise the risk of exposure of employees to high hazard biological agents.	There were several elements to this, not all of which were served as a Crown Improvement Notice (CIN). However, as they were highlighted in the letter from HSE when the notice was served, a single response has been sent. The process for management of high containment risk assessment review has been extensively reviewed and amended. Every pathogen specific risk assessment has been reviewed and a section included on foreseeable fumigation scenarios. In addition, the author must sign a validation declaration – this tied in with the other CIN. A small number of risk assessments require a more detailed review and a deadline has been set for those to be completed.

Organisation /Month of enforcement	Type/Body e.g. HSE notice	Why enforcement/ intervention received	Preliminary actions taken (if applicable) or lessons learned
			The risk assessment relating to not fumigating the tuberculosis (TB) suite ahead of planned preventative measures (PPM) was extensively reviewed and re-written. There is now a formal declaration that the relevant Head of Department must sign prior to handing the facility over for PPM. The Standard for management of a spillage of high hazard biological agents has been extensively reviewed.

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 online³⁷. 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.

Between 1 April 2024 and 31 March 2025 no complaints were accepted for investigation by the PHSO relating to the Defra group.

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.

³⁷ <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 2024

The Civil Service People Survey ran from 10 September to 8 October 2024. The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of, working in government departments. 2024 was the sixteenth 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 65 per cent (down from 74 per cent in 2023). The overall response rate for the Civil Service was 61 per cent (down from 65 per cent in 2023).

Summary of results

2024 was marked by uncertainty as we anticipated a likely election and spending review, and awaited clarity on organisational priorities. Following the summer election we rapidly pivoted resources to support the new government and its emerging priorities aligned to the missions. The Employee Engagement Index scores were below the Civil Service benchmark of 64 per cent for three participating organisations and matched by two organisations. Our corporate Defra engagement index increased from 60 per cent in 2023 to 61 per cent in 2024. In the Core department, our Engagement Index increased from 61 per cent in 2023 to 62 per cent in 2024.

Across the five organisations who take part in the survey, there was some variation in results, with the Core department, APHA and Cefas seeing generally positive increases in results. Corporately, Defra's performance across the nine survey themes remained similar compared with 2023 and 2022. The scores across the nine themes of the 2024 survey and the engagement index for Defra and the participating agencies are set out below.

	Corporate	Core	APHA	RPA	VMD	CEFAS
Total Returns	9,524	5,429	2,070	1,401	141	483
Employee Engagement Score	61%	62%	59%	59%	64%	64%
My work	75%	76%	74%	69%	81%	81%
Organisational objectives and purpose	79%	78%	82%	80%	90%	76%
My manager	76%	77%	73%	79%	79%	74%
My team	84%	85%	79%	82%	84%	81%
Learning and development	56%	56%	55%	55%	53%	60%
Inclusion and fair treatment	80%	82%	76%	80%	81%	77%
Resources and workload	72%	73%	70%	72%	77%	72%
Pay and benefits	26%	29%	18%	27%	28%	26%
Leadership and managing change	48%	49%	44%	48%	63%	47%

At a corporate level, three themes saw an increase compared to 2023, one decreased and five remained the same. The most significant change in theme score was pay and benefits with an increase of seven percentage points. Full results of the Civil Service People Survey are published on gov.uk.

Further Action

We are leading a dual corporate and local approach to taking action, working across the organisation to understand what is working well and where we can improve. HR have hosted support sessions for line managers to become more confident in understanding the survey data, and in leading local changes in response to survey feedback. At an organisation level,

we plan to continue with three key priorities during 2025, after making some promising progress in these areas during 2024:

- Wellbeing: Focus on Bullying, Harassment and Discrimination, and factors influencing the Proxy Stress and PERMA³⁸ indexes.
- Purpose: Focus on people's personal connection to Defra's purpose and leadership role in engaging people in our vision for the future.
- 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.

Theme	Progress during 2024
Bullying, Harassment & Discrimination (BHD); Wellbeing	• Loughborough University study to better understanding views on readiness to apply change to BHD in Defra group • Trial and rollout of Viva Insights to support healthy ways of working/wellbeing • Promotion of team stress risk assessments • Enhanced our Mindfulness offer • Providing visible leadership for wellbeing • Raised awareness of neurodiverse and non-visible conditions through an annual programme of events • Launched a menopause and menstruation framework and policy • Ran seasonal wellbeing campaigns
Connecting with Defra's Purpose	• Further developed the Future Defra story, delivering a wide range of engagement activities and surveyed staff to better understand how far it is reaching everyone • Created the Outcomes Framework to help us all work in an outcomes-focused way • Continued to rollout the Future-Engage-Deliver leadership masterclass programme to our senior leadership cadre
Making the most of our Employee Offer	• Delivered the 2023 pay flex case and prepared to respond quickly to 2024-25 pay process • Updated the STaR recognition and reward platform and expanded the 'Cheers for your Peers' thank you cards with the Connect+ app • Started work to develop a Defra group Employee Value Proposition, to help us recruit and retain diverse talent • Built an Employee Lifecycle Power BI suite of data to help us understand our people at all stages of their career journey

³⁸ PERMA index is a measure of wellbeing covering Positive Emotion, Engagement, Relationships, Meaning and Achievement.

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 2025.

Employee Composition	Male	Female
Senior officials on the Defra board	2	1
Ex Officio on the Defra board	0	0
Ministers	2	3
Non-executive directors for the Defra group ¹ (excluding Ex Officios on the Defra board)	42	33
Management employees (SCS grade or equivalent) for the Defra group ¹ (excluding senior officials on the Defra board)	219	216
All other employees for the Defra group ¹	15,332	17,677
Total	15,597	17,930

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) roadmap 2024-2026 sets four strategic objectives:

- Attract, empower and retain diverse talent.
- Invest in our people to unlock the potential of diverse teams.
- Foster a respectful and inclusive culture where everyone can thrive.
- Improve our understanding and the way we work with the communities that we serve.

The EDI Roadmap applies across all Defra group Civil Service organisations and aligns with the Civil Service Diversity and Inclusion Strategy published in 2022.

The EDI Roadmap takes due regard for the three key provisions of the Public Sector Equality Duty as part of the Equality Act 2020. These include a duty to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- Advance the equality of opportunity between people who share a protected characteristic and people who do not share it; and
- Foster good relations between people who share a protected characteristic and people who do not share it.

The EDI Roadmap 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, respect at work, and reducing bullying, harassment and discrimination (BHD).

The Defra EDI Delivery plan for 2024-25, identified five key areas of focus to deliver the EDI Roadmap which meet the provisions of the Public Sector Equality Duty.

- Enable inclusive recruitment practices and processes.
- Empower diverse talent across all protected characteristics.
- Build organisational and managerial capability and awareness of EDI.
- Enable an inclusive culture where all people can thrive in the workplace, by tackling BHD and ensuring inclusivity of our policies.
- Seek better understanding of our communities to deliver services inclusively when designing policy or interventions.

Examples of key achievements in 2024-25 include:

- Defra maintained the highest level of Disability Confident status accreditation and Carer Confident Level 2 status.
- Expanding our EDI for line managers learning offer with 844 line managers attending the module between April 2024 and March 2025 from all Defra group organisations.
- On 31 March 2025, 90.4 per cent of Senior Civil Servants (SCS) had received in-house Let's Talk about Race training.

- In 2023, Defra group commissioned the Business Disability Forum (BDF) to complete a review of our workplace reasonable adjustments policies and practices. Following the BDF review the new Defra group Workplace Adjustments policies and process were launched in October 2024. The launch has been supported by both a Workplace Adjustment SharePoint site, which hosts briefing materials, webinars and video information and BDF Workplace Adjustments training sessions, which between January 2024 and March 2025 were attended by 1,600 line managers from across Defra group.
- In March 2025, our Inclusive Panels Handbook and Learning Burst toolkits were launched. The toolkits support recruiting panels to focus on inclusive practices, before, during and at decision-making stages of the interview process.
- To address BHD across Defra group, 40 Investigation Managers have been recruited, and eight Advisory, Conciliation and Arbitration Service (ACAS) led training courses have been held to improve understanding of BHD and protected characteristics. The ACAS training was attended by 49 Respect at Work volunteers (Go To People). A Respect at Work Toolkit has been developed which draws together information for teams to use on BHD, respect at work and the new preventative Sexual Harassment Duty.
- Our Defra group intranet moderation process and panel has continued, providing improved efficiency and visibility to the complaints process under the Defra group Principles of Communication. This ensures that all employees have the appropriate guidance to enable them to communicate respectfully, professionally and inclusively.
- Our Defra group Equality Impact Assessment (EqIA) processes, supportive guidance, templates and SharePoint pages support Defra group compliance with the Public Sector Equality Duty. The SharePoint site operates across Defra group and contains both video and written guidance and a repository of completed EqIA's to support skills development in this area. Our EqIA Supporters group provides support for colleagues who have not previously completed an EqIA.
- As of 31 March 2025, 94 EqIA and screening forms have been submitted to the SharePoint site.

The table below shows our declaration rates for disability, ethnic origin and sexual orientation. In 2024-25, 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
March 2025	87.7	89.9	82.3
Variance to 2024	0.9pp* (Increase)	-1.1pp* (Decrease)	0.8pp* (Increase)

*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 below. This table shows comparisons between March 2022 and March 2025 published in Civil Service statistics - GOV.UK³⁹.

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 2022, but there is clearly more to do to reflect the ethnic diversity of the communities we serve.

Diversity Characteristic:	March 2022 % Representation	March 2023 % Representation	March 2024 % Representation	March 2025 % Representation	% in UK Working Age Population
Women	49.4	52.0	52.3	52.7	50.0
Disabled	14.7	16.8	17.3	18.4	15.8
Ethnic Minority	7.0	7.5	8.3	9.0	16.7
LGBO*	6.1	7.1	7.8	8.3	5.0

*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.

³⁹ <https://www.gov.uk/government/collections/civil-service-statistics>

Diversity by grade across Defra and its executive agencies (as at 31 March 2025) 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	23.3	57.4	11.1	10.9
EO	18.7	53.7	8.6	7.3
HEO/SEO	18.3	55.5	10.1	9.5
G7/G6	16.1	50.1	7.3	6.2
SCS	14.6	50.0	4.2	6.1
Other	13.6	13.7	4.1	5.1
Group Total	18.4	52.7	9.0	8.3

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 18.4 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 the new Defra group Workplace Adjustments policy and process were launched on 1 October 2024. The launch was supported by a suite of Workplace Adjustment training events for line managers to upskill them. The new policy and process ensures greater consistency of application, provide greater clarity for employees, and addresses 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 Civil Service (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.

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. In February 2025, the Aspire programme was launched, which will enable ethnic minority staff to gain experience and leadership skills needed for career progression. 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 places a high priority on improving the diversity of its public appointees to better reflect the communities our arm's length bodies serve. Since July 2024, 50 per cent of new appointees have been women and 33 per cent from an ethnic minority background, and we are committed to building on this positive momentum.

As part of our commitment to increasing diversity in public appointments, the Public Appointments Team has developed a Talent Pool database featuring promising candidates, with a particular focus on individuals from underrepresented groups. For each recruitment campaign, we also curate tailored candidate lists to ensure broader representation. Additionally, we maintain a register of independent panel members who either come from underrepresented backgrounds or bring expertise in diversity and inclusion. As part of our outreach strategy, we actively promote vacancies on social media using a variety of formats, including videos, to engage a wider and more diverse audience.

We have also made significant progress with the Boardroom Apprenticeship pilot scheme, which is now in its third year and includes seven of Defra's public bodies acting as 'host boards'. Sponsored by the Ministry of Housing, Communities and Local Government, 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. As well as helping steer the Boardroom Apprenticeship pilot, we are actively promoting public appointment opportunities to both current and former apprentices and supporting them throughout the application process. We are also attending public appointment events to raise awareness of the scheme and to encourage wider participation.

Diversity characteristic	% Representation of all current public appointments	% Representation of public appointments made in 2022-23	% Representation of public appointments made in 2023-24	% Representation of public appointments made in 2024-25
Women	38	56	46.6	46
Disabled	3	0	6.6	0
Ethnic Minority	8	0	6.6	15

Gender Pay Gap

The Defra Civil Service Gender Pay Gap Report for 2023-24⁴⁰ (published in December 2024) showed that there has been a decrease in both the mean (3.8 per cent) and median (8.7 per cent) gender pay gaps of 2.8 percentage points (pp) and 2.3pp respectively since 2023. This is the lowest mean gender pay gap Defra Civil Service has reported since pay gap reporting began in 2017.

Defra Civil Service mean and median pay gaps (2017-24)

Defra Civil Service	2017	2018	2019	2020	2021	2022	2023	2024	% Difference from 2023
Mean Gender Pay Gap	11.5	9.8	8.4	7.2	6.7	5.6	6.6	3.8%	2.8pp
Median Gender Pay Gap	12.1	11.7	9.4	7.4	6.8	6.6	11	8.7%	2.3pp

*pp represents percentage points

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	1457 (61.0%)	932 (39.0%)
EO	1349 (60.4%)	885 (39.6%)
HEO	1475 (56.2%)	1151 (43.8%)
SEO	1636 (55.1%)	1334 (44.9%)
G7	1241 (52.7%)	1114 (47.3%)
G6	370 (49.2%)	382 (50.8%)
SCS	109 (51.2%)	104 (48.8%)
Grand Total	7637 (56.4%)	5902 (43.6%)

⁴⁰ <https://www.gov.uk/government/publications/defra-gender-pay-gap-report-2024/defra-gender-pay-gap-report-2024>

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.

Defra group organisations will continue to undertake actions to close the gender pay gap during 2024-25 including:

- Embedding inclusive practices into our attraction, recruitment and selection processes.
- Supporting career development through targeted opportunities.
- Offering networking and peer support opportunities through diversity focused staff networks.
- 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 the line manager conscious inclusion awareness sessions and mandatory completion of the Civil Service Expectations Learning.
- Promoting the benefits of job-sharing.
- 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.
- Using Equality Impact Assessments, to ensure that Defra considers any impacts of organisational change on women and those with other protected characteristics.

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. Whilst we have noted an upward trend in Average Working

Days Lost (AWDL), and mental health absence, we have a range of measures in place to support our peoples' health and wellbeing and our AWDL remains significantly below the Civil Service benchmark.

We have invested time in raising awareness of the wellbeing offer across our workforce. In response, many more Defra colleagues accessed the wellbeing services for a range of interventions. 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 more progress to be made.

We regularly survey colleagues who access the wellbeing support offer, and we have seen satisfaction increase by 12 percentage points in the last year, this is coupled with positive clinical and workplace outcomes post intervention. 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 are exploring how we can further empower our people through digital and self-serve interventions as part of our continuous improvement activity, as well as continuing to adapt our offer to ensure it remains relevant and flexible to business and employee needs.

Following a successful pilot in 2024, we have made Viva Personal Insights available to everyone helping colleagues to identify opportunities to build better work habits through personalised insights. This is enabling our people to prioritise their wellbeing through actionable steps such as reserving time for focussed work, taking regular breaks and practicing mindfulness.

Through our menopause and menstruation policy and framework and digital app, and the neurodiversity and hidden disabilities learning we are providing managers and employees, we continue to demonstrate our awareness of issues that are topical across society. We continue to keep abreast of wider cross-government priorities, including the Civil Service Health and Wellbeing Standards, and regularly assess our own status and progress against other government departments.

Our focus now is on how we can reduce duplication and drive better consistency in wellbeing approach and outcomes across Defra group. We are doing this through a review of our service delivery offer to our arm's length bodies.

We have metrics in place to track the progress we are making in this important area and to 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 has agreed wellbeing continues to be a priority area – 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 issues related to health and wellbeing in a timely and proactive way so people who can work, 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 4.9 working days per employee was lost to sickness absence during the year to 30 June 2024. In comparison, Civil Service is 8 days in the year ending 30 June 2024 up from 7.9 days in the year ending 30 June 2023.

It is anticipated that our approach to continuous improvement, and the work in improving manager capability through the introduction of line manager standards, will encourage managers to use the policy in a way that improves 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 time⁴¹ in the Core department and its agencies during the 2024-25 year.

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

Total number	Number of FTE employees
20	19.81

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%	20
51-99%	0
100%	0

⁴¹ 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.

Percentage of the total pay bill spent on facility time.

Total cost of facility time	£154,866
Total pay bill	£309,716,185.65
Percentage of the total pay bill spent on facility time	0.05%

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. 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	1	1
SCS Pay band 3 or equivalent	7	16
SCS Pay band 2 or equivalent	33	79
SCS Pay band 1 or equivalent	157	337

Flood Re employees are excluded as they cannot be allocated against SCS pay bands.
The figures stated are as at 31 March 2025.

Consultancy and Temporary Staff Expenditure

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

	2024-25			
	Core department	Agencies	NDPBs	Departmental group
	£000	£000	£000	£000
Consultancy expenditure	30,783	7,156	111,046	148,985
Temporary staff expenditure	81,735	26,256	18,449	126,440
Total	112,518	33,412	129,495	275,425

	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

Overall, consultancy expenditure has decreased by £12.4 million and temporary staff costs have decreased by £26.5 million compared with the prior year.

The EA has driven the majority of the reduction in consultancy expenditure, contributing £11.9 million compared to the prior year. The EA currently has a five-year Flood and Coastal Erosion Risk Management programme in place. As this programme has become more advanced, in line with the objectives of the programme, the spend has changed from resource based spend which includes consultancy expenditure to capital related construction work.

The Core department is the primary contributor to the reduction in temporary staff costs, with costs falling by £26.3 million compared to the prior year. The decrease relates to the ramp down and conclusion of projects in the Digital, Data and Technology Service (DDTS) Digital Portfolio. There has been a gradual transition to closer working with framework delivery partners in 2024-25 which has also reduced spend on temporary staff.

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:

	2024-25			2023-24
	Permanent Employed Staff	Others	Ministers	Total
	£000	£000	£000	£000
Salaries and wages	1,377,743	145,360	206	1,523,309
Social security costs	153,301	1,549	23	154,873
Other pension costs	220,864	3,121	-	223,985
Sub total	1,751,908	150,030	229	1,902,167
Less: recoveries in respect of outward secondments	(2,888)	(1,609)	-	(4,497)
Net costs (cash)	1,749,020	148,421	229	1,897,670
Non-cash pension charges	87,064	-	-	87,064
Total net costs	1,836,084	148,421	229	1,984,734

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	2024-25 Total	Charged to Administration Budgets	Charged to Programme Budgets	2023-24 Total
	£000	£000	£000	£000	£000	£000
Of which:						
Core department and agencies	541,695	408,140	949,835	520,468	381,510	901,978
NDPBs	49,607	885,488	935,095	35,985	857,947	893,932
Net total cash-based SoCNE (Note 3.1)	591,302	1,293,628	1,884,930	556,453	1,239,457	1,795,910
Staff costs capital:						
Core department and agencies	-	-	11,006	-	-	12,075
NDPBs	-	-	6,231	-	-	47,145

	Charged to Administration Budget	Charged to Programme Budgets	2024-25 Total	Charged to Administration Budgets	Charged to Programme Budgets	2023-24 Total
	£000	£000	£000	£000	£000	£000
Less: recoveries in respect of outward secondments	-	-	(4,497)	-	-	(5,604)
Add: non-cash service charges for on Balance Sheet pension schemes (Notes 16 and 3.2)	-	-	87,064	-	-	94,434
Total net costs	-	-	1,984,734	-	-	1,943,960

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 reported in the Cabinet Office Annual Report and Accounts. 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 2024. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation here.⁴²

For 2024-25, employers' contributions of £219.2 million were payable to the CSPOS (2023-24, £186.8 million) at 28.97 per cent of pensionable earnings.

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 2024-25 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 2024-25, employers' contributions of £1.4 million (2023-24, £0.8 million) were paid to one or more of the panels of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8 per cent to 14.75 per cent (2023-24, 8 per cent to 14.75 per cent). Employers also match employee contributions up to 3 per cent of pensionable earnings. There were no additional employer contributions in 2024-25 payable to the CSPOS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees (2023-24, £36,000, 0.5 per cent of pensionable pay). Contributions due to the partnership pension providers at the reporting period date were £Nil (2023-24, £Nil). Contributions prepaid at that date were £nil (2023-24, £Nil).

⁴² Resource accounts - Civil Service Pension Scheme (<https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/>)

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 were no individuals in the Core department (2023-24, one) who retired early on ill health grounds. Their total additional accrued pension liabilities in the year amounted to £Nil (2023-24, £35,705).

Loans are made to employees to cover season ticket advances and to relocate. As at 31 March 2025, 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	2024-25			2023-24	
	Permanent Employed Staff	Others	Ministers	Total Number	Total Number
Environment Agency	12,682	531	-	13,213	12,241
Natural England	2,804	170	-	2,974	3,034
Animal and Plant Health Agency	2,870	412	-	3,282	3,068
Rural Payments Agency	2,693	5	-	2,698	2,629
Core department	6,492	595	5	7,092	7,056
Others	4,299	227	-	4,526	4,333
Staff engaged on capital projects	337	28	-	365	1,032
Total	32,177	1,968	5	34,150	33,393
Of which:					
Core department and agencies	13,742	1,196	5	14,943	14,575
NDPBs	18,435	772	-	19,207	18,818
Total	32,177	1,968	5	34,150	33,393

As at 31 March 2025, the department had three 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 2025 was 10.9 per cent, compared to 13.8 per cent up to 31 March 2024. This indicates a continuation of the shift in the turnover trend that we saw over the previous years as, between 31 March 2023 and 31 March 2024, employee turnover fell from 15.6 per cent to 13.8 per cent. Please note that turnover figures before the FY 2024-25 are based on the internal method of calculating turnover which excluded staff on temporary contracts.

Overall, the decrease in the departmental turnover between 31 March 2024 and 31 March 2025 was driven by a substantial drop in the number of staff leaving for other government

departments, falling from 7.0 per cent in year ending 31 March 2024 to 4.8 per cent in the year ending 31 March 2025. The number of staff leaving for employment outside government has also dropped from 4.7 per cent in year ending 31 March 2024 to 3.2 per cent in year ending 31 March 2025. In relative terms, the decrease in turnover rates for staff leaving the Civil Service and staff joining another government department was identical. The reduction in the number of staff leaving for other government departments was likely driven by the Civil Service wide recruitment freezes.

Lastly, the average mean length of service of staff leaving has considerably increased from approximately 5.8 years to 7.0 years building upon the sharp increase of 4.5 years to 5.8 years from March 2023 to 2024, 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 (Audited)

	Number of Compulsory Redundancies	Number of Other Departures Agreed	2024-25 Total Number of Exit Packages	Number of Compulsory Redundancies	Number of Other Departures Agreed	2023-24 Total Number of Exit Packages
Cost band						
< £10,000	2	1	3	4	2	6
£10,000 - £25,000	3	2	5	1	1	2
£25,001 - £50,000	-	1	1	-	1	1
£50,001 - £100,000	-	2	2	1	-	1
£300,001 - £350,000	-	1	1	-	-	-
Total number of exit packages by type	5	7	12	6	4	10
Total resource cost (£000)	77	542	619	103	52	155
Of which:						
Number of cases						
Core department and agencies	2	1	3	-	-	-
NDPBs	3	6	9	6	4	10
Total	5	7	12	6	4	10
Resource cost (£000)						
Core department and agencies	20	48	68	-	-	-
NDPBs	57	494	551	103	52	155
Total	77	542	619	103	52	155

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972; except for Flood Re whose employees are not civil servants. The table above shows the total cost of exit packages agreed and accounted for in 2024-25 (2023-24

comparative figures are also given). 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 2025, earning £245 per day or greater.

	Core department	Agencies	ALBs	Departmental Group
Number (No.) of existing engagements as of 31 March 2025	180	50	229	459
Of which, no. that existed:				
less than 1 year	40	41	91	172
for between 1 and 2 years	75	2	51	128
for between 2 and 3 years	27	3	32	62
for between 3 and 4 years	10	0	28	38
for 4 or more years	28	4	27	59

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2025, earning £245 per day or greater.

	Core department	Agencies	ALBs	Departmental Group
No. of temporary off-payroll workers engaged during the year ended 31 March 2025	698	104	327	1129
of which:				
Not subject to off-payroll legislation.	697	103	92	892
Subject to off-payroll legislation and determined as in-scope of IR35.	1	0	41	42
Subject to off-payroll legislation and determined as out-of-scope of IR35.	0	1	194	195
No. of engagements reassessed for compliance or assurance purposes during the year.	613	9	247	869
of which:				
No. of engagements that saw a change to IR35 status following review.	0	0	4	4

For any off-payroll engagements of board members, and / or, senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025.

	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	1*	1
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.	22	50	169	241

*An off-payroll interim finance director was appointed at Livestock Information Limited to fill a short-term vacancy to ensure continuity, mitigate risks, and provide strategic oversight to the organisation to maintain financial stability and achieve its objectives during a critical period. The role fell inside scope of IR35 legislation. The contract commenced on 9 October 2024 and ended on 30 April 2025. The interim was made permanent on 1 May 2025, following a competitive recruitment process. As a temporary measure, all financial responsibility was removed from the interim and delegated to permanent employees in April 2025.

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 2024-25, NCVP for 2023-24 performance was paid to approximately 38 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 2023-24 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.

Senior officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, may 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 2024-25. The following tables in the Remuneration Report have been subject to audit.

Ministers (Audited)

	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
£	Salary	Salary	Pension Benefits*	Pension Benefits*	Severance Payments	Severance Payments	Total (to nearest £1000)	Total (to nearest £1000)
Steve Reed MP (from 5 July 2024)	49,903	-	13,000	-	-	-	63,000	-
Daniel Zeichner MP (from 8 July 2024)	23,164	-	6,000	-	-	-	29,000	-
Emma Hardy MP*** (from 9 July 2024)	16,360	-	4,000	-	-	-	21,000	-
Baroness Hayman (from 9 July 2024)	78,193	-	13,000	-	-	-	92,000	-
Mary Creagh MP** (from 18 July 2024)	-	-	-	-	-	-	-	-

*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.

** Mary Creagh's position as Permanent Under Secretary of State is unpaid.

*** Due to an administrative error, there was a small overpayment included in the salary figure which is being recovered.

Ministers who have served during 2024-25 but were not in post as at 31 March 2025 (Audited)

	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
£	Salary	Salary	Pension Benefits*	Pension Benefits*	Severance Payments	Severance Payments	Total (to nearest £1000)	Total (to nearest £1000)
Rt. Hon. Steve Barclay MP (until 5 July 2024)	17,784	25,877	4,000	7,000	16,876	-	39,000	33,000
Rt Hon Sir Mark Spencer MP (until 5 July 2024)	8,346	31,592	2,000	8,000	7,920	-	18,000	40,000
Rt.Hon. Robbie Moore MP (until 5 July 2024)	5,894	8,577	1,000	2,000	5,593	-	13,000	11,000
Rebecca Pow MP (until 5 July 2024)	5,894	22,375	1,000	5,000	5,593	-	13,000	28,000
Rt Hon Lord Benyon** (until 5 July 2024)	-	-	-	-	-	-	-	-
Lord Robbie Douglas-Miller*** (until 5 July 2024)	-	-	-	-	-	-	-	-

*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.

**Rt. Hon. Lord Benyon Minister of State jointly in the Foreign, Commonwealth and Development Office and the Department of Environment, Food, and Rural Affairs was unpaid.

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

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

£	2024-25	2023-24
Steve Reed MP (from 5 July 2024)	67,505	-
Daniel Zeichner MP (from 8 July 2024)	31,680	-
Emma Hardy MP (from 9 July 2024)	22,375	-
Baroness Hayman (from 9 July 2024)	107,335	-
Mary Creagh MP (from 18 July 2024)	-	-
Rt. Hon. Steve Barclay MP (until 5 July 2024)	67,505	67,505
Rt. Hon. Sir Mark Spencer MP (until 5 July 2024)	31,680	n/a
Rt. Hon. Robbie Moore MP (until 5 July 2024)	22,375	22,375
Rebecca Pow MP (until 5 July 2024)	22,375	n/a
Rt. Hon Lord Benyon (until 5 July 2024)	-	-
Lord Robbie Douglas-Miller (until 5 July 2024)	-	-

*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.

Senior Officials on the Board (Audited)

£000	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
	Salary	Salary	Bonus Payment	Bonus Payment	Pension Benefit*	Pension Benefit*	Total	Total
Tamara Finkelstein Permanent Secretary	190-195	180-185	15-20	10-15	44	181	250-255	370-375
Iain King Chief Financial Officer	135-140	120-125	0-5	0-5	50	47	190-195	170-175
David Hill Director General (from 24 June 2024)	110-115	-	5-10	-	72	-	185-190	-

*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. Pensions are disclosed to the nearest £000.

Senior Officials who have served during 2024-25 but were not in post as at 31 March 2025 (Audited)

£000	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
	Salary	Salary	Bonus Payment	Bonus Payment	Pension Benefit*	Pension Benefit*	Total	Total
Lucy Smith Director General (until 21 June 2024)	30-35	135-140	-	-	45	63	75-80	200-205
Nick Joicey** Second Permanent Secretary (until 19 January 2025)	70-75	110-115	-	-	26	9	100-105	120-125

*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. Pensions are disclosed to the nearest £000.

** Nick Joicey held his Defra role until 19 January 2025. His Defra service during 2024-25 included a period of unpaid leave.

Accrued pension benefits included in the tables above (Senior Officials) for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgement. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Full year equivalent salary for part year officials (Audited)

£000	2024-25	2023-24
Nick Joicey Second Permanent Secretary (until 19 January 2025)	175-180	165-170
Lucy Smith Director General (until 21 June 2024)	145-150	135-140
David Hill Director General (from 24 June 2024)	145-150	-

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 £91,346 (from 1 April 2024) 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 2024-25 relate to performance in 2023-24 and the comparative bonuses reported for 2023-24 relate to the performance in 2022-23.

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 2024-25 year.

Non-Executive Directors (NEDs) (Audited)

£	2024-25			2023-24		
	Fees Entitlement	Fees Paid**	Benefits in Kind***	Fees Entitlement	Fees Paid**	Benefits in Kind***
Heather Hancock	20,000	19,833	1,800	11,500	6,667	-
Chris Tyas	15,000	14,718	400	3,468	-	-
Nick Folland* (from 1 June 2024)	16,667	11,667	100	-	-	-
Indro Mukerjee* (from 18 March 2025)	565	-	-	-	-	-
Sachin Jogia* (from 18 March 2025)	565	-	-	-	-	-

**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.

***Benefits in Kind are reported to the nearest £100.

Non-Executive Directors who have served during 2024-25 but were not in post as at 31 March 2025 (Audited)

£	2024-25			2023-24		
	Fees Entitlement	Fees Paid**	Benefits in Kind	Fees Entitlement	Fees Paid**	Benefits in Kind
Colin Day (until 1 December 2024)	13,387	18,387	-	20,000	20,000	-
Baroness Kate Rock (from 13 May 2024 until 26 September 2024)	5,599	5,599	-	-	-	-
Julian Glover**** (from 13 May 2024 until 22 August 2024)	4,153	4,189	100	-	-	-

****Due to an administrative error, there was a small overpayment in fees paid which is being recovered.

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

£	2024-25	2023-24
Nick Folland (from 1 June 2024)	20,000	-
Indro Mukerjee (from 18 March 2025)	15,000	-
Sachin Jogia (from 18 March 2025)	15,000	-
Colin Day (until 1 December 2024)	20,000	n/a
Baroness Kate Rock (from 13 May 2024 until 26 September 2024)	15,000	-
Julian Glover (from 13 May 2024 until 22 August 2024)	15,000	-

Pension Benefits

Ministers (Audited)

£000	Accrued Pension at Pension Age as at 31 March 2025	Real Increase in Pension at Pension Age	*CETV at 31 March 2025	*CETV at 31 March 2024	Real Increase in CETV
Steve Reed MP (from 5 July 2024)	0-5	0-2.5	16	-	11
Daniel Zeichner MP (from 8 July 2024)	0-5	0-2.5	8	-	6
Emma Hardy MP (from 9 July 2024)	0-5	0-2.5	4	-	2
Baroness Hayman (from 9 July 2024)	0-5	0-2.5	17	-	12
Mary Creagh MP* (from 18 July 2024)	-	-	-	-	-

*There is no pension detail for Mary Creagh as her position is unpaid.

Ministers who have served during 2024-25, but were not in post as at 31 March 2025 (Audited)

£000	Accrued Pension at Pension Age as at 31 March 2025	Real Increase in Pension at Pension Age	*CETV at 31 March 2025	*CETV at 31 March 2024	Real Increase in CETV
Rt Hon Steve Barclay MP (until 5 July 2024)	5-10	0-2.5	129	122	3
Rt Hon Mark Spencer MP (until 5 July 2024)	0-5	0-2.5	72	70	1
Rt. Hon. Robbie Moore MP (until 5 July 2024)	0-5	0-2.5	3	2	1
Rebecca Pow MP (until 5 July 2024)	0-5	0-2.5	9	7	1
Rt Hon. Lord Benyon** (until 5 July 2024)	-	-	-	-	-
Lord Robbie Douglas-Miller** (until 5 July 2024)	-	-	-	-	-

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

**There is no pension detail for Lord Benyon and Lord Douglas-Miller as these ministers were unpaid.

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://mypcpfpension.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 2025 and Related Lump Sum	Real Increase in Pension and Related Lump Sum at Pension Age	*CETV at 31 March 2025	*CETV at 31 March 2024	Real Increase in CETV	Employer Contribution to Partnership Pension Account (Nearest £100)
Tamara Finkelstein Permanent Secretary	115-120	2.5-5	2,405	2,284	23	-
Iain King Chief Financial Officer	35-40	2.5-5	492	421	27	-
David Hill Director General (from 24 June 2024)	55-60 plus lump sum 125-130	2.5-5 plus lump sum 2.5-5	1,150	1,056	55	-

*Start and end date of CETV is 31 March or date of joining or leaving the Board.

Senior Officials who have served during 2024-25, but were not in post as at 31 March 2025 (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 2025	*CETV at 31 March 2024	Real Increase in CETV	Employer Contribution to Partnership Pension Account (Nearest £100)
Lucy Smith Director General (until 21 June 2024)	50-55	0-2.5	907	856	42	-
Nick Joicey Second Permanent Secretary (until 19 January 2025)	60-65 plus lump sum 150-155	0-2.5 plus lump sum 0-2.5	1,386	1,312	21	-

*Start and end date of CETV is 31 March or date of joining or leaving the Board.

The CETV at 31 March 2024 may differ to the figure shown in the 2023-24 ARA. This is due to a change in the factors used in part of the calculation.

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 (the McCloud judgment).

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 Remedy⁴³ 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

⁴³ www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

the membership of eligible members during this period back into the PCSPS on 1 October 2023.

The accrued pension benefits, Cash Equivalent Transfer Value and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Master trust. 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 (CETV)

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

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

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, 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 twenty-fifth percentile, median and seventy-fifth percentile 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.

	2024-25	2023-24
	£000	£000
Highest paid director total remuneration	205-210	190-195
Lowest paid staff member total remuneration	20-25	15-20
	£	£
25 th percentile salary	29,517	27,599
25 th percentile total remuneration	29,803	29,224
Median salary	38,710	35,857
Median total remuneration	39,264	37,295
75 th percentile salary	54,470	45,525
75 th percentile total remuneration	54,769	47,159
	Ratio	Ratio
25 th percentile	7.0:1	6.6:1
Median	5.3:1	5.2:1
75 th percentile	3.8:1	4.1:1

Having followed public sector pay remit guidance for 2024-25, 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.

Department for Environment, Food and Rural Affairs Annual Report and Accounts 2024-25
Staff and Remuneration Report – Remuneration Report

	2024-25 Total salary and allowances	2024-25 Bonus Payments	2023-24 Total salary and allowances (Restated)	2023-24 Bonus Payments (Restated)
Staff average	9.86%	-70.37%	6.73%	203.52%
Highest paid director	5.00%	43.00%	-43.78%	100%

In 2023-24 a £1,500 cost of living bonus was paid to all eligible staff. There was no such bonus paid in 2024-25 causing the large difference shown in the percentage change for bonus payments.

The full year equivalent banded remuneration of the highest-paid director in the department in 2024-25 to 31 March 2025 was £205,000-210,000 (2023-24, £190,000 - 195,000). This was 5.3 times (2023-24, 5.2) the median remuneration of the workforce, which was £39,264 (2023-24, £37,295). No members of staff (2023-24: none) were paid more than the highest paid director.

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 (FReM) 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 2023-24 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.

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 2024-25

The table below includes the results for the Core department, executive agencies, Forestry Commission, Flood Re and non-departmental public bodies.

		2024-25			2023-24
	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	5,567,145	5,694,282	127,137	5,285,778
Capital	SOPS 1.2	2,276,034	2,300,309	24,275	1,984,115
Total		7,843,179	7,994,591	151,412	7,269,893
Annually Managed Expenditure					
Resource	SOPS 1.1	(1,473,688)	(857,126)	616,562	1,441,854
Capital	SOPS 1.2	4,002	16,080	12,078	13,216
Total		(1,469,686)	(841,046)	628,640	1,455,070
Total Budget					
Resource	SOPS 1.1	4,093,457	4,837,156	743,699	6,727,632
Capital	SOPS 1.2	2,280,036	2,316,389	36,353	1,997,331
Total Budget Expenditure		6,373,493	7,153,545	780,052	8,724,963
Non-Budget Expenditure	SOPS 1.1	56,561	109,000	52,439	176,947
Total Budget and Non-Budget		6,430,054	7,262,545	832,491	8,901,910

The table above details the 2024-25 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 2024-25

		2024-25			2023-24
		Outturn	Estimate	Outturn Compared with Estimate: Saving/(Excess)	Outturn Total
		£000	£000	£000	£000
Net cash requirement	SOPS 3	7,577,293	7,884,032	306,739	6,463,599

Administration costs 2024-25

		2024-25			2023-24
		Outturn	Estimate	Outturn Compared with Estimate: Saving/(Excess)	Outturn Total
		£000	£000	£000	£000
Administration costs		1,045,444	1,135,970	90,526	1,060,814

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The prior period accounts have been restated to reflect the following changes, which have an impact on the budgetary position of the department:

- A change in accounting policy relating to EA's charging schemes surpluses and deficits, which were previously covered by an HM Treasury dispensation, which has been discontinued. From 2024-25 onwards any surpluses or deficits arising from charging schemes will be reflected in the financial performance and outturn against departmental control totals. The cumulative impact of this change was £44.6 million as at 31 March 2024, which has been recognised as a Prior Period Adjustment in these accounts. The opening balance as at 31 March 2023 has not been restated as the value was not material. The impact of the PPA on the departmental control totals in detailed in the table below and further detail can be found in Notes 1.24, 1.25 and 19.
- Impact of an adjustment to the valuation of EA operational assets following the correction of errors or omissions in the asset data used to value the assets using the Depreciated Replacement Cost (DRC) methodology. Further details can be found in Notes 1.6, 1.25, 5 and 19.

PPA Description	Resource/Capital	DEL/AME	Amount (£000)
Reclassified EA Fees and charges income due to policy change.	Resource	DEL	44,573
Valuation correction of EA operational assets.	Resource	DEL	11,988

Explanations of variances between the Estimate and outturn are given in the Financial Analysis section.

The notes on pages 212 to 322 form part of these accounts.

SOPS 1 – Outturn detail, by Estimate Line**SOPS 1.1 – Analysis of Resource Outturn by Estimate Line**

	2024-25											2023-24
	Outturn						Estimate					Outturn
	Administration			Programme					Virements ¹	Net Total Adjusted for Virements	Outturn Compared to Estimate, saving/ (excess)	
	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	101,013	106	101,119	1,969,398	(8,593)	1,960,805	2,061,924	2,132,039	(69,036)	2,063,003	1,079	1,889,409
Improve the environment and rural services	148,252	(7,377)	140,875	666,432	(29,473)	636,959	777,834	805,783	(16,757)	789,026	11,192	704,578
Protect the country from floods	2,784	(26)	2,758	(11)	-	(11)	2,747	2,132	626	2,758	11	2,441
Animal and plant health	50,876	-	50,876	503,105	(117,483)	385,622	436,498	421,342	15,156	436,498	-	385,935
Marine and fisheries	25,769	(287)	25,482	71,244	(19,271)	51,973	77,455	77,646	96	77,742	287	78,123
Departmental operating costs	513,047	(2,075)	510,972	203,453	(2,444)	201,009	711,981	821,180	(25,020)	796,160	84,179	723,032
Improve the environment and rural services (ALB) (net)	106,577	-	106,577	421,132	-	421,132	527,709	476,925	57,799	534,724	7,015	517,804
Protect the country from floods (ALB) (net)	103,298	-	103,298	827,291	-	827,291	930,589	916,845	36,820	953,665	23,076	947,671
Marine and fisheries (ALB) (net)	3,487	-	3,487	36,921	-	36,921	40,408	40,390	316	40,706	298	36,785
Total	1,055,103	(9,659)	1,045,444	4,698,965	(177,264)	4,521,701	5,567,145	5,694,282	-	5,694,282	127,137	5,285,778

Summary of Resource and Capital Outturn 2024-25

	2024-25											2023-24
	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	-	-	-	(1,299,577)	-	(1,299,577)	(1,299,577)	(1,041,119)	-	(1,041,119)	258,458	1,540,502
Improve the environment and rural services	-	-	-	(36,716)	-	(36,716)	(36,716)	(11,575)	-	(11,575)	25,141	(82,648)
Animal and plant health	-	-	-	(47)	-	(47)	(47)	58,003	-	58,003	58,050	1,153
Marine and fisheries	-	-	-	(37)	-	(37)	(37)	6	-	6	43	(138)
Departmental operating costs	-	-	-	(6,282)	-	(6,282)	(6,282)	9,877	-	9,877	16,159	8,184
Food and farming (ALB) (net)	-	-	-	1,577	-	1,577	1,577	5,364	-	5,364	3,787	7,908
Improve the environment and rural services (ALB) (net)	-	-	-	(37,345)	-	(37,345)	(37,345)	(19,030)	-	(19,030)	18,315	(34,214)
Protect the country from floods (ALB) (net)	-	-	-	(97,718)	-	(97,718)	(97,718)	141,283	(2,392)	138,891	236,609	(31)
Marine and fisheries (ALB) (net)	-	-	-	2,457	-	2,457	2,457	65	2,392	2,457	-	1,138
Total	-	-	-	(1,473,688)	-	(1,473,688)	(1,473,688)	(857,126)	-	(857,126)	616,562	1,441,854
Spending in Non Budget Expenditure Limits												
Voted												
Food and farming	-	-	-	-	-	-	-	10,000	-	10,000	10,000	439
Prior period adjustments	-	-	-	56,561	-	56,561	56,561	99,000	-	99,000	42,439	176,508
Total	-	-	-	56,561	-	56,561	56,561	109,000	-	109,000	52,439	176,947
Resource Outturn	1,055,103	(9,659)	1,045,444	3,281,838	(177,264)	3,104,574	4,150,018	4,946,156	-	4,946,156	796,138	6,904,579

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

	2024-25							2023-24
	Outturn		Estimate		Total Adjusted for Virements		Outturn Compared to Estimate, saving/ (excess)	Outturn Net Total
	Gross	Income	Net Total	Total	Virements ¹			
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)								
Voted								
Food and farming	499,230	(2,385)	496,845	455,704	41,141	496,845	-	279,899
Improve the environment and rural services	369,788	(440)	369,348	473,682	(102,877)	370,805	1,457	541,359
Protect the country from floods	1,384	-	1,384	750	634	1,384	-	61
Animal and plant health	48,472	(196)	48,276	191,643	(123,523)	68,120	19,844	33,382
Marine and fisheries	56,526	(374)	56,152	24,745	31,407	56,152	-	47,260
Departmental operating costs	254,157	(345)	253,812	174,796	79,016	253,812	-	234,997
Improve the environment and rural services (ALB) (net)	247,663	-	247,663	190,120	58,040	248,160	497	223,592
Protect the country from floods (ALB) (net)	802,276	-	802,276	786,114	16,162	802,276	-	623,335
Marine and fisheries (ALB) (net)	278	-	278	2,755	-	2,755	2,477	230
Total	2,279,774	(3,740)	2,276,034	2,300,309	-	2,300,309	24,275	1,984,115
Spending in Annually Managed Expenditure (AME)								
Voted								
Departmental operating costs	1,052	-	1,052	1,373	-	1,373	321	479
Food and farming (ALB) (net)	-	-	-	14,096	(2,608)	11,488	11,488	(560)
Improve the environment and rural services (ALB) (net)	531	-	531	-	531	531	-	6,330
Protect the country from floods (ALB) (net)	2,097	-	2,097	20	2,077	2,097	-	6,553
Marine and fisheries (ALB) (net)	322	-	322	591	-	591	269	414
Total	4,002	-	4,002	16,080	-	16,080	12,078	13,216
Capital Outturn	2,283,776	(3,740)	2,280,036	2,316,389	-	2,316,389	36,353	1,997,331

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

			2024-25	Restated
Note/Ref			Outturn	2023-24
			£000	£000
Total resource outturn in SOPS	Budget		4,093,457	6,727,632
	Non budget		56,561	176,947
		SOPS 1.1	4,150,018	6,904,579
Add:	Capital grants / income		921,114	821,573
	Capital works expensed in year		177,836	289,664
	Capital research and development		336,925	250,500
	Adjustment to IFRIC 12		47	258
	Capital lease dilapidations discount unwind		362	-
Total			1,436,284	1,361,995
Less:	Income payable to the Consolidated Fund	SOPS 4.1	(6,100)	(21,265)
	Prior period adjustments		(56,561)	(163,602)
Total			(62,661)	(184,867)
Net Operating Expenditure in SoCNE		SoCNE	5,523,641	8,081,707

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 £177.8 million (2023-24, £302.3 million) 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 Agricultural Food Chain programmes. For Natural England, the largest spend category relates to the Natural Capital Ecosystem Assessment 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

		2024-25			2023-24
	Note/Ref	Outturn £000	Estimate £000	Net total Outturn vs Estimate: saving/ (excess) £000	Outturn £000
Resource outturn	SOPS 1.1	4,150,018	4,946,156	796,138	6,904,579
Capital outturn	SOPS 1.2	2,280,036	2,316,389	36,353	1,997,331
Accruals to cash adjustments (Core and agencies only):					
Accrual to cash basis - capital expenditure		16,487	-	(16,487)	(75,064)
Accrual to cash basis - capital disposals		139	-	(139)	11,039
Service concession adjustment and other finance leases		18,182	-	(18,182)	17,984
Adjustments for NDPBs:					
Remove voted resource		(1,511,952)	(1,561,842)	(49,890)	(1,764,413)
Remove voted capital		(1,055,511)	(993,696)	61,815	(854,626)
Add cash grant-in-aid		2,196,560	2,240,761	44,201	1,968,628
Add Defra Contribution to EA Closed Pension Scheme Fund		40,900	-	(40,900)	42,500
Adjustments to remove non cash items (Core and agencies only):					
Depreciation / amortisation / impairment	3.2	(221,816)	(268,194)	(46,378)	(169,020)
New provisions and adjustment to provisions	3.2	481,627	119,761	(361,866)	(652,232)
Prior period adjustments		-	(99,000)	(99,000)	-
Other non cash items		45,916	(9,871)	(55,787)	59,555
Adjustments to reflect movements in working capital balances (Core and agencies only):					
Increase/(decrease) in inventories	SoCF	424	-	(424)	112
Increase/(decrease) in receivables excluding derivatives	SoCF	(44,976)	357,000	401,976	36,082
Adjustment for derivative financial instruments	SoCF	(629)	-	629	5,386
(Increase)/decrease in payables excluding derivatives	SoCF	821,751	-	(821,751)	(1,226,086)
Movement in payables affecting items not passing through the SOPS	SoCF	44,113	-	(44,113)	96,952
Use of provisions	SoCF	315,906	836,568	520,662	64,649
Funding to / from other bodies	SoCF	118	-	(118)	243
Net cash requirement		7,577,293	7,884,032	306,739	6,463,599

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 2024-25		Outturn 2023-24	
	Accruals basis	Cash basis	Accruals basis	Cash basis
	£000	£000	£000	£000
Income due to the Consolidated Fund	6,100	2,712	41,986	15,884
Total income payable to the Consolidated Fund	6,100	2,712	41,986	15,884

The income paid to the Consolidated Fund includes:

- £0.599 million relating to the insurance income element of the government contingent support package (GSP) for the Thames Tideway.
- £3.387 million relating to the Natural England (NE) District Level Licensing Scheme.
- £2.103 million relating to capital income received across the Defra group.

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.

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Losses values				
Cash losses	653	1,366	1,286	1,681
Stores losses	32	32	-	-
Administrative write-offs	-	844	-	1,116
Fruitless payments	138	179	950	8,830
Constructive losses	15,200	15,200	8,940	8,940
Claims abandoned	2	2	2	2
Total	16,025	17,623	11,178	20,569
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
Number of cases				
Cash losses	1,597	1,725	2,079	2,268
Stores losses	2	2	-	-
Administrative write-offs	-	813	-	1,364
Fruitless payments	8	20	2	53
Constructive losses	4	4	1	1
Claims abandoned	4	4	2	2
Total	1,615	2,568	2,084	3,688

Details of Cases over £300,000

Losses (shown in the table above)

There are three individual cases (2023-24, two individual cases) over £300,000 within the table above.

The Core department recognised a £9.8 million constructive loss for the impairment of the site at Bastion point, as it has not been bought into operation as originally envisaged by the physical refurbishment.

The Core department recognised a £5.4 million constructive loss relating to the impairment of the Digital Waste Tracking Intangible Asset Under Construction. The digital infrastructure and coding for this project was developed on software that was identified as not suitable for the required volumes and was not compatible with regulatory standards.

Within administrative write offs the EA recognised a loss on disposal of £0.4 million on sale of an asset significantly below the carrying value. This was due to the impairment of laboratory assets acquired for wastewater analysis to support the work of the Joint Biosecurity Centre during the COVID-19 pandemic. After the laboratory was closed in March 2024, the assets were no longer of use to the EA and were of little interest to other organisations who carried out similar analysis work. Whilst a disposal of assets below net book value is not normally reported as a loss, this occurrence was considered to be novel and should therefore be disclosed.

Special Payments

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
Value (£000)	3,453	4,964	12,125	12,664
Number of cases	517	527	2,157	2,171

During 2024-25, Natural England made 38 ex-gratia payments without admission of liability to settle the 38 equal pay claims lodged against Natural England, relating to historic pay from 2016 to 2022. The total resource cost was £1.173 million.

There were two special severance payments made in 2024-25 (2023-24, three special severance payments), one in EA and also RBG Kew's Chief Information Officer left under a Voluntary Exit Scheme and received a payment of £47,393 that is considered to be a special severance payment under HM Treasury's Managing Public Money Guidance.

Details of cases over £300,000

There were no individual cases over £300,000 within the table above (2023-24, no individual cases).

Regularity of expenditure in grant schemes (Audited)

Approach

Risk appetite

Defra is developing a consistent and measured approach to risk appetite. This approach aims to balance proportionate investment in prevention with an acceptance of a low level of risk, to support effective delivery. Work on this will continue in 2025-26.

Risk Assessment

The Department's Fraud Risk Assessment (FRA) policy is now in place across the group for grants.

- Grants worth over £100,000 must have a full FRA.
- Grants that represent major new spending areas for the department must also have an Initial Fraud Impact Assessment. This ensures that counter-fraud measures are included early in high-risk grants.

Training resources and guidance on Fraud Risk Assessment are available to all grant scheme managers. Each main arm's length body (ALB) has at least one Government Counter Fraud Profession (GCFP)-trained Fraud Risk Assessor.

Key strategic risk areas

As noted in previous Annual Reports and Accounts, grants expenditure is currently Defra's biggest risk area for irregularity and so remains our key focus.

Defra Grants Hub (Grants Hub) assesses grant FRAs against the HM Government Fraud Risk Assessment Standard⁴⁴. Qualitative and quantitative assurance is conducted, ensuring that the main fraud and error risks have been identified, documented and proportionate management is in place.

Ten thematic fraud and error risks have been identified from those FRAs meeting the standard. The most frequently identified high level residual risks are:

- Misappropriation of grant funds: obtaining funds that the recipient is not eligible for/entitled to.
- Misuse of grant funds: using funds for purposes other than agreed in the grant.

The Grants Hub systematically track actual instances of fraud and error against identified thematic risks; developing objective risk scoring and insights to improve grant scheme design and promote effective and proportionate controls.

⁴⁴ <https://assets.publishing.service.gov.uk/media/625fd0e0d3bf7f600782fdb/Fraud-Risk-Assessment-Standards-2022-03-25.pdf>

Assessing the Level of Undetected Fraud and Error

The International Public Sector Fraud Forum (IPSFF) guidance on Fraud Loss Measurement has been used to devise a consistent approach across Defra Group grants, aligned with the published government standards and guidance⁴⁵.

The approach is risk-based; by value at scheme-level, and based on statistical analysis at group-level. Significant progress has been made in measuring the highest risk schemes during 2024-25.

Instances of fraud and error are tracked against thematic risks to generate insights and inform improved grant scheme design.

Performance Report

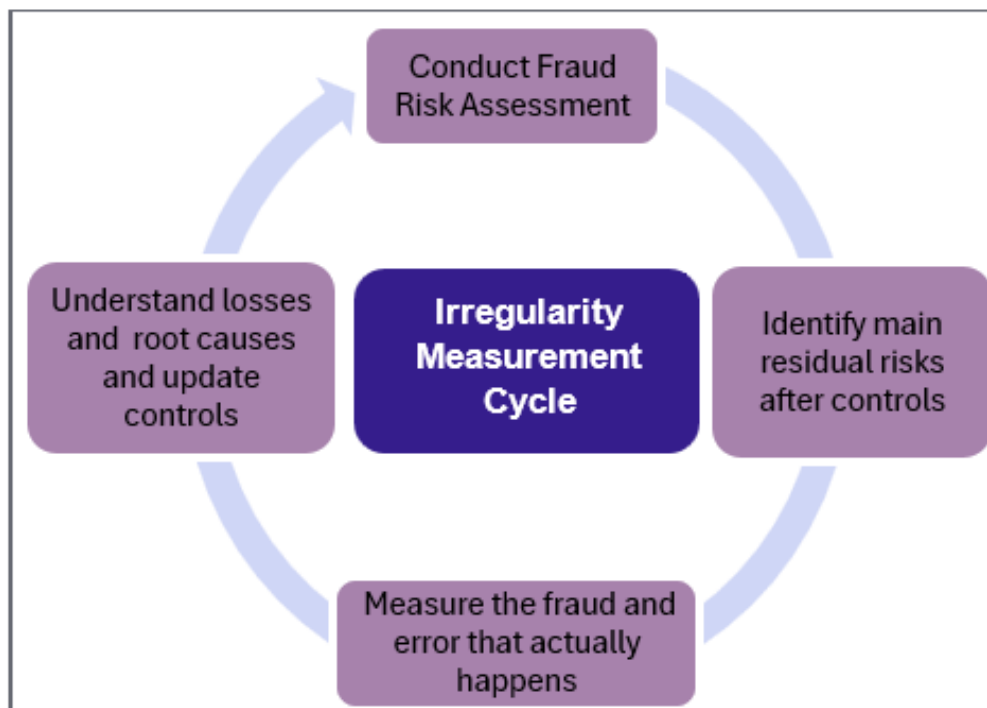
Target

The department's organisational target is to achieve a return of 3:1 on counter-fraud investment. This was exceeded in 2024-25.

Measurement Methodology

The Grants Hub implemented a programme of improved measurement. The process follows the Irregularity Measurement Cycle diagram below, which aims to reduce losses over time:

Figure 18: Irregularity Measurement Cycle



Irregularity assessment is focused on the highest residual fraud risks from the FRA and supported by a robust measurement methodology.

⁴⁵ Estimating and reporting fraud and error in annual reports and accounts, NAO, Feb 2025

Where appropriate to the scheme methodology, a sampling approach is applied with sample sizes being calculated using the following parameters⁴⁶:

Parameter	Value
Confidence Level	80%
Margin of error	2.5%
Population proportion	Based on irregularities found in previous years and/or existing scheme data. In the absence of existing data, 5% is applied

Samples are randomly selected based on payments. If risks are not evenly spread, the sample may be stratified (divided into groups) to focus on the highest-risk areas while keeping the sample representative. Where robust irregularity data already exists, this may be used instead of further sampling.

Measurement is carried out according to the agreed methodology, and results are statistically assessed to determine the mid-point estimate (median) for the scheme and the 95 per cent confidence range.

In some cases, this approach is adapted for proportionality or where it is not suitable. In these situations, the best available data is used as set out below:

- Expenditure for the Rural Development Programme for England has not been directly assessed. Comparable outputs from the irregularity assessment for the EU (European Union) funded element of this scheme have been used.
- Fisheries Schemes (European Maritime and Fisheries Fund (EMFF) and Fisheries and Seafood Scheme (FASS)) expenditure 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.
- Grant schemes paid to central and local government under section 31 of the Local Government Act 2003, are provided for under a general power of central government to pay grants to local authorities. 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 zero per cent irregular payments in the table below.
- Details of the Rural Payments Agency irregularity measurement approach are covered in their own detailed report.
- Within each ALB, the average irregularity rate of measured schemes within the ALB is applied to schemes where measurement is not conducted for reasons of proportionality.

⁴⁶ Derived from the PSFA standard for Fraud Loss Measurement

- For departmental areas where no measurement is conducted for reasons of proportionality, the group average irregularity rate is applied.

Estimate of Fraud and Error

Summary

Grant Expenditure 2024-25	Estimated Irregularities	Estimated Irregularities
£m	% of expenditure	£m
2,509.58	2.32	58.14

All the grant expenditure for 2024-25 was subject to estimation of undetected irregularity. Within this expenditure of £2.5 billion, an estimate of £58.14 million (2.32 per cent) irregular expenditure has been identified.

Overview of Irregularities

The table below outlines the value of grant expenditure broken down by scheme types 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, particularly for R&D grants. Therefore, there is a difference in the values between the irregularity estimate and the SoCNE.

Scheme	Spend (£m)*	Estimated Irregularity Rate (%)	Estimated Irregularity Value (£m)
Legacy Schemes (BPS, Lump Sum Payments, Delinked)	8.67	0.27	0.02
Countryside Stewardship (Revenue)	565.94	3.77	21.34
Countryside Stewardship (Capital)	244.52	1.92	4.69
Environmental Stewardship	95.90	0.90	0.86
Sustainable Farm Incentive (23)	297.59	4.25	12.65
Sustainable Farm Incentive (22)	3.99	1.86	0.07
Sustainable Farm Incentive (Pilot)	13.95	2.44	0.34
Other Farm Schemes (Farming Transformation Fund, Farming Equipment and Technology Fund)	72.91	0.00	-
Fruit and Vegetable Scheme	44.19	0.00	-
Other RPA Schemes	73.43	1.81	1.33
Local Authority Schemes (S31)	193.35	0.00	-
RDPE (Legacy)	30.60	0.38	0.12
Fisheries Schemes (EMFF & FASS)	31.69	0.31	0.10
South West Water Customer Rebate Scheme	40.66	4.00	1.63
TB Compensation Scheme	34.29	0.08	0.03
Canal and River Trust	52.62	0.00	-

Scheme	Spend (£m)*	Estimated Irregularity Rate (%)	Estimated Irregularity Value (£m)
Official Development Assistance Grant Schemes	49.51	0.45	0.22
Environment Agency Grant Schemes	315.37	3.97	12.51
Forestry Commission Grant Schemes	48.00	0.32	0.15
Natural England Grant Schemes	49.52	1.72	0.85
Other Defra Group Grant Schemes	242.90	0.51	1.23
Total	2,509.58	-	58.14

*Rounded to two decimal place and therefore there may be rounding differences within the table.

Confidence Intervals

The above table includes estimates based on a random sample of checks and is therefore subject to a degree of statistical uncertainty. The estimates are prepared within a stated range of accuracy, known as confidence intervals. The 95 per cent confidence intervals are presented here.

Grant Expenditure 2024-25	Estimated Irregularities (Mid Point)		Estimated Irregularities (Lower Quartile)		Estimated Irregularities (Upper Quartile)	
£m	%	£m	%	£m	%	£m
2,509.58	2.32	58.14	1.28	32.06	4.39	110.26

Multi-Year Comparison

Year	Grant Expenditure	Estimated Irregularities	Estimated Irregularities
	£m	% of expenditure	£m
2024-25	2,509.58	2.32	58.14
2023-24	4,597.30	0.82	30.60

Since 2023-24, the number of schemes with estimates based on scheme-level measurement has increased, as the programme to measure losses from fraud and error has accelerated. This is providing greater insight into the scale and nature of fraud and error in grant schemes. For many schemes, this is the first year of formal measurement, which will serve as a baseline to assess the impact of future actions to reduce fraud and error.

As reported by the Rural Payments Agency (RPA) there has been a gradual shift from simple land-based subsidy schemes to more ambitious agri-environment schemes. Agri-environmental schemes deliver more for the environment and target funding towards the delivery of specific outputs and measures. They offer greater variety to customers, with a wide range of actions available to them. However, they are also more complex and carry a greater risk of irregularity compared to the previous simpler land-based subsidy schemes. As

a result, the level of irregularity has increased as expenditure has shifted towards agri-environment schemes. The agency is developing opportunities to address this risk, ranging from simplifying scheme design, through to operational delivery and customer support interventions to prevent or reduce irregularities prior to payment.

The combination of the above resulted in increased irregularities.

Detected, Prevented, and Recovered Losses in Grants

As reported in the Consolidated Data Request (CDR) to PSFA for 2024-25 the following are the grants related detected, prevented and recovered losses:

- Detected fraud and error: £4.6 million
- Amount prevented: £6.7 million
- Amounts recovered: £4.0 million

Notes:

- The timing of the reporting to the CDR does not align with irregularity reporting year.
- Some 2024-25 detected fraud and error recoveries will be reported in 2025-26.

Comparison with previous year:

Year	Detected	Prevented	Recovered
	£m	£m	£m
2024-25	4.6	6.7	4.0
2023-24	5.0	0.2	4.5

The Defra Grants Hub supported a move towards preventing fraud and error hence the change in the profile above. The reduction in detected levels of fraud and error links to the reduction in overall grant spend. The considerable increase in prevented fraud and error correlates with the increased focus on this activity.

Actions Taken and Planned

Where overpayments are identified for any reason through measurement activity, the department seeks recovery of debts to protect public funds. Recovery methods employed may include interception of future scheme payments, agreement of repayment terms, and legal action where warranted.

The Grants Hub Irregularity Measurement Framework includes a feedback loop reducing future fraud and error by revising FRAs and controls based on findings.

The Grants Hub programme is in progress to provide Defra with greater in-year control of irregularity based on informed risk management, and comprising two main parts:

- Enhancing the quality and frequency of irregularity measurement and reporting across all grants making bodies within Defra.
- Developing an irregularity tracker, mapping irregularity as it is reported.

Accountability Report

Governance and Risk Management

The Grants Hub provides materials to support scheme Senior Responsible Officers (SROs) to satisfy the requirement to ensure scheme-specific FRAs are developed and reviewed at least annually, or whenever there are any significant scheme changes, or additional fraud and error insight is gained.

Responsibility for managing fraud and error risks lies with the SRO for each scheme.

The Grants Hub quality assures FRAs against the HM Government standard and leads a Second Line of Defence (SLOD) programme that reviews the in-grant implementation of the FRA actions and effective use of controls. The SLOD report is fed back to the SRO to direct and encourage improvements in grant design and management to reduce irregularity.

Statement on Functional Standards

Defra group Irregularity Measurement Framework is based on the following functional standards and references:

- Functional Standard for Grants (GovS015)⁴⁷
- Functional Standard for Counter Fraud (GovS013)⁴⁸
- Fraud Loss Measurement Framework (PSFA, 2025)⁴⁹
- Estimating and reporting fraud and error in annual reports and accounts (NAO, 2025)⁵⁰

Disclosure of Significant Losses

No known net losses over £300,000

⁴⁷ https://assets.publishing.service.gov.uk/media/60f7fc0c8fa8f50c716bcd62/Final-CO_Govt_Functional_Std_GovS015_WEB.pdf

⁴⁸ https://assets.publishing.service.gov.uk/media/612e5a8ce90e0705355a552b/6.7628_CO_Govt-Functional-Std_GovS013-Counter-Fraud_v4.pdf

⁴⁹ <https://www.gov.uk/government/publications/international-public-sector-fraud-forum-guidance/fraud-loss-measurement-framework-html>

⁵⁰ <https://www.nao.org.uk/wp-content/uploads/2025/02/estimating-and-reporting-fraud-and-error.pdf>

Fees and Charges (Audited)

Most of the Departmental Group's income as described in Note 4 arises from contracts with customers. This includes fees and charges made directly to public users, for example for the provision of licences and permits, and levies charged under statute, for example Flood Re levies.

The table below details the material fees and charges income within the scope of HM Treasury's Managing Public Money⁵¹ (MPM) and the associated costs of providing the service. These material fees and charges are related to the EA's charges for environmental protection and abstraction charges. It does not constitute an Operating Segment disclosure under IFRS 8. Details of all EA's charging schemes can be found in EA's ARA.

Charging Schemes	Expenditure £m	Income Billed £m	2024-25 Deficit / (surplus) £m
Abstraction charges (EA)	187.9	(189.6)	(1.7)
Environmental Permitting Regulations water quality (EA)	108.5	(115.1)	(6.6)

There has been a change to the accounting policy pertaining to the treatment of EA charge scheme surpluses and deficits (Notes 1.24 and 1.25).

Previously, any scheme surpluses or deficits were recognised by EA as liabilities or assets, as MPM requires income streams to fully cost recover, based on all costs including current cost depreciation and a rate of return on relevant assets. Therefore, deficits were recovered either from reduced spending or increased charging and surpluses from increased spending or reduced charges. As the recovery of surpluses or deficits occurred in a future year (or years), the balances were held on the statement of financial position.

The decision was made in 2024-25 to change this policy. This means that for 2024-25 and going forward, any deficits or surpluses arising from EA charging schemes now need to be directly reflected in the financial performance and outturn against the department's control totals in the year incurred. Any overspends on charges will need to be covered by grant-in-aid funding to EA.

EA are working towards full cost recovery through an annual health check of charge schemes which is used to prioritise which schemes are reviewed by the EA and to consider options to ensure income keeps pace with external cost pressures. Options for schemes not in parity include the recently implemented cost of service review and / or making use of the ability of EA to uplift charges by CPI to account for external cost pressures outside of EA's control. The EA cost of service review was a new approach which demonstrates EA's commitment to changing and improving the approach to better achieve full cost recovery.

⁵¹ <https://www.gov.uk/government/publications/managing-public-money>

Under recovery is an important factor that EA are using in the prioritisation of charge scheme reviews. In the coming year EA has plans to review schemes with the largest deficits, thereby aiming to bring them into a position of full cost recovery. Further details can be found in EA's ARA.

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 2024-25. Compliance assessments are in place for all Functional Standards and these are being used to assess future development areas. Assessments have shown that over half of the Functional Standards in Defra are rated in the "Good", "Better", or "Best" categories. Departmental ALBs have been engaged through a Community of Practice to ensure oversight, assurance and sharing of best practice across Defra group. The focus for 2025-26 will be on improving areas which are developing and maintaining compliance levels already assessed at a higher rating level. Where areas for development have been identified, improvement plans are in place.

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 2025. 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 (2023-24, £125 million).

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.
- In unlikely circumstances, there is a remote possibility that Defra would need to provide a government support package for the Thames Tideway Tunnel project.

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 and of its Departmental Group for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2024. The financial statements comprise: the Department's and the Departmental Group's:

- Statements of Financial Position as at 31 March 2025;
- Statements of Comprehensive Net Expenditure, Statements of Cash Flows and Statements 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, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2025 and their 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 2025 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 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 (2024)*. 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 2024*. 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 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 or 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 and its Group 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 around the risk of management override of controls, fraud in revenue recognition or (in light of the stability of outlook on these long-term liabilities) the valuation of provisions for the costs of remediating the impacts of metal mines and foot-and-mouth disease. In respect of these areas, my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee. Management's commentary on matters that they considered to be significant to the financial statements is set out in the Corporate Governance Report (page 80).

In this year's report the following changes to the risks identified have been made compared to my prior year report.

- I have added a key audit matter in respect of the *Depreciated Replacement Cost valuation of operational infrastructure assets*. This also had a significant effect on my overall audit strategy for the 2023-24 accounts as described in last year's report, but is reported in this section for the first time this year since I am no longer qualifying my opinion on this matter.
- I have also included reporting this year on the *Regularity of agri-environmental grants* since rising levels of irregularity have increased the extent to which my audit work evaluating the Rural Payments Agency's assessment of irregularity is relevant to the overall Group audit strategy. My opinion on regularity with respect to the Department and its Group remains unqualified on this matter.
- I previously reported on two matters on which significant one-off exercises by management in 2023-24 allowed me to lift related qualifications of my audit opinion for the first time that year – *Land and Buildings (Environment Agency)* and *Classification of expenditure and valuation of Assets Under Construction (Environment Agency)*. On both, I still assess financial statements risk and respond to it in my audit work, but this work responds to the narrower risk of in-year

valuations and project spend analysis, rather than the significant historic exercises I dealt with previously, so I no longer highlight these areas as key audit matters.

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 15.3).

Because of the lack of ongoing performance obligations for recipients, or further claims required by recipients following their final BPS claim, the Department recognised liabilities in 2023-24 reflecting the full extent of its obligations under the delinked payments scheme. At 31 March 2024 these included a provision of £799 million (note 15.1) relating to the 2025-27 payments for which no announcements have been made at year end on the speed of progressive reductions. 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 judged in respect of its 2023-24 accounts that this reflected new conditions arising after the year end, and that this was a non-adjusting event for those accounts. The impact of that announcement on reducing the provision value for the lifetime cost of the delinked payments scheme has therefore crystallised in 2024-25.

This year, management again faced a judgement on whether a post-year-end announcement in June 2025 reflected conditions at the period end, or new events arising since that time. This announcement further accelerated the rate of progressive reduction, in respect of the remaining scheme years. Management noted that final decisions on Spending Review 2025 were taken as a whole following the year end, but ultimately considered enough events had occurred within the reporting period to suggest that the changes announced in June should inform their best estimate at the period end of the cost of future obligations, and therefore the provision value.

Taken together, the two events accelerating the rate of progressive reductions which have been recognised in year have produced a write-back of the delinked payments provision by

£531 million (notes 15.1 and 15.3), reducing the Department’s net expenditure by the same amount.

I considered management’s judgement on whether to recognise the 2025 event within 2024-25 as an audit risk.

How the scope of my audit responded to the risk	In responding to the above, my audit procedures included: • obtaining management’s written rationale of their key judgments, together with the relevant timeline; • considering the reasonableness of these judgements based on an analysis of public announcements, management’s representations, contemporary correspondence, and the requirements of IFRS; and • considering the sufficiency and accuracy of related disclosures. Key observations I obtained sufficient assurance over this risk through my substantive testing. Management adjusted their position in respect of in-year recognition as a result of refreshed analysis following initial audit challenge.
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Regularity of agri-environmental grants

Description of risk

The Department (including the Rural Payments Agency) delivers both capital and current grant payments to land managers, which are recognised in note 3.3. While historically dominated by area-based subsidies, expenditure on current grants is now dominated by schemes which provide payments for compliance with various environmental conditions. Grant schemes are designed by the Department, after which the Secretary of State issues detailed requirements and guidance for each scheme. These must comply with the broad frameworks approved by Parliament in statutory regulation.

The Department makes an estimate of the extent to which its expenditure is irregular – meaning that payments have not been made in accordance with scheme rules, and/or have not been applied in line with those rules by grant recipients. For the largest schemes – Countryside Stewardship and the Sustainable Farming Incentive – grant expenditure in 2024-25 totalled £1,122 million (note 3.3) of which the Department estimates that £39 million was irregular (page 168). The agency measures irregularity based on site visits and remote verification, both of which determine the extent to which the scheme requirements are being met. Where identified, irregularity is measured in proportion to the taxpayer loss it implies.

These irregularities will in many cases represent genuine error by grant recipients, though some may reflect fraud, for example if an agreement holder makes an annual declaration knowingly overstating delivery. It is often impracticable to distinguish between these scenarios based on the evidence available; and both involve under-delivery based on the scheme rules, implying a taxpayer loss.

Scheme design affects the inherent risk of irregularity, or non-compliance. A subsidy scheme based predominantly on farm area (as in the previously dominant Basic Payments Scheme) has an inherently lower risk of non-compliance compared to multi-option agri-environmental schemes, both because of these schemes' complexity and their ambition in specifying particular outcomes. These scheme-level considerations do not imply 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. The estimate of irregularity does not include any measurement of over-delivery by grant recipients which – while not exceeding the implied taxpayer losses from under-delivery – is relevant to a wider consideration of taxpayer value.

I assessed the extent of irregularity in respect of Countryside Stewardship and the Sustainable Farming Incentive, and the accuracy of management's estimation of it, as an audit risk.

How the scope of my audit responded to the risk

In responding to the above, my audit procedures included:

- attending a randomly selected set of reverification visits to farms with RPA staff to assess whether the RPA's original inspection findings about the extent of compliance with grant conditions was appropriate;
- reviewing the use of source data from RPA's inspections in the model estimating the extent of irregularity, how that model operated, and key assumptions used in the preparation of the estimate;
- considering the sensitivity of users to the extent of estimated irregularity based on the materiality attaching to the Departmental Parent (Core & Agencies); and
- evaluating the sufficiency and appropriateness of related disclosures in the Parliamentary Accountability & Audit Report.

Key observations

I obtained sufficient assurance over this risk through my substantive testing. I concluded that in the round, these levels were not so high as to require me to qualify my opinion on the regularity of the Department's transactions for 2024-25.

Affecting the Departmental Group only

Depreciated Replacement Cost valuation of operational infrastructure assets

Description of risk

The Environment Agency – the Departmental Group’s largest component – manages a 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 theoretical cost of an as-new modern equivalent asset portfolio, adjusted to reflect the portfolio’s actual condition.

As at 31 March 2023 the Environment Agency implemented a DRC valuation on this portfolio for the first time. I previously qualified my opinion on 31 March 2023 and 2024 figures because I was unable to obtain sufficient appropriate audit evidence arising from issues with the accuracy and completeness of source data on assets. Management’s preparation of the 2024-25 accounts follows significant progress in a project aimed to improve the quality of asset data. For some assets, management has not yet captured dimensional measurements relevant to valuation; in these cases, it has applied statistical approaches, informed by management’s civil engineering expertise, to arrive at reasonable ‘fixed average’ attribute data to apply to the population remaining unmeasured.

Building on this improved source data both on the assets held and their dimensional attributes, as well as existing costing information for which management worked with a cost estimation expert and management’s own data on asset condition, the Department has updated its operational infrastructure assets valuation. At 31 March 2025 it estimates these assets’ net book value at £9,066 million as disclosed in Note 5, which also describes the method of preparation and the estimation uncertainty connected with this estimate in more detail.

The Department has also applied an adjustment to apply its revised dataset and assumptions retrospectively to 31 March 2023 and 2024 figures, and the 2023-24 comparative year, through a prior period adjustment (Note 19). In doing so, management have relied on the relative stability of the Environment Agency’s asset base, and their ability to compensate retrospectively for known additions, reclassifications, and estimated changes in current cost based on relevant construction indices.

Noting the high estimation uncertainty in respect of this estimate, I assessed an audit risk in respect of:

- a. asset source data on the quantity, nature and extent of assets within the Environment Agency’s control (in respect of accuracy, rights and completeness);
- b. modelling and assumptions supporting valuation (for example, models for the replacement cost of asset types, and the derivation of fixed averages for dimensional inputs used where data for specific assets is unavailable);

- c. whether indices to bring the estimate to current cost were appropriately chosen and properly applied;
- d. the depreciation factors applied to reflect an adjustment between the as-new modern equivalent asset value and the depreciated replacement cost of the actual portfolio;
- e. the sufficiency and accuracy of estimation uncertainty disclosures; and
- f. the reasonableness of management's assertion that the valuation can be applied retrospectively through a prior period adjustment, and the accuracy of that application.

How the scope of my audit responded to the risk

My testing, including work performed in prior years which forms part of my assurance over the estimate, included:

Asset source data

- sample testing of assets to confirm their existence, and whether the threshold for the Group controlling these assets was met (which Group accounting policies I have evaluated previously framed in terms of ownership and/or responsibility for maintenance) and for the accuracy of records in relation to dimensional attributes relied on in the valuation model;
- testing for the completeness of the asset base by reviewing alternative data sets on flood risk, and sampling assets marked in the Environment Agency's data as not meeting the control threshold;

Valuation

- assessing the DRC valuation methodology, to ensure compliance with RICS principles and the requirements of the financial reporting framework;
- evaluating whether the Environment Agency's model has applied the valuation methodology consistently to the asset source data;
- evaluating management's assumptions and methodology used to derive fixed averages from existing datasets where dimensional data was unavailable;
- considering the reasonableness of cost models for a risk-based selection of asset types used in the overall model based on relevant evidence, informed by the advice of an auditor's expert;

Indexation

- assessing the appropriateness and application of indices used in the valuation model and prior period adjustment;

Depreciation

- evaluating the reasonableness of the model for the determination of a condition-responsive depreciation factor applied to different assets to reduce the modern equivalent value down to a depreciated replacement cost, and how it had been applied to data on condition scores, MEICA assessments and start dates;
- checking whether condition scores were consistent with the available evidence;
- assessing the reasonableness of a sample of useful economic lives used to calculate in-year depreciation and reconciling the preparation of the in-year charge;

Estimation uncertainty

- appraising management's disclosures, in particular in respect of how estimation uncertainty is described for both valuation and depreciation;

Prior period adjustment

- checking the reasonableness of underlying assumptions and methodology for EA's prior period adjustment, which derives asset valuations as at 31 March 2024 and 1 April 2023 by adjusting the 31 March 2025 valuation for movements in prior periods, principally indexation; and
- reperforming the arithmetic of the prior period adjustment.

My work was informed in part by the advice of internal statistical specialists, and an external auditor's expert with a civil engineering specialism.

Key observations

I obtained sufficient assurance over this risk through my substantive testing. Management adjusted the estimate as a result of audit work in respect of costing rates and the derivation of fixed averages.

I have obtained sufficient assurance over the restated balances as at 31 March 2024 and 31 March 2023. I had previously qualified my audit opinion in respect of these periods, when reporting on the 2023-24 financial statements.

Valuation of defined benefit pension balances (Environment Agency)

Description of risk

The Environment Agency is responsible for a significant funded defined benefit pension scheme – the Active Scheme – for which the Group discloses £2,948 million of defined benefit pension obligations and £4,309 million of recognised scheme assets. While on an IAS 19 basis the scheme is in an underlying surplus position, the Group recognises a net balance of £nil since this is the ‘asset ceiling’ management assess this year, in response to accounting rules (IFRIC 14) which restrict the recognition of a surplus based on the extent minimum funding requirements may prevent the entity from fully accessing its economic benefits (31 March 2024: full recognition of £797 million surplus).

In light of the judgement and estimation uncertainty inherent in this area, I assessed as an audit risk the valuation of the assets and liabilities contributing to this scheme’s net position, as well as the asset ceiling judgement. Management describe their key judgements 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. While membership remained broadly stable this year, liabilities decreased principally as a result of an increase in the discount rate.

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 both 31 March 2024 and 2025, the Environment Agency have considered the difference between the actuarially estimated future service costs, and the minimum employer contributions for the same periods. This calculation relies on the use of financial assumptions used in the preparation of the defined benefit obligation at the relevant balance sheet date, and is particularly sensitive to changes in discount rate, which increased during the year. As a result, while management’s methodology for assessing the impact of IFRIC 14 has not changed, the underlying scheme surplus has moved from being recognised in full at 31 March 2024 to being restricted to £nil at 31 March 2025.

How the scope of my audit responded to the risk	Scheme liabilities Using the work of an actuarially qualified expert, I examined the assumptions, methodology and source data used to value the
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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 and other alternative balances with reference to 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 require restriction using an asset ceiling, my procedures to evaluate this judgement included:

- reviewing management's position against IFRIC 14;
- evaluating the advice prepared by management's actuarial advisors; 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; and
- considering the adequacy of related disclosures.

Key observations

I obtained sufficient assurance over this risk through my substantive testing. In the course of preparing the accounts, management adjusted the asset ceiling as a result of both audit work and work with their own experts.

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:

	Departmental group		Department parent
	Overall	Additional	Overall
Materiality	£147 million	£78 million	£68 million
Basis for determining materiality	1% of the Departmental Group's 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 Defra's asset base, including the extent and condition of those assets.	Users are additionally sensitive to misstatements in 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 elements not affected by the additional threshold described in the central column. Areas assessed against overall materiality include the valuation of property, plant and	Those which directly reflect the extent of the Departmental Group's financial activities, rather than being purely updates to valuation. Areas assessed against this additional threshold include the transactions	All transactions, balances and disclosures related to the "Core and Agencies" columns. This materiality is also used to consider whether

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.	and balances connected with revenue and cash-based expenditure. The greater part of component audit teams' effort is applied to work against this additional threshold, and it also forms the basis of considering whether irregularities across the Group are material.	irregularities in the parent are material.
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I continue to adopt a percentage of non-current assets as the overall 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. Group performance materiality was set at 75% of Group materiality for the 2024-25 audit (2023-24: 75%). In determining performance materiality, I considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Materiality figures use the same basis of determination as I applied in 2023-24. Changes since then and during the audit have been made only in response to updates in the elements of the financial statements which this basis draws on.

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. Such an example is 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 Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £0.3 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit 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 Committee would have the following net effects for the Group, on correction. I have evaluated errors in respect of different periods or reporting dates separately against the relevant materiality thresholds as described above, and for prior periods included both misstatements identified previously and those detected this year in relation to those periods.

Unadjusted errors (summarised below) for the Group 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. Effects on net assets and net expenditure are not always in parity due to the interaction with the prior period restatements, and a small number of misstatements where the increase/decrease in net assets would affect revaluation surplus rather than net expenditure.

	31 March 2025	31 March 2024	31 March 2023
Net assets	Decrease of £54m	Decrease of £13m	Decrease of £17m

	2024-25	2023-24
Net expenditure (before other comprehensive expenditure)	Increase of £10m	Decrease of £42m

Audit scope

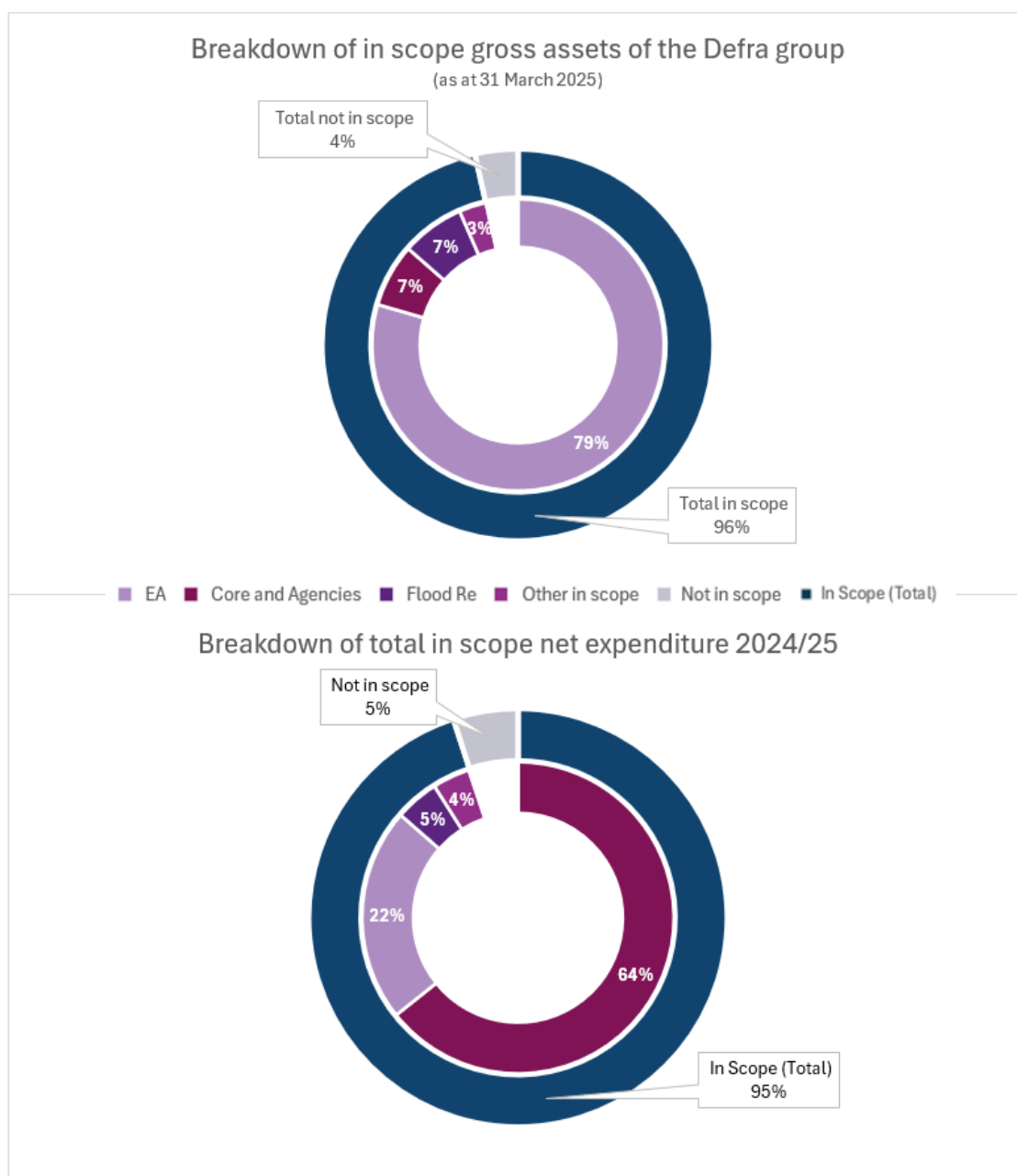
The scope of my Group audit was determined by obtaining an understanding of the Department and its Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

My approach included reviewing and understanding the work of component auditors, most particularly for the Environment Agency and Rural Payments Agency (performed by my staff) and for Flood Re (performed by another firm). I used calculations linked to the relevant Group/Parent materiality to specify the minimum precision of work I required from component auditors, as well as to guide which classes of transactions, balances or disclosures (at each component) I should scope into my requirement for assurance in this Group audit.

My scoping selections and the extent of work I performed as the Group auditor were guided by an assessment of value and risk. In addition to my work evaluating the audit work on the components already mentioned, I reviewed a smaller selection of classes of transactions, balances or disclosures at other components including the Animal and Plant Health Agency, Forestry Commission, Royal Botanic Gardens (Kew), and Natural England.

As shown in the graphs following, this work covered substantially all of the Group's assets and net 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.

I also performed work both at the Department and in my Group audit work to evaluate the extent to which transactions had occurred which did not accord with Parliamentary intention or other governing authorities. My greatest audit effort in respect of the regularity opinion was in respect of the Rural Payments Agency, as described in the key audit matter above.



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.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Staff and Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions issued 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 issued 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 their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- Adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or

- I have not received all of the information and explanations I require for my audit; or
- 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 in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Department and its Group'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, and reporting 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 compliance with the Government Resources and Accounts Act 2000, Managing Public Money, and the Environment Act 1995 (in respect of the statutory regime for fee-charging by the Environment Agency);
- 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, and/or
- they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and 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, the regularity of agri-environmental grant payments, 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 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 Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2024, employment law, pensions and tax legislation, relevant primary and secondary legislation collectively authorising the payment of agricultural grants, and the Environment Act 1995 (in respect of the statutory regime for fee-charging by the Environment Agency).

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;
- enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating 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 including relevant 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

7 November 2025

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

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

- 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.

Removal of qualifications

- 2 In recent years, I qualified my opinion on the Environment Agency and Departmental Group's accounts as a result of issues primarily relating to the valuation of the Environment Agency's assets. In my report on the 2023-24 financial statements, I described how this qualification had narrowed, following management's efforts to resolve previous issues in respect of land and buildings valuation, and the classification of expenditure and valuation Assets Under Construction. This left a single residual basis for qualification, relating to the quality of source data supporting the Environment Agency's valuation of its operational assets, which is performed on a Depreciated Replacement Cost (DRC) basis.
- 3 Following additional work from management to improve the quality of data in its asset database – including in respect of asset existence, maintenance responsibility, and dimensional measurements – I am pleased to have been able to lift this final qualification, and have issued an unqualified opinion in respect of the 2024-25 Group financial statements.
- 4 The DRC valuation, like other significant infrastructure valuations in central government, factors in the extent of the relevant assets, the cost to rebuild them on a current cost basis, and management's best assessment of their condition.
- 5 I commend management for improving their asset data to the extent that it can adequately support the Depreciated Replacement Cost estimate. Management's work builds on efforts over the longer term and has uplifted the quality of the same dataset used to support real-world decisions on asset management.

Forward look

Environment Agency

- 6 The achievement of unqualified financial statements is a significant milestone for the Department and Environment Agency. Opportunities remain in terms of financial management to:
- a. target iterative further improvements in asset data based on the insight gained from the DRC exercise;
 - b. further improve the efficiency and resilience of procedures supporting financial reporting, building on the positive progress this year for example in respect of the Environment Agency's revenue recognition; and
 - c. create a robust plan, involving both the Department and its components, to further improve the timeliness of the financial statements presented to Parliament; and
 - d. safeguard improvements already made by maintaining the conditions that have enabled recent progress, including appropriate resourcing and training, and leadership which promotes good data quality and continuous improvement in financial management.

Rural Payments Agency

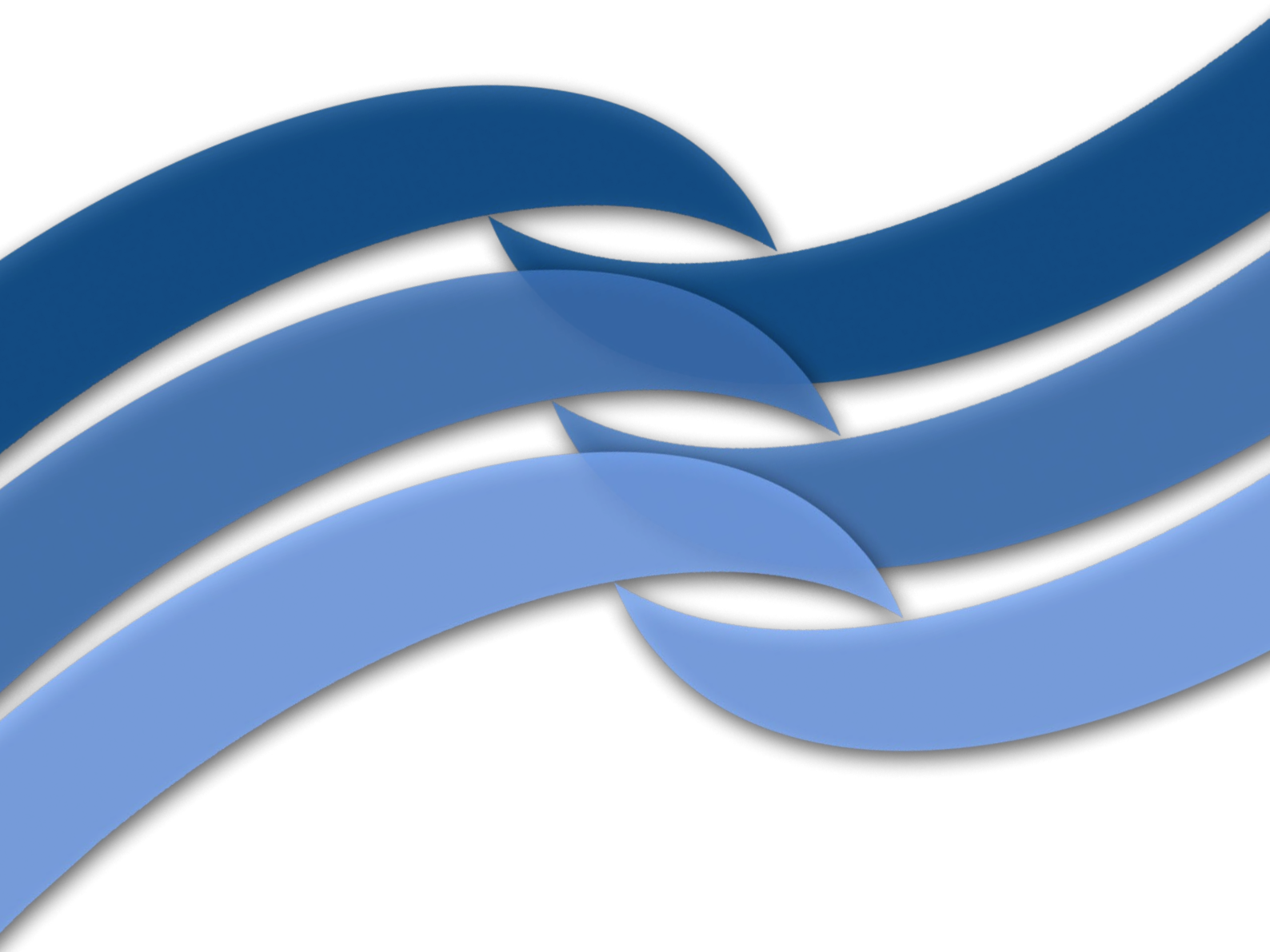
- 7 Finally, on a separate matter, I note the increase this year in non-compliance levels associated with agricultural grants administered by the Rural Payments Agency (RPA). My opinion on the Departmental Group is not qualified on this matter, but I draw attention to my Report on the RPA's financial statements in respect of the opportunities to enhance cost-effective controls, improve data capture, make more use of insights on the causes of fraud and error to inform decision-making, and to continue to update Parliament on the results. I have described my work in this area in a Key Audit Matter in my certificate, above.

Gareth Davies
Comptroller and Auditor General

7 November 2025

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 2025

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.

		2024-25		Restated 2023-24	
	Note/ Ref	Core department and Agencies	Defra group	Core department and Agencies	Defra group
		£000	£000	£000	£000
Revenue from contracts with customers	4.1	(171,115)	(951,253)	(149,683)	(828,992)
Other operating income	4.2	(87,253)	(343,811)	(228,861)	(514,919)
Total income		(258,368)	(1,295,064)	(378,544)	(1,343,911)
Staff expenditure	3.1	949,835	1,884,930	901,978	1,795,910
Other expenditure	3.1	1,066,355	2,081,908	999,412	2,147,224
Non-cash items	3.2	(310,449)	324,777	771,436	1,560,470
Grants and subsidies	3.3	4,395,464	2,527,090	5,711,898	3,922,014
Total operating expenditure		6,101,205	6,818,705	8,384,724	9,425,618
Net operating expenditure		5,842,837	5,523,641	8,006,180	8,081,707
Net expenditure for the year		5,842,837	5,523,641	8,006,180	8,081,707
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating expenditure					
Net (gain)/loss on:					
Revaluation of PPE	SoCTE	(23,280)	(474,610)	(4,303)	(440,389)
Revaluation of right of use assets	SoCTE	-	(81)	(5,467)	(6,710)
Charitable funds revaluation	SoCTE	-	(5,064)	-	(5,467)
Revaluation of intangibles	SoCTE	(22,055)	(21,509)	(6,515)	(9,811)
Pension actuarial movements	16	32,533	872,330	12,356	(255,398)
Changes in the fair value of equity investments at fair value through OCE	SoCTE	3,914	3,914	8,262	8,262
Items that may be reclassified subsequently to net operating expenditure					
Net (gain)/loss on:					
Revaluation of investments		44	(512)	-	(856)
Total comprehensive net expenditure for the year		5,833,993	5,898,109	8,010,513	7,371,338

EU funding for the department totalling £4 million (2023-24, £109 million) is included within income totals. Further details can be found in Note 4. Flood Re pays corporation tax, in 2024-25, the charge included in other costs in the SoCNE was a payment of £4.1 million (2023-24, refund of £3.5 million).

The prior period restatement is described in Note 19.

The notes on pages 212 to 322 form part of these accounts.

Consolidated Statement of Financial Position

As at 31 March 2025

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

		31 March 2025			Restated 31 March 2024	Restated 31 March 2023
		Core department and Agencies	Defra group	Core department and Agencies	Defra group	Defra group
Note/Ref		£000	£000	£000	£000	£000
Non-current assets						
Property, plant and equipment	5.1	639,651	11,114,937	567,462	10,426,566	10,063,852
Right of use assets	5.2	89,028	166,937	102,525	183,359	183,920
Investment properties		613	17,621	613	13,077	13,941
Heritage assets	5.3	-	241,816	-	227,464	226,502
Agricultural assets		-	115	-	115	141
Intangible assets	6	389,405	619,688	341,711	518,674	422,018
Financial assets	9/11	47,212	176,696	81,214	117,318	68,804
Investment in Associate		121	27,321	121	29,111	17,514
Net pension assets	16	-	-	-	797,054	503,350
Receivables and contract assets falling due after more than one year	11	7,082	11,792	4,672	8,113	6,632
Total non-current assets		1,173,112	12,376,923	1,098,318	12,320,851	11,506,674
Current assets						
Assets classified as held for sale		-	2,026	-	13,064	13,403
Inventories		5,631	20,833	5,207	22,365	6,794
Financial assets	9/11	27	864,181	1,362	878,870	740,993
Trade, other receivables and contract assets	11	510,985	792,692	558,371	791,678	655,333
Cash and cash equivalents	10	266,187	673,242	208,974	498,713	471,776
Total current assets		782,830	2,352,974	773,914	2,204,690	1,888,299
Total assets		1,955,942	14,729,897	1,872,232	14,525,541	13,394,973
Current liabilities						
Trade, other payables and contract liabilities	12	(1,228,725)	(1,865,415)	(2,050,332)	(2,642,312)	(1,403,093)
Lease Liability	13	(23,482)	(49,582)	(26,471)	(49,510)	(49,129)
Provisions	15.2	(34,568)	(325,875)	(13,308)	(277,713)	(159,119)
Net pension liability	16	(40,242)	(40,242)	(43,229)	(43,239)	(47,581)
Financial liabilities	12	-	(25,600)	(706)	(26,306)	(29,147)
Total current liabilities		(1,327,017)	(2,306,714)	(2,134,046)	(3,039,080)	(1,688,069)
Non-current assets plus/less net current assets/liabilities						
		628,925	12,423,183	(261,814)	11,486,461	11,706,904

		31 March 2025		Restated 31 March 2024	Restated 31 March 2023
Note/Ref	Core department and Agencies	Defra group	Core department and Agencies	Defra group	Defra group
	£000	£000	£000	£000	£000
Non-current liabilities					
Provisions	15.2	(265,650)	(415,750)	(1,046,651)	(1,155,022)
Lease Liability	13	(74,279)	(105,965)	(85,724)	(120,283)
Net pension liability	16	(95,980)	(100,049)	(101,300)	(106,319)
Other payables and contract liabilities	12	(48)	(175,360)	(192)	(170,955)
Financial liabilities	12	-	(448,379)	-	(435,601)
Total non-current liabilities		(435,957)	(1,245,503)	(1,233,867)	(1,988,180)
Assets less liabilities		192,968	11,177,680	(1,495,681)	9,498,281
Taxpayers' equity and other reserves					
General Fund	SoCTE	24,852	1,962,037	(1,654,560)	746,842
Revaluation reserve	SoCTE	168,116	8,795,929	158,879	8,349,154
Charitable funds - restricted funds*	SoCTE	-	344,835	-	335,724
Charitable funds - unrestricted funds**	SoCTE	-	74,879	-	66,561
Total equity		192,968	11,177,680	(1,495,681)	10,443,369

*The restricted charitable funds figure includes Royal Botanic Gardens Kew (RBG Kew) revaluation reserves totalling £168.7 million (2023-24, £163.2 million (restated)).

**The unrestricted charitable funds figure includes National Forest Company's (NFC) revaluation reserves totalling £0.7 million (2023-24, £1.1 million (restated)).

The prior period restatement is described in Note 19.

The notes on pages 212 to 322 form part of these accounts.

Paul Kissack

5 November 2025

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

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.

		2024-25		Restated 2023-24	
		Core department and Agencies	Defra group	Core department and Agencies	Defra group
Note/Ref		£000	£000	£000	£000
Cash flows from operating activities					
Net operating expenditure	SoCNE	(5,842,837)	(5,523,641)	(8,006,180)	(8,081,707)
Adjust for non-cash transactions		(305,727)	328,264	761,697	1,520,691
(Increase)/decrease in trade and other receivables excluding derivatives		44,976	(4,693)	(36,082)	(137,826)
Adjustments for derivative financial instruments		629	629	(5,386)	(5,386)
(Increase) / decrease in inventories	SOFP	(424)	1,532	(112)	(15,571)
Increase / (decrease) in trade payables and other liabilities excluding derivatives		(821,751)	(759,714)	1,226,086	1,277,554
Less movements in payables relating to items not passing through the SoCNE		(44,113)	(44,113)	(96,952)	(96,952)
Use of provisions / pension liabilities		(315,906)	(502,285)	(64,649)	(186,813)
Net cash outflow from operating activities		(7,285,153)	(6,504,021)	(6,221,578)	(5,726,010)
Cash flows from investing activities					
Purchase of PPE, heritage and agricultural assets	5.4	(128,690)	(609,984)	(77,993)	(363,332)
Purchase of Right of Use assets		-	-	-	(35)
Purchase of intangible assets	6	(133,640)	(223,115)	(111,579)	(167,050)
Purchase / repayment of financial assets		-	(391,519)	-	(1,325,050)
Proceeds of disposal of PPE, heritage and agricultural assets		435	6,188	29	3,069
Proceeds of disposal of financial assets		-	314,606	-	1,196,626
Repayments from other bodies		44	-	44	1
Net cash outflow from investing activities		(261,851)	(903,824)	(189,499)	(655,771)

		2024-25		Restated 2023-24	
	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	7,647,699	7,647,699	6,465,000	6,465,000
Capital element in respect of service concession arrangements and finance leases and non balance sheet PFI contracts		-	-	12	84
Payment of lease principal		(27,459)	(49,312)	(36,407)	(55,290)
Funding (to) / from other bodies		(118)	(108)	(243)	(229)
Net financing		7,620,122	7,598,279	6,428,362	6,409,565
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		73,118	190,434	17,285	27,784
Payments of amounts due to the Consolidated Fund		(15,905)	(15,905)	(847)	(847)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the consolidated fund	10	57,213	174,529	16,438	26,937
Cash and cash equivalents at the beginning of the period	10	208,974	498,713	192,536	471,776
Cash and cash equivalents at the end of the period	10	266,187	673,242	208,974	498,713

The notes on pages 212 to 322 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 2025

Defra group

2024-25						
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 2024 (Restated)	746,842	8,349,154	9,095,996	335,724	66,561	9,498,281
Net parliamentary funding - drawn down SoCF	7,647,699	-	7,647,699	-	-	7,647,699
Net parliamentary funding - deemed	193,678	-	193,678	-	-	193,678
Funding (to)/from other bodies	(108)	-	(108)	-	-	(108)
Supply (payable) adjustment	(264,084)	-	(264,084)	-	-	(264,084)
CFER Income Payable to the Consolidated Fund SOPS 4.1	(6,100)	-	(6,100)	-	-	(6,100)
Net operating costs for the year SoCNE	(5,534,946)	-	(5,534,946)	55,181	(43,876)	(5,523,641)
Non-cash adjustments						
Non-cash charges-auditors' remuneration 3.2	1,465	-	1,465	-	-	1,465

2024-25						
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	-	474,610	474,610	-	-	474,610
Charitable funds revaluation OCE	-	-	-	-	5,064	5,064
Revaluation of intangibles OCE	-	21,509	21,509	-	-	21,509
Revaluation of Right of use assets OCE	-	81	81	-	-	81
Revaluation of investments OCE	-	(3,402)	(3,402)	-	-	(3,402)
Pension actuarial movements OCE	(872,330)	-	(872,330)	-	-	(872,330)
Contributions in respect of unfunded benefits	4,100	-	4,100	-	-	4,100
Transfers between reserves	45,804	(46,864)	(1,060)	(46,070)	47,130	-
Other movements in reserves	17	841	858	-	-	858
Balance at 31 March 2025	1,962,037	8,795,929	10,757,966	344,835	74,879	11,177,680

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

Defra group

							Restated 2023-24
	Note/ Ref	General Fund	Revaluation Reserve	Total Taxpayer s' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance as at 31 March 2023		2,059,586	8,024,365	10,083,951	303,239	56,179	10,443,369
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	(8,118,390)	-	(8,118,390)	2,235	34,448	(8,081,707)
Non-cash adjustments							
Non cash charges- auditors' remuneration	3.2	1,329	-	1,329	-	-	1,329
Notional recharges and other non cash items		(8)	-	(8)	-	-	(8)
Movement in reserves							
Recognised in other comprehensive expenditure:							
Revaluation of PPE	OCE	-	440,389	440,389	-	-	440,389
Charitable funds revaluation	OCE	-	-	-	300	5,167	5,467
Revaluation of intangibles	OCE	-	9,811	9,811	-	-	9,811
Revaluation of Right of use assets		-	6,710	6,710	-	-	6,710

							Restated 2023-24
	Note/ Ref	General Fund	Revaluation Reserve	Total Taxpayer s' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
		£000	£000	£000	£000	£000	£000
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	(124,715)	(717)	29,950	(29,233)	-
Other movements in reserves		(1,055)	-	(1,055)	-	-	(1,055)
Balance at 31 March 2024		746,842	8,349,154	9,095,996	335,724	66,561	9,498,281

The notes on pages 212 to 322 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2025

Core department and Agencies

2024-25				
Note/Ref	General Fund	Revaluation Reserve	Total Taxpayers' Equity	Total Reserves
	£000	£000	£000	£000
Balance at 1 April 2024	(1,654,560)	158,879	(1,495,681)	(1,495,681)
Net parliamentary funding - drawn down SoCF	7,647,699	-	7,647,699	7,647,699
Net parliamentary funding - deemed	193,678	-	193,678	193,678
Funding (to)/ from other bodies	(118)	-	(118)	(118)
Supply (payable) adjustment	(264,084)	-	(264,084)	(264,084)
CFER Income Payable to the Consolidated Fund	(6,100)	-	(6,100)	(6,100)
Net operating costs for the year SoCNE	(5,842,837)	-	(5,842,837)	(5,842,837)
Non-cash adjustments				
Non-cash charges-auditors' remuneration 3.2	1,465	-	1,465	1,465
Notional recharges and other non cash items 3.2	(51,794)	-	(51,794)	(51,794)
Movement in reserves				
Recognised in other comprehensive expenditure:				
Revaluation of PPE OCE	-	23,280	23,280	23,280
Revaluation of intangibles OCE	-	22,055	22,055	22,055
Revaluation of investments OCE	-	(3,958)	(3,958)	(3,958)
Pension actuarial movements OCE	(32,533)	-	(32,533)	(32,533)
Contributions in respect of unfunded benefits	4,100	-	4,100	4,100
Transfers between reserves	32,140	(32,140)	-	-
Other movement in reserves	7	-	7	7
Transfer to General Fund - net asset transfer	(2,211)	-	(2,211)	(2,211)
Balance at 31 March 2025	24,852	168,116	192,968	192,968

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

Core department and Agencies

2023-24

	Note/Ref	General Fund £000	Revaluation Reserve £000	Total Taxpayers' Equity £000	Total Reserves £000
Balance as at 31 March 2023		(30,281)	171,416	141,135	141,135
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		(243)	-	(243)	(243)
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	(8,006,180)	-	(8,006,180)	(8,006,180)
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	(53,796)	-	(53,796)	(53,796)
Movement in reserves					
Recognised in other comprehensive expenditure:					
Revaluation of PPE	OCE	-	4,303	4,303	4,303
Revaluation of intangibles	OCE	-	6,515	6,515	6,515
Revaluation of Right of use assets	OCE	-	5,467	5,467	5,467
Revaluation of investments	OCE	-	(8,262)	(8,262)	(8,262)
Pension actuarial movements	OCE	(12,356)	-	(12,356)	(12,356)
Contributions in respect of unfunded benefits		4,600	-	4,600	4,600
Transfers between reserves		20,560	(20,560)	-	-
Other movements in reserves		194	-	194	194
Balance at 31 March 2024		(1,654,560)	158,879	(1,495,681)	(1,495,681)

The notes on pages 212 to 322 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 2024-25 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, operating income (see Note 4.2).

Grant Expenditure

The recognition of grant expenditure in the Statement of Comprehensive Net Expenditure (SoCNE) in relation to UK Exchequer Funded Schemes (see Note 1.5.3).

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. As at 31 March 2025, progressive reduction rates for 2026-2027 and onwards are not yet published, and therefore management have used judgement to estimate future progressive reduction rates. (Note 1.21 and Note 15.3).

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 initial recognition of the liability at fair value and subsequently as a perpetuity at amortised cost. 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. The EIR is recalculated each year to reduce the impact of the variation in the RPI (further details can be found in Note 9).

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 accordance with FReM it is presumed that service provision will continue and that as the group's future liabilities will be met by the future grants of supply. As this future income is approved annually by Parliament prior to the parliamentary recess and there is no reason to believe that future approvals will not be made. It has, therefore, been concluded appropriate to adopt the going concern basis of preparation for these accounts.

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 (RPA) 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.

1.5.2 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.

1.5.3 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 either on receipt of claims, or on the last day of the agreement year (in the case of multi annual revenue schemes). However, further details on the specific expenditure recognition points for RPA's principal UK funded schemes can be found in RPA's Annual Report and Accounts.

RPA administers several schemes for all UK claimants, principally the Fruit and Vegetables and School Milk Subsidy Schemes. Where RPA makes payments to claimants outside of England these are reclaimed from the associated devolved governments in Scotland, Wales and Northern Ireland. RPA recognises the income when it is probable that it will receive a reimbursement from the devolved governments 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.

1.6 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 2025 by Montagu Evans, under the guidance of a qualified director in their valuation department. This included the valuation of the Weybridge site.

The EA owns more than 5,000 separately identified freehold land and building assets. The majority of these are specialised operational land assets, held for its service potential, and valued under Existing Use Value (EUV), but also includes several administrative land and building assets and dwellings, which are not specialised. These are valued as part of a rolling five-year programme and are valued on a comparable replacement basis. The EUV valuation approach for administrative land and buildings uses comparatives of market value constrained to existing use.

Land and buildings assets that are above a minimum value threshold, currently set at £25,000, are considered to be in-scope of the quinquennial review process and are revalued by RICS qualified surveyors every five years.

Operational land, buildings and dwellings are valued on a rolling basis whereby a proportion of assets are valued every year. Under the rolling programme, an average of 20 per cent of in-scope assets (above the £25,000 threshold) are valued each year, such that each asset is valued once over a five-year quinquennial period. The programme is on track to value all relevant assets by March 2026. Administrative land and buildings are valued on a non-rolling revaluation basis and will be fully revalued in March 2026.

In addition to the rolling quinquennial programme, a small proportion of land and building assets with a net book value below £25,000 are being valued each year to indicate any risk of materially inaccurate valuations in this group. Assets not subject to independent revaluation in a particular year are revalued using an appropriate index, details of which can be found in EA's ARA.

Further 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.

The National Nature Reserves (NNRs) support a healthy natural environment, enabling rich biodiversity to thrive across the landscape, and ensuring ecosystems and habitats are resilient to climate change. Natural England has a stewardship role in holding and maintaining these assets for the benefit of society. They are reported in the Statement of Financial Position at their fair value and are professionally revalued every five years, supported by annual desktop revaluations. Any increases in value above historic cost are recognised through the revaluation reserve. Decreases are also recognised through the revaluation reserve to the extent that the asset had previously been revalued upwards, and then through the Statement of Comprehensive Net Expenditure.

One heritage asset is designated as being operational, is a working farm, all others are non-operational. All heritage assets are assigned a fair value, although some are subject to valuation uncertainty due to the availability of evidence to support the fair value. This is because these types of assets do not transact frequently in the open market.

Royal Botanic Gardens, Kew (RBG Kew) also holds heritage assets. RBG Kew has reviewed the costs of valuing the heritage assets by collection including, in particular, the staff time involved and consider that the cost of obtaining valuations for all existing collections would be onerous, because of the time it would take, compared to the benefits to the readers of the accounts. Therefore, no values have been placed on these as allowed by section 34 FRS102. New items to the collections costing more than £5,000 and acquired after 2001 are capitalised. Collections are unlikely to depreciate and are expected to have a life in excess of 50 years, so no depreciation is provided against these. Impairment reviews of these collections are undertaken on an annual basis. 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. Professional valuations were carried out during 2001-02, 2006-07, 2011-12, 2016-17 and 2021-22. From 2020-21 onwards, including the 2024-25 accounts, desktop valuation exercises were undertaken by Kew's valuers in between full professional revaluations.

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 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 as income required by IAS20 as interpreted in the FReM.

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 2024 calendar year is 4.72 per cent, and 4.81 per cent for 2025. These rates are used when calculating and initial lease liability or transition, for a new lease or when reassessing the lease.

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 committed to as at 31 March 2025 but where 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 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 the Core department or the EA) 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:

Category	Useful Economic Life (UEL)
Infrastructure assets (for example, 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 Money⁵² 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.

The EA receives revenue from capital projects arising from legally binding agreements which obligate the EA to carry out certain flood risk management works in return for a contribution from a third party. Revenue is recognised over the progress of the completion of the flood risk management works. The costs incurred to date are assessed against the overall forecast costs for the project to give an indication of completion which is then applied to the relevant transaction price.

Further details can be found in Note 4.1.

⁵² <https://www.gov.uk/government/publications/managing-public-money>

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 hold at that point in time (for example, accruing for the value of work completed but not yet invoiced).

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 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 is in relation to assets where the EA will not have responsibility for ongoing maintenance 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.

Flood Re's insurance revenue is the amount of expected premium receipts allocated to the period. Flood Re allocates the receipts to each period of insurance contract services either on the basis of the passage of time or expected timing of incurred insurance service expenses, depending on the circumstances.

Flood Re's insurance finance income or expenses comprises the change in the carrying amount of Flood Re's group of reinsurance inward or outward contracts.

A significant period of time can elapse before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated using standard actuarial techniques. Estimation of the ultimate cost of losses resulting from catastrophic flood events is inherently difficult, due to the possible severity of catastrophe claims.

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.

Further details can be found in Flood Re's Annual Report and Accounts.

1.17 Foreign Currency Transactions

The functional and presentational currency of the department is sterling.

RPA received 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 were recognised as scheme expenditure and scheme income at the rates of exchange prevailing on the dates of recognition of those transactions. 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 were recognised in the SoCNE in the period in which they arose.

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 (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 previously entered into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk arising on the reimbursement, by the EU, of this expenditure. EU funding of UK Common Agricultural Policy (CAP) schemes were formally closed in 2024-25, leading to the final reimbursement of funds from the EU. All derivative instruments held at 1 April 2024 were exercised in year to mitigate the associated foreign exchange exposure.

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. Under the requirements of the IFRS Interpretation Committees, IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction, the department determines whether an asset ceiling is applied to any net pension surplus in the financial statements which arises from an IAS 19 actuarial valuation. An asset ceiling is a limitation on the value of any net pension surplus to the extent that the full economic benefit of the surplus is realisable in the form of refunds from the plan or reductions in future contributions; or the extent to which the economic benefit can be measured in relation to the effect of minimum funding requirements. Further details 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 replaced BPS payments in England in 2024 and will reduce each year until these payments finish. These reductions are known as progressive reductions.

The full value of delinked payments was 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 and 2025 have been published, there is considerable certainty over the value of delinked payments for these years. Therefore, the proportion of this expenditure has been recognised in the Statement of Financial Position as an accrual. The value of delinked payments in 2026 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 15.3 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

1.23.1 IFRS 17 – Insurance Contracts

IFRS 17: Insurance Contracts replaces IFRS4: Insurance Contracts and is to be included in the FreM for mandatory implementation from 2025-26. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this standard.

IFRS17 requires insurance contracts, including reinsurance contracts, to be recognised on the statement of Financial Position (SoFP) as the total of the fulfilment cashflows and the contractual service margin (CSM).

The fulfilment cashflows consist of the present value of future cash flows calculated using best estimate assumptions with an explicit risk adjustment for non-financial risk.

The risk adjustment is released to the SoCNE as risk expires. The CSM is the unearned profit on insurance contracts and is released to the SoCNE over the insurance contract period as insurance services are provided. Where an insurance contract is onerous, it will have no CSM and the onerous element of the insurance will be recognised immediately in the SoCNE.

The impact of IFRS 17 within the consolidated ARA is still being assessed. However, it is expected that the material impact will relate to Flood Re's activities.

Flood Re

Flood Re 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 Flood Re's 2023-24 and 2024-25 Financial Statements and disclosures. Flood Re also prepared statements for consolidation into the department's financial statements in accordance with IFRS4 Insurance Contracts for both these years.

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 2025 is:

- a £27.348 million decrease in financial assets.
- a £63.853 million increase in liabilities (comprising of a reduction in trade, other payables and contract liabilities of £112.305 million, a reduction in provisions of £404.496 million and the introduction of the reinsurance inward contract liability of £580.654 million).
- a reduction in retained earnings in equity of £91.201 million.

Flood Re's tax position has been consolidated on an actual tax basis, which is driven by changes arising from the implementation of IFRS 17, but excludes any other impact of restatement in 2023-24. This has resulted in the group recognising a corporation tax charge in 2024-25 of £3.4 million (2023-24, refund of £3.9 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 IFRS17 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.

1.23.2 Non-Investment Asset Valuations

In December 2023, HM Treasury released an exposure draft on potential changes to valuing and accounting for non-investment assets (for example, PPE, intangible assets). The following changes to the valuation and accounting of non-investment assets is to be included in the 2025-26 FreM for mandatory implementation:

- References to assets being held for their 'service potential' and the terms 'specialised / non-specialised' assets are being removed from the FreM. Non-investment assets are instead described as assets held for their 'operational capacity'. This change has no impact on the valuation basis of non-investment assets, which remains Existing Use Value (EUV).

- An adaption to IAS16 will be introduced to withdraw the requirement to revalue an asset where its fair value materially differs from its carrying value. Assets are now valued using one of the following processes:
 - A quinquennial revaluation supplemented by annual indexation.
 - A rolling programme of valuations over a five-year cycle, within annual indexation applied to assets during the four intervening years.
 - For non-property assets only, appropriate indices.
 - In rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year three.

The option to measure intangible assets using the revaluation model is withdrawn. The carrying values of intangible assets at 31 March 2025 will be considered the historical cost at 1 April 2025.

1.23.3 Social Benefits

The 2025-26 FreM will include new guidance on accounting for social benefits. The 2025-26 FreM will define social benefits as current transfers received by households (including individuals) intended to provide for the needs that arise for certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances. This will have no impact on the Defra Consolidated Annual Report and Accounts.

1.23.4 IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements will replace IAS 1 Presentation of Financial Statements and is effective for reporting periods beginning on or after the 1 January 2027 in the private sector. The public sector implementation date is not yet confirmed. The impact of IFRS 18 on the public sector is still being assessed.

1.24 Changes to Accounting Policies

The EA operates a number of charge schemes and has the statutory powers to update its charging regimes to ensure that the schemes fully cost recover. Charge schemes may over or under recover and these surpluses or deficits have historically been treated as accrued or deferred income and recognised on the SoFP to be utilised or recovered in future years. This treatment was an override to IFRS 15 and was subject to a dispensation issued by HM Treasury. In 2024-25, the decision was made to remove this dispensation. From 2024-25 and onwards any surpluses or deficits are accounted for in accordance with IFRS15 and recognised in the SoCNE.

1.25 Prior Period Adjustments

The prior year accounts have been restated to reflect changes to the opening positions following the change in accounting policy for:

- EA's charging schemes as described in Note 1.24 above.
- Correction of the valuation of EA's operational assets.

- Asset and reserve classification in RBG Kew.

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 10 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.

Defra does not rely on any one major customer for income received.

	2024-25			Restated 2023-24		
	Gross Expenditure	Gross Income	Net Total	Gross Expenditure	Gross Income	Net Total
	£000	£000	£000	£000	£000	£000
Director General Budget Area						
Group Corporate Services including centrally held budgets*	488,355	(12,237)	476,118	432,818	(119,628)	313,190
Environment, Rural and Marine including ALB's**	3,808,166	(1,086,726)	2,721,440	3,928,604	(975,599)	2,953,005
Food, Farming and Biosecurity including ALB's***	1,970,399	(166,059)	1,804,340	4,564,909	(249,752)	4,315,157
Other including International and Borders and Strategy and Water	551,785	(30,042)	521,743	499,287	1,068	500,355
Total	6,818,705	(1,295,064)	5,523,641	9,425,618	(1,343,911)	8,081,707

* 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

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
Staff Costs	£000	£000	£000	£000
Wages and salaries	712,116	1,507,379	695,374	1,458,604
Social security costs	68,226	154,332	63,783	146,733
Other pension costs	169,493	223,219	142,821	190,573
Other Costs				
Travel, subsistence and hospitality	28,359	51,292	29,033	54,801
Research and development expenditure	223,730	264,181	149,214	193,497
Veterinarian costs	48,984	48,984	47,023	47,023
Consumables	25,272	42,419	23,979	40,283
IT service costs	348,191	407,043	363,260	445,308
Vessels	6,795	6,795	7,207	7,207
Estate management	83,068	113,987	124,325	181,560
Consultancy	37,939	148,985	42,378	161,445
Hired and contracted services	38,763	176,201	31,705	189,634
Training	10,745	22,899	9,802	22,746
Publicity, marketing and promotion	1,009	23,390	2,250	21,194
Office services	56,945	58,285	52,309	54,135
Early retirement	62	217	34	119
Exchange rate (gains)/losses - realised	(631)	(628)	(821)	(803)
NAO auditors' remuneration	1,492	2,302	2,413	3,092
Flood Re statutory audit fee	-	523	-	675
Other audit fees	-	391	17	275
Internal audit fees	2,978	4,095	2,589	3,382
Flood and coastal defence works	-	177,836	-	302,328
Operational maintenance	-	14,464	-	17,068
Fees and commissions	24,717	63,576	21,854	58,479
Reservoir operating agreements	-	63,861	-	67,770
Transport and plant costs	-	31,200	-	39,775
EU disallowance	(2,180)	(2,180)	(6,124)	(6,124)
Forestry Commission subsidy to Forestry England	13,128	13,128	16,147	16,147
Corporation tax paid by NDPBs	-	4,070	-	(3,533)
Flood Re reinsurance expenditure	-	87,790	-	74,744
International subscriptions	37,311	37,421	56,756	56,836
Credit losses	458	4,309	15,341	17,993
Expense related to short-term leases	645	2,162	606	3,161
Expense related to low-value asset leases (excluding short term leases)	3	705	1	713
Other	78,572	212,205	8,114	76,294
Total	2,016,190	3,966,838	1,901,390	3,943,134

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 2024-25 NAO auditors' remuneration includes £191,000 relating to the 2023-24 audits of Natural England, Consumer Council for Water, the Office of Environmental Protection and Sea Fish Industry Authority.

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.

3.2 Non-cash items

	2024-25		Restated 2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Depreciation	32,410	353,191	36,470	345,020
Depreciation on Right of Use Assets	22,821	49,297	31,575	49,026
Amortisation	64,601	92,690	32,606	55,873
Profit on the disposal of PPE and financial investments	(253)	(7,469)	(193)	312
Loss on the disposal of PPE and financial investments	494	5,671	1,349	20,925
Impairment on non financial assets	101,984	101,295	68,369	122,968
Impairment on financial and contract assets	-	15	-	-
Exchange rate (gains)/losses - unrealised	-	18	-	(11)
NAO auditors' remuneration	1,465	1,465	1,320	1,320
Pensions Service Cost	-	87,064	-	94,434
Pensions Net Interest Charge	6,166	(32,042)	6,319	(16,880)
Other provisions provided for/(written back) as detailed in note 15	(532,834)	(371,271)	613,084	847,247
Utilisation of capital provision	(550)	(550)	(482)	(482)
Unwinding of discount on provisions	45,041	45,403	32,829	32,672
Capital grant-in-kind	-	-	1,977	8,045
Notional recharges and other non-cash items	(51,794)	-	(53,787)	1
Total	(310,449)	324,777	771,436	1,560,470

3.3 Grants and subsidies

	2024-25		2023-24	
	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	(28)	(28)	(250)	(250)
Current grants - Rural Development Programme for England	-	-	(3,064)	(3,064)
Current grants - payments to other paying agencies	-	-	85,154	85,154
Other EU current grants	(630)	(630)	15,351	15,351
Unrealised (gains)/losses	(338)	(338)	453	453
Grants and subsidies: other				
Capital Grants – Other*	451,820	715,605	263,181	417,304
Capital Grants Countryside Stewardship	246,138	246,138	163,662	163,662
Capital Grants Environment Stewardship	(11)	(11)	409	409
Capital Grants Simpler Recycling Scheme			258,286	258,286
Current Grants - De-Linked Payments	3,901	3,901	809,486	809,486
Current grants - Grant-in-Aid to NDPBs	2,196,560	-	1,968,628	-

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Current grants - Rural Development Programme for England	-	-	5,334	5,334
Current grants - BPS Exchequer funded	1,332	1,332	1,087,362	1,087,362
Current grants - Other RPA schemes	21,293	21,293	24,609	24,609
Current grants - Canal and Rivers Trust	52,623	52,623	52,623	52,623
Current grants - South West Water Customer Rebate Scheme	40,656	40,656	40,586	40,586
Current grants - TB Compensation Scheme	34,289	34,289	31,012	31,012
Current Grants Countryside Stewardship	559,890	559,890	395,721	395,721
Current Grants Environment Stewardship	94,327	94,327	108,944	108,944
Current Grants Sustainable Farming Incentive	316,363	316,363	32,091	32,091
Grants to national parks	51,784	51,784	48,766	48,766
Waste Infrastructure Grants to local authorities	81,768	81,768	83,592	83,592
Other grants to local authorities	153,761	178,375	107,217	136,498
Other current grants & subsidies	89,966	129,753	132,745	128,085
Total	4,395,464	2,527,090	5,711,898	3,922,014

*Of the £715.6 million reported under Capital Grants – Other in 2024-25 (2023-24, £417.3 million), £322.6 million relates to Capital Grants to Local Authorities (2023-24, £201.2 million).

4 Income – Analysis of Operating Income

4.1 Analysis of revenue from contracts with customers

	2024-25						
	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	-	-	29,551	29,551	-	2,438	31,989
Animal disease surveillance and diagnostics	-	-	7,636	7,636	-	-	7,636
Veterinary research and development	-	-	1,648	1,648	-	-	1,648
Scientific products	-	-	1,253	1,253	-	-	1,253
Provision of corporate services (outside Defra group)	-	-	1,238	1,238	-	-	1,238
TB Compensation salvage receipts	10,947	-	473	11,420	-	-	11,420
Sale of other goods	23,417	-	-	23,417	-	22,680	46,097
Other services (including Defra group)	5,929	6,186	(2,937)	9,178	2,520	(6,650)	5,048

	2024-25						
	Core department £000	Rural Payments Agency £000	Other Agencies £000	Core department and Agencies £000	Environment Agency £000	Other Non- Departmental Public Bodies £000	Defra group £000
Fees, levies and charges							
Veterinary medicines authorisations	-	-	12,748	12,748	-	-	12,748
Veterinary medicine residues surveillance	-	-	4,524	4,524	-	-	4,524
Plant health inspections and seeds charges	-	-	12,415	12,415	-	-	12,415
Environmental protection charges	-	-	-	-	248,489	-	248,489
Abstraction charges	-	-	-	-	184,999	-	184,999
Flood risk levies	-	-	-	-	49,167	-	49,167
Flood Re Levy Income	-	-	-	-	-	135,000	135,000
Agriculture and horticulture levies	-	-	-	-	-	49,496	49,496
Sea Fish industry levies	-	-	-	-	-	7,267	7,267
Discretionary Advice	-	-	-	-	-	2,974	2,974
Other fees, levies and charges	-	-	3,447	3,447	-	1,552	4,999
EU income	-	-	920	920	-	-	920
Licences							
Fishing licence duties	-	-	-	-	24,328	-	24,328
Navigation licence income	-	-	-	-	10,087	-	10,087
Other licences	7,340	-	-	7,340	-	4,973	12,313
Other Income							
Capital grant income	(2,103)	2,350	-	247	43,903	(5,220)	38,930
Other grant income	-	-	-	-	-	(231)	(231)
Recoveries for secondments outside Defra group	1,309	-	-	1,309	-	2,073	3,382
APHA income from devolved administrations	-	-	42,297	42,297	-	-	42,297
Other Income	-	-	527	527	-	293	820
Total income from contracts with customers	46,839	8,536	115,740	171,115	563,493	216,645	951,253

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							Restated 2023-24
	Core department £000	Rural Payments Agency £000	Other Agencies £000	Core department and Agencies £000	Environment Agency £000	Other Non- Departmental Public Bodies £000	Defra group £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
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	-	-	-	-	203,834	-	203,834
Abstraction charges	-	-	-	-	166,801	-	166,801
Flood risk levies	-	-	-	-	45,364	-	45,364
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 governments	-	-	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	479,527	199,782	828,992

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.	Income is recognised when the certificate is issued to the developer which can be used in order to obtain or demonstrate compliance with their planning conditions or apply for a licence under the relevant habitat regulations. Expenditure on conservation

Contract Type	Note 4 Headings	Entity Impacted	Categories of Performance Obligation	Basis of Recognition
				measures is recognised as and when suppliers satisfy their performance obligations.
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.	Income is recognised when the certificate is issued to the developer which can be used in order to obtain or demonstrate compliance with their planning conditions or apply for a licence under the relevant habitat regulations. Expenditure on conservation measures is recognised as and when suppliers satisfy their performance obligations.
Scientific Project Income	Scientific advice, analysis and research	APHA	Production of a report (Performance obligations are contracted milestones within the process).	Project income is recognised in line with expenditure over the duration of the project.
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.

Contract Type	Note 4 Headings	Entity Impacted	Categories of Performance Obligation	Basis of Recognition
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.

4.2 Analysis of Other Operating Income

	2024-25		Restated 2023-24	
	Core department and Agencies £000	Defra group £000	Core department and Agencies £000	Defra group £000
Goods and services				
Veterinary research and development	665	665	804	804
Covent Garden Market income	2,030	2,030	-	-
Other services	70,991	27,539	90,638	33,392
Income payable to the consolidated fund	2,712	2,712	15,884	15,884
EU Income				
Basic Payment Scheme	(294)	(294)	(71)	(71)
Income payable to other paying agencies	-	-	84,715	84,715
Structural fund / RDPE income	-	-	(3,064)	(3,064)
Current grant income - EU	(55)	2,912	5,968	16,189
Other EU Income	405	554	10,682	11,115
Other Income				
Flood Re insurance income	-	160,156	-	192,973
Lease income	-	-	-	4
Sub Leasing income	-	-	-	56
Charity income	-	67,471	-	65,432
Lottery Grant Income	-	977	-	2,170
Other interest receivable	-	49,578	-	13,373
Current grant income - non EU	8,511	22,733	8,275	18,508
Capital grant income - non EU	-	1,688	12,503	9,251
Other income	2,288	2,749	2,527	21,460
Non-cash Income				
Accretion of discounts from debt instruments	-	2,341	-	32,728
Total other operating income	87,253	343,811	228,861	514,919

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 2024	92,078	663,754	9,962	22,561,821	182,991	53,628	139,273	231,477	97,111	728,165	24,760,260
Additions	16,002	5,454	-	202,008	2,037	645	6,588	12,973	(1,579)	365,380	609,508
Transfers	-	11,170	-	-	-	1,233	84	10,733	-	(22,723)	497
Disposals	(1,319)	(6,434)	-	-	(300)	(13,771)	(7,967)	(9,826)	(4,759)	-	(44,376)
Impairment	(277)	(52,171)	(284)	-	4,168	159	709	(4,749)	(83)	(15,883)	(68,411)
Reclassifications	2,743	17,586	(97)	-	(610)	2,624	(1,349)	(1,050)	-	(21,992)	(2,145)
Reclassified as held for sale	1,482	2,778	(725)	-	7,503	-	-	-	-	-	11,038
Revaluation	1,885	(39,849)	(2,241)	714,286	42,375	735	3,631	(5,909)	(2,285)	-	712,628
At 31 March 2025	112,594	602,288	6,615	23,478,115	238,164	45,253	140,969	233,649	88,405	1,032,947	25,978,999
Depreciation											
At 1 April 2024	-	155,418	4,171	13,840,297	(2)	44,830	86,956	129,256	72,768	-	14,333,694
Charges in year	-	22,967	195	278,730	3,526	3,791	13,079	16,135	11,580	-	350,003
Transfers	-	-	-	-	-	(43)	-	43	-	-	-
Disposals	-	(5,008)	-	-	-	(13,602)	(7,328)	(8,946)	(4,645)	-	(39,529)
Impairment	-	(11,019)	(231)	-	(5,574)	165	828	1,462	(43)	-	(14,412)
Reclassifications	-	2,153	(23)	-	(13)	-	(2,130)	12	-	-	(1)
Revaluation	-	(59,707)	(2,007)	293,131	3,223	459	2,498	(3,452)	162	-	234,307
At 31 March 2025	-	104,804	2,105	14,412,158	1,160	35,600	93,903	134,510	79,822	-	14,864,062
Net book value 31 March 2025	112,594	497,484	4,510	9,065,957	237,004	9,653	47,066	99,139	8,583	1,032,947	11,114,937
Net book value 31 March 2024	92,078	508,336	5,791	8,721,524	182,993	8,798	52,317	102,221	24,343	728,165	10,426,566
Assets financing											
Owned	112,594	497,484	4,510	9,065,957	237,004	8,640	47,066	99,139	8,583	1,032,947	11,113,924
Finance leased	-	-	-	-	-	1,013	-	-	-	-	1,013
Net book value 31 March 2025	112,594	497,484	4,510	9,065,957	237,004	9,653	47,066	99,139	8,583	1,032,947	11,114,937
Of which:											
Core department and agencies	32,682	285,631	-	-	-	6,809	15,880	40,490	605	257,554	639,651
NDPBs	79,912	211,853	4,510	9,065,957	237,004	2,844	31,186	58,649	7,978	775,393	10,475,286
Total	112,594	497,484	4,510	9,065,957	237,004	9,653	47,066	99,139	8,583	1,032,947	11,114,937

Plant and Machinery includes vessels owned by Cefas with a net book value of £4.5 million (2023-24, £4.9 million). Infrastructure assets include flood defences owned by EA, including the Thames Barrier with a net book value of £1,005 million (2023-24, £979 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 2023	89,660	686,645	17,624	21,813,730	191,959	62,105	117,474	213,987	85,788	583,469	23,862,441
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	(27,496)	(3,081)	6,037	22,017	(91)	18,499	10,351	-	(17,945)	9,219
Reclassified as held for sale	(246)	(2,875)	(49)	-	(251)	-	-	-	-	-	(3,421)
Revaluation	4,349	(231)	(3,575)	615,294	13,527	1,254	5,724	8,733	10,689	-	655,764
At 31 March 2024	92,078	663,754	9,962	22,561,821	182,991	53,628	139,273	231,477	97,111	728,165	24,760,260
Depreciation											
At 1 April 2023	-	147,392	9,803	13,338,187	(1)	51,797	69,459	120,309	61,643	-	13,798,589
Charges in year	-	28,516	420	272,506	142	3,484	11,373	15,576	10,238	-	342,255
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)	228,681	(3,814)	966	2,428	216	4,598	-	219,292
At 31 March 2024	-	155,418	4,171	13,840,297	(2)	44,830	86,956	129,256	72,768	-	14,333,694
Net book value 31 March 2024	92,078	508,336	5,791	8,721,524	182,993	8,798	52,317	102,221	24,343	728,165	10,426,566
Net book value 31 March 2023	89,660	539,253	7,821	8,475,543	191,960	10,308	48,015	93,678	24,145	583,469	10,063,852
Assets financing											
Owned	92,078	508,336	5,791	8,721,524	182,993	7,785	52,317	102,221	24,343	728,165	10,425,553
Finance leased	-	-	-	-	-	1,013	-	-	-	-	1,013
Net book value 31 March 2024	92,078	508,336	5,791	8,721,524	182,993	8,798	52,317	102,221	24,343	728,165	10,426,566
Of which:											
Core department and agencies	32,375	297,263	-	-	-	4,651	16,822	38,213	531	177,607	567,462
NDPBs	59,703	211,073	5,791	8,721,524	182,993	4,147	35,495	64,008	23,812	550,558	9,859,104
Restated Total	92,078	508,336	5,791	8,721,524	182,993	8,798	52,317	102,221	24,343	728,165	10,426,566

Environment Agency (EA) 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:

- 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.
- Assets where the Modern Equivalent Asset Value (MEAV) is less than £5,000. This is the de-minimis criteria for inclusion in the valuation, even if the other criteria are met.
- Assets where the useful economic life is less than 1 year.

Operational asset categories

The net book value of operational assets can be split into categories as follows:

Asset Category	2024-25 £ million	2023-24 £ million
Aids to navigation	290.8	289.4
Buildings and compounds	113.4	113.6
Channel crossings and channels	784.4	748.2
Defences	2,600.1	2,515.5
Instruments	25.5	27.0
Mechanical, electrical, instrumentation, control and automation (MEICA)	163.4	157.9
Other	225.0	101.8
Structures	3,858.1	3,800.8
Thames Barrier and Associated Gates	1,005.4	967.5
Total	9,066.1	8,721.7

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.

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

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 Modern Equivalent Asset Valuation (MEAV) for each individual asset. These differ across the 75 asset types and within the asset categories. These include calculations such as the expected size of a Modern Equivalent Asset (MEA) based which may include m^2 or m^3 .

Measurement is based on either the MEA size of an asset or the size of the asset that would be required for the specific site - for example a bridge has a MEA width based on its use and a site-specific length based on the size of the crossing required. Where site specific size data was not available assumptions were made based on statistical analysis of the known data points.

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. 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.

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.

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 zero and one by which the MEAV is multiplied to arrive at a DRC, with zero being a fully depreciated asset and one being an as-new asset).

The approaches were developed according to the data available across the asset types to provide a best estimate.

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.

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 erosion risk management (FCERM) assets are routinely inspected for availability, to ensure that they 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 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 asset type. For example, standardised widths were used for foot (2m), farm (4m), road (8m), rail (11m), aqueduct (7m) bridges. 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.
Depreciation factors – method 1 (civils based on condition data and EA deterioration curve)	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: • 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 three (out of a scale of five) – 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. 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.

Process	Key data input assumptions
Depreciation factors – method 2 (MEICA assets using EA available data)	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. The assumptions where there was incomplete data were to assume the mid points for the data inputs required to generate the depreciation factor: • Where element LOF is 'blank' the EA have assumed 'possible'. • Where TTR is 'blank' the EA have assumed 'medium'.
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 two 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.

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 – (for example, 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.

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) indices have been used based on the type of asset being indexed. These were:

Index	Description
BCIS General Building Cost Index	Measures the change in costs to the building contractor for labour, plant, and materials.
BCIS Civil Engineering Cost Index	Measures the changes in the cost of labour, materials, and other inputs for civil engineering projects.
BCIS M and E Cost Index	Measures the changes in the cost of Mechanical and Electrical (M and E) services.

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 across the network of operational assets.

Revaluation movement	2024-25 £ million	2023-24 £ million
Indexation	276.0	242.5
Maintaining or changes in condition	145.1	147.2
Total	421.1	389.7

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.

There are limitations on the data included within the DRC, where averages of size data have been included based on statistical analysis.

Type	DRC £ million	Sensitivity impact DRC £ million	Potential DRC £ million	Variance %
Scenario 1: Increased Inflation Index	8,004	158	8,162	2.0
Scenario 2: Alternative Median Average	8,004	(82)	7,922	(1.0)
Scenario 3: Alternative Mean Average	8,004	810	8,814	10.1
Scenario 4: Alternative condition grade - average	8,004	59	8,063	0.7
Scenario 5: Alternative condition grade - grade 4	8,004	(165)	7,839	(2.1)

Sensitivity	Assumption in valuation	Sensitivity
Scenario 1: Increased Inflation Index	The valuation applies a number of construction related indices to the costing rates both in full and interim valuation years. The indices used in the valuation are disclosed above.	The indexation rates used are published rates, so not in themselves judgemental. The EA have applied a two per cent increase to rates, being the target for UK inflation, to quantify how sensitive the valuation is to increases in inflation.
Scenario 2: Alternative Median Average	The valuation has used statistical analysis to select an average based either on mean, median or an adjusted version of either to exclude statistical anomalies	Use of a pure median average across all asset types with no adjustment for statistical anomalies.
Scenario 3: Alternative Mean Average	The valuation has used statistical analysis to select an average based either on mean, median or an adjusted version of either to exclude statistical anomalies	Use of a pure mean average across all asset types with no adjustment for statistical anomalies.
Scenario 4: Alternative condition grade - average	The valuation has assumed a target condition grade where an asset does not have condition grade data.	Use of the average condition grade across all asset types.
Scenario 5: Alternative condition grade - grade 4	The valuation has assumed a target condition grade where an asset does not have condition grade data.	Use of condition grade 4 instead of the target condition grade 3.

Thames Barrier sensitivity

The EA have adopted a specialist methodology for valuing the Thames Barrier, resulting in the £1 billion valuation. Three approaches to the valuation were considered: indexed historical costs, a materials and quantities estimate, and international benchmarks. Each method was assessed against the Association for the Advancement of Cost Engineering (AACE International) estimate maturity assessment criteria, which ranks how accurate each method is likely to be. The materials and quantities estimate was ranked to be the most accurate of the three methods. Applying the AACE expected range of accuracy for this method gives a lower-level valuation of £0.75 billion and an upper-level valuation of £1.4 billion.

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 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 and MEAV for the most likely valuation.

5.2 Right of Use Assets

This table reflects Right of Use Assets recognised under IFRS16.

Land mainly relates to Natural England leases of heritage land.

Buildings mainly represent office space and depots used across the Defra group.

	2024-25					
	Land	Buildings	IT	Plant and Machinery	Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2024	7,726	189,744	52,780	33	37,939	288,222
Additions	424	13,747	801	-	20,400	35,372
Derecognition	-	(1,272)	-	-	-	(1,272)
Transfers	-	(38)	-	-	(6)	(44)
Disposals	(85)	(18,018)	(442)	-	(6,608)	(25,153)
Impairment	(76)	(5)	-	-	-	(81)
Revaluation	76	5	-	-	-	81
At 31 March 2025	8,065	184,163	53,139	33	51,725	297,125
Depreciation						
At 1 April 2024	483	56,175	35,299	1	12,905	104,863
Charges in year	419	29,228	7,252	17	12,381	49,297
Disposals	(22)	(17,199)	(442)	-	(6,309)	(23,972)
At 31 March 2025	880	68,204	42,109	18	18,977	130,188
Carrying amount 31 March 2025	7,185	115,959	11,030	15	32,748	166,937
Carrying amount 31 March 2024	7,243	133,569	17,481	32	25,034	183,359

						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

5.2.1 Quantitative disclosures around elements in the Statement of Comprehensive Net Expenditure

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Sub-leasing income	-	-	-	(56)
Expense related to short-term leases	645	2,162	606	3,161
Expense related to low-value asset leases (excluding short term leases)	3	705	1	713
Total	648	2,867	607	3,818

5.2.2 Quantitative disclosures around cash outflow for leases

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Total cash outflow for leases	29,354	53,670	38,154	59,139

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

	2024-25	Restated 2023-24
	Total	Total
	£000	£000
Valuation		
At 1 April	227,464	226,502
Additions	14,428	12,527
Transfers	-	(665)
Disposals	(390)	(4,100)
Impairment	1,158	(1,739)
Reclassifications	1,220	(12,209)
Revaluation	(1,877)	7,148
At 31 March	242,003	227,464
Depreciation		
Charged in year	3,188	2,765
Disposals	(9)	(76)
Revaluation	(2,992)	(2,689)
At 31 March	187	-
Net book value at 31 March 2025	241,816	227,464
Net book value at 1 April 2024	227,464	226,502
Assets financing		
Owned	241,816	227,464
Net book value at 31 March 2025	241,816	227,464
Of which:		
NDPBs	241,816	227,464
Total	241,816	227,464

RBG Kew has not capitalised 16 heritage buildings acquired before 2001-02 as the cost of obtaining valuations for these existing buildings would be onerous compared to the benefit.

5.4 Cash Additions

Cash additions (adjusted for capital accruals) for property, plant and equipment, heritage assets and agricultural assets amount to £610 million (2023-24, £363 million) as per the Consolidated Statement of Cash Flows (SoCF).

6 Intangible Assets

Defra group

	2024-25				2023-24			
	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 2024	786,800	131,352	226,634	1,144,786	684,282	126,919	178,322	989,523
Additions	6,421	11,171	203,545	221,137	9,318	27,702	142,957	179,977
Disposals	(31,799)	(22,868)	-	(54,667)	(14,980)	(4,731)	-	(19,711)
Impairments	(2,070)	(1,059)	(43,797)	(46,926)	103	(1,384)	(36,147)	(37,428)
Transfers	50,339	(12)	(50,339)	(12)	23,506	(17,983)	(6,765)	(1,242)
Reclassifications	87,773	-	(89,959)	(2,186)	55,962	(1,202)	(51,733)	3,027
Revaluation	37,692	(144)	-	37,548	28,609	2,031	-	30,640
At 31 March 2025	935,156	118,440	246,084	1,299,680	786,800	131,352	226,634	1,144,786
Amortisation								
At 1 April 2024	555,864	70,248	-	626,112	495,076	72,429	-	567,505
Charged in year	87,876	4,814	-	92,690	48,163	7,710	-	55,873
Disposals	(31,799)	(22,364)	-	(54,163)	(13,364)	(4,710)	-	(18,074)
Impairments	(552)	(134)	-	(686)	110	-	-	110
Transfers	-	-	-	-	6,476	(6,476)	-	-
Reclassifications	-	-	-	-	(1)	(130)	-	(131)
Revaluation	15,865	174	-	16,039	19,404	1,425	-	20,829
At 31 March 2025	627,254	52,738	-	679,992	555,864	70,248	-	626,112
Net book value at 31 March 2025	307,902	65,702	246,084	619,688	230,936	61,104	226,634	518,674
Net book value at 1 April 2024	230,936	61,104	226,634	518,674	189,206	54,490	178,322	422,018
Assets financing								
Owned	307,902	65,702	246,084	619,688	230,936	61,104	226,634	518,674
Net book value at 31 March 2025	307,902	65,702	246,084	619,688	230,936	61,104	226,634	518,674
Of which:								
Core department and agencies	264,323	626	124,456	389,405	175,490	1,084	165,137	341,711
NDPBs	43,579	65,076	121,628	230,283	55,446	60,020	61,497	176,963
Total	307,902	65,702	246,084	619,688	230,936	61,104	226,634	518,674

The effective date of revaluations was 31 March 2025.

The net book value for internally developed software includes software assets held by RPA for the delivery of rural scheme payments. At 31 March 2025, these intangible assets have a net book value of £39.9 million with three 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 £223 million (2023-24, £167 million).

7 Impairments

	2024-25		2023-24	
Note	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
PPE – including investment properties	61,717	52,841	29,579	78,255
Right of use assets	-	81	5,467	7,048
Intangibles	40,267	46,240	33,323	37,538
Investments	-	2,148	-	127
Total impairment charge for the year	101,984	101,310	68,369	122,968

The impairment table includes significant impairments as follows; EA a net credit of £8.6 million (2023-24, £47.3 million charge), APHA £21.7 million (2023-24, £10.9 million) and Core department £75.8million (2023-24, £55.7 million).

EA's annual review resulted in a credit of £9.1 million for property, plant and equipment and an impairment of £0.6 million for intangible assets. This is due to the reversal of previously recognised impairment charges due to subsequent revaluations. These impairments are reported within the Environment, Rural and Marine Operating Segment (Note 2).

The Core department impairment of £75.8 million (2023-24: £55.7 million) relates to:

- a reassessment of assets which do not meet the capitalisation policy (£47.3 million).
- impairment of capital leasehold improvement works due to the early termination of a lease (£13.9 million).
- Impairment of assets when it was considered necessary to obtain a new provider and none of the original build was considered viable (£8.4 million).
- impairment of assets as it is not probable that future economic benefits will flow to Defra (£6.2 million).

£59.6 million of this impairment has been reported in the Group Corporate Services including centrally held budgets operating segment, £16.1 million has been reported in Other including International and Borders and Strategy and Change operating segment and the remaining £0.1 million has been reported within the Environment, Rural and Marine including ALB's operating segment.

The APHA impairment of £21.7 million, (2023-24, £10.9 million) includes the change in laboratory category for one asset resulting in fall in value and the same asset was also identified for demolition in the plans of the National Biosecurity Centre (£13.1 million) and the remaining useful life of another building was reduced following its identification as a site for a future incinerator (£2.6 million). APHA impairments are recognised in the Food, Farming, Biosecurity and Trade including ALB's operating segment.

8 Financial Commitments

8.1 Capital Commitments

Defra group

	2024-25	2023-24
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made:		
PPE	212,549	157,296
Intangible assets	-	2,422
Total	212,549	159,718
Of which:		
Core department and agencies	54,385	66,433
NDPBs	158,164	93,285
Total	212,549	159,718

The increase mainly relates to EA flood defence schemes. Further details can be found in EA's ARA.

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:

	2024-25		Restated 2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Not later than one year	1,874,322	2,202,941	1,866,792	2,149,719
Later than one year and not later than five years	3,646,670	4,080,547	3,569,491	4,111,924
Later than five years	639,188	642,653	802,217	809,571
Total	6,160,180	6,926,141	6,238,500	7,071,214

The 2023-24 other financial commitments for Core and Agencies have reduced by £191 million compared to the previously published figure. This follows principally a revision of the Core department analysis to reduce the commitment value down to the amount legally due under contract were cancellations to be processed just after the year end. In addition, the 2023-24 other financial commitments for the group have reduced by £10.6 million compared to last year, made up of the £191 million reduction in Core and a £180.4 million increase in EA relating to the capital works expensed in year project commitments which were previously disclosed by EA but omitted in error from the group column.

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 2025. Payment rates in grant agreements have been adjusted by published increases in payment rates since inception of the agreements through to 31 March 2025 to disclose commitments at their current values. The total disclosed in RPA's accounts is £4.820 billion (2023-24, £4.502 billion), of which £1.574 billion is within one year, £3.140 billion later than one year and not later than five years and £0.105 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 months' notice period included in the terms and conditions of the Countryside Stewardship, Farming Investment Fund, Sustainable Farming Incentive and Environmental Stewardship schemes.

The Forestry Commission (FC) has significant grant related commitments for Trees and Woodlands projects, including the England Woodland Creation Grant and Urban Tree Challenge Fund Grant. The total disclosed in the Forestry Commission Accounts as at 31 March 2025 is £118.8 million (2023-24, £95 million), of which £34.7 million is within one year, £52.0 million later than one year and not later than five years and £32.1 million later than five years. Further details can be found in the FC Accounts.

The Core department has agreements with local authorities on Waste Infrastructure Grant Projects. The total future commitment value is £868 million (2023-24, £1,108 million).

£126 million (2023-24, £131 million) Relating to the provision of Facilities Management services across the Defra Estate.

The department has a commitment to provide grant funding to the Canal & River Trust until 31 March 2027. The commitment at 31 March is £105 million (2023-24, £158 million), of which £52 million (2023-24, £52 million) is not later than one year.

£97 million (2023-24, £198 million(restated)) relating to service contracts for information technology across a range of contracts.

£17 million (2023-24, £nil) contract to deliver the England Ecosystem survey, field surveys and lab analysis.

£7 million (2023-24, £18 million) with regard to the Steria Shared Services Connected Limited (SSCL) contract for the provision of shared services across HR, Payroll and Finance.

The EA recognises commitments for approved applications for grant payments relating to flood and coastal erosion risk management capital schemes. In 2024-25, these totalled £589.2 million (2023-24, £597.4 million).

The EA also recognises future capital works under projects expensed in year, which have been incorporated into the table above. In 2024-25 these totalled £159.5 million (2023-24, £180.4 million (restated)).

The EA also has a commitment to SSCL of £7.2 million (2023-24, £22.5 million) for shared services.

Agriculture and Horticulture Development Board (AHDB) recognises £1.5 million in relation to grant expenditure commitments to HCP Ltd and GB Potatoes Organisation Limited. The commitments are for grant scheme expenditure in relation to contracted approved research projects with third parties.

Marine Management Organisation (MMO) has a contract for the use of two vessels for surveillance purposes with commitments valued at £1.6 million.

8.3 Big Nature Impact Fund (BNIF)

Defra has made a commitment to make available £30 million to the BNIF subject to the BNIF fund managers meeting set criteria ahead of the fund launching, which may take place in Quarter 2 or 3 2025. The BNIF is intended to stimulate increased private investment into nature recovery by reducing risk and overcoming barriers related to the small size of investments needed.

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.

	2024-25		2023-24	
	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	341	5,437	429	5,499
Hazel II Loan Notes and Priority Shares	20,507	20,507	20,507	20,507
Short Term Deposits	-	768,000	-	564,900
Financial assets measured at fair value through other comprehensive expenditure (FVOCE)				
Flood Re HM Treasury Gilts	-	122,951	-	343,642
Supranational Bonds	-	97,591	-	-
Big Nature Impact Fund	-	-	30,000	30,000
ECO Business Fund	25,082	25,082	27,956	27,956
LDN Fund	1,309	1,309	2,349	2,349
Financial assets measured at fair value through profit or loss (FVPL)				
Derivative instruments classified as held for trading	-	-	1,335	1,335
Cash and cash equivalents	266,187	673,242	208,974	498,713
Total	313,426	1,714,119	291,550	1,494,901

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Financial Liabilities				
Financial liabilities measured at amortised cost				
EA reservoir agreements	-	(473,979)	-	(461,201)
Financial liabilities measured at fair value through profit and loss (FVPL)				
Derivative instruments classified as held for trading	-	-	(706)	(706)
Total	-	(473,979)	(706)	(461,907)

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.

The department continues to hold 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.

The £10 million investment in the Land Degradation Neutrality (LDN) Fund, an impact investment fund focused on reversing land degradation and promoting sustainable land use in developing countries. The LDN Fund, a public-private partnership, uses this investment and other public money to attract private sector capital for sustainable agriculture, forestry, and land restoration projects.

The eco.business Fund is a public-private partnership investment fund that provides financing to local financial institutions and businesses in Latin America and sub-Saharan Africa to promote biodiversity conservation, sustainable resource use, and climate resilience.

The investments in LDN and eco.business Fund are based on the return of the overall fund which is made up of a number of investments not necessarily traded on active markets.

Financial instruments measured at fair value are classed under IFRS 13 Fair Value Measurement (IFRS 13) as either Level 1, Level 2 or Level 3. The material Financial Assets in the table, Short Term deposits, Flood Re Gilts and Supranational Bonds, are classed at Level 1 and are valued at unadjusted quoted prices in an active market for identical assets. The assets deemed to be at Level 2 are not material but include assets in RBG Kew's investment property portfolio. The priority shares and loan notes in Hazel Topco II Ltd,

eco.business Fund and LDN Fund are deemed to be at Level 3 and fair value is assessed based on the best information available as there is no active market.

Flood Re recognises the fair value of the debt instruments portfolio, which as at 31 March 2025 comprised of £58.2 million UK HM Treasury gilts, £64.8 million UK HM Treasury bills and £97.6 million Supranational bonds 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.

In 1989 a predecessor body to the EA, the National Rivers Authority, entered into a number of reservoir operating agreements with water companies, under section 126 of the Water Act 1989, re-enacted by section 20 of the Water Resources Act 1991. The EA recognises a financial liability in respect of reservoir agreements whose fair value would be approximately £3.1 billion (2023-24, £3.2 billion) using current HM Treasury discount rates. These are assessed as Level 3 within the IFRS 13 hierarchy. The difference between fair value and carrying value is due to the prevailing discount rate (around one 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 2024	Finance charge 2024-25	Amounts paid 2024-25	Liability at 31 March 2025	Due within 1 year	Due later than 1 year
	£000's	£000's	£000's	£000's	£000's	£000's
Northumbrian Water	(364,800)	(36,100)	25,500	(375,300)	(24,100)	(351,200)
Severn Trent Water	(96,400)	(4,700)	2,500	(98,700)	(2,400)	(96,300)
Total	(461,200)	(40,800)	28,000	(474,000)	(26,500)	(447,500)

The return on asset component payable to water companies 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 (for example, 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 £4.3 million (2023-24, £4.2 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 £0.320 billion as at 31 March 2025 (31 March 2024, £0.314 billion). 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 cash deposits with a UK financial institution, short term deposits with the UK DMO, UK Treasury gilts, UK Treasury bonds and Supranational bonds. All these balances have low credit risk and therefore Flood Re applies the low credit risk simplification, concluding that the provision for expected credit losses on these balances 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 banking organisations. 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 2025 was £691.2 million (2023-24, £654.0 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 associated with residual Common Agriculture Policy funding exposed 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 EU funded grant payments made 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. This activity ceased during March 2025 when final reimbursement from the EU was received and no derivative contracts were held at 31 March 2025.

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

	31 March 2025		31 March 2024	
	Assets	Liabilities	Assets	Liabilities
	£000	£000	£000	£000
Euro	212	192	218,175	157

Monetary assets are balances on euro bank accounts. Monetary liabilities are euro cash securities receipts.

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. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a ten per cent change in foreign currency rates. For net operating costs a positive number indicates a decrease in net operating costs whereas a negative number indicates an increase in net operating cost.

Impact of Movement in Euro/Sterling rate

	Sterling appreciates by 10% 31 March 2025	Sterling appreciates by 10% 31 March 2024	Sterling depreciates by 10% 31 March 2025	Sterling depreciates by 10% 31 March 2024
	£000	£000	£000	£000
(Increase)/decrease in Net operating cost	(2)	(21,753)	2	21,753
Derivative instruments				
(Increase)/decrease in Net operating cost	-	21,804	-	(21,804)

During the period, RPA maintained forward exchange contracts to hedge the receipts in relation to the closure of the UK Rural Development Programmes. All derivatives held were exercised in year prior to 31 March 2025.

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 2025, the Defra Group had £52.3 million in investments (2023-24, £86.3 million), including, £25.1 million in the Eco-Business Fund, £20.5 million investment in Hazel II Topco Limited and it's 100 per cent owned subsidiary Hazel II Midco I Limited, £1.3 million in the Land Degradation Neutrality (LDN) Fund and £4.1 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, reinsurance outward 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 counterparties require 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.

9.3.2 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. From 1 April 2025 the levy increased to £160 million.

Reserve risk

Reserve risk is defined as the risk of an adverse change in the value of insurance claims liabilities due to the actual future costs of claims differing from reserving best estimates. This could be driven by actual experience being different to assumptions made for the number of claims, the average cost 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 2025 was more active for catastrophe flood events than the prior year. Over the course of the 2024 and 2025 storm season there have been several named storms that have affected the UK, bringing heavy rainfall and strong winds. Storm Burt and Storm Eowyn produced a notable number of claims. In addition, the heavy rainfall in September and early January from an unnamed event also produced notable impacts. Claims from these three events are still developing, but early estimates suggest that each event will produce significant losses.

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 2025 was £2.2 billion (2024: £2.1 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.

9.3.3 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), or other funds backed by the UK government (investments must be approved by the Flood Re Board on a case-by-case basis following due diligence). Flood Re Board approved investments in Supranational Bonds in February 2024.

The market risk of gilt investments is recognised through Other Comprehensive Income (OCI) and comprises a net unrealised gain in 2024-25 of £0.746 million (2023-24, an unrealised gain of £0.770 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.

9.3.4 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 was 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. The build is now complete and is in testing phase.

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.

Now the construction phase has completed the policy team have assessed the likelihood of claims from Thames Tideway data and conclude the insurance risk is significantly reduced.

10 Cash and Cash Equivalents

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Balance at 1 April	208,974	498,713	192,536	471,776
Net change in cash balance	57,213	174,529	16,438	26,937
Balance at 31 March	266,187	673,242	208,974	498,713
The following balances at 31 March are held at:				
Government Banking Services	266,187	411,853	208,974	271,155
Demand accounts - GBS	-	150,319	-	136,405
Demand accounts - Escrow	-	20,805	-	19,887
Commercial bank accounts and cash in hand	-	74,767	-	67,234
Short term investments	-	15,498	-	4,032
Balance at 31 March	266,187	673,242	208,974	498,713

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

	31 March 2025		Restated 31 March 2024	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade receivables	57,088	75,492	66,314	82,364
Deposits and advances	1,775	1,946	1,947	2,101
Flood Re reinsurance receivables	-	235,915	-	188,379
Other receivables	6,899	26,363	11,268	21,537
VAT	23,414	68,390	37,260	82,057
Prepayments and accrued income	434,860	402,635	237,031	214,875
Accrued income relating to EU funding	-	-	217,163	219,279
Contract assets	4,210	4,300	4,062	4,107
Less expected credit loss for receivables and contract assets	(17,261)	(22,349)	(16,674)	(23,021)
Trade and other receivables	510,985	792,692	558,371	791,678
Current loans	27	27	27	27
Current part of derivative financial instrument asset	-	-	1,335	1,335
Short Term Deposits	-	768,000	-	564,900
Flood Re UK treasury Gilts	-	96,154	-	312,608
Financial assets	27	864,181	1,362	878,870
Amounts falling due after one year:				
Trade receivables	76	76	77	77
Deposits and advances	-	-	5	5
Other receivables	6,980	6,984	4,576	4,584
Prepayments and accrued income	26	4,732	14	3,447
Receivables due after more than one year	7,082	11,792	4,672	8,113
Big Nature Impact Fund	-	-	30,000	30,000
Eco Business fund	25,082	25,082	27,956	27,956
LDN fund	1,309	1,309	2,349	2,349
Hazel II Loan Notes and Priority Shares	20,507	20,507	20,507	20,507
Flood Re UK treasury Gilts	-	26,797	-	31,034
Supranational Bonds	-	97,591	-	-
Other financial assets	314	5,410	402	5,472
Non-current financial assets	47,212	176,696	81,214	117,318
Total receivables, financial and other assets	565,306	1,845,361	645,619	1,795,979

For short term deposits with a maturity greater than three months at inception, additions are £1,550 million, (£13 million AHDB and £1,537 million Flood Re) (2023-24, £568 million, (£21 million AHDB and £547 million Flood Re), repayments and redemptions are £1,347 million (£18 million AHDB and £1,329 million Flood Re) (2023-24, £271 million (£23 million AHDB and £248 million Flood Re)) and interest capitalised is £Nil (2023-24, £Nil).

12 Trade Payables, Financial and Other Liabilities

	31 March 2025		Restated 31 March 2024	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Amounts falling due within one year:				
VAT	3,411	2,165	5,645	6,853
Other taxation and social security	15,955	33,577	15,841	32,230
Flood Re reinsurance payables	-	66,169	-	45,591
Promissory notes	41,400	41,400	53,059	53,059
Trade payables	99,584	125,775	93,920	119,350
Other Payables: EU	22,392	22,392	9,254	9,254
Other payables	21,685	49,696	18,040	39,682
Accruals and deferred income	709,963	959,535	1,602,489	1,928,853
Amounts issued from the Consolidated Fund for supply but not spent at year end	264,084	264,084	193,678	193,678
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund				
Received	2,103	2,103	15,296	15,296
Receivable	41,459	41,459	38,072	38,072
Contract liabilities	6,689	257,060	5,038	160,394
Trade and other payables	1,228,725	1,865,415	2,050,332	2,642,312
Current part of derivative financial instrument liability	-	-	706	706
Current part of Environment Agency reservoir agreements	-	25,600	-	25,600
Financial liabilities	-	25,600	706	26,306
Amounts falling due after more than one year:				
Other payables, accruals and deferred income	-	6,807	-	8,875
Permitting deposits	-	168,505	-	161,888
Contract liabilities	48	48	192	192
Other Payables	48	175,360	192	170,955
Environment Agency reservoir agreements	-	448,379	-	435,601
Financial liabilities	-	448,379	-	435,601
Total payables	1,228,773	2,514,754	2,051,230	3,275,174

Included within promissory notes payable is an amount of £38.1 million (2023-24, £16.0 million) which is expected to be encashed within one year and £3.3 million (2023-24, £37.1 million) which is expected to be encashed after one year based on non-legally binding encashment schedules. During 2024-25, one new promissory note was laid with the Bank of England, the Global Biodiversity Framework Fund (£32.5 million). One other promissory note was fully utilised in 2024-25. In addition, the Promissory Note relating to Big Nature Impact Fund (£30 million) was cancelled during the year due to the conditions required to enable drawdown having not yet been met.

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.

	2024-25		2023-24	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Land and buildings				
Not later than one year	14,949	24,315	15,389	25,477
Later than one year and not later than five years	45,000	68,841	47,809	71,675
Later than five years	30,593	38,339	35,964	47,904
Total	90,542	131,495	99,162	145,056
Less interest element	(10,122)	(15,472)	(9,141)	(14,754)
Present value of obligations	80,420	116,023	90,021	130,302
Other				
Not later than one year	9,430	20,394	12,277	21,104
Later than one year and not later than five years	8,971	22,222	11,292	21,679
Total	18,401	42,616	23,569	42,783
Less interest element	(1,060)	(3,092)	(1,395)	(3,292)
Present value of obligations	17,341	39,524	22,174	39,491
Total present value of obligations	97,761	155,547	112,195	169,793
Current	23,482	49,582	26,471	49,510
Non-current	74,279	105,965	85,724	120,283

14 Contract Assets and Liabilities

14.1 Contract balances

	31 March 2025		Restated 31 March 2024	
	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	513,857	800,184	558,981	795,684
Contract Assets	4,210	4,300	4,062	4,107
Contract Liabilities	(6,737)	(257,108)	(5,230)	(160,586)

14.2 Significant changes in the contract assets and the contract liabilities balances during the period

	31 March 2025		31 March 2025	
	Contract Assets		Contract Liabilities	
	Core department and Agencies	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000
Contract Assets/Liabilities at 1 April 2024 (Restated)	4,062	4,107	(5,230)	(160,586)
Increases/Decreases due to cash received/paid	(1,804)	(1,804)	(3,459)	(125,385)
Transfers from contract assets/liabilities to receivables/payables	1,952	1,997	1,952	28,863
Contract Assets/Liabilities at 31 March 2025	4,210	4,300	(6,737)	(257,108)

Contract balances note

The contract liabilities relate primarily to the advance consideration received from customers. 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 2024-2025, 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 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
Provided in the year	-	-	2,457	170,859	11,132	1,971	2,339	24,161	212,919
Provisions not required written back	-	-	(531,491)	-	(309)	(754)	(6,505)	(30,984)	(570,043)
Provisions utilised in year	-	-	(264,063)	(92,018)	(5,583)	(2,374)	(732)	(2,050)	(366,820)
Changes in discount rate	-	-	183	-	(8,022)	(4,469)	(263)	-	(12,571)
Unwinding of discount	-	-	35,118	-	5,791	3,642	490	362	45,403
Transfers	-	-	-	-	-	-	-	2	2
Balance at 31 March 2025	-	24,564	40,871	404,495	135,734	81,548	14,042	40,371	741,625

15.2 Analysis of Provision Balances

	2024-25							
	IR35	De-Linked Payments	Flood Re Insurance	Metal Mines	FMD Sites	Core Estates Provisions	Other Provisions	Total
Defra group								
Not later than one year	24,564	-	286,390	3,691	2,390	2,938	5,902	325,875
Later than one year and not later than five years	-	40,871	118,105	14,097	9,130	7,246	30,624	220,073
Later than five years	-	-	-	117,946	70,028	3,858	3,845	195,677
Total	24,564	40,871	404,495	135,734	81,548	14,042	40,371	741,625
Of which:								
Core department and agencies	24,564	40,871	-	135,734	81,548	14,042	3,459	300,218
NDPBs	-	-	404,495	-	-	-	36,912	441,407
Total	24,564	40,871	404,495	135,734	81,548	14,042	40,371	741,625

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 15.5 and 15.6, 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.

	2024-25
	%
Short term (0 to 5 years)	4.03
Medium term (6 to 10 years)	4.07
Long term (greater than 11 to 40 years)	4.81
Very Long term (greater than 40 years)	4.55

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 RPA De-linked Payments

Delinked payments replaced BPS in England in 2024 and will reduce in value each year until these payments finish. The full value of delinked payments was 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.

The provision for delinked payments relates to payments expected to be made to customers during the 2026-27 and 2027-28 financial years.

De-linked payments are subject to progressive reductions year on year. Progressive reduction rates for 2024 and 2025 have been published and as such there is a high level of certainty over the value of delinked payments for that year. Therefore, the value of delinked payments for 2024 and 2025 has been recognised as a scheme accrual in Note 12.

As at 31 March 2025, the value of delinked payments for the 2026-27 and 2027-28 financial years is subject to a degree of uncertainty because progressive reductions rates applicable to those years have not yet been published. RPA's management has exercised judgement to determine the likely future progressive reduction rates most likely to apply to those years and details of the assumptions made in determining the provision recognised at 31 March 2025 can be found in RPA's accounts.

Progressive reduction rates for 2025-26 were published in October 2024, these rates were higher than anticipated. Management subsequently increased the estimated progressive reduction rates for the years 2026-27 and 2027-28. On 13 June 2025, HM Treasury announced the outcome of the 2025 Spending Review which included a substantial reduction in the total funding planned for delinked payments in 2026-27 and 2027-28. This policy decision forms part of the government's broader fiscal realignment under the agricultural transition plan. The provision recognised at 31 March 2025 in respect of these future delinked payments, is based on the upon RPA's best estimate of their expected value using the information available at that date, adjusted for the Spending Review announcement, with the final decision taken as a whole after 31 March 2025 in line with the Spending Review timetable.

The provision is measured at present value using the HM Treasury discount rates. The short-term general provision discount rate of 4.03 per cent notified in the 2024 PES paper has been applied to the delinked payments. In addition, RPA has reviewed on a case by case basis any provisions relating to claims where the eligibility decisions have been challenged by customers, making provision where RPA considers payment to be probable and the amount can be reliably measured.

For 2024-2025, the total value of de-linked payments recognised was £306 million (2023-24, £1.6 billion), of which £265.0 million (2023-24, £808.2 million) was recognised as an accrual (Note 12) and the remaining £40.9 million (2023-24, £798.7 million for the financial years 2024-25 to 2026-27) as a provision for the financial years 2026-27 to 2027-28.

Further details can be found in RPA's Annual Report and Accounts.

15.4 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.

Estimation techniques and judgments employed

The ultimate cost of outstanding claims is estimated using standard actuarial techniques. 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. As Flood Re does not have a relative long period of history, management has incorporated the Bornhuetter-Ferguson method for attritional claim development.

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 2025 is £404.5 million (2024, £325.7 million) as shown in note 15.1.

Presentation of insurance liabilities and associated transactions

Flood Re's overall insurance liabilities are currently measured in an IFRS 4 basis in these Group accounts and presented as follows:

- As deferred income (Note 12) – £40.6 million: Representing the Unearned Premium Reserve (UPR) and unearned pipeline premium reserve (UPPR). In the case of UPR, this refers to liabilities for premiums paid but not yet earned by policies still in force. Whereas for UPPR, these refer to policies underwritten but not yet recorded in UPR.
- As provisions (Note 15) – £404.5 million: Representing the gross insurance claims liabilities, including outstanding claims reserve (£234.7 million), IBNR (£52.5 million), claims handling provision (£1.9 million) and unexpired risk reserve (URR) (£86.7 million). The URR provision is for the expected future costs of claims and expenses for the unexpired portion of insurance policies in force.

The SOCNE impacts for insurance contract liabilities are as follows:

- Expenditure of £170.9 million (Notes 15.1 and 3.2) of which:
 - £78.9 million is attributable to non-cash changes in insurance contract liabilities, being the year-on-year movements in the gross outstanding claims reserve, IBNR, URR and the claims handling provision;
 - £92.0 million which is cash-based expenditure, pertaining to insurance claims paid relating to prior accident years.
- £5.4 million of insurance claims paid and £2.5 million of claim handling costs relating to the current accident year are included within Note 3.1 under 'other'. These have not impacted the insurance contract liability position as they have been claimed and settled within the year.

In terms of cash flows, the full £170.9 million is presented in full within Note 3.2 as non-cash expenditure for consistency of presentation with other provisions; likewise, the utilisation of £92.0 million is adjusted to show its effect as a cash movement within the Statement of Cash Flows on the 'utilisation of provisions' line.

Expected impact of future change in accounting policy

The Defra presentation of the gross insurance claims liabilities differs to the 2024-25 Flood Re statutory accounts, which are prepared under IFRS 17. The department will transition in 2025-26, as per the government timetable, to this basis.

As well as bringing a number of presentational changes to align the group's reporting more closely to Flood Re's, the IFRS 17 position is expected to involve a one-off adjustment compared to the current IFRS 4 treatment. While the gross insurance (including UPR and UPPR) liabilities in the group accounts on an IFRS 4 basis total £445.1 million, the equivalent balances on an IFRS 17 basis in Flood Re's own accounts ('reinsurance inward contract liabilities') total £580.7 million.

The differences, which we expect to be trued up next year on adoption of IFRS 17 for the group, include the following factors:

- Removal of the Additional Unexpired Risk Reserve (AURR) - the amount by which the total URR exceeds the UPR, designed to recognise potential losses on unexpired insurance policies, where the premium already collected is not enough to cover future claims and expenses;
- up-front recognition of a 'loss component' on a 12 month forward look, required by IFRS 17 as a result of the onerous nature of Flood Re's reinsurance terms; and
- various other differences, including discounting.

Further information on estimation uncertainty and future cash flow profiling

Flood Re's gross insurance contract liabilities are sensitive to the assumptions utilised in the estimation of insurance claims liabilities, which comprise of attritional, large and catastrophic flood events. Additional information is available on an IFRS 17 basis in Flood Re's statutory accounts⁵³, particularly:

- scenario analysis on key assumptions and the resulting gross loss ratios (page 74) and
- data on the expected maturity of cash flows in relation to expected claims represented in the insurance contract liabilities (page 75).

15.5 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 EA, the Mine Remediation Authority (formerly 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

⁵³ www.floodre.co.uk/about-us/reports/

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 2025, 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 Mine Remediation 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 2024-25 year-end is £374.2 million (2023-24, £351 million). After discounting, the value of the provision is £136 million (2023-24, £133 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 £18.2m	Decrease of 13.4%
0.5% decrease in Treasury Discount Rate	Increase of £23.5m	Increase of 17.3%
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 £13.6m	Increase of 10.0%
10% decrease in underlying costs	Decrease of £13.6m	Decrease of 10.0%
10 year increase in timeframe of the provisions	Increase of £2.8m	Increase of 2.1%
10 year decrease in timeframe of the provisions	Decrease of £3.6m	Decrease of 2.6%

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 Mine Remediation Authority.

15.6 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 76 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 five years. The next review is being scoped in 2025 by the technical teams supporting the FMD sites.

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 in December 2024. 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 2024-25 year-end is £186.6 million (2023-24, £184.6 million). After discounting, the value of the provision is £81.5 million (2023-24, £83.5 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 £9.6m	Decrease of 11.8%
0.5% decrease in Treasury Discount Rate	Increase of £11.9m	Increase of 14.6%
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 £8.2m	Increase of 10.0%
10% decrease in underlying costs	Decrease of £8.2m	Decrease of 10.0%
10 year increase in timeframe of the provisions	Increase of £3.2m	Increase of 3.9%
10 year decrease in timeframe of the provisions	Decrease of £4.1m	Decrease of 5.0%

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 (SOCF), 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:

	Net (Liability)/Asset £000
Schemes Disclosed by the Core department	
EA Pension Liability (Closed Scheme) (funded and unfunded)	(110,600)
Nature Conservancy Council Pension (by-analogy)	(7,116)
Former Countryside Agency Pension Schemes (Rural Community Council and Ex-Chairmen Schemes) (by-analogy)	(2,071)
Horticultural Research International Pension Scheme (by-analogy).	(16,435)
Sub Total	(136,222)
Schemes Disclosed in the NDPB Accounts	
Home Grown Cereals Authority Pension Scheme (funded)	-
EA Active Pension Scheme (funded)	-
NE Pension Scheme (by-analogy)	(107)
Sea Fish Industry Authority (unfunded)	(2,162)
Meat and Livestock Commission Pension Scheme (funded).	(1,800)
Sub Total	(4,069)
Total	(140,291)

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 2026 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.

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant change is future inflation. This is expected to be on average higher due to the current levels of inflation. Despite changes to the Fund's investment strategy and movements in financial markets, future investment returns are expected to be similar to the assumptions set at the 2019 valuation.

The Active Fund Funding Strategy Statement ([Policies](#) | [Publications](#) | [Resources](#) | [EAPF⁵⁴](#)) 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 underlying the calculation at 31 March 2025 are only used for accounting purposes as required under IAS 19. Every three years, the active fund carries out a formal valuation under Regulation 62 of the LGPS Regulation 2013 in conjunction with the scheme actuary. The next valuation is due as at the 31 March 2025 and one of the key outcomes will be the setting of the employer contributions for the three years from 1 April 2026.

The total pension charge for the EA, under IAS 19 financial reporting, was £86.4 million for the financial year 2024-25 (2023-24, £93.9 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 on 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.

The triennial valuation used asset-liability modelling, which is an approach to modelling and understanding risk for a pension fund by projecting assets and liabilities into the future using different future scenarios for inflation, investment returns and interest rates. These are then analysed to under the risk associated with a particular combination of contribution rates and investment strategy. The Hymans Robertson's Economic Scenario Service (ESS) was used to model using 5,000 different economic scenarios when setting the employer contribution rates. The decisions considered the funding target, time horizon and likelihood that scenario would materialise (which is based on the level of funding risk). The short term models utilises current financial market expectations with the longer term being built around fundamental economic parameters, for example, equity risk premium, credit spreads and long-term inflation. The analysis also considered climate change as a major source of uncertainty. The funding and investment strategy for the EA Active Fund was set considering the chance of being fully funded or the downside risk of having the average worst five per cent of funding levels in 20 years' time.

⁵⁴ <https://www.eapf.org.uk/resources/publications/policies>

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 (McCloud) that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. 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 reduced to £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 (Goodwin) 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 was 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.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. At time of writing, the government has not yet confirmed that they have been able to locate the actuarial confirmations from the Government Actuary's Department (GAD) for all LGPS amendments between 1997 and 2016. It's currently unclear whether any additional liabilities might arise, and if they were to arise, how they would be reliably measured.

Given the uncertainty, and having sought advice, no allowance has been made for this.

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 from the relevant governing bodies in the LGPS, no allowance has been made for the potential remedies to these judgements.

The estimated employers' contributions for the year to 31 March 2026 will be approximately £94.2 million.

Pension surplus and interpretation of IFRIC 14

As was the case in 2022-23 and 2023-24, the EA's IAS 19 report received for 2024-25 showed a surplus (asset) of £1.3 billion (2023-24, £0.8 billion surplus).

As with previous surplus years, the EA have 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.

In forming this view, the EA 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 Defined Benefit Obligations accounting.

For future service costs, the present value is calculated over the expected life of the employer and uses the 31 March 2025 IAS19 assumptions (being the employer's projected 2025-26 service cost). For future service contributions, these are assumed to be equal to the employer's primary contribution rate from the 31 March 2022 triennial funding valuation. This methodology considers that future service costs and agreed past service contributions as a minimum funding requirement.

Based on this analysis the EA concluded that the economic benefit available through the future rate setting regime was not sufficient to over the existing IAS19 surplus and therefore, concluded that it was not appropriate to recognise the full value of the net IAS19 surplus. In 2024-25, this has been capped in the financial statements at £nil due to the pension asset ceiling calculation.

The determination of the asset ceiling involves significant estimation uncertainty, particularly concerning the assumptions used to project future service contributions and the potential for there to be reductions in these contributions. The EA note the potential for the results of the triennial actuarial valuation as at 31 March 2025, which will be included in the 2025-26 financial statements, to lead to a change in the discount rate and service contributions which may mean in the future an asset ceiling would not cap the surplus.

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 the future accrual of all 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 based on the outcome of the triennial valuation of a qualified actuary and agreement with the AHDB trustees on a deficit repair plan which remains in place until the next valuation is agreed.

For the purposes of the IAS 19 accounts, the employer's contributions to the scheme in 2025-26 are estimated to be £0.7 million, including recovery plan contributions but excluding payments for expenses, which are paid for by the scheme.

AHDB is aware of the High Court ruling and the subsequent Court of Appeal ruling in the case of Virgin Media Ltd. in connection with defined benefit pension schemes. There continues to be uncertainty in the pensions sector about the precise application of the ruling. At this time, AHDB has not received legal advice on this ruling, and AHDB is not currently aware of any evidence to suggest that the appropriate certification was not obtained in relation to historic deeds of amendment. It is not possible to estimate the existence or the value of any potential contingent liability at this point.

The scheme Trustees and AHDB are required to agree a Technical Provisions valuation at least once every three years. The actuarial valuation as at 31 March 2024 for the MLC scheme was completed on 30 June 2025 by Lane, Clark & Peacock LLP. As at the valuation date, the technical provisions were £147.1 million and there was a deficit of £0.9 million. AHDB paid deficit contributions of £0.9 million between the valuation date and 30 June 2025 in line with the recovery plan from the 2021 valuation date. At the valuation date, these contributions were expected to be sufficient to eliminate the deficit. The Trustee and AHDB have therefore agreed that no further contributions need to be paid to the scheme after 30 June 2025.

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.

Pension surplus and interpretation of IFRIC 14

The Technical Provisions valuation is used to evaluate the assets required to cover the scheme's liabilities. The assumptions used in the annual IAS 19 valuation are made on a different basis and timeframe, resulting in a different valuation which is commonplace. This year's IAS 19 valuation resulted in a scheme surplus of £7.1 million. AHDB has no

unconditional right to any scheme surplus, meaning that, under IFRIC 14, an asset ceiling is applied to the valuation. In addition to this, the discounted future cashflows relating to the Annual Deficit Repair Contribution (DRC) plan and the administration costs expected over that period are further liabilities related to the scheme, which result in a net deficit position of the scheme under IAS 19 of £1.8 million. This is the net of the present values of remaining DRC contributions (£4.8 million) and the present values of the administration costs arising over the relevant periods (£3.0 million) using the same discount rate as for the overall defined benefit obligation. AHDB has taken the administration costs into account because while management analyse no unconditional right to long-term scheme surpluses, the DRC contributions when paid will be available as settlement for the administration costs for future periods, meeting the availability test in IFRIC 14 over this shorter period.

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 2025**

	Total Core department and Agencies			Total Department		
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments
	£000	£000	£000	£000	£000	£000
Fair value of employer assets	259,000	-	259,000	4,624,528	-	-
Present value of funded liabilities	-	(347,300)	(347,300)	-	(3,908,943)	-
Present value of unfunded liabilities	-	(56,229)	(56,229)	-	(58,770)	-
Less irrecoverable surplus	-	-	-	-	-	(9,319)
Opening Position as at 31 March 2024	259,000	(403,529)	(144,529)	4,624,528	(3,967,713)	(9,319)
Service cost						
Current service cost	-	-	-	-	(86,430)	-
Other expenses	-	-	-	(634)	-	-
Total service cost	-	-	-	(634)	(86,430)	-
Net interest						
Interest income on plan assets	13,200	(107)	13,093	224,482	(107)	-
Interest cost on defined benefit obligation	-	(19,259)	(19,259)	-	(191,911)	-
Impact of asset ceiling on net Interest	-	-	-	-	-	(422)
Total net interest	13,200	(19,366)	(6,166)	224,482	(192,018)	(422)
Total defined benefit cost recognised in profit or (loss)	13,200	(19,366)	(6,166)	223,848	(278,448)	(422)

	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	-	-	-	36,307	(36,307)	-	-
Employer contributions	40,900	-	40,900	133,230	229	-	133,459
Contributions in respect of unfunded benefits	5,100	-	5,100	5,100	-	-	5,100
Benefits paid	(41,500)	43,506	2,006	(167,001)	169,007	-	2,006
Unfunded benefits paid	(5,100)	5,100	-	(5,889)	5,889	-	-
Expenses	(1,000)	-	(1,000)	(1,000)	-	-	(1,000)
Expected closing position	270,600	(374,289)	(103,689)	4,849,123	(4,107,343)	(9,741)	732,039
Remeasurements							
Change in demographic assumptions	-	900	900	-	7,537	-	7,537
Change in financial assumptions	-	(1,227)	(1,227)	-	610,345	-	610,345
Other experience	-	4,294	4,294	-	30,594	-	30,594
Return on assets excluding amounts included in net interest	(36,500)	-	(36,500)	(158,528)	-	-	(158,528)
Changes in asset ceiling	-	-	-	-	-	(1,362,278)	(1,362,278)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(36,500)	3,967	(32,533)	(158,528)	648,476	(1,362,278)	(872,330)
Fair value of employer assets	234,100	-	234,100	4,690,595	-	(1,360,951)	3,329,644
Present value of funded liabilities	-	(320,100)	(320,100)	-	(3,406,376)	-	(3,406,376)
Present value of unfunded liabilities	-	(50,222)	(50,222)	-	(52,491)	-	(52,491)
Less irrecoverable surplus	-	-	-	-	-	(11,068)	(11,068)
Closing position as at 31 March 2025	234,100	(370,322)	(136,222)	4,690,595	(3,458,867)	(1,372,019)	(140,291)

As at 31 March 2024

	Total Core department and Agencies			Total Department		
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Net (liability) /asset
	£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)
Opening Position as at 31 March 2023	266,400	(441,328)	(174,928)	4,305,478	(3,972,398)	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	-	(17,227)	(17,227)	-	(185,553)	(185,553)
Impact of asset ceiling on net Interest	-	-	-	-	-	(448)
Total net interest	11,000	(17,319)	(6,319)	202,977	(185,649)	16,880
Total defined benefit cost recognised in profit or (loss)	11,000	(17,319)	(6,319)	202,538	(279,644)	(77,554)
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)	392,098

	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
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

16.3 Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability – By Scheme**As at 31 March 2025**

	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	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)	-	-	-
Opening Position as at 31 March 2024	259,000	(377,700)	(118,700)	4,203,225	(3,406,171)	797,054
Service cost						
Current service cost	-	-	-	-	(86,430)	(86,430)
Total service cost	-	-	-	-	(86,430)	(86,430)
Net interest						
Interest income on plan assets	13,200	-	13,200	203,704	-	203,704
Interest cost on defined benefit obligation	-	(18,100)	(18,100)	-	(165,281)	(165,281)
Total net interest	13,200	(18,100)	(4,900)	203,704	(165,281)	38,423
Total defined benefit cost recognised in profit or (loss)	13,200	(18,100)	(4,900)	203,704	(251,711)	(48,007)
Cashflows						
Plan participants' contributions	-	-	-	36,307	(36,307)	-
Employer contributions	40,900	-	40,900	91,412	-	91,412
Contributions in respect of unfunded benefits	5,100	-	5,100	-	-	-
Benefits paid	(41,500)	41,500	-	(114,501)	114,501	-
Unfunded benefits paid	(5,100)	5,100	-	-	-	-
Expenses	(1,000)	-	(1,000)	-	-	-
Expected closing position	270,600	(349,200)	(78,600)	4,420,147	(3,579,688)	840,459
Remeasurements						
Change in demographic assumptions	-	900	900	-	5,902	5,902

	Environment Agency Closed Scheme (within Core department)			Environment Agency Active Scheme (within NDPB)			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000		£000
Change in financial assumptions	-	(1,100)	(1,100)	-	600,033	-	600,033
Other experience	-	4,700	4,700	-	25,881	-	25,881
Return on assets excluding amounts included in net interest	(36,500)	-	(36,500)	(111,324)	-	-	(111,324)
Changes in asset ceiling	-	-	-	-	-	(1,360,951)	(1,360,951)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(36,500)	4,500	(32,000)	(111,324)	631,816	(1,360,951)	(840,459)
Fair value of employer assets	234,100	-	234,100	4,308,823	-	(1,360,951)	2,947,872
Present value of funded liabilities	-	(320,100)	(320,100)	-	(2,947,872)	-	(2,947,872)
Present value of unfunded liabilities	-	(24,600)	(24,600)	-	-	-	-
Closing position as at 31 March 2025	234,100	(344,700)	(110,600)	4,308,823	(2,947,872)	(1,360,951)	-

	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	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)
Opening Position as at 31 March 2024	143,900	(139,400)	(6,800)	(2,300)	18,403	(44,442)	(2,519)	(28,558)
Service cost								
Other expenses	(600)	-	-	(600)	(34)	-	-	(34)
Total service cost	(600)	-	-	(600)	(34)	-	-	(34)
Net interest								
Interest income on plan assets	6,700	-	-	6,700	878	(107)	-	771
Interest cost on defined benefit obligation	-	(6,500)	-	(6,500)	-	(2,030)	-	(2,030)
Impact of asset ceiling on net Interest	-	-	(300)	(300)	-	-	(122)	(122)
Total net interest	6,700	(6,500)	(300)	(100)	878	(2,137)	(122)	(1,381)
Total defined benefit cost recognised in profit or (loss)	6,100	(6,500)	(300)	(700)	844	(2,137)	(122)	(1,415)
Cashflows								
Employer contributions	700	-	-	700	218	229	-	447
Benefits paid	(11,000)	11,000	-	-	-	2,006	-	2,006
Unfunded benefits paid	-	-	-	-	(789)	789	-	-
Expected closing position	139,700	(134,900)	(7,100)	(2,300)	18,676	(43,555)	(2,641)	(27,520)
Remeasurements								
Change in demographic assumptions	-	700	-	700	-	35	-	35
Change in financial assumptions	-	9,800	-	9,800	-	1,612	-	1,612
Other experience	-	400	-	400	-	(387)	-	(387)
Return on assets excluding amounts included in net interest	(8,600)	-	-	(8,600)	(2,104)	-	-	(2,104)
Changes in asset ceiling	-	-	(1,800)	(1,800)	-	-	473	473

	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
Total remeasurements recognised in Other Comprehensive Income (OCI)	(8,600)	10,900	(1,800)	500	(2,104)	1,260	473	(371)
Fair value of employer assets	131,100	-	-	131,100	16,572	-	-	16,572
Present value of funded liabilities	-	(124,000)	-	(124,000)	-	(14,404)	-	(14,404)
Present value of unfunded liabilities	-	-	-	-	-	(27,891)	-	(27,891)
Less irrecoverable surplus	-	-	(8,900)	(8,900)	-	-	(2,168)	(2,168)
Closing position as at 31 March 2025	131,100	(124,000)	(8,900)	(1,800)	16,572	(42,295)	(2,168)	(27,891)

As at 31 March 2024

	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	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
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

	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
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				Other (all other schemes)			
	(within NDPB)							
	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

	MLC				Other (all other schemes)			
	(within NDPB)							
	Assets	Obligations	Adjustments	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000	£000
Change in financial assumptions	-	(700)	-	(700)	-	2,362	-	2,362
Other experience	-	500	-	500	-	(1,087)	-	(1,087)
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)

16.4 History of Experience Gains and Losses – Material Schemes

	EA Closed Scheme (funded)					EA Active Scheme (funded)				
Year Ended :	31-03-25	31-03-24	31-03-23	31-03-22	31-03-21	31-03-25	31-03-24	31-03-23	31-03-22	31-03-21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	234,100	259,000	266,400	328,100	305,500	4,308,823	4,203,225	3,869,498	4,133,315	3,893,900
Present value of defined benefit obligation	(344,700)	(377,700)	(413,400)	(525,600)	(547,800)	(2,947,872)	(3,406,171)	(3,366,148)	(4,788,039)	(4,954,156)
(Deficit)/surplus	(110,600)	(118,700)	(147,000)	(197,500)	(242,300)	1,360,951	797,054	503,350	(654,724)	(1,060,256)
Experience gains/(losses) on assets	(36,500)	(17,900)	(67,000)	16,800	(2,400)	(111,324)	120,822	(381,289)	160,927	522,734
Experience gains/(losses) on liabilities	4,700	(16,800)	(18,500)	(4,400)	11,000	25,881	(100,319)	(306,979)	(10,587)	24,499
Actuarial gains/(losses) on employer assets	(36,500)	(17,900)	(67,000)	16,800	(2,400)	(111,324)	120,822	(381,289)	160,927	522,734
Effect of limit of asset ceiling	-	-	-	-	-	(1,360,951)	-	-	-	-
Actuarial gains/(losses) on obligation	4,500	4,300	71,800	(22,800)	(7,300)	631,816	147,309	1,683,675	419,770	(1,438,729)
Actuarial gains/(losses) recognised in SoCTE	(32,000)	(13,600)	4,800	(6,000)	(9,700)	(840,459)	268,131	1,302,386	580,697	(915,995)

	MLC Scheme				
Year Ended :	31-03-25	31-03-24	31-03-23	31-03-22	31-03-21
	£000	£000	£000	£000	£000
Fair value of employer assets	131,100	143,900	150,100	196,500	210,900
Present value of defined benefit obligation	(124,000)	(139,400)	(145,700)	(196,500)	(218,100)
(Deficit)/surplus	7,100	4,500	4,400	-	(7,200)
Experience gains/(losses) on assets	(8,600)	(3,300)	(41,200)	(8,500)	15,100
Experience gains/(losses) on liabilities	400	500	(5,200)	(900)	3,700
Actuarial gains/(losses) on employer assets	(8,600)	(3,300)	(41,200)	(8,500)	15,100
Effect of limit of asset ceiling	(1,800)	300	(1,000)	(5,600)	-
Actuarial gains/(losses) on obligation	10,900	2,900	39,500	21,900	(16,000)
Actuarial gains/(losses) recognised in SoCTE	500	(100)	(2,700)	7,800	(900)

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 2025	£000	£000	£000
Equities	-	1,605,735	2,600
Bonds	209,600	1,685,790	40,600
Liability Driven Investment	-	-	8,300
Property	-	803,434	-
Cash	24,500	213,863	600
Insurance policy	-	-	79,000
Total 31 March 2025	234,100	4,308,823	131,100
Percentage of closing fair value	%	%	%
Equity	-	37	2
Bonds	90	39	31
Liability Driven Investment	-	-	6
Property	-	19	-
Cash and insurance policy	10	5	61
Total	100	100	100

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

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 2025			
Inflation/pension increase rate (CPI)	2.7	2.8	2.9
Salary increase rate	-	3.3	-
Discount rate	5.2	5.8	5.7
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

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)	19.9	23.2	21.5	24.1	21.4	24.0
Future pensioners (years)	19.8	23.8	22.5	25.8	22.5	25.2

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 2025	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	3	8,761
1 year increase in member life expectancy	3	10,341
0.5% increase in pension increase rate	3	8,761

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 2025	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.1% decrease in real discount rate	2	58,727
1 year increase in member life expectancy	4	117,797
0.1% increase in salary increase rate	-	3,170
0.1% increase in pension increase rate	2	57,175

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 2025	Approximate % Increase in Employer Liability	Approximate Monetary Amount
	%	£000
0.5% decrease in real discount rate	5	5,900
0.5% increase in RPI	3	3,800
Post-retirement mortality assumption - 1 year age ratings	3	4,300

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 2025. 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 discounted limit of this liability under the Guarantee at 31 March 2025 is £10.5 million (2023-24, £10.7 million).
- Small potential liabilities against the Defra group are estimated at no more than £1.1 million (2023-24, £0.7 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.

- Defra has contingent liabilities relating to retained rights to former staff affected by Transfer of Undertaking Protection of Employment (TUPE) Regulations.
- 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 (2023-24, £0.9 million).

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 governments.

Where the board members claim payments within the Farming and Countryside Programme, as detailed below, the standard terms and conditions for these schemes apply.

Heather Hancock (Non-executive Director) is a partner in a family firm which received £41,162 in Countryside Stewardship and Delinked payments.

Baroness Rock (Non-executive Director between 13 May and 26 September 2024) is a director of a tenant farming enterprise which received £29,896 in Animal Health and Welfare grant, Sustainable Farming Incentive and Delinked payments.

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 following:

- a change in accounting policy affecting EA charge scheme surpluses and deficits.
- correction of the valuation of EA Operational Assets
- asset and reserve classification changes of RBG Kew's assets, particularly in relation to Heritage Assets, to ensure consistency with The Charities Statement of Recommended Practice (SORP)

The effect of these adjustments on the primary statements has been detailed below. For true and fair comparative purposes a restated prior year position has been used throughout the financial statements.

Change in accounting policy affecting EA charge schemes

The prior period accounts have been restated to reflect the change in accounting policy affecting charge scheme surpluses and deficits.

The EA operates a number of charge schemes and has the statutory powers to update its charging regimes to ensure that schemes fully cost recover, as required by Managing Public Money.

From year to year, charge schemes may over or under recover, and these surpluses and deficits have historically been treated as deferred or accrued income, held on the statement of financial position to be utilised or recovered in future years. These positions were held as assets and liabilities with the expectation these would be settled in future years, through cost management or charge consultations.

This treatment was an override to the accounting standards (specifically IFRS 15), and the EA received specific dispensation from HM Treasury to be able to do this. The cumulative financial impact of the override was £44.6 million at 31 March 2024.

The decision was made during 2024-25 to drop this dispensation. This means that for 2024-25 and going forwards, any deficits or surpluses arising from charging schemes now need to be directly reflected in the financial performance and outturn against Defra's control totals in the year incurred, based on the charging regime in place at the time of the transaction and without anticipating future changes which may be possible. Any overspends on charges will need to be covered by grant-in-aid funding.

The opening balance as at 1 April 2023 has not been restated as the value of the adjustment that would have been required under the accounting policy change was not material (31 March 2023, £1.7 million).

Correction of the valuation of operational assets

Operational assets (Note 5) were first valued under depreciated replacement cost (DRC) on 31 March 2023, removing a qualification because the assets had previously been valued under a non-compliant modified historic cost basis. For the 2022-23 and 2023-24 year ends, the National Audit Office (NAO) qualified their opinion on the DRC valuation due to errors or omissions in the source data used to prepare the valuation. There has been a significant data improvement programme across the previous two financial years to rectify the errors or omissions.

As at 31 March 2025, the data improvements works were substantially complete. The asset data at this date has been used to recalculate the 2022-23 and 2023-24 balances, including movements within each year.

The PPA includes £43.7 million relating to the impairment of habitat creation schemes, where the initial valuation of identifiable assets is lower than the cost to create the habitat scheme. This expenditure, previously capitalised, took place before the earliest prior period presented (1 April 2024). The impact of the change in EA is to reduce the value of land and buildings at both 31 March 2024 and 1 April 2023, and to increase the general reserve deficit by the same amount.

Further details can be found in EA's ARA.

RBG Kew Assets and Reserves Adjustment to align with the Charities SORP

Following a review of the Charities SORP, RBG Kew has revised its classification of certain assets to ensure consistency with the definitions and criteria set out in the SORP, particularly in relation to heritage assets. The reassessment covered assets previously excluded from the Statement of Financial Position (SoFP) under the heritage asset exemption in paragraph 18.14 of the Charities SORP. Following this assessment, eight assets were identified that did not meet the full criteria for classification as heritage assets, and these have been recognised on the SoFP.

In addition, RBG Kew has revised its classification of assets between restricted and unrestricted funds. This judgement reflects the nature of RBG Kew's estate, which is held for public benefit and subject to statutory and governance restrictions on sale or transfer.

Further details can be found in RBG Kew's ARA.

Consolidated Statement of Comprehensive Net Expenditure**Restated for the year ended 31 March 2024**

		As previously reported at 31 March 2024	Adjustment EA Charge schemes	Adjustment EA Operational Assets	Adjustment Kew		Restated 31 March 2024
	Core department and Agencies	Defra group	Defra group	Defra group	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000	£000	£000	£000
Revenue from contracts with customers	(149,683)	(873,695)	44,703	-	-	(149,683)	(828,992)
Other operating income	(228,861)	(514,789)	(130)	-	-	(228,861)	(514,919)
Total income	(378,544)	(1,388,484)	44,573	-	-	(378,544)	(1,343,911)
Staff expenditure	901,978	1,795,910	-	-	-	901,978	1,795,910
Other expenditure	999,412	2,147,224	-	-	-	999,412	2,147,224
Non-cash items	771,436	1,592,137	-	(31,667)	-	771,436	1,560,470
Grants and subsidies	5,711,898	3,922,014	-	-	-	5,711,898	3,922,014
Total operating expenditure	8,384,724	9,457,285	-	(31,667)	-	8,384,724	9,425,618
Net operating expenditure	8,006,180	8,068,801	44,573	(31,667)	-	8,006,180	8,081,707
Net expenditure for the year	8,006,180	8,068,801	44,573	(31,667)	-	8,006,180	8,081,707
Other Comprehensive Net Expenditure							
Items that will not be reclassified to net operating expenditure							
Net (gain)/loss on:							
Revaluation of PPE	(4,303)	(533,671)	-	93,182	100	(4,303)	(440,389)
Revaluation of right of use assets	(5,467)	(6,710)	-	-	-	(5,467)	(6,710)
Charitable funds revaluation	-	(5,367)	-	-	(100)	-	(5,467)
Revaluation of intangibles	(6,515)	(9,811)	-	-	-	(6,515)	(9,811)
Pension actuarial movements	12,356	(255,398)	-	-	-	12,356	(255,398)

	As previously reported at 31 March 2024	Adjustment EA Charge schemes	Adjustment EA Operational Assets	Adjustment Kew		Restated 31 March 2024	
Core department and Agencies	Defra group	Defra group	Defra group	Defra group	Core department and Agencies	Defra group	
£000	£000	£000	£000	£000	£000	£000	
Changes in the fair value of equity investments at fair value through OCE	8,262	8,262	-	-	-	8,262	8,262
Items that may be reclassified subsequently to net operating expenditure							
Net (gain)/loss on:							
Revaluation of investments	-	(856)	-	-	-	-	(856)
Total comprehensive net expenditure for the year	8,010,513	7,265,250	44,573	61,515	-	8,010,513	7,371,338

Consolidated Statement of Financial Position**Restated for the year ended 31 March 2024**

	As previously reported at 31 March 2024	Adjustment EA Charge schemes	Adjustment EA Operational Assets	Adjustment Kew	Restated 31 March 2024		
	Core department and Agencies	Defra group	Defra group	Defra group	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000	£000	£000	£000
Non-current assets							
Property, plant and equipment	567,462	11,562,750	-	(1,237,407)	101,223	567,462	10,426,566
Right of use assets	102,525	183,359	-	-	-	102,525	183,359
Investment properties	613	13,077	-	-	-	613	13,077
Heritage assets	-	316,903	-	-	(89,439)	-	227,464
Agricultural assets	-	115	-	-	-	-	115
Intangible assets	341,711	518,674	-	-	-	341,711	518,674
Financial assets	81,214	117,318	-	-	-	81,214	117,318
Investment in Associate	121	29,111	-	-	-	121	29,111
Net pension assets	-	797,054	-	-	-	-	797,054
Receivables and contract assets falling due after more than one year	4,672	8,113	-	-	-	4,672	8,113
Total non-current assets	1,098,318	13,546,474	-	(1,237,407)	11,784	1,098,318	12,320,851
Current assets							
Assets classified as held for sale	-	13,064	-	-	-	-	13,064
Inventories	5,207	22,365	-	-	-	5,207	22,365
Financial assets	1,362	878,870	-	-	-	1,362	878,870
Trade, other receivables and contract assets	558,371	854,587	(62,909)	-	-	558,371	791,678
Cash and cash equivalents	208,974	498,713	-	-	-	208,974	498,713
Total current assets	773,914	2,267,599	(62,909)	-	-	773,914	2,204,690
Total assets	1,872,232	15,814,073	(62,909)	(1,237,407)	11,784	1,872,232	14,525,541

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Consolidated Statement of Financial Position**Restated for the year ended 31 March 2023**

		As previously restated at 31 March 2023	Adjustment EA Operational Assets	Adjustment Kew		Restated 31 March 2023
	Core department and Agencies	Defra group	Defra group	Defra group	Core department and Agencies	Defra group
	£000	£000	£000	£000	£000	£000
Non-current assets						
Property, plant and equipment	540,716	11,150,730	(1,175,892)	89,014	540,716	10,063,852
Right of use assets	115,468	183,920	-	-	115,468	183,920
Investment properties	613	13,941	-	-	613	13,941
Heritage assets	-	303,732	-	(77,230)	-	226,502
Agricultural assets	-	141	-	-	-	141
Intangible assets	277,984	422,018	-	-	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	12,670,782	(1,175,892)	11,784	987,465	11,506,674
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	14,559,081	(1,175,892)	11,784	1,706,273	13,394,973

	As previously restated at 31 March 2023	Adjustment EA Operational Assets	Adjustment Kew	Restated 31 March 2023
Core department and Agencies	Defra group	Defra group	Defra group	Core department and Agencies
£000	£000	£000	£000	£000
Current liabilities				
Trade, other payables and contract liabilities	(824,326)	(1,403,093)	-	(824,326)
Lease Liability	(32,708)	(49,129)	-	(32,708)
Provisions	(81,010)	(159,119)	-	(81,010)
Net pension liability	(47,577)	(47,581)	-	(47,577)
Financial liabilities	(4,847)	(29,147)	-	(4,847)
Total current liabilities	(990,468)	(1,688,069)	-	(990,468)
Non-current assets plus/less net current assets/liabilities	715,805	12,871,012	(1,175,892)	715,805
Non-current liabilities				
Provisions	(352,732)	(426,957)	-	(352,732)
Lease Liability	(94,475)	(134,545)	-	(94,475)
Net pension liability	(127,351)	(132,512)	-	(127,351)
Other payables and contract liabilities	(112)	(145,779)	-	(112)
Financial liabilities	-	(423,742)	-	-
Total non-current liabilities	(574,670)	(1,263,535)	-	(574,670)
Assets less liabilities	141,135	11,607,477	(1,175,892)	141,135
Taxpayers' equity and other reserves				
General Fund	(30,281)	2,103,241	(43,655)	(30,281)
Revaluation reserve	171,416	9,156,602	(1,132,237)	171,416
Charitable funds - restricted funds	-	132,222	-	-
Charitable funds - unrestricted funds*	-	215,412	-	-
Total equity	141,135	11,607,477	(1,175,892)	141,135

Consolidated Statement of Cash Flows**Restated for the year ended 31 March 2024**

	As previously reported at 31 March 2024	Adjustment EA Charge schemes	Adjustment EA Operational Assets		Restated 31 March 2024	
	Core department and Agencies £000	Defra group £000	Defra group £000	Defra group £000	Core department and Agencies £000	Defra group £000
Cash flows from operating activities						
Net operating expenditure	(8,006,180)	(8,068,801)	(44,573)	31,667	(8,006,180)	(8,081,707)
Adjust for non-cash transactions	761,697	1,552,358	-	(31,667)	761,697	1,520,691
(Increase)/decrease in trade and other receivables excluding derivatives	(36,082)	(200,735)	62,909	-	(36,082)	(137,826)
Adjustments for derivative financial instruments	(5,386)	(5,386)	-	-	(5,386)	(5,386)
(Increase) / decrease in inventories	(112)	(15,571)	-	-	(112)	(15,571)
Increase / (decrease) in trade payables and other liabilities excluding derivatives	1,226,086	1,295,890	(18,336)	-	1,226,086	1,277,554
Less movements in payables relating to items not passing through the SoCNE	(96,952)	(96,952)	-	-	(96,952)	(96,952)
Use of provisions / pension liabilities	(64,649)	(186,813)	-	-	(64,649)	(186,813)
Net cash outflow from operating activities	(6,221,578)	(5,726,010)	-	-	(6,221,578)	(5,726,010)
Cash flows from investing activities						
Purchase of PPE, heritage and agricultural assets	(77,993)	(363,332)	-	-	(77,993)	(363,332)
Purchase of Right of Use assets	-	(35)	-	-	-	(35)
Purchase of intangible assets	(111,579)	(167,050)	-	-	(111,579)	(167,050)
Purchase / repayment of financial assets	-	(1,325,050)	-	-	-	(1,325,050)
Proceeds of disposal of PPE, heritage and agricultural assets	29	3,069	-	-	29	3,069
Proceeds of disposal of financial assets	-	1,196,626	-	-	-	1,196,626
Repayments from other bodies	44	1	-	-	44	1
Net cash outflow from investing activities	(189,499)	(655,771)	-	-	(189,499)	(655,771)
Cash flows from financing activities						
From Consolidated Fund (supply): current year	6,465,000	6,465,000	-	-	6,465,000	6,465,000
Capital element in respect of service concession arrangements and finance leases and non balance sheet PFI contracts	12	84	-	-	12	84
Payment of lease liabilities	(36,407)	(55,290)	-	-	(36,407)	(55,290)
Funding (to) / from other bodies	(243)	(229)	-	-	(243)	(229)

	As previously reported at 31 March 2024	Adjustment EA Charge schemes	Adjustment EA Operational Assets	Restated 31 March 2024
Core department and Agencies	Defra group	Defra group	Defra group	Core department and Agencies Defra group
£000	£000	£000	£000	£000 £000
Net financing	6,428,362	6,409,565	-	- 6,428,362 6,409,565
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	-	- 17,285 27,784
Payments of amounts due to the Consolidated Fund	(847)	(847)	-	- (847) (847)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	16,438	26,937	-	- 16,438 26,937
Cash and cash equivalents at the beginning of the period	192,536	471,776	-	- 192,536 471,776
Cash and cash equivalents at the end of the period	208,974	498,713	-	- 208,974 498,713

Consolidated Statement of changes in Taxpayers' Equity**Restated for the year ended 31 March 2024 - General Fund - Defra Group**

	As previously reported 2023-24			Restated 2023-24
	General Fund	Adjustment EA Charge schemes	Adjustment EA Operational Assets	General Fund
	£000	£000	£000	£000
Balance at 1 April 2023	2,103,241	-	(43,655)	2,059,586
Net parliamentary funding - drawn down	6,465,000	-	-	6,465,000
Net parliamentary funding - deemed	192,277	-	-	192,277
Funding to/from other bodies	(229)	-	-	(229)
Supply (payable) adjustment	(193,678)	-	-	(193,678)
CFER Income Payable to the Consolidated Fund	(41,986)	-	-	(41,986)
Net operating costs for the year	(8,105,484)	(44,573)	31,667	(8,118,390)
Non-cash adjustments				
Non cash charges-auditors' remuneration	1,329	-	-	1,329
Notional recharges and other non cash items	(8)	-	-	(8)
Movement in reserves				
Recognised in other comprehensive expenditure:				
Pension actuarial movements	255,398	-	-	255,398
Contributions in respect of unfunded benefits	4,600	-	-	4,600
Transfers between reserves	123,998	-	-	123,998
Other movements in reserves	(1,055)	-	-	(1,055)
Balance at 31 March 2024	803,403	(44,573)	(11,988)	746,842

Consolidated Statement of changes in Taxpayers' Equity**Restated for the year ended 31 March 2024 – Revaluation Reserve - Defra Group**

	As previously reported 2023-24			Restated 2023-24
	Revaluation Reserve	Adjustment EA Operational Assets	Adjustment Kew	Revaluation Reserve
	£000	£000	£000	£000
Balance at 1 April 2023	9,156,602	(1,132,237)	-	8,024,365
Movement in reserves				
Recognised in other comprehensive expenditure:				
Revaluation of PPE	533,671	(93,182)	(100)	440,389
Revaluation of intangibles	9,811	-	-	9,811
Revaluation of Right of use assets	6,710	-	-	6,710
Revaluation of investments	(7,406)	-	-	(7,406)
Transfers between reserves	(124,815)	-	100	(124,715)
Balance at 31 March 2024	9,574,573	(1,225,419)	-	8,349,154

Consolidated Statement of changes in Taxpayers' Equity**Restated for the year ended 31 March 2024 – Charitable Funds – Restricted/Endowment - Defra Group**

	As previously reported 2023-24				Restated 2023-24	
	Charitable Funds - Restricted/Endowment	Charitable Funds - Unrestricted	Charitable Funds - Restricted/Endowment Adjustment Kew	Charitable Funds - Unrestricted Adjustment Kew	Charitable Funds - Restricted/Endowment	Charitable Funds - Unrestricted
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2023	132,222	215,412	171,017	(159,233)	303,239	56,179
Net operating costs for the year	2,235	34,448	-	-	2,235	34,448
Movement in reserves						
Charitable funds revaluation	-	5,367	300	(200)	300	5,167
Transfers between reserves	-	817	29,950	(30,050)	29,950	(29,233)
Balance at 31 March 2024	134,457	256,044	201,267	(189,483)	335,724	66,561

20 Entities Within the Departmental Boundary

The entities within the departmental boundary during 2024-25 comprise supply financed agencies and those entities listed in the designation and amendment orders presented to Parliament.

Executive Agencies	Registered Office Address
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	Registered Office Address
Consumer Council for Water (including CCW Trading Ltd)	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 (including RBG Kew Enterprises)	Richmond, London. TW9 3AE
Office for Environmental Protection	Wildwood, Wildwood Drive, Worcester, WR5 2QT
Livestock Information Ltd	Seacole Building, 2 Marsham Street, London, SW1P 4DF

Levy Funded Bodies	Registered Office Address
Agriculture and Horticulture Development Board (includes Sutton Bridge Experimental Unit Limited)	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	Registered Office Address
National Forest Company (includes Forest Experience Limited and National Forest Enterprises Limited)	Enterprise Glade, Bath Yard, Moira, Swadlincote, Derbyshire, DE12 6BA

Other	Registered Office Address
Flood Re Limited	75 King William Street, London. EC4N 7BE

Executive NDPBs, levy funded bodies, National Forest Company and Flood Re's ARA are published separately.

Advisory NDPBs (Defra Funded)	Registered Office Address
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)	Registered Office Address
Plant Varieties and Seeds Tribunal (dormant)	Plant Variety Rights Office (APHA), Eastbrook, Shaftesbury Road, Cambridge. CB2 8DR

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 has been one adjusting event and three non-adjusting events after the reporting period.

Adjusting

The provision for RPA Delinked payments (Note 15.3) has been adjusted in line with the HM Treasury Spending Review announcement on 13 June 2025. The impact of this was a substantial reduction in the total funding planned for delinked payments in 2026-27 and 2027-28. The provision recognised in Note 15 has been adjusted to £40.9 million to align with the impact of this.

Non adjusting

In July 2025, the Independent Water Commission, led by Sir Jon Cunliffe, published its final report, following a review on the water sector and how it is regulated. The headline recommendation is for the creation of a new water regulator, merging the water-related functions of the Environment Agency alongside Ofwat, the Drinking Water Inspectorate, and Natural England. We will publish a full response to the Commission's final report along with a transition plan and white paper in due course.

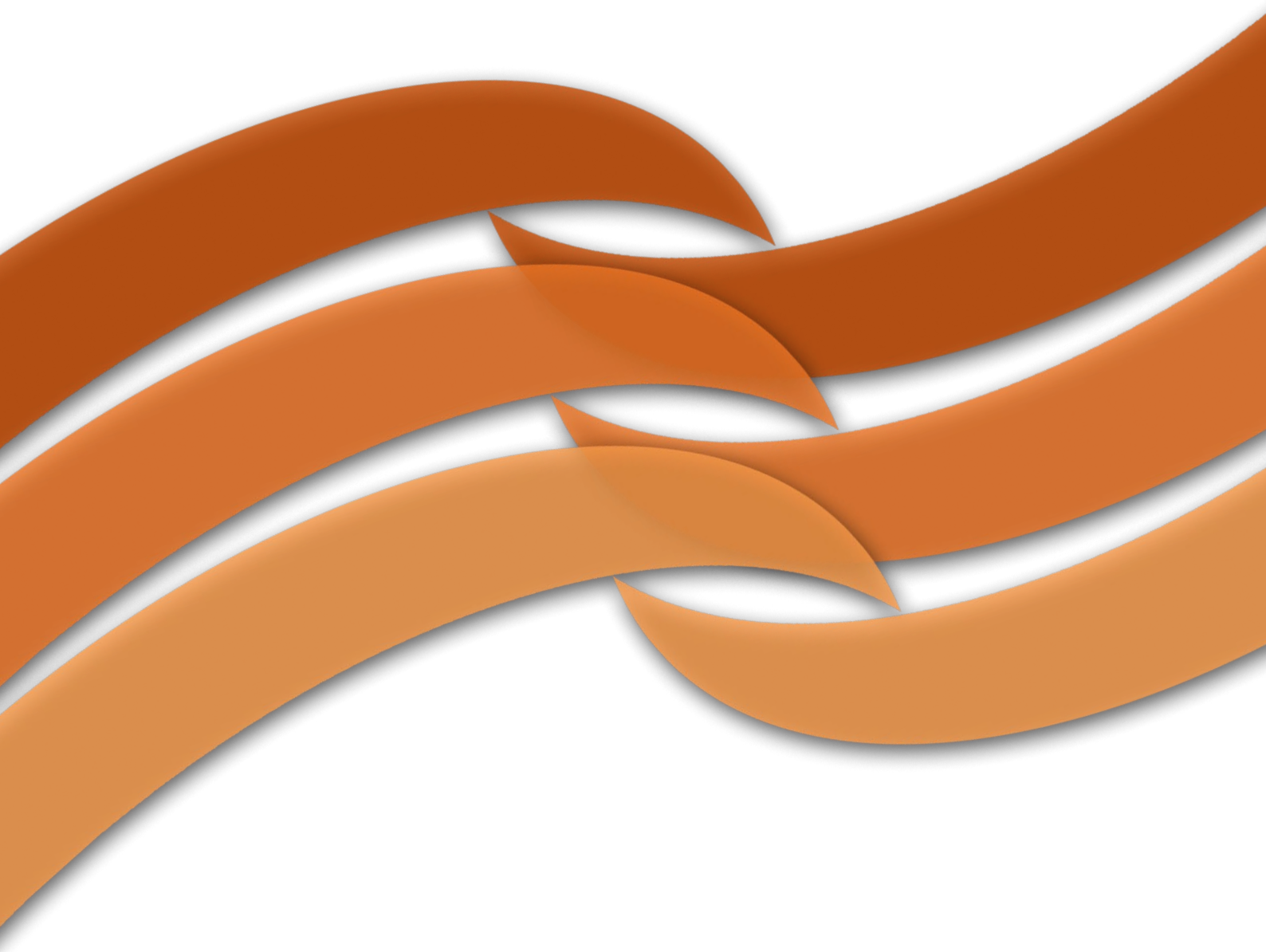
Following the United Kingdom - European Union (EU) summit on 19 May 2025, a Common Understanding was announced with intentions to proceed swiftly in accordance respective

procedures and legal frameworks. The announcement included a Sanitary and Phytosanitary (SPS) Agreement which aims to enable the majority of movements of animals, animal products, plants, and plant products between Great Britain and the EU without certificates or controls. The ambition is to conclude negotiations on an SPS agreement by the end of 2025 and then deliver full implementation by the end of 2026. The summit also reaffirmed our commitment to the full, timely, and faithful implementation of the existing Withdrawal Agreement, including the Windsor Framework, and the Trade and Cooperation Agreement. This is a significant announcement however the financial effect cannot be estimated until negotiations conclude.

On 12 May 2025, a written ministerial statement was made relating to the decision to close the SFI 2024 scheme, administered by the RPA. This scheme was closed to new applications on 11 March 2025. An error was made, which caused customers who had started, but not yet submitted, an application to be shown two messages when saving their application: (a) "If we need to close applications, we will give you 6 weeks' notice. We will publicise this information on GOV.UK and email you". This message was shown in error due to a technical issue which meant that the message was carried over unintentionally from the online application used for the SFI 2023 offer. (b) "Your application will be available for 2 months for you to continue. If you have not submitted your application by then, we will delete it". This message was intentional. Despite the first message being displayed in error, these messages gave a legitimate expectation that customers with an application in progress, which was under 2 months old, would be provided with 6 weeks' notice to complete their applications. There are approximately 3,000 such applicants who will now be allowed a 6 week window to complete their applications. Note that these applications will be subject to a number of restrictions, including being capped at the median value of existing SFI 2024 agreements, which equates to £9,300 per agreement per year. This is to balance fairness to affected applicants with the unintended extra strain upon departmental resources to support other grant schemes.

Annexes

These annexes do not form part of the financial statements and have not been subject to audit.



Annex 1: Core Tables 2024-25

These tables provide an analysis of departmental expenditure, split between resource consumption and capital investment, covering the period from 2020-21 to 2025-26.

These tables follow the layout of the Part II Table of the Estimate and have been produced from HM Treasury's Online System for Central Accounting and Reporting (OSCAR) database and are on the same basis as the Statement of Parliamentary Supply. Details of the Parliamentary Main Estimate⁵⁵ and Parliamentary Supplementary Estimate⁵⁶ 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.

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 analysis below.

Defra's Resource and Capital Budget

Resource Budget (Programme and Administration) DEL

The large values on the **Food and farming** line reflect the commitment to pay farmers. In 2020-21, following our exit from the EU, these were mainly direct payments. During subsequent years, these moved from direct aid to environmental measures, reflecting the government's commitment to the farming budget and the continued expansion of environmental land management schemes.

Total Resource DEL spend shows an overall increase across the period. The main drivers for this are set out below.

The increases on the **Improve the environment and rural services** line reflect an 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. The increasing profile of spend on the **Animal, marine and plant health** line includes investment following the UK's departure from the EU, costs relating to avian influenza outbreaks, funding for two border control points and funding for the wider Northern Ireland programme, including the Digital Assistance Scheme. The **Departmental operating costs** line shows a higher budget for 2025-26 when compared to the outturn of previous years. This is mainly due to some budgets being held centrally under this line. Conversely, you can see budget reductions in some other areas for 2025-26. Spend on the **Improve the Environment and Rural Services (ALB) (Net)** line mainly relates to the Environment Agency (EA) and Natural England. The increases primarily reflect an increase in EA's depreciation costs due to a change in the method of valuing their operational assets. Spend on the **Protect the Country from Floods (ALB) (Net)** line reflects the profile of spend on

⁵⁵ <https://www.gov.uk/government/collections/hmt-main-estimates>

⁵⁶ <https://www.gov.uk/government/collections/hmt-supplementary-estimates>

flood and coastal risk management The increase in later years is partially 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 standard. As with the **Improve the Environment and Rural Services (ALB) (Net)** line, this line also reflects an increase in EA's depreciation costs due to a change in the method of valuing their operational assets.

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.

The large fluctuations on the **Food and farming** line relate to area based direct payments for farmers. These are being phased out between 2021 and 2028 and replaced by new schemes. From 2024, the residual payments have been 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.

The other main reasons for variation in outturn relate to movements in the provision for Metal Mines, which represents the ongoing future liabilities relating to remediating mine water pollution arising from abandoned metal mines, and movements in the provision for the Foot and Mouth Disease (FMD) burial sites, which represents the ongoing future liabilities relating to preventing and remediating any leachate pollution arising from burial sites. These are shown on the **Improve the environment and rural services** line and **Departmental operating costs** line. They mainly reflect changes in the discount rate used for valuing provisions, as per HM Treasury guidance. Movements in the EA pension schemes also cause variances on the ALB net lines for **Improve the environment and rural services (ALB) (Net)** and **Protect the country from floods (ALB) (Net)**.

Capital Budget DEL

Total Capital DEL spend shows an overall increase across the period. The main drivers are set out below.

The **Food and farming** line reflects the government's commitment to the farming budget and the continued expansion of environmental land management schemes, including the associated need for capital investment. Increases in the **Improve the environment and rural services** line reflect increases in the Nature for Climate Fund, biodiversity and the Collection and Packaging Reforms programme, with the latter showing a spike in 2023-24 due to some one-off capital grants paid to local authorities for simpler recycling. Increases on the **Animal, marine and plant health** line reflect APHA's investment in stabilising, enhancing and transforming a number of IT systems, an increase in the Biosecurity, Borders and Trade Programme, and increased capital funding for marine programmes to improve the long-term sustainability of the UK fisheries sector. Increases on the **Departmental operating costs** line include increases in research and development funding to support the National Biosecurity Centre and the Critical Works programme, and increases for the Extended Producer Responsibility and Northern Ireland Trade projects.

The larger budget in 2025-26 reflects the profile of the ringfenced Science research and development budget, an element of which is yet to be allocated out across the Defra group. The flood and coastal risk management budget, held on the **Protect the country from floods (ALB) (Net)** line, is the largest of Defra's capital budget and reflects increased investment across the years, which includes part of the six-year flood defence programme.

Capital Budget AME

Defra has a relatively small Capital AME budget. Part of this budget relates to IFRS 16, the accounting standard which states how leases should be presented, recognised, measured and disclosed in the annual accounts. The **Departmental operating costs** line holds the budget for dilapidation provisions capitalised as part of the right of use asset under IFRS 16. The **Improve the environment and rural services (ALB) (Net)** and **Protect the country from floods (ALB) (Net)** lines show the outturn for the creation of dilapidation provisions for EA owned property and Flood Re's recognition of intangible assets relating to the implementation of an insourced management system and software. The other part of this budget is held on the **Food and farming (ALB) (Net)** line and is required for potential reclassification of research and development expenditure from resource to capital in the Agriculture and Horticulture Development Board.

Table 1 – Defra's Resource and Capital Budget

	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Outturn	2025-26 Plans
	£000	£000	£000	£000	£000	£000
Resource DEL						
Food and farming	2,418,207	1,985,690	1,941,361	1,906,996	2,079,554	1,963,061
Improve the environment and rural services ¹	531,909	516,942	580,535	651,278	731,474	695,632
Protect the country from floods	3,052	3,314	1,551	2,441	2,747	2,600
Animal, marine and plant health	332,519	429,029	545,834	542,163	580,739	498,199
Departmental operating costs	516,978	510,728	517,328	680,640	673,925	999,834
Improve the environment and rural services (ALB) (net)	296,160	362,628	417,346	517,804	527,709	447,233
Protect the country from floods (ALB) (net)	520,890	497,569	661,987	947,671	930,589	870,262
Animal, marine and plant health (ALB) (net)	25,718	32,712	32,382	36,785	40,408	38,135
Total Resource DEL	4,645,433	4,338,612	4,698,324	5,285,778	5,567,145	5,514,956
Resource AME						
Food and farming	(530,708)	(59,839)	8,797	1,540,502	(1,299,564)	(239,498)
Improve the environment and rural services	(3,936)	333,502	(332,893)	(82,648)	(36,716)	(215)
Animal, marine and plant health	(237)	(5,778)	(7,604)	1,015	(84)	6
Departmental operating costs	24,593	107,669	(177,633)	8,184	(6,295)	32,035
Food and farming (ALB) (net)	(343)	(930)	7,320	7,908	1,577	5,399
Improve the environment and rural services (ALB) (net)	(27,381)	74,826	27,393	(34,214)	(37,345)	(25,386)
Protect the country from floods (ALB) (net)	(76,104)	(15,586)	12,368	(31)	(97,718)	278,560
Animal, marine and plant health (ALB) (net)	2,067	(1,123)	12,565	1,138	2,457	65
Total Resource AME	(612,049)	432,741	(449,687)	1,441,854	(1,473,688)	50,966
Total Resource Budget	4,033,384	4,771,353	4,248,637	6,727,632	4,093,457	5,565,922
<i>Of which:</i>						
Depreciation - DEL	206,337	254,296	240,664	537,407	597,738	685,267
Depreciation - AME	37,531	(1,599)	1,672	66,901	(1,250)	44,919
Depreciation ²	243,868	252,697	242,336	604,308	596,488	730,186

	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Outturn	2025-26 Plans
	£000	£000	£000	£000	£000	£000
Capital DEL						
Food and farming	23,799	152,225	275,698	280,976	497,076	497,303
Improve the environment and rural services ¹	57,489	98,815	129,466	499,310	283,887	442,288
Protect the country from floods	2,580	7,067	2,940	61	1,384	33,000
Animal, marine and plant health	59,337	115,447	114,786	198,436	285,000	345,022
Departmental operating costs	50,566	76,534	97,470	158,175	158,470	290,566
Improve the environment and rural services (ALB) (net)	61,527	112,401	145,774	223,592	247,663	159,921
Protect the country from floods (ALB) (net)	634,531	769,630	696,965	623,335	802,276	922,100
Animal, marine and plant health (ALB) (net)	879	1,759	497	230	278	5,200
Total Capital DEL	890,708	1,333,878	1,463,596	1,984,115	2,276,034	2,695,400
Capital AME						
Departmental operating costs	-	-	9	479	1,052	10,000
Food and farming (ALB) (net)	1,438	271	1,805	(560)	-	14,097
Improve the environment and rural services (ALB) (net)	-	-	-	6,330	531	-
Protect the country from floods (ALB) (net)	2,060	2,359	7,214	6,553	2,097	50
Animal, marine and plant health (ALB) (net)	102	25	56	414	322	591
Total Capital AME	3,600	2,655	9,084	13,216	4,002	24,738
Total Capital Budget	894,308	1,336,533	1,472,680	1,997,331	2,280,036	2,720,138
Total departmental spending³	4,683,824	5,855,189	5,478,981	8,120,655	5,777,005	7,555,874
<i>Of which:</i>						
Total DEL	5,329,804	5,418,194	5,921,256	6,732,486	7,245,441	7,525,089
Total AME	(645,980)	436,995	(442,275)	1,388,169	(1,468,436)	30,785

1. The 2025-26 plans figures differ to those published in the 2025-26 Main Estimate due to a late budget surrender. The budget surrender affected the Improve the environment and rural services estimate line for both RDEL and CDEL.

2. Includes impairments.

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

The way data is mapped from internal systems to HM Treasury's database OSCAR was changed for the 2025-26 Main Estimate to better align with the way Defra manages budgets on a Directorate basis. The Marine and fisheries estimate line has been merged with the Animal and plant health estimate line, and has been named Animal, marine and plant health. No other estimate line names have been changed. The data for all years in these tables has been restated to reflect the new structure for comparison to 2025-26. This means the estimate line breakdown above will differ to that in SOPS1.1 and SOPS 1.2; and to the core tables published last year.

These tables now reflect the prior period adjustments referred to in Note 19 of the ARA. The figures for 2019-20 to 2022-23 are therefore different to those published in the 2023-24 ARA.

Table 2 – Defra's Administration Costs

	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Outturn	2025-26 Plans
	£000	£000	£000	£000	£000	£000
Resource DEL						
Food and farming	74,151	99,553	98,199	100,862	118,624	122,675
Improve the environment and rural services	97,518	75,290	78,730	105,294	102,314	109,795
Protect the country from floods	1,954	2,450	1,695	2,351	2,758	2,600
Animal, marine and plant health	67,678	118,825	135,435	159,840	120,682	119,903
Departmental operating costs	341,974	372,373	373,542	507,551	487,704	720,467
Improve the environment and rural services (ALB) (net)	64,635	82,444	122,513	85,779	106,577	102,148
Protect the country from floods (ALB) (net)	82,348	79,161	123,072	93,721	103,298	59,888
Animal, marine and plant health (ALB) (net)	2,047	2,198	5,578	5,416	3,487	3,152
Total administration budget	732,305	832,294	938,764	1,060,814	1,045,444	1,240,628

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 2024-25, (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.

				Permanently Employed Staff	Permanently Employed Staff	Other Staff	Other Staff
	Total Operating Income	Total Operating Expenditure	Net Expenditure for the Year (including financing)	Number of employees	Staff costs	Number of employees	Staff costs
	£000	£000	£000		£000		£000
Core department	54,743	1,973,194	1,918,451	6,544	456,798	618	102,954
APHA	71,848	402,011	330,163	2,870	160,010	412	13,565
CEFAS	19,152	79,954	60,802	622	37,301	-	-
FC	14,607	206,896	192,289	838	44,778	146	11,613
RPA	10,695	1,157,259	1,146,564	2,693	117,962	5	426
VMD	19,454	25,088	5,634	175	12,129	15	652
AHDB	52,202	53,779	1,577	357	21,105	-*	2
CCW	409	7,773	7,364	84	4,734	6	115
EA	589,757	2,034,808	1,445,051	12,795	695,003	536	12,425
Flood Re	340,268	292,864	(47,404)	70	9,859	-	-
JNCC	3,060	28,924	25,864	282	15,828	1	72
MMO	4,857	52,703	47,846	531	29,105	7	572
NFC	3,293	8,880	5,587	34	2,327	12	261
NE	32,235	334,425	302,190	2,804	153,569	170	1,790
OEP	-	10,492	10,492	72	6,363	7	78
RBG Kew	69,691	114,918	45,227	1,274	61,713	19	3,383
SFIA	8,776	11,233	2,457	81	4,796	14	513
LI Ltd	17	23,504	23,487	51	2,704	-	-

*The other staff costs incurred by AHDB do not equate to a full-time equivalent employee.

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 (FReM) and PES, as issued by HM Treasury).

The figures in the table may not agree directly to the published ALB accounts, due to FReM alignment, intergroup eliminations, timing differences and other consolidation adjustments.

Annex 3: Commentary on Sustainable Performance

Background

The environmental data and financial costs provided align with HM Treasury's 2024-2025 Sustainability Reporting Guidance for Public Sector Annual Reports. However, this information has not been audited and is not included in the auditors' opinion on the accounts.

Introduction

This annex details Defra's performance in meeting sustainability objectives for its properties and operations. The report highlights significant operational impacts measured against Greening Government Commitments (GGC) targets, which include reducing Greenhouse Gas (GHG) emissions, waste, and water use, adapting to climate change, improving ICT, promoting nature recovery, and increasing the procurement of 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 five per cent.
- Increase the amount of recycled waste to above 70 per cent.
- Reduce total waste by 15 per cent.
- Reduce water consumption by eight 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.

Assurance and Data

The Sustainability Data tables report Defra's GHG emissions, energy consumption, water use, and waste figures for 2024, based on GGC targets. Financial data is sourced from accounting records, as cost data is not part of GGC reporting.

Energy and Water Data: Primarily sourced from supplier invoices, informed by manual or Smart Meter readings.

Waste Data: Derived from waste contractors' figures, using actual weights where possible, or estimates based on bin counts. Audits have been conducted to improve data accuracy, though some margin of error remains due to estimation methods.

Departmental Group Performance⁵⁷

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
- 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 that occupy its buildings. Additionally, some Defra group bodies that do not meet the GGC reporting threshold but are not significant enough to exclude from the departmental dataset are also included).

⁵⁷ 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.

This report highlights the collective performance of all Defra group organisations participating in the GGCs. However, it does not capture every performance detail for each individual organisation. To gain a complete understanding, it is recommended to read this report alongside the individual reports of the listed organisations.

Governance

Defra reports progress against GGC targets quarterly to senior leadership, including the Group Chief Sustainability Officer, Group Corporate Services Board, and Executive Committee (ExCo).

Quality assurance is handled by the Sustainability Centre of Expertise, which produces sustainability reports. These reports have undergone internal audits and are compliant with GGC and HM Treasury guidelines.

Greening Government Commitments

In October 2021, the government introduced new GGC targets to support its net zero goal and the Environmental Improvement Plan.⁵⁸

Targets were set against the 2017-18 baseline year with data collection starting in 2021-22. Data from these two years is for general comparison only, as it covers a different scope of organisations.

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**.

⁵⁸ <https://www.gov.uk/government/publications/greening-government-commitments-2021-to-2025>

Targets and Performance - Table 1

	Current Achievements	Target April 2025	Current Performance	Supporting of UN Sustainable Development Goals
Total GHG Reduction 2023* vs. Baseline	27% reduction	50% reduction	Below target	Climate Action
Direct GHG from buildings 2023* vs. Baseline	10% reduction	15% reduction	Below target	Climate Action
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	33% converted to zero emission	100% by end 2027	Below target	Climate Action
Domestic Flights emissions Reduction 2023* vs. Baseline	28% reduction	30% reduction	Below 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	Travel hierarchy	Travel policies to prioritise low carbon options	Target met	Climate Action

	Current Achievements	Target April 2025	Current Performance	Supporting of UN Sustainable Development Goals
Total Waste Reduction 2023* vs Baseline	8% reduction	15% reduction	Below target	Responsible Consumption and Reduction
Landfill Waste Reduction 2023*	8% sent to Landfill	Less than 5% sent to landfill	Below target	Responsible Consumption and Reduction
Recycling Waste 2023*	72% recycled	More than 70% recycled	On target	Responsible Consumption and Reduction
Remove consumer single use plastic from office estate	2,580,237 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
Implement waste reuse schemes	See waste and water / digital sustainability section	Implement waste reuse schemes	Target met	Responsible Consumption and Reduction
Paper Use Reduction 2023* vs. Baseline	90% reduction	50% reduction	Exceeded target	Responsible Consumption and Reduction
Water Reduction 2023* vs. Baseline	4% increase	8% reduction	Increase from baseline	Clean Water and Sanitation and 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 & Responsible Consumption and Reduction

	Current Achievements	Target April 2025	Current Performance	Supporting of UN Sustainable Development Goals
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	Target met	Responsible Consumption and Reduction

* Reporting 1st Jan 2024 to 31st December 2024

Greenhouse gas emissions

Defra Group is below its target to reduce overall greenhouse gas emissions by 50 per cent from the 2017-18 baseline. A 27 per cent reduction has been achieved, aligning with the goal of net zero by 2050. Direct emissions have reduced by 10 per cent, below the 15 per cent target. Issues in achieving the targets include:

Decarbonising Heating: Transitioning from gas and oil-fired boilers to electric heat pumps, a key part of a decarbonising strategy, is slower than planned due to the need for electricity supply upgrades in many properties.

Workforce Growth: Despite a 48 per cent increase in full-time equivalent (FTE) staff, energy use has remained at the 2017-18 baseline level.

Operational Energy Use: Energy is used by Defra Group for heating greenhouses, producing steam for laboratories, operating mobile equipment, and pumping water. Energy needs are influenced by ambient temperatures, disease outbreaks, and weather-related incidents.

Northern Ireland: Increased domestic flights, particularly to support the Windsor Framework and the Belfast hub, have impacted targets. Air travel remains essential for travel between Defra hubs in Great Britain and Belfast.

Our highlighted initiatives show a strong commitment to sustainability and reducing our carbon footprints.

- Defra group Sustainability Centre of Expertise is developing a group-wide decarbonisation action plan.
- Collaboration with the Carbon Trust to provide decarbonisation planning advice for Arm's Length Bodies.
- The Science Capability in Animal Health (SCAH) masterplan, a major government initiative to redevelop the Weybridge Science Campus, includes significant sustainability commitments, focusing on energy efficiency, renewable energy, minimising gas use, and maximising electricity use.

- Defra and EA purchase electricity backed by Renewable Energy Guarantees of Origin (REGOs) from renewable sources.

RBG Kew are undertaking decarbonisation projects having completed the decarbonisation of Jodrell Laboratories in 2024 and have ongoing plans to renovate and decarbonise the Palm House at Kew Gardens.

Zero Emission Vehicles

Defra Group has the third largest fleet in government. We met our commitment for 25 per cent of our car fleet to be ultra-low emission by December 2022. A further target requires 100 per cent of our car and van fleet to be fully zero emissions at tailpipe by December 2027. We are achieving 33 per cent, this is good progress, but we are at risk of missing the 100 per cent requirement. Defra group:

- Use many 4x4 vehicles for operational reasons, these meet specific safety, storage, towing weight, ground clearance and travel distance requirements which cannot be met by many electric 4x4s on the market.
- Employees often travel to very rural places for operational tasks such as site visits and inspections. The rollout of public infrastructure within localities alongside the limited range of electric vehicles means drivers currently need to retain non-electric vehicles for those special uses.

Securing capital funding will be required to put in place the charging infrastructure and site electrical capacity to meet the scale of transitioning vehicles.

To support the transition to electric vehicles, over 290 EV chargers have been installed across Defra estate and fleet services have delivered the 1,000th electric vehicle. Fleet services will continue to monitor the market for suitable fleet vehicles, including upcoming 4x4s expected in 2026-27 and influence fleet and hire vehicle suppliers to provide suitable electric vehicles.

Waste and Water

Defra Group has reduced the amount of overall waste it generates by 8 per cent against a target of 15 per cent. Waste sent to landfill represents 8 per cent of our total waste against a target of 5 per cent. We are recycling 72 per cent of our waste against a target of 70 per cent. We have not yet removed all consumer single use plastic (CSUP) from our office estate. We have reduced our paper use by 90 per cent (against a target of 50 per cent).

Water usage exceeds the original baseline by four per cent having continually increased post-Covid despite implementation of water efficiency activities across our estate.

Our main challenges lie in reducing waste and water from our frontline operations rather than our office estate. Some sites managed by Defra group receive high numbers of visitors and the waste they generate, as well as litter produced, is harder to segregate for recycling. Water use can also change significantly due to operational demands and weather conditions.

Defra have implemented many initiatives that collectively aim to promote sustainability and reduce environmental impact.

- Integrated the removal of single-use plastics into the new Facilities Management contract.
- Eliminated an estimated 20,000 single-use plastic items annually through changes with the catering contractor.
- Focused on reducing single-use plastics in stationery, catering, and cleaning contracts.
- Incorporated waste segregation and recycling requirements into contracts with supply chain partners.
- Ensured unused furniture is offered to other offices, schools, charities, or recycled.
- Implemented sensor taps, leak detection systems, automatic water metering, rainwater harvesting, and water-saving refurbishments.

RBG Kew have launched a scheme to reduce reliance on single-use cups and minimise waste and are developing an irrigation strategy to enhance water use efficiency and maximise rainwater harvesting, reducing reliance on mains water.

Sustainable Procurement

Defra integrates sustainability into its commercial activities through its Procurement Policy and processes, focusing on high-risk areas based on sustainability impacts, business risk, and spend. A sustainability risk assessment is part of commercial strategies to manage relevant impacts throughout the contract's life.

We are coordinating work across government to review the Government Buying Standards (GBS). We are working on this with policy teams (in Defra, Department for Energy, Security and Net Zero (DESNZ) and Department for Transport (DfT)), together with the Government Commercial Function (GCF), and Crown Commercial Services (CCS).

Nature Recovery

Defra group manages a diverse portfolio of land, including offices, depots, and protected sites and is driving initiatives that take forward the nature recovery agenda.

In 2022, we started a collaborative project to understand and enhance our natural assets in line with national targets. Extensive consultation within Defra group has been conducted to determine existing data and stakeholder requirements to develop a natural asset register and geospatial mapping to inform decision-making. Engagement with other large land-holding departments has been undertaken to share knowledge and align approaches to nature conservation across the government estate.

We have completed our first Defra group nature recovery plan, informed by the requirements of GGC and the priorities of the Defra group. The plan focuses on where we can add

additional improvements to the work that Forestry England, Natural England, EA and protected landscapes are already doing to enhance nature recovery.

Recognising opportunities for nature enhancement within Defra group assets, we are developing biodiversity key performance indicators (KPIs) to measure and report progress on our biodiversity enhancement. We are already delivering against these enhancements through revised grounds maintenance and land management regimes that include reducing mowing frequency, allowing grassland patches to grow wild, and incorporating features like bird and bat boxes, indigenous planting, and maintaining wildflower meadows.

The Cross Government Nature Strategy (CGNS), initiated in 2023 and led by Defra Sustainability Centre of Expertise, will ensure the government estate delivers proportionately against national nature and Environmental Improvement Plan targets. Defra is working with other government departments to develop a collaborative plan for nature recovery, combining policy and operational expertise. To provide a strong evidence base for the strategy, work is ongoing to develop a natural capital baseline for the government estate to inform targets and identify opportunities for nature recovery and enhancement. We are also exploring funding opportunities for delivery of the CGNS, including identifying the role of private investment via domestic nature markets.

Climate Adaption

In March 2023, our Sustainability Strategy was approved by ExCo. The strategy sets the strategic objectives for our operational climate related risk and opportunities, including:

- Climate change risk assessment: Understanding and quantifying risks to operations, assets, and supply chains.
- Climate change adaptation: Planning and implementing adaptation measures.

The goal is to integrate these risks and opportunities into Defra's central risk management process in 2025.

Defra's central sustainability team has conducted a baseline exercise to understand current climate risk management practices. Defra group Property (DgP) is assessing estate vulnerabilities, and several ALBs have completed climate risk assessments including EA, Natural England, Forestry Commission and Marine Management Organisation.

We have delivered against the GGC commitment to produce a Defra group Climate Change Adaption Plan for our estate and operations by March 2025. This:

- Identifies top climate-related risks for Defra group.
- Aligns climate risk to our risk management approach.
- Assess climate related risks against emerging and principal risk criteria.
- Sets out roles, responsibilities, and approach to Board oversight.

- Aligns with HM Treasury Taskforce for Climate-Related Disclosures guidance.

Digital Sustainability

Defra is committed to making its IT estate sustainable and leads digital sustainability across government. We are doing this through:

- Sustainable ICT Strategy 2020-2025: Sets objectives and principles to inform sustainable behaviour, currently being refreshed for 2025.
- Digital Sustainability Team: Assesses sustainability risks in projects.
- Artificial Intelligence (AI) Position Statement: How we will balance AI opportunities with sustainability risks, supported by a detailed question set to ensure we are deploying AI only where it is needed and in the most sustainable way possible.
- Technology Supplier Collaboration: Ensures sustainability reporting commitments are met and identifies strategic risks and opportunities.
- Technology Procurements: Includes sustainability criteria in major procurements, for example future networks, hardware, and hosting and storage services.

We continue to report against the Greening Government ICT and Digital Services Strategy⁵⁹. Targets included within this strategy:

- Reduce carbon emissions for Defra Group ICT.
- Reduce ICT electronic waste to landfill to zero per cent.
- Improve waste management by reducing the overall amount of waste generated and increasing the proportion which is reused and recycled.

Defra's performance against these targets is summarised below:

	Current Status	Target April 2025	Current Performance	Supporting of UN Sustainable Development Goals
Total GHG Reduction 2023-24 vs. 2020-21 baseline	10.5% reduction	Carbon Reduction	On target	Climate Action
Landfill Waste Reduction	0% sent to landfill	0% to landfill	Target met	Responsible Consumption and Reduction

⁵⁹ <https://www.gov.uk/government/publications/greening-government-ict-and-digital-services-strategy-2020-2025>

	Current Status	Target April 2025	Current Performance	Supporting of UN Sustainable Development Goals
Recycling Increase 2023-24 vs 2021-22*	Increase from recycling rate of 26% to 60%	Increasing proportion of waste that is recycled	Target Met	Responsible Consumption and Reduction
Re-Use Increase 2023-24 vs 2021-22*	Reduction from re-use rate of 46% to 40%	Increasing proportion of waste that is re-used	Worse than target	Responsible Consumption and Reduction

*2020-21 data not available

Defra coordinates cross-government digital sustainability efforts through two key groups:

Cross Government Digital Sustainability Steering Group: Formed in March 2024, this group includes representatives from most government departments. It focuses on strategy and action in reporting improvements, capability building, Scope 3 methodology, procurement, sustainable service design principles, and AI sustainability standards. The group's efforts were recognised with a SustainableIT.org award. It will oversee progress and support the development of a new cross-government Digital Sustainability Strategy in 2025.

Government Digital Sustainability Alliance (GDSA): This collaborative group includes government departments, industry, and academic experts. It has grown from fewer than 20 to over 50 organisations and focuses on improvements in circularity and emissions reporting. The GDSA will continue to make recommendations on these topics and support work on planetary impact and AI.

Sustainable Construction

Defra's building construction projects prioritise sustainability in several ways:

Building Research Establishment Environmental Assessment Method (BREEAM) Standards: Buildings are designed to achieve an 'excellent' BREEAM rating, ensuring environmental sustainability through advanced products and practices.

Energy Efficiency: Energy loads are optimised, with options for generating renewable energy on-site.

Social Value: Projects incorporate locally sourced materials, labour, and traders to enhance social value.

The Science Capability in Animal Health (SCAH) Programme aims to redevelop the Weybridge Science Campus over 15 years, enhancing its scientific capabilities and environmental performance. The masterplan includes significant sustainability commitments, such as energy efficiency, renewable energy, river restoration, biodiversity net gain, resource and water conservation, and flood protection. Construction will proceed without disrupting current activities or negatively impacting the local community. Initial enabling works and key off-site low-carbon energy infrastructure are already underway.

Environmental Management System

Defra's ISO14001 Environmental Management System (EMS) covers over 200 sites, including 120 sites previously under the Environment Agency's ISO14001. This centralised EMS helps manage significant environmental risks and demonstrates Defra's commitment to reducing environmental impact, implementing sound practices, and integrating environmental policy into decision-making. The EMS is supported by environmental, waste, and energy policies, endorsed by the Director of Group Property.

Transparency Reporting

Defra publishes a transparency statement to reinforce its commitment to sustainability. This statement includes both quantitative measures and qualitative aspects such as sustainable procurement, sustainable construction, climate change adaptation, nature recovery and green ICT. These elements are detailed in the sections below.

Further Information

Quarterly updates on Defra group's performance towards the GGCs (excluding digital) are available online⁶⁰. For a comprehensive understanding, this report should be read alongside the Annual Report and Account Sustainability Reports from each Defra group public body.

⁶⁰ <https://www.gov.uk/government/publications/greening-government-commitments-defras-performance/greening-government-commitments-defras-performance-october-2023#:~:text=We%20aim%20to%20achieve%20the,a%20final%20target%20of%2050%25>

Sustainability Data

ENERGY			2017-18	2022-23	2023-24	2024-25*
Non financial indicators (kWh)	Energy consumption	Total energy consumption	203,297,967	199,251,811	202,080,541	194,349,753
		Total electricity	100,028,361	103,285,282	105,925,517	93,253,573
		Electricity: standard	49,183,249	8,650,541	8,994,468	3,336,233
		Electricity: green	48,364,769	89,854,709	94,834,989	89,917,340
		Electricity: Purchased CHP	0	0	0	0
		Gas	81,030,642	84,540,626	84,159,733	85,546,787
		Oil	18,122,019	7,683,240	8,117,105	8,661,909
		Biomass	1,773,783	1,710,767	1,616,032	1,396,840
		CHP (heat and electricity)	2,306,324	1,173,662	1,302,055	1,658,979
		Self-generated renewables	1,564,879	4,815,633	2,096,059	1,673,574
		LPG	535,152	556,274	364,295	549,268
		Other	417,150	266,359	587,853	1,608,637
Financial Indicators (£000)	Energy Costs	Electricity costs	Included in other energy costs	21,771	28,808	27,149
		Gas costs		5,592	4,620	5,764
		Oil costs		1,013	599	1,093
		Other energy costs		469	1,026	7,932

WASTE		2017-18	2022-23	2023-24	2024-25*
Non financial indicators ('000 kgs)	Total waste	7,244	8,188	10,432	9,812
	Hazardous waste	272	54	22	10
	IT waste recycled and unrecyclable	30	38	Unavailable	0
	Recycled	3,337	4,102	7,116	7,097
	Composted	248	198	202	346
	Incinerated with energy recovery	1,745	2,653	2,227	1,632
	Incinerated without energy recovery	464	341	385	339
	Landfill	1,447	855	704	744
Financial indicators (£000)	Total disposal cost	3,510	3,991	4,047	4,450
	Hazardous waste	623	527	493	434
	IT waste recycled and unrecyclable	Not reported in this year	3	3	7
	Recycled	698	944	1,154	1,405
	Composted	Included in recycled cost	57	47	58
	Incinerated with energy recovery	347	1,006	987	1,076
	Incinerated without energy recovery	N/A	91	153	134
	Landfill	119	1,346	1,211	1,336

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Annex 3 – Commentary on Sustainable Performance

WATER			2017-18	2022-23	2023-24	2024-25*
Non-financial indicators (m3)	Water Consumption	Total scope 2 water consumption	612,505	570,582	535,492	639,281
Financial indicators (£000)	Water supply costs		1,051	1,272	1,541	2,141

GREEN HOUSE GAS EMISSIONS		2017-18	2022-23	2023-24**	2024-25*
Non financial indicators ('000 kgs CO2e)	Scope 1: direct emissions	31,698	25,339	27,117	26,464
	Scope 2: indirect emissions	34,275	19,049	21,247	19,309
	Scope 3: emissions	10,214	8,518	10,954	11,007
	Total emissions	76,188	52,906	59,319	56,780
	Direct emissions from buildings	21,604	17,925	20,856	20,944
	Scope 3: emissions from electricity	3,206	1,743	1,866	1,695
	Scope 3: emissions from domestic public transport	7,008	6,775	9,089	9,312
Financial indicators (£000)	Expenditure on official business travel	27,560	33,955	38,862	46,438

OTHER TARGET AREAS		2017-18	2022-23	2023-24	2024-25*
Non financial indicators	Emissions from domestic flights ('000 kgs CO2e)	265	87	155	191
	Emissions from international travel ('000 kgs CO2e)	203	1,870	2,844	3,521
	Number of domestic flights	3,457	1,347	1,161	2,370
	Distance of domestic flights (kms)	1,877,458	672,822	1,002,170	1,184,752
	Distance of international flights (kms)	2,374,360	20,465,469	21,898,172	24,630,436
	Distance of international rail (kms)	54,171	263,055	299,616	319,047
	Paper use (reams)	72,833	9,735	10,585	7,358

* Reporting period from 1st January 2024 to 31st December 2024

** Update GHG data for 1st January 2023 to 31st 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 years 2018-19 to 2020-21 is taken from prior GGC reporting and therefore does not cover the same scope of organisations. It is included for general comparative purposes.

(xi) 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 as per note (x) above.

(xii) 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.

(xiii) 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 to avoid seasonality impacts. When the data becomes available, corrections will be made in future editions of this report.

Definitions

Scope 1 Direct emissions:

- Building emissions: emissions from on-site fuel combustion (for example, oil, natural gas, LPG, biomass).
- Vehicle Emissions: Emissions from department-owned or leased vehicles (for example, badged vans, lease cars).

Scope 2 Indirect emissions:

- Electricity emissions: emissions electricity sourced from the national grid. These emissions are generated during the electricity production process, typically at power stations, and occur away from the department's sites.

Scope 3 Emissions:

- Transport emissions: emissions from vehicles and public transport not owned by the department (for example, trains, planes, personal vehicles used for business purposes).
- Electricity Distribution emissions: emissions from the distribution of national grid electricity, including maintenance of power lines and network operations.

Note: Scope 3 emissions in this report do not cover emissions from other suppliers to the department, as these are outside the scope of GGC reporting.

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