National Audit Office

A Short Guide to the

Department for Environment, Food & Rural Affairs

October 2017

About this guide and contacts

This Short Guide summarises what the Department for Environment, Food & Rural Affairs does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, 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 departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £734 million in 2016.

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Key facts

EU Exit

80%
Estimated proportion of Defra's business impacted by EU regulation

1,200
pieces of Defra-owned EU legislation that the government expects to convert into UK law in preparation for EU Exit

£3.3 billion
Amount of money the Department received from the European Commission in 2016-17 (mainly for payments made to farmers under the Common Agricultural Policy). Of this, £1.1 billion is paid to the devolved administrations

400
extra staff, to date, brought into the Department for its EU Exit Programme

Expenditure

£6.5 billion
Total amount the Department spent in 2016-17 (gross expenditure)

£4.2 billion
Total income the Department received in 2016-17, including the funding from the European Commission as well as the grants, fees and levies the Department collects

£453 million
The Department's administration costs in 2016-17

People

22,038
The average number of permanent staff employed by Defra, its agencies and non-departmental public bodies (NDPBs) in 2016-17

33
Number of arm's-length bodies in the Defra Group

£897 million
Amount the Department spent on staff across the Group in 2016-17 (including £41.1 million capitalised staff costs across Defra and its bodies)

About the Department for Environment, Food & Rural Affairs

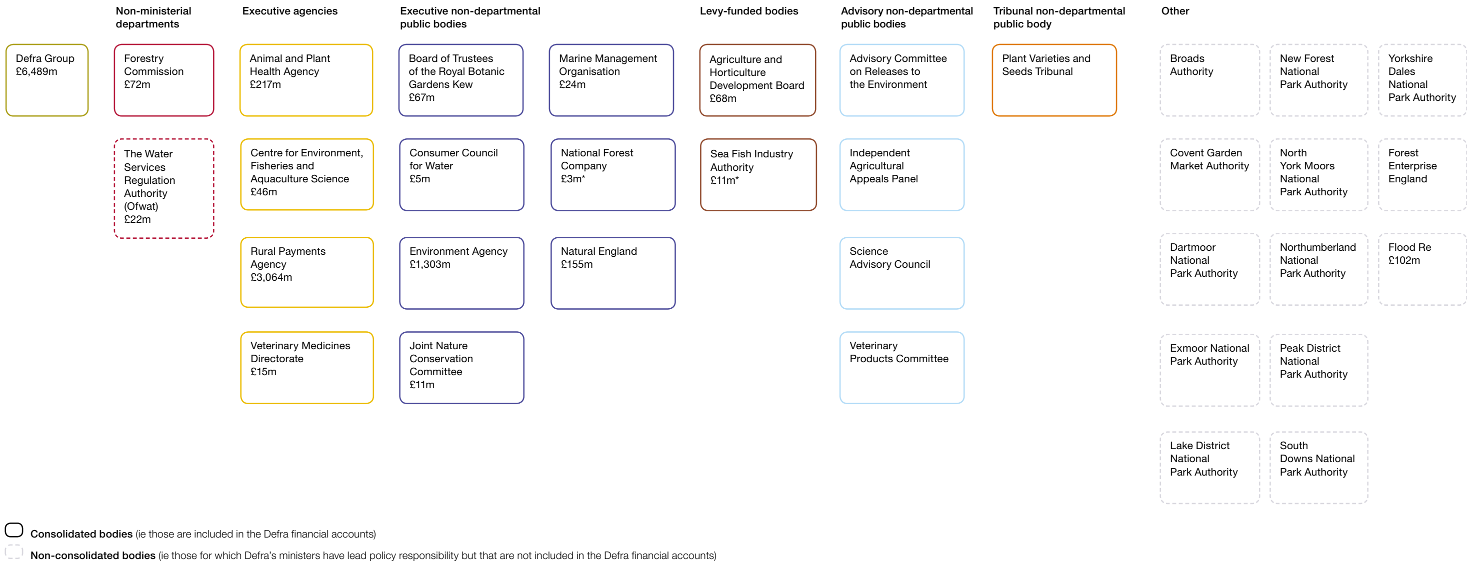
The Department is responsible for developing and implementing the government's policy on the environment, food and rural issues. It has a large and very varied portfolio. Its responsibilities include:

- protecting biodiversity, the countryside and the marine environment;
- supporting the growth of a sustainable green economy, including rural communities;
- British farming and food production;
- preparing for and managing risk from animal and plant diseases, floods and other environmental emergencies; and
- negotiating EU agricultural, marine and environmental policy on behalf of the UK.

The Department largely devolves the delivery of its policies to 33 arm's-length bodies (including Flood Re, a new public body that became fully operational from April 2016 and is set up to provide affordable flood insurance cover for homes).

Zoom Out | Zoom In +

The Defra Group



Note

1 Figures are for gross total expenditure as shown on the Statement of Comprehensive Net Expenditure (SoCNE). Defra's total expenditure includes that of network bodies (including EU CAP expenditure) and expenditure on its own activities.
*Subject to audit.

Source: National Audit Office

Exiting the European Union

Defra has a far bigger task preparing for EU Exit than most other government departments.

Defra's EU Exit considerations

Defra is considered one of the most affected government departments because its portfolio is highly linked to EU activity, frameworks and funding. Key considerations include:

EU Exit negotiations

The withdrawal agreement, negotiations around the future relationship with the EU and market access arrangements will be vital for Defra's sectors, such as agriculture, fisheries and environment.

Devolution

Defra has committed to working closely with the devolved administrations on an approach to returning powers from the EU that works for the whole of the UK and reflects the interests of Scotland, Wales and Northern Ireland.

The legislative challenge

The Defra Group faces the challenge of converting a huge volume of Defra-owned legislation into UK law. The Department has 1,200 pieces of EU law to convert into UK law, many involving transforming administrative systems and processes; Defra estimates that one-third of these will require substantive new powers to be introduced.

Delivery

The Defra Group will be managing the transition to new regulatory and delivery frameworks, and aiming to provide certainty and clarity to customers, businesses and the public.

Defra's EU Exit Programme

Defra has set up an EU Exit Programme to coordinate the Defra Group's EU Exit planning and activity. Key areas include:

Capability

The Defra Group is working together flexibly to make best use of staff resources, including through the use of loans and secondments.

Governance arrangements

The right governance and structural arrangements are important in ensuring that EU Exit work is managed collaboratively across the Department.

Financial control

Defra is aiming to ensure financial implications are better understood, documented and evidenced to support robust decision-making. It will strengthen capacity and capability across Group finance with improved technical financial accounting skills embedded across the business.

Cross-government collaboration

Defra is also working closely with the Department for Exiting the European Union to identify and agree which EU regulations should be converted into UK legislation, through the European Union (withdrawal) Bill.

Queen's Speech

In the Queen's Speech in June 2017, government plans were announced for 27 bills during the next Parliament, with eight of these relating to EU Exit and pertinent to Defra. Most notably, these include:

European Union (Withdrawal) Bill

Will convert EU law into UK law and allow the UK Parliament to make changes to its laws.

The Agriculture Bill

Aims to support UK farmers and protect the natural environment after the UK leaves the EU and Common Agricultural Policy.

The Fisheries Bill

Enables Britain to control access to its waters and to develop new domestic fisheries policy.

Withdrawal from 1964 London Fisheries Convention

An indication of the government's willingness to unilaterally withdraw from EU agreements was provided with the announcement giving notice of its intention to withdraw from the 1964 London Fisheries Convention on 3 July 2017.

Exiting the European Union *continued*

Defra's EU Exit policy development

Secretary of State Michael Gove has set out (in his speech on 21 July 2017) his vision for a "Green Brexit". He said: "leaving the EU gives us a once in a lifetime opportunity to reform how we manage agriculture and fisheries, and therefore how we care for our land, our rivers and our seas."

Defra's policy areas are closely linked to EU activity, frameworks and funding. EU Exit policy development includes:

Zoom Out

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EU Exit policy area

Future farming and countryside
Designing an alternative and improved system to coordinate agricultural policy based on UK needs.

Rural economy
Designing new ways to better support rural productivity and rural communities to boost the rural economy.

Environmental regulation
Setting long-term environmental aspirations to deliver an enhanced environment.

Animal health
Putting in place a new, outcome-focused UK animal health framework, to reflect partnership working with industry.

Fisheries
Creating a more self-sufficient, sustainable and profitable seafood sector operating under a simplified yet responsive regulatory regime.

EU Exit considerations

Future farming and countryside / Rural economy:
- Transition of Basic Payment Scheme and Pillar 2 payments after leaving the Common Agricultural Policy.
- Support to farmers and others for public goods.
- Clarity over future arrangements concerning the devolved administrations and over funding arrangements.

Environmental regulation:
- Regulatory framework for environmental standards and outcomes post-EU Exit.
- Movement of and compliance with standards for environmental products.
- Preparing to convert EU law into national law.

Animal health:
- Regulatory framework for food, agriculture and biosecurity.
- Movement of food products, animals (commercial and domestic), and plants.

Fisheries:
- Sustainable fishing.
- Managing transition to an independent coastal state.
- Access to waters and fishing opportunities.

Cross-cutting areas of work

Defra's role on trade post-EU Exit
Trade policy cuts across almost all areas of Defra policy. Developing future relationships with the EU and the rest of the world (that is, through international organisations and bilateral trade agreements) is a major new area of work and could have a major impact on Defra.

Exiting the European Union *continued*

EU Exit issues the Environment, Food and Rural Affairs Committee may wish to explore

Across government the NAO considers that a **successful implementation of EU Exit** will require:

- strong collaboration and coordination across departments;
- a clear sense of prioritisation at departmental and cross-departmental level, including decisions to stop or delay projects; and
- a robust assessment of the required capability and a cross-government strategy to address any gaps.

If the Committee chooses to examine how the Department is organising itself to deliver a successful EU Exit, it may wish to explore the following issues:

1

Coordination across government

Departments should be clear how and what they are doing aligns with plans across government to deliver a successful EU Exit.

Defra estimates that "80% of its work is bound up with EU regulation". Defra ministers, and those from the Department for Exiting the European Union, have been engaging closely with the Department's stakeholders, through meetings to prepare for the challenges of leaving the EU.

2

Prioritisation of activities

Departments will need to prioritise their activities in response to EU Exit. We would expect that this would involve some activities to be stopped or pushed back in time. These activities would need to incorporate a strong emphasis on delivery as well as policy.

A smooth and orderly EU Exit is now the top priority for the Defra Group. It has set up an EU Exit Programme to help coordinate and plan across workstreams.

3

Staffing and resources

Departments will need to have assessed what skills and resources are needed in the short to medium term. Filling any gaps may mean recruiting staff externally and a movement of staff across government to where they are needed most.

The Department has brought in more than 400 extra staff to date, to either fill gaps or backfill for existing staff, as part of its EU Exit Programme. This covers the Department's entire range of work including the future of farming, fisheries, environmental regulation and animal and plant health protection.

4

Common Agricultural Policy (CAP)

The Department will need to design an alternative system to coordinate agricultural and rural development subsidies after leaving the EU CAP framework.

Defra receives £3.3 billion from the Commission, mainly in relation to direct payments to farmers under CAP (£2.8 billion); £1.1 billion of this is paid to the devolved administrations. The government will continue to commit the same cash total in funds for farm support until the end of the Parliament.

The Department's priorities and objectives

Policy priorities

Cleaner air

Continue tackling air quality to improve health, drive growth and protect the environment.

- Deliver the UK plan for tackling roadside nitrogen dioxide concentrations.
- Publish the wider Clean Air Strategy in 2018 to cover all forms of air pollution.

Resources, waste and recycling

Making a step-change in resource efficiency, reducing waste across the economy and improving the environment by taking action on litter.

- Deliver the National Litter Strategy.

Trade and food exports

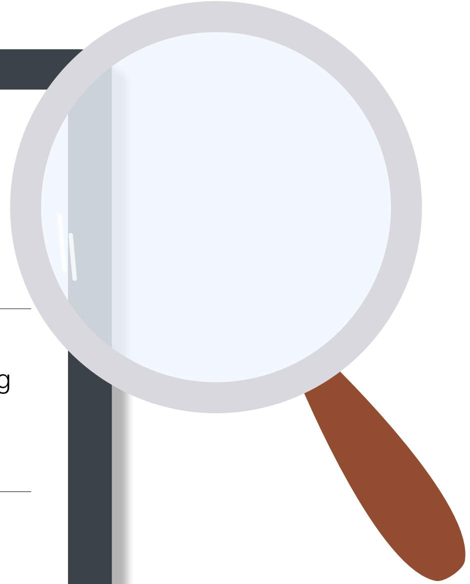
Opening new markets and growing exports of high-quality, high-welfare Great British food and drink.

- Support UK business to secure an increase in value of UK exports of £2.9 billion over five years.

Rural life opportunities and productivity

Increasing productivity and prosperity – a countryside that works for everyone. Recent announcement under Rural Development Programme for England (RDPE):

- Up to £30 million of investment in rural broadband.
- Up to £45 million of further investment in rural growth.
- Up to £120 million of further investment in farming productivity.



The Department's priorities and objectives *continued*

Operational priorities

Common Agricultural Policy

Maintaining the overall level of CAP support, supporting our strategic objectives while improving value for money, and managing any policy changes before and after EU Exit. The key areas of interest include: the European Union (Withdrawal) Bill, market access, future regulation, and Future Farming and Countryside Policy.

For more details, see pages 18–20.

Mitigating animal and plant health risk

Actively monitoring and managing the risks of major plant and animal health pests and diseases, such as Avian Flu, Bovine TB, Bluetongue and Chalara, and providing regular updates on risk.

- Continue to deliver the 25-year Bovine Tuberculosis (bTB) strategy, including extending badger control to more areas, extending the use of interferon gamma testing and developing further cattle measures (for example, ensuring effective controls to improve resilience to, detection of and elimination of infection in cattle herds).

Flood risk management

Reducing the risks of flooding through investment in preparedness and defences and improving resilience to the impact of flooding when it occurs.

- Support more than 1,500 flood defence improvement schemes, which will better protect more than 300,000 homes by 2021.
- Continue with a comprehensive strategy for Flood and Coastal Risk Management (FCRM) covering short-, medium- and long-term objectives.

For more details, see pages 22–26.

EU Exit priorities

EU Exit

To ensure a smooth and orderly exit from the EU, developing new approaches to:

- grow, sell and export more; and
- "leave the environment in a better state than we found it."

As the UK leaves the EU, the Department intends to adopt new approaches that are tailored to the needs of this country, including:

- demonstrating the UK's global leadership through our commitment to a cleaner, healthier environment and unlocking the potential of food, farming and fishing industries of world-leading quality;
- working to create a smooth and orderly transition to new regulatory and delivery frameworks, and providing certainty and clarity to customers, businesses and the public; and
- playing a role in forging a new, strong, constructive partnership with the EU, securing the right deal for all parts of the UK, and ensuring the voices of Defra's sectors and stakeholders are heard.

Accountability to Parliament

Clare Moriarty, as the Department's current Permanent Secretary and its principal Accounting Officer (AO), is personally responsible and accountable to Parliament for managing Defra, its use of public money and stewardship of assets as set out in Managing Public Money.

Accounting Officer System Statement (AOSS) – from 2017, in response to Committee of Public Accounts recommendations, every central government department must publish an AOSS, setting out all its accountability relationships and processes. Defra is developing framework documents to define the relationship between the core Department and its delivery bodies.

Ministerial directions – AOs can request a formal direction if a minister requires them to proceed with a decision where they have serious concerns about its propriety, regularity, feasibility or value for money, which they are not able to resolve. Defra used this power once during the previous Parliament in relation to the Flood Reinsurance Scheme (Flood Re) on the grounds of value for money. It said:

"[…] the quantifiable economic costs included in the technical impact assessment of Flood Re continue to be greater than its estimated benefits."

This was rebutted by the previous Defra Secretary of State, Elizabeth Truss:

"I believe that Flood Re has advantages over other policy options, in particular that it provides greater certainty on the price paid by customers for household insurance."

The four essentials of accountability

1 A clear expression of spending commitments and objectives

What is required:

Parliament needs to know what it is holding AOs accountable for. For example, for a specific project, AOs need to identify expected spending over its lifetime, as well as the aims or outcomes it is intended to achieve.

Defra's response:

The Department has published its Single Departmental Plan which detailed its objectives for the 2015–2020 period.

2 A mechanism or forum to hold to account

What is required:

Examples include requirements for AOs to report to Parliament on spending, or local bodies' duty to appear before local scrutiny committees.

Defra's response:

Defra's Board membership has been altered to include the chairs of the Environment Agency (EA) and Natural England (NE) as ex-officio members. The Audit and Risk Committee (ARC) has been extended to include the ARC chairs of EA, NE, the Animal and Plant Health Agency and the Rural Payments Agency. Defra's AO has appeared before the Committee of Public Accounts to be held to account for spending.

Accountability to Parliament *continued*

The four essentials of accountability *continued*

3 Clear roles and someone to hold to account

What is required:

AOs are responsible for all spending incurred by their department, agency and non-departmental public bodies. Other individuals bear specific responsibilities to account for their actions.

Defra's response:

The Department has an accountability statement which covers the Defra Group. Senior officials receive delegated authority documents from the AO, which set out specific responsibilities.

4 Robust performance and cost data

What is required:

These data enable Parliament to hold those responsible to account for poor performance.

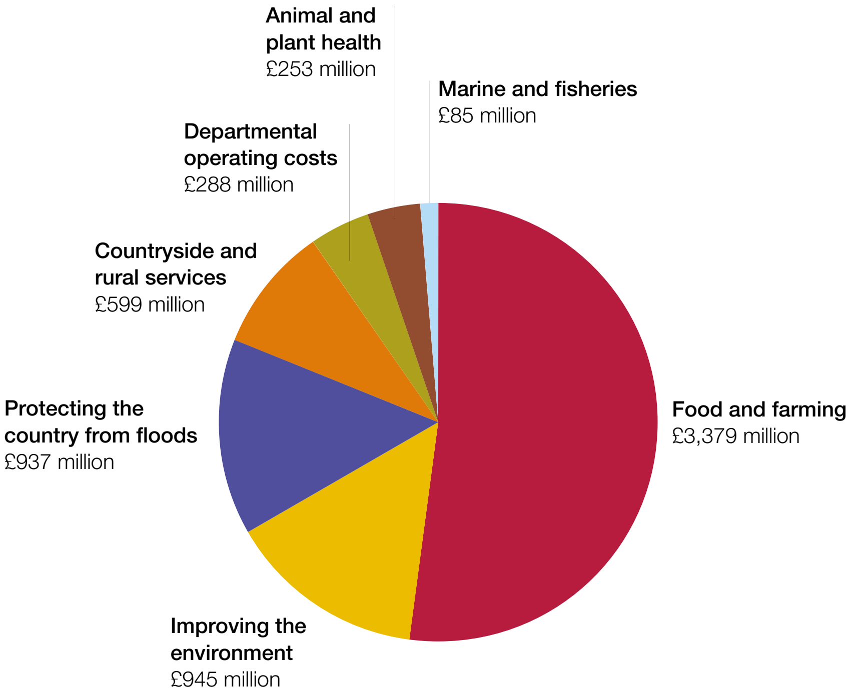
Defra's response:

The Defra Group has undertaken migration to the common shared services platform known as the single operating platform (SOP). Further detailed findings can be found in our report on Shared service centres.

How Defra spends its money

Defra's gross expenditure was £6.5 billion in total in 2016-17

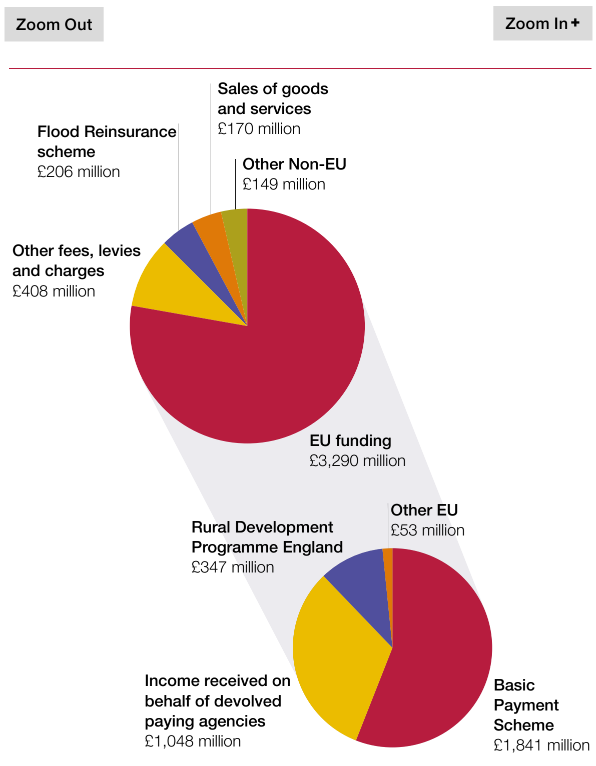
More than half of Defra's expenditure in 2016-17 was on food and farming, mostly payments to farmers under the Common Agricultural Policy.



Defra's income was £4.2 billion in 2016-17

More than three-quarters (78%) of Defra's income came from the EU in 2016-17. This is mostly to reimburse direct payments made to farmers under the Common Agricultural Policy (£2.8 billion, of which £1.0 billion is paid to the devolved administrations). Most of the remaining EU funding (£0.4 billion) is for the Rural Development Programme England (RDPE), which provides funding to improve agriculture, the environment and rural life.

Defra's non-EU sources of income include grant income, fees, levies and licences payable to some of its delivery bodies.



Key trends: spending patterns

Defra's gross expenditure increased from £5.6 billion in 2015-16 to £6.5 billion in 2016-17. This increase was mainly due to:

- additional funding for investment in Defra's transformation programme, which the Department says will deliver savings in future years; and
- additional investment in flood risk management.

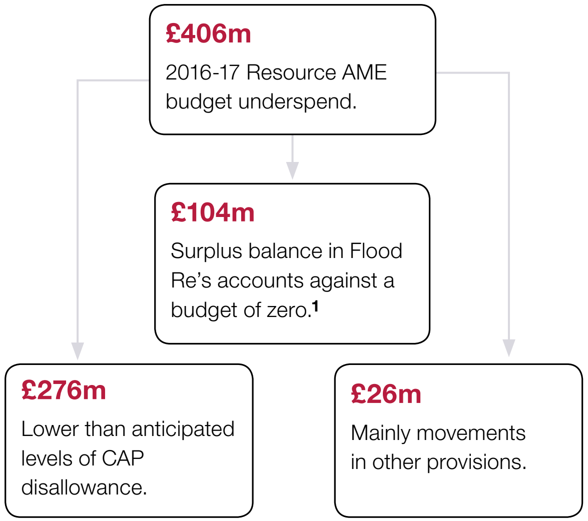
Taking account of the income Defra received from the European Commission and from other sources, its net expenditure was £2.3 billion, down from £2.5 billion the previous year.

Defra's spend in 2016-17 comprises £0.66 billion of capital spending (funds used to acquire or upgrade physical assets such as property, buildings or equipment) and £1.64 billion resource (or non-capital) spending, which covers the Department's running costs (salaries, estates and IT) and delivery of its objectives through front-line services.

Resource budget underspend

Defra's resource budget is split into two elements: the Departmental Expenditure Limits (DEL) is the budget, issued by HM Treasury on behalf of Parliament, used to fund strategic objectives, and Annual Managed Expenditure (AME), mainly used for movements in provisions, primarily for CAP disallowance (penalties in respect of the Common Agricultural Policy).

After taking account of ring-fenced budgets, Defra spent 99% of its DEL budget but its AME budget was underspent by £406 million.



Note

1 Flood Re is required to retain budgetary cover for multiple losses and events. As this event did not happen in 2016-17 there was a surplus that will be retained against any future flood events.

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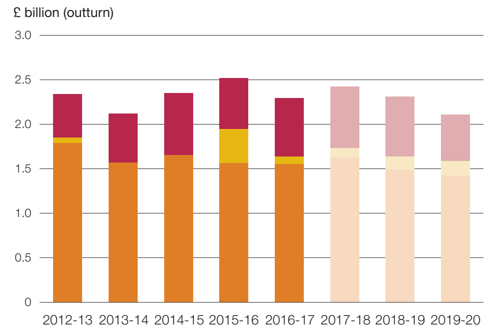
Trends in net spending 2012-13 and 2019-20



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Capital	0.49	0.55	0.69	0.57	0.66	0.69	0.67	0.52
Resource AME	0.06			0.38	0.08	0.10	0.15	0.17
Resource DEL	1.79	1.57	1.66	1.57	1.56	1.63	1.49	1.42
Planned capital								
Planned resource AME								
Planned resource DEL								

Notes

1 Resource DEL and Resource AME are shown net of depreciation.

2 Resource figures for 2013-14 and 2014-15 are DEL and AME combined as the AME figures were negative.

Source: Defra's *Annual Report and Accounts 2016-17*

Spending Reviews

The 2015 Spending Review required a cumulative resource budget reduction of 15% (in real terms) between 2015-16 and 2019-20. Defra expects to achieve most of its budget reductions through its transformation programme, for example streamlining six corporate services, with a target of reducing expenditure by 40% in real terms.

Key trends: spending patterns *continued*

Areas of spend

Defra plans to reduce how much it spends in total by £190 million by 2019-20, including reducing expenditure in most key policy areas. Expenditure on food and farming is expected to decrease by more than half (55%) over this period, with the main reduction due to the provision for CAP disallowance penalties in 2016-17. Expenditure in other areas will increase, with flood protection set to increase by 11% between 2016-17 and 2019-20.

Zoom Out
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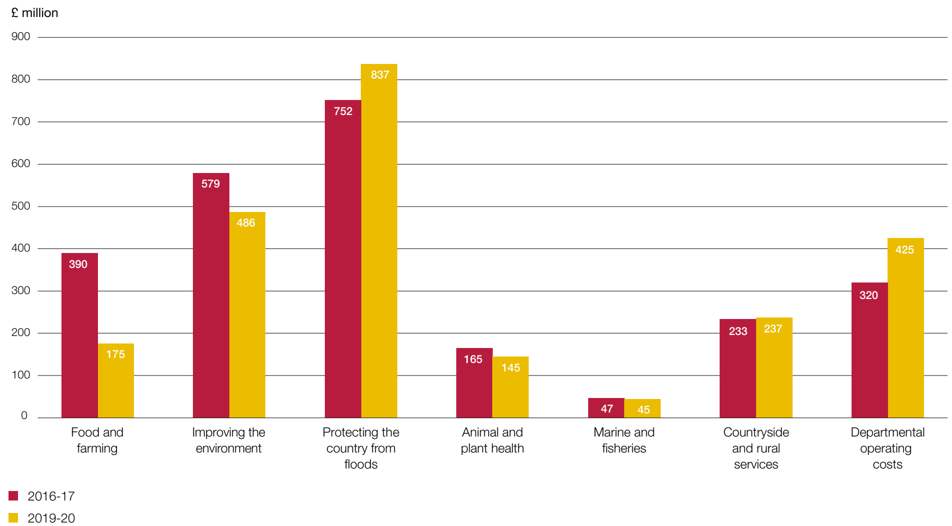
Changes in how the Department spends its money: net expenditure 2016-17 to 2019-20



Source: Department for Environment, Food & Rural Affair's *Annual Report and Accounts 2016-17*

Departmental administration costs

The Department has reduced its administration costs by 18% (in cash terms) between 2012-13 and 2016-17. The increase in costs expected in the core Department's costs from 2017-18 onwards is due to the transfer of corporate service functions from arm's-length bodies to the core Department. Across the Group, administration costs are set to increase slightly as a result of additional investment in the Department's transformation programme, which is expected to result in significant savings in the long term.

Zoom Out
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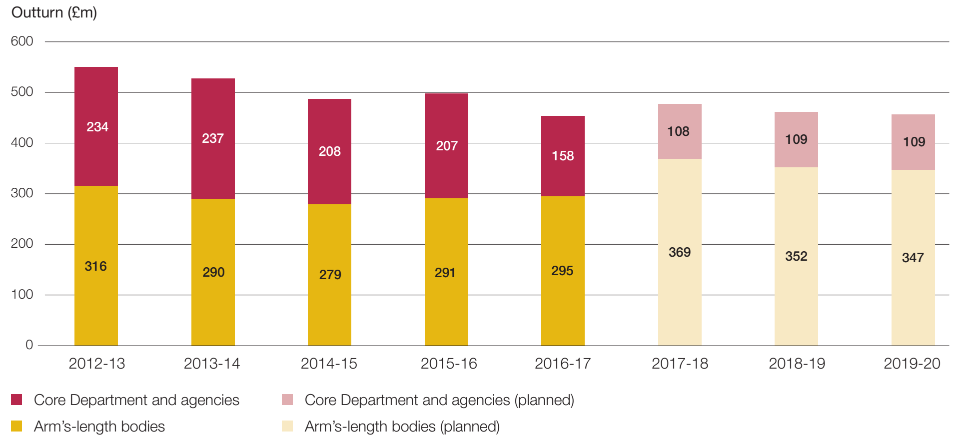
Annual departmental administration costs 2012-13 to 2019-20



Notes

1 'Core Department' includes executive agencies.

2 Administration costs include staff costs and expenditure on accommodation, utilities and services where they are not directly associated with the delivery of front-line services.

3 Figures for 2017-18 to 2019-20 are for planned expenditure.

Source: Department for Environment, Food & Rural Affair's, *Annual Report and Accounts 2016-17*

Major programmes and developments

Many of the Department's objectives are implemented through projects. In July 2017, the Government Major Projects Portfolio (GMPP), which includes the biggest and riskiest projects, comprised 143 projects with estimated whole-life costs of £455.5 billion. Defra had four major projects in the portfolio. However, during 2017, three of these projects have exited the GMPP: the Common Agricultural Policy Delivery Programme formally closed in March 2017; and both Thames Tideway Tunnel and TEAM2100 have moved to Departmental oversight following successful exit reviews.

Zoom Out

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	IPA[1] confidence assessment	Total whole-life cost
UnITY The UnITy programme was established to replace two of the Department's largest existing contracts with IBM and Cap Gemini with more modern and flexible multi-supplier arrangements. The UnITy Programme is a complex and high-risk programme and is in its early stages. An initial assessment of the implications of EU Exit on the programme has been conducted. Continued management of these will be jointly undertaken with the programme and Defra EU Exit Programme.		£1.0 billion
Thames Tideway Tunnel (TTT) The TTT is a £4.2 billion private sector project to construct a 25 kilometre sewer tunnel running from West to East London to reduce sewage overflows into the Thames. The project is scheduled to be fully operational in 2024. Defra's continuing involvement will essentially be to monitor progress and any potential financial risks that could fall upon the government. The NAO published a report, Review of the Thames Tideway Tunnel, in March 2017, which found Defra and the Environment Agency had not fully explored the uncertainties in the modelling before endorsing the full tunnel option.		£4.2 billion
Thames Estuary Asset Management 2100 (TEAM 2100) TEAM 2100 is a 10-year programme of flood risk management works to protect London and the Thames Estuary from tidal flooding to the year 2100 and beyond. It is being delivered in partnership with the Environment Agency and through contractor CH2M.		£0.3 billion
Common Agricultural Policy (CAP) Delivery Programme The CAP Delivery Programme was set up for the processing, payment and accounting of claims for funding for CAP scheme payments to farmers. It aimed to provide a single IT solution to process and deliver payments. The programme formally closed and was removed from the IPA portfolio in March 2017.		£0.2 billion
Transformation Programme The Department has embarked on a programme of transformational change to reduce costs, improve capability and resilience, and develop better service delivery for customers. A new target operating model has been developed to underpin this transformation, setting out the Defra Group of the future. This is designed to facilitate the building of a more open, innovative Defra. Transformation activity has now been integrated into the EU Exit Programme and is not being managed as a separate programme.		

Description of delivery confidence assessment ratings

- Successful delivery of the project on time, budget and quality appears highly likely, no major outstanding issues.
- Successful delivery probable with constant attention to ensure risks do not materialise into major issues.
- Successful delivery feasible. Significant issues resolvable and should not present a risk.

Note

1 Infrastructure and Projects Authority.

Payments to farmers

How is it delivered?

Recent and planned developments

What are the things to look out for?

How is it delivered?

Common Agricultural Policy (CAP)

CAP is the EU framework of agricultural subsidies and rural development programmes. Across the EU, CAP accounts for approximately 38% of the EU's budget and is its largest programme. The UK receives a total of £2.8 billion per year from the EU to cover payments made under CAP.

The CAP has two elements known as 'pillars':

- **Pillar 1** gives around £2.3 billion per year to UK farmers mainly under the Basic Payments Scheme (BPS), provided they carry out certain agricultural activities and comply with standards in areas such as food safety, animal welfare, environmental protection and land maintenance.
- **Pillar 2** gives £0.6 billion of EU funding per year to fund rural development programmes in the UK.

The BPS is the EU's rural grants and payments scheme to help the farming industry. The Department made payments under the 2016 BPS to 85,000 farmers. The payments averaged £19,000 but 39 claimants received payments of £1 million or more.

A new CAP scheme was established in 2014. The new scheme is significantly more complex than the one it replaces and contains some new elements, such as mandatory crop rotation and other greening requirements. In addition, the penalties applied by the EU ('disallowance') for non-compliance with regulations are much more stringent.

The CAP Delivery (CAP-D) Programme

The Department's CAP-D Programme is a major IT programme costing £215.8 million (as of July 2017) designed to process and deliver payments across both pillars of the new CAP. It aims to deliver a range of benefits, including reducing delivery costs through automating processes, reduced exposure to the risk of disallowance penalties and improved environmental outcomes.

The Department encountered problems in the introduction of the BPS, which meant a return to paper-based applications for the first year. This resulted in payments being made later in the payment window and a number of inaccurate payments being made to farmers.

The Rural Payments Agency (RPA) has made significant improvements to its payment performance in 2017: 91% of all payments under the BPS were made by the end of December 2016 compared with just 51% the previous year.

Zoom Out
Zoom In +

CAP policy and delivery responsibilities in England

Note

1 The European Commission is the executive body of the EU, responsible for proposing legislation and implementing decisions on the day-to-day business of the EU. The European Council defines overall political direction and priorities, and sets the EU's policy agenda.

2 LEADER funds projects that create jobs, help businesses to grow, and benefit the rural economy. Funding is available to local businesses, communities, farmers, foresters and land managers.

Source: National Audit Office analysis

Recent and planned developments

EU Exit

In preparation for EU Exit, the Department will need to develop an entirely new agricultural support system. Changes to how support is determined will also require new systems and processes to pay farmers. In February 2017, the Committee of Public Accounts commented: “The Department’s record of failure when developing systems to support subsidy payments to farmers does not inspire confidence in its ability to cope with the challenges associated with EU Exit that lie ahead.”

In a speech on 21 July 2017, Secretary of State Michael Gove stated:

“This government has pledged that when we leave the EU we will match the £3 billion that farmers currently receive in support from the CAP until 2022. […]. But that support can only be argued for against other competing public goods if the environmental benefits of that spending are clear.”

Disallowance

Disallowance penalties are imposed by the European Commission when it takes the view that EU regulations under the CAP have not been applied correctly. Disallowance can arise, for example, as a result of delays in payments to claimants. Nearly half of the disallowance incurred during the period 2005–2014 was as a result of inaccuracies in the Rural Payment Agency’s mapping data.

As at 31 March 2017, Defra has accounted for £885 million in disallowance penalties since the introduction of CAP in 2005.

Progress on CAP Delivery

We reported twice on the Department’s progress on its CAP Delivery Programme.

In December 2015, we found that there was ineffective collaboration between the Department, the Rural Payments Agency and the Cabinet Office and no consistent vision for the Programme. The result was higher levels of disallowance penalties, increased Programme costs, and difficulties paying farmers accurately at the earliest opportunity.

In October 2016, we found that the Rural Payments Agency failed to meet its March 2016 target to pay 92% of farmers, and one in six farmers were yet to receive payments. Furthermore, despite a commitment to prioritise payments to farmers worst affected by the floods, payments to farmers in the three most flood-affected counties lagged behind the rest of England.

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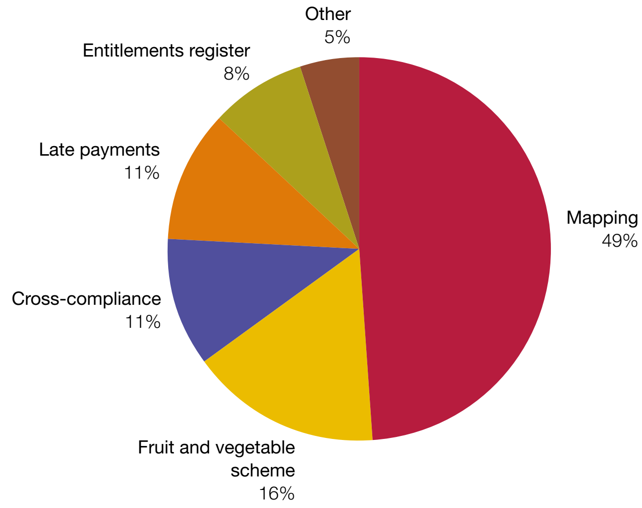
Main causes of disallowance in England 2005–2014



Notes

1 Cross-compliance – the EU’s mechanism which ties EU support for farmers to compliance with standards of environmental care, the condition of agricultural land, public health, animal and plant health, climate change and animal welfare.

2 Entitlements register – The RPA issued entitlements at the start of CAP based on historical data relating to farm activity and land use as required by the EU. The RPA needed accurate mapping information in order to work out entitlements.

Source: National Audit Office analysis of departmental data

What are the things to look out for?

Issue	Future developments, risks and challenges
Preparing for EU Exit	It will be important during the EU Exit negotiations for the Department to consider how it both manages the current scheme and residual impacts of disallowance as well as determining the replacement support regime. The Department should use its experience of applying CAP, and the administrative lessons learned, to inform the planning for any post-EU Exit regime. The replacement scheme will need to be appropriately designed, implemented and communicated to claimants to enable timely and efficient payments, while minimising the risk to public money. The Department will need to ensure that the Rural Payments Agency's hands-on knowledge of what works and what does not work is fed into the development of any new systems and processes.
Paying farmers accurately and on time	The Department has made significant progress in improving its performance in paying farmers in 2017. Improved data processing and the full introduction of the online application process has reduced the value of inaccuracies, but the Department will need to continue to refine its processes to reduce the number and value of payments that need to be investigated. It is important that the Department focuses its attention on accuracy as well as timeliness, to minimise the administrative burden of having to make post-payment adjustments and to avoid adding even greater uncertainty to farmers.
Disallowance	Despite EU Exit, the Department must retain its focus on reducing disallowance as any outstanding issues with non-compliance are likely to be considered as part of the withdrawal settlement. The Department has developed a disallowance strategy that received ministerial approval in late 2016. The Department will need to keep its strategy under review to ensure it prioritises actions to address the biggest causes of disallowance and focuses on areas where it has the greatest chance of success.
Mapping capability	A large proportion of the disallowance penalties incurred has been due to weaknesses in the Rural Payments Agency's mapping capabilities. The Agency aims to make its digital mapping data no more than three years old as required by the EU and has a goal of ensuring maps are no more than one year old, which would also reduce the number of farm inspections it is required to carry out. Mapping data will continue to be needed to underpin any new subsidy system, and the Department will need to ensure that its investment is future-proofed and that it gets value for money in the investment it is making to improve its mapping.
Latest round of Rural Development Programme funding	The £200 million grant offer will contribute towards the overall aim of generating 6,750 new jobs over the programme period. The grants will support growth of rural businesses, investment in broadband projects and rural tourism opportunities and will fund farmers and land managers to improve farm productivity.

Flood protection

How is it delivered?

Funding for flood protection

Recent and planned developments

What are the things to look out for?

How is it delivered?

One of Defra's eight strategic objectives is for "a nation better protected from floods, animal and plant diseases and other hazards, with strong response and recovery capabilities". Defra is responsible for delivering the government's six-year £2.5 billion programme to better protect 300,000 homes from flooding. The Department aims to generate additional funding of 15% from non-central government sources and to achieve efficiencies of 10% to ensure the programme is financially viable.

In the 2016 Budget HM Treasury announced that it would be spending an additional £700 million on flood defence and resilience spending by 2021. To date, £383 million has been allocated to Defra.

Flooding is one of the highest priority risks on the UK National Risk Register. The Environment Agency estimate that one in six homes in England is at risk of flooding from coastal, river and surface water. The Department has national policy responsibility for managing flooding and coastal erosion, but a wide range of national, regional and local bodies are involved in delivery. For example, local authorities are responsible for surface water flood management. Their roles and responsibilities are defined by the Flood and Water Management Act 2010.

Defra works with local authorities through the Local Flood Risk Management Action Plan to fulfil its local flood risk management roles. The Department encourages local floods partnerships, including supporting the Cumbria Floods partnership and Somerset Rivers Authority. It also oversees management of local watercourses by internal drainage boards.

Defra is managing the risk of tidal flooding in the Thames estuary through the Environment Agency's Thames Estuary 2100 (TE2100) Programme. The TE2100 project was first established by the Environment Agency in 2012 with the aim of developing a strategic flood risk management plan for London and the Thames estuary through to the end of the century. The programme aims to protect 1.3 million people and £275 billion worth of property from the risk of tidal flooding. Work on implementing the first 10 years of investment in tidal flood defences has begun, as recommended in the plan, under TEAM2100.

Zoom Out | Zoom In +

Bodies involved in flood risk management

Department for Environment, Food & Rural Affairs
National policy for flood and coastal protection. Provides funding for flood risk management authorities

Environment Agency
Strategic overview of all sources of flooding. Operational responsibility to manage flooding from main rivers and the sea

Department for Communities and Local Government
Sets out national planning framework for development and flood risk. Ensures flood risk is appropriately factored into planning processes. Coordinates local authorities' recovery

Cabinet Office
Develops cross-sector resilience programmes for civil contingencies, which includes flooding

Regional flood and coastal committees
Ensure plans are in place to identify, communicate and manage flood risks across catchment and shoreline areas. Promote efficient and targeted investment. Provide linkages between flood risk management authorities and other bodies

Lead local flood authorities
Prepare local flood risk management strategies. Maintain registers of flood risk assets. Manage flood risk from surface water, groundwater and ordinary watercourses

Local resilience forums
Multi-agency partnerships that plan and prepare for localised incidents, including those related to flooding

District and borough councils
Through local plans and planning decisions, ensure new development is safe, flood resilient, does not increase flood risk overall and where possible reduces the risk

Internal drainage boards
Independent public bodies covering around 10% of the country. Responsible for water-level management in low-lying areas and regulation of activities on ordinary watercourses within drainage districts

- National
- Regional
- Local

Note
1 County or unitary local authorities have been designated as lead local flood authorities.

Source: Environment Agency

Funding for flood protection

The government invested £736 million in managing flood risk in England in 2016-17. This covered maintaining existing flood defences and building new ones.

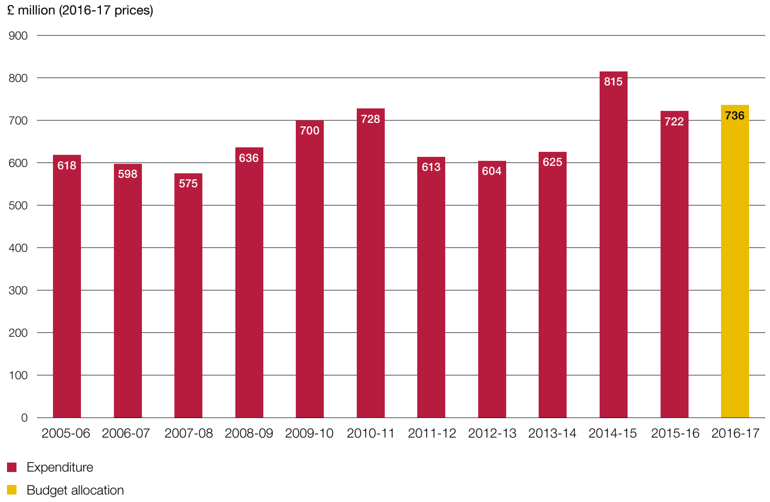
The majority of funding for flood risk management comes from central government. The NAO's Strategic flood risk management report (2014) showed that the additional money provided following the winter floods of 2012-13 established a new peak for total funding in 2014-15. The government invested £736 million in maintaining and building flood defences in 2016-17.

The government announced £700 million funding for flood defences and resilience to 2021 in the 2016 Budget. The amount of funding allocated to be invested by 2021 includes:

- £195 million of capital spending to build flood defence schemes in areas affected by the December 2015 floods, protecting more than 17,000 properties;
- £160 million for maintaining defences, £40 million a year up to 2020;
- £15 million for natural flood management projects; and
- £150 million to the Department for Transport for road and rail flood resilience projects.

Zoom Out | Zoom In +

Total government investment in flood risk management in England 2005-06 to 2016-17



Notes

1 Total real-terms 2016-17 prices (Resource and Capital Spending amounts). Note that these figures will be updated in September 2017, and are on a different basis to those in Defra's annual report and accounts.

2 Includes Department for Communities and Local Government and Environment Agency.

Source: Department for Environment, Food & Rural Affairs, *Central government funding for flood and coastal erosion risk management in England*, September 2016

Recent and planned developments

Flood Reinsurance scheme

FLOODRE In April 2016, the Department launched the new Flood Re insurance scheme, which aims to enable most homeowners to obtain affordable home insurance against flood risk where they were previously unable to do so.

In its first six months, Flood Re enabled more than 127,000 households in areas of high flood risk to access affordable flood insurance. The company is responsible for helping homeowners whose houses were built before 2009, and are at the highest risk of flooding, with the cost of the part of their home insurance that relates to flood risk. The cost of the scheme is recouped through a £180 million levy charged to UK household insurers.

This is a temporary solution until the insurance industry can cope with the regularity of extreme weather events. This support to households over a 25-year period is part of a gradual transition towards more risk-reflective prices, and will provide time for choices to be made and risk management action to be taken. It also allows Defra to work jointly with industry on flood resilience. At the end of 25 years from the date the Water Act 2014 received Royal Assent, Flood Re will be wound up and the subsidy provided through the scheme removed.

127,000
households given access to affordable flood insurance

£180 million
cost of the scheme recouped through a levy charged to insurers

National Flood Resilience Review (September 2016)

530
infrastructure assets (roads, railways, bridges, sewage facilities) that are within extreme flooding areas

The government launched a National Flood Resilience Review in response to the devastating impact of record rainfall and extreme flood events across wide areas of the country in 2015. The results of the review were published in September 2016 and reported on how the country can be better protected from future flooding and increasingly extreme weather events. The review tested the Environment Agency's flood modelling against new plausible extreme rainfall scenarios to give confidence in our understanding of flood risk and identified 530 infrastructure assets within areas considered to be at risk of flooding in extreme conditions. The Environment Agency has put in place measures to improve flood resilience and response capability, such as increasing its stock of temporary flood defences and training the military to support deployment.

Recent and planned developments *continued*

The Worsfold Review (April 2016)

In March 2014 Mark Worsfold, Chief Engineer at Ofwat, was asked by Infrastructure UK to carry out an independent peer review of the maintenance of the Environment Agency's flood and coastal risk management assets. Although the review was commissioned by the government following the 2013-14 winter floods, it was not published until April 2016. It highlighted the need to improve investment planning processes and modelling and forecasting processes. It also recommended greater clarity over the Environment Agency's role, and better engagement between the Agency and local affected communities.

Met Office study of extreme UK winter rainfall (July 2017)

The Met Office has carried out a large number of climate simulations to assess the risk of extreme rainfall occurring during the winter. Its study found that in the current climate there remains a high chance of exceeding the observed record monthly rainfall totals in many regions of the UK. In south-east England there is a 7% chance of exceeding the current rainfall record in at least one month in any given winter. Expanding the analysis to some other regions of England and Wales the risk increases to a 34% chance of breaking a regional record somewhere each winter.

What are the things to look out for?

Issue	Future developments, risks and challenges
Coordinating the activities of bodies involved in flood protection	A large number or organisations are involved in flood protection. The Department has overall national policy responsibility for flood risk management and the Environment Agency has a strategic overview role and is responsible for the management of flood risk from main rivers and the sea. There are many other local and regional bodies with responsibilities for flood risk management, including local authorities. With such a diversity of organisations involved, there is a risk that activities will not be sufficiently coordinated and that some bodies' activities will overlap while others will leave gaps.
The Department's oversight and governance of the bodies involved	Defra is building closer relationships with its arm's-length bodies (ALBs) as part of its transformation programme, but many of the bodies on which it depends for delivery of flood protection programmes are not ALBs and therefore effective oversight is more challenging. For example, in our report on Internal Drainage Boards (IDBs), we reported that there is no statutory governance standard for IDBs, and the government has no legislative powers to ensure that they, as public bodies, meet expectations for good-quality internal governance and sound financial management. The Department needs to ensure it has sufficient oversight of all the bodies involved in flood protection across the country.
Securing partnership funding	Flood and coastal erosion risk management is funded from several different sources. In addition to funding provided by central government, the Environment Agency raises funding through local sources such as partnership funding. The Department is aiming to secure partnership funding amounting to 15% from public and private sector bodies in order to make the programme viable. The Department needs to ensure that its approach to accessing partnership funding has the strategic focus needed to match government's ambitions for it.
Overall resources available for flood protection	In the 2016 Budget, the Department secured funding for flood defences for the next six years. This provides a longer period of certainty about funding allocations and helps medium-term planning. However, there is still pressure on the Department to reduce costs and the Department faces additional resource pressures as a result of the EU Exit programme, and the transfer of staff away from 'business as usual' to deal with EU Exit. The Department reports that it has made extensive efforts to prepare for the challenges of leaving the EU while maintaining its readiness for environmental incidents, floods and animal or plant health disease outbreaks. However, it seems likely that the Department will continue to come under pressure to reduce costs, putting its readiness for further floods at risk.

Natural environment

How is it delivered?

Recent and planned developments

What are the things to look out for

How is it delivered?

Natural environment

Defra is committed to leaving the natural environment of England for future generations “in a better state than that in which we found it”. This includes landscapes, forests, air, marine waters and soils and the habitats they support. Defra recognises that interactions and dependencies within environmental systems need to be understood and managed.

Developing data

The Department aims to overcome gaps in environmental information and to better recognise the role of the environment so decision-makers can improve outcomes.

Delivering globally

The Department aims to implement international environmental commitments and seeks to avoid improving the domestic environment at the expense of the environment globally.

Delivering locally in line with natural systems

The Department aims to encourage and facilitate strong partnerships and local leadership of environment policy.

Incentivising and financing environmental improvements

The Department will target investment in a way which achieves multiple benefits for the natural environment, communities and the economy.

Connecting people with the environment

The Department aims to promote understanding and appreciation of green spaces.

Designing an effective regulatory approach

The Department will focus on outcomes tailored to the needs of the country.

Sustainable development

Defra is committed to providing a sustainable future, ensuring the long-term health of the economy, society and the environment. Defra leads on innovative work to apply a sustainability approach across government in the area of the environment, including:

Developing a new sustainable development policy tool that helps policy teams evaluate policy impacts across all aspects of sustainable development.

Reviewing the uptake of sustainable development and environmental guidance in impact assessments across all departments.

Working with HM Treasury on the *Green Book* refresh process to improve the consideration of natural capital within it.

Working with other departments to enable them to assess risks and opportunities for natural capital from carbon reduction measures for the Clean Growth Plan 2.

Recent and planned developments

Air quality

The Department needs to reduce concentrations of nitrogen dioxide around roads. The UK is currently in breach of the EU limits for local concentrations of nitrogen dioxide.

The government's 2017 UK plan for tackling roadside nitrogen dioxide concentrations sets out proposals to tackle this, which included ending the sale of all new conventional petrol and diesel cars and vans by 2040 and a new Clean Air Fund for local authorities.

Water quality

Water quality aims to improve our rivers and streams, which makes natural habitats better for wildlife and safeguards the many jobs and businesses which rely on clean water.

Defra measures how many kilometres of fresh water are enhanced each year in England, with a target to improve 8,000 kilometres of waterways by 2021.

Since April 2015 and up to March 2017, 1,230 kilometres of waterways have been improved.

Woodland creation

Woodland provides habitats and plays a valuable role in recreational activities and in mitigating the risk of flooding.

The government has funded the creation of additional woodland and planting of trees under the Rural Development Programme for England with a view to planting 11 million trees. Since April 2015 and up to July 2017, 1.44 million new trees have been planted.

Resources, waste and recycling

The Department has reported that the 5p carrier bag charge (introduced in October 2015) has resulted in 9 billion fewer carrier bags being distributed since the charge was introduced, a fall of 83%. More than £95 million raised from the charge has been donated to environmental, educational and other good causes.

Protected sites in England

Protected sites are designated to protect the country's best landscapes, wildlife sites and habitats. These protected area sites include:

- 245 Special Areas of Conservation[1] (as at May 2016);
- 85 Special Protection Areas[1] (as at May 2016);
- Sites of Special Scientific Interest (land protected by domestic law to conserve their wildlife or geology);
- Ramsar sites (wetlands protected by national governments to fulfil their obligations under the Convention on Wetlands of International Importance);
- Marine Conservation Zones;[2]
- 10 National Parks; and
- 34 Areas of Outstanding Natural Beauty, one of which straddles England and Wales.

1 Land protected by European law to conserve wildlife and habitats

2 In January 2016, Defra designated a second tranche of Marine Conservation Zones, bringing the total area protected to 7,886 square miles.

What are the things to look out for?

Issue	Future developments, risks and challenges
25-year plan for the environment	Defra's 25-year plan will set out a new approach to how the Department will develop environmental policies. This will enable better decision-making at a national, local and individual level which protects and improves the environment. It was first announced in 2015 as part of the government's aspiration to be the first generation to leave the environment "in a better state than we found it". The decision to leave the EU delayed the planned publication date of summer 2016. The Conservative Party remained committed to the plan in its 2017 manifesto. Although no publication date was specified, the Environment Secretary has made it clear that he wishes to publish a 25-year plan soon.
Potential microbeads ban	Around eight million tonnes of plastic makes its way into oceans each year, posing a serious threat to the natural and marine environment. Experts estimate plastic is ingested by 31 species of marine mammals and more than 100 species of sea birds. Plastic microbeads in cosmetics contain small pieces of plastic which get into the sea and can damage marine environments. Following a public consultation, the government has decided to ban the use of rinse-off plastic microbeads in cosmetics and personal care products where there is clear and robust evidence of harm to the marine environment.
Air quality limit breach	A Supreme Court ruling in November 2016 found that the government's 2015 Air Quality Plan did not meet legal requirements under the 2008 EU Air Quality Directive. The Directive set a deadline for compliance with air quality standards of 2010, with some cities permitted an extension to 2015. The 2015 Air Quality Plan did not envisage the UK meeting the EU targets for nitrogen dioxide levels until 2020, with cities such as London as late as 2025. The Supreme Court ruled the UK was not compliant with the EU air quality targets, and required a new plan as soon as possible. The UK plan for tackling roadside nitrogen dioxide concentrations was published on 26 July 2017. The government plans to publish a Clean Air Strategy in 2018 to cover all forms of air pollution.
Litter Strategy	Defra has a commitment to implement the National Litter Strategy with the aim of achieving a substantial reduction in litter within a generation. The Litter Strategy for England sets out a number of actions up to 2020 to reduce the amount of litter dropped and improve street cleaning, including a commitment to develop a new approach to monitoring litter in England. In May 2016, Defra gave local authorities in England the power to issue fixed penalty notices for small-scale fly-tipping, providing an alternative to costly prosecutions. In April 2017, the Department published a consultation on increasing fixed penalties for littering with a view to any new regulations coming into force by the end of 2017.
Maintaining environmental standards	On BBC Radio 4's Today programme, the Secretary of State Michael Gove asserted that the UK would not accept lower environmental or agricultural standards during EU Exit negotiations. He gave the example of chlorinated chicken imports from the US, which is currently banned by the EU.

Appendices

Appendix One – Staff and pay 2016-17

Appendix Two – Staff attitudes and engagement

Appendix Three – Recent NAO reports

Appendix Four – Sponsored public bodies

Appendix One – Staff and pay 2016-17

Core Department staff

Consultants and temporary staff (C&TS)

Overall spend on C&TS in 2016-17 was £76 million, an increase of 25% since 2015-16. This is because:

- the Environment Agency's C&TS costs increased by £11.7 million due to a greater workload following the 2015-16 winter flooding costing and work on UnITy; and
- Natural England's temporary staff costs have increased by £1.5 million to cover work to implement the 2014–2020 Countryside Stewardship scheme; and Flood Re's C&TS costs are included for the first time with £2 million costs.

Staff pay

Defra Group's pay bill has increased marginally from £890 million in 2015-16 to £897 million in 2016-17. Staff numbers across the Group remained relatively static despite an increase in staff at the Environment Agency of 561 (full-time equivalent).

The ratio of the highest paid director to median pay is 5.6. Defra has relatively few staff that are paid more than the Prime Minister.

Diversity

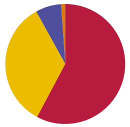
The Defra Group's Executive Committee recognises that there is a strong commonality around the Equality, Diversity and Inclusion (EDI) issues being tackled across the Defra Group. Defra runs an annual campaign, 'This is Me', to increase diversity declaration rates as well as to create an inclusive culture.

Zoom Out

Zoom In+

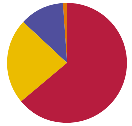
Workforce in Department for Environment, Food and Rural Affairs 2016-17

Disability



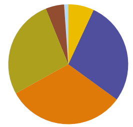
Non-disabled	58%
Not reported	34%
Declared disabled	7%
Not declared	1%

Ethnicity



White	64%
Not reported	23%
Ethnic minority	12%
Not declared	1%

Age



16–19	<1%
20–29	7%
30–39	28%
40–49	32%
50–59	27%
60–64	5%
65 and over	1%

Note

1 'Not declared' accounts for employees who have actively declared that they do not want to disclose their disability; 'Not reported' accounts for employees who have not made an active declaration about their ethnicity/disability.

Average number of staff employed (full-time equivalent)

	Core Department	Staff engaged on capital projects	Animal and Plant Health Agency	Environment Agency	Natural England	Rural Payments Agency	Other agencies and NDPBs	Total
Staff numbers 2016-17	1,839	1,016	2,140	9,626	2,257	2,011	3,149	22,038
Staff numbers 2015-16	1,910	1,299	2,169	9,065	2,237	2,143	3,141	21,964

Consultants and temporary staff (C&TS)

	Consultancy	Temporary	Total
Costs 2016-17 (£000)	22,897	52,941	75,838
Costs 2015-17 (£000)	13,878	47,001	60,879
Increase (%)	65	13	25

Pay multiples 2016-17

	Defra
Ratio	5.6
Band of highest paid director's total remuneration (£)	160,000–165,000
Median total remuneration (£)	29,050

Note:

1 'Not declared' accounts for employees who have actively declared that they do not want to disclose their disability; 'Not reported' accounts for employees who have not made an active declaration about their ethnicity/disability.

Sources: Civil service statistics, Office for National Statistics, 2016

Appendix Two – Staff attitudes and engagement

The government has conducted its Civil Service People Survey annually for the past eight years. The most recent survey was published in November 2016.

The Department has scored above the civil service average in four of the nine key themes within the survey in 2016, and its results in six of the nine themes have increased since 2015, although some areas including learning and development, and leadership and change management continue to score below the civil service average. Resources and workload, and pay and benefits are the only two categories where the results have fallen.

The main measure from the People Survey is the employee engagement index, which measures an employee's emotional response to working for their organisation, based on a combination of survey questions.

Attitudes of staff in 2016 compared with 2015 – Department for Environment, Food & Rural Affairs

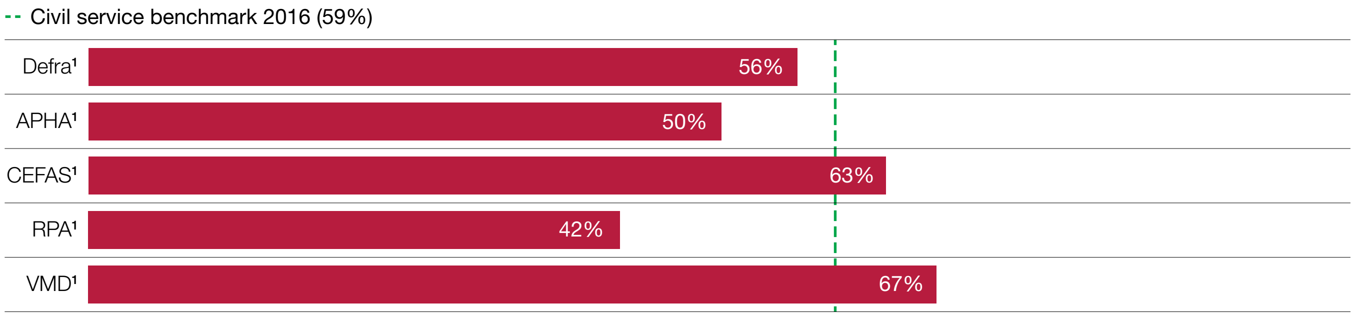
Key: Results in 2016; Increase since 2015; Decrease since 2015; No change

Theme	Results in 2016	Change since 2015	Civil service average
My work	77%	+2%	75%
Organisational objectives and purpose	79%	+6%	83%
My manager	70%	+1%	68%
My team	82%	0%	80%
Learning and development	48%	+1%	50%
Inclusion and fair treatment	78%	+3%	76%
Resources and workload	71%	-1%	73%
Pay and benefits	26%	-1%	31%
Leadership and managing change	42%	+9%	43%

Note

1 Core department excluding agencies.

Engagement index 2016



Note

1 Defra = Department for Environment, Food & Rural Affairs; APHA = Animal and Plant Health Agency; CEFAS = Centre for Environment, Fisheries and Aquaculture Science; RPA = Rural Payments Agency; VMD = Veterinary Medicines Directorate.

Sources: Civil Service People Survey 2016 and 2015

Appendix Three – Recent NAO reports

Title	Publication Date	Description
Internal Drainage Boards	March 2017	Internal Drainage Boards (IDBs) are local independent public bodies responsible for managing water levels in low-lying areas where there is a special drainage need and for contributing to flood risk management. The report focuses on governance and oversight arrangements; processes for raising concerns; and the potential for conflicts of interest.
Review of the Thames Tideway Tunnel	March 2017	The Thames Tideway Tunnel is a £4.2 billion project to construct a 25 kilometre sewer tunnel running from West to East London to reduce sewage overflows into the Thames. This review is an update of developments since the NAO report in 2014, which found six areas that were considered critical for achieving value for money. A 1991 EU Directive required the UK to protect the environment from waste water discharges. In 2012 the Court of Justice of the European Union found the UK in breach of this Directive, meaning that the UK was, and still is, at risk of fines if the problem is not addressed.
Progress on the Common Agricultural Policy Delivery Programme	October 2016	The review focused on Defra's delivery of the CAP Delivery Programme since it was initiated and the delivery of the supporting IT system. Penalties are imposed by the European Commission when it believes member states have not complied with its requirements to control and administer payments properly. Of the £65.8 million penalties, the majority (£38.6 million) related to Single Payment Scheme payments.
Departments' oversight of arm's-length bodies: a comparative study	July 2016	Defra has 33 arm's-length bodies (ALBs) excluding Flood Re, which accounted for £4.0 billion (71%) of the total Departmental Group expenditure in 2015-16. Defra is developing its approach to oversight through its transformation programme, seeking to integrate Defra's strategic risks with ALBs' operations.
The economic regulation of the water sector	October 2015	The report considered the economic regulation of the water sector, particularly the price control process and the Department's role in this through its overall responsibility for setting the policy and regulatory framework for the water industry in England and Wales.
Managing disallowance risk	July 2015	The study examined the £642 million of disallowance penalties imposed by the European Commission since 2005. Disallowance penalties are applied by the European Commission when it considers actions taken by member states to control and administer CAP payments have not complied with regulations. The study looked at the underlying causes of disallowance, the extent of future risk and the progress Defra has made in managing disallowance risk.
Strategic flood risk management	November 2014	This report found that the Environment Agency had responded well to the reduction of resources by improving cost effectiveness through making efficiencies in its capital construction programme. Sustaining the level of protection against floods is a challenge for the Department and, in the long term, the impact of climate change is likely to increase the pressure on these defences.

Appendix Four – Sponsored public bodies

Main sponsored bodies/arm's-length bodies, executive agencies and executive non-departmental public bodies

The Defra Group

Defra Group

Non-ministerial departments

- Forestry Commission
- 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

- Board of Trustees of the Royal Botanic Gardens Kew
- Consumer Council for Water
- Environment Agency
- Joint Nature Conservation Committee
- Marine Management Organisation
- National Forest Company
- Natural England

Levy-funded bodies

- Agriculture and Horticulture Development Board
- Sea Fish Industry Authority

Other

- Flood Re

Consolidated bodies (ie those are included in the Defra financial accounts)

Non-consolidated bodies (ie those for which Defra's ministers have lead policy responsibility but that are not included in the Defra financial accounts)