

**DEPARTMENT FOR
ENVIRONMENT, FOOD
& RURAL AFFAIRS**

DEPARTMENT FOR ENVIRONMENT, FOOD & RURAL AFFAIRS

This overview summarises the work of the Department for Environment, Food & Rural Affairs (Defra) including what it does, how much it spends, recent and planned changes, and what to look out for across its main business areas and services.

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- What to look out for

The National Audit Office (NAO) helps Parliament hold government to account for the way it spends public money. It is independent of government and the civil service. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether government is delivering value for money on behalf of the public, concluding on whether resources have been used efficiently, effectively and with economy. The NAO identifies ways that government can make better use of public money to improve people's lives. It measures this impact annually. In 2018 the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £539 million.

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About the Department

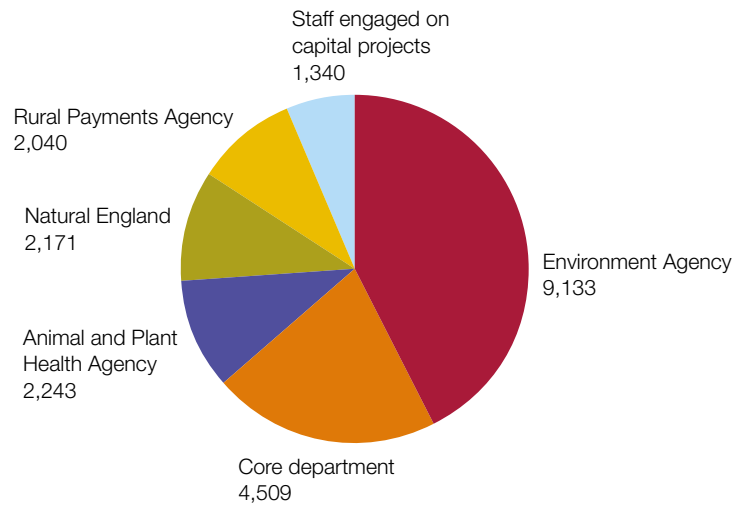
The Defra Group continued to grow during 2018-19 and core Defra has more than doubled in size in the last three years

According to Defra's annual report for 2018-19, "the Defra Group is here to make our air purer, our water cleaner, our land greener and our food more sustainable. Our mission is to restore and enhance the environment for the next generation and to leave the environment in a better state than we found it."

It has four objectives:

- 1 To deliver a safe and ambitious departure from the EU, setting global standards in protecting and harnessing value from the natural environment.
- 2 To pass on to the next generation a natural environment protected and enhanced for the future.
- 3 To lead the world in food and farming with a sustainable model of food production.
- 4 To become an outstanding organisation focused on making a difference, with world class delivery capability.

Average staff numbers (full-time equivalent) in 2018-19

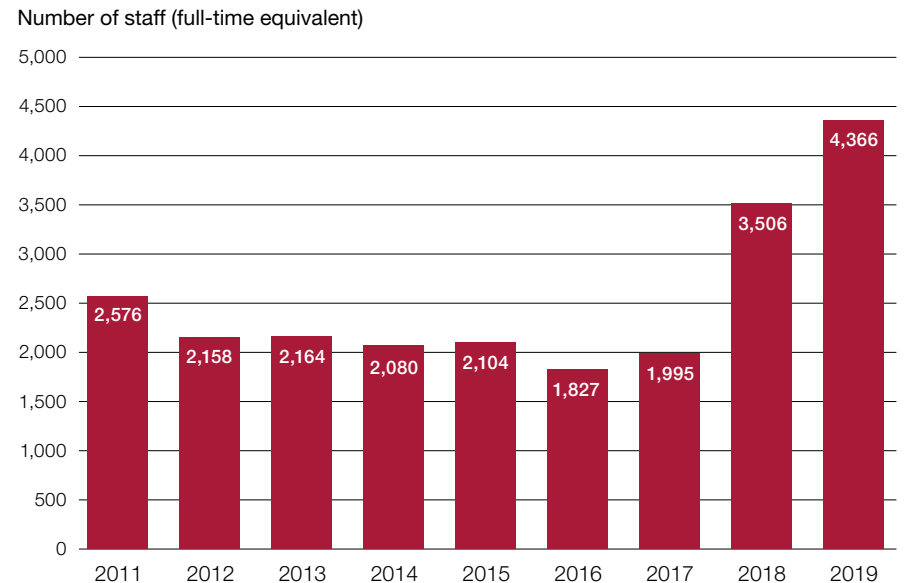


Source: Department for Environment, Food & Rural Affairs, *Annual Report and Accounts 2018-19*

Across its group, Defra had an average of 24,843 staff (full-time equivalents) during 2018-19, an increase of 7% from the previous year. The Environment Agency had over 9,000 staff, the largest across the Defra Group. As well as growing staff numbers, Defra's use of consultants and temporary staff has continued to grow: in 2018-19, Defra spent £196 million across the Group on this, compared with £111 million the previous year, an increase of 77%.

Core Defra has grown rapidly since the EU referendum in June 2016. In March 2019, the core department employed 4,366 staff (full-time equivalent), more than double the number in March 2016 of 1,827.

Number of staff in core department in March 2011-2019



Note

1 This chart shows the number of staff at the end of each year while the chart opposite shows the average number over the year.

Source: Department for Environment, Food & Rural Affairs, *Annual Report and Accounts 2010-11 – 2018-19*

How the Defra Group is constituted

Entities within the departmental boundary¹

	Non-ministerial department	Executive agencies	Executive non-departmental public bodies	Levy-funded bodies	Non-profit institution	Advisory non-departmental public bodies	Other
Core Defra	Forestry Commission England	Animal and Plant Health Agency	Consumer Council for Water	Agriculture and Horticulture Development Board	National Forest Company	Advisory Committee on Releases to the Environment	Flood Re
		Centre for Environment, Fisheries and Aquaculture Science	Environment Agency	Sea Fish Industry Authority		Independent Agricultural Appeals Panel	
		Rural Payments Agency	Joint Nature Conservation Committee			Science Advisory Council	
		Veterinary Medicines Directorate	Marine Management Organisation			Veterinary Products Committee	
			Natural England				
			Royal Botanic Gardens, Kew				

Entities outside departmental boundary

Public corporations	National Park authorities		Other
Covent Garden Market Authority	Dartmoor National Park Authority	South Downs National Park Authority	Water Services Regulation Authority (Ofwat)
Forest Enterprise England	New Forest National Park Authority	Yorkshire Dales National Park Authority	Broads Authority
	North York Moors National Park Authority	Lake District National Park Authority	Canal and River Trust
	Northumberland National Park Authority	Exmoor National Park Authority	
	Peak District National Park Authority		

Note

¹ Entities within the departmental boundary are consolidated into Defra's Annual Report and Accounts. Parliament determines which entities are included through legislation.

Where Defra Group spends its money

The Department spent £6.8 billion in 2018-19, the majority of which was spent through its arm's-length bodies.

This represented a 7% increase over the amount spent in 2017-18, which was £6.3 billion. The increase was primarily driven by increases in spend under the Common Agriculture Policy (CAP) as the Department tried to maximise and bring forward spend under the CAP in anticipation of the expected date of EU Exit on 29 March 2019.

The Rural Payments Agency spent more than half of the total amount spent by the group, incurring £3.5 billion of expenditure in year. This included £2.0 billion of grant funding to claimants in England under the CAP, and a further £1.3 billion provided to the Scottish, Welsh and Northern Irish devolved administrations to fund grants under the CAP in their respective countries.

The Environment Agency (EA) incurred £1.4 billion of expenditure in 2018-19, with the largest area of spend being flood and coastal erosion risk management (£0.9 billion).

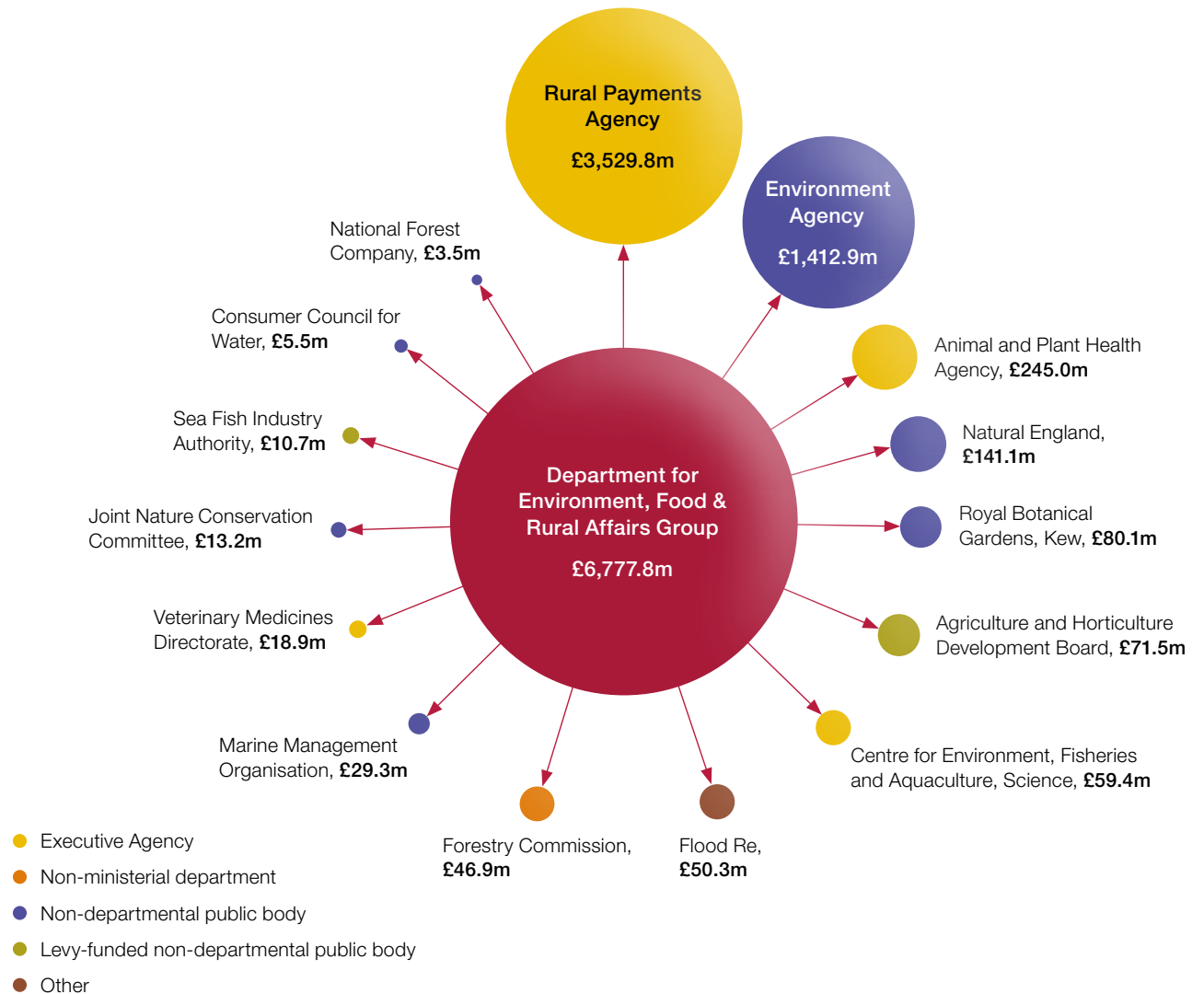
The core Department itself provided £1.6 billion of funding to arm's-length bodies, in addition to incurring £1.0 billion of expenditure directly. Of this amount, £0.5 billion was spent on grants under the Rural Development Programme for England.

In addition, the Department spent £252 million on acquiring new assets or enhancing existing assets in 2018-19

The majority of this spend (£174.5 million) was incurred on physical items of property and equipment, including operational assets held by EA (such as flood defences), enhancements to the Department's scientific and administrative buildings and the purchase of IT hardware.

The Department also spent £65.8 million to acquire or enhance intangible assets in 2018-19, including new IT systems developed for use following EU Exit.

Spending by Defra Group 2018-19



Notes

1 Figures represent gross total expenditure. The figure for the Defra Group includes spend directly incurred by the Core Department of £957.3 million in addition to the amounts spent by the arm's length bodies, less any intra-group trading.

Source: Department for Environment, Food & Rural Affairs, *Annual Report and Accounts 2018-19*

Defra's income

Defra received £4.8 billion in income in 2018-19 which included:

£455 million from fees, levies and charges including:

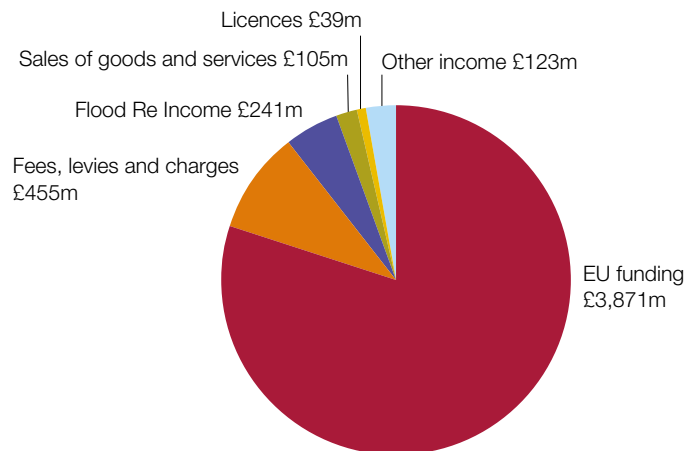
- environmental protection charges of £189 million: these are paid by anyone conducting an activity that could cause pollution, increase flood risk or adversely affect land drainage;
- water abstraction charges of £125 million: paid for licenses to take water from groundwater, surface water, or tidal water; and
- agriculture and horticulture levies of £58 million: paid by farmers, growers and others in the supply chain to fund the Agriculture and Horticulture Development Board.

Flood Re income of £241 million, the majority of which (£180 million) is derived from a levy paid by household insurers. Every insurer that offers home insurance in the UK must pay a levy into the Flood Re Scheme, which is used to cover the flood risks in home insurance policies.

£105 million from the sale of goods and services including scientific advice, analysis and research (£25 million) and tuberculosis compensation salvage receipts (£11 million).

License income of £39 million, the majority of which (£22 million) is from fishing licence duties.

Department for Environment, Food & Rural Affairs income in 2018-19



Source: Department for Environment, Food & Rural Affairs, *Annual Report and Accounts 2018-19*

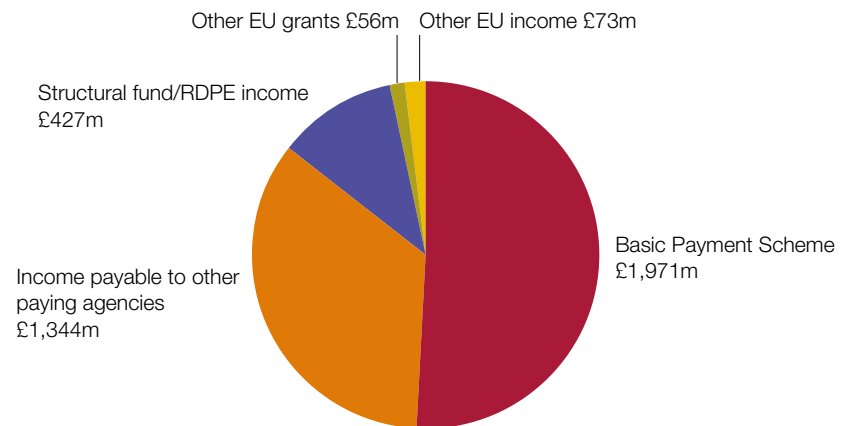
More than three-quarters (80%) of Defra's operating income came from the EU in 2018-19.

More than half of Defra's income from the EU is money paid to Defra to reimburse direct payments made to support farmers under the Basic Payment Scheme, part of the Common Agricultural Policy (CAP).

A further £1.3 billion is to reimburse the payments made by the Welsh, Scottish and Northern Irish paying agencies for support to farmers under CAP.

The Department also receives income from the EU to support the Rural Development Programme for England (RDPE), which provides money for projects to improve agriculture, the environment and rural life.

How income from the EU was spent 2018-19



Source: Department for Environment, Food & Rural Affairs, *Annual Report and Accounts 2018-19*

Managing public money

Financial Performance

Defra's total net spend (excluding EU Exit expenditure) fell from £2.7 billion in 2010-11 to under £2.1 billion in 2015-16. These reductions were required as a result of government spending reviews in 2010, 2013 and 2015. The reductions have been made to a large extent by the transformation of Defra's corporate services, bringing HR, IT, Estates, Communications and Finance functions in to the core department.

In recent years preparations for EU Exit have required additional investment and, in 2018-19, Defra's total expenditure rose to just under £2.5 billion. Defra spent a total of £337 million on EU Exit in 2018-19, and expects to spend a further £445 million in 2019-20.

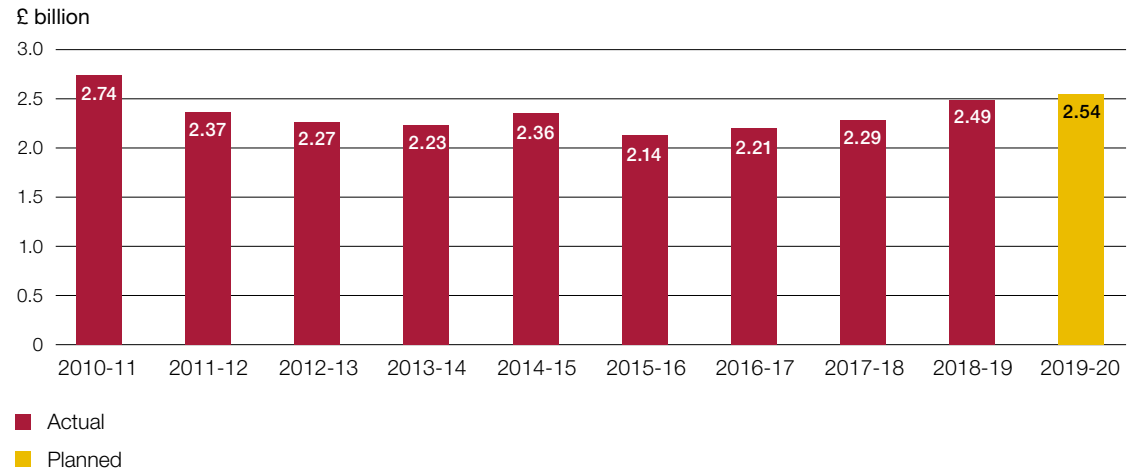
Statement of Financial Position

In 2018-19, the Department's total assets increased from £6.0 billion to £6.4 billion. This increase was primarily driven by a £279 million increase in accrued income relating to EU funding, due to the Department maximising activity on EU-funded schemes in the run up to 29 March 2019. The other contributing factor was investment in non-current assets, which resulted in a net increase in the value of property, plant and equipment of £70 million and a net increase of £28 million in the value of intangible assets.

2018-19 also saw a decrease in the Department's total liabilities from £3.9 billion to £3.6 billion. This was driven by movements in the Department's significant provisions and pensions liabilities. These included:

- a reduction in the provision for anticipated disallowance penalties (financial corrections on member states for failing to apply EU Regulations under the Common Agricultural Policy) of £161 million following successful negotiations with the European Commission;
- a £250 million reduction in the provisions the Department holds for dealing with the environmental impact of abandoned metal mines and foot and mouth disease burial sites, primarily as a result of changes in the methodology applied to take account of the impact of inflation and government borrowing costs; and
- a £183 million increase in the value of the Department's defined benefit pension liabilities, driven by changes to the financial assumptions applied by the scheme actuaries in calculating the value of the liabilities.

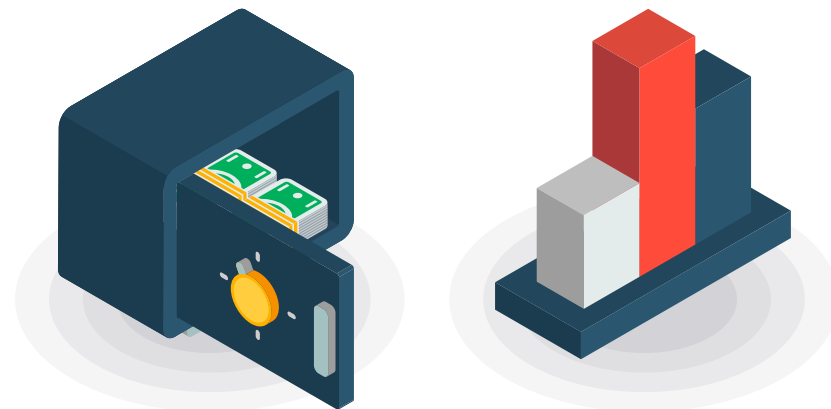
Total Department for Environment, Food & Rural Affairs spend 2010-11 to 2019-20¹



Note

1 The chart shows total capital and resource out-turn spending excluding annual managed expenditure (AME). For Defra, AME is volatile and consists mainly of provisions in the accounts for expected liabilities, for example, for disallowance penalties, rather than actual spending.

Source: Department for Environment, Food & Rural Affairs, *Annual Report and Accounts 2018-19*



– Exiting the European Union

Defra's overarching priority was the delivery of a "safe and ambitious exit from the EU". Defra estimated that 80 per cent of its work was framed by EU legislation and a quarter of EU laws applied to sectors for which it is responsible. With the Devolved Administrations, it administered more than £3 billion of EU funding each year to support farming, fisheries and environmental projects.

In its annual report and accounts, Defra listed its achievements during 2018-19 as:

- completing and laying 122 Statutory Instruments;
- making progress on a portfolio of 53 EU Exit related work streams;
- creating six new digital systems and services;
- setting up an Emergency Operations Centre as well as public call centres; and
- engaging extensively with businesses and the public.

During 2018-19, Defra took on around 2,000 new and redeployed staff into roles supporting EU exit, including 220 staff into EU and International trade, 120 into Marine and Fisheries and 120 into Future Farming and Countryside. Defra reports that the rapid expansion of its workforce to prepare for EU exit has significantly increased the challenge in ensuring that all staff understand and comply with financial systems and processes.

Following EU exit in January 2020, Defra is now working towards the end of the transition period at the end of 2020 and ensuring it has the plans, systems and legislation in place to manage whatever scenario is reached by then. Defra plays a key role in the government's preparations at the UK border following EU Exit, particularly for the imports of animals, animal-related products, food and feed, which Defra leads. Our report *The UK border: preparedness for EU exit* October 2019, which focused on border arrangements in the event of no deal, found that Defra had made progress implementing its Import of Products, Animals, Food and Feed System, and was confident of being able to operate a reliable solution following a no deal Exit on 31 October 2019.

Department for Environment, Food & Rural Affairs relevant areas of responsibility

Animal and plant health	<ul style="list-style-type: none"> ● Controlling the import of animals and animal products ● Regulating veterinary medicines ● Enabling pet travel
Environmental regulations	<ul style="list-style-type: none"> ● Regulation of chemicals and pesticides ● Protection of habitats and species ● Air quality ● Upholding the Convention on International Trade in Endangered Species (CITES) ● Creating a new environmental governance body ● Environment (Principles and Governance) Bill
Farming	<ul style="list-style-type: none"> ● Developing UK farming and land management policy ● Agriculture Bill
Fisheries	<ul style="list-style-type: none"> ● Catch certificates for importing and exporting fish ● Marine control and enforcement ● Fisheries Bill ● Future fisheries management and agreements

Development of the UK farming policy



The government views the UK's departure from the EU as a "once in a generation" opportunity to reform agriculture.

Although other countries have enacted sweeping change programmes, Defra's plans are unique in transferring wholesale from a primarily land-based subsidy system to a system of public money for public goods together with funding to help productivity improvements. In England, current subsidies will be phased out over a seven year transition period from 2021 to 2027 and a new environmental land management scheme, which will pay for environmental outcomes, will be fully up and running in 2025.

Our report, *Early review of the new farming programme*, draws conclusions on the development of the replacement scheme and highlights the challenges and risks that Defra faces and makes recommendations on how these should be addressed.



Key findings and conclusions

Farming businesses operate on multi-year planning cycles, and so farmers have an understandable desire for predictability.

The farming industry has been affected by Defra's previous difficulties in introducing change successfully and the scale of the change Defra is now taking on is much greater.

One in six (16%) farmers operated at a loss with subsidies and this would rise to 42% if subsidies were removed and everything else stayed the same.

Defra needs to approach the implementation of its new policy in a careful and considered way, and based on a realistic assessment of its capacity and resilience in the light of how absorbed it has been in planning for a no-deal exit from the EU. This assessment should be based on an understanding of past programmes, both within Defra and elsewhere.

The 10-year timeline proposed for the Programme may be insufficient. It has not yet carried out adequate scenario planning to demonstrate the overall impact of its proposals on agriculture or the overall economy. It needs to take decisions at the right time so that activities can be carried out in the right sequence and with adequate preparation. If it does not, the Programme will move too quickly and sensible precautions, information systems and planning will not be in place and farmers will be unable to prepare in the way they need.



Development of the UK farming policy *continued*

The Agriculture Bill was introduced in January 2020. It provides for a seven-year agricultural transition period in England during which subsidies provided under the EU's Common Agriculture Policy will be phased out and a new system introduced in which the government pays for public "goods" including environmental protection, access to the countryside, and work to reduce flooding. It also contains powers to improve transparency and fairness in the supply chain and provide consumers with more information about how their food is produced.

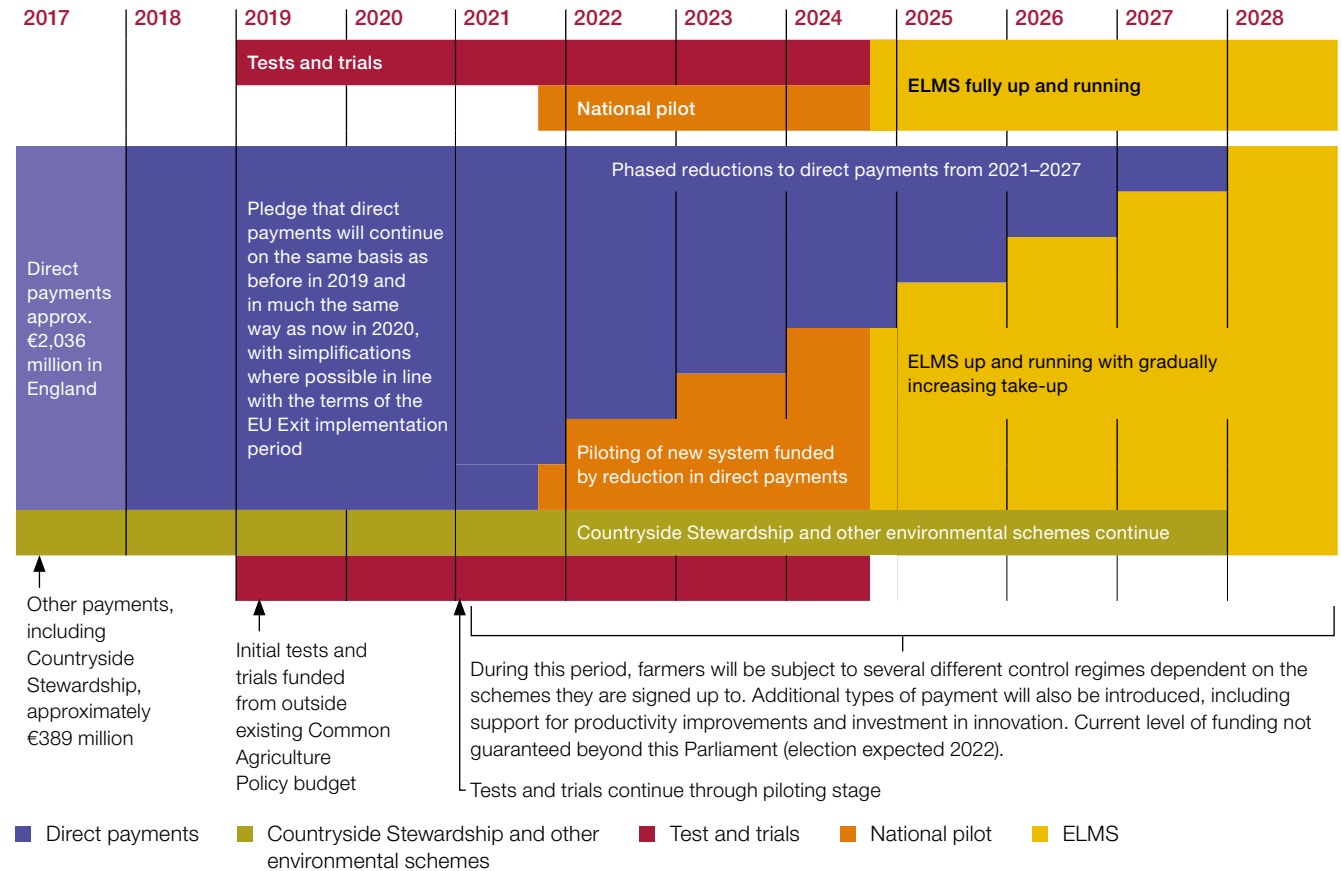
Defra's Permanent Secretary told the Environment, Food and Rural Affairs Select Committee in July 2019 that she recognised it was "a radical and ambitious programme" but that it was feasible to do it in the planned time period, assuming key dependencies such as the passage of legislation are achieved. She also noted that Defra could further engage the farming and land management community.

"Since the NAO report, we have put somebody in charge of change and transformation with a particular focus on our communications ... On that point about communication and engagement, I would not pretend that we think we have done enough."

Tamara Finkelstein, Permanent Secretary, Defra

Indicative timeline and funding sources during the phase-out of direct payments (as at June 2019)

The new Environmental Land Management System (ELMS) will be introduced in phases with full roll-out from 2025



Note
 1 Proportions and rate of change in funding are illustrative of expected trends, not of an agreed allocation of funding. Rates of reduction in the direct payments and the budget available to ELMS have yet to be determined.

Tackling flood risk

Climate change makes extreme weather events such as floods and drought more likely. With 5 million properties at risk of flooding in the UK, building greater resilience into our homes, businesses and infrastructure forms one of the core themes of the Environment Agency's *Draft National Flood and Coastal Erosion Risk Management Strategy for England*, published in May 2019.

Our 2014 report, *Strategic flood risk management* (November 2014), raised concerns that spending by the Environment Agency to maintain flood defences had gone down, and some assets may not be maintained in the future due to costs, which would increase the risk of flooding.

As a result of our report:

- The Environment Agency is introducing new technology and ways of working through its Creating Asset Management Capacity programme.
- It is gathering more detailed information on individual flood and coastal erosion risk management assets, including their maintenance needs, replacement costs and rate of deterioration to implement this programme. This will enable the Environment Agency to manage assets through their whole lifecycle, and better target maintenance activities.

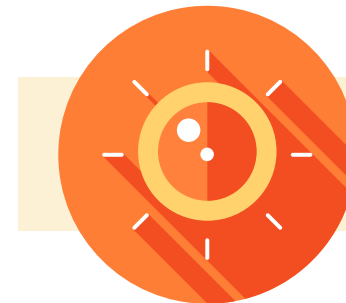
The Government is currently investing £2.6 billion to better protect 300,000 homes and thousands of business from flooding and coastal erosion between 2015 and 2021. The report by the National Infrastructure Commission (NIC), *Reducing the risks of drought and flooding* recommends that, by the end of 2019, government should put in place a rolling six-year funding programme in line with the funding profile set out by the Commission to enable efficient planning and delivery of projects and address the risks from all sources of flooding.

The Environment Agency is expected to publish a new National Flood and Coastal Erosion Risk Management Strategy later in 2020.

Climate changes increases the risk of both flooding and drought in England



High flood risk: 1 million homes have more than 1% chance of flooding in any given year



But also strong risk of drought: 1 in 4 chance of a severe drought between now and 2050

“Relying on emergency measures to assist with droughts over the next 30 years would cost an estimated £40 billion, whereas being resilient would cost £21 billion”

National Infrastructure Commission

Monitoring progress against the 25 Year environment plan

The government collects and reports against a wide range of environmental performance metrics. These are a mixture of metrics used to assess progress against domestic policy and those used to report against the UK's international commitments.

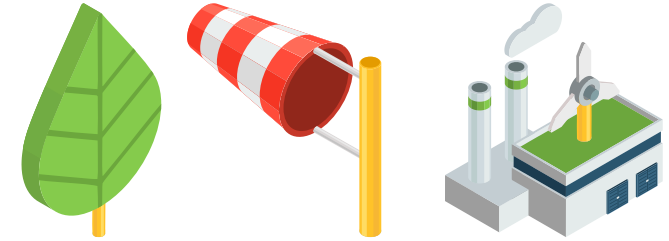
In May 2019, Defra published the Outcome Indicator Framework of 66 environmental metrics to give an overview of the health of the natural environment, including the quality of air, water and wildlife diversity.

Government's main environmental metrics

New 25 Year Environment Plan indicators

25 Year Environment Plan indicators

66 indicators developed to measure progress against the ambitions of the plan, published May 2019



Government's other cross-cutting environmental metrics

Environmental Accounts

Set of satellite accounts to the main UK National Accounts, measuring the interaction between the environment and economy

United Nations Sustainable Development Goals

244 metrics, used to report progress against the UN's 17 Sustainable Development Goals

Natural Capital accounts

ONS are currently developing accounts to sit alongside the Environmental Accounts in response to a commitment from the 2011 Natural Environment white paper. These will hold the valuation of 'Natural Capital' in the UK which includes all ecosystem services provided by natural assets such as soil, air, water and living things

Other information and reporting government collects for environmental monitoring

UK Biodiversity indicators

50 metrics created to assess progress against the Aichi targets

Internal performance metrics

The Environment Agency and other bodies within Defra Group collect environmental metrics but not all are published externally

Single Departmental Plans and annual reports

Departments with environmental goals can report progress towards them in their published plans and annual reports

Defra group scorecard

A selection of metrics set out in the Department's single Departmental plan

Natural Environment indicators

29 metrics covering biodiversity and other areas of the environment

Greening Government Commitments

A set of targets for reducing the impact of government estate and operations: includes greenhouse gas emissions, waste production and water and paper consumption

Biodiversity 2020 indicators

Set of 51 metrics created for the Biodiversity 2020 white paper

Greenhouse gas emission statistics

Official emission statistics for each of the main sectors released annually

Advisory body annual reports

Parliament receives reports from advisory bodies such as the Committee on Climate Change and the Natural Capital Committee

Monitoring progress against the 25 Year environment plan *continued*

The government needs an effective system for measuring its environmental performance in order to understand progress against its long-term environmental goals, to assess the effectiveness of new and existing policy interventions, and to fulfil its international reporting obligations.

The government's [first progress report](#) against the 25 Year Environment Plan was published in May 2019, and gave an update on the 40 priority actions government expects to make the most significant contribution to the Plan's goals.

Our recent report [Environmental metrics: government's approach to monitoring the state of the natural environment](#) (January 2019), examined the current range of metrics and the Government's plans for a new framework of metrics to measure progress against its 25 Year Environment Plan and found:

- The government's plans are promising. Because it takes a whole-system approach, the framework should help decision-makers understand whether government's actions as a whole are consistent with its ambition to improve the natural environment within a generation, and it should help to highlight potential interactions between different policy areas.
- However, Defra had more to do to make sure that the framework gives an authoritative position on the state of the natural environment. The National Committee for Climate Change said that the Progress Report fails to assess if the environment has improved because of "the absence of a baseline against which progress can be measured."
- There were also some significant gaps in the data: Defra expected that 23% of the proposed metrics will not be ready until at least December 2019. A further 9% are likely to still need further development after that point, including on soil and sea health.
- To maximise their impact, environmental metrics should have a spatial element, to identify variations in different geographical areas, but Defra does not expect to publish indicators at sub-national level.
- The proposed new environmental watchdog needs to be demonstrably independent to provide strong external scrutiny.

The Environment Bill received its second reading in February 2020. Its purpose is:

- to transform environmental governance after EU Exit by putting environmental principles into law, introducing legally binding targets, and establishing a new Office for Environmental Protection;
- to increase local powers to tackle sources of air pollution;
- to protect nature and improve biodiversity;
- to extend producer responsibility, ensure a consistent approach to recycling, introduce deposit return schemes, and introduce charges for specified single use plastic items; and
- to secure long-term, resilient water and wastewater services, including through powers to direct water companies to work together to meet current and future demand.

What to look out for

01

Fisheries Bill



At the end of the transition period in December 2020, the UK will no longer be part of the EU Common Fisheries Policy. It will become an independent coastal state and be fully responsible for managing fisheries in the UK's Exclusive Economic Zone of 200 miles. The Fisheries Bill 2017-19 was introduced in October 2018 but did not complete its passage through Parliament before the end of the session, and the Bill made no further progress. The new Fisheries Bill was introduced in the House of Lords on 29 January 2020. It establishes legal commitments to fish sustainably and to produce management plans to preserve and recover fish stocks. The Bill also provides powers to licence foreign vessels in UK waters, although they will have no automatic rights of access.

The 25 Year Environment Plan, published in January 2018, set out details of the Government's aims for a sustainable fisheries policy after EU Exit, with an approach based on natural capital, allowing for sustainable fisheries, whilst protecting and enhancing the marine environment.

In 2018, there were 4,390 businesses in the fishing sector. Nearly all (87%) of these had less than five employees, and in total the seafood sector (including catching, aquaculture and processing) employed around 33,000 people in 2018. The majority of this employment is in Scotland (47%) and England (45%). As fisheries is a devolved matter, the bill will provide for the secretary of state and the devolved administrations to produce a joint statement setting out how their fisheries policies achieve sustainability objectives set out by the bill.

02

National food strategy



In August, Defra launched a review led by Henry Dimbleby, to inform the development of a national food strategy. The strategy will cover the entire food chain, including the production, marketing, processing, sale and purchase of food (for consumption in the home and out of it), and the consumer practices, resources and institutions involved in these processes. The strategy is designed to ensure that the food system delivers safe, healthy, affordable food, is robust in the face of future shocks, restores and enhances the natural environment for the next generation, is built upon a resilient, sustainable and humane agriculture sector, is a thriving contributor to our urban and rural economies and delivers all this in an efficient and cost effective way. A call for evidence was launched in August 2019 and the strategy will be published in summer 2020.

03

Post-EU Exit trade deals



Defra contributes to wider government negotiations on trade deals with the EU and other countries and developing the UK's relationship with the World Trade Organisation (WTO). During 2018-19, it recruited 220 staff for its work on EU and international trade. During the transition period, the UK continues to be represented by the EU at the World Trade Organisation and does not yet have an independent trade policy. In February 2020, the government set out the UK's approach to the negotiations with the EU in which the UK is seeking a comprehensive Free Trade Agreement (FTA) on the lines of the FTAs agreed with Canada.

The UK is seeking rapid agreement with the EU for the UK and EU to list each other for trade in live animals, animal products, seeds and other plant-propagating material, other agri-food goods requiring listing for trade, as well as for non-trade related movements including pet travel, recognition of UK breeding bodies and Approved Inspection Service status for export of fresh fruit and vegetables, which would allow UK-issued certificates of conformity to EU marketing standards to be accepted by the EU.

The UK is seeking a separate agreement on fisheries to open up annual negotiations on fishing quotas and access and does not wish to accept the mechanisms that exist under the Common Fisheries Policy, favouring a zonal attachment, which is the basis for Norway's fisheries agreement, with any EU vessel granted access to UK waters having to abide by UK rules.