



Department  
for Environment  
Food & Rural Affairs

# Accounting Officer System Statement

December 2023

We are the Department for Environment, Food and Rural Affairs. We are responsible for improving and protecting the environment. We aim to grow a green economy and sustain thriving rural communities. We also support our world-leading food, farming, and fishing industries.

Our broad remit means that we play a major role in people's day-to-day life, from the food we eat and the air we breathe, to the water we drink.

We are here to make our air purer, our water cleaner, our land greener and our food more sustainable.

Our mission is to restore and enhance the environment for the next generation, and to leave the environment in a better state than we found it.



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# 1. Scope of the Accountability System

## Principal Accounting Officer's Statement

1.1 As Permanent Secretary, I am appointed by HM Treasury as the Principal Accounting Officer (PAO) for the Department for Environment, Food and Rural Affairs (Defra).

1.2 This system statement sets out all of the accountability relationships and processes within my department, making clear who is accountable for what at all levels of the system. My department has policy responsibility for the environment, food and farming, animal and plant health and rural affairs.

1.3 The Secretary of State for Defra has overall responsibility for the department and is supported by a ministerial team from the House of Commons and Lord Ministers. Each member of the ministerial team has specific roles and responsibilities within the department.

1.4 They have a duty to Parliament to account, and be held to account, for the policies, decisions and actions of this department and its agencies. They look to me as the department's PAO to delegate within the department to deliver their decisions and to support them in making policy decisions and handling public funds.

1.5 As PAO, I am personally responsible for safeguarding the public funds for which I have been given charge under the Defra Estimate.

1.6 I am accountable to HM Treasury for ensuring that Defra's resources are utilised in a manner which ensures regularity, propriety, and value for money. Where I have appointed additional accounting officers, their responsibilities are also set out in this system statement. The Second Permanent Secretary has no direct accounting officer responsibilities, although I may ask him to substitute for me occasionally.

1.7 It covers my core department, its arm's length bodies (ALBs) and other arm's length relationships. It describes accountability for all expenditure of public money through my department's Estimate, all public money raised as income, and the management of shareholdings, financial investments and other publicly owned assets for which I am responsible.

1.8 This system statement helps me ensure that I am fulfilling my responsibilities as an accounting officer, in accordance with the Treasury's guidance set out in [Managing Public Money](#).

1.9 This system statement describes the accountability system which is in place at the date of this statement, and which will continue to apply until a revised statement is published.

## Scope of the system

1.10 A significant percentage of exchequer funding is distributed to Defra's ALBs such as its executive agencies, non-departmental public bodies and non-ministerial

departments.

1.11 These are Defra's delivery bodies, known collectively with the core department as the Defra group. The Defra group also includes a number of advisory bodies and bodies that are largely self-financing.

1.12 Delivery bodies within the Defra group have their own systems of accountability which specify how each individual accounting officer oversees the use of their organisation's resources.

1.13 Defra group accountability is provided through a clear, evidence-based business planning process, supported by governance, monitoring, audit, assurance and risk processes.

1.14 Directors in the core department and accounting officers of Defra group delivery bodies have the delegated authority to commit resources within predefined limits, together with the responsibility for proper stewardship of these resources and compliance with the requirements of HM Treasury's Managing Public Money guidance.

1.15 Accountability is formalised through Delegated Authority Documents (DADs) at the start of the financial year. Directors General are accountable to the Permanent Secretary for ensuring that they deliver their priorities within these delegations.

1.16 The Permanent Secretary confirms the appointment of the chief executive officers (CEOs) of the department's delivery bodies as the accounting officers for these bodies.

1.17 The Defra group outcome framework sets out the group's vision and outcomes. It is developed with, and approved by, the Secretary of State.

1.18 The Defra Group Outcome Delivery Plan (ODP), sets out the activities, success measures and resources to deliver Defra group's priority outcomes, together with the underpinning strategic enablers.

1.19 Each outcome and enabler is led by a director general (DG), acting as senior responsible owner, who works in partnership with the relevant ALB CEOs to integrate business planning processes, timings and plans.

1.20 DGs and CEOs report on delivery of their plans through the performance reporting framework, and report on maintaining forecasted financial positions within budget and workforce limits. Where relevant, they are responsible for ensuring that their activities have been through impact assessments, an internal assurance process or Government Major Projects Portfolio Gateway process.

1.21 The Permanent Secretary and the Cabinet Secretary meet every six months to discuss progress against the ODP. Progress is also reported quarterly, and highlights significant group risks or issues, and performance against budget and workforce forecasts. Monthly delivery reporting is collated for our most significant programme.

## 2. Responsibilities within the department and across the Defra group

2.1 Most of the functions of the department are coordinated across the Defra group. A diagram showing the scope of Defra's Accountability System can be viewed in Annex A.

### Operating as the Defra group

2.2 The Defra group comprises a range of public bodies operating at various lengths from the core department. This includes executive agencies, non-departmental public bodies (NDPBs), non-ministerial departments (NMDs) and other public bodies.

2.3 Defra has a sponsorship approach to organising activity undertaken within the group. This approach aligns with the principles set out in the Cabinet Office [Arm's Length Body Sponsorship Code of Good Practice \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/108122/Arm's_Length_Body_Sponsorship_Code_of_Good_Practice.pdf) which Defra began to adopt in 2022 and replaces the formal outcomes-based approach taken up to the end of March 2023. The Code lays out expectations and measurable standards for sponsorship and requires an annual departmental maturity assessment. We report against our sponsorship maturity in our Outcome Delivery Plan.

2.4 The core department oversees and develops the policy framework underpinning our priority outcomes, supported by a range of ALBs working together in partnership with core Defra under the sponsorship model. Defra group's priority outcomes are to:

2.4.1 Improve environmental quality through cleaner air and water, minimised waste and managed exposure to chemicals, enabling thriving plants and wildlife and improved access to nature. Services are delivered by a wide variety of delivery bodies, including:

- Rural Payments Agency
- Environment Agency
- Natural England
- Marine Management Organisation
- Centre for Environment, Fisheries & Aquaculture Science
- Royal Botanic Gardens Kew
- Joint Nature Conservation Committee

2.4.2 Climate: Reduce greenhouse gas emissions and increase carbon storage in natural resources, waste and f-gas sectors to help deliver net zero and adapt to a changing climate including by reducing the risk of harm from environmental hazards such as flooding. Services are delivered by the Environment Agency, Natural England, Forestry Commission and Rural Payments Agency.

2.4.3 Farming & Sustainable Growth: Ensure a secure and productive farming and food system, with enhanced biosecurity, trade and rural economic growth, whilst using resources from nature more sustainably. Services are provided by a wide

range of delivery bodies including:

- Rural Payments Agency
- Animal and Plant Health Agency
- Veterinary Medicines Directorate
- Centre for Environment, Fisheries & Aquaculture Science
- Marine Management Organisation
- Royal Botanic Gardens Kew
- Environment Agency
- and Natural England.

2.5 We have four key themes (known as ‘strategic enablers’) which support outstanding delivery by providing effective and efficient strategic direction, change management and corporate services:

- Workforce skills and location
- Innovation, technology and data
- Delivery, evaluation and collaboration
- Sustainability

2.6 The outcomes set out in the Defra group’s ODP, including 25 Year Environment Plan goals, are delivered by policy and operational delivery teams from multiple organisations. Some delivery bodies contribute to more than one outcome, the core department works on all of them.

2.7 Responsibility for service provision and policy development rests with individual teams, and the organisations that they belong to. Budgets are allocated to, and people are employed by individual Defra group bodies which have responsibility for actions that belong properly to a single organisation.

2.8 The sponsorship approach is reflected in the governance arrangements for the Defra group. Each ALB has a senior sponsor Director General (DG) in core Defra, who sits on Defra’s Executive Committee (ExCo) (a subcommittee of Defra Board) and provides a direct link between delivery bodies and Defra’s governance, including facilitating risk escalation where necessary.

2.9 The DG sponsor is supported by a senior sponsor Director and sponsorship teams across core Defra who work alongside policy teams. They do not supplant the organisational leadership of the delivery bodies. Sponsorship teams are supported with central oversight from DG Strategy to ensure best practice on accountability and governance and provide a centre of expertise to the department on public bodies. Section [3] provides further detail on sponsorship.

2.10 The Defra Board provides strategic, corporate leadership to the department and has particular responsibility for monitoring performance and delivery. It meets roughly once a quarter. Its membership includes the ministerial team, members of ExCo, non-executive directors and ex-officio non-executives.

2.11 The Defra Board is supported by a number of committees in overseeing and

assuring the work of Defra group. These include the Audit and Risk Assurance Committee (ARAC), Nominations Committee, and Executive Committee (ExCo). More information on Defra Board and its subcommittees can be found in the Governance Statement in Defra group's [Annual Report and Accounts](#) (ARA).

2.12 ExCo is a subcommittee of the Defra Board. ExCo is the senior decision-making body for the running and management of the core department and sets the strategic direction of the Defra group. At least once a month it meets in “delivery mode” as Delivery Committee, with a specific focus on the delivery of outcomes and the major programmes that underpin these.

2.13 Investment Committee is a subcommittee of ExCo. It assures and approves Tier 1 and Tier 2 project business cases specifically focussing on those that breach delegated authority limits, ensuring that investment decisions are assessed against the Accounting Officer (AO) tests.

2.14 Finance and Resources Committee (FRC) is a subcommittee of ExCo and provides assurance to ExCo that Defra group's resource is aligned with priority business outcomes, providing tax and charge payers with good value for money, and being used efficiently.

2.15 People and Inclusion Committee (P&IC) is an advisory subgroup of ExCo providing assurance that the appropriate due diligence and cross-group leadership and oversight has been applied as new and existing people programmes and policies are developed.

2.16 Group Corporate Services Board is the final subcommittee of ExCo. Its purpose is to shape and inform the strategy for corporate services across the Defra group, provide assurance to ExCo (and the Principal Accounting Officer) on its operation and actively ensure that risks are well-managed and escalated as necessary.

## **Governance**

2.17 The governance arrangements for the Defra group are designed to balance 3 elements:

- the need for simple and effective decision-making across the group
- respect for the statutory powers and duties of NDPBs and NMDs
- requirements of Parliamentary accountability and the budgetary framework

2.18 As a general principle, decisions that are specific to a single organisation within the group are taken by that organisation in accordance with established procedures and delegated authority.

2.19 Decisions which affect more than one organisation are taken by a group governance body, and the organisations affected are fully engaged in the decision process. CEOs ensure that their boards are part of this process, and specific agreement is sought from boards where a decision impacts on their formal responsibilities.



2.20 Delivery bodies maintain their own governance structures and processes appropriate to their business and scale which serve as an important strand of assurance.

2.21 These arrangements are detailed in framework documents or proportionate, equivalent documents. These include the responsibilities of the board and requirement for an Audit and Risk Assurance Committee (ARAC) to be established. Central risk, corporate and financial governance functions support the PAO and provide group-wide advice on these issues.

## **Risk**

2.22 The Defra group risk strategy defines the approach to risk management taken by the core department and our 10 largest ALBs. This includes clear roles and responsibilities, escalation and feedback routes, reporting arrangements and our approach to risk appetite.

2.23 At its core is the understanding that every part of the Defra group is responsible for having in place a clear system for managing risks that is consistent with the strategy. DGs, directors, ALB CEOs, senior responsible owners and team managers are all responsible for managing risks within their areas of control.

2.24 Although risks are best managed at the lowest appropriate level of the organisation, there are times when a risk needs to be escalated further up the management chain. At the top level, the most significant risks – particularly those that require a cross-group response or have cross-cutting impacts – are escalated from directorates and ALBs to ExCo via DGs, or the chair of an ExCo subcommittee.

2.25 These form the principal risk register, which is reviewed by ExCo quarterly in a combined performance and risk report. ExCo also regularly conducts focused discussions on individual risks and considers significant external threats and opportunities.

2.26 The Defra group ARAC regularly reviews group-level risk reports, with a particular focus on the comprehensiveness and reliability of assurances on our risk management.

## **Counter-fraud**

2.27 Risk of fraud, bribery, corruption, and error, extends across all the activities of the Defra group and can lead to financial loss and reputational damage. All group organisations must protect public money by having effective measures in place to prevent fraud and error from occurring, detect it when it does and recover any losses.

2.28 Overall responsibility for managing fraud risk sits with the PAO and is delegated to the CEO of each organisation. Where necessary, they should be supported by a named individual who is accountable at Board level to ensure fraud and error risks

are adequately managed. In the core department the accountable individual is the Chief Financial Officer (CFO).

2.29 A key part of an effective counter-fraud response is ensuring people have clarity about their roles and responsibilities and an understanding of what they are accountable for. These are set out in the Defra group counter-fraud, bribery, and corruption policy.

2.30 The Policy also describes the requirements that each group organisation should meet to provide an effective and proportionate counter fraud response, including having a Strategy in place setting out what counter fraud activity will be delivered.

2.31 The Public Sector Fraud Authority (PSFA) leads the approach to countering fraud and error across the public sector. Counter Fraud Functional Leads across the group support their accountable individuals, CEOs and the PAO by assuring compliance with the [Counter Fraud Functional Standard GovS 013](#)

## **Audit and assurance**

2.32 Delivery body ARACs advise management boards on governance, control and risk management for most bodies. A representative of the Defra internal audit function regularly attends ARAC meetings for those bodies with a more significant budget share and associated risk. Their attendance informs assurance to Defra's PAO and ensures that central assurance needs from the delivery bodies are considered.

2.33 Internal audit is provided by Defra group's internal audit function which forms part of the Government Internal Audit Agency (GIAA). There is a single consolidated audit plan, which includes cross-cutting group audits, as well as the continuation of organisation- specific audits.

2.34 The programme of risk-based internal audits and advisory work provides assurance to the Permanent Secretary as PAO, the Defra group ARAC and the Defra board on the overall adequacy and effectiveness of the department's framework of governance, risk management and control.

2.35 The Defra group ARAC is chaired by a non-executive member of the Defra Board and the members are non-executive ARAC chairs of key group delivery bodies. The annual group audit plan is signed off by the group ARAC and ExCo.

2.36 External audit is provided by the National Audit Office (NAO) which is responsible on behalf of Parliament for holding Defra to account for the way it uses public money, thereby safeguarding the interests of taxpayers.

2.37 This is achieved through the independent audit of Defra's annual financial statements on behalf of Parliament and through its programme of value for money reviews.

2.38 The governance statement in Defra's consolidated ARA (para 2.11) evaluates the effectiveness of the department's governance arrangements, risk management,

and the system of internal control throughout the relevant financial year.

2.39 In deciding the specific issues to cite in the governance statement, advice is provided by colleagues within the department leading significant projects and those providing oversight of the Defra portfolio. This is supported by a self-assessment exercise carried out by directors in receipt of delegated authority by the PAO.

2.40 The Infrastructure and Projects Authority provides independent assurance of the Defra Government Major Projects Portfolio and GIAA review our delivery activity at a project and portfolio level. The head of internal audit's annual opinion also informs the governance statement.

2.41 The statement reflects upon significant issues that affect the Defra group, recognising that Defra's executive agencies and NDPBs also publish their own governance statements which evaluate in more detail the effectiveness of their governance, risk management and internal controls. Separate governance statements for delivery bodies are included in their individual ARAs.

## **Accountability**

2.42 The relationship between the core department and many of its public bodies, including their respective accountabilities, is defined in framework documents. These are written for all organisations that come within the Defra group accounting boundary<sup>1</sup>.

2.43 Some other bodies within the group have also elected to have a framework document as part of their good governance.

## **Performance**

2.44 The performance framework is based on Defra group's priority outcomes which are set out in the ODP.

2.45 A combined quarterly performance and risk report, aligned to the ODP and bringing together contributions made by ALBs, DG groups, and Defra group corporate services, is provided to both the Defra board and ExCo.

2.46 Monthly reporting on progress in delivering Defra's portfolio of major programmes is also provided to ExCo when it meets as Delivery Committee.

2.47 ExCo oversees the performance of the group as a whole and intervenes where performance issues require a cross-departmental approach. Detailed financial management information is also provided monthly to ExCo.

2.48 Responsibility for managing performance continues to lie with the relevant delivery organisation or director. Further details of the underlying organisational performance indicators, outputs and resources are set out in internal plans which ensure a clear line of sight from policy through to frontline delivery.

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<sup>1</sup> Further information on Flood Re governance is set out in Defra's ARA governance statement.

2.49 This approach strikes a balance by ensuring that organisations retain their accountability and autonomy to deliver within the performance framework, while also providing opportunities for strategic planning, prioritisation and decisions on allocation of resources so that activities can be best organised to optimise outcomes.

## **The distribution of funding**

2.50 Defra's annual funding is agreed by Parliament. The Permanent Secretary is accountable for ensuring the established control totals are not breached. In addition, the department administers the remaining payments of EU Common Agricultural Policy (CAP) funding, in accordance with EU policy, and also charges for some services in accordance with HM Treasury fees and charges guidance.

2.51 There are separate control totals set out in the department's Estimate for the net resource Departmental Expenditure Limit (DEL) requirement: the net capital DEL requirement, the net resource Annually Managed Expenditure (AME) requirement, the net capital AME requirement, the net non-budget requirement and the net cash requirement (NCR) for the Estimate as a whole.

2.52 A breach of any of these voted limits (not all DEL or AME spending is voted) would result in an Excess Vote. Additional controls exist on some budgets that are ring-fenced for specific purposes (for example, depreciation and specific programme ring-fences).

2.53 On an annual basis, HM Treasury issues the main estimate, providing the annual breakdown of the department's overall funding settlement. There is an opportunity to redistribute funds between control totals once a year through the Supplementary Estimate process, if agreed by HM Treasury.

2.54 Beyond this, it is the Permanent Secretary's responsibility as PAO for the department to delegate the authority to commit these resources, together with the responsibility for proper stewardship of these resources and compliance with the requirements of Managing Public Money. Ministers determine the allocation in accordance with the department's funding settlement from HM Treasury and to reflect government priorities.

## **Resource and capital budgets: core department**

2.55 Prioritisation for allocation of resource is decided by ministers on the basis of recommendations by the Defra Board and the ExCo.

2.56 Within the core department authority is delegated to directors to commit the resource allocation of the Main Estimate and any subsequent changes following the Supplementary Estimate, which includes administration budgets. Further details are explained in paragraph 1.5.

2.57 Directors' internal organisational plans align allocation of resources to reflect the prioritised outcomes of the department, as agreed with the Secretary of State.

## Resource and capital budgets: delivery

2.58 Each delivery body accounting officer receives a delegated authority document (DAD) delegating budgets and authority to commit resources and outlining expectations and areas of responsibility and accountability.

# 3. Relationships with public bodies

## Purpose, roles and objectives

3.1 The Defra group outcome framework is overarching and identifies four priority outcomes and strategic enablers, setting out a shared vision and cross-cutting strategic outcomes for the group. The outcome framework provides a clear line of sight for the core department and its ALBs.

3.2 The framework includes a vision, outcomes, sub-outcomes and performance measures to help manage and provide assurance to the group at all levels.

3.3 The Defra group ODP shows how the diverse range of sub-outcomes and activities across the group contribute to our priority outcomes and strategic enablers.

3.4 Sitting beneath this, each ALB also has a more detailed business plan.

3.5 While the outcome framework and group delivery plan apply directly to the core department and 14 delivery bodies.<sup>2</sup> All of Defra's public bodies, regardless of their role and positioning, act together on a shared agenda in contributing to the single vision of improving and protecting our environment by making our air purer, our water cleaner, our land greener and our food more sustainable. Annex B provides detail on the sources of funding for ALBs in 2022 to 2023.<sup>3</sup>

3.6 Defra has adopted the [Arms' Length Body Code of Good Practice](#), which provides a template to departments that lays out expectations and measurable standards for sponsorship. As defined by the Cabinet office, sponsorship is the activity that delivers effective relationships between departments and their ALBs.

3.7 Defra's sponsorship approach is delivered in practice by dedicated teams separate from policy but within the same division and directorate across the department. See section 2 – Operating as a Defra group.

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<sup>2</sup> Rural Payments Agency, Animal and Plant Health Agency, Veterinary Medicines Directorate, Natural England, Environment Agency, Marine Management Organisation, Forestry Commission, Centre for Environment, Fisheries and Aquaculture Science, Joint Nature Conservation Committee and Royal Botanic Gardens, Kew

<sup>3</sup> Covering ALBs whose funding is included in the Defra group accounts.

## Legal Entities

3.8 The following entities are not Defra public bodies. They sit within, but operate separately from, Defra bodies.

3.9 The Drinking Water Inspectorate (DWI) is established in legislation<sup>4</sup> to provide independent assurance that the water industry is providing safe, clean drinking water to consumers. The Chief Inspector of Drinking Water and DWI Inspectors are statutory office holders, with statutory duties under the legislation.

3.10 The Chief Inspector of Drinking Water is appointed by the Secretary of State for Environment, Food and Rural Affairs and Welsh Ministers and acts independently on behalf of these authorities. Certain powers are vested directly in the Chief Inspector of Drinking Water. The legislation is set out in the Water Industry Act 1991 as amended by the Water Act 2003. The DWI is predominantly funded through costs recovered from the industry for regulatory services provided. Its income and expenditure on these activities are reported through a Memorandum Trading Account (MTA), which is consolidated into Defra's accounts.

3.11 DWI also receives a small budget from Defra through delegated budget to the Floods & Water Directorate. This covers its role in providing policy advice to ministers and commissioning research through which it is accountable to other core business units. It has duties delegated directly by the Secretary of State and Welsh ministers, for which it reports directly to ministers.

3.12 The UK Coordinating Body is an independent executive unit which supports Defra and the devolved administrations' Ministers to fulfil their responsibilities under legislation<sup>5</sup> relating to the administration of the Common Agricultural Policy in the UK.

3.13 It is funded by Defra, with a small contribution from the devolved administrations. It is co-located with the Rural Payments Agency (a Defra executive agency).

## Executive Agencies

3.14 Defra's executive agencies operate within a framework of direct accountability to the department and to ministers who remain accountable for their overall performance.

3.15 Agencies report on their financial performance and provide details of any charging schemes in their annual reports.

3.16 Each agency has a management board which may be chaired by either the agency CEO or lead non-executive director (NED) and includes other NEDs and the

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<sup>4</sup> Water Industry Act 1991 (as amended by the Water Act 2003 and 2014).

<sup>5</sup> The Common Agricultural Policy (Competent Authority and Coordinating Body) Regulations 2014 (SI 2014/3260), which continue to apply after 31 December 2020 by virtue of The Agriculture (Payments) (Amendment, etc.) (EU Exit) Regulations 2020 (SI 2020/1445) in respect of programmes or activities to which Article 138 of the UK/EU Withdrawal Agreement applies.

agency senior team. A senior Defra official is also a member of each executive agency's management board, bringing an understanding of Defra and wider government policy to the agency.

3.17 The executive agencies are part of the department and the CEO is appointed by the PAO as the accounting officer for each agency. Defra's four executive agencies are:

### **Animal and Plant Health Agency (APHA)**

3.18 [Animal and Plant Health Agency](#) launched on 1 October 2014 and is responsible for safeguarding animal and plant health working also on behalf of the Scottish Government and Welsh Government.

### **Centre for Environment, Fisheries and Aquaculture Science (Cefas)**

3.19 [Centre for Environment, Fisheries and Aquaculture Science](#) leads marine science and technology on behalf of the UK Government by collecting, managing and interpreting data on the aquatic environment, biodiversity and fisheries and providing scientific advice, monitoring and research.

3.20 Their work extends to public and private organisations outside of government.

### **Rural Payments Agency (RPA)**

3.21 [Rural Payments Agency](#) is an accredited paying agency and also makes payments on behalf of Defra and Natural England.

3.22 RPA makes payments to farmers, traders and landowners and manages over 40 schemes, including the Basic Payment Scheme, to help improve the natural environment, ensure a healthy rural economy and strong rural communities.

### **Veterinary Medicines Directorate (VMD)**

3.23 [Veterinary Medicines Directorate's](#) role is to protect public health, animal health and the environment and promote animal welfare by assuring the safety, quality and effectiveness of veterinary medicines.

### **Non-Departmental Public Bodies (NDPBs)**

3.24 Defra has 3 types of NDPB: executive (including levy-funded), advisory and tribunal. The governance for each one reflects the nature, responsibilities and risks of that body. Defra's NDPBs are:

- [Natural England](#)
- [Environment Agency](#)
- [Marine Management Organisation](#)

- [Royal Botanic Gardens Kew](#)
- [Joint Nature Conservation Committee](#)
- [Consumer Council for Water](#)
- [Agriculture and Horticulture Development Board](#)
- [Seafish](#)
- [Office for Environmental Protection](#)

3.25 They are created through legislation, which specifies their purpose and functions, what powers are invested in them, and how they should be financed.

3.26 NDPB accounting officer responsibilities include providing a signed governance statement in the entity's annual report and accounts. As well as reporting on the operation and effectiveness of its governance arrangements throughout the financial year.

3.27 Each NDPB has its own independent board, chair and executive management team, with the CEO designated by the principal accounting officer as the accounting officer for that organisation.

3.28 NDPBs operate with statutory independence and are not under day-to-day ministerial control. Nevertheless, ministers are ultimately accountable to Parliament for NDPBs' efficiency and effectiveness.

3.29 The Secretary of State appoints the chair and board members, and they are directly accountable to the Secretary of State. The NDPB's board appoints the chief executive, in agreement with the Secretary of State.

3.30 For larger bodies, the Secretary of State holds performance reviews with the chair to consider progress against the organisation's business plan and Defra's ministerial priorities.

3.31 A delegated authority letter from DGs to accounting officers confirms the chief executive's delegated budget and responsibilities as accounting officer for that organisation and for ensuring delivery of their internal organisational plan.

3.32 Ministers agree funding or levy rates and key objectives for each NDPB and hold them to account. The CEO is responsible for establishing appropriate governance, control and risk management measures in their organisation.

3.33 A designated core Defra DG, director or deputy director from within the appropriate outcome system acts as the sponsor for each NDPB.

3.34 Relationship managers within sponsorship teams, with support from policy teams where appropriate, are in regular contact with delivery counterparts in the NDPBs and help to ensure that business plan targets deliver agreed policy outcomes.

3.35 CEOs of the larger NDPBs (Environment Agency, NE, MMO, JNCC and Kew), together with executive agency and Forestry Commission CEOs meet formally with ExCo at least quarterly. These NDPBs are also represented in outcome committees.



3.36 The NDPB boards and accounting officers receive advice on governance, control and risk management from their ARACs, which are advisory committees comprised of non- executives.

## **NDPBs with advisory functions**

3.37 Defra's NDPBs with advisory functions are the:

- [Advisory Committee on Releases to the Environment \(ACRE\)](#)
- [Independent Agricultural Appeals Panel \(IAAP\)](#)
- [Science Advisory Council \(SAC\)](#)
- [Veterinary Products Committee \(VPC\)](#)

3.38 Advisory NDPBs receive minimal or no funds from Defra, usually limited to the fees and expenses of the members. Governance arrangements reflect this via a risk-based approach.

3.39 They are too small to have full framework documents but proportionate equivalent documents (governance agreements) are either in place or being agreed this year.

## **Tribunal NDPBs**

3.40 Defra has two tribunal NDPBs, the:

3.40.1 Plant Varieties and Seeds Tribunal has lain dormant and has not convened (or incurred any costs) since 1984. Three appeals have been lodged with the Tribunal and it is expected to reconvene once the legal chair has completed training provided by HMCTS. It is hoped that some of the appeals will have been heard by the end of the financial year 2023-24.

3.40.2 Sea Fish Licensing Tribunal was created in 1992 but has never been convened or incurred any cost.

## **Non-ministerial departments and public corporations**

### **Forestry Commission**

3.41 The [Forestry Commission](#) is a non-ministerial department included in Defra's Estimate and falls inside the departmental accounting boundary. The Forestry Commission has a Royal Charter.

3.42 It is the body through which the Forestry Commissioners discharge their forestry functions. The commissioners and their functions are derived from statute, principally the Forestry Act 1967, Plant Health Act 1967 and Countryside Act 1968.

3.43 Defra's Secretary of State is responsible for recommending who should be appointed (by Royal Warrant) as Chair of the Board of Forestry Commissioners.

3.44 The Forestry Commission CEO is appointed by the PAO as the Additional

Accounting Officer for the funding provided through the core department.

3.45 The Forestry Commission has two executive agencies. These are the research agency Forest Research and Forestry England, which manages the nation's forest estate. The latter is also classed as a public corporation to reflect its level of trading income.

3.46 The agency accounting officers are accountable to the Additional Accounting Officer for the performance of the agency.

3.47 The Forestry Commission has five Forestry and Woodland Advisory Committees (FWAC) (formerly Regional Advisory Committees) established under Section 37 of the 1967 Forestry Act.

3.48 These are classified as advisory NDPBs of the Forestry Commission. In addition to their statutory role, they advise on and help with the delivery of Forestry Commission priorities. These operate in practice like expert committees and funding is minimal.

### **The Water Services Regulation Authority (Ofwat)**

3.49 [The Water Services Regulation Authority](#) is a non-ministerial department that falls outside the departmental accounting boundary.

3.50 It is primarily resourced by licence fees. Fees are charged to companies that Ofwat regulates, and additional licence fees are payable by certain companies for specific work on the Thames Tideway Tunnel project. A licence fee is paid by water supply and sewerage licensees.

3.51 Ofwat is directly accountable to Parliament for its financial expenditure and must report to Parliament on an annual basis through its annual report and accounts which are laid by HM Treasury.

3.52 Ofwat's Accounting Officer and the Ofwat Board have responsibility for maintaining corporate governance that supports the achievement of Ofwat's policies, aims and objectives, while safeguarding the public funds and departmental assets.

3.53 The Accounting Officer is accountable to the Chair and Board for all aspects of Ofwat's work. Ofwat's duties are laid down by legislation, in particular the Water Industry Act 1991.

### **Covent Garden Market Authority (CGMA)**

3.54 [Covent Garden Market Authority](#) is a public corporation outside of the accounting boundary and responsible for managing the funds and assets of New Covent Garden Market.

3.55 It is a statutory body originally set up in 1961 by an Act of Parliament. The Secretary of State appoints the chair and board members.

3.56 As a public corporation sitting outside of the UK central government, CGMA

does not have a named accounting officer (only UK government organisations have an accounting officer).

3.57 CGMA's responsibilities to Defra's PAO rest with a designated senior executive role.

3.58 CGMA's General Counsel and Company Secretary occupies that role on a temporary basis, until such time that a permanent arrangement for fulfilling these responsibilities is put in place.

3.59 The designated senior executive is expected to deliver standards equivalent to an accounting officer (see paragraph 3.1.2 of Managing Public Money) and is responsible for ensuring that high standards of corporate governance are met and that systems are in place to monitor:

- CGMA's activities
- its financial management
- decision-making procedure

## **The British Wool Marketing Board (BWMB)**

3.60 [The British Wool Marketing Board](#) is a public corporation that falls outside the accounting boundary. It is a non-profit making organisation which returns to producers the market price for their wool, less its own costs.

3.61 It is the only remaining agricultural commodity board. It operates commercially and does not receive financial support.

3.62 Since 1995, BWMB has had a financial arrangement in place which established a requirement for British Wool to maintain a reserve fund, for the purposes of ensuring payments can be made to producer members in times of market disruption.

3.63 The current financial arrangement between the Secretary of State for Department for Environment, Food and Rural Affairs, Northern Ireland Department of Agriculture, Environment and Rural Affairs, Scottish Ministers, and Welsh Ministers and BWMB dates from May 2018 and is due for renewal in 2023.

3.64 Section 30 of the Agricultural Marketing Act 1958 requires that Agriculture Ministers shall in every year lay before Parliament the annual accounts of BWMB.

## **Other Public Bodies**

### **Flood Re**

3.65 Flood Re is a non-profit flood reinsurance scheme run and managed by the insurance industry. In accordance with the requirements of the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2021, it is consolidated into Defra's accounts.

3.66 It was classified by the Office of National Statistics in December 2021 as a central government public body. It is awaiting classification by Cabinet Office.

## **The Adaptation Subcommittee (ASC)**

3.67 The ASC is a subcommittee of the [Committee on Climate Change](#) (CCC), which is an NDPB of the Department for Energy, Security and Net Zero

3.68 The ASC was established under the Climate Change Act 2008 to support the CCC in advising and reporting on progress in adapting to climate change. It comprises five expert members and a chair.

3.69 The ASC is jointly sponsored by Defra, the Northern Ireland Executive, the Scottish Government and the Welsh Government.

## **National Park Authorities**

3.70 [National Park Authorities](#) are established by orders under the 1995 Environment Act. Their purposes, powers and constitution are set out in legislation.

3.71 They are not local authorities, although they are treated as such for certain purposes, particularly their role as planning authority for their area.

3.72 They are independent bodies to which many of the statutory requirements that apply to local government are applied, including for the:

- conduct of meetings and decision-making
- external audit and publishing of accounts

3.73 Each authority has a five-year National Park Management Plan which sets out strategic objectives for the park. They publish an annual report on their performance.

3.74 NPAs generally receive the majority of their income in the form of grant from Defra and must adhere to the terms set out in their grant agreements, which are monitored through relationship managers in the core department.

3.75 All park authorities are subject to the audit requirements set out under the Local Audit and Accountability Act 2014 and under The Accounts and Audit Regulations 2015; as Category 1 authorities they are required to commission and publish audited annual accounts.

## **The Broads Authority**

3.76 [The Broads Authority](#) was established by specific legislation, the Norfolk and Suffolk Broads Act 1988. Its purposes, powers and constitution are set out in this and the Broads Authority Act 2009.

3.77 It is not a local authority but it is the planning authority for the Broads and an independent body to which the statutory requirements that apply to local government

are applied.

3.78 The authority has a five-year management plan which sets out strategic objectives for the Broads. It publishes an annual report on their performance.

3.79 The authority receives some of its income via grant from Defra and tolls paid by users of the Broads.

3.80 As a relevant authority under the Accounts and Audit Regulations 2015 the Broads Authority is required to commission and publish audited annual accounts.

## **Areas of Outstanding Natural Beauty (AONBs) and conservation boards**

3.81 The Countryside and Rights of Way Act 2000 allows for the designation of [areas of outstanding natural beauty](#) to protect land to conserve and enhance its natural beauty.

3.82 Each AONB is managed by a five-year management plan, which is run by teams based in local authorities supported by a range of other organisations with an interest in the area.

3.83 AONBs receive income in the form of grant from Defra and must adhere to the terms set out in their grant agreements.

3.84 They are monitored through relationship managers in core Defra, including that Defra funding is intended to provide 75% of funding for core functions, matched by 25% from other sources.

3.85 Section 86 of the Act allows the Secretary of State to create a conservation board for an AONB by means of an establishment order.

3.86 There are two AONB conservation boards, the

- Chilterns
- Cotswolds

3.87 Conservation boards assume responsibility for the preparation and publication of the AONB Management Plan setting out their policies for the management of the area.

3.88 They are independent bodies to which many of the statutory requirements that apply to local government are applied, including for the conduct of meetings and decision-making.

3.89 They differ from NPAs in having no statutory local planning function. The boards, like AONBs, receive income via grant from Defra.

3.90 AONB conservation boards publish an annual statement of accounts, audited as appropriate to their size and turnover.

## **Local Government-Funded Public Bodies**

### **Internal drainage boards (IDBs)**

3.91 Internal drainage boards (IDBs) are locally funded and are independent statutory public bodies. They are responsible for managing water levels and reduce flooding risk in areas of special drainage need (low-lying areas of the country).

3.92 They operate predominantly under the Land Drainage Act 1991 and have permissive powers to undertake work within their districts. In addition, IDBs can undertake works on watercourses outside their drainage district in order to benefit their district.

3.93 They are funded largely by a mixture of drainage rates paid by farmers and by special levies on unitary, borough and district local authorities. IDBs do not receive funding from Defra, although they may apply for grant funding for specific flood risk management schemes through the partnership funding (grant in aid) process. Some IDBs receive funding (highland water contributions) from the Environment Agency and IDBs may also apply for loans from the UK Debt Management Office.

3.94 The Environment Agency has a supervisory duty in relation to flood and water operations for IDBs.

3.95 The Land Drainage Act 1991 requires IDBs to report annually on financial expenditure and other issues such as asset management and biodiversity action plans. These reports are submitted to Defra for analysis of the data to assess IDBs governance and progress and special levy information is shared with the Department of Levelling Up, Housing and Communities

3.96 IDBs must comply with the Local Audit and Accountability Act 2014. Defra receives a report every year setting out the results of local government audited accounts, including those of IDBs. Where IDB accounts are qualified or delayed, Defra investigates to understand the reasons.

3.97 The Association of Drainage Authorities (ADA) is a membership organisation that represents the interests of IDBs. ADA has been taking action supported by Defra to share best practice and improve governance and accountability arrangements across all IDBs in England. ADA are updating their Good Governance Guide for IDBs, to be published later in 2023.

### **Inshore Fisheries and Conservation Authorities (IFCAs)**

3.98 The ten Inshore Fisheries and Conservation Authorities (IFCAs) are independent statutory regulators responsible for the sustainable management of sea fisheries and protection of the marine environment from the most damaging fishing activities between zero and six nautical miles around the English coast.

3.99 They were created under the Marine and Coastal Access Act (2009) and established in 2011. The IFCAs are classified as local government bodies and have

powers to make byelaws which restrict or stop certain fishing activities. They also have enforcement powers to include powers of entry.

3.100 The local authorities within each IFCA have a statutory duty to fund their IFCA. The IFCAs also receive New Burdens Funding from Defra paid via section 31 local authority grants. A new burdens assessment was carried out in 2011 to consider the net cost of the new duties when the IFCAs were established. New Burdens Funding or additional funding is agreed during each Spending Review.

3.101 IFCAs are required to submit their Annual Plans and Annual Reports to Defra. There is an additional requirement for Ministers to prepare and lay a report on the conduct and operations of the IFCAs every four years.

3.102 The Association of IFCAs is a private company limited by guarantee without share capital. The Association is governed by a Board of Directors and a Members Forum. The Member's Forum is composed of the Chair and Chief Officer of each IFCA. The Association exists to support and represent the inshore fisheries and conservation authorities and is funded by its membership. The Association also conducts and coordinates cross cutting projects that further the work of the IFCAs, for which they receive Defra funding.

## 4. Local funding arrangements

4.1 For local authority services in which Defra has a policy interest, central government funding is generally provided either through the Revenue Support Grant (RSG) from the local government budget or through specific grants from the Defra budget.

4.2 Funds provided through RSG are several orders of magnitude greater than through specific Defra grants (billions of pounds versus millions of pounds).

4.3 Defra and the Environment Agency also provide some minor capital grants to local authorities and local authorities fund some services and capital investments of policy interest to Defra from council tax or other receipts.

4.4 The Department for Levelling Up, Housing & Communities (DLUHC) Accounting Officer, as lead accounting officer across the UK central government with respect to local government, provides the assurance that a core framework is in place requiring local authorities to act with regularity, propriety and value for money in the use of all of these resources.

4.5 For a more detailed breakdown of local accountability arrangements, see the DLUHC [Accounting Officer System Statement](#).

4.6 Within this framework, local authorities are responsible and accountable for the legal use of funds.

4.7 Every local authority has a responsibility to make arrangements for the proper administration of their financial affairs and to ensure that one of their officers is accountable for the administration of those affairs.

4.8 A system of legal duties requires councillors to spend money with regularity and propriety.

4.9 Local authorities are required to have an annual external audit, and the certification of authorities' annual accounts by the auditor provides general assurance that the totality of their expenditure is within their legal powers.

4.10 Local authority auditors also assess whether authorities have used their resources effectively as part of their annual audit of accounts.

4.11 As well as the accountability provided through this framework, specific Defra grants (for example, for flood prevention, waste infrastructure and waste recycling work) are often provided in recognition of a statutory obligation on local authorities to perform a function or provide a service.

4.12 Other Defra grants may be made to address a specific need, for example, reimbursing expenditure in areas where it is difficult to forecast or piloting new approaches or policies. In such cases, value for money is scrutinised in the relevant approvals process and outcomes are specified explicitly in the agreement and claim processes.

4.13 These arrangements are established in a way that allows local authorities the flexibility to respond to local priorities, pursue balanced outcomes and choose their own methods of achieving desired outcomes, whilst taking into account Defra's policy intentions.

## 5. Third party delivery partnerships

5.1 There are five limited companies linked to bodies within the Defra group. These are private companies, wholly owned by and reporting directly to those bodies (with the exception of Livestock Information Limited which is part-owned by Defra).

### **RBG Kew Enterprises**

5.2 [RBG Kew Enterprises Ltd](#) carries out retail and other commercial activities and provides fundraising services for Kew.

### **Cefas Technology Limited (CTL)**

5.3 [Cefas Technology Ltd](#) specialises in the design and manufacture of data-logging solutions to help conserve and maintain wildlife. All profits generated by CTL are reinvested into the development of both Cefas science and its science infrastructure.

### **Sutton Bridge Experimental Unit (SBEU) Limited**

5.4 Sutton Bridge Experimental Unit Ltd (SBEU) is used by AHDB to hold the property occupied by the AHDB potato research and development facility.



5.5 All trading income and operating costs of the unit are received and incurred directly by AHDB as part of AHDB Potatoes operating results.

5.6 AHDB have now closed the Sutton Bridge Experimental Station and are in the process of selling it, this should be complete by the end of the financial year 2023-24.

## **Livestock Information Limited**

5.7 [Livestock Information Limited](#) is a subsidiary of the Agriculture and Horticulture Development Board (AHDB); owned, since 1 November 2023, 85% by Defra and 15% by AHDB (prior to 1 November: 51% was owned by AHDB and 49% by Defra). It has been set up to develop and run a multi-species animal and livestock registration and tracing system.

## **JNCC Support Co**

5.8 JNCC Support Co provides the corporate vehicle through which JNCC employs staff and administers its funds to deliver its business plan.

# **6. Grants to private and voluntary sector bodies**

6.1 Defra group delivers a complex portfolio of grant schemes. EU funding of certain schemes came to an end during 2022-23 so all grant expenditure is now Exchequer funded. New grant schemes have been introduced to deliver domestic government policy.

6.2 All schemes follow Government Functional Standards, particularly [GovS 015](#), when awarding general and formula grants to bodies such as businesses, voluntary organisations, and local authorities. This ensures that grants funding:

- follows appropriate governance for approval of scheme business cases,
- maximises value for money,
- successfully delivers the desired policy objectives,
- is administered efficiently with an acceptable cost to serve,
- follows defined processes throughout the grants lifecycle,
- is distributed on a timely basis and supports the needs of beneficiaries,
- operates in line with 'Managing Public Money', delegated authorities and other requirements,
- minimises the level of fraud and error,
- applies rigorous but proportionate controls.

6.3 All grants are issued with either a grant funding agreement or memorandum of understanding to ensure that funding is controlled effectively, for example through:

- regular reporting,
- payment against agreed milestones where appropriate,
- scheme evaluation.

6.4 A Defra group Grants Hub has been established within Finance Directorate to improve advice to grants managers, assurance and management information. Details of all grants and their outcomes can be found on the Cabinet Office's Government Grant Information System.

6.5 A Defra group Grants Transformation Programme has been approved to deliver a consolidated future operating model.

### **Key delivery partners**

6.6 The following set out the arrangements for key delivery partners in the private, public and voluntary sectors:

#### **National Forest Company (NFC)**

6.7 National Forest Company (NFC) was established in April 1995 to lead the creation of the National Forest, a new, wooded landscape across 200 square miles of central England.

6.8 Although originally established as an NDPB, its status altered in 2016 to a registered charity but with classification as a non-profit institution within the public sector, sponsored by Defra.

6.9 NFC is independent of government with decisions taken by the members of the charity and the board which comprises eight trustees including the CEO.

6.10 NFC receives a small amount of grant-in-aid under Section 153 of the Environmental Protection Act 1990, and Nature for Climate Programme Capital (Nature for Climate Fund runs until 2025), for direct delivery of tree planting.

#### **Waste and Resources Action Programme (WRAP)**

6.11 WRAP is a registered charity and company limited by guarantee, subject to the provisions of the Companies Act and audited within the provisions of that Act.

6.12 It has an annual grant agreement with Defra, setting out the conditions on how the funding can be used.

6.13 A detailed programme of delivery is agreed annually between Defra and WRAP, with performance against these deliverables monitored on a quarterly basis.

6.14 WRAP delivers some of its work through third parties.

## **Regional Flood and Coastal Committees (RFCCs)**

6.15 RFCCs are advisory committees established by the Environment Agency under the Flood and Water Management Act 2010. RFCCs have a statutory duty to consult on and consent to the Environment Agency's regional flood and coastal erosion risk management investment programmes.

6.16 As well as consent to the issue of the local levy to lead local flood authorities, which is raised to fund local priorities, they bring together an independent chair appointed by Defra ministers, members with relevant experience (including experience of nature and wider environment, and coastal, where appropriate) appointed by the Environment Agency, and members appointed by lead local flood authorities.

## **Canal and River Trust (CRT)**

6.17 The Canal and River Trust (CRT) was formed in July 2012 as an independent charity to take over stewardship of 2,000 miles of waterways in England and Wales from the public corporation British Waterways.

6.18 The aim was to better support management of the waterways through greater freedom to generate commercial income and the ability to attract charitable income, donations and volunteers.

6.19 CRT is funded through a mixture of government funding, investment income, commercial income (such as boat licensing) and donations.

6.20 A 15-year government grant was put in place to run until financial year 26/27 consisting of a core grant (around £40 million per year plus inflation) and a conditional grant (around £10 million per year, linked to delivery of key performance indicators). Following a comprehensive review, on 10 July 2023, Defra announced a conditional further 10-year settlement from 2027 for CRT, worth over £400 million.

6.21 Risks, performance, finances, investments and adherence to grant conditions are reviewed regularly by Defra and CRT.

## **EU Common Agricultural Policy (CAP) scheme**

6.22 We have moved to domestic funding of schemes that originated within CAP. As scheme expenditure fell to domestic funding, RPA aligns with the grants functional standards.

6.23 Defra is the managing authority for the Rural Development Programme for England (RDPE), however, from 01 April 2023, Accounting Officer responsibilities moved to the Chief Executive of the RPA, who also administer scheme payments.

6.24 As one of its key operational priorities, Defra continues to support delivery of the activities that were within the RDPE and will continue under domestic funding.

6.25 Detail on the management and control structure of the EU-funded RDPE is set out in section 15 of the [RDPE programme document](#).

## 7. Management of major contracts and outsourced services

7.1 At any one time there are over 2,000 live contracts with a total contract value of £7.04bn. Defra group Commercial (DgC) oversees most, but not all, of this procurement. Commercial decisions are made in accordance with the Financial Scheme of Delegation and Defra Group Commercial (DgC) operates to the government commercial standards which are evaluated annually.

7.2 Defra group has adopted the Cabinet Office’s contract and supplier tiering process, which defines levels of contract management required based on a risk / value analysis.

7.3 Each level (gold, silver and bronze) has its own scalable processes and due diligence requirements which are set out in the Defra contract management toolkit (based on public sector and Cabinet Office best practice).

7.4 The aim of the process is to ensure that the right levels of management and resource are allocated to every contract.

**Table1: Defra’s top 5 contracts (by spend)**

Contract title	Main contractor	Total value of contract	Contract owner
Defra Workplace and FM24 (C17577 – active from Feb 2024)	ISS Mediclean Ltd	£770,000,000	Defra
Interserve Contract Service (ecm 44060)	Mitie FM Ltd	£750,000,000	Defra
Public Sector Resourcing (ecm_53415)	Alexander Mann Solutions Ltd	£500,000,000	Defra
Thames Estuary Phase 1 Programme (TEP1) and TEAM2100 (Thames Estuary Asset Management 2100) (ecm 46421)	CH2M Hill	£310,000,000	Environment Agency
Supply of IT resources to the Defra Group (ecm 51982)	Hays Specialist Recruitment Ltd	£300,000,000	Defra

7.5 As well as being a customer of DgC, Defra’s ALBs also have the capability to provide chargeable services back to the core department under a written agreement.

7.6 These services vary but include research and development and surveillance monitoring.

7.7 The department engages with the ALBs through single-sourcing where applicable, or through a competitive approach depending on the capability of the market.

7.8 DgC provides contract management support to business areas throughout the commercial lifecycle of the contract, with the supplier relationship and contract management support team providing guidance and support to contract managers.

7.9 Some of the larger strategic (gold) contracts (including, Mitie and the Fera JV) are commercially managed within DgC. Other gold, silver and bronze contracts may be managed by ALBs policy or business teams, with DgC providing assurance and training as required.

7.10 The collapse of Carillion in 2018 and the move by Interserve into administration in March 2019 underlined public sector dependency on a small number of key suppliers operating in distressed markets.

7.11 Though improving contract management capability was a government-wide focus before these events, they have reinforced the importance of effective contract and supplier management.

7.12 In June 2019, DgC implemented a contract management improvement programme to address this challenge through improving contract management capability and external validation to ensure that this has been successfully embedded. This has led to a greater focus on understanding supplier risk and a focused approach to improving contract management across individual business areas.

## 8. Investments, joint ventures and other assets

8.1 Defra has a limited number of delivery joint ventures or partnerships. One of the most significant is Fera Science Limited. It is a joint venture, which was formed on 1 April 2015.

8.2 Following a competitive procurement exercise, Defra sold 75% of the Food and Environment Research Agency to Capita, forming a joint venture (JV), Fera Science Limited (FSL), as a private company.

8.3 Defra appoints two non-executive directors to sit on Fera's Board, which provides leadership, sets strategic aims and manages resources to ensure Fera meets its objectives.

8.4 The board also has a responsibility to shareholders and customers and ensures that obligations and commitments are met.

8.5 As a minority owner, Defra has some limited rights of veto on company business as set out in a subscription and shareholder agreement. A shareholder function exists to monitor Defra's investment in FSL.

8.6 The Defra Chief Finance Officer, or equivalent on delegated authority, acts as shareholder representative on behalf of Defra.

8.7 The key elements are that as the debt and equity funder of the company, the shareholder is focused on managing financial risk and return with a focus on:

- decisions on the buying or selling of the Defra shares
- Defra's approval to any share or debt restructuring
- any other corporate change which is likely to have a major impact on shareholder value

8.8 On formation of the JV, Defra entered into a framework agreement with Fera to continue delivery of key services for five years, renewable up to a total of ten years with call-off contracts currently committed to March 2024. A number of call-off agreements have been let under this framework for delivery of scientific services.

8.9 The contracts are managed using Defra's routine contract management processes. Total Defra spend under the framework in 2021 to 2022 was around £22 million with £14 million currently committed for 2023 to 2024.

8.10 Defra was advised in 2021 that Capita intends to sell its 75% shareholding in Fera following a re-organisation. Defra will work collaboratively with Capita to identify a suitable buyer. The framework is not expected to be affected by the sale and will continue to operate to the end of its term.

# Annex A: Defra's Accountability System

**Figure 1:** Diagram showing the scope of Defra's Accountability System (numbers in brackets represent the number of authorities for which Defra is responsible)

In the public sector Defra is divided into the consolidated department, local government and other public sector agencies and organisations. Several private- and voluntary-sector organisations and mixed organisations also fall under Defra's authority.

## The consolidated department

1. The core department: Department for Environment, Food and Rural Affairs.
2. The executive agencies: Animal and Plant Health Agency (APHA), Centre for Environment, Fisheries and Agricultural Science (Cefas), Rural Payments Agency (RPA), Veterinary Medicines Directorate (VMD).
3. The non-departmental public bodies (NDPBs), which are themselves divided into:
  - a. Executive NDPBs - Levy-funded: Agriculture and Horticulture Development Board (AHDB), Sea Fish Industry Authority (Seafish) and Consumer Council for Water (CCW).
  - b. Executive NDPBs: Environment Agency (EA), Joint Nature Conservation Committee (JNCC), Marine Management Organisation (MMO), Natural England (NE), Royal Botanic Gardens Kew, Office for Environmental Protection (OEP).
  - c. NDPBs with advisory functions: Advisory Committee on Releases to the Environment (ACRE), Independent Agricultural Appeals Panel (IAAP), Science Advisory Council (SAC), Veterinary Products Committee (VPC).
  - d. Tribunal NDPBs: Plants Varieties and Seeds Tribunal (PVST) and the Sea Fish Licensing Tribunal (SFLT).
4. Not-for-profit institutions and charity: The National Forest Company (NFC).
5. Non-ministerial department: The Forestry Commission (FC).
  - a. Which has two executive agencies: Forest Research (FR) and Forestry England (FE). Forestry England is also classified as a Public Corporation.
  - b. And which has five advisory NDPBs: Forest and Woodland Advisory Committees (formerly Regional Advisory Committees).
6. The Water Services Regulation Authority (Ofwat)

7. Flood Re which is awaiting administrative classification.

## **Local government**

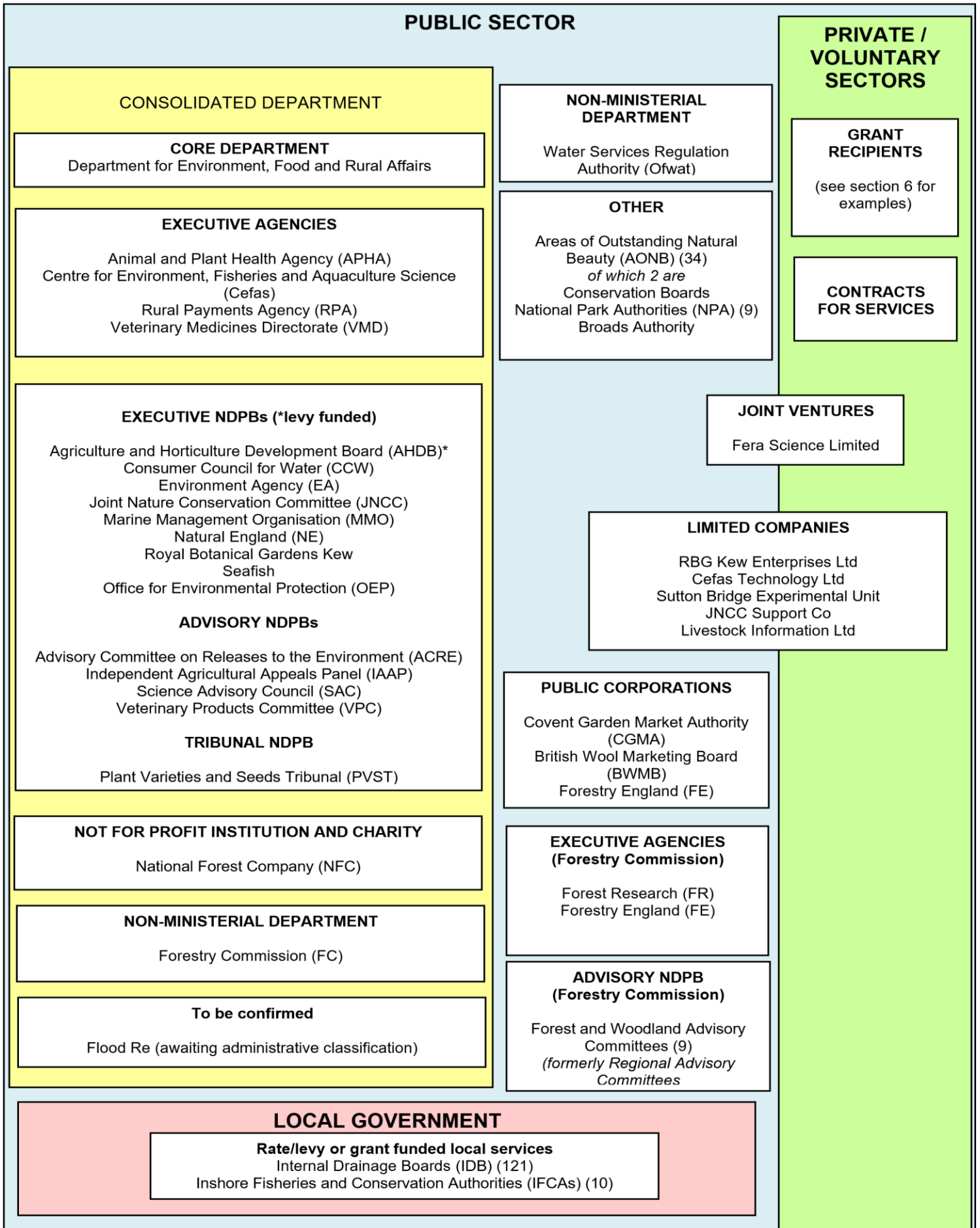
8. Two rate- and levy-funded local services: 121 Internal Drainage Boards (IDBs), and 10 Inshore Fisheries and Conservation Authorities (IFCAs)

## **Other public-sector organisations**

9. Other: Defra is responsible for 34 Areas of Outstanding Natural Beauty (AONBs), of which two are Conservation Boards; nine National Parks Authorities (NPAs) and the Broads Authority.
10. Defra is responsible for two public corporations: Covent Garden Market Authority (CGMA) and British Wool Marketing Board (BWMB). 11. Defra, often through its public bodies, is responsible for six mixed public-sector and private, or voluntary-sector organisations:
  - Five limited companies: RBG Kew enterprises Ltd, Cefas Technology Ltd, Sutton Bridge Experimental Ltd, JNCC Support Co and Livestock Information Ltd.
  - One joint venture: Fera Science Limited.

Defra also administers grants to private or voluntary sector bodies, details of which can be found in section 6. The department also has contracts for services administered by private- or voluntary-sector organisations details of which can be found in section 7.





## Annex B - sources of ALB funding

Table 2: 2021/22 sources of ALB Funding as a percentage of their total funding (all percentages have been rounded)

	AHDB	APHA	CCW	CEFAS	EA	FC	Flood Re	JNCC	Kew	MMO	NE	NFC	RPA	SFIA	VMD
<b>Defra funding</b>	0.0%	75.3%	100.0%	62.2%	72.1%	83.5%	0.0%	84.4%	37.2%	84.6%	82.0%	30.7%	93.9%	0.0%	49.7%
<b>Revenue from contracts with customers:</b>															
Sales of goods and services	3.0%	6.7%	0.0%	34.2%	0.3%	16.2%	0.0%	10.5%	6.9%	0.2%	12.6%	0.0%	0.0%	14.8%	0.0%
Fees, levies and charges	60.3%	4.5%	0.0%	0.0%	22.4%	0.3%	54.9%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%	70.9%	43.2%
EU funding	0.0%	0.3%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Licences	0.0%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other income	0.0%	13.1%	0.0%	0.0%	1.6%	0.0%	0.0%	0.2%	7.6%	1.5%	0.9%	47.3%	0.2%	0.0%	2.8%
<b>Total income from contracts with customers</b>	<b>63.3%</b>	<b>24.6%</b>	<b>0.0%</b>	<b>35.1%</b>	<b>26.0%</b>	<b>16.5%</b>	<b>54.9%</b>	<b>10.7%</b>	<b>14.5%</b>	<b>11.8%</b>	<b>15.2%</b>	<b>47.3%</b>	<b>0.2%</b>	<b>85.6%</b>	<b>45.9%</b>
<b>Other operating income:</b>															
Goods and services	0.4%	0.1%	0.0%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%
EU Income	1.1%	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	4.9%	0.0%	3.6%	1.6%	0.0%	5.4%	1.1%	0.0%
Other income	35.3%	0.0%	0.0%	1.9%	0.4%	0.0%	45.1%	0.0%	48.3%	0.0%	1.2%	21.9%	0.5%	13.2%	1.4%
<b>Total other operating income</b>	<b>36.7%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>2.7%</b>	<b>1.9%</b>	<b>0.0%</b>	<b>45.1%</b>	<b>4.9%</b>	<b>48.3%</b>	<b>3.6%</b>	<b>2.8%</b>	<b>21.9%</b>	<b>5.9%</b>	<b>14.4%</b>	<b>4.3%</b>
<b>Total</b>	<b>100.0%</b>	<b>24.7%</b>	<b>0.0%</b>	<b>37.8%</b>	<b>27.9%</b>	<b>16.5%</b>	<b>100.0%</b>	<b>15.6%</b>	<b>62.8%</b>	<b>15.4%</b>	<b>18.0%</b>	<b>69.3%</b>	<b>6.1%</b>	<b>100.0%</b>	<b>50.3%</b>

