

Main Estimates memorandum (2019-20) for a **Water Services Regulation Authority**

1 Overview

1.1 Objectives

The Water Services Regulation Authority (Ofwat) support the regulation of the water industry in England and Wales as principally set out in the Water Industry Act 1991, Water Act 2003, and Water Act 2014. Ofwat is a competition authority principally under the Competition Act 1998 and the Enterprise Act 2002 relating to commercial activities connected with water or sewerage services in England and Wales. These are continuing functions from previous years and no new functions have been added.

Ofwat is funded through licence fees received from the water and sewerage companies and we consult annually in our Forward Programme with our stakeholders on our budgets for the upcoming year.

1.2 Spending controls

Ofwat's net spending is broken down into a several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**")- a net limit comprising day-to-day running costs, less income from licence fees
- Capital Departmental Expenditure Limit ("**Capital DEL**")- investment in capital equipment such as ICT hardware

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require Ofwat to pay out cash in year.

1.3 Comparison of net spending totals sought

The table below shows how the net spending totals sought for Ofwat compares with last year:

Spending total Amounts sought this year (Main Estimate 2019-20)		Compared to final budget last year. (Supplementary Estimate 2018-19)		Compared to original budget last year (Main Estimate 2018-19)	
		£ m	%	£m	£ m
Resource DEL	£0.15m	£0.14m	7%	£0.14m	7%
Capital DEL	£0.22m	£0.17m	29%	£0.17m	29%

A breakdown of spending and income within the net total is shown in section 2.1.

1.4 Key drivers of spending changes since last year

The net Resource DEL has not changed significantly from last year.

Within this, expected licence income, and the gross expenditure this covers, are both expected to rise from £31.7m to £36.5m (+15%). This is a result of higher levels of activity relating to the price review and additional funding sought for a water Regulators' Alliance for Progressing Infrastructure Development (RAPID). This team will ensure a smooth regulatory path for strategic water transfers and joint infrastructure projects. Further detail is given in section 2.1

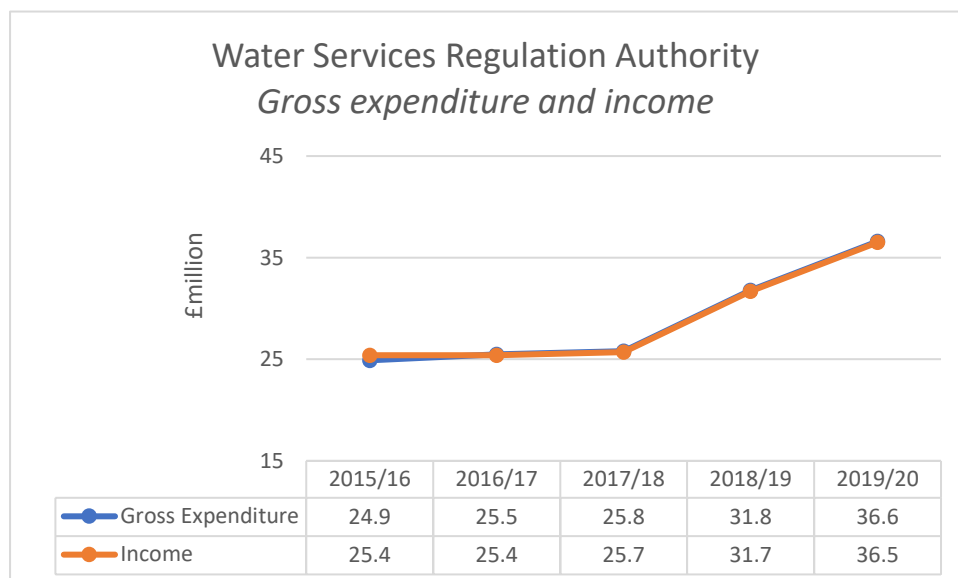
The net capital DEL proposed has not changed significantly from last year. The £0.22 million capital budget this year is an allowance for potential capital works and IT upgrades.

1.5 New policies and programmes

The Regulator was given permission to increase the spending cap for 2019/20 to recover additional licence fees to set-up a new cross regulatory unit (RAPID) focused on facilitating the development of large-scale regional and national water resources infrastructure projects.

1.6 Spending and income trends

The charts below show overall resource DEL spending and income trends for the last five years, plans presented in Estimates for 2018-19, and current future spending plans.



1.7 Administration costs and efficiency plans

Spending total Amounts sought this year (Main Estimate 2019-20)		Compared to final budget last year. (Supplementary Estimate 2018-19)		Compared to original budget last year (Main Estimate 2018-19)	
		£ m	%	£m	£ m
Administration costs	£0.15m	£0.14m	7%	£0.14m	7%

The £0.15m administration budget related to the part of the pension costs of the former Directors General of the Office of Water Services ('Directors General') which cannot be charged to the water industry as it relates to their services with other government departments.

1.8 Funding: Spending Review and Budgets

The regulator received no funding through the last Spending Review. Expenditure is funded through:

- income generated from fees levied on water and/ or sewerage companies and is subject to cost control.

1.9 Other funding announcements

Spending announcements made during the year related to the establishment of the RAPID programme of work- [Regulators collaborate to support strategic water transfers and joint infrastructure projects - Ofwat](#)

2 Spending and income detail

2.1 Explanations of changes in spending and income

Resource DEL

The table below shows how spending plans for Resource DEL compare with last year.

subhead	Resource		DEL		change from last year	See explanation, note number
	<i>This year (2019-20 Main Estimates budget sought)</i>	<i>Last year (2018-19 Supp Estimates budget approved)</i>	£ million	%		
Gross expenditure	36.6	31.8	4.8	15%	1	
A Fees from licensees	36.5	31.7	4.8	15%	1	
A Net expenditure	0.1	0.1	0.0	0.0%		

Note 1. Gross expenditure is increasing to reflect the peak of workload relating to the 2019 price review. In addition increased expenditure and recovery of fee income of £2.9m were approved to establish a water Regulators' Alliance for Progressing Infrastructure Development (RAPID). This team will ensure a smooth regulatory path for strategic water transfers and joint infrastructure projects.

2.3 Ring fenced budgets

Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets

Resource DEL

Ring fenced budgets Amounts sought this year (Main Estimate 2019-20)		Compared to final budget last year. (Supplementary Estimate 2018-19)		Compared to original budget last year (Main Estimate 2018-19)	
		£ m	%	£m	£ m
Depreciation	£0.36m	£0.36m	0%	£0.36m	0%

2.4 changes to contingent liabilities

Ofwat does not have any contingent liabilities

3. Priorities and performance

3.1 Measures of performance against each priority

The regulator's Forward Programme (see [Ofwat 2019-20 Forward Programme](#)) sets out the following high-level objectives, and measures of performance, for the regulator for the current financial year.

3.4 Major projects

The Regulator has not under taken any major capital projects.

4. Other information

4.1 Additional specific information required by the select committee

No additional information has been requested by the Committee

5. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.

Rachel Fletcher

Accounting Officer

Water Services Regulation Authority

19 April 2019

Department for Environment, Food and Rural Affairs
Main Estimate 2019-20
Select Committee Memorandum

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1. Overview

The purpose of this memorandum is to provide an overview and analysis of the Resource, Capital and cash sought in the 2019-20 Main Estimate and to demonstrate consistency with the plans approved in the 2015 Spending Review (SR15). It also sets out changes from the 2018-19 Supplementary Estimate and provides background information.

This memorandum has been prepared with reference to guidance provided by the House of Commons Scrutiny Unit. The information in this memorandum has been approved by Tamara Finkelstein, Interim Accounting Officer and Permanent Secretary of Defra.

1.1 Strategic objectives

The Department for Environment, Food and Rural Affairs' objectives, as set out in its published Single Departmental Plan, are as follows:

- **EU exit** - To deliver a safe and ambitious departure from the EU, setting global standards in protecting and harnessing value from the natural environment
- **Protecting and enhancing the environment** - To pass on to the next generation a natural environment protected and enhanced for the future
- **Food and farming** - To lead the world in food and farming with a sustainable model of food production
- **Outstanding organisation** - To be an outstanding organisation focused on making a difference, with world-class delivery capability

Defra's spending is designed to support its objectives. Tables and graphs in this memorandum break Defra's spend down by Estimate subhead. These are aligned to the Part II table of the Main Estimate and represent Defra's main spending programmes. Details of which spending programmes relate to which objectives is given at Section 3.1. Defra's objectives for 2019-20 include some minor adjustments to the wording since the 2018-19 objectives.

1.2 Spending controls

Defra's spending is broken down into several different spending totals, for which Parliament's approval is sought.

The key activities supported by provision in this Estimate, broken down by budgetary limits, are explained below. The budgets support delivery of the Department's Strategic Objectives. They reflect the settlements agreed for Defra as part of SR15, plus further changes announced in subsequent Budgets. The settlement agreed requires Defra to make significant efficiency savings, supported by investment in improved infrastructure in estates and digital services. Defra has also received an increase in funding from HM Treasury for European Union (EU) exit work.

This Main Estimate has been prepared on the assumption that funding received from the European Commission (EC) will continue until such time as a 'deal' or 'no-deal' dictates otherwise. The spending totals which Parliament votes are:

- The Resource Departmental Expenditure Limit (**Resource DEL**) includes the Administration budget for running Core Defra and its Delivery Bodies, including EU exit, and the Programme budget for spend on responsibilities including Waste; Animal Disease, Health and Welfare; Natural Environment; and Flood and Coastal Risk Management. Included within Resource DEL budgets are ring-fenced budgets for depreciation and policy ring-fences. These ring-fences are detailed in section 2.2.

The Rural Development Programme for England (RDPE) and the Basic Payment Scheme (BPS) payments are included within Programme DEL, net of income received from the EC. BPS payments are funded by the EC; RDPE payments are partially funded by the EC and partially funded by the UK Exchequer. The expenditure and income for both these schemes are shown gross within the Part II table of the Estimate.

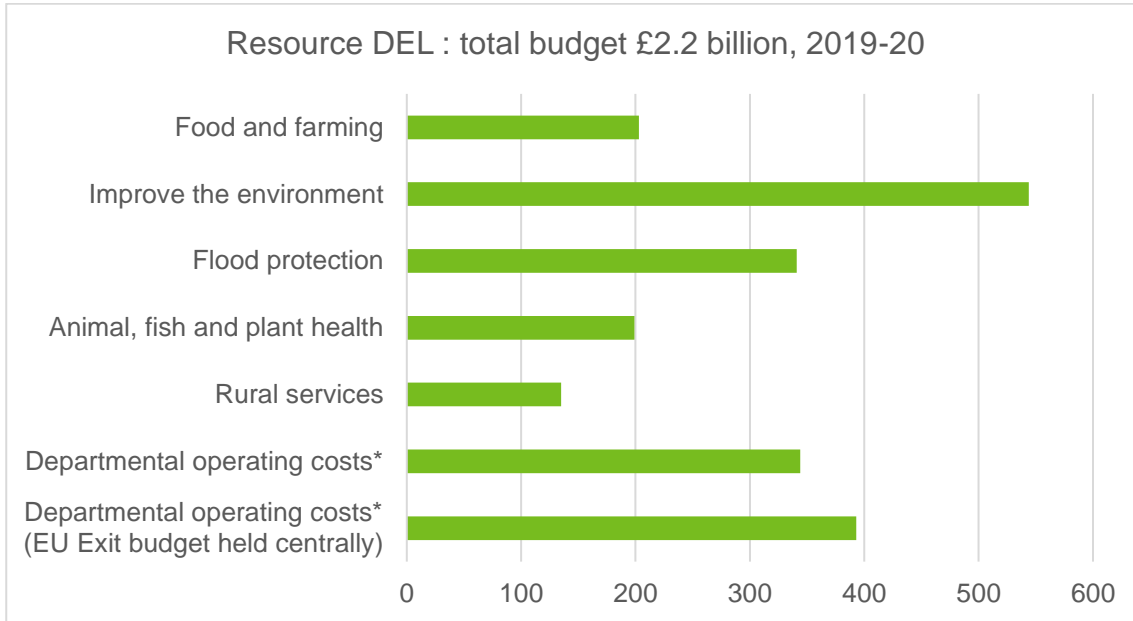
- The Capital Departmental Expenditure Limit (**Capital DEL**) mainly relates to Flood and Coastal Risk Management, which is included as a ring-fenced budget. It also includes the Official Development Assistance (ODA) funding, including International Climate Fund, which is also ring-fenced. The remainder of the Capital DEL budget has been allocated in accordance with the Department's prioritisation of capital projects, including projects to prepare for EU exit.
- Resource Annually Managed Expenditure (**Resource AME**) is all classified as Programme and includes movements on provisions, including for Common Agricultural Policy (CAP) disallowance and the Environment Agency (EA) pension schemes, as well as any necessary budget for Flood Re and Levy Funded Bodies (the Agriculture and Horticulture Development Board (AHDB) and the Sea Fish Industry Authority (SFIA)), net of levy income and their other income streams.
- Capital Annually Managed Expenditure (**Capital AME**) covers the capital costs of the Levy Funded Bodies.
- **Non-Budget** spend covers CAP schemes administered by the Devolved Administrations. The payments made by the Devolved Administrations are funded by the Rural Payments Agency (RPA) and subsequently recovered by RPA from the EC, in their role as the UK Funding Body. A small budget is held by RPA to cover exchange rate differences that may arise due to the timing differences between the claim date and the date of actual reimbursement by the EC.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require Defra to pay out cash in year.

Main Estimates are presented to Parliament by HM Treasury in order to seek Parliament's authority for departmental spending plans. They are usually presented in April/May each year. Departments should seek a Supplementary Estimate in order to change voted spending provision, reallocate spending provision between budgetary limits or amend the Ambit. Supplementary Estimates are usually presented to Parliament by HM Treasury in January/February each year.

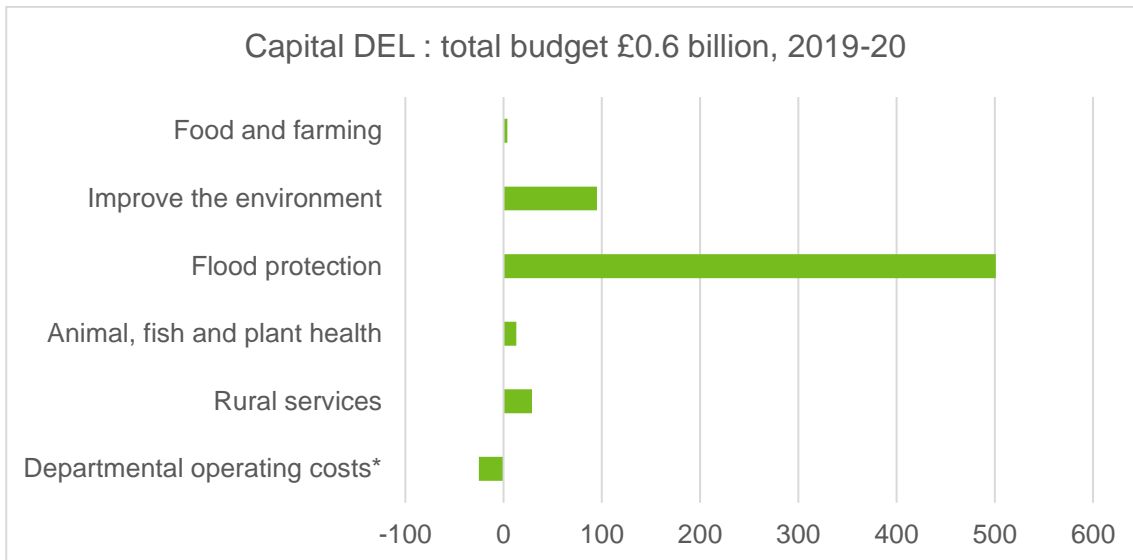
1.3 Main areas of spending

The graphic below shows the main components of Defra’s proposed budget for 2019-20, included in this latest Main Estimate, and the proportions of funds spent on its main activities.



*Departmental Operating costs includes HR, IT, estates, communications and finance functions from the largest network bodies, including associated depreciation. These have been brought in to the core Department and have formed new group-wide functions, which will improve prioritisation, decision-making, professionalism and efficiency. In addition to this, the budget for EU exit is held here (shown as a separate line in the graph), this will be distributed to the relevant policy line during the year as necessary and changes reflected through the Supplementary Estimate.

Many of these costs directly support the front line work in the main operating areas.



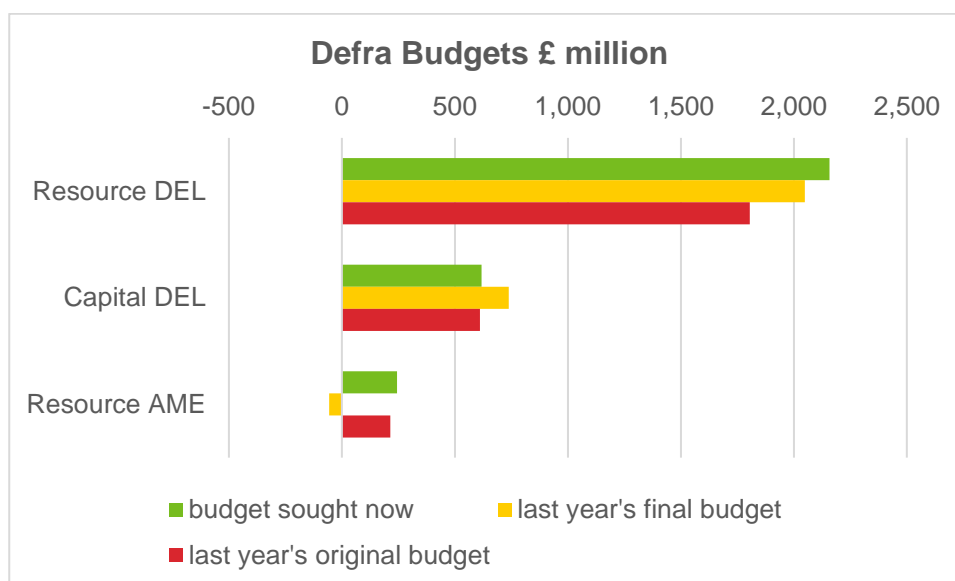
* The Budget for Departmental Operating Costs shows a negative figure. This is due to additional budget for flood protection, which is due to be allocated to Defra’s Budget in the Supplementary Estimate, being allocated out to the Environment Agency. This creates a credit in the centre which will be off-set in the Supplementary Estimate when the budget is received from HM Treasury, as explained in section 2.1

1.4 Comparison of spending totals sought

The table and graphic below show how the totals sought for Defra in its Main Estimate compare with last year:

Spending total	Compared to final budget last year			Compared to original budget last year	
	Amounts sought this year (Main Estimate 2019-20)	(Supplementary Estimate 2018-19)*		(Main Estimate 2018-19)*	
	£m	£m	%	£m	%
Resource DEL	2,157.4	108.4	5.3	352.2	19.5
Capital DEL	617.8	-120.3	-16.3	6.9	1.1
Resource AME	244.5	300.5	536.6	30.5	14.3

*The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.



*The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.

1.5 Key drivers of spending changes since last year

Looking at the underlying trend, the Resource DEL budget has decreased, this decrease has been offset by an increase due to EU exit related expenditure. The main causes of the changes in Resource DEL are explained in more detail below:

- £112 million increase in spending on preparatory work in support of HM Government plans to exit the EU. The Department was given approval in the Spring Statement to increase expenditure on EU exit preparations. This additional budget was formally allocated as part of the claim on the Reserve and reflected in this Main Estimate as an increase to Defra's budget.
- £48 million increase due to the Resource to Capital budget transfer in the 2018-19 Supplementary Estimate, largely within the EA. At the start of the year there is uncertainty about the value of the Resource/Capital split of some of EA's projects. The budget is therefore held in Resource until Capital spend becomes identifiable, at which point it is appropriate to transfer Resource budget to Capital budget.
- £21 million decrease in the ODA budget due to the 2018-19 budget being higher than 2019-20 as a result of a transfer from the Department for International Development for ODA included in 2018-19.
- £31 million decrease mainly due to an outstanding Reserve claim for clean air funds which is expected in the 2019-20 Supplementary Estimate and overall efficiencies across the Defra IT and property estate and increased external income generation.

The main causes of the changes in Capital DEL are:

- £57 million decrease mainly due to reductions in capital budgets for IT and estates reflecting the spending profile as announced in the SR15 settlement.
- £48 million decrease mainly due to resource to capital transfers, as explained in the Resource DEL section above.
- £21 million increase in the ODA capital budget due to a transfer to the Department for International Development for ODA included in 2018-19.
- £12 million decrease in the Reserve claim funding allocated by HM Treasury for capital spending on preparatory work in support of HM Government plans to exit the EU.
- £24 million net decrease, partially due to outstanding Reserve claims for the flood coastal risk management budget which are expected in the 2019-20 Supplementary Estimate. These include the Floods Regeneration and Growth Fund, funding for New Flood Defence Schemes and increased funding for Carlisle Flood Defences.

The main causes of the changes in Resource AME are:

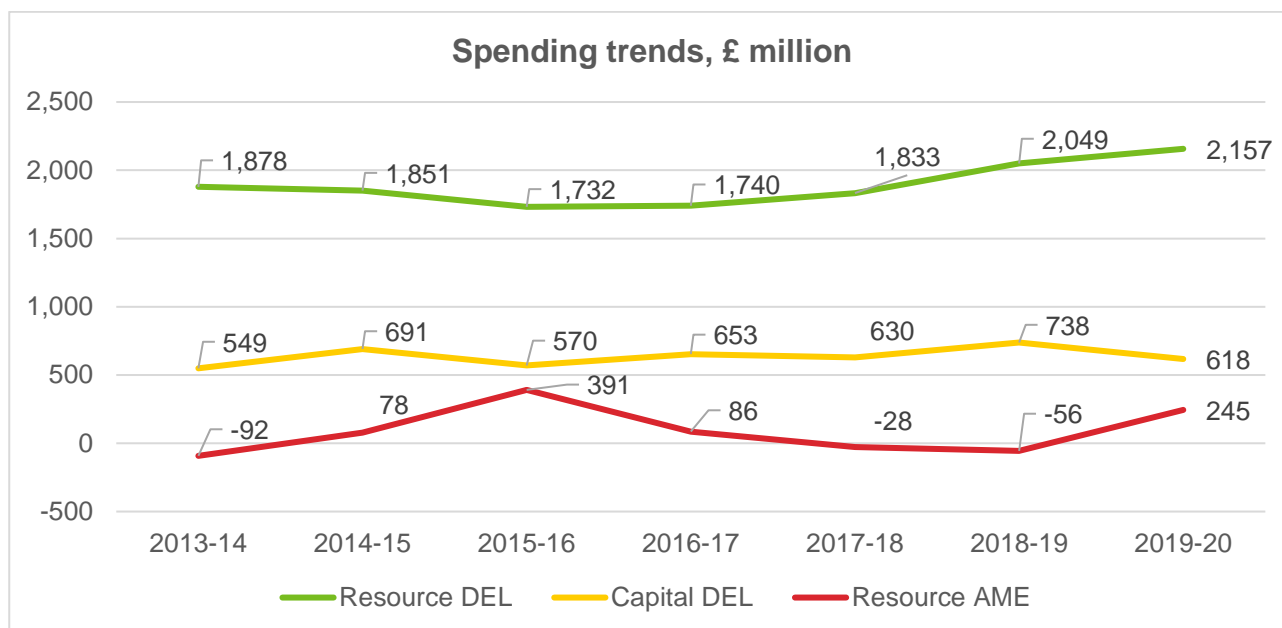
- £240 million increase due to a decrease in the valuation of the Metal Mines and Foot and Mouth Disease provisions in the 2018-19 Supplementary Estimate following the increase in the discount rate used for valuing provisions, as per guidance issued by HM Treasury in December 2018 (an increase in the discount rate results in a decrease in the value of a provision for future years). This resulted in a large decrease to these provisions as they are due to last over 100 years.
- £60 million increase to cover centrally held provisions, including for potential impairments. These will be reviewed in the Supplementary Estimate.

1.6 New policies and programmes; ambit changes

There has been some minor wording changes to the ambit.

1.7 Spending trends

The chart below shows overall spending trends for the last five years and plans presented in Estimates for 2019-20.



**The prior year's figures have been restated to reflect the Machinery of Government change explained in section 2.2.*

Resource DEL budgets include an underlying requirement to make savings, primarily across corporate service areas, including efficiencies across the Defra IT and property estate and increased external income generation. The increases in 2017-18, 2018-19 and 2019-20 are mainly due to additional expenditure for EU exit work funded from the Reserve, as explained in section 1.5. The increases in 2017-18 and 2018-19 also reflect claims on the Reserve, including for Floods Recovery funding, the National Air Quality Plan and increased spending for Defra's recovery work relating to the Salisbury and Amesbury incidents. 2019-20 has a further increase following a claim on the Reserve for additional pension cover due to the changes made to calculating employer's contributions to civil service pensions.

Capital budgets reflect the profile of the Department's SR15 settlement. The Capital budget is higher between 2016-17 and 2018-19, reflecting increased investment in IT and property, to enable a reduction in the corporate services resource budget, and additional expenditure for EU exit work funded from the Reserve, as explained in section 1.5. In addition to this, 2018-19 includes increased spending on the floods regeneration and growth fund and new flood defence schemes. Additional funding for the 2019-20 flood and coastal risk management budget will be allocated from the Reserve in the 2019-20 Supplementary Estimate, as explained in section 2.1.

Resource AME balances vary greatly over the years due to the volatility of provisions valuations. The large increase in 2015-16 mainly reflects increases in the valuation of the Metal Mine and Foot and Mouth Disease Burial Sites provisions due to a change in the discount rate.

1.8 Administration costs and efficiency plans

Spending total		Compared to final budget last year		Compared to original budget last year	
Amounts sought this year					
(Main Estimate 2019-20)		(Supplementary 2018-19)*	Estimate	(Main Estimate 2018-19)*	
£m		£m	%	£m	%
Administration costs	794.5	93.5	13.3	333.4	72.3

*The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.

Administration spend has increased since the 2018-19 Supplementary Estimate, primarily due to preparatory work in support of HM Government plans to exit the EU. The final budget for this year contains £322 million for EU exit, which reflects the administration element of the claim on the Reserve for EU exit related work. When comparing to previous years' budgets, the underlying administration spend (excluding EU exit spend) has decreased and is now £39 million lower than it was in 2016-17 (the first year of SR15). This represents the delivery of efficiencies as agreed at SR15, predominantly within Defra group corporate services, following the consolidation of corporate services functions across the larger Defra group bodies.

1.9 Net cash requirement

Spending total		Compared to final budget last year		Compared to original budget last year	
Amounts sought this year					
(Main Estimate 2019-20)		(Supplementary 2018-19)*	Estimate	(Main Estimate 2018-19)*	
£m		£m	%	£m	%
Net cash requirement	2,709.2	-631.4	-18.9	345.2	14.6

*The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.

The decrease in net cash requirement since the 2018-19 Supplementary Estimate is primarily due to the increase to the 2018-19 NCR that was included in the 2018-19 Supplementary Estimate to allow for changes in the proposed payment flow for the BPS Payments at the RPA. Reimbursement from the EC in respect of BPS payments is received two months in arrears. Consequently, any BPS payments made in February and March will not be reimbursed until after 31 March 2019. An adjustment is needed each year in the Supplementary Estimate to adjust the cashflow in line with the expected outstanding receipt. This decrease also reflects the impact of the budget changes processed in this Main Estimate on the cashflow of the Department.

1.10 Funding: Spending Review and Budgets

The underlying levels of DEL funding for Defra for 2019-20 are based on plans published in SR15. Since that time, the Government has made a number of changes to 2019-20 Spending Plans, including announcements of some additional funding in Budgets and Autumn Statements. Details of funding changes are set out in Annex B.

Notable amongst these changes are:

- Additional funding of £410 million, allocated from the Reserve, to support HM Government plans to exit the EU.
- Additional net funding of £29 million, announced by the Chancellor in the 2016 Budget and Autumn statement, predominantly additional money for constructing and maintaining flood defences following flooding events.
- Additional funding of £130 million, announced by the Chancellor in the 2017 Budget, split between additional clean air fund and waste crime budgets (£60 million) and re-profiling of the flood defence budget across the spending review period (£70 million).
- Additional funding of £38 million, announced by the Chancellor in the 2018 Autumn Budget for various policy schemes including waste and air quality schemes.

2 Spending detail

2.1 Explanations of changes in spending

Resource DEL

The table below shows how Defra's spending plans for Resource DEL compare with last year.

Resource DEL						
Estimate Subheads	Description	2019-20 Main Estimates budget sought	2018-19 Supplementary Estimates budget approved *	Change from last year		Note number
		£m	£m	£m	%	
A	Food and farming	202.5	252.6	-50.1	-19.8	1
B, H	Improve the environment	544.0	601.1	-57.1	-9.5	
C, I	Flood protection	340.3	292.0	48.3	16.5	2
D, E, J	Animal, fish and plant health	199.9	261.0	-61.1	-23.4	3
F, K	Rural services	134.1	133.4	0.7	0.5	
G	Departmental operating costs	343.6	378.9	-35.3	-9.3	4
	Departmental operating costs (EU Exit budget held centrally)	393.0	130.0	263.0	202.3	4
	Total	2,157.4	2049.0	108.4	5.3	

*The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.

Differences of more than 10% which are more than £10 million are explained below. Numbers relate to the relevant row in the table above. Further detail of spending within these totals is given in the Table at Annex A.

1. Food and farming

Resource DEL spending under these subheads is forecast to decrease by £50.1 million, or 19.8% since the Supplementary Estimate. This is mainly driven by the EU exit budget being held centrally in the 2019-20 Main Estimate whereas this had been allocated out to various projects in 2018-19, including projects within the Rural Payments Agency and core Defra.

2. Flood protection

Resource DEL spending under these subheads is forecast to increase by £48.3 million, or 16.5% since the Supplementary Estimate. This is mainly driven by a decrease to the 2018-

19 Supplementary Estimate budget due to a Resource to Capital budget transfer, largely within the EA, as explained in section 1.5.

3. Animal, fish and plant health

Resource DEL spending under these subheads is forecast to decrease by £61.1 million, or 23.4% since the Supplementary Estimate. This is mainly driven by the EU exit budget being held centrally in the 2019-20 Main Estimate whereas this had been allocated out to various projects in 2018-19, including projects across the Animal and Plant Health Agency, the Veterinary Medicines Directorate, the Marine Management Organisation and core Defra.

4. Departmental operating costs

Resource DEL spending under this subhead is forecast to increase by £227.7 million, or 44.7% since the Supplementary Estimate. This is mainly driven by the additional £112.0 million EU exit budget allocated to 2019-20, coupled with the overall Resource DEL EU exit budget being held centrally in the 2019-20 Main Estimate whereas the majority had been allocated out to various projects in 2018-19. The 2019-20 budget for EU exit will be allocated out to policy lines as necessary in the 2019-20 Supplementary Estimate.

Capital DEL

The table below shows how Defra's spending plans for Capital DEL compare with last year.

Capital DEL						
Estimate Subheads	Description	2019-20 Main Estimates budget sought	2018-19 Supplementary Estimates budget approved *	Change from last year		Note number
		£m	£m	£m	%	
A	Food and farming	4.5	9.7	-5.2	-53.6	
B, H	Improve the environment	94.8	83.8	11.0	13.1	5
C, I	Flood protection	501.3	486.6	14.7	3.0	
D, E, J	Animal, fish and plant health	12.7	24.8	-12.1	-48.8	6
F, K	Rural services	29.1	34.2	-5.1	-14.9	
G	Departmental operating costs	-24.6	99.0	-123.6	-124.8	7
	Total	617.8	738.1	-120.3	-16.3	

*The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.

Differences of more than 10% which are more than £10 million are explained below.

5. Improve the environment

Capital spending under these subheads is forecast to increase by £11.0 million, or 13.1% since the Supplementary Estimate. This is mainly driven by an increase to the 2018-19 Supplementary Estimate budget due to a Resource to Capital budget transfer, largely within the EA, as explained in section 1.5.

6. Animal, fish and plant health

Capital spending under these subheads is forecast to decrease by £12.1 million, or 48.8% since the Supplementary Estimate. This is mainly driven by an increase in estates capital funding for the Centre for Environment, Fisheries and Aquaculture Science (CEFAS) in the 2018-19 Supplementary Estimate for increased investment in CEFAS property assets. CEFAS is an Executive Agency of Defra, included in the Marine programme.

7. Departmental operating costs

Capital spending under this subhead is forecast to decrease by £123.6 million, or 124.8% since the Supplementary Estimate. This is mainly driven by a reduction in the 2019-20 estates and corporate services budget as per the SR15 profile and the central budget including a negative figure which enabled the allocation of flood and coastal risk management budgets to EA in advance of the Reserve claim being processed by HM Treasury. This Reserve claim will be processed by HM Treasury in the 2019-20 Supplementary Estimate. This Reserve claim includes the Floods Regeneration and Growth Fund and funding for New Flood Defence Schemes which were announced in the 2017 Autumn Statement and increased funding for Carlisle Flood Defences. These budget increases are part of multi-year work programmes that HM Treasury have committed to, but usual practice is to allocate to the Departmental budget on an annual basis as part of Supplementary Estimates. These have been internally allocated to EA at the start of the year to allow EA to plan their year's work. This central credit will be offset once the budget increase has been processed by HM Treasury in the Supplementary Estimate.

Resource AME

The table below shows how Defra's spending plans for Resource AME compare with last year.

Resource AME						
Estimate Subheads	Description	2019-20 Main Estimates budget sought	2018-19 Supplementary Estimates budget approved *	Change from last year		Note number
		£m	£m	£m	%	
L, R	Food and farming	52.0	40.6	11.4	28.1	1
M, S	Improve the environment	-13.7	-177.8	164.1	92.3	2
T	Flood protection	156.0	156.0	0.0	0.0	.
N, O, U	Animal, fish and plant health	0.1	0.1	0.0	0.0	
P, V	Rural services	-0.3	-0.3	0.0	0.0	
Q	Departmental operating costs	50.4	-74.6	125.0	167.6	3
	Total	244.5	-56.0	300.5	536.6	

*The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.

1. Food and farming

Resource AME spending under these subheads is forecast to increase by £11.4 million or 28.1% since the Supplementary Estimate. This is mainly driven by an increase in the CAP disallowance provision in 2019-20.

2. Improve the environment

Resource AME spending under these subheads is forecast to increase by £164.1 million or 92.3% since the Supplementary Estimate. This is mainly driven by a decrease in value for the Metal Mines provision as a result of the change in discount rate, as explained in section 1.5. This provision is held within the water programme.

3. Departmental operating costs

Resource AME spending under this subhead is forecast to increase by £125.0 million or 167.6% since the Supplementary Estimate. This is mainly driven by a decrease in value for the Foot and Mouth provision as a result of the change in discount rate, as explained in section 1.5. This provision is held within the estates and commercial programme.

2.2 Restructuring

The 2019-20 Main Estimate includes a machinery of government change where the Forestry Commission has transferred some of its cross-border functions to the Scottish and Welsh Governments. Details are given in the table below.

This year (2019-20 Main Estimate budget sought)	RDEL £m	CDEL £m	Last year (2018-19 Supplementary Estimate budget approved)	RDEL £m	CDEL £m
Funding transferred out					
Forestry Commission transfer to the Welsh Assembly Government, previously included in Line F	-0.7	-0.4	Forestry Commission transfer to the Welsh Assembly Government, previously included in Line F	-0.7	-0.4
Forestry Commission transfer to the Scottish Government, previously included in Line F	-3.1	-1.7	Forestry Commission transfer to the Scottish Government, previously included in Line F	-3.1	-1.7

2.3 Ring-fenced budgets

Within the budgetary totals, the following elements are ring-fenced, i.e. savings in these budgets may not be used to fund pressures on other budgets.

Resource DEL

Ring fenced budgets Amounts sought this year (Main Estimate 2019-20)	Compared to final budget last year (Supplementary Estimate 2018-19) *			Compared to original budget last year (Main Estimate 2018-19)*	
	£m	£m	%	£m	%
CAP Disallowance	45.0	-14.0	-23.7	-14.0	-23.7
Voluntary exit scheme	3.0	-1.0	-25.0	-1.0	-25.0
Official development assistance	45.9	-17.8	-27.9	-17.8	-27.9
Inshore fisheries	3.0	0.0	0.0	0.0	0.0
Tackling air quality	6.5	-11.2	-63.3	4.5	225.0
Other grants	0.1	0.0	0.0	0.0	0.0

Salisbury and Amesbury incidents recovery work	0.0	-13.7	-100.0	0.0	0.0
Avoiding food waste	15.0	15.0	New ring-fence	15.0	New ring-fence
Abandoned waste site clearance fund	5.0	5.0	New ring-fence	5.0	New ring-fence
Urban trees	0.7	0.7	New ring-fence	0.7	New ring-fence
EU exit	393.0	393.0	New ring-fence	393.0	New ring-fence
Depreciation	239.1	-1.6	-0.7	-1.6	-0.7

**The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.*

Capital DEL

Ring fenced budgets Amounts sought this year (Main Estimate 2019-20)	Compared to final budget last year (Supplementary Estimate 2018-19)*			Compared to original budget last year (Main Estimate 2018-19)*	
	£m	£m	%	£m	%
Official development assistance	35.4	19.0	115.9	19.0	115.9
Flood defence	452.0	-34.3	-7.1	21.6	5.0
Urban trees	2.9	2.9	New ring-fence	2.9	New ring-fence
Plastics and waste innovation funding	10.0	10.0	New ring-fence	10.0	New ring-fence
EU exit	17.0	17.0	New ring-fence	17.0	New ring-fence

**The 2018-19 Estimate figures have been restated to reflect the Machinery of Government change explained in section 2.2.*

2.4 Contingent liabilities

The Main Estimate includes details of all the contingent liabilities included in the Department's 2017-18 Annual Report and Accounts. A link to the ARA is [here](#).

3 Priorities and performance

3.1 How spending relates to objectives

The table below shows how budget against each subhead has been allocated to Departmental Strategic objectives under the 2019-20 Single Departmental Plan.

Estimate subheads	Description	Objective			
		1: EU exit	2: Protecting and improving the environment	3: Food and farming	4: Outstanding organisation
A, L, R, W	Food and farming	X		X	
B, H, M, S	Improve the environment	X	X		
C, I, T	Flood protection	X	X		
D, E, J, N, O, U	Animal, fish and plant health	X	X	X	
F, K, P, V	Rural services	X	X		
G, Q	Departmental operating costs	X			X

3.2 Measures of performance against each priority

Defra group's Single Departmental plan (see [here](#)) sets out the following high-level objectives, and measures of performance, for the Department for the current financial year.

1. Deliver a safe and ambitious departure from the EU, setting global standards in protecting and harnessing value from the natural environment:

- No measures specified, these are under development for 2019-20 reporting.

2. Pass on to the next generation a natural environment protected and enhanced for the future:
 - Area of protected habitat maintained and created
 - English seas covered by Marine Protected Areas
 - Emissions of key air pollutants in the UK (NOx in millions of tons)
 - Reduction in serious pollution incidents
 - Additional homes better protected from flooding
 - Rural productivity (predominantly rural areas)

3. Lead the world in food and farming with a sustainable model of food production:
 - Value of British food and drink exported
 - Proportion of cattle herds that are bovine TB free
 - Antibiotic use in farming animals and fisheries

4. Become an outstanding organisation focused on making a difference, with world class delivery capability:
 - People survey engagement score
 - Representation of female staff, ethnic minority staff and disabled staff
 - Greenhouse gas emissions
 - % of spend (direct and indirect) that is allocated to small and medium-sized enterprises (SME's)

The latest update to these performance measures is [here](#).

3.3 Commentary on steps being taken to address performance issues

Actions designed specifically to address performance issues are included in the published Annual Report and Accounts (ARA) in chapter 2 performance analysis. The link to the 2017-18 ARA is included [here](#).

3.4 Major projects

As one of the government departments most affected by EU Exit, Defra has established a portfolio of work to prepare for EU exit consisting of 53 individual projects and 15 cross-cutting and co-ordinating activities. The Infrastructure and Projects Authority (IPA) are providing independent assurance reviews on the major EU Exit projects as they progress, with the National Audit Office (NAO) reporting on the progress of the portfolio of projects as a whole. There has been substantial recruitment and redirection of resources within Defra Group and from other government departments to ensure that these projects deliver to quality, cost and time.

Defra group currently has only one project, Unity, on the Government Major Projects Portfolio (GMPP). The Infrastructure and Projects Authority reports on delivery of this project annually. Its latest report can be found [here](#). The Future of Farming and Countryside Programme is due to be joining the GMPP later in the year.

Across the Defra Group there are also a number of other significant projects focusing on:

- building and renewal of flood and coastal defences
- maintaining environmental (water, land and air) quality
- farming and wildlife
- enhancing scientific capability
- improving data, generating efficiencies and improving services

The flood and coastal projects contribute jointly to the specific government manifesto target of protecting an additional 300,000 homes from flooding in the current spending review at a cost of £2.6 billion.

All projects are managed internally, through project and programme boards supported by rigorous approvals and assurance processes, and are accountable to Defra group's Executive Committee. We are liaising currently with the IPA on whether a couple of our other larger projects should be added to the GMPP portfolio during the coming year to support transparency and oversight.

4.0 Other information - Summary of funding variations split by the core Department and network bodies.

Included in Annex C is a table detailing the funding variations split by the core Department and network bodies.

5.0 Accounting Officer Approval

This Estimates Memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Interim Departmental Accounting Officer.



Tamara Finkelstein

Interim Accounting Officer

Permanent Secretary, Department for Environment, Food and Rural Affairs

7 May 2019

Department for Environment, Food and Rural Affairs

Introduction

1. This Estimate provides for expenditure by Defra, its Executive Agencies, its Arm's Length Bodies (ALBs) and the Forestry Commission in England (including Forest Enterprise England) and its cross border functions (including the Executive Agency Forest Research).
2. The Estimate is based on six main areas of spend, plus a further section covering Departmental operating costs. The Department's ALBs are shown on separate Estimate lines based around the same main areas of spend as the Department. The Estimate is further sub-divided between Departmental Expenditure Limits (DEL), Annually Managed Expenditure (AME) and Non-Budget expenditure.
3. The Estimate includes the Department's net expenditure, administration costs, costs of Executive Agencies, net costs of the ALBs, subsidies to Public Corporations, research and development, payments to Executive Agencies, as well as reimbursable costs and offsetting EU receipts.
4. Defra has four Executive Agencies - the Animal and Plant Health Agency (APHA), the Centre for Environment, Fisheries and Aquaculture Science (CEFAS), the Rural Payments Agency (RPA) and the Veterinary Medicines Directorate (VMD).
5. Defra has eight ALBs and two levy bodies. Details of the Grant in Aid they receive and their budgets can be found in this document at Part III: Note E - Arm's Length Bodies.
6. The Forestry Commission is a non-ministerial government department responsible for advising Forestry Ministers on forestry matters and for implementing forestry policy. Forestry is a devolved matter, with Commissioners accountable separately to the Secretary of State for Environment, Food and Rural Affairs and Scottish Ministers. The duties and functions in the Forestry Acts are exercised in Wales by the Welsh Government and Natural Resources Wales. The funding of the forestry activities in each of the countries is provided by their relevant administrations. Defra funding covers the promotion of forestry and supports the planting, management and conservation of forests and woodlands within England, including the operation of the Commission's estate by its agency, Forest Enterprise England which is classified as a Public Corporation. In addition Defra funds the cross border functions covering forestry research, plant health, sustainable forestry policy, forestry standards and corporate governance.

Part I

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	2,157,434,000	-	2,157,434,000
Capital	617,805,000	-	617,805,000
Annually Managed Expenditure			
Resource	244,552,000	-	244,552,000
Capital	16,000,000	-	16,000,000
Total Net Budget			
Resource	2,401,986,000	-	2,401,986,000
Capital	633,805,000	-	633,805,000
Non-Budget Expenditure	10,000,000		
Net Cash Requirement	2,709,158,000		

Amounts required in the year ending 31 March 2020 for expenditure by Department for Environment, Food and Rural Affairs on:

Departmental Expenditure Limit:

Expenditure arising from:

Expenditure by Natural England and the Environment Agency. Represent forestry interests, encourage good forestry practice, sustainable forest management and conduct forest research. International policy, research, standard-setting and monitoring to support sustainable forestry. Land grants, countryside access and rights of way. Policy on commons, national parks and town and village greens. Environmental protection and conservation, maintain air and ozone quality, increase UK's environmental decontamination capabilities, deliver social, environmental and economic programmes; Maintain water quality and a resilient supply, support for management of inland waterways and obligations under the Water Act 2003 and Water Act 2014. Support terrestrial, marine, waterway environments and protection of water bodies. Fair charges for supply of water and provision of sewerage services to customers. Support protection of species, wildlife management, habitat protection and conservation. Support national and global biodiversity, geodiversity and research. Support for rural and regional development. Better waste management. Promotion and support for sustainable development, consumption and production. Supporting development of farming and cost-sharing initiatives, payments, losses and penalties relating to the administration of EU schemes including disallowance. EU compensation payments to producers and support for agriculture. Championing hygienic production, marketing, delivery and processing in the agriculture, fisheries and food industries. Support bee and fish conservation and health, UK's responsibilities under the Convention on International Trade in Endangered Species (CITES) and fishing industry. Support keeping, movement tracing, international trade, health and welfare of animals, animal products and by-products, dairy hygiene and marketing. Support a sustainable, secure and healthy food supply; food labelling and composition policy.

Flood risk management and development implications, land drainage and sewerage. Exotic and endemic animal and plant disease policy portfolio and eradication. Regulatory systems for chemicals, veterinary medicines and pesticides. Radioactive waste management, pollution emergency response services, noise mapping and manage other environmental risks. Consultation on town, urban and country developments. Climate modelling, risk assessment and adaptation.

Preparatory work in support of HM Government plans to exit the European Union. Specialist support services; legacy and residual delivery body costs; subsidies to support delivery bodies; staff management and development; other departmental administration and non-cash costs; publicity, promotion; awareness and publications; knowledge-sharing initiatives; research and development; surveys; monitoring; statistics; advice and consultancies; funding through Area-Based Grants; subscriptions and contributions to international organisations; international policy making; working with the EU; licensing, approvals and certification; inspections; compliance and enforcement in accordance with regulatory requirements. Voted Loans in relation to National Museums.

Income arising from:

Income from devolved administrations, overseas Governments and European Commission (EC); delivery body funding contributions; provision of employee and financial shared services to other public sector bodies; surveys; receipts from sale of carcasses and vaccines; income from licensing; regulatory income; approvals; investments; interest gained; donations and bequests; commercial activities; certification; publications; public inquiries; information; inspections; registrations; supervision and extensification; administration of grant; waste disposal; capital loan schemes; commissioned surveys; research; studies and provision of advice; rental income and repayments; occupancy charge; administrative training and professional services; pension and redundancy contributions and knowledge-sharing initiatives.

Annually Managed Expenditure:

Expenditure arising from:

Levy collection; publicity, promotion, awareness and publications; research and development; market and supply chain analysis and support; packaging recovery support; licensing, approvals and certification. Specialist support services; staff management and development; delivery body funding contributions; surveys; monitoring; statistics; advice and consultancies; provision for future liabilities; bad debts; revaluations and impairment losses; legacy and residual delivery body costs. Promotion of affordable insurance in relation to flood risk.

Income arising from:

Levies from the flood reinsurance; meat; dairy; forestry; horticulture; shellfish; fish; cereals; agriculture industries; delivery body funding contributions; packaging recovery support; surveys; EU funding; overseas Governments investments; reinsurance related and commercial income and interest gained.

Non-Budget Expenditure:

Expenditure arising from:

Payments to devolved administrations.

Income arising from:

Funding contributions to support delivery bodies.

Department for Environment, Food and Rural Affairs will account for this Estimate.

Part I

£

	Voted Total	Allocated in Vote on Account	Balance to complete or surrender
Departmental Expenditure Limit			
Resource	2,157,434,000	814,034,000	1,343,400,000
Capital	617,805,000	275,850,000	341,955,000
Annually Managed Expenditure			
Resource	244,552,000	96,310,000	148,242,000
Capital	16,000,000	7,200,000	8,800,000
Non-Budget Expenditure	10,000,000	4,500,000	5,500,000
Net Cash Requirement	2,709,158,000	1,066,266,000	1,642,892,000

Part II: Subhead detail

£'000

2019-20 Plans									2018-19 Provisions	
Resources						Capital			Resources	Capital
Administration			Programme			Gross	Income	Net	Net	Net
Gross	Income	Net	Gross	Income	Net					
1	2	3	4	5	6	7	8	9	10	11
Spending in Departmental Expenditure Limits (DEL)										
Voted expenditure										
798,188	-3,705	794,483	4,062,628	-2,699,677	1,362,951	626,805	-9,000	617,805	2,049,036	738,117
<i>Of which:</i>										
A Food and farming										
52,116	-300	51,816	2,702,149	-2,551,435	150,714	4,490	-	4,490	252,630	9,743
B Improve the environment										
27,914	-1,869	26,045	331,870	-10,909	320,961	53,194	-	53,194	393,250	25,358
C Protect the country from floods										
1,084	-	1,084	453	-	453	126	-	126	1,438	268
D Animal and plant health										
12,046	-	12,046	232,651	-86,485	146,166	8,758	-	8,758	196,569	11,776
E Marine and fisheries										
6,050	-	6,050	52,588	-30,400	22,188	3,958	-	3,958	47,194	12,974
F Countryside and rural services										
8,675	-1,300	7,375	144,579	-20,448	124,131	29,138	-	29,138	130,972	34,186
G Departmental operating costs										
576,922	-236	576,686	159,892	-	159,892	-15,647	-9,000	-24,647	508,906	99,006
H Improve the environment (ALB) (net)										
55,825	-	55,825	141,126	-	141,126	41,598	-	41,598	207,836	58,486
I Protect the country from floods (ALB) (net)										
54,755	-	54,755	284,062	-	284,062	501,190	-	501,190	290,557	486,320
J Marine and fisheries (ALB) (net)										
2,398	-	2,398	11,050	-	11,050	-	-	-	17,273	-
K Countryside and rural services (ALB) (net)										
403	-	403	2,208	-	2,208	-	-	-	2,411	-
Total Spending in DEL										
798,188	-3,705	794,483	4,062,628	-2,699,677	1,362,951	626,805	-9,000	617,805	2,049,036	738,117

Part II: Resource to cash reconciliation

£'000

	2019-20 Plans	2018-19 Provisions	2017-18 Outturn
Net Resource Requirement	2,411,986	2,003,059	1,803,905
Net Capital Requirement	633,805	754,117	630,052
Accruals to cash adjustments	-336,633	583,462	-312,517
<i>Of which:</i>			
<i>Adjustment for ALBs:</i>			
Remove voted resource and capital	-1,295,837	-1,260,000	-1,104,442
Add cash grant-in-aid	1,066,444	1,078,493	1,094,358
<i>Adjustments to remove non-cash items:</i>			
Depreciation	-108,273	-117,543	-58,304
New provisions and adjustments to previous provisions	-138,854	152,006	-153,190
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-9,889	-5,300	-9,101
<i>Adjustments to reflect movements in working balances:</i>			
Increase (+) / Decrease (-) in stock	-	-	2,070
Increase (+) / Decrease (-) in debtors	100,000	670,000	-61,699
Increase (-) / Decrease (+) in creditors	-	-	-85,931
Use of provisions	49,776	65,806	63,722
Removal of non-voted budget items	-	-	-
<i>Of which:</i>			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	2,709,158	3,340,638	2,121,440

Part III: Note A - Statement of Comprehensive Net Expenditure & Reconciliation Table

	£'000		
	2019-20 Plans	2018-19 Provisions	2017-18 Outturn
Gross Administration Costs	792,270	698,663	471,536
<i>Less:</i>			
Administration DEL Income	-3,705	-3,634	-5,946
Net Administration Costs	788,565	695,029	465,590
Gross Programme Costs	6,443,397	6,035,869	5,022,433
<i>Less:</i>			
Programme DEL Income	-2,699,677	-2,625,520	-2,271,487
Programme AME Income	-100,000	-100,000	-
Non-budget income	-1,479,150	-1,490,665	-1,011,853
Net Programme Costs	2,164,570	1,819,684	1,739,093
Total Net Operating Costs	2,953,135	2,514,713	2,204,683
<i>Of which:</i>			
Resource DEL	2,007,387	1,876,199	1,647,564
Capital DEL	526,149	498,319	405,401
Resource AME	394,599	116,859	156,914
Capital AME	15,000	15,000	-
Non-budget	10,000	8,336	-5,196
<i>Adjustments to include:</i>			
Departmental Unallocated Provision (resource)	-	-	-
Consolidated Fund Extra Receipts in the budget but not in the SoCNE	-	-	-
<i>Adjustments to remove:</i>			
Capital in the SoCNE	-541,149	-513,319	-405,401
Grants to devolved administrations	-	-	-
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	-	1,665	4,623
Other adjustments	-10,000	-10,001	573
Total Resource Budget	2,401,986	1,993,058	1,804,478
<i>Of which:</i>			
Resource DEL	2,157,434	2,049,036	1,832,799
Resource AME	244,552	-55,978	-28,321
<i>Adjustments to include:</i>			
Grants to devolved administrations	-	-	-
Prior period adjustments	-	-	-
<i>Adjustments to remove:</i>			
Consolidated Fund Extra Receipts in the resource budget	-	-	-
Other adjustments	10,000	10,001	-573
Total Resource (Estimate)	2,411,986	2,003,059	1,803,905

Part III: Note B - Analysis of Departmental Income

£'000

	2019-20 Plans	2018-19 Provision	2017-18 Outturn
Voted Resource DEL	-2,703,382	-2,629,154	-2,277,433
<i>Of which:</i>			
Administration			
EU Grants Received	-	-	5
<i>Of which:</i>			
E: Marine and fisheries	-	-	5
Sales of Goods and Services	-3,481	-3,632	-5,740
<i>Of which:</i>			
A: Food and farming	-300	-300	-1,012
B: Improve the environment	-1,869	-1,936	-1,672
C: Protect the country from floods	-	-	1
E: Marine and fisheries	-	-	9
F: Countryside and rural services	-1,300	-1,300	-1,260
G: Departmental operating costs	-12	-96	-1,806
Interest and Dividends	-	-	-9
<i>Of which:</i>			
B: Improve the environment	-	-	-9
Other Income	-224	-2	-183
<i>Of which:</i>			
A: Food and farming	-	-	132
E: Marine and fisheries	-	-	-66
G: Departmental operating costs	-224	-2	-249
Taxation	-	-	-19
<i>Of which:</i>			
B: Improve the environment	-	-	-6
C: Protect the country from floods	-	-	-5
G: Departmental operating costs	-	-	-8
Total Administration	-3,705	-3,634	-5,946
Programme			
EU Grants Received	-2,539,726	-2,467,281	-2,130,293
<i>Of which:</i>			
A: Food and farming	-2,538,853	-2,461,160	-2,110,483
D: Animal and plant health	-873	-843	-1,733
E: Marine and fisheries	-	-5,278	-18,077
Sales of Goods and Services	-159,939	-158,217	-140,989
<i>Of which:</i>			
A: Food and farming	-12,582	-14,359	-5,002
B: Improve the environment	-10,909	-10,366	-15,266
D: Animal and plant health	-85,612	-93,035	-90,150
E: Marine and fisheries	-30,400	-30,400	-17,960
F: Countryside and rural services	-20,436	-10,057	-12,220
G: Departmental operating costs	-	-	-391

Part III: Note B - Analysis of Departmental Income

£'000

	2019-20 Plans	2018-19 Provision	2017-18 Outturn
Interest and Dividends	-12	-12	-8
<i>Of which:</i>			
F: Countryside and rural services	-12	-12	-8
Other Grants	-	-10	5
<i>Of which:</i>			
A: Food and farming	-	-10	-
B: Improve the environment	-	-	5
Other Income	-	-	-202
<i>Of which:</i>			
B: Improve the environment	-	-	-202
Total Programme	-2,699,677	-2,625,520	-2,271,487
Voted Resource AME	-100,000	-100,000	-
<i>Of which:</i>			
Programme			
Sales of Goods and Services	-100,000	-100,000	-
<i>Of which:</i>			
M: Improve the environment	-100,000	-100,000	-
Total Programme	-100,000	-100,000	-
Total Voted Resource Income	-2,803,382	-2,729,154	-2,277,433
Voted Capital DEL	-9,000	-3,000	-2,251
<i>Of which:</i>			
Programme			
Sales of Assets	-9,000	-3,000	-2,251
<i>Of which:</i>			
D: Animal and plant health	-	-	-50
E: Marine and fisheries	-	-	-135
F: Countryside and rural services	-	-	-415
G: Departmental operating costs	-9,000	-3,000	-1,651
Total Programme	-9,000	-3,000	-2,251
Total Voted Capital Income	-9,000	-3,000	-2,251

Part III: Note C - Analysis of Consolidated Fund Extra Receipts

In addition to income retained by the Department the following income is payable to the Consolidated Fund:

£'000

	2019-20 Plans		2018-19 Provisions		2017-18 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Income in budgets surrendered to the Consolidated Fund (resource)	-	-	-	-	-	-
Income in budgets surrendered to the Consolidated Fund (capital)	-	-	-	-	-	-
Non-budget amounts collectable on behalf of the Consolidated Fund (in the SoCNE)	-	-	-1,665	-1,665	-4,263	-4,263
Total	-	-	-1,665	-1,665	-4,263	-4,263

Detailed description of CFER sources

£'000

	2019-20 Plans		2018-19 Provisions		2017-18 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Non-Budget						
Thames Tideway Tunnel	-	-	-465	-465	-400	-400
Bovine Tuberculosis	-	-	-1,200	-1,200	-4,223	-4,223
Total	-	-	-1,665	-1,665	-4,623	-4,623

Part III: Note D - Explanation of Accounting Officer responsibilities

The Accounting Officer prepares resource accounts for each financial year.

The following individuals are responsible for the expenditure within this Estimate:

Interim Accounting Officer:	Tamara Finkelstein
Additional Accounting Officers:	Ian Gambles for sections F, P (Forestry Commission)
Executive Agency Accounting Officers:	
Chris Hadkiss	Animal and Plant Health Agency
Paul Caldwell	Rural Payments Agency
Professor Peter Borriello	Veterinary Medicines Directorate
Tom Karsten	Centre for Environment, Fisheries and Aquaculture Science

In accordance with Chapter 3 of Managing Public Money (issued by the Treasury), the following individuals have been appointed as Accounting Officers of the department's ALBs.

ALB Accounting Officers:

Jane King	Agriculture & Horticulture Development Board
Tony Smith	Consumer Council for Water
Sir James Bevan	Environment Agency
Andy Bord	Flood Re
Marcus Yeo	Joint Nature Conservation Committee
John Tuckett	Marine Management Organisation
John Everitt	National Forest Company
Marian Spain	Natural England
Richard Deverell	Royal Botanic Gardens, Kew
Marcus Coleman	Sea Fish Industry Authority

Tamara Finkelstein has personal responsibility for the proper presentation of the department's resource accounts and their transmission to the Comptroller & Auditor General, and is also responsible for the use of public money and stewardship of assets.

In discharging these responsibilities, particular regard is given to:

- observing any accounting and disclosure requirements (including any Accounts Direction) and applying suitable accounting policies on a consistent basis;
- making judgements and estimates on a reasonable basis;
- stating whether applicable accounting standards, as set out in the Financial Reporting Manual (FRM), or an organisation's version of it, have been followed, and explain any material departures in the accounts; and
- preparing the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for regularity and propriety of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding assets, are also set out in Chapter 3 of Managing Public Money.

In accordance with Managing Public Money requirements, the relationship between the Principal Accounting Officer and Additional Accounting Officer(s) together with their respective responsibilities, is set out in writing. Similarly, the relationship between the Principal Accounting Officer and the ALB Accounting Officer(s) is set out in writing.

Part III: Note E - Arm's Length Bodies (ALBs)

£'000

Section in Part II: Subhead Detail	Body	Resource	Capital	Grant-in-aid
R	Agriculture & Horticulture Development Board	1,126	16,000	-
H	Consumer Council for Water	5,880	-	5,783
H,I,S,T	Environment Agency	516,471	526,175	903,045
T	Flood Re	100,000	-	-
H	Joint Nature Conservation Committee	7,032	735	7,938
J	Marine Management Organisation	13,448	-	49,700
K,V	National Forest Company	2,617	-	2,531
H	Natural England	66,401	638	63,536
H	Royal Botanic Gardens, Kew	24,013	15,240	33,911
U	Sea Fish Industry Authority	61	-	-
Total		737,049	558,788	1,066,444

Part III: Note G - Expenditure resting on the sole authority of the Supply and Appropriation Act

The following subheads contain provision sought under the sole authority of Part I of the Estimate and of the confirming Supply and Appropriation Act

Section in Part II: Subhead Detail	Service	£'000
A to G - DEL	Payments for Committees and Tribunals.	58

Part III: Note J - Staff Benefits

The Department operates an Employee Discount Scheme, which provides staff access via a secure login to a website that gives them access to buy discounted retail vouchers and purchase certain goods and services at a discounted rate. The cost of any items purchased is met by the employee. Under the new agreed Crown Commercial Services Employee Benefits Framework that was implemented for Defra in August 2016 this service is provided at zero cost to the Department.

Part III: Note K - Contingent Liabilities

Nature of liability	£'000
A liability is expected to arise to meet the shortfall in EA pensions as a result of staff transferring from EA to the Core Department.	30,000
There is a potential £14.3 million liability for mine water remediation work at Nent Hags. Planning permission has been applied for the scheme to go ahead and any liability is dependent on the outcome of this application.	14,300
Rural Payments Agency (RPA) has a potential liability for further amounts payable on some of the part payment claims in the assessed populations of up to £13 million. There is more uncertainty of the potential for, and the valuation of these additional payments and they are therefore disclosed as a contingent liability. In accordance with the RPA accounting policies the European Commission (the Commission) funding for these claims will be recognised as income as these additional payments are recognised.	13,000
Small potential liabilities against the Defra group.	4,800
As part of the revised contract with Defra's facilities management providers it has been agreed that under certain conditions arising from the rationalisation of the estate and subsequent reduction in demand, any restructuring costs such as redundancies or early retirement will be recharged to the Core Department.	Unquantifiable
In addition to the provision for dilapidations where Defra leases properties from landlords, there remains a potential liability for dilapidations where Defra occupies properties leased by other government departments under a memorandum of terms of occupation (MOTO) agreement. The potential for and the value of a dilapidation claim for these properties is more uncertain, hence is disclosed as a contingent liability, rather than as a provision.	Unquantifiable
RPA is currently in receipt of appeals from scheme claimants of claims covering the Basic Payment Scheme, Single Payment Scheme and trader related schemes. If the appeals are successful they could either result in a liability for EU or Exchequer funded payments.	Unquantifiable
HM Government guarantee for EU funding streams as announced in August and October 2016. Defra's responsibility covers CAP Pillar 1, CAP Pillar 2, European Maritime and Fisheries Fund (EMFF) and LIFE.	Unquantifiable
The European Commission can apply financial corrections if Defra (through the RPA) does not comply with European Commission regulations for payments funded by the European Agricultural Guarantee Fund. Any amounts disallowed (and hence funded by Defra instead) will depend on the assessed severity of the breach of regulations and on subsequent clarification negotiations with the European Commission in accordance with the European Commission's clearance of accounts procedure. There is an ongoing potential liability in respect of financial corrections which is unquantifiable.	Unquantifiable
The department is currently involved in a number of ongoing judicial review cases.	Unquantifiable

Part III: Note L - International Subscriptions

Section in Part II: Subhead Detail	Body	£'000
A4 - DEL	United Nations Environment Programme - International Environment.	3,300
B4 - DEL	United Nations Environment Programme - Ozone, Air Quality, Waste.	7,670

Part III: Note M - Replacement for Trust Statement

It is expected that the following taxes, fines, penalties and charges will be paid over to the Consolidated Fund and are excluded from the Departments consolidated accounts.

£'000

Taxes, fines and charges

Rural Payments Agency 10,000

Environment Agency 11

Total 10,011
