

Departmental Overview 2019-20

Department for Environment, Food & Rural Affairs



National Audit Office



February 2021

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

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Department for Environment, Food & Rural Affairs

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The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent. In 2019, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.1 billion.

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About the Department

The Department is overseen by the Secretary of State for Environment, Food & Rural Affairs. He is supported by junior ministers from the House of Commons and two Lords ministers. The Permanent Secretary has responsibility for managing the Department and safeguarding public funds.

Defra has **four strategic objectives**:

1 Objective 1: Trade and international

Defra Group's overarching priority was delivering a successful transition from the European Union (EU). This includes negotiating and preparing for new, ambitious and regulatory trading arrangements within the UK, with the EU and the rest of the world.



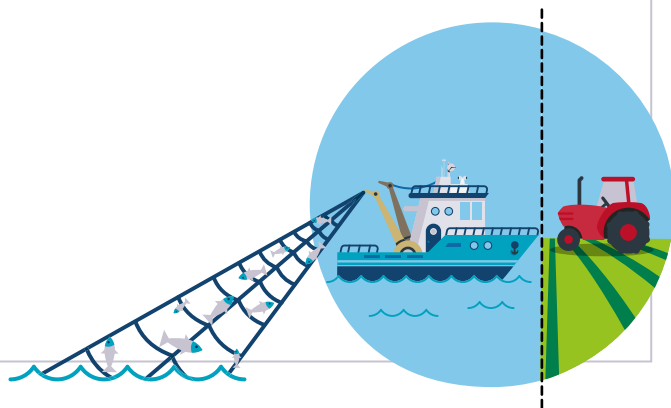
2 Objective 2: Environment and climate

Defra is committed to tackling climate change and passing on to the next generation a natural environment protected and enhanced for the future.



3 Objective 3: Agriculture, food and fisheries

Defra aims to lead the world in good farming and fisheries with a sustainable model of food production, and robust protection and promotion of animal welfare.

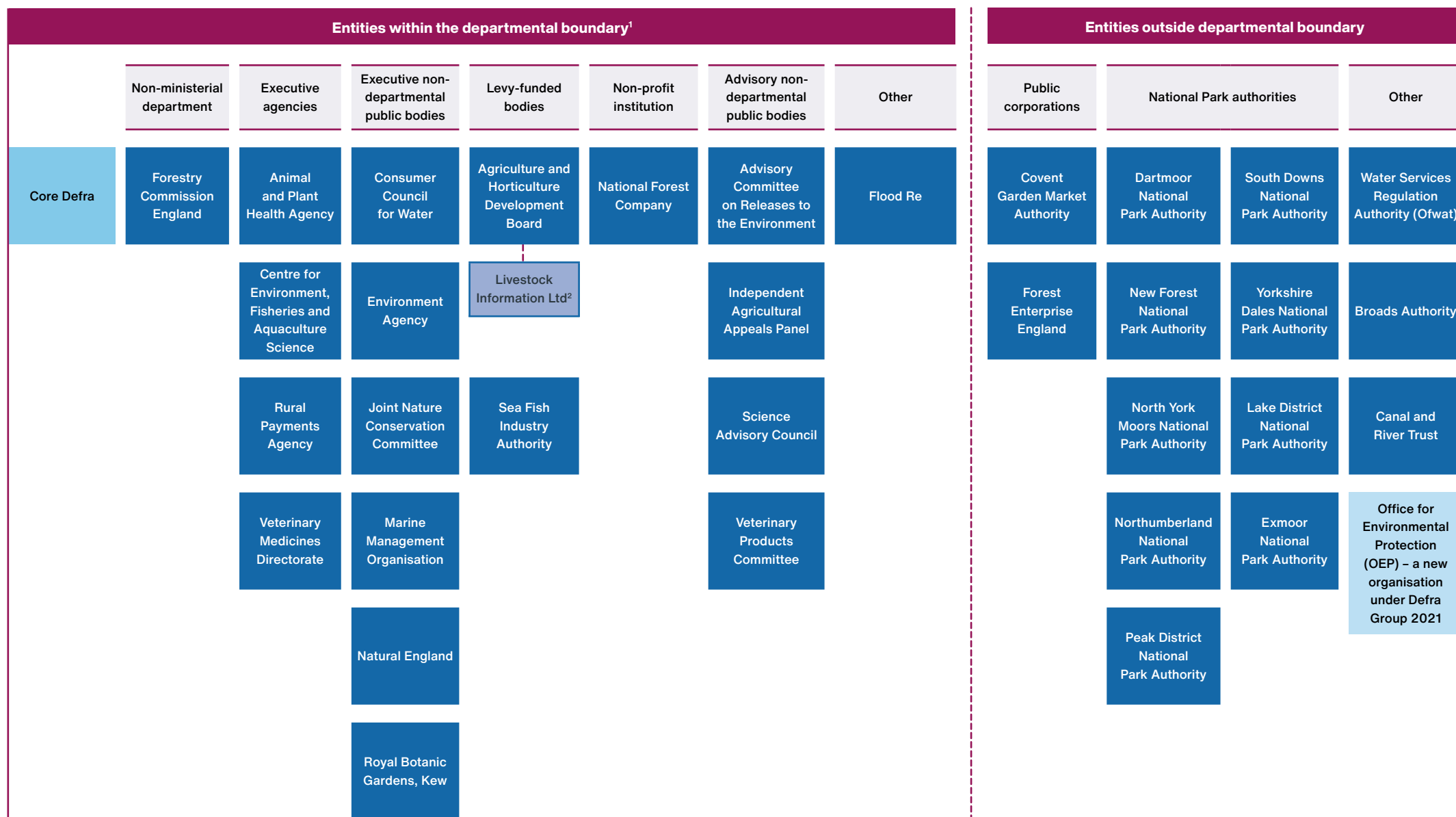


4 Objective 4: Organisational capability and development

Defra Group aims to become a more ambitious, professional, outward-looking and inclusive organisation that is focused on getting things done.



How the Department is structured



Notes

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

² Livestock Information Ltd is a subsidiary of Agriculture and Horticulture Development Board (AHDB) and Defra owns 49%.

The Department's relationship with its delivery bodies

Many of Defra's key policy areas are delivered through its delivery bodies and arm's-length bodies (ALBs), or other partners such as local authorities or water companies. To make this work, Defra needs to show strong leadership, exercise appropriate influence and ensure that the right governance and assurance arrangements are in place.

1 Leadership

Defra is accountable to Parliament even when a partner body is responsible for delivery. Our recent work on water supply and demand management and flood risk management has highlighted a lack of leadership and assurance. For example, on water supply and demand management, we found that Defra had not been sufficiently influential to ensure that water efficiency is a priority across government.



2 Framework Agreements

Many of Defra's relationships with its delivery bodies are governed by framework agreements, setting out expectations and governance structures, and defining service provision and levels of assurance. Regular reviews of these agreements are required and some – for example, with the Environment Agency – are overdue. Defra is setting up review teams to look at relationships, governance structures and assurance for Ministers.



3 Review Meetings

Defra is developing a partnership model for delivering corporate services across the core department and five delivery bodies¹. Each delivery body has quarterly review meetings with directors of corporate functions to discuss performance and priorities, and to review changes to strategic priorities agreed through business planning.



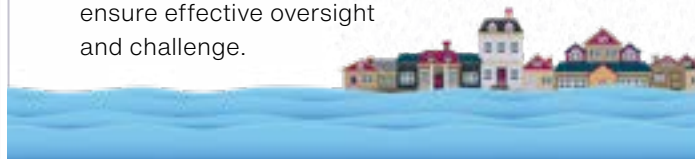
4 Corporate Services Board

The board includes all the partner organisations and provides additional assurance on the effectiveness of corporate services. To ensure that Defra continues to mature its partnership model, the board has collectively agreed a suite of actions to help improve accountability, governance and assurance in this area, and manage associated communications.



5 Risk management

Our report on flood risk management, published in November 2020, found that Defra does not have its own independent understanding of the risks associated with the flood risk programme, relying on the risk register kept by the Environment Agency (EA). Defra would benefit from better collaboration on flood risk management activities with the EA to ensure effective oversight and challenge.



6 Information Sharing

Defra reports that it has continued to work to improve the way it shares information across Defra Group, and to develop its partnership model for delivering corporate services across the core department and five of its most important delivery bodies.



Note

¹ Environment Agency, Natural England, Rural Payments Agency, Animal and Plant Health Agency, Forestry Commission.

How the Department spends its money

The Department spent £8.2 billion in 2019-20, most of which was spent through its arm's-length bodies.

This represented a 20.6% increase over the amount spent in 2018-19, which was £6.8 billion. The increase was primarily driven by increases in spend under the Common Agricultural Policy (CAP) as the Department tried to maximise and bring forward spend under the CAP in anticipation of EU Exit.

The Rural Payments Agency spent almost half of the total amount at £3,460 million. This included £1,844 million of grant funding to claimants in England under the CAP, and a further £1,331 million provided to the Scottish, Welsh and Northern Irish devolved administrations to fund grants under the CAP in their respective countries.

EA spent £1.47 billion in 2019-20, with the largest area of spend being on flood and coastal erosion risk management (see Part Three). This is an increase of £500 million from 2018-19.

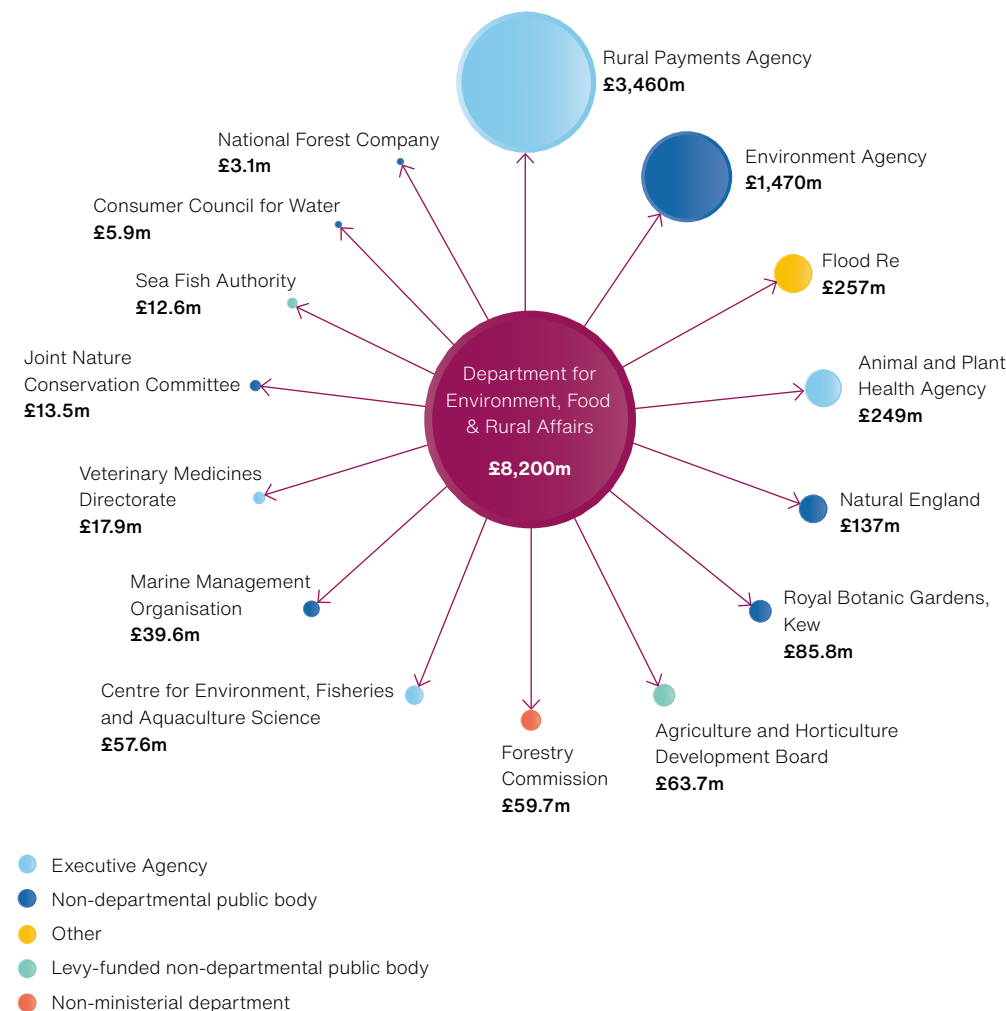
The core Department itself provided £1.054 billion of funding to ALBs, in addition to spending £2.273 billion directly. Of this amount, £511 million was spent on grants under the Rural Development Programme for England.

Under the HM Treasury Financial Reporting Manual (FReM), government bodies are required to value their specialised assets at current value in existing use to give a true and fair position at the reporting date, using in this instance Depreciated Replacement Cost (DRC), which requires valuations to be based on building a modern equivalent asset. In its annual report and accounts, EA used a different method that the NAO, in its 2019-20 statutory audit, did not consider to be materially accurate and therefore not in accordance with the HM Treasury's financial reporting requirements. The NAO issued a qualified opinion of both EA's and Defra's accounts, as it has not been able to obtain sufficient evidence that the valuations of operational assets in the 2019-20 financial statements and the corresponding comparative figures are free from material misstatement. The NAO did not identify any issues with the operational management or general condition of the EA's flood defence assets.

Look out for

Defra's new financial leadership plan, focused on developing a stronger financial culture. This aims to increase accountability for the oversight of budgets and forecasts and to address the root causes of issues affecting completeness, accuracy and validity of financial data.

Spending by the Defra Group 2019-20



Note

1 Figures represent gross total expenditure. The figure for the Defra Group includes spend directly incurred by the Core Department of £2.273 billion in addition to the amounts spent by the arm's-length bodies, less any intra-group trading.

Source: Annual Report and Accounts 2019-20 for Department for Environment, Food & Rural Affairs, and relevant ALBs

The Department's income

The Department received income of £4.8 billion in 2019-20

A large proportion of the Department's income came from EU funding and those generated by fees, levies and charges.

Fees, levies and charges generated £649 million, which consisted mainly of:

- environmental protection charges of £202 million (by various permit and licence holders);
- abstraction charges of £122 million (paid by water companies); and
- Flood Re levy income of £180 million (mainly covered by home insurance companies).

Sales of goods and services generated £93 million, a large part of which was for scientific advice, analysis and research.

Licence income totalled £41 million, with fishing licence duties (£21 million) making up over half this figure.

Most of the other income was generated by Flood Re insurance, providing an additional £123 million on top of its levy. Charity income from Royal Botanic Gardens Kew and Animal and Plant Health Agency (APHA) income from devolved administrations also made up a significant portion of other income, adding £55 million and £33 million respectively.

More than three-quarters (78%) of Defra's operating income came from the European Union in 2019-20

Pillar 1 – direct payments to farmers

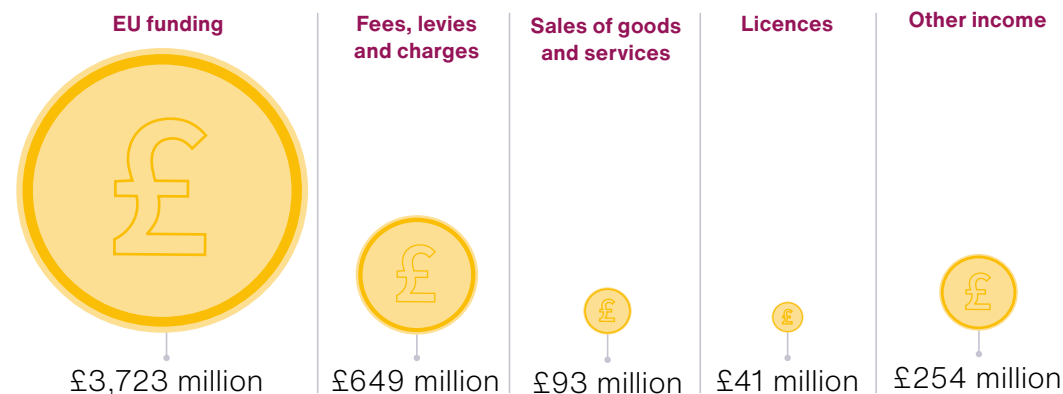
Almost half (49%) is paid to Defra to reimburse direct payments made to support farmers under the Basic Payment Scheme (£1,844 million), which is part of the CAP.

A further £1,332 million is to reimburse the payments made by the Welsh, Scottish and Northern Irish paying agencies for support to farmers under the CAP.

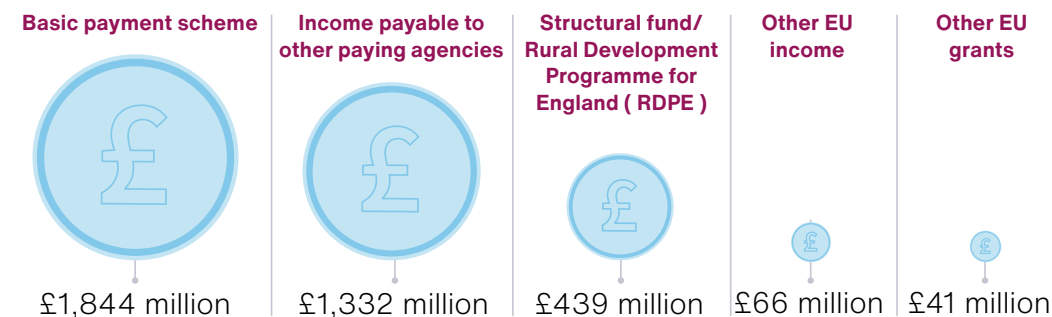
Pillar 2 – promoting sustainable rural development

Defra also received income to support the Rural Development Programme for England (RDPE) (£439 million), 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.

Defra's income 2019-20



Defra funding from the EU 2019-20



Source: Department for Environment, Food & Rural Affairs, Annual Report and Accounts 2019-20

Significant impact of COVID-19 on income

A number of Defra's arms-length bodies have seen reduced revenues from commercial and other income during 2020-21. Kew Gardens, Forestry England, Cefas and National Parks are managing pressures of around £16 million in reduced income between them.

Regulators including the Environment Agency expect some reductions in revenue from licencing this year and increased risk of bad debts being carried forward.

Look out for

How bodies across the Group adjust for reduced income.

Staff and pay

Core Defra continues to grow since the EU referendum in June 2016. In 2019-20, the core Department employed on average 5,607 staff (full-time equivalent), an increase of 24% compared with 2018-19, and nearly three times the number in 2015-16.

Across the Defra Group, there was an average of 26,620 staff (full-time equivalent) in 2019-20, an increase of just over 7% from 2018-19 (24,843).

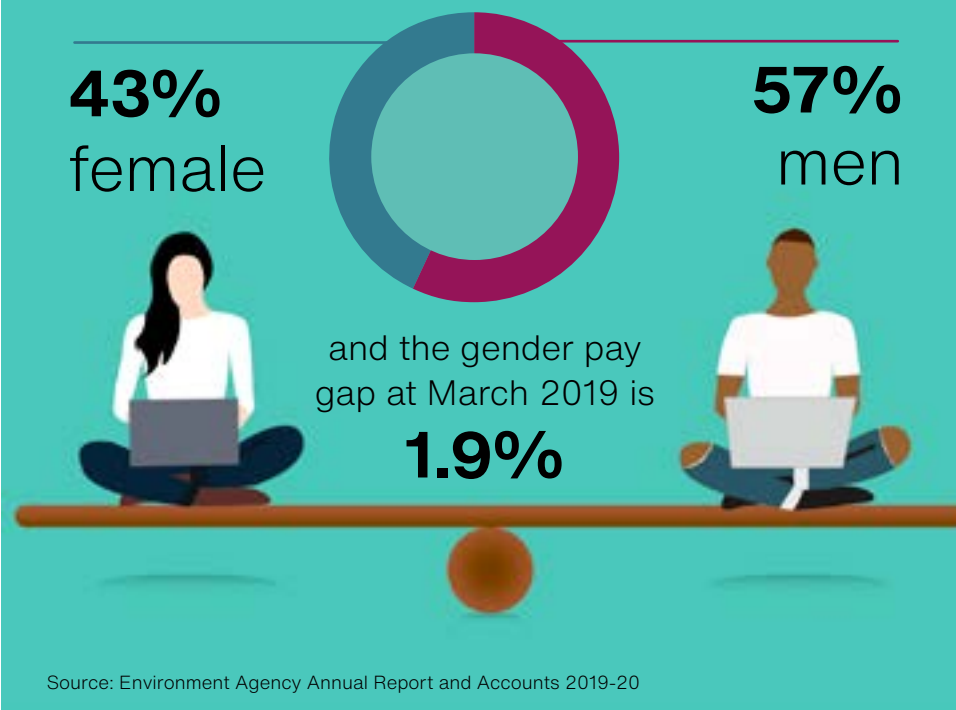
As at March 2020, EA had 9,449 staff, the largest number across the Defra Group. This is an increase of 316 posts (3%) from 2018-19.

Overall, consultancy expenditure has decreased by £21.6 million and temporary staff costs have increased by £25.4 million compared with the previous year, with the core department as the primary contributor to the year-on-year change for both consultancy and temporary staff costs across the group.

The core department consultancy costs have decreased by £17.3 million, as expenditure on the initial EU Exit set-up work has now been completed, resulting in a reduction in demand for consultancy staff. The next phase has progressed with finalising the EU Exit portfolio projects that require specialist skills not readily available in the core department, resulting in an increase of £19.5 million in temporary staff costs.

Defra needs to increase female representation (currently 47.4%) at Senior Civil Service level to meet the Civil Service average of 50%

Gender split at Environment Agency on 31 March 2020



Defra has reduced its median pay and is **above** the civil service median

Defra

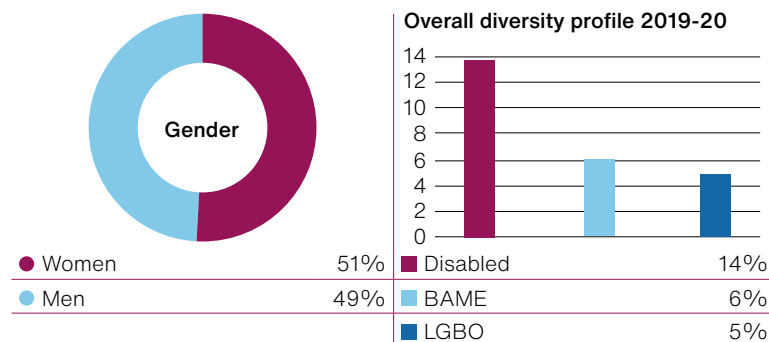
£32,010

Civil service median

£28,180

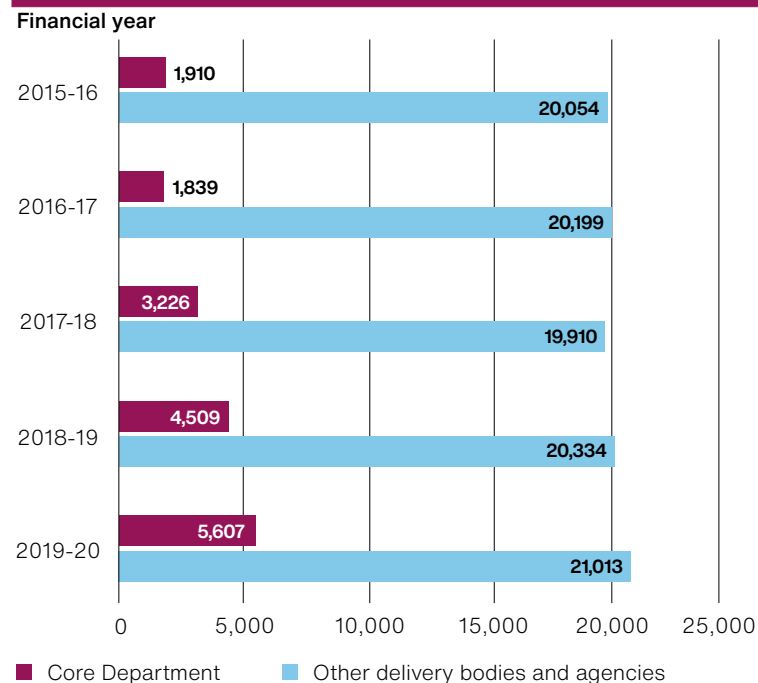
Staff and pay continued

Workforce of Defra Group



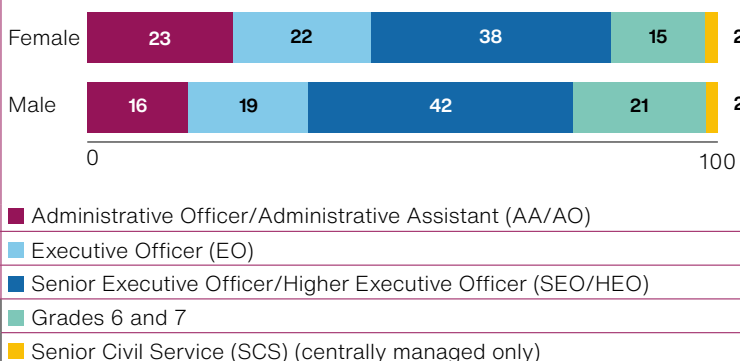
The overall diversity profile is for Defra (as at 31 March 2020), its executive agencies, the Environment Agency, Marine Management Organisation and Natural England. Numbers have been rounded.

Average number of staff in the Defra Group by core Department and other delivery bodies 2015-16 to 2019-20



Source: Defra Annual Reports and Accounts 2015-16 to 2019-20

Civil Service grade by gender 2019-20 (%)



Consultancy and temporary staff expenditure 2018-19 and 2019-20



1 Figures have been rounded.

■ Consultancy expenditure ■ Temporary staff expenditure

Remuneration in Core Defra 2019-20

	2019-20	2018-19
Ratio of remuneration of highest paid director to median pay of the workforce	5.7	8.7
Band remuneration of the highest paid director in the core department (£000)	180-185 ¹	270-275
Median remuneration of the workforce of the core department and the executive agencies (£)	32,010	31,323

1 This increase reflects that a senior member of staff has moved from a temporary contract to a permanent position.

Remuneration in Core Defra 2019-20

	2017 %	2018 %	2019 %	Percentage point difference from 2018 to 2019
Mean gender pay gap - ordinary pay	11.5	9.8	8.4	-1.4
Mean gender pay gap - ordinary pay	12.1	11.7	9.4	-2.3

Civil Service Annual People Survey




































The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of, working in government departments. Over 300,000 civil servants responded, across 106 Civil Service organisations. This is equivalent to an overall response rate for the Civil Service of 67%, an increase of 0.2 percentage points compared with 2018. Core Defra's response rate was 76% overall in 2019, up from 72% the previous year.

Key findings:

- There was very little movement in Defra's People Survey results between 2018 and 2019 and the Department was broadly in line with the civil service average.
- Defra's results showed positive growth in seven out of 10 categories.
- Defra is six percentage points behind the civil service average score on resources and workload – an area of concern, given that Defra is delivering an increasingly challenging and complex programme of projects.
- Despite showing a slight improvement, Defra remains four percentage points below the past two years' civil service average for having a clear understanding of organisational objectives and how their work contributes to these objectives.
- While the civil service average for views on pay and benefits has increased three percentage points from 2018, Defra's figure has decreased by one percentage point reflecting that staff are either feeling that pay does not reflect performance or are dissatisfied with the total benefits package.
- Defra is also behind the average scores for leadership and managing change, despite increasing by two percentage points in the past year.



Civil Service Annual People Survey *continued*

Theme	Result in 2019 (%)	Result in 2018 (%)	Change (Percentage points)	Civil service average in 2019 (%)	Variance from civil service average (Percentage points)	
 Employee engagement index ¹	 63	 61	 2	 63	 0	 Increase  Decrease  No change
 My work	 77	 77	 0	 77	 0	
 Organisational objective and purpose	 79	 78	 1	 83	 -4	
 My manager	 70	 70	 0	 71	 -1	
 My team	 84	 82	 2	 82	 -2	
 Learning and development	 57	 55	 2	 55	 -3	
 Inclusion and fair treatment	 81	 80	 1	 79	 -3	
 Resources and workload	 68	 67	 1	 74	 -5	
 Pay and benefits	 33	 34	 -1	 34	 -2	
 Leadership and managing change	 47	 45	 2	 49	 0	

Note

¹ The employee engagement index is calculated as a weighted average of the responses to the five employee engagement questions (1) I am proud when I tell others I am part of my organisation; (2) I would recommend my organisation as a great place to work; (3) I feel a strong personal attachment to my organisation; (4) My organisation inspires me to do the best in my job; and (5) my organisation motivates me to help it achieve its objectives.

Source: See full survey results at: [Civil Service People Survey](#)

Part One

Capability

Defra's delivery portfolio has grown rapidly in the past few years and this is set to continue. In order to secure best value from the significant amounts of public money, it is crucial that the government can successfully navigate the challenges of delivering its major programmes.

Our report:

Lessons learned from Major Programmes

draws together insights from our recent reports on major government programmes. While there is a wealth of literature and courses on major programmes, we repeatedly see similar problems. We think that many of these problems have their roots in four key areas: scope, planning, managing interdependencies and oversight.

The Department's delivery portfolio and challenges

Key current and future projects

Redevelopment of Animal and Plant Health Agency facility

£1.4 billion capital investment over the next ten years to redevelop and future-proof the Animal and Plant Health Agency facility.

England's Tree Strategy

The government has set a target for 17% of the UK to be woodland by 2050, requiring the planting of 30,000 hectares a year.

Transfer of European Union funding to Exchequer for farming programme

Almost half (49%) of Defra's income from the EU is reimbursement of direct payments made to support farmers under the Basic Payment Scheme (£1.84 billion).

Future Farming and Countryside Programme

Defra is introducing significant changes to the agriculture sector and 2021 marks the start of a seven-year transition period away from EU-based rules. Under the new Future Farming and Countryside Programme (FFCP), many new schemes will be introduced to pay farmers to improve the environment, improve animal health and welfare, and reduce carbon emissions. The Environmental Land Management (ELM) scheme is a key part of this transition with three major upcoming milestones including the ELM National Pilot (starting in Autumn 2021), the Sustainable Farming Incentive (Spring 2022) and the launch of the full ELM scheme in 2024.

Challenges facing Defra

Defra has faced an enormous challenge and has had an unprecedented **portfolio of work** that it needed to deliver in preparation for EU Exit. This has stretched its capacity and put huge pressure on its staff. Its work on EU Exit is ongoing as we adapt to the UK's new status outside the EU. In addition, it now has the added burden of responding to the COVID-19 pandemic, Defra being one of the key departments in supporting the government's response.

Defra has a **complex delivery system** to coordinate and support. It has different approaches to overseeing delivery partners, using framework agreements, some of which, including the one with the Environment Agency, its biggest partner, are overdue for renewal.

There has been **substantial change** within the leadership team at Defra with the appointment of two replacement director generals and a new finance director in the past 12 months.

The Department has taken the steps of **recruiting** senior programme specialists and setting up a portfolio office.

The Department's response to COVID-19

Financial support

Defra has announced several funds to provide support through the immediate challenges of COVID-19, which include:



future updates of the [NAO cost tracker](#) providing estimates of the cost of measures announced in response to the COVID-19 pandemic.

Support for people				Support for industry			
Support for clinically extremely vulnerable people Defra partnered with the Ministry of Housing, Communities & Local Government (MHCLG) and the Department for Work & Pensions (DWP) to deliver a government shielding support package. Over 1 million food parcels were delivered between 27 March and 31 July 2020 to the clinically extremely vulnerable at a cost of £212 million.	Local Authority Emergency Assistance Grants for Food and Essential Supplies Funding of £63 million to be distributed to local authorities in England to help those who are struggling to afford food and other essentials because of COVID-19.	Food support A £16 million programme to provide food for those who are struggling as a result of the pandemic. Announced in May 2020, the programme used charity partners to deliver millions of meals to charities and community groups, including refuges, homeless shelters and rehabilitation services. A further £16 million programme was launched with charity partners in November 2020 to support vulnerable groups through winter and additional lockdown periods.	COVID-19 Emergency Surplus Food Grant An initial fund of £3.25 million was announced in April 2020 to support food redistribution charities, but this was expanded to £5 million in May. This grant will help to distribute up to 14,000 tonnes of surplus food to those in need.	Zoo Animals Fund An initial fund of £14 million was expanded to provide up to £100 million, for which establishments covered by the Zoo Licensing Act (any zoo to which members of the public have access, with or without charge for admission, on seven days or more in any period of twelve consecutive months) are eligible to bid. The new fund, which closed to applications at the end of January 2021, will provide funding for zoos and aquariums that need additional support to provide care for animals following a drop in income caused by the pandemic.	Fisheries Response Fund Financial assistance for England's fishing and aquaculture businesses affected by the downturn in export and domestic markets. A fund of £9 million to provide grants worth up to £10,000 each to 1,200 catching and aquaculture businesses, and a further £1 million for 20 projects to develop the local seafood supply chain across England have been approved for funding.	Dairy Response Fund An uncapped fund to support dairy farmers who experienced income loss in April and May 2020 as a result of the pandemic. To date, £1 million has been paid to 132 applicants. Defra has also contributed separate funding to the £1 million 'Milk Your Moments' campaign (to drive consumption of milk and other dairy products by inspiring moments of connection as people stayed apart because of COVID-19) which was led by the Agriculture and Horticulture Development Board.	
Total estimated cost (partnering department with Defra, if any)	£212 million (MHCLG,DWP)	£63 million	£32m (DCMS)	£5 million	£100 million (DCMS)	£10 million	£2 million

The Department's response to COVID-19 *continued*

Operational impact



COVID-19 Emergency Operations Centre

A director general was appointed as the senior responsible owner for Defra's COVID-19 response and for establishing an emergency operating model.

Volunteers from across the Defra Group were utilised, and some specialist emergency staff were ring-fenced within the Department to ensure continuity of response to any other significant incidents (for example, an animal disease outbreak).



Restrictions on operational activities

Defra has assessed and made plans to address the effects of COVID-19 on its strategic science capability, including the impact of delayed fieldwork and evidence.

The Rural Payments Agency stopped all farm inspections, except in case of welfare issues, and extended the deadline for Basic Payments Scheme claims. It responded to EU derogations regarding the inspection regime during COVID-19.

Defra agreed with local authorities to delay the first clean air zones until after January 2021.

Guidance and new regulations were issued to waste operators on dealing with nuclear, clinical, infectious and hazardous waste.



NHS Test & Trace

The Environment Agency is leading work on providing early warning of coronavirus outbreaks by monitoring sewage and sharing data with NHS Test & Trace.

The programme, announced in June 2020, has now proven that detection of viruses in wastewater can be used to alert local health professionals.



Staff redeployment

To support food supply chains and lead cross-government activity to ensure that vulnerable people could gain access to food.



Shift to working from home

Over 20,000 staff were enabled to work from home by switching call centre operations to home working, increasing network capacity and mobile device provision.

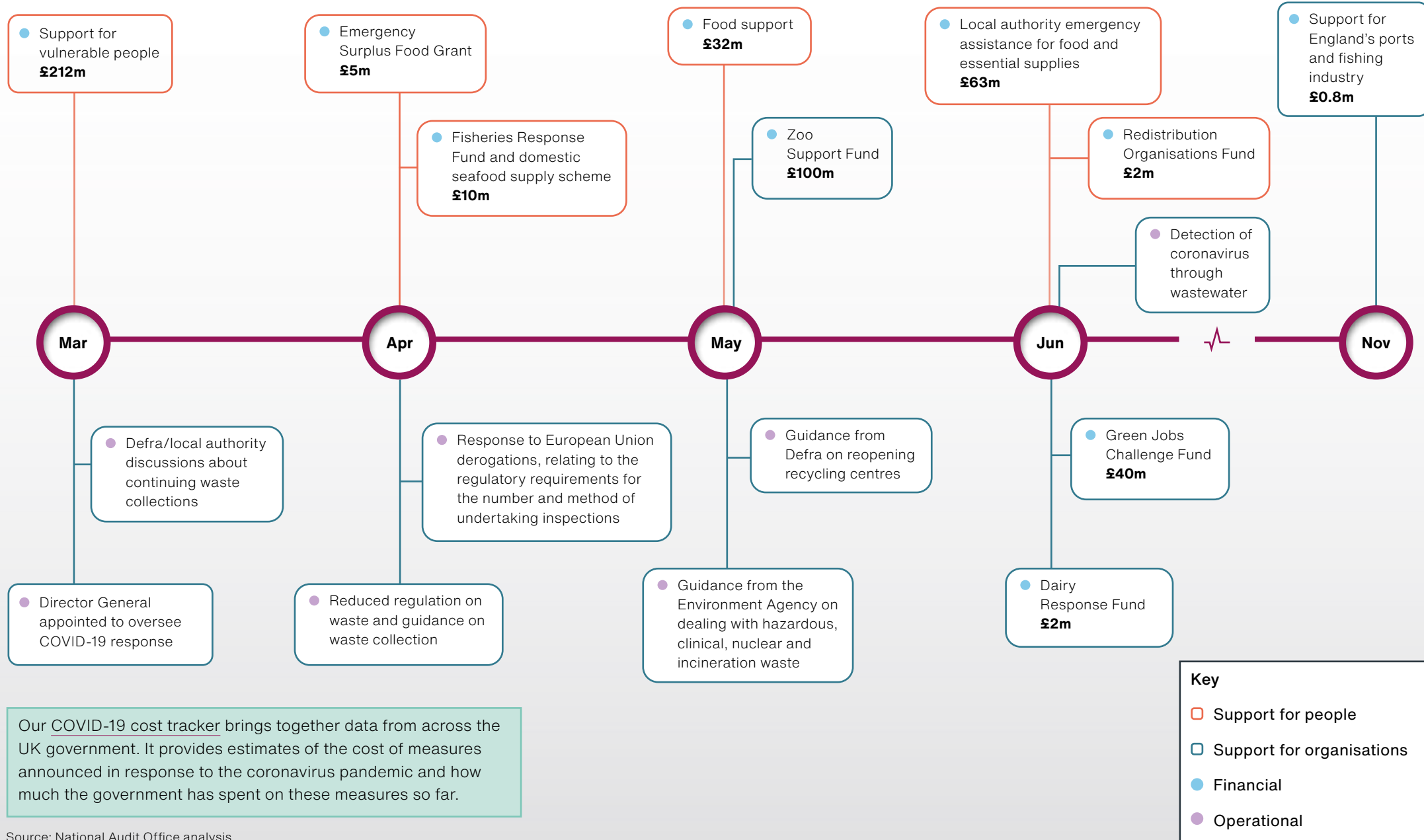


Fraud and security risks

Defra is assessing the risks posed by the rapid implementation of new support schemes.

Post-event assurance activity is planned to recover any funds that should not have been paid.

Timeline of Defra's COVID-19 response 2020



Part Two

EU Exit

The UK's exit from the European Union

On 31 January 2020, the UK left the European Union (EU) and, under the terms of the Withdrawal Agreement between the UK and the EU, entered a transition period during which existing rules continued to apply. New rules on trade, travel and business between the UK and the EU came into effect on 1 January 2021.

Defra's portfolio is very varied, covering the chemical and agri-food industries as well as crucial policy areas such as agriculture, fisheries and the environment. It administered more than £3 billion of EU funding – more than 70 per cent of the EU funding allocated to the UK government was to support farming, fisheries and environmental projects.

£567 million

Total EU Exit funding for the 2019-20 financial year

In 2019-20, Defra's main EU Exit programmes included:

£75 million

Transition away from the Common Agricultural Policy (CAP)

£55 million

Systems and processes for animal imports/exports

£44 million

Environment and chemical regulations

£34 million

Marine environment and the UK fishing industry

£22 million

Negotiating UK's trade agreements

£13 million

Frameworks for agri-food sectors

£8 million

UK Animal and Plant Health Welfare framework

Defra's relevant areas of responsibility



Import of animals and animal products

Import of Products, Animals, Food and Feed System (IPAFFS) – a new system to monitor and control import of animals, animal products and high-risk food and feed from the EU and the rest of the world.



Exports of animals and animal products

Export Health Certificates Online (EHCO) – a new system in operation to handle export health certifications of animals and animal products.



Regulation of chemicals

Defra is responsible for chemicals policy and regulation of chemicals to prevent exposure and risk to human health and the environment.

Imports and exports of chemicals regulated by UK's REACH (registration, evaluation, authorisation and restriction of chemicals) framework, became operational on 1 January 2021.



Marine control and enforcement

A new fisheries agreement with the EU and third countries, and developing systems and processes for effective fisheries management and trade.



Farming

Ensuring a safe transition away from the CAP to newly developed schemes based on the use of public money for public goods.



Environment

Creation of the Office for Environment Protection.

Co-ordination of the creation and passage of the Environmental Bill.

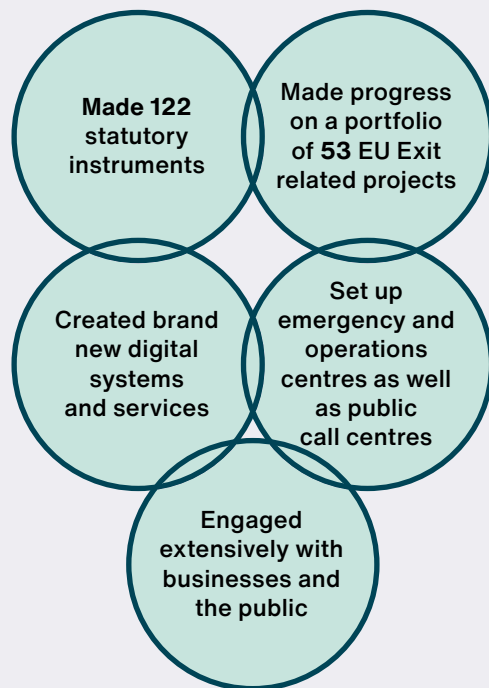
The UK's exit from the European Union *continued*

A significant proportion of Defra's work was framed by EU legislation and a quarter of EU laws applied to its sectors

Following the UK's exit, Defra reprofiled its Europe and trade portfolio for the transition period. The portfolio now consists of eight programmes, delivering around 30 projects, a reduction from the previous 53 projects. The core department had 375 staff on loan from other government departments to aid in the work to prepare Defra for exit from the EU.

In Defra's annual report and accounts 2019-20, it rated its performance against EU Exit delivery projects as amber – 'target narrowly missed'. One of the principal risks affecting Defra's ability to respond to EU Exit was the complexity added by COVID-19. To mitigate this, the department established an emergency centre to respond to EU Exit related issues.

In its [annual report](#), Defra reported that it had undertaken the following actions to secure an orderly exit from the EU during 2019-20:



The NAO has published 29 reports up to December 2020 examining the government's preparations for the UK leaving the EU. Our report:

Learning for government from EU Exit preparations

draws on the breadth of our work to identify and share our perspectives on what government can learn from its experiences. We have consolidated our learning for government into nine insights that fall into four key areas: **planning, oversight, collaboration and financial management.**

Learning for government – insights from our EU Exit work

Planning	Plan for all possible scenarios, with robust contingency plans. Identify the scale, nature and complexity of the task at the outset. Recognise the opportunities and increased risks from working at speed or in new ways.
Oversight	Develop clear structures for oversight and decision-making. Draw on expertise in implementation early on to expose delivery risks.
Collaboration	Develop effective structures to facilitate cross-government working. Establish a culture of clear and timely communication across departments. Engage early with key stakeholders and understand their role in delivering the outcome.
Financial management	Encourage strong financial management for informed decision-making and accountability.

Source: National Audit Office

Border Control and Trade

DEFRA Border Control and Trade Systems








Our latest report on UK border management, *The UK border: preparedness for the end of the transition period* (November 2020), sets out the progress of government and departments in implementing the changes required to manage the border after the end of the transition period and highlights the most significant risks. Defra has responsibility for four of the nine key border-related systems on which the Cabinet Office Border and Protocol Delivery Group (BPDG) was reporting readiness for January 2021.

On 21 October 2020, BPDG reported that all four of the systems for which Defra is responsible were rated green for January 2021. The control regime for the import of animals, plants and their products are being phased in over the period between 1 January 2021 and 1 July 2021. Defra needed to ensure that all traders who import and export these products were aware of the timing and nature of the new requirements with which they must comply, and were registered on the relevant systems.

Look out for

The Trade and Agriculture Commission, an independent advisory board, will be producing assessments of the impact of any future trade deals on animal welfare and UK farming before they are ratified.

Border and Protocol Delivery Group's (BPDG's) risk rating for Defra's systems required to manage the border from 1 January 2021

System	Description of why the system was required on 1 January 2021 to deliver the overall operating model	BPDG's risk rating as at 12 June 2020	BPDG's risk rating as at 21 October 2020
Automatic Licence Verification System (ALVS)	The ALVS system links Customs Handling of Import and Export Freight (CHIEF) and IPAFFS (see below), enabling port health authorities and the Animal Plant and Health Agency (APHA) to communicate the results of biosecurity and food safety checks to HM Revenue & Customs (HMRC).	 Amber	 Green
Import of Product, Animals, Food and Feed System (IPAFFS)	The IPAFFS system will monitor and control the import of animals, animal-related products, high-risk food and feed goods from the EU and rest of world countries.	 Amber/Green	 Green
Export Health Certificates Online (EHCO)	The EHCO system will record Export Health Certificates for specific goods.	Not reported	 Green
PEACH and e-Domero	Legacy systems for applying for plant and food health certificates and services.	 Amber	 Green

Source: National Audit Office analysis of BPDG's and departments' documents

Automatic Licence Verification System

ALVS will be critical to ensure an operational link between Customs Handling of Import and Export (CHIEF) and IPAFFS (see below).

Import of Products, Animals, Food and Feed System

Defra has needed to expand on its no-deal plans for IPAFFS which will now need to handle notifications of EU imports for all types of products, alongside imports of these products from the rest of the world.

Export Health Certificates Online

Defra estimates that there will be a fivefold increase in Export Health Certificates (EHCs). The number of veterinarians authorised to do this work has increased two-fold. However, there is a long-term shortage of veterinarians.

PEACH and e-Domero

Defra intended to use these legacy systems for 1 January 2021 and upscaled their capacity to deal with additional demand. The department planned to move traders to IPAFFS and EHCO from these systems from February 2021.

Border Control and Trade *continued*

As it stands

On 24 December, the UK and the EU agreed the nature of their future relationship through the Trade and Cooperation Agreement, and on 31 December 2020 the transition period ended. As of 1 January 2021, there have been changes in the way the UK trades with the EU, and in the customs, safety and regulatory checks required at the UK–EU border. There have also been changes regarding the movement of goods between Great Britain and Northern Ireland as a result of the implementation of the Northern Ireland Protocol.

Movement Assistance Scheme

There are now new requirements for moving live animals, products of animal origin and agri-food goods from Great Britain to Northern Ireland. Defra has introduced the Movement Assistance Scheme (MAS) to support traders and businesses in meeting new requirements for moving animals, plants and associated products without paying for inspection and certification.

This includes a charging remuneration scheme that waives and/or covers some of the direct costs traders will incur as a result of the new requirements including EHCs and inspections by official veterinarians. As of 21 January, Defra estimated that the cost of the scheme had reached approximately £330,000 in its first 20 days.



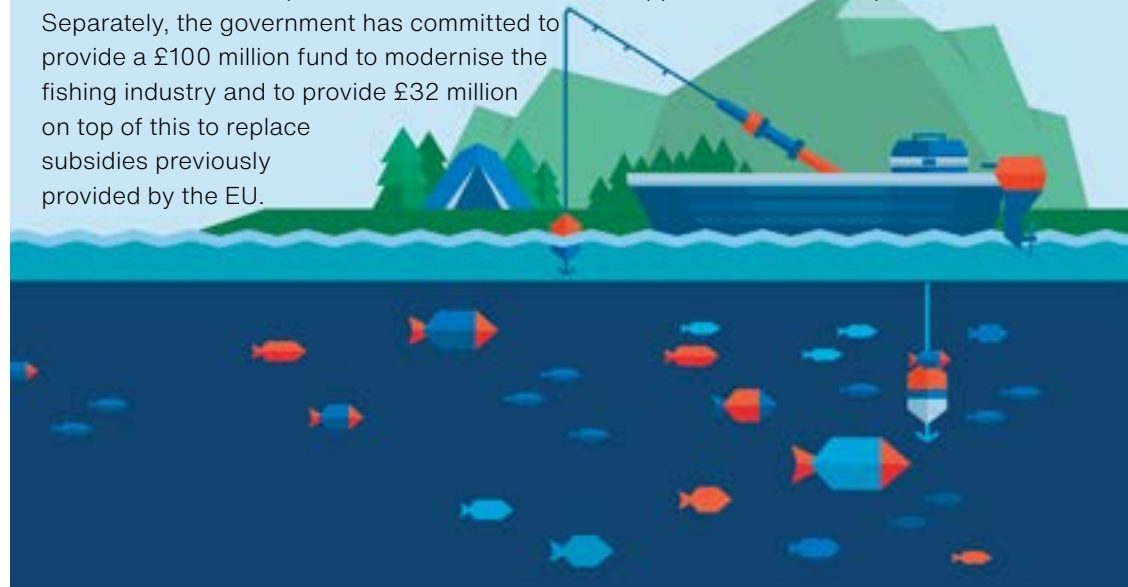
Trade and Cooperation Agreement

The new UK/EU Trade and Cooperation Agreement means EU boats will continue to fish in UK waters, but UK fishing boats will hold a greater share (25% more) of the fishing quota. This shift in share will be implemented through a phased approach between 2021 and 2026, with most of the quota (15%) transferred in 2021.

Seafood exporters have reported that they have faced significant delays exporting their goods because of issues with the introduction of health checks and new IT systems. DFDS, a leading shipper of seafood to the EU, suspended its 'groupage export service' – which allowed several exporters to group products in a single consignment – to fix IT issues and train its staff to help customers get the custom documentation right. The suspension has been particularly damaging for small and medium-sized companies that typically cannot afford to send their goods individually.

As of 19 January, the government announced £23 million to support fishing businesses most affected by COVID-19 and the challenges presented by the new export requirements. The scheme will be targeted at small and medium enterprises, providing a maximum of £100,000 for individual operators. Defra and HMRC are also looking to offer new training packages and focused workshop sessions to offer hands-on support to fisheries exporters.

Separately, the government has committed to provide a £100 million fund to modernise the fishing industry and to provide £32 million on top of this to replace subsidies previously provided by the EU.

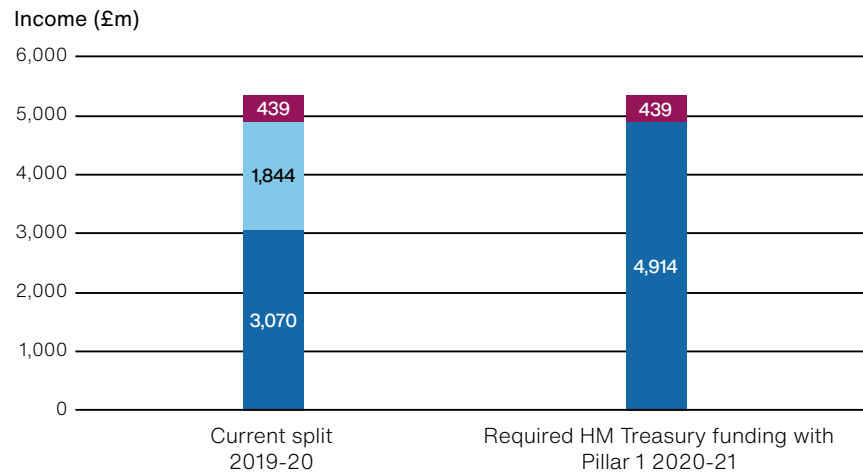


Transfer of EU funding to Exchequer funding

Around 80% of the Defra Group's work is framed by legislation inherited from the EU. Defra administered more than £3 billion of EU funding in 2019-20. **More than 70% of the EU funding allocated to the UK is to support farming, fisheries and environmental projects.**

Defra's income from HM Treasury and EU Common Agricultural Policy funding 2019-20 and 2020-21

Funding arrangement comparison from current position (2019-20) to expected changes in 2020-21



■ EU Pillar 2 – Rural Development Programme for England

■ EU Pillar 1 – Basic Payments Scheme

■ HM Treasury funding

Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs Annual Report and Accounts 2019-20

£ Pillar 1

From the 15th October 2020, Pillar 1 funding for the Basic Payment Scheme has no longer been claimed from the European Commission (EC) and has been paid by HM Treasury individually to each of the UK devolved nations.

Payments to farmers for 2020 are currently due to be made on the same basis as before – applying the same rules, the same control processes, and the same systems, which should minimise the risk in the transition period.

£ Pillar 2

Under the Withdrawal Agreement, Defra will receive funding from the EU under the Multiannual Financial Framework (MFF) 2014 to 2020, relating to the Rural Development Programme for England (Pillar 2). The funding will continue for a maximum of three more years or fewer if the MFF 2014 to 2020 budget has been used up. The EC will still carry out audits of UK activities and payments over the next few years. These can cover both Pillar 1 funds up to 15 October 2020 and Pillar 2 until the closure of the programme.

During this time, the UK will need to comply with EC regulations, including the rules on financial corrections and on clearance of accounts.

Across the Pillars

Leaving the EU will not lead to an immediate end to penalties because EC inspections and audits of the Rural Payments Agency are still ongoing and potentially still to start. These inspections may potentially result in disallowance penalties (financial corrections on member states for failing to apply EU regulations under the CAP, applicable at the time of payment) for the Department.

Part Three

Environment

Water supply and demand management

The Department is responsible for setting the overall policy and regulatory framework for water in England, overseeing a complex delivery landscape of multiple regulators and privately owned water companies.

The government's 25 Year Environment plan sets out 'clean and plentiful water' as one of its key goals. In its 2017 climate change risk assessment, the Committee on Climate Change highlighted shortages in water supply as one of five priority climate change risks that needed stronger policies and urgent action. Our 2020 report, *Water supply and demand management*, set out the challenges facing the water industry in England, and focused on how well the government is delivering its key objectives in improving the resilience of the water supply and reducing demand.

Key findings and recommendations

Defra needs to provide a stronger steer to Ofwat and the water companies on the levels of investment by water companies that will be deemed acceptable to improve resilience.

Total water supply is forecast to decrease by 7% by 2045 as a result of climate change.

Defra has yet to announce targets for personal water consumption despite a commitment to do so by late 2018.

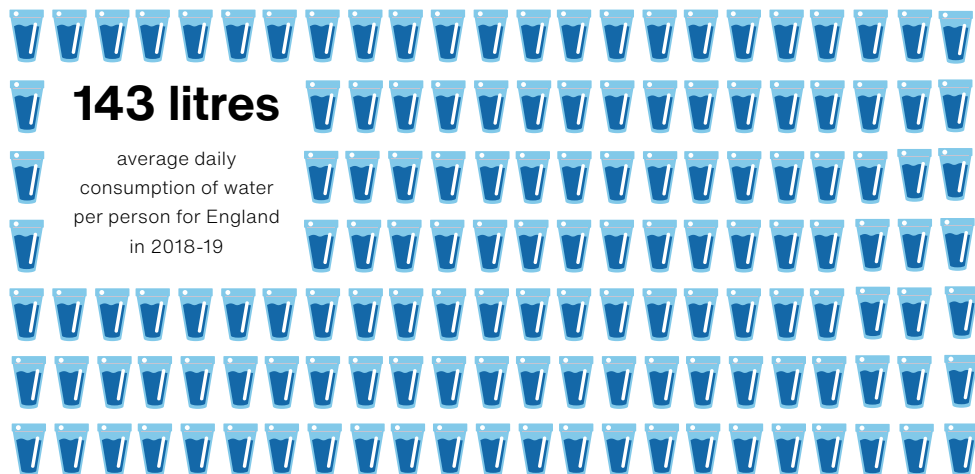
In order to improve long-term water resilience, Defra needs to provide guidance to water companies and facilitate sharing of information between them to support them.

Defra, Ofwat and the Environment Agency should regularly review water companies' progress on tackling leakage and reducing consumption.

Water supply and demand management *continued*

National Framework for Water Resources

Defra has taken positive steps to give a more strategic focus to water resource planning. It acknowledges that there has been a lack of collaboration between water companies and this is hampering the development of more strategic solutions to resilience. In March 2020, the Environment Agency (EA) published a national framework for water resources that will encourage water companies to work more collaboratively and to plan on a regional basis to identify the best solutions for a region and the nation as a whole. It will also expect water companies to work with sectors such as agriculture and the power industry, which get much of their water from outside the public water supply by abstracting it directly from surface or groundwater sources.



20%

proportion of water lost to leakage, equivalent to 3 billion litres each day

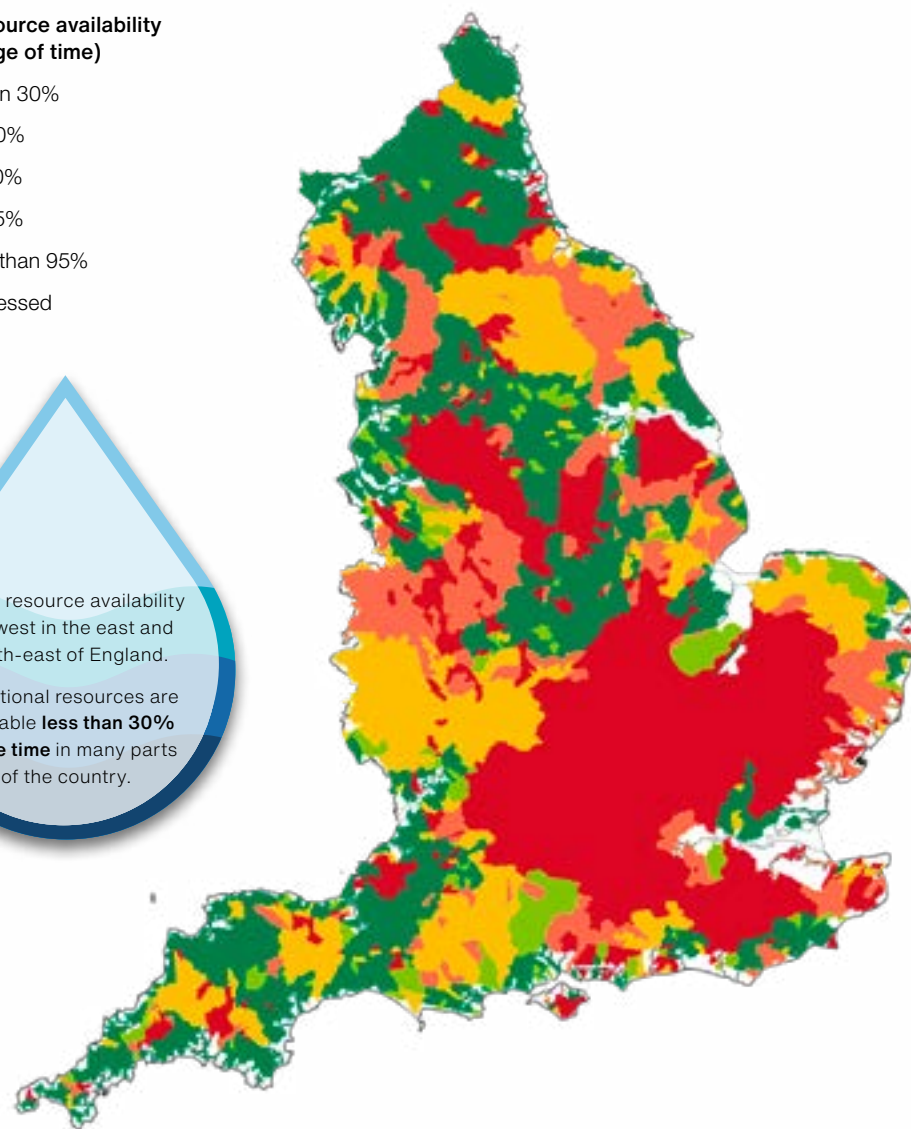
Proportion of the year when water could be taken sustainably from the environment in England in 2019

Water resource availability (percentage of time)

- less than 30%
- 30%–50%
- 50%–70%
- 70%–95%
- greater than 95%
- not assessed

Water resource availability is lowest in the east and south-east of England.

Additional resources are available **less than 30% of the time** in many parts of the country.



Note

- 1 Availability is the percentage of days during the year when additional water resources can be taken sustainably from the environment.

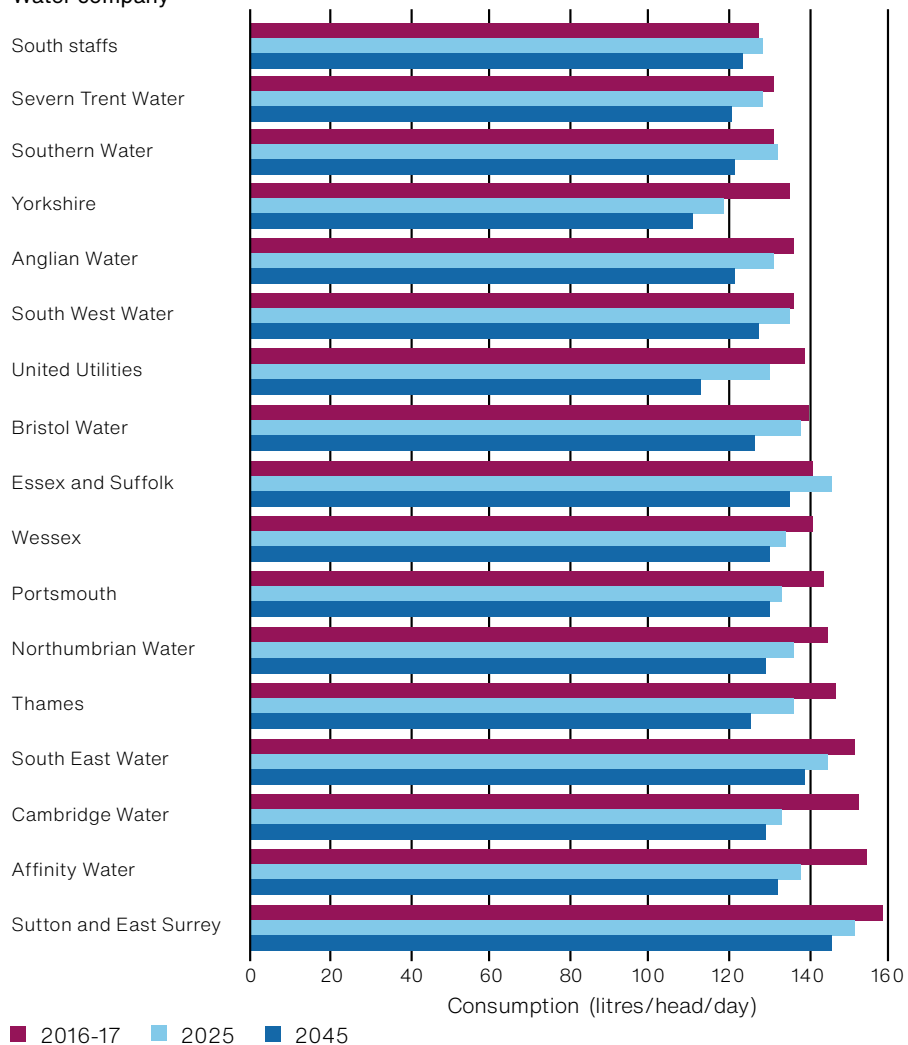
Source: Environment Agency abstraction data

Water supply and demand management *continued*

Planned per capita water consumption by water company

Most water companies are planning only modest reductions in household water consumption over the next 25 years

Water company



Note

¹ In 2015, Bournemouth Water became part of South West Water.

Source: Environment Agency analysis of water resource management plans

Estimated household water use in England 2020-21

Around a third of household water use does not require water of drinking water standard



Note

¹ These categories do not require water meeting the drinking water standard.

Source: Environment Agency abstraction data

Look out for

Response to consultation on measures to reduce personal water use, which, as of October 2020, has been paused to prioritise efforts on EU Exit and COVID-19.

Managing Flood Risk

In July 2020, Defra issued a ministerial policy statement setting out the government's priority to create a more resilient nation to meet the challenges of flooding and coastal erosion and, in conjunction, the Environment Agency (EA) published its new strategy, superseding the previous strategy published in 2011.

The government measures the success of the current programme principally on a single metric to “better protect 300,000 homes by 2021”, meaning 300,000 homes will be at a lower risk of flooding than they were in 2015. By March 2020, EA reported that the programme had provided better protection for 242,000 homes, and that it was on track to achieve its target by the end of the funding period in March 2021.

In March 2020, the government announced grant-in-aid capital funding to EA of £5.2 billion for the six-year period from April 2021 with £140 million brought forward to 2020-21. This represents a 54% real-term increase in funding compared with the period 2015 to 2021. A further £370 million of capital funding over the six-year period has been announced for innovative projects and to accelerate work on projects, taking the total capital funding to just under £5.6 billion.

Our report *Managing flood risk*, published in November 2020, found that the government does not have a comprehensive measure to demonstrate whether the overall level of flood risk in England is lower now than it was six years ago.

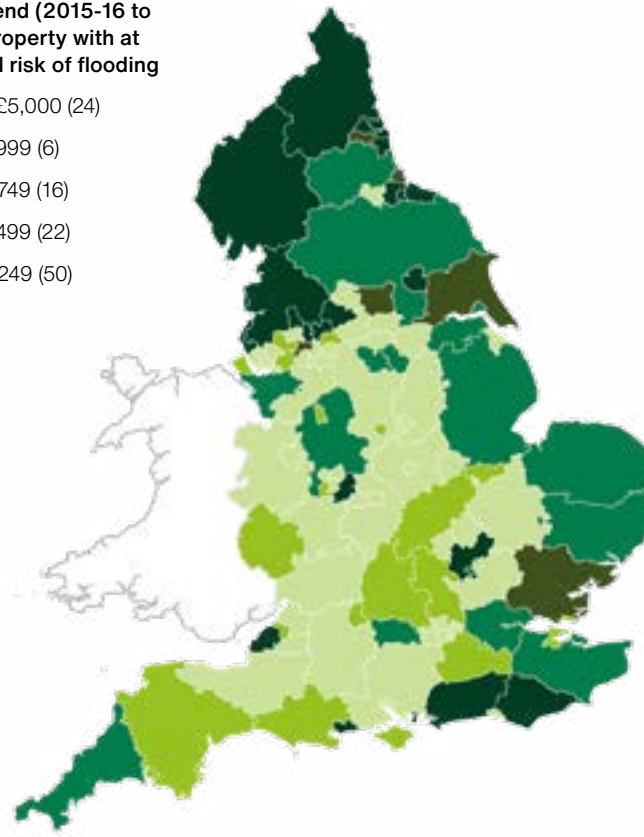
Defra has yet to provide full details of what it aims to achieve from the programme, how the programme will be managed and what indicators it will use to measure progress. Unless it develops these, alongside a more robust measure of its progress in reducing flood risk, we concluded that Defra will not be able to demonstrate convincingly to Parliament that future investment is achieving value for money.

Average capital expenditure on flood defences per property with an annual likelihood of flooding of at least 1%, by local authority, in England 2015-16 to 2020-21

There are wide variations between local authority areas in the average capital investment per property at risk

Total capital spend (2015-16 to 2020-21) per property with at least 1% annual risk of flooding

- Greater than £5,000 (24)
- £3,750 to £4,999 (6)
- £2,500 to £3,749 (16)
- £1,250 to £2,499 (22)
- Less than £1,249 (50)



Notes

- 1 The number of properties at risk is as at 2016.
- 2 Includes local levy funding. The Environment Agency generates part of its income through a levy on local authorities.
- 3 The median spend per property at risk was £1,864 across local authorities in England 2015-16 to 2020-21.
- 4 The numbers in brackets shown in the key refer to the number of local authorities within each level of capital spend.

Source: National Audit Office analysis of Environment Agency data

5.2 million

properties are at risk of flooding



£5.2 billion

funding for flooding and coastal erosion between 2021-22 and 2026-27

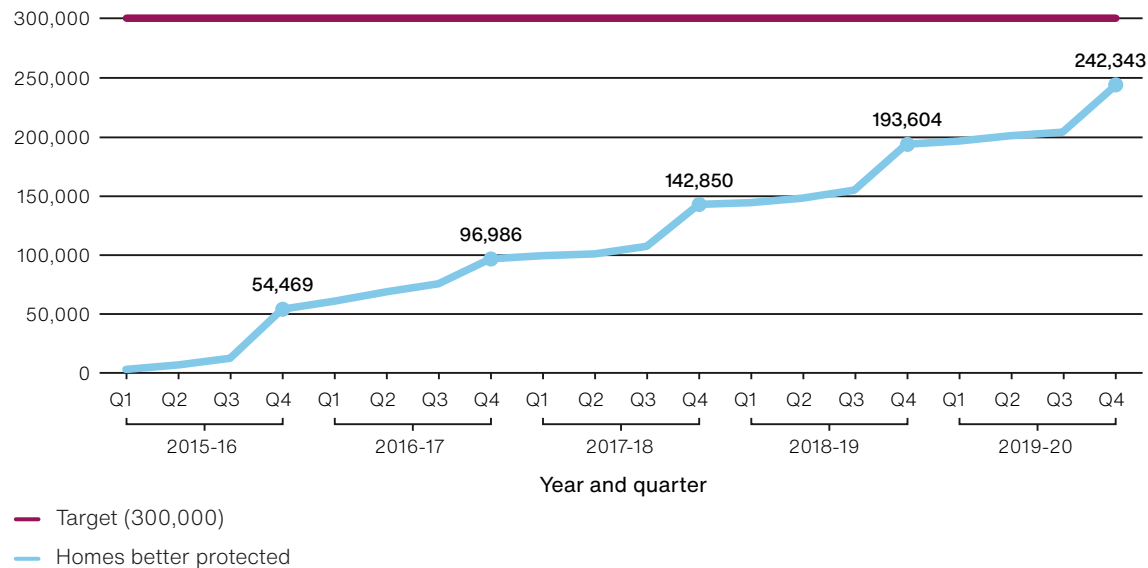


Managing Flood Risk *continued*

Number of 'homes better protected' under the flood defence capital investment programme, 2015-16 to 2019-20

Compared with April 2015, 242,000 homes are at a lower risk of flooding

Number of homes better protected (cumulative)



Note

1 'Homes better protected' means homes at a lower risk of flooding than they were in 2015.

Source: National Audit Office analysis of Environment Agency data

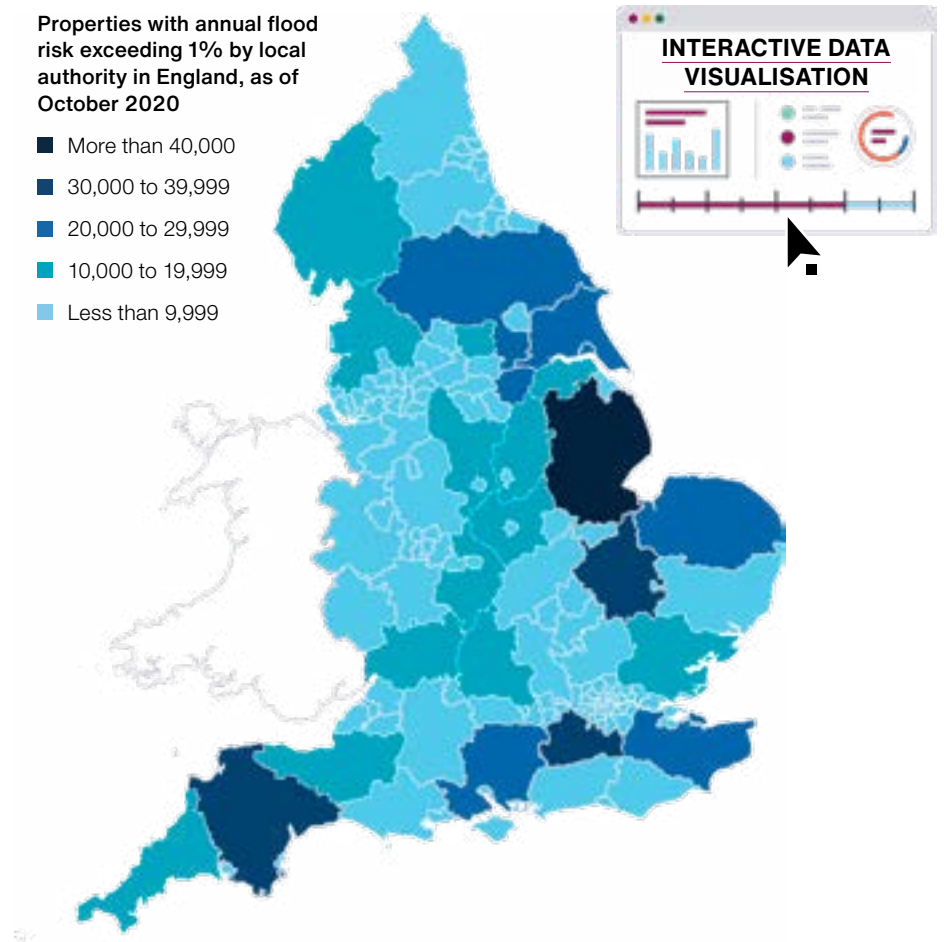
Look out for

Defra's detailed plan on what it aims to achieve from the capital funding to EA and how it will be managed and monitored in 2021.

The National Audit Office has developed an analytical tool to support our study report, which is available [here](#)

The map below shows how the tool can be used to produce analysis at local authority level

Properties with annual flood risk exceeding 1% by local authority in England, as of October 2020



Note

1 Data within the app come from a mixture of public datasets published by the Environment Agency (EA) and custom datasets provided to us by the EA.

Source: National Audit Office analysis of Environment Agency data, produced by our interactive analytical tool

Environmental Goals

Defra has lead responsibility for all environmental policy areas apart from climate change mitigation, for which the Department for Business, Energy & Industrial Strategy has the policy lead.

In January 2018, the government published its 25 Year Environment Plan to improve the environment within a generation and also to position the UK as a global environment leader.

Defra has published two annual progress reports since 2018 with the latest released in June 2020. That report gave an assessment of short-term trends for a subset of environmental indicators that identified around half (49%) as positive, a third (33%) as stable and around a fifth (18%) as negative for the particular environmental goal. In summarising progress, the report highlighted the scale of the challenge:

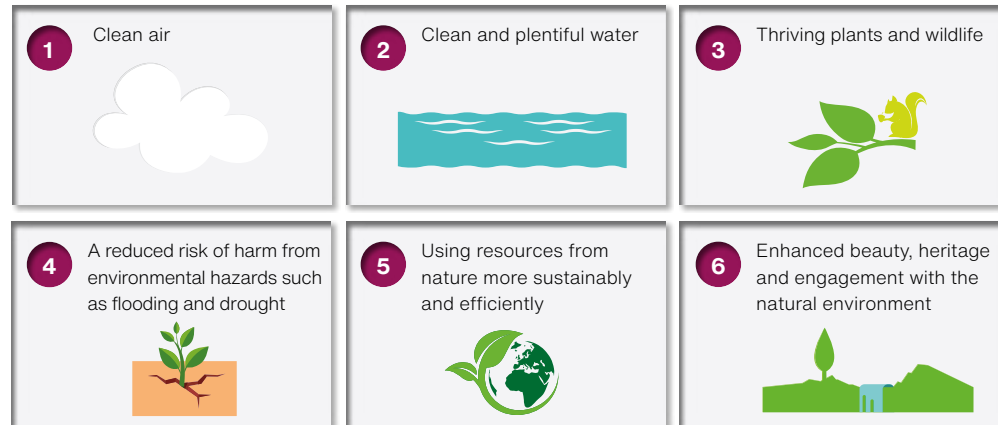
“Over the last 12 months we have continued to put the levers in place that will help us secure lasting change for the environment...Overall, there is much more to do, both in our country, and with international partners, to halt and reverse the decline of nature and address climate change.”

Defra has published more detailed strategies for two of the government's 10 environmental goals - Resources & Waste and Clean Air – with a range of schemes and projects under way across all goals to support its ambitions for improving the natural environment.

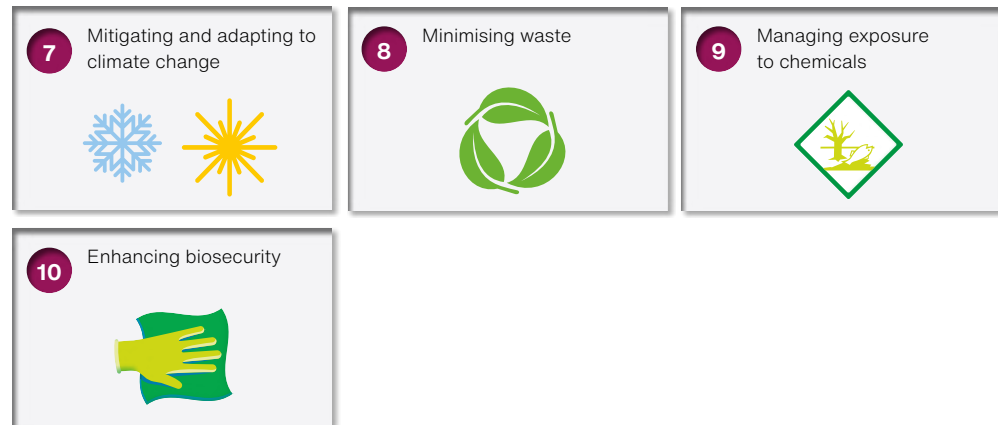
It is developing its arrangements to oversee, coordinate and monitor its work effectively. Most notably, it has developed a wide-ranging Environment Bill, which aims to put its plans on a statutory basis and help clarify its long-term ambitions. If the government is to improve the natural environment within a generation, Defra will need to deliver effectively against each of the long-term environmental goals, representing a major delivery challenge.

The government's long-term environment goals as set out in the 25 Year Environment Plan

The government intends to achieve:



In addition, government intends to manage pressures on the environment by:



Source: HM Government, *A Green Future: Our 25 Year Plan to Improve the Environment*, January 2018

Environmental Goals *continued*

Our recent report:

Achieving government's long-term environmental goals

(November 2020) examined how government has set itself up to deliver its long-term environmental goals. We assessed risks and made recommendations in relation to the following:

Setting direction

Develop a delivery plan that sets out the firm and funded actions that government has planned, and explicitly states whether government expects these will be sufficient to put progress on track to meet the outcomes.

Oversight and coordination

Ensure effective governance arrangements to help manage the links between different environmental issues.

Develop a strategy for ensuring that the right skills and resources are available to meet government's environmental ambitions.

Monitoring, learning and improving

Set a deadline for securing a full set of outcome-focused environmental indicators, with data, with Defra's Environment Committee monitoring progress against this deadline, taking swift action if plans fall behind.

Continue to strengthen safeguards for the Office for Environmental Protection's (OEP's) independence, by developing a clear framework document for the terms of its relationship with Defra.

Departmental and local government responsibilities for environmental protection in England

The Department for Environment, Food & Rural Affairs has lead responsibility for the 25 Year Environment Plan (the Plan), but several other government departments and local government also have key roles in protecting the environment

Lead environmental policy responsibilities

Department for Environment, Food & Rural Affairs

Waste, water, fisheries, flooding, farming, forestry, air quality, soil (including peatlands), protected landscapes, environmental metrics

Department for Business, Energy & Industrial Strategy

Net zero, low-carbon energy, carbon budgets, green finance and research

Other key responsibilities across government that affect delivery of its environmental goals

Department for Transport

Promotion of low-emission transport in support of reducing carbon and harmful air pollutant emissions

Local government

Spatial planning, local flood risk management, building control, highways, trading standards, waste management

Ministry of Housing, Communities & Local Government

Planning framework and building regulations

HM Treasury

Tax incentives, including environmental taxes

Note

- 1 Some aspects of the Plan apply to the UK as a whole. In other areas where environmental policy is devolved and responsibility rests with the Scottish Government, Welsh Government and Northern Ireland Executive, the proposals in the Plan apply to England only.

Source: National Audit Office, *Departmental Overview Environmental Protection 2019*, March 2019

Look out for

Defra agreeing with HM Treasury a ring-fenced budget for each spending review period, giving the OEP greater certainty over its finances. The budget will be announced after the Environment Bill achieves Royal Assent.

Part Four

Agriculture and animal health

Future of farming

Following EU Exit, the UK is no longer part of the Common Agricultural Policy (CAP), which provided over €2 billion in subsidy (mainly through direct payments) to English farmers annually. CAP is being phased out over a seven-year transition period from 2021 to 2027. Defra sees leaving the EU as a unique opportunity to redesign agricultural policy in England to pay farmers for environmental outcomes rather than the amount of land they manage, and to support the government in meeting its environmental ambitions.

At the core of this reform is the Environmental Land Management (ELM) scheme, which will replace payments under the CAP and pay farmers, foresters and other land managers for managing their land to deliver environmental outcomes and help to deliver the 25 Year Environment Plan goals.

We reported on the early stages of the new policy design in [June 2019](#). In light of how absorbed Defra has been in planning for EU Exit (and now tackling issues arising from COVID-19), it needed to make sure that the programme did not move too quickly and, that sensible precautions, information systems and planning were in place, and that farmers were able to prepare in the way that they needed. We called for a detailed plan with realistic timescales, based on a full understanding of interdependencies, with sufficient flexibility to allow changes to be made as more is learned about how farmers react to the new framework.

Over a year has passed since our report and we remain concerned that farmers still do not know enough about the scheme to enable them to plan. In February 2020, Defra announced that the public goods ELM would pay for would include measures to improve the quality and supply of water and air quality, to mitigate environmental hazards and climate change, to produce habitats for plants and wildlife to thrive, and to improve the beauty of, and public engagement with, the English landscape.

However, farmers still await more detail about the scope and level of payments they will receive under ELM.

Defra's planned major upcoming farming milestones

2021

Reduction in Direct Payments.
Environmental Land Management (ELM) National Pilot starts.
Tree health grants launched.
Productivity grants available.

2022

Animal health scheme to start.
New innovation research and development scheme.
Sustainable Farming Incentive introduced.

2023

Last year for Countryside Stewardship applications.

2024

Full roll-out of ELM.

Look out for

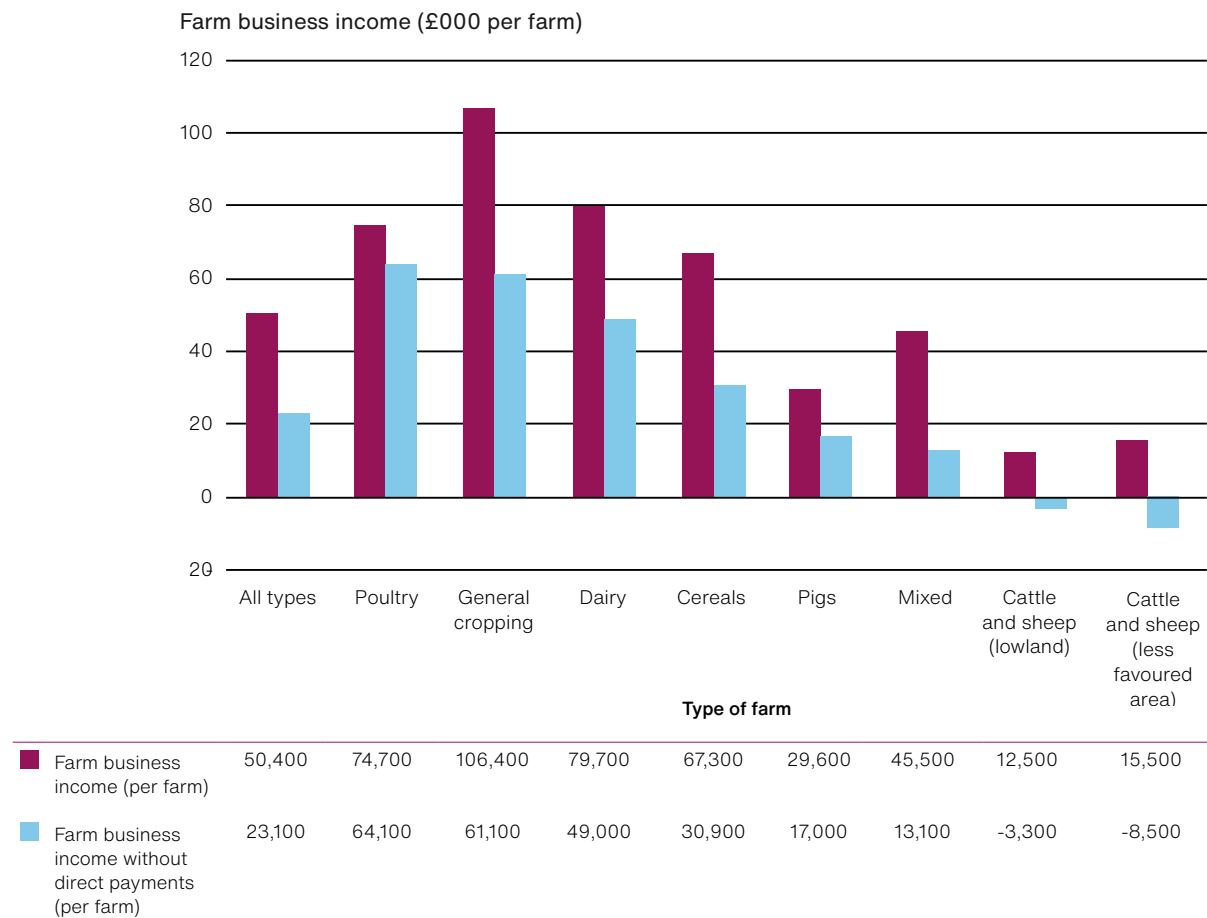
A second report by NAO on the new farming policy, set to be published later this year. It will examine Defra's preparation for the launch of the National Pilot in late 2021.



Future of farming *continued*

Many farmers are heavily reliant on direct payments for their income. Without them, cattle and sheep farmers would operate at a loss, if everything else stayed the same

Average annual farm business income with and without direct payments by farm type 2018-19



Source: National Audit Office analysis of Farm Accounts in England 2018-19

Redevelopment of the Animal and Plant Health Agency's facility at Weybridge

The Animal and Plant Health Agency (APHA) works to safeguard animal and plant health for the benefit of people, the environment and the economy. APHA is responsible for veterinary research and surveillance; it is at the forefront of research into diseases, such as tuberculosis, Blue Tongue and Avian Influenza; it is critical in protecting the UK's farming and food industries from the impact of animal disease and for ensuring that outbreaks of animal disease are successfully contained. It is critical to the continued successful running of APHA's science business to enhance its capability, and upgrade its research and operating facilities.

The 2019 Budget included a £1.4 billion capital investment over ten years to redevelop and future-proof the APHA facility at Weybridge in Surrey to protect the country against the increasing threats of animal and plant diseases. It is planned that the new build will occupy the same site and, as a result, this major redevelopment has the added complication of a complex construction process and the need to keep the facility open and on track while making the transition.

Look out for

Our back catalogue of major project reports shows a high risk of both cost and time over-runs on similar projects.