National Audit Office

Departmental Overview, February 2019

Department for Environment, Food & Rural Affairs

Department for Environment, Food & Rural Affairs (Defra)

This overview summarises the work of Defra including what it does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

Overview

If you would like to know more about the National Audit Office's (NAO's) work on Defra, please contact:

Peter Morland
Director, Financial Audit
peter.morland@nao.org.uk
0191 269 1841

Keith Davis
Director, Value for Money Audit
keith.davis@nao.org.uk
020 7798 7284

Damian Brewitt
Director, Agricultural Funds Audit
damian.brewitt@nao.org.uk
020 7798 7256

If you are interested in the NAO's work and support for Parliament more widely, please contact:

parliament@nao.org.uk
020 7798 7665

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, nationally and locally, have used their resources efficiently, effectively, and with economy. The C&AG does this through a range of outputs including value-for-money reports on matters of public interest; investigations to establish the underlying facts in circumstances where concerns have been raised by others or observed through our wider work; landscape reviews to aid transparency; and good-practice guides. Our work ensures that those responsible for the use of public money are held to account and helps government to improve public services, leading to audited savings of £741 million in 2017.

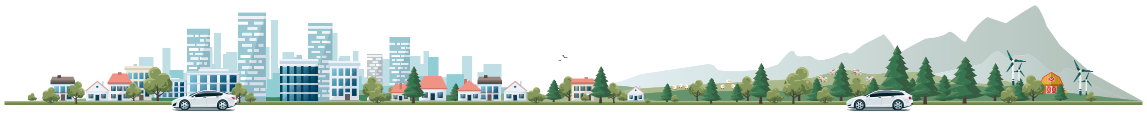
Design & Production by NAO External Relations
DP Ref: 006099-001

About Defra

Defra is responsible for:

- safeguarding the natural environment;
- supporting the UK food and farming industry; and
- sustaining the rural economy.

It is also responsible for implementing European agricultural and rural policy and related funding for the United Kingdom (UK) until the UK's departure from the European Union (EU).



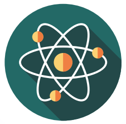
Defra's objectives are to:

01

Deliver a smooth transition to new regulatory and delivery frameworks after the UK leaves the EU

02

Pass on to the next generation a natural environment protected and enhanced for the future



03

Lead the world in food and farming, with a thriving rural economy

04

Become the most effective and efficient department in government

Defra Group office locations in England

Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs Group websites

Defra consists of the central department, 'Core Defra', the wider 'Defra Group' of 20 bodies that produce joint reports and accounts with Core Defra and the extensive 'Defra family', which includes a further 13 bodies. This is a total of 33 delivery bodies, as shown on page 4. Between them the 21 Defra Group bodies have 98 offices in 62 English towns and cities, as indicated on the top right.

Core Defra has around 3,500 full-time equivalent staff (as at 31 March 2018), including policy-makers, scientists and research specialists. This is an increase of 76% during 2017-18 as a result of recruiting additional staff to implement the UK's exit from the EU and transferring corporate service staff from delivery bodies into Core Defra. Most of the staff are based in London, but there are others in Bristol, York and other offices throughout England.

Across the Defra Group there are a further 20,000 full-time equivalent staff employed, with 10,200 at the Environment Agency, 2,500 at Natural England, 2,300 at the Animal and Plant Health Agency and 1,500 at the Rural Payments Agency.

Although Defra only works directly in England, it works closely with the devolved administrations in Wales, Scotland and Northern Ireland, and generally leads on negotiations regarding the implementation of its policy areas in the EU and internationally.

CONTENTS
NEXT
PREVIOUS
LAST PAGE VIEWED

How Defra is structured

The Defra family

The Department devolves much of its policy implementation to 33 delivery bodies.

	Non-ministerial department	Executive agencies	Executive non-departmental public bodies		Non-profit institution	Advisory non-departmental public bodies	Tribunal non-departmental public body	Other		
Defra Group £6,327m	Forestry Commission **£67m**	Animal and Plant Health Agency **£227m**	Consumer Council for Water **£5m**	Natural England **£151m**	National Forest Company **£3m**	Advisory Committee on Releases to the Environment	Plant Varieties and Seeds Tribunal (dormant)	Broads Authority	Lake District National Park Authority	Peak District National Park Authority
	The Water Services Regulation Authority (Ofwat)	Centre for Environment, Fisheries and Aquaculture Science **£52m**	Environment Agency **£1,315m**	Board of Trustees of the Royal Botanic Gardens Kew **£81m**		Independent Agricultural Appeals Panel		Covent Garden Market Authority	New Forest National Park Authority	South Downs National Park Authority
		Rural Payments Agency **£2,932m**	Joint Nature Conservation Committee **£12m**	Agriculture and Horticulture Development Board **£68m**		Science Advisory Council		Dartmoor National Park Authority	North York Moors National Park Authority	Yorkshire Dales National Park Authority
		Veterinary Medicines Directorate **£15m**	Marine Management Organisation **£25m**	Sea Fish Industry Authority **£11m**		Veterinary Products Committee		Exmoor National Park Authority	Northumber-land National Park Authority	Forest Enterprise England
									Flood Re[3] **£124m**	

— **Defra Group consolidated bodies**: designated by HM Treasury to create a single entity for presenting Defra's financial statements of accounts.

-- **Non-consolidated bodies**: public sector bodies for which Defra has lead policy responsibility but that present separate financial statements.

Notes

1 Figures represent gross total operating expenditure as shown on the Consolidated Statement of Comprehensive Net Expenditure.

2 Defra's total expenditure includes that of network bodies (including direct payments under the EU's Common Agricultural Policy) and expenditure on its own activities.

3 **Flood Re** is a reinsurance scheme that makes flood cover more widely available and affordable as part of home insurance.

4 Expenditure for Core Defra is included in the Defra Group – the individual amounts for the bodies shown do not represent the total gross operating expenditure.

5 Agriculture and Horticulture Development Board and Sea Fish Industry Authority are levy-funded bodies.

Source: Department for Environment, Food & Rural Affairs *Annual Report and Accounts 2017-18*

Defra's strategic objectives

As reported in its Annual Report and Accounts 2017-18 and Single Departmental Plan

Organisational objectives

01

To achieve excellent delivery for its customers

02

To be an organisation focusing on outcomes

03

To ensure an inclusive professional and flexible workforce

Impact objectives

Environment

A cleaner, healthier environment benefiting people and the economy

- Restore landscapes, to create more beautiful places with cleaner water and greater biodiversity and encourage connection of people with the natural environment.
- Better protect and enhance the environment through its planning advice and licensing duties.
- Publish a new *Resources and Waste Strategy*, with consultations on producer responsibility and deposit return schemes.
- Publish the *Clean Air Strategy*, setting out how it will work to reduce damaging emissions of the top five airborne pollutants.

Food and farming

A world-leading food and farming industry

- Ensure England has the regulatory and governance framework in place to protect consumer interests.
- Drive growth and productivity in the food and drink sector, and maintain consumer confidence in the food chain.
- Reduce the regulatory burden on farming business, deliver efficiencies and increase productivity in field operation.
- Deliver multiple environmental benefits from farmland through Countryside Stewardship and Environmental Stewardship programmes.

Rural

A rural economy that works for everyone, contributing to national productivity, prosperity and well-being

- Work with the Department for International Trade to deliver trade deals that work for UK businesses, farmers and consumers.
- Support a smooth transition from the EU by continuing to deliver current payment schemes and simplifying schemes during transition.
- Analyse the needs and challenges facing rural communities and businesses and promote more effective rural-proofing of policies and programmes.
- Push the rural case in specific policy areas, such as broadband, mobile, housing, childcare and education.

Protection

A nation better protected against floods, animal and plant diseases and other hazards, with strong response and recovery capabilities

- Enhance biosecurity to keep animal and plant pests and diseases out and dealing with them when they appear.
- Develop an emergency response capability for recovery from flooding, drought, environmental and chemical, biological, radiological or nuclear incidents.
- Safeguard and improve the quality of surface and ground waters with an effective framework of protection and tools.
- Lead cross-government action to build resilience to a changing climate and meet obligations under the UK Climate Change Act.

EU Exit objectives

EU Exit

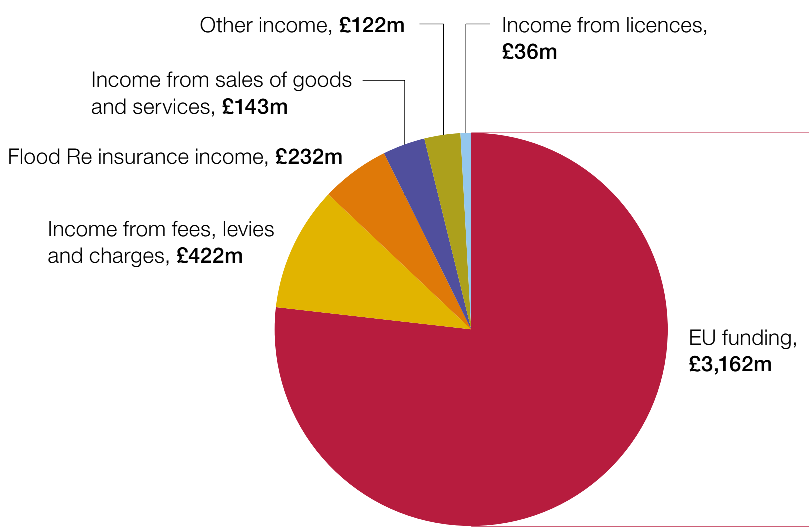
A smooth and orderly exit from the EU

- Achieve the best deals for UK consumers, Defra Group's sectors and the environment as we leave the EU.
- Establish new economic relationships with Europe and other countries around the world.
- Support ministers in sustaining the UK Union and constitutional elements.
- Support ministers to deliver the legislative framework needed to support a smooth and orderly exit from the EU.
- Enable effective senior stakeholder reporting, planning and decision-making for Defra Group's EU Exit portfolio.

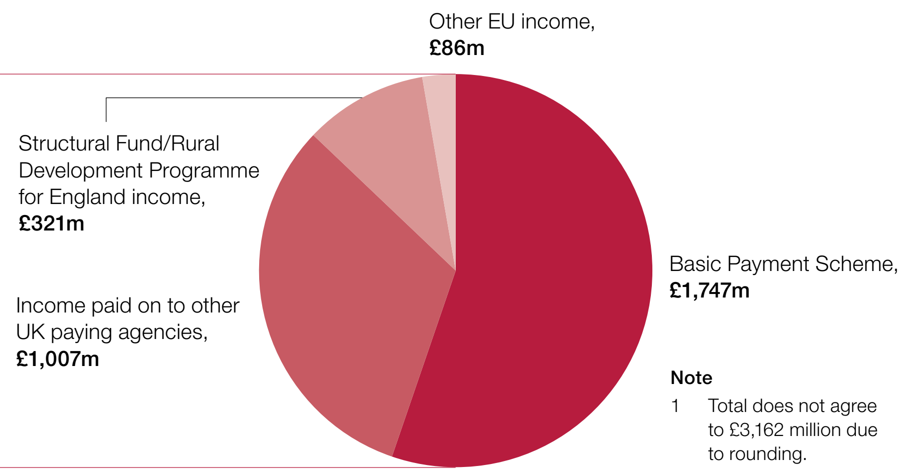
CONTENTS
NEXT
PREVIOUS
LAST PAGE VIEWED

Defra’s income

Defra’s income



How Defra’s £3.2 billion income from the EU was spent



Note

1 Total does not agree to £3,162 million due to rounding.

Defra received £4.1 billion in income in 2017-18 which included:

£422 million income from fees, levies and charges	This includes: environmental protection charges, water abstraction charges, agriculture and horticulture levies and others.
£232 million Flood Re	The majority of Flood Re’s insurance income (£180 million in 2017-18) is derived from a levy paid by household insurers. Underwriters of UK household insurance business are required to contribute to the Flood Re annual levy in proportion to their relevant underwriting profiles.
£143 million Sales of goods and services	This includes: scientific advice, analysis and research, TB compensation salvage receipts, animal disease surveillance and diagnostics and other goods and services.
£36 million Income from licences	This includes: fishing licence duties, navigation licence income, marine and coastal licensing and others.

Source: Department for Environment, Food & Rural Affairs’ *Annual Report and Accounts 2017-18*

More than three-quarters (77%) of Defra’s operating income (£4,117 million) came from the EU in 2017-18.

55% EU reimbursement	More than half of the 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).
£1 billion Reimbursement	A further £1 billion is to reimburse the payments made by the Welsh, Scottish and Northern Irish paying agencies for support to farmers under CAP.

Defra also receives income from the EU to support the Rural Development Programme for England (RDPE), which aims to make England’s agriculture and forestry sectors more competitive, to improve the quality of life in rural areas and to diversify rural economies.

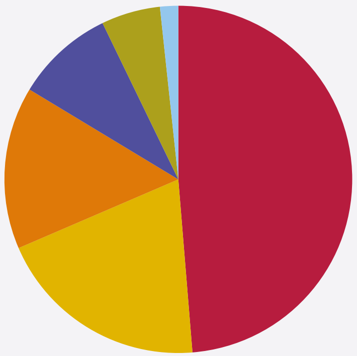
Source: Department for Environment, Food & Rural Affairs’ *Annual Report and Accounts 2017-18*

Where Defra spends its money

The Department spent a total of

£6.3 billion

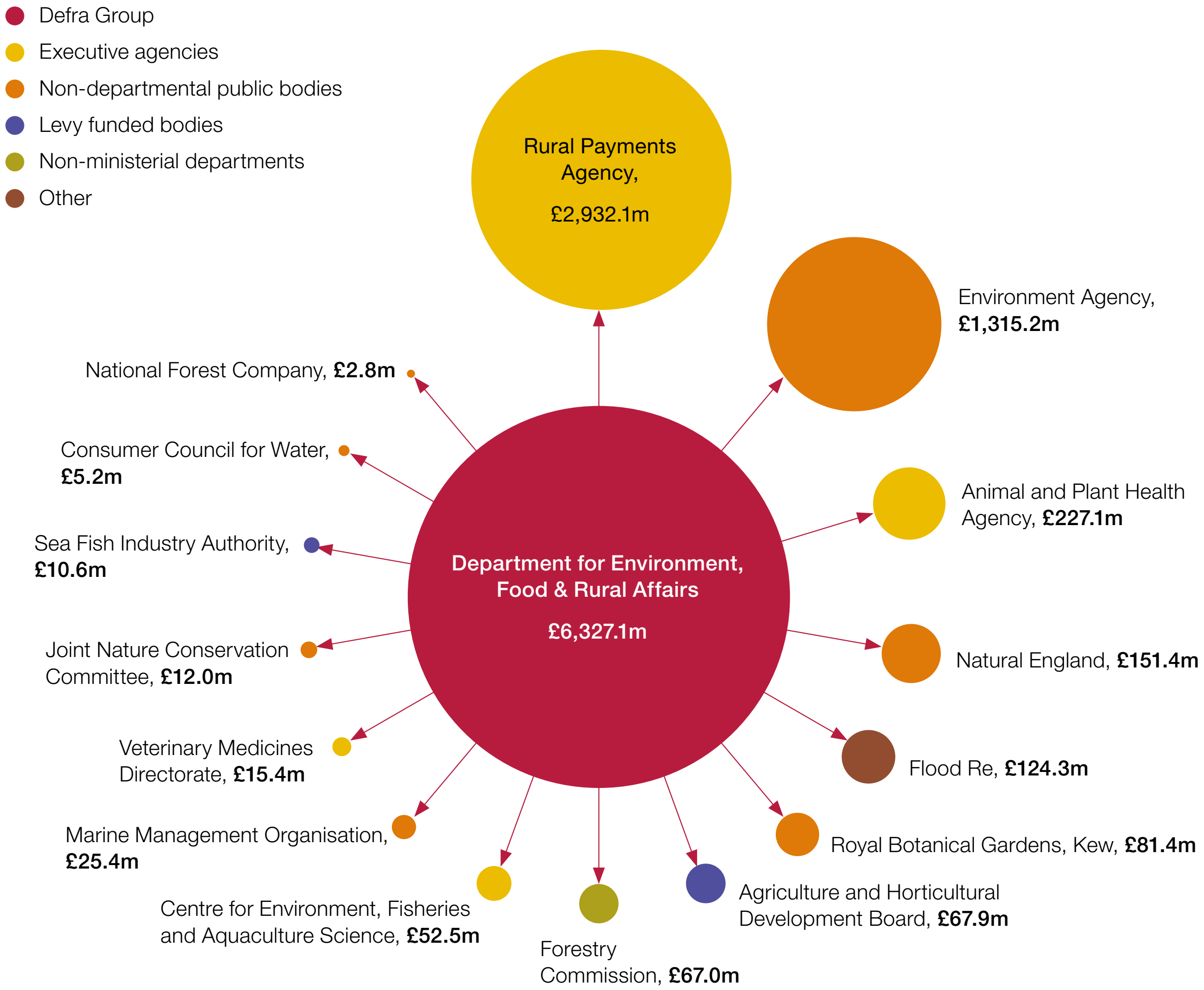
in 2017-18, which was split across six key spending areas



With income of £4.1 billion (see previous page) the Department's net expenditure was £2.2 billion, down from £2.3 billion in 2016-17.

	Key spending areas	£m
1	Food, Farming and Biosecurity	3,081
2	Floods and Water	1,254
3	Natural Environment and Rural	957
4	Corporate Services and Centrally Held Budgets	580
5	Environmental Quality	347
6	Marine and Fisheries	107

Spending by Defra Group in 2017-18[1]



Notes

1 Figures represent gross total operating expenditure as shown on the Consolidated Statement of Comprehensive Net Expenditure. Defra's total expenditure includes that of network bodies (including direct payments under the EU's Common Agricultural Policy, which are paid by the Rural Payments Agency and reimbursed by the EU) and expenditure on its own activities.

2 The diagram excludes advisory and tribunal non-departmental public bodies.

Source: Department for Environment, Food & Rural Affairs' *Annual Report and Accounts 2017-18*

Performance against targets

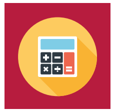
Defra reports its performance against its Single Departmental Plan (SDP) objectives as progress against key performance indicators in its Annual Report and Accounts and online on GOV.UK on its SDP page. A performance framework is still in development to measure progress towards the outcomes set out in the 25-Year Environment Plan, which was published in January 2018.

In 2017-18, 10 indicators were reported as 'performance on target' and four as 'target narrowly missed'. No indicators were reported as 'target significantly missed'.

	Environment	Food and farming	Rural	Protection	EU Exit
Objectives	 A cleaner, healthier environment benefiting people and the economy	 A world-leading food and farming industry	 A rural economy that works for everyone, contributing to national productivity, prosperity and well-being	 A nation better protected against floods, animal and plant diseases and other hazards, with strong response and recovery capabilities	A smooth and orderly exit from the EU 
Performance on target	Bathing water – 98.3% of bathing waters are at sufficient quality or above. The UK bathing waters classified as 'excellent' or 'good' are at expected levels. Water quality – 42% of English inshore waters and 33% of offshore waters are within Marine Protected Areas in 2017, up from 29% and 20% respectively in 2016. Pollution incidents – The number of serious pollution incidents decreased from 492 in 2016-17 to 402 in 2017-18.	Farm basic payments – 96% of 2017-18 CAP payments administered promptly, accurately and at a reduced cost to farmers, exceeding 93% target. Farm visits – Since 2016, there has been a cumulative reduction of 13,000 in farm visits to compliant farmers to reduce the regulatory burden. The target is to cut farm visits by 20,000 by 2020.	Rural productivity – The gross value added per workforce job in England has shown an improvement over the year, from £43,935 in the 2015 report, to £44,740 in the 2016 report (latest). Food and drink – Total annual value of UK food and drink exports increased from £20.2 billion in 2016 to £22.1 billion in 2017.	Flood protection – More households protected from flooding, from 96,986 in 2016-17 to 142,850 in 2017-18. Antibiotic use – Use in farming animals and fisheries declined by 27% from 62mg/kg in 2014 to 45mg/kg in 2016, meeting 20% reduction target two years early. Incident response – The number of incident response staff fell slightly from 6,716 in 2016-17 to 6,568 in 2017-18. Sufficient numbers of trained staff to provide incident responses remain in place.	
Targets narrowly missed	Trees planted – 1.42 million trees planted in 2017-18, reported as 'on track' towards target of 11 milion trees planted over six years; however, uncertainty remains over future delivery to meet target. Air quality emissions – Nitrogen Oxide emissions reduced from 0.99 million tonnes in 2015 to 0.89 million tonnes in 2016, but further reductions needed to meet 2020 and 2030 emissions ceilings.			Bovine Tuberculosis – 93.8% of cattle herds were free of bovine tuberculosis in 2017, down from 94.3% in 2016. Defra's target is to achieve Officially Bovine Tuberculosis Free status by 2038.	EU Exit readiness – Overall assessment by Defra in its Annual Report and Accounts 2017-18

CONTENTS
NEXT
PREVIOUS
LAST PAGE VIEWED

Managing public money



Disallowance

The European Commission can impose financial corrections or 'disallowance' on member states for failing to apply EU regulations correctly in managing and administering EU schemes. In 2015, we reported that, since 2005, the UK's disallowance penalties amount to £2.70 for every £100 of CAP funds it receives from the Commission. This was the sixth highest figure out of the 28 member states. Historically, no member state has ever achieved zero disallowance under the CAP regime.

Disallowance triggers include digital maps not being sufficiently up to date, the timing of inspections, and eligibility checks and administrative controls that are deemed not sufficiently robust. Defra accounts for disallowance relating to England but not to the devolved administrations. The amounts disallowed depend on the assessed severity of the regulatory breach and subsequent negotiations with the Commission.

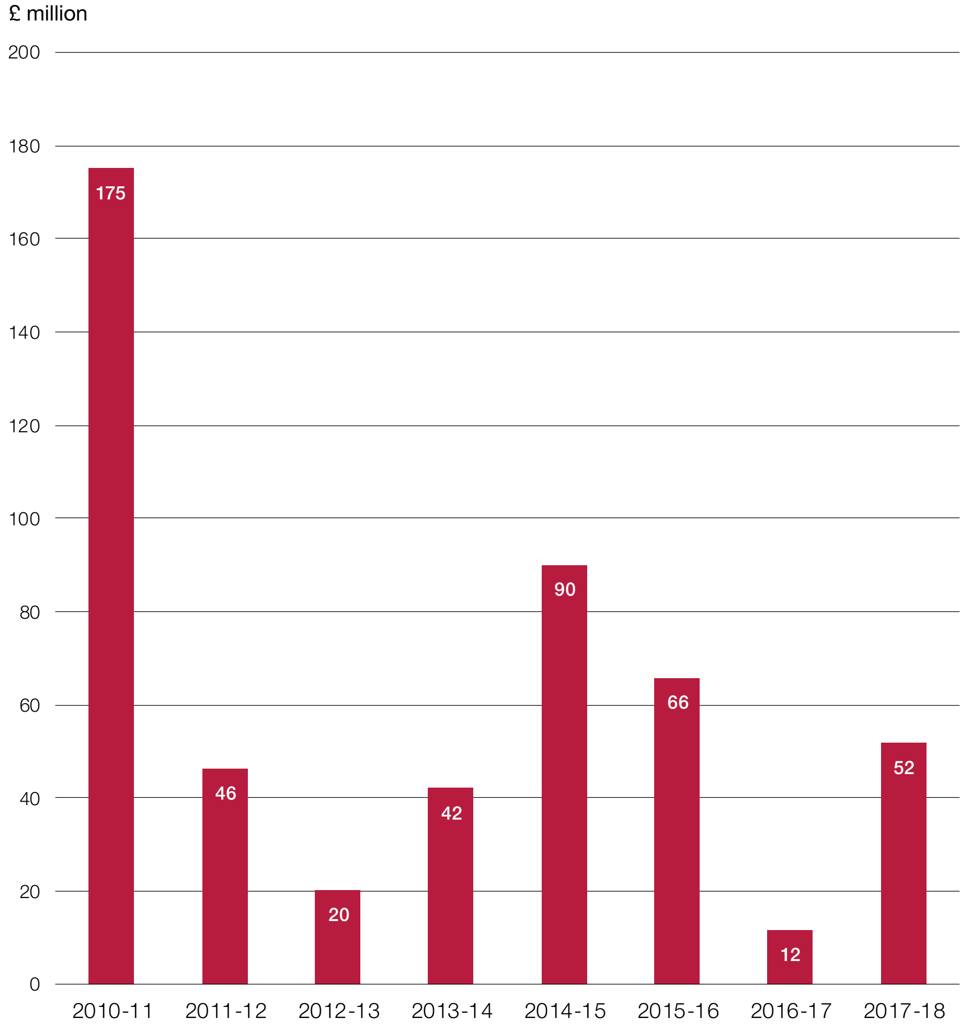
The chart shows the disallowance accrued each year since 2010-11. In 2017-18, Defra incurred penalties of £52 million. Although this is a significant cost, it is not considered material in the context of Defra's gross expenditure of more than £6 billion.

The amount for each year is not a good indicator of Defra's performance in that year as penalties can be accrued several years later than the year to which they relate. This is because the Commission's audits may take several years and negotiations with the Commission over the penalties can also take many years to conclude.

Managing disallowance continues to be a significant challenge for Defra. Although the UK is set to leave the EU in 2019, Defra expects to incur disallowance on outstanding audits for some years to come. Depending on the outcome of negotiations, Defra may continue to incur disallowance penalties relating to past years and possibly for any agreed implementation period. Therefore, managing the CAP scheme to ensure the payments made by Defra are on time and accurate and reduce the level of penalties must remain a priority.

Disallowance penalties 2010-11 to 2017-18

Defra incurs penalties for non-compliance with EU regulations



Source: Department for Environment, Food & Rural Affairs' Annual Report and Accounts 2010-11 to 2017-18

CONTENTS
NEXT
PREVIOUS
LAST PAGE VIEWED

Implementing EU Exit

Scale of the task

Defra is one of the government departments most affected by EU Exit. Its portfolio is very varied, covering the chemical and agri-food industries as well as crucial policy areas such as agriculture, fisheries and the environment.

Approximately

80%

of Defra's areas of responsibility are framed by EU legislation

25%

of EU laws apply to its sectors

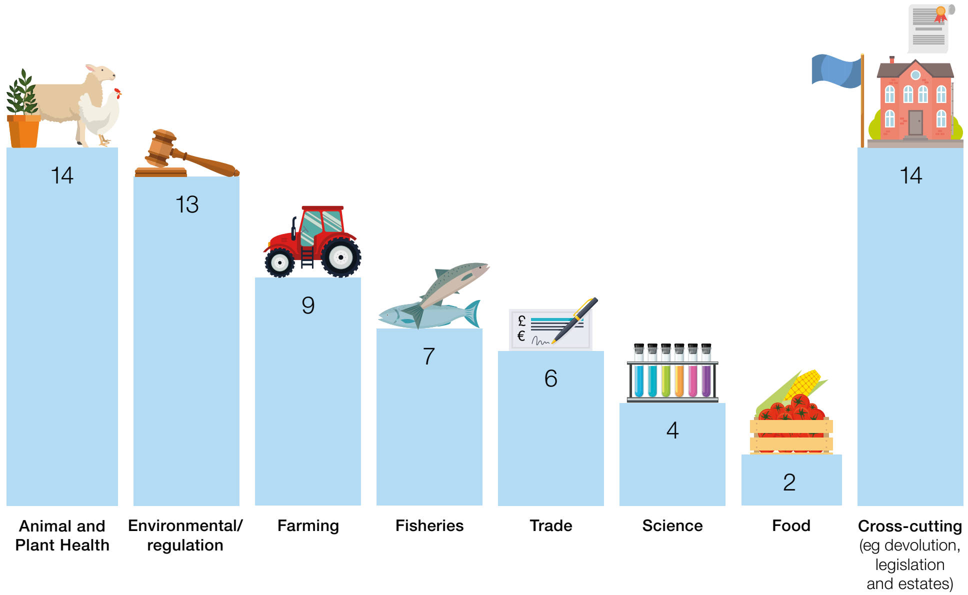
Defra estimates that approximately 80% of its areas of responsibility are currently framed by EU legislation and that 25% of EU laws apply to its sectors. Because of the scale of the challenge the Department faces in implementing EU Exit, Defra needs to make major changes to the size and structure of its organisation as it begins to provide the services and functions that will replace those currently provided by the EU.

In common with other government departments, it has organised its portfolio of work to prepare for EU Exit into individual 'work streams'. With 55 work streams and 14 cross-cutting and coordinating activities, it has the second largest number of work streams of any department. In addition, it has to draft a large volume of legislation, lead on specific aspects of the UK government's negotiations, including fisheries, agri-food, bio-security measures and the environment and work closely with the devolved administrations.

In 2017-18, Defra recruited more than 1,300 new staff and it told Parliament that it plans to recruit a further 1,600 during 2018-19 (this has increased from 1,400 when we reported in September). It has also relied heavily on consultants with contracts to the value of up to £6.7 million with PricewaterhouseCoopers (PwC) and with Boston Consulting Group for £9.5 million. HM Treasury has approved additional funding for Defra's EU Exit programme of £94 million for 2017-18 and a further £320 million for 2018-19.

Number of EU Exit work streams

The Department for Environment, Food & Rural Affairs has 55 work streams across seven policy areas plus 14 cross-cutting and coordinating activities



Notes

1 The 14 cross-cutting activities are seven enabler activities: digital, commercial, finance, human resources, legal, communications and estates; five central planning activities: devolution, legislation, borders, international agreements and EU negotiations; and two coordinating activities: other government departments and arm's-length bodies.

2 This information is sourced from our September 2018 report *Department for Environment, Food & Rural Affairs: Progress in Implementing EU Exit.* The number of work streams and activities may have subsequently altered.

Source: Department for Environment, Food & Rural Affairs: Progress in implementing EU Exit, National Audit Office, September 2018

We have undertaken work to examine preparations for EU Exit across government, including reporting on the financial settlement in April and November 2018, consumer protection, competition and State Aid in July 2018, and the role of central government in people and skills in December 2017.

The following pages highlight some of our findings from Defra-specific reports.

Examples of Defra's EU Exit-related activity

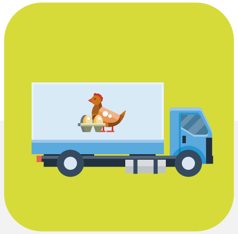
These are the four work streams that we examined in detail in our September 2018 report.

Regulation of chemicals

Defra is responsible for UK chemicals policy in relation to the REACH regulation. The manufacture, import, supply and use of chemicals is currently regulated and administered by the European Chemicals Agency (ECHA). In a no-deal scenario, the UK plans to introduce a new regulatory and administrative regime of its own, and is developing a new IT system to replace the EU's IT system, to which the UK may no longer have access.

Import of animals and animal products

The UK currently uses the EU's TRACES (trade control and export system) to notify border inspection posts that carry out controls on commodities being imported to the UK, to record the outcome of biosecurity and food safety checks, and to communicate electronically with HM Revenue & Customs' customs system. The UK is developing its own service and IT system to manage the import of consignments from non-EU countries and live animals from the EU. If the UK decides to impose new import controls, it will also need to manage imports of animal products from the EU, which are currently not subject to any checks.



Exports of animals and animal products

All exports of animals and animal products must be accompanied by an export health certificate (EHC). Defra told us there are at least 1,400 different versions of the EHC as there is a unique version for each commodity and each country. Defra is upgrading its current spreadsheet-based system with new IT arrangements. Defra expects an increase in volume of EHCs in the range 150%–300% and will need additional staff to process these. Additional veterinary capacity will also be required. Exports to the EU will need to pass through a border inspection post. Most of the UK's trade currently travels via the Irish border or Calais, where there are no border inspection posts, and so traders would need to alter their routes if this were required.

Marine control and enforcement

Currently, control and enforcement is carried out by the Marine Management Organisation, a Defra executive non-departmental public body, Inshore Fisheries and Conservation Authorities in England and similar agencies in the devolved administrations. EU vessels are currently entitled to fish in UK waters but must adhere to catch quotas, as must UK vessels fishing in EU waters. More than 1,000 EU vessels each year entered English and Welsh waters in the period 2013 to 2015. In September 2018, Defra was considering to what extent it will need to expand its capacity to police English waters and enforce regulations for both EU and UK vessels following EU Exit. It planned to increase its patrolling capacity significantly.

1 2 3 4

CONTENTS
NEXT
PREVIOUS
LAST PAGE VIEWED

Progress in implementing EU Exit

We reported on Defra's progress in EU Exit in September 2018 and found:

- **Defra has achieved a great deal in very difficult circumstances.** In his report, the Comptroller and Auditor General said that "these are not normal times for Defra or for the government as a whole". Nevertheless, in the limited time available, Defra has drawn up detailed plans for most of its work streams, designed and started to build new IT systems and functions, managed a rapid expansion in its workforce and started to prepare the huge volume of legislation needed to ensure a functioning statute book following EU Exit.

> " these are not normal times for Defra or for the government as a whole.
>
> *Comptroller and Auditor General*

- **Its plans are improving but still lack maturity and a high proportion of milestones were missed.** In April 2018, Defra reported that, under a no-deal exit, many of its individual work streams were deliverable but the overall complexity and aggregate risk in the portfolio make it unstable.
- **For some work streams, Defra had passed the point where it will be able to deliver what it had originally intended for a no-deal scenario.** Overall delivery complexity for Defra remains. The ability to react to changing circumstances and reprioritise activities requires continued flexibility from individual work streams. It is continuing to review its plans with the aim of having sufficient arrangements in place if no deal is agreed.
- **We examined some of Defra's most important work streams and found that:**
  - it was still developing its plans to strengthen its control and enforcement of English fishing waters and may have to scale up its patrolling capacity over time following EU Exit. Defra was confident that it would be able to manage the risk of any disruption in the interim.
  - Defra had planned to negotiate with 154 non-EU countries to agree acceptance of UK versions of more than 1,400 export health certificates to allow the export of animals and animal products to continue. As Defra is unlikely to complete these negotiations in time, it told Parliament in October 2018 that it plans to continue using the EU versions of the certificates and hope that the receiving countries will accept them. Some countries that Defra has spoken to have agreed to this.
  - in the event of no deal being reached, Defra expected an increase in the volume of export health certificates (EHCs) that need to be processed, because certificates will be needed for exports to EU countries following EU Exit. EHCs need to be signed off by official vets and so Defra anticipated that a significant increase in veterinary capacity would be needed. Defra was slow to start engagement with the veterinary industry and now needs a credible plan for increasing vet capacity without adding to exporters' costs. It has since agreed with the Royal College of Veterinary Surgeons that non-vets can carry out some aspects of the certification process.
- **There is a risk of disruption to the UK's chemical manufacturing industry that Defra cannot address on its own.** It is seeking continued participation in the European Chemicals Agency. Without this, UK chemical manufacturers would have to make new registrations with ECHA or transfer their existing ones to an EU/EEA-based entity on exit day, in order to export their products to EU member states.
- **Defra faces a huge challenge to get all of the necessary legislation in place to prepare the UK for EU Exit.** In September 2018, we reported that it had three major bills for EU Exit and 95 statutory instruments (SIs) to be laid by the end of January. Defra told Parliament in October 2018 that more than three-quarters of the SIs were fully drafted or close to completion. However, this leaves around 20 that still require considerable drafting effort. Since then, there has been increased effort across government to manage and prioritise secondary legislation in the remaining Parliamentary time available.

CONTENTS
NEXT
PREVIOUS
LAST PAGE VIEWED

Defra's capability and capacity

Defra is under significant strain, with recruitment expected to become more challenging as competition for skilled staff increases.

Defra faces an unprecedented management challenge because, as well as needing to develop its capability in areas such as legislation and negotiation in order to implement EU Exit, Defra needs to make major changes to the size and structure of its organisation as it begins to provide the services and functions that will replace those currently provided by the EU, for example food imports and exports and regulation of the chemical industry.

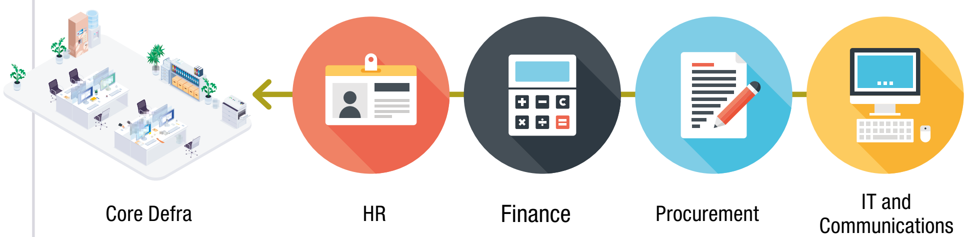
Defra told Parliament in October 2018 that it is aiming to recruit a further 1,400 staff in 2018-19 and that it had recruited roughly half that number. It has since told us that this number has increased to 1,600.

Staff recruitment

1,307
new staff
in 2017-18

Defra recruited 1,307 new staff in 2017-18, reversing the downward trend in staff numbers since 2010-11. Most were recruited to Core Defra, which grew by 76% in the course of the year, more than half (51%) are fixed-term appointments and 40% are on loan or secondment.

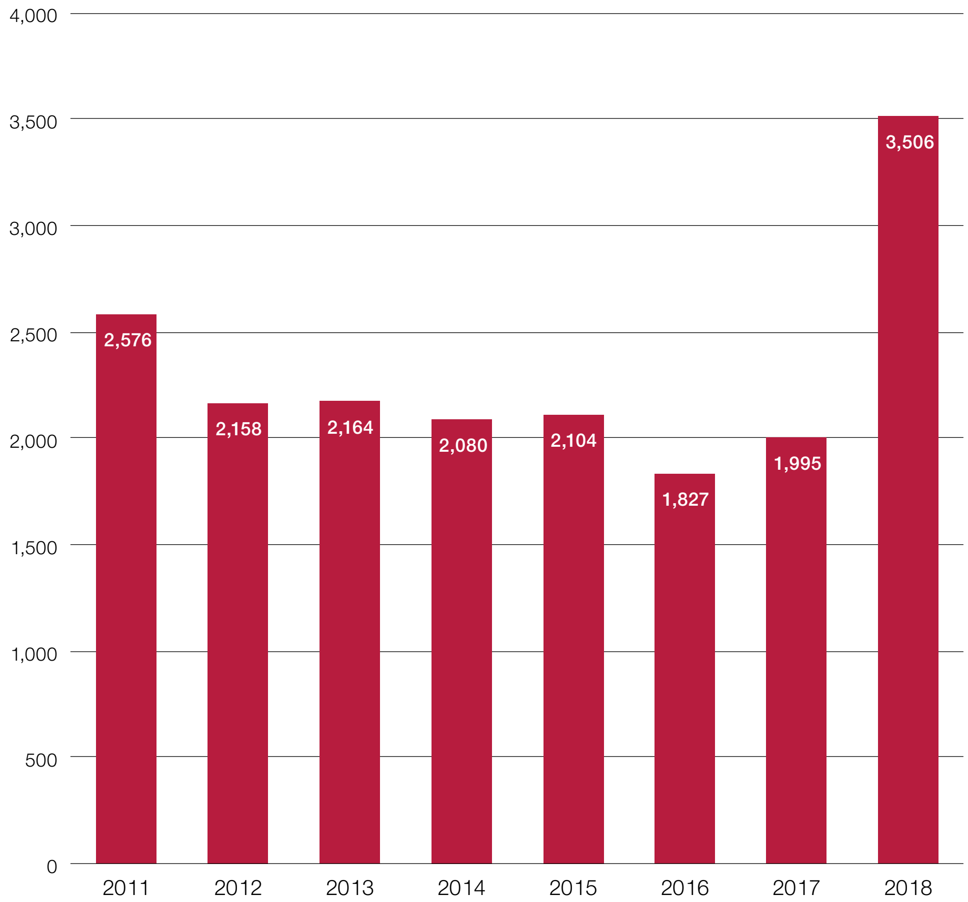
Corporate Services transformation programme



Core Defra has also seen increased staffing levels as a result of the Corporate Services transformation programme which has transferred HR, Finance, Procurement, IT and Communications staff from five Defra Group bodies to Core Defra. This has reduced expenditure overall but has concentrated it into Core Defra.

Number of staff (full-time equivalent) employed in Core Defra, 2011 to 2018

The number of staff in Core Defra grew by 76% during 2017-18



Notes

1 The growth in staff during 2017-18 was due to recruitment of staff for EU Exit and transfer of corporate services staff from Defra's arm's-length bodies into Core Defra. For example, more than 900 Environment Agency corporate services staff joined Core Defra in November 2017.

2 The figures differ from those shown in our September 2018 report on Defra's progress in implementing EU Exit. The figures shown here are year-end numbers while the report showed average number over each year.

Source: Department for Environment, Food & Rural Affairs Annual Report and Accounts 2010-11 to 2017-18

Defra's capability and capacity

Resources for EU Exit

Defra has received additional funding for its EU Exit programme. HM Treasury approved funding of £94 million in 2017-18, comprising new funding of £67 million, and £27 million that Defra was expected to find from its existing resources. Defra submitted a further bid for funding for 2018-19 and received approval for spending of £320 million, of which £10 million will come from Defra's existing resources. Approval for Defra to spend £410 million in 2019-20 was announced in December 2018.

More than half the additional staff recruited for EU Exit in 2017-18 were in the policy profession. In order to assimilate the new staff, many of whom are from outside the civil service, Defra has strengthened its induction programme and expanded its human resources and estates teams.

Defra has a continuing challenge for 2018-19, because in September it was aiming to recruit a further 1,400 staff and has since told us that this has increased to 1,600. It will need to maintain its efforts to assimilate its new staff and to ensure that its corporate functions are sufficient to recruit, train and accommodate them. Its priorities are shifting as it moves into the delivery phase. It is now targeting:

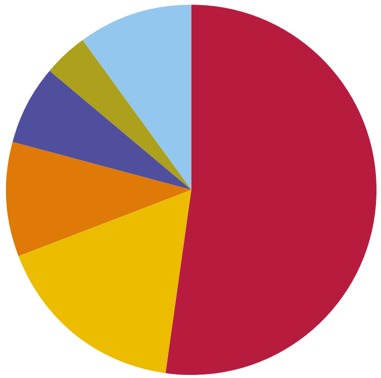
Analytical specialists, with an increase in posts across the Defra Group.

Policy staff with an increased focus on trade and negotiations.

Digital, project delivery, project management and corporate services staff across the Defra Group.

Breakdown by profession of staff recruited for EU Exit in 2017-18

More than half the staff recruited in 2017-18 for EU Exit were policy professionals



	Key spending areas	Number	(%)
1	Policy	623	53
2	Operational delivery	197	17
3	Digital, data and technology	114	10
4	Project delivery	78	7
5	Analysts	53	4
6	Other	117	10

Note

1 The figure shows only those already in post as at 31 March 2018.

Source: Comptroller and Auditor General, *Department for Environment, Food & Rural Affairs: Progress in Implementing EU Exit*, Session 2017–2019, HC 1498, National Audit Office, September 2018

Complex delivery arrangements

Defra is dependent on a wide range of partners to deliver in critical areas of public policy such as air quality, waste and recycling, floods and environmental stewardship. If a national crisis such as flooding or disease outbreak occurs, Defra relies on its partners to take immediate and effective action. It must have clear lines of responsibility and accountability in place to enable this.

Within Defra Group

Defra needs to work hard on relationships with its delivery partners, making sure that communication, governance and finance all work well across the Group and with external bodies. Defra has produced framework documents to set out how some of the Group bodies operate. These include information on partners' overall purpose and functions, governance arrangements and accountability. These are agreed for the Rural Payments Agency, the Environment Agency, Natural England, the Joint Nature Conservation Committee, Royal Botanic Gardens, Kew and the Agriculture and Horticulture Development Board.

Working with partners

Defra played a leading role in the cross-government, multi-agency decontamination and wider recovery of Salisbury and Amesbury following the Novichok incidents to remove nerve agent contamination from 12 sites.

Defra needs to use its influence with local authorities and other government departments where it is dependent on them to deliver its policies effectively. For flood risk management, Defra relies on other government departments and a range of regional and local bodies such as the local resilience forums that incorporate the emergency services, the NHS, Highways England and public utility companies (see below).

Defra has produced detailed guidance for the production of Multi-Agency Flood Plans, and has recently undertaken an independent review of local preparedness.

With such complex arrangements, governance of roles and responsibilities are not always well defined. For example, in our report on internal drainage boards (IDBs), we concluded that "the government has no legislative powers to ensure that IDBs, as public bodies, meet expectations for good-quality internal governance and sound financial management."

Bodies involved in flood risk management and their responsibilities

National / Regional / Local

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.

Ministry of Housing, Communities & Local Government

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 and 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

Ensure that planning decisions result in safe new developments that do not increase flood 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.

Note

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

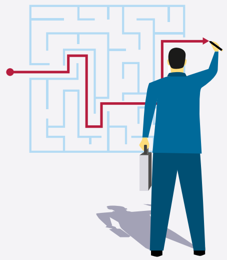
Source: Comptroller and Auditor General, *Strategic flood risk management*, Session 2014-15, HC 780, National Audit Office, November 2014

CONTENTS
NEXT
PREVIOUS
LAST PAGE VIEWED

Complex delivery arrangements

Implementation of EU Exit

Defra depends on a wide range of partners for many of its EU Exit projects. Defra has identified multiple interdependencies across the Defra Group and government. Defra has taken steps to ensure its delivery bodies are integrated into the EU Exit programme and that their operational insight is used to inform planning and policy development. Defra is working with other government departments and committed to working collaboratively with the devolved administrations on its EU Exit programme. Failure to engage successfully with devolved administrations could disrupt the UK's internal market and impact Defra's EU Exit programme.



Delivery risk

Defra has identified multiple areas of risk in its complex delivery arrangements.

Business-as-usual risks cover high-profile incident management, air quality and health and safety risks on high containment laboratories. These risks have brought more attention to the ongoing funding pressures which influence capacity and capability across the Defra Group and its ability to influence wider partners.

Due to the increase of work through EU Exit, more than 1,300 people had already joined Defra by March 2018, with further expansion since. This influx and the repositioning of existing staff means there has been a loss of corporate knowledge. This risks decreasing the quality of work produced, in particular in relation to the timing pressures with EU Exit work.

Furthermore, the risk to delivery is enhanced as there is increased pressure leading to people having less time to find and follow procedures and a decline in the quality of checking completed.

Stakeholders

The diagram below outlines the wide range of stakeholders with a direct interest in Defra's implementation of EU Exit. Many organisations or individuals will fall under more than one category and have interests across a range of policy areas.

Planning for EU Exit

Identifying what bodies are impacted, and consulting and informing them during implementation.

Citizens and customers

People may be impacted, for example as travellers to the EU, or as direct or indirect beneficiaries of EU funds.

Public sector

Issues may require work across multiple departments, arm's-length bodies, regulators and local government.

Private sector

Businesses in some sectors (including the agri-food and chemical sectors) will be deeply affected by EU Exit. They need to start preparing now in order to be ready in time for EU Exit but uncertainty over the future relationship between the UK and EU means the government is still not yet able to tell them in full what they need to do.

Devolved administrations

Around 80% of Defra's policy areas are devolved. The Department is working closely with the devolved administrations on joint delivery, developing statutory instruments and to agree where UK-wide frameworks are needed in Defra's devolved policy areas.

Source: National Audit Office briefing, *Implementing the UK's Exit from the European Union: The Department for Environment, Food & Rural Affairs*, Session 2017–2019, HC 647, December 2017

CONTENTS
NEXT
PREVIOUS
LAST PAGE VIEWED

What to look out for

Issues — Future developments, risks and challenges

01 Getting ready for EU Exit

Defra has a major challenge leading up to EU Exit. The core department has been drawing in staff from its arm's-length bodies to cope with the additional workload, potentially putting its environmental and other non-EU Exit work at risk.

Defra told Parliament in October 2018 that it is building six new IT systems and that end-to-end testing for all of these was expected to start simultaneously in January 2019. Defra recognises that it will not have the time or resources to deal with issues that testing brings to light and get the systems up and running for a no-deal scenario in March 2019. However, the Department reported in February 2019, that testing had not identified any systemic failures and it had increasing confidence that all its services were robust.

Defra needs to achieve a fully functioning statute book, including 95 new statutory instruments, by March 2019. It must allow enough time to maintain drafting quality and sufficient time for Parliamentary scrutiny.

Defra has begun engagement with its stakeholders and must continue to improve its communications to help businesses prepare and avoid disruption to trade in the lead up to EU Exit.

02 Setting up a new system of environmental governance and regulation

The Environmental Governance Bill aims to ensure environmental protections will not be weakened as we leave the EU.

Draft legislation on environmental principles and governance was published alongside the consultation response in December 2018. The Environment Bill will be introduced early in the second session of this Parliament. It will establish a new, independent statutory environment body, provide for a statutory statement of environmental principles to guide future government policy-making and include measures to tackle air quality.

03 A radical new farming policy

The Department published the Agriculture Bill in September 2018 and it passed through Commons Second Reading and Commons Committee stage over the course of October and November 2018.

A key feature of the UK's new policy is an environmental land management (ELM) scheme, which will pay farmers according to the public goods they provide rather than the amount of land they own.

There will be an agricultural transition period in England running from 2021 and 2027 as CAP direct payments are gradually phased out.

A policy statement accompanied the Bill with further details on how the government intends to implement its proposals, including how the phased withdrawal of CAP direct payments will work.

04 Implementing a new waste strategy

Defra published its new *Resources and Waste Strategy* in December 2018 and will hold consultations on extended producer responsibility and deposit return schemes in early 2019.

It will also publish a response to the consultation on restricting plastic drinking straws, plastic stirrers and plastic-stemmed cotton buds.

It will continue to implement the results of the consultation on poor performance and illegality in the waste sector, as well as taking forward recommendations from the independent review into serious and organised criminality in the sector, which was published in November 2018.

05 Reshaping the Defra Group for the post-EU Exit world

Defra will need to deliver several new functions to replace those previously provided by the EU. This includes a new chemical regulatory regime and arrangements to manage and regulate food imports and exports.

Defra has not yet adapted its target operating model for the Defra Group as a whole and is still working on developing its vision for the new services and functions that it will take on. Defra told us that each function has cost estimates and business cases to feed into funding discussions with HM Treasury. The detail can only be settled when Defra is clearer about the Exit settlement.

Defra is seeking to appoint a chief operating officer to lead fundamental change in the operating model of the Defra Group post-EU Exit. Interviews are expected to take place in March 2019.