Department for Environment, Food and Rural Affairs

Supplementary 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 Supplementary Estimate and to demonstrate consistency with the plans approved in the 2015 Spending Review (SR15). It also sets out changes from the 2019-20 Main 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, 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 improving 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 supports 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 Supplementary Estimate and represent Defra's main spending programmes. Details of which spending programmes relate to which objectives is given at section 3.1.

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. They reflect the settlements agreed for Defra as part of SR15, plus further changes announced in subsequent Budgets, which requires Defra to make significant efficiency savings, supported by investment in improved infrastructure in estates and digital services. Defra subsequently received an increase in funding from HM Treasury for EU exit work.

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 the Resource DEL budgets are ring-fenced budgets for depreciation and other policy ring-fences. These ring-fences are detailed in section 2.2.

  The Basic Payment Scheme (BPS) and Rural Development Programme for England (RDPE) payments are included within Programme DEL, net of income received from the European Commission (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. On the basis that the Withdrawal Agreement comes into force, BPS 2019 payments will continue to be funded by the EC and RDPE will continue to draw on EC funds until programme closure.

- The Capital Departmental Expenditure Limit (**Capital DEL**) mainly relates to flood and coastal risk management, which is included as a ring-fenced budget. The Official Development Assistance (ODA) funding, including International Climate Fund, 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 CAP disallowance, Metal Mines, Foot and Mouth Disease 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.

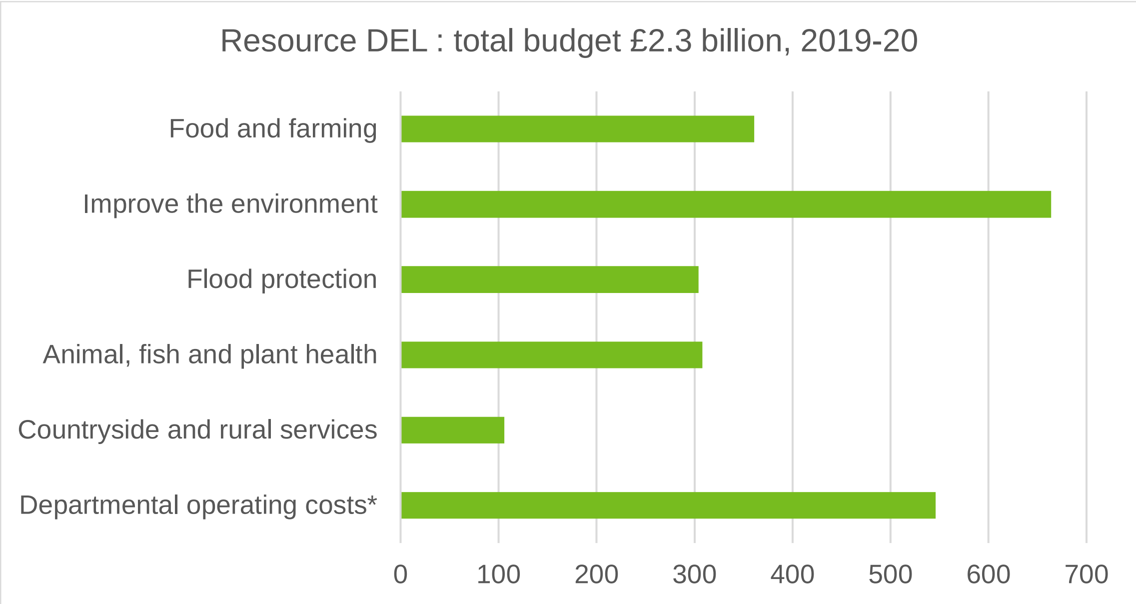
- Capital Annually Managed Expenditure (**Capital AME**) covers the capital costs of the Levy Funded Bodies.

- **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 the 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. Budget cover is also included here for any necessary prior period adjustments.

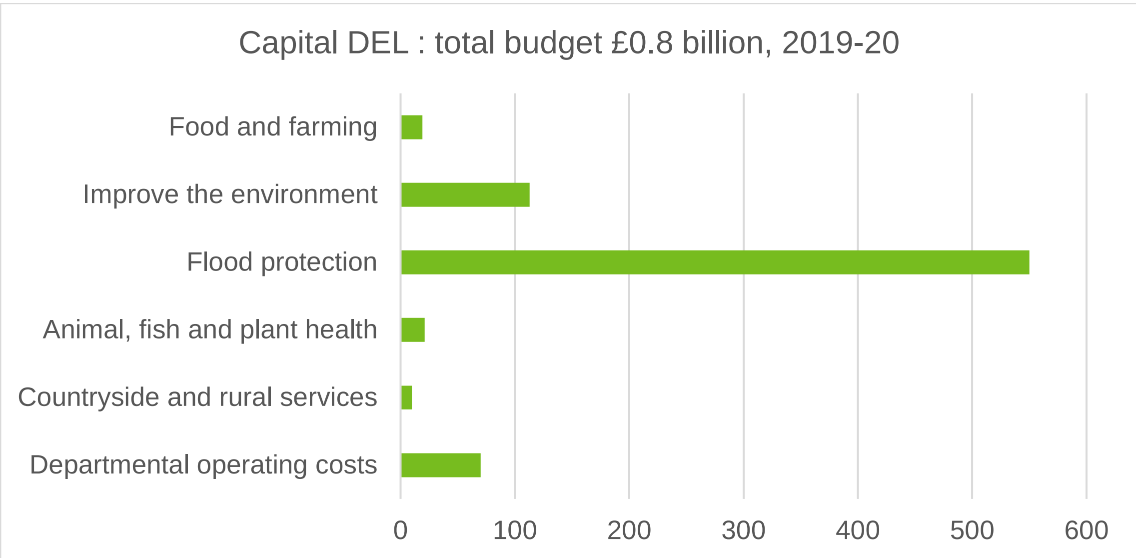
In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require Defra to pay out cash in year.

1.3 Main areas of spending

The graphic below shows the main components of Defra's proposed budget for 2019-20, after taking into account the latest Supplementary Estimate, and the proportions of funds spent on its main activities.



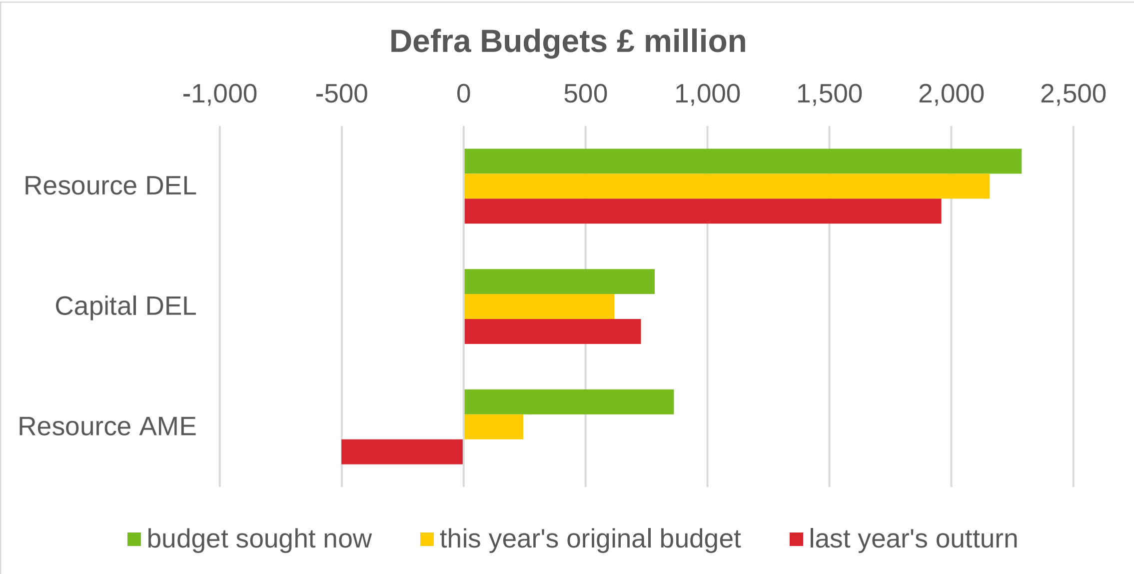
*Departmental Operating costs includes HR, IT, Estates, Communications and Finance functions from the largest network bodies. These have been brought in to the core Department and have formed new group-wide functions, which will improve prioritisation, decision-making, professionalism and efficiency. In addition to this, a proportion of the additional budget for EU exit is held here, mainly for Estates and IT, with a small element to be distributed as necessary.



1.4 Comparison of spending totals sought

The table and graphic below show how the totals sought for Defra compare with last year and the original budget this year:

Spending total Amounts sought this year (Supplementary Estimate 2019-20)		**Original Budget this year (Main Estimate 2019-20)**	***Difference between the current year's proposed budget and the original budget this year***		**Final Outturn last year (Outturn 2018-19)**	***Difference between the current year's proposed budget and final outturn last year***	
	£m	**£m**	***£m***	***%***	**£m**	***£m***	***%***
Resource DEL	**2,287.8**	2,157.4	*130.4*	*6.0*	1,959.2	*328.6*	*16.8*
Capital DEL	**783.3**	617.8	*165.5*	*26.8*	726.9	*56.4*	*7.8*
Resource AME	**862.3**	244.6	*617.7*	*252.5*	-501.1	*1,363.4*	*272.0*



1.5 Key drivers of spending changes since the original budget included in the 2019-20 Main Estimate

The main causes of the changes in Resource DEL are:

- Increased spending on preparatory work in support of HM Government plans to exit the European Union (EU). The Department was given approval to increase expenditure on EU exit preparations during the year. This additional budget was formally allocated as part of the claim on the Reserve and reflected in this

Supplementary Estimate as an increase to Defra's budget. More detail is provided in section 2.1.

- Increased budget following a number of claims on the Reserve. The largest ones being: increased budget to cover a pensions shortfall relating to the transfer of some EA staff into core Defra following the consolidation of corporate service functions from core Defra, EA, Natural England (NE), RPA and the Animal and Plant Health Agency (APHA); additional budget for the air quality plan for air quality roadside nitrogen dioxide levels; additional budget for the European Maritime Fisheries Fund (EMFF); and an increase in budget for flood risk management and flood repair funding.
- A decrease due to a Resource to Capital budget transfer, 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 flood and environmental improvement 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.

The main causes of the changes in Capital DEL are:

- An increase due to a Resource to Capital budget transfer, largely within the EA for flood defence projects, as explained above.
- Increased budget following a number of claims on the Reserve. The largest ones being: additional budget for the floods regeneration and growth fund; additional budget to cover new flood defence schemes including the Carlisle flood defences; additional budget to cover flood repairs following the November 2019 floods; and budget to fund bridging payments made to eligible farmers and land owners with outstanding claims under the Environmental and Countryside Stewardship schemes (these payments were initially Exchequer funded and once fully processed reimbursement will be sought from the EU in line with the current process).

The main cause of the increased budget in Resource AME is to cover an increase in the CAP disallowance provision*. This increase primarily relates to the BPS and is required following the receipt of the Commission's audit findings, as reported in the Article 34 letter received in November 2019. This letter set out proposed disallowance of a ten per cent flat rate to be applied for the BPS scheme years 2017, 2018 and 2019. The Department will now negotiate with the EU in line with our Disallowance strategy with the aim of reducing the initial findings.

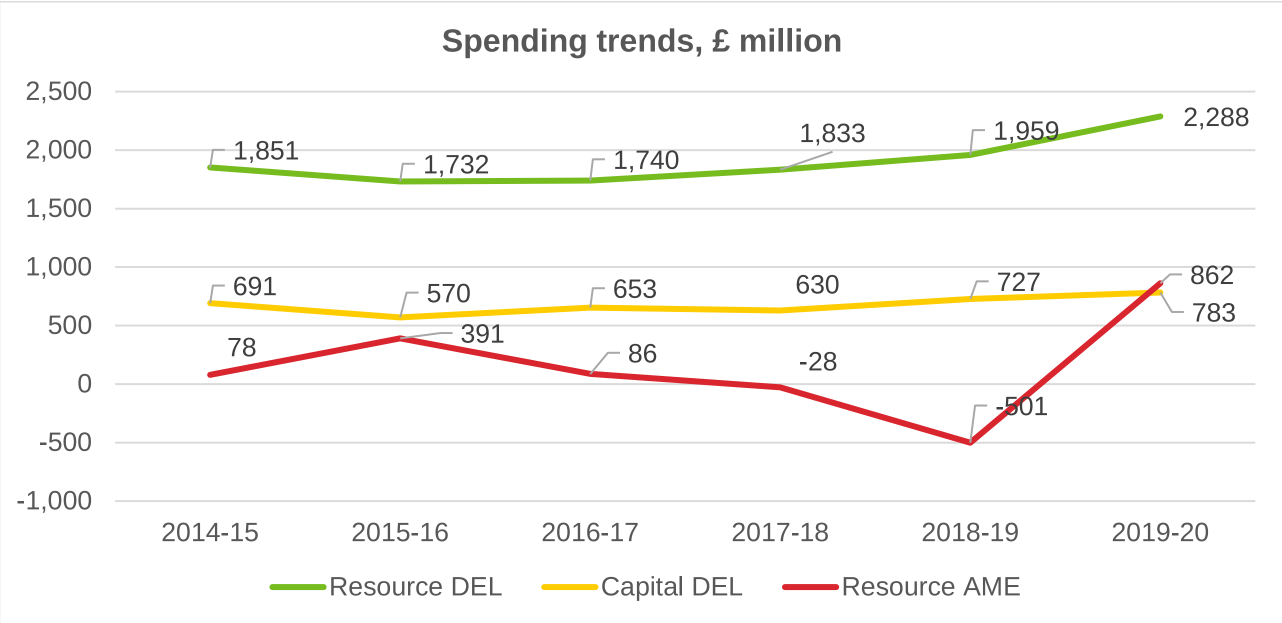
*CAP is the agricultural policy of the EU and is a system of agricultural subsidies and rural development programmes. As part of their oversight of EU Budget spending, the Commission can impose financial corrections on member states for failing to apply EU Regulations correctly in managing and administering EU schemes. These financial penalties are known as disallowance. In practical terms this means the EU reduces the amount of money that is reimbursed to member states for monies they have paid out on the CAP schemes. A provision for CAP disallowance is needed when there is sufficient evidence, following a Commission audit, that a penalty is likely, but not certain, to be incurred in a future accounting period. The ringfenced RDEL disallowance budget is used when a penalty is realised.

1.6 New policies and programmes; Ambit changes

There have been no significant new polices, programmes or Ambit changes since the Main Estimate.

1.7 Spending trends

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



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 from 2017-18 are mainly due to additional expenditure for EU exit work funded from the Reserve. The increases in these years also reflect claims on the Reserve, including for floods recovery funding, the National Air Quality Plan, increased spending for Defra's recovery work relating to the Salisbury and Amesbury incidents and additional budget to cover the pensions shortfall, as explained in section 1.5. The Resource DEL budget is at its highest in 2019-20, this primarily reflects the additional EU exit budget of £548 million awarded from the Reserve this year, which is a significant increase compared to previous years.

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, to enable corporate services reduction in resource budget, and additional expenditure for EU exit work funded from the Reserve. In addition to this, 2018-19 and 2019-20 include increased spending on the floods regeneration and growth fund and new flood defence schemes.

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 decrease in the discount rate. The decrease in 2018-19 mainly reflects the downward revaluation in the FMD and Metal Mines provisions following an increase in the discount rate, and a decrease in the CAP disallowance provision due to provisions no longer required relating to 2015 and 2016 BPS entitlements audit, due to successful negotiation around our Disallowance strategy bringing about this reduction in the initial findings and final correction proposal. The increase in 2019-20 reflects an increase in the CAP disallowance provision relating to BPS scheme years 2017, 2018 and 2019, as explained in section 1.5.

1.8 Administration costs and efficiency plans

Spending total Amounts sought this year (Supplementary Estimate 2019-20)		Original Budget this year (Main Estimate 2019-20)	*Difference between the current year's proposed budget and the original budget this year*		Final Outturn last year (Outturn 2018-19)	*Difference between the current year's proposed budget and final outturn last year*	
	£m	£m	*£m*	*%*	£m	*£m*	*%*
Administration costs	**821.0**	794.5	*26.5*	*3.3*	622.9	*198.1*	*31.8*

Administration spend has increased since the Main Estimate, mainly due to a claim on the Reserve to cover a pensions shortfall relating to the transfer of some EA staff into core Defra, as explained in section 1.5. When compared to last year's outturn, the increased budget for 2019-20 mainly reflects the increased budget for EU exit and an increase in the depreciation budget.

1.9 Net cash requirement

Spending total Amounts sought this year (Supplementary Estimate 2019-20)		Original Budget this year (Main Estimate 2019-20)	*Difference between the current year's proposed budget and the original budget this year*		Final Outturn last year (Outturn) 2018-19	*Difference between the current year's proposed budget and final outturn last year*	
	£m	£m	*£m*	*%*	£m	*£m*	*%*
Net cash requirement	**3,457.0**	2,709.2	*747.8*	*27.6*	2,709.7	*747.3*	*27.6*

The increase in net cash requirement since the Main Estimate reflects the impact of the above changes on the cashflow of the Department and an increase 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 2020. An adjustment is needed each year to adjust the cashflow in line with the expected outstanding receipt.

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 (Resource and Capital combined):

- Additional funding of £567 million, allocated from the Reserve, to support HM Government plans to exit the EU.
- Additional funding of £130 million, announced by the Chancellor in the 2017 Budget, split between additional clean air fund (£55 million) and waste crime budgets (£5 million), and reprofiling of the flood defence budget across the spending review period (£70 million).
- Additional funding of £68 million, allocated from the Reserve as part of this Supplementary Estimate, predominantly additional money for flood and coastal risk management related work at the Environment Agency.
- Additional funding of £38 million, announced by the Chancellor in the 2018 Autumn Budget for various policy schemes including waste and air quality schemes.
- 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.

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 the Main Estimate from the beginning of the year.

Resource DEL						
Subheads	Description	*2019-20 Supplementary Estimates budget sought*	*2019-20 Main Estimates budget approved*	*Change from Main Estimate*		Note number
		£m	£m	***£m***	***%***	
A	Food and farming	360.7	202.5	***158.2***	***78.1***	1
B, H	Improve the environment	664.0	543.9	***120.1***	***22.1***	2
C, I	Flood protection	303.6	340.3	***-36.7***	***-10.8***	3
D, E, J	Animal, fish and plant health	307.6	199.7	***107.9***	***54.0***	4
F, K	Countryside and rural services	105.6	134.1	***-28.5***	***-21.3***	5
G	Departmental operating costs	546.3	736.9	***-190.6***	***-25.9***	6
	Total	**2,287.8**	**2,157.4**	***130.4***	***6.0***	

Variations between the current and past budget are given below:
- Where the variation is greater than both 10% and £10 million
- Where the variation is greater than both 5% and £200 million
- Any other variation whereby an explanation is necessary i.e. significant new spending programmes or unusual one-off spending items

Further detail of spending within these totals is given in the Table at Annex A.

1. Food and farming

Resource DEL spending under this subhead is forecast to increase by £158.2 million, or 78.1% since the Main Estimate. This is mainly driven by increased spending on preparatory work in support of HM Government plans to exit the EU, primarily relating to preparations to take back responsibility for rules and systems for regulating and supporting the UK's food, farming and fishing industries as the UK exits the EU to maximise opportunities for strong trade agreements, and the maintenance of standards.

2. Improve the environment.

Resource DEL spending under these subheads is forecast to increase by £120.1 million, or 22.1% since the Main Estimate. This is mainly driven by increased spending on preparatory work in support of HM Government plans to exit the EU, primarily relating to preparing and delivering functional legal, regulatory and enforcement regimes and supporting systems to ensure environmental standards continue to be applied and maintained upon leaving the European Union. There is also an increase due to the transfer of the budget for the Canals and River Trust (£31.4 million) to this subhead from the Countryside and rural services subhead due to an internal recategorisation to better reflect where this spend should sit.

3. Flood Protection

Resource DEL spending under these subheads is forecast to decrease by £36.7 million, or 10.8% since the Main Estimate. This is mainly driven by a decrease due to a Resource to Capital budget transfer of £37.0 million, within the EA, as explained in section 1.5.

4. Animal, fish and plant health

Resource DEL spending under these subheads is forecast to increase by £107.9 million, or 54.0% since the Main Estimate. This is mainly driven by increased spending on preparatory work in support of HM Government plans to exit the EU, primarily relating to preparations to repatriate and replace EU processes and systems with domestic alternatives to regulate the import and export, as well as health of animals, plants and their by-products across the EU. This is to ensure that the UK is able to maximise opportunities for strong trade agreements with the EU and the rest of the world, to minimise biosecurity risks and to tackle endemic diseases to protect farmers, growers and the wider economy under HM Government plans to exit the EU.

5. Countryside and rural services

Resource DEL spending under these subheads is forecast to decrease by £28.5 million, or 21.3% since the Main Estimate. This is mainly driven by the transfer of the budget for the Canals and River Trust (£31.4 million) from this subhead to the Improve the environment subhead due to an internal recategorisation to better reflect where this spend should sit.

6. Departmental operating costs

Resource DEL spending under this subhead is forecast to decrease by £190.6 million, or 25.9% since the Main Estimate. This is mainly driven by the EU exit budget: in the Main Estimate the EU exit budget was held centrally within Departmental operating costs, a large part of this budget was allocated out to the relevant spending areas during the year and these changes are reflected in this Supplementary Estimate. There was also increased spending to build and maintain the department’s capability across a range of corporate service and cross-cutting functions, including preparations for international trade agreements and new border arrangements, to enable the department to support HM Government plans to exit the EU.

Capital DEL

The table below shows how Defra's spending plans for Capital DEL compare with the Main Estimate from the beginning of the year.

Capital DEL						
Subheads	Description	*2019-20 Supplementary Estimates budget sought*	*2019-20 Main Estimates budget approved*	*Change from Main Estimate*		Note number
		£m	£m	***£m***	***%***	
A	Food and farming	18.9	4.5	***14.4***	***320.0***	7
B, H	Improve the environment	113.1	94.7	***18.4***	***19.4***	8
C, I	Flood protection	550.5	501.3	***49.2***	***9.8***	
D, E, J	Animal, fish and plant health	20.9	12.6	***8.3***	***65.9***	
F, K	Countryside and rural services	10.3	29.1	***-18.8***	***-64.6***	9
G	Departmental operating costs	69.6	-24.4	***94.0***	***385.2***	10
	Total	**783.3**	**617.8**	***165.5***	***26.8***	

Variations between the current and past budget are given below:

- Where the variation is greater than both 10% and £10 million
- Where the variation is greater than both 5% and £200 million
- Any other variation whereby an explanation is necessary i.e. significant new spending programmes or unusual one-off spending items

Further detail of spending within these totals is given in the Table at Annex A.

7. Food and farming

Capital spending under this subhead is forecast to increase by £14.4 million, or 320.0% since the Main Estimate. This is mainly driven by the claim on the Reserve for Environmental and Countryside Stewardship Bridging payments, as explained in section 1.5.

8. Improve the environment

Capital spending under these subheads is forecast to increase by £18.4 million, or 19.4% since the Main Estimate. This is mainly driven the transfer of the budget for the Canals and River Trust (£20.5 million) to this subhead from the Countryside and rural services subhead due to an internal recategorisation to better reflect where this spend should sit.

9. Countryside and rural services

Capital spending under these subheads is forecast to decrease by £18.8 million, or 64.6% since the Main Estimate. This is mainly driven by the transfer of the budget for the Canals and River Trust (£20.5 million) from this subhead to the Improve the environment subhead due to an internal recategorisation to better reflect where this spend should sit.

10. Departmental operating costs

Capital spending under this subhead is forecast to increase by £94.0 million, or 385.2% since the Main Estimate. This is mainly driven by the claims on the Reserve for increased spending on the floods regeneration and growth fund and new flood defence schemes. These Reserve claims were allocated centrally in this Supplementary Estimate to offset the credit balances that were allocated here in the Main Estimate: in the Main Estimate the central budget included a negative figure which enabled the allocation of flood and coastal risk management budgets to the EA in advance of the Reserve claims being processed by HM Treasury later in the year, these were internally allocated to EA at the start of the year to enable EA to plan their year's work.

Resource AME

The table below shows how Defra's spending plans for Resource AME compare with the Main Estimate from the beginning of the year.

Resource AME						
Subheads	Description	2019-20 Supplementary Estimates budget sought	2019-20 Main Estimates budget approved	*Change from Main Estimate*		Note number
		£m	£m	***£m***	***%***	
L, R	Food and farming	652.0	52.0	***600.0***	***1,153.8***	11
M, S	Improve the environment	18.3	-13.7	***32.0***	***233.6***	12
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	Countryside and rural services	-0.3	-0.3	***0.0***	***0.0***	
Q	Departmental operating costs	36.2	50.5	***-14.3***	***-28.3***	13
	Total	**862.3**	**244.6**	***617.7***	***252.5***	

Variations between the current and past budget are given below:

- Where the variation is greater than both 10% and £10 million
- Where the variation is greater than both 5% and £200 million
- Any other variation whereby an explanation is necessary i.e. significant new spending programmes or unusual one-off spending items

Further detail of spending within these totals is given in the Table at Annex A.

11. Food and farming
Resource AME spending under these subheads is forecast to increase by £600.0 million or 1,153.8% since the Main Estimate. This is mainly driven by an increase to the CAP disallowance provision, as explained in section 1.5.

12. Improve the environment
Resource AME spending under these subheads is forecast to increase by £32.0 million or 233.6% since the Main Estimate. This is mainly driven by an increase in the value of provisions, including an increase in the Metal Mines provision as a result of the planning permission being granted in June 2019 for a new operational scheme at Nent Haggs, Cumbria. More information on the Metal Mines provision can be found in section 12.5 of the Department's 2018-19 Annual Report and Accounts (ARA) here.

13. Departmental operating costs
Resource AME spending under this subhead is forecast to decrease by £14.3 million or 28.3% since the Main Estimate. This is mainly driven by a reduction in budget for some centrally held provisions which are no longer needed, partially offset by an increase in budget for the Foot and Mouth burial site provision as a result of some detailed work that was carried out this year to verify the value that we hold this provision at on our Consolidated Statement of Financial Position. More information on the Foot and Mouth burial site provision can be found in section 12.6 of the Department's 2018-19 ARA here.

2.2 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

Spending total Amounts sought this year (Supplementary Estimate 2019-20)		**Original Budget this year (Main Estimate 2019-20)**	***Difference between the current year's proposed budget and the original budget this year***		**Final Outturn last year (Outturn) 2018-19**	***Difference between the current year's proposed budget and final outturn last year***	
	£m	**£m**	***£m***	***%***	**£m**	***£m***	***%***
CAP Disallowance	45.0	45.0	*0.0*	*0.0*	7.2	*37.8*	*525.0*
Voluntary Exit Scheme	3.0	3.0	*0.0*	*0.0*	2.7	*0.3*	*11.1*
Official Development Assistance	57.1	45.9	*11.2*	*24.4*	63.8	*-6.7*	*-10.5*
Inshore fisheries	3.0	3.0	*0.0*	*0.0*	3.0	*0.0*	*0.0*

Tackling air quality	19.5	6.5	*13.0*	*200.0*	17.7	*1.8*	*10.2*
Other grants	0.1	0.1	*0.0*	*0.0*	0.1	*0.0*	*0.0*
Grant scheme for village halls in England	3.0	0.0	*3.0*	*100.0*	0.0	*3.0*	*100.0*
Avoiding food waste	15.0	15.0	*0.0*	*0.0*	0.0	*15.0*	*100.0*
Abandoned waste site clearance fund	3.1	5.0	*-1.9*	*-38.0*	0.0	*3.1*	*100.0*
Flood risk management	6.7	0.0	*6.7*	*100.0*	0.0	*6.7*	*100.0*
Urban trees	0.3	0.7	*-0.4*	*-57.1*	0.0	*0.3*	*100.0*
Fishing safety	0.4	0.0	*0.4*	*100.0*	0.0	*0.4*	*100.0*
EU exit	548.1	393.0	*155.1*	*39.5*	0.0	*548.1*	*100.0*
Depreciation	239.1	239.1	*0.0*	*0.0*	198.9	*40.2*	*20.2*

The increases to ring-fenced budgets since the Main Estimate are as a result of the Reserve claim processed in this Supplementary Estimate. The decreases to the Abandoned waste site clearance fund and the Urban trees ring-fenced budgets since the Main Estimate reflect the agreement with HM Treasury to use the Budget Exchange process to transfer part of the ring-fence into 2020-21. The ODA ring-fence increases due to a transfer of budget from Capital to Resource.

Capital DEL

Spending total Amounts sought this year (Supplementary Estimate 2019-20)		Original Budget this year (Main Estimate 2019-20)	*Difference between the current year's proposed budget and the original budget this year*		Final Outturn last year (Outturn) 2018-19	*Difference between the current year's proposed budget and final outturn last year*	
	£m	£m	*£m*	*%*	£m	*£m*	*%*
Official Development Assistance	25.7	35.4	*-9.7*	*-27.4*	15.1	*10.6*	*70.2*
Flood risk management	550.2	452.0	*98.2*	*21.7*	486.3	*63.9*	*13.1*
Urban trees	1.3	2.9	*-1.6*	*-55.2*	0.0	*1.3*	*100.0*
Plastics and waste innovation funding	10.0	10.0	*0.0*	*0.0*	0.0	*10.0*	*100.0*
EU exit	19.0	17.0	*2.0*	*11.8*	0.0	*19.0*	*100.0*

The increases to ring-fenced budgets since the Main Estimate are as a result of the Reserve claim processed in this Supplementary Estimate. The increase to the Flood defence ring-fenced budget also includes the Resource to Capital transfer, as explained in section 1.5. The Urban trees ring-fence reduces due to the use of the Budget Exchange process to transfer part of the ring-fence into 2020-21 and the ODA ring-fence reduces due to a transfer of budget from Capital to Resource.

2.3 Contingent liabilities

The Supplementary Estimate includes details of all the contingent liabilities included in the Department's 2018-19 ARA. 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	Countryside and rural services	X	X		
G, Q	Departmental operating costs[1]	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 specific measures published;

[1] Corporate Services (Finance, DDTS, HR, Estates and Comms) provide support to the delivery of all objectives

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

- English seas covered by Marine Protected Areas (MPAs)
- Emissions of key air pollutants in the UK (NOx in millions of tons)
- Condition of protected sites
- Condition of priority habitats (Percentage area of priority habitats in favourable or recovering condition)
- 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 that is allocated to SME (direct and indirect spend)

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 2018-19 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 65 individual projects which includes 14 cross-cutting and co-ordinating activities. 16 of these projects were considered as high priority for exiting the EU in October 2019. 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 whole.

Defra group currently has only one project, Unity, on the Government Major Projects Portfolio (GMPP). Both the Future of Farming and Countryside and APHA Science Capability Programmes are due to be joining the GMPP later in the year.

Defra group will be developing a suite of programmes centred around its outcome and functional systems. The scale and scope of these will be determined through this year's anticipated spending review. They will continue to focus on:

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

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. To reinforce good practice the recommendations from last year's independent assurance reviews and lessons learnt from the EU exit Portfolio have been distilled and promulgated across Defra. We have also been working with IPA to develop a cross Government project delivery maturity assessment tool, which Defra will be piloting this year.

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 Departmental Accounting Officer.

Tamara Finkelstein

Accounting Officer

Permanent Secretary, Department for Environment, Food and Rural Affairs

06 February 2019