

Department for Environment Food and Rural Affairs

Main Estimate 2018-19

Select Committee Memorandum

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1. Executive Summary

- 1.1 The purpose of this memorandum is to provide an overview and analysis of the Resource, Capital and cash sought in the 2018-19 Main Estimate, to demonstrate consistency with the plans approved in the 2015 Spending Review (SR15) and to set out the changes from the 2017-18 Supplementary Estimate. It also provides background information where relevant.
- 1.2 This memorandum has been prepared with reference to guidance in the Estimates Manual provided by HM Treasury. The information in this memorandum has been approved by Clare Moriarty CB, Accounting Officer and Permanent Secretary of Defra.
- 1.3 Key activities supported by provision in the Estimate
- 1.3.1 The key activities supported by provision in this Estimate, broken down by budgetary limits, are explained below. The budgets support delivery of the Department's strategic objectives, as summarised in section 2.1. They reflect the settlements agreed for Defra as part of SR15, plus further changes announced in subsequent budgets, which sees Defra making efficiency savings, supported by investment in improved infrastructure in estates and digital services. These changes will be off-set by an increase in budget for EU Exit preparedness which will be processed as part of the 2018-19 Supplementary Estimate, as explained in paragraph 1.4.1.
- 1.3.2 The Resource DEL (Departmental Expenditure Limit) budget includes the Administration budget for running Core Defra and its Delivery Bodies 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, Common Agricultural Policy (CAP) Disallowance costs, Voluntary Exit Schemes (VES), Official Development Assistance (ODA) and grants for local government.
- 1.3.3 The Rural Development Programme for England (RDPE) and Basic Payment Scheme (BPS) 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.
- 1.3.4 The largest element of the Capital DEL budget relates to Flood and Coastal Risk Management, which is included as a ring-fenced budget. The 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. Further details on capital plans are provided in section 4.4.

- 1.3.5 The Resource AME (Annually Managed Expenditure) budget is all classified as Programme and includes movements on provisions, including for CAP Disallowance and the Environment Agency (EA) pension schemes, as well as any necessary budget for Flood Re and the 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.
- 1.3.6 The Capital AME budget mainly covers the capital costs of the Levy Funded Bodies.
- 1.3.7 Non-Budget spend covers CAP schemes administered by the Devolved Administrations. The payments made by the Devolved Administrations are funded by the Rural Payments Agency (RPA) and subsequently recovered by RPA from the EC, in their role as the UK Funding Body. A small budget is held by RPA to cover exchange rate differences that may arise due to the timing differences between the claim date and the date of actual reimbursement by the EC.
- 1.4 New areas of spend and variances to the 2017-18 Supplementary Estimate
- 1.4.1 Spending on EU Exit preparedness will increase during the period covered by this Main Estimate. HM Treasury have agreed a total of £320m to be allocated for this purpose. This budget increase will be processed in the 2018-19 Supplementary Estimate, with £310m of the total £320m being allocated from the Reserve.
- 1.4.2 A summary of the significant changes between the Main Estimate and Supplementary Estimate is given in Section 4. A detailed explanation, broken down by Programme and Estimate Sub-head, is given in Annex A.
- 1.4.3 Two changes to accounting standards take effect from 2018-19. These are IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. The Department is in the process of assessing the impact of these two changes on the Estimate. Work carried out so far indicates there is no material effect. Any changes needed will be discussed with HM Treasury and processed in the Supplementary Estimate.

2. The strategic objectives for the Department

- 2.1 Defra's work can be grouped into four strategic objectives:
- **EU exit** - Deliver a smooth transition to new regulatory and delivery frameworks after we leave the EU
 - **Protecting and improving the environment** - Pass on to the next generation a natural environment protected and enhanced for the future
 - **Food, farming and rural affairs** - Be one of the world's leading food and farming nations, with a thriving rural economy
 - **Outstanding organisation** - Be the most effective and efficient department in government

3. Summary of the main spending control figures contained in the Main Estimate

- Resource Departmental Expenditure Limit £1,809.0m

of which:

<i>Administration</i>	<i>£461.1m</i>
<i>Programme</i>	<i>£1,347.9m</i>

- Capital Departmental Expenditure Limit £613.0m
- Resource Annually Managed Expenditure £214.0m
- Capital Annually Managed Expenditure £16.0m
- Non-Budget Expenditure £10.0m
- Net Cash Requirement £2,369.5m

4. Significant changes in provision compared with the 2017-18 Supplementary Estimate

	2017-18 Supplementary Estimate	2018-19 Main Estimate
Resource DEL	£1,975.2m	£1,809.0m
<i>Of which:</i>		
<i>Administration</i>	<i>£538.1m</i>	<i>£461.1m</i>
<i>Programme</i>	<i>£1,437.1m</i>	<i>£1,347.9m</i>

4.1 The Resource DEL budget is £166.2m (8.4 per cent) lower than the Resource DEL budget incorporated in the 2017-18 Supplementary Estimate. A detailed explanation, broken down by Programme and Estimate Sub-head, is given in Annex A. Within this, the Administration budget reflects a decrease of £77.0m (14.3 per cent) and the Programme budget reflects a decrease of £89.2m (6.2 per cent).

4.2 The £77.0m decrease to the Administration budget reflects the year-on-year reductions set out in the SR15 settlement. In addition to this, the 2017-18 budget includes the claim on the Reserve for EU Exit preparedness. The claim on the Reserve for 2018-19 will be processed in the 2018-19 Supplementary Estimate, as explained in paragraph 1.4.1.

4.3 The £89.2m decrease to the Programme budget results from savings across a number of programmes, reflecting the profile of the Department's SR15 settlement. In addition to this, the profile of the CAP disallowance ring-fence decreases across the two years due to the expectation that following the investment provided in 2015-16 and 2016-17 on new systems to improve Land Parcel Identification Systems, disallowance will reduce for future years. The 2017-18 programme budget also included a small element of the budget for EU Exit preparedness. This is partially off-set by a difference in the Resource/Capital split for EA projects in this Main Estimate compared to the 2017-18 Supplementary Estimate. At the start of the year there is always uncertainty about the Resource/Capital split of some of EA's projects. Part of 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.

	2017-18 Supplementary Estimate	2018-19 Main Estimate
Capital DEL	£643.9m	£613.0m

4.4 The Capital DEL budget is £30.9m (4.8 per cent) lower than the Capital budget incorporated in the 2017-18 Supplementary Estimate. A detailed explanation, broken down by Programme and Estimate Sub-head, is given in Annex A. The main year-on-year changes reflect the profile of the Department's SR15 settlement and the increased investment in estates and IT infrastructure, which peaked in 2017-18, in order to deliver efficiencies in the Resource budget. The 2017-18 budget also included the Capital element of the claim on the Reserve for EU Exit preparedness. In addition to this, there is a difference in the Resource/Capital split for EA projects in this Main Estimate compared to the 2017-18 Supplementary Estimate, as explained in section 4.3.

	2017-18 Supplementary Estimate	2018-19 Main Estimate
Resource AME	£267.0m	£214.0m
Capital AME	£16.0m	£16.0m

4.5 The Resource AME budget is £53.0m (19.9 per cent) lower than the Resource budget incorporated in the 2017-18 Supplementary Estimate. A detailed breakdown by Programme and Estimate Sub-head is given in Annex A, and paragraph 7.5 explains the potential volatility of the AME budget. The main year-on-year changes relate to reductions in the Metal Mines and Foot and Mouth Burial Sites provisions as a result of the large increases to these provisions that were processed in the 2017-18 Supplementary Estimate to reflect changes in the discount rate used for valuing provisions. This was partially offset by an increase in the AME budget due to the AME credit for the utilisation for the CAP disallowance provision changing in line with the DEL debit (paragraph 7.5 explains more about the AME budget) and a change in Flood Re's budget. Flood Re's 2017-18 budget was reduced in the

Supplementary Estimate to align with their most recent forecasts, their 2018-19 budget will be assessed in the 2018-19 Supplementary Estimate.

4.6 There are no changes to the Capital AME budget.

	2017-18 Supplementary Estimate	2018-19 Main Estimate
Non-Budget	£10.0m	£10.0m

4.7 There are no changes to Non-Budget.

	2017-18 Supplementary Estimate	2018-19 Main Estimate
Net Cash Requirement	£2,847.6m	£2,369.5m

4.8 The Net Cash Requirement (NCR) is £478.1m (16.8 per cent) lower than the NCR incorporated in the 2017-18 Supplementary Estimate. The decrease reflects the impact of the changes described above on the cashflow of the Department.

5. Detailed explanation of changes in provision compared with the 2017-18 Supplementary Estimate

5.1 Detailed explanations for significant variances between 2017-18 and 2018-19 are shown in the table in Annex A.

6. Explanation of significant changes compared with the 2015 Spending Review (SR15) settlement

6.1 Resource DEL

2018-19 in SR15 £1,683.1m

2018-19 Main Estimate £1,809.0m

Resource DEL has increased by £125.9m (7.5 per cent) since SR15; a breakdown of the movements can be found in Annex B.

6.2 Capital DEL

2018-19 in SR15 £587.6m

2018-19 Main Estimate £613.0m

Capital DEL has increased by £25.4m (4.3 per cent) since SR15; a breakdown of the movements can be found in Annex B.

7. Year-on-year comparison of major control totals

7.1 The following table shows the outturn for 2014-15, 2015-16 and 2016-17, estimated outturn for 2017-18 and plans for 2018-19 and 2019-20. Details of 2015-16 to 2017-18 outturn compared to the plans for those years are shown in Annex C.

£m	Outturn				Plans	
	2014-15	2015-16	2016-17	2017-18*	2018-19**	2019-20
Resource DEL	1,855.9	1,736.6	1,743.6	1,911.4	1,809.0	1,722.8
<i>Administration</i>	486.9	497.2	452.6	504.2	461.1	455.2
<i>Programme</i>	1,369.0	1,239.4	1,291.0	1,407.2	1,347.9	1,267.6
Capital DEL	691.6	569.9	655.0	640.2	613.0	588.3
Resource AME	77.7	390.7	86.1	184.3	214.0	178.7
Capital AME	1.6	0.2	0.9	0.4	16.0	16.0
Non-Budget	1.8	0.1	-3.8	0.0	10.0	10.0

Outturn and plans detailed above have been restated to reflect any Machinery of Government changes which occurred in previous years and prior period adjustments to comply with HM Treasury guidance.

**Outturn for 2017-18 is estimated.*

***Plans for 2018-19 will be updated in the 2018-19 Supplementary Estimate to reflect the additional budget agreed with HM Treasury for EU Exit preparedness.*

7.2 Administration budgets reflect the profile of the Department's SR15 settlement. This profile will be achieved through savings across a number of areas, including efficiencies across the Defra estate. The increase in 2017-18 reflects the claim on the Reserve for EU Exit costs, as explained in paragraph 4.2.

- 7.3 Programme budgets reflect the profile of the Department's SR15 settlement. This overall downward trend will be met through savings across a number of programmes and increased income generation. The Department faces a number of challenges going forward, particularly the impact of EU Exit, these savings are therefore offset by a number of specific budget increases: the 2017-18 budget increases due to claims on the Reserve for Flood Recovery and Air Quality funding; the 2017-18 budget includes the programme element of the budget for EU Exit preparedness; the 2017-18 and 2018-19 budgets increase due to a transfer from the Department for International Development for Official Development Assistance; and the 2018-19 and 2019-20 budgets increase due to allocations from the 2017 Autumn Budget for the Clean Air Fund and Waste Crime Enforcement. There is also an increase in the utilisation of the CAP disallowance between 2016-17 and 2017-18.
- 7.4 Capital budgets reflect the profile of the Department's SR15 settlement. In order to drive efficiencies in the Resource DEL budget, there was increased investment in estates and IT infrastructure during 2016-17 and 2017-18, although some of the savings will now be recycled to accommodate staff increases related to EU Exit preparedness. There is also increased investment in Flood and Coastal Risk Management; particularly during 2016-17 where additional budget was allocated following the 2015 winter floods. 2017-18 and 2018-19 reflect reductions due to a transfer to the Department for International Development for Official Development Assistance. The 2017-18 budget also includes the Capital element of the claim on the Reserve for EU Exit preparedness.
- 7.5 Resource AME balances vary over the years due to the volatility of provisions recorded as AME. A debit (a positive in the table above) is recorded as provisions are created, and a credit (a negative) recorded when a provision is utilised.
- 7.6 Capital AME is small and mainly relates to the Levy Funded Bodies.
- 7.7 Defra's Estimate includes a small amount of cover in Non-Budget, as described in paragraph 1.3.7.

8. Changes to the Ambit

- 8.1 There are no changes to the Ambit.

9. Machinery of Government changes

- 9.1 There are no Machinery of Government changes.

10. Provisions and contingent liabilities

- 10.1 The main provision movements in this Main Estimate relate to CAP Disallowance and EA pension funds.
- 10.2 The Main Estimate also includes details of all the remaining contingent liabilities from the Department's 2016-17 Annual Report and Accounts.

Annex A – Summary of funding variations by Body and Estimate Sub-head

Analysis of movements in Resource spend by Body (this breakdown cannot be seen in the Main Estimate).

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
Spending in Resource DEL					
Animal and Plant Health Agency (APHA)	94.8	90.2	-4.6	-4.9	Small variances of less than £10.0m and 10.0%.
Centre for Environment, Fisheries and Aquaculture Science (CEFAS)	20.0	14.6	-5.4	-27.0	The variance relates to part of CEFAS' budget being centrally held in 2018-19, this will be allocated out throughout the year as priorities arise.
Core Defra	1,168.8	1,039.0	-129.8	-11.1	Much of the variance relates to the reduction in the CAP Disallowance budget as part of the SR15 settlement, as explained in paragraph 4.3. There was also some additional budget received in the 2017-18 Supplementary Estimate for EU exit.
Environment Agency (EA)	412.4	419.4	7.0	1.7	Small variances of less than £10.0m and 10.0%.
Forestry Commission (FC)	41.2	41.9	0.7	1.7	Small variances of less than £10.0m and 10.0%.
Marine Management Organisation (MMO)	16.8	14.2	-2.6	-15.5	The variance mainly relates to increases in fees and charges income in 2018-19 and a reduction in expenditure following efficiency savings.
Natural England (NE)	88.6	73.9	-14.7	-16.6	The variance relates to part of NE's budget being centrally held in 2018-19, this will be allocated out throughout the year as priorities arise. There are also some efficiency savings, in line with SR15.
Royal Botanic Gardens, Kew (RBG, Kew)	27.0	25.5	-1.5	-5.6	Small variances of less than £10.0m and 10.0%.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
Rural Payments Agency (RPA) including UK Coordinating Body	85.1	72.0	-13.1	-15.4	The variance relates to a one-off investment in 2017-18 for the Land Parcel Identification system. There are also some efficiency savings in 2018-19, in line with SR15.
Veterinary Medicines Directorate (VMD)	2.8	2.7	-0.1	-3.6	Small variances of less than £10.0m and 10.0%.
Other Network Bodies	17.7	15.6	-2.1	-11.9	Small variances across a number of the smaller Network Bodies.
Total Resource DEL	1,975.2	1,809.0	-166.2	-8.4	

Spending in Resource AME					
Core Defra	133.9	33.2	-100.7	-75.2	The variance mainly relates to reductions in the Metal Mines provision as a result of the large increase to this provision that was processed in the 2017-18 Supplementary Estimate to reflect changes in the discount rate used for valuing provisions. This is partially off-set by an increase in AME budget for the utilisation of the CAP Disallowance budget as part of the SR15 settlement.
Environment Agency (EA)	48.0	67.3	19.3	40.2	The variance relates to changes in the EA pension fund provision to reflect the most recent actuarial report.
Flood Re	50.0	100.0	50.0	100.0	The variance relates to a reduction in Flood Re's budget in the 2017-18 Supplementary Estimate to align with their most recent forecasts. Their 2018-19 budget will be assessed as part of the 2018-19 Supplementary Estimate.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
Forestry Commission (FC)	-0.1	-0.1	0.0	0.0	No change.
Rural Payments Agency (RPA) including UK Coordinating Body	33.7	9.8	-23.9	-70.9	The variance is mainly due to increases in the 2017-18 Supplementary Estimate for BPS and SPS provisions and the Foreign Exchange rate budget for EU income.
Other Network Bodies	1.5	3.8	2.3	153.3	Small variances across a number of the smaller Network Bodies.
Total Resource AME	267.0	214.0	-53.0	-19.9	

Spending in Resource Non-Budget					
Rural Payments Agency (RPA) including UK Coordinating Body	10.0	10.0	0.0	0.0	No change.
Total Resource Non-Budget	10.0	10.0	0.0	0.0	
Total Resource	2,252.2	2,033.0	-219.2	-9.7	

Analysis of movements in Capital spend by Body (this breakdown cannot be seen in the Main Estimate).

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
Spending in Capital DEL					
Animal and Plant Health Agency (APHA)	1.4	0.5	-0.9	-64.3	The variance relates to centrally held Capital budgets in 2018-19, specifically for the Field Activity Programme. This will be allocated out throughout the year as priorities arise.
Centre for Environment, Fisheries and Aquaculture Science (CEFAS)	6.9	3.4	-3.5	-50.7	The variance relates to the 2017-18 budget for CEFAS including budget for the Lowestoft redevelopment. The 2018-19 budget is currently held centrally and will be allocated out as priorities arise.
Core Defra	101.6	129.0	27.4	27.0	The variance mainly relates to part of the 2018-19 Capital budget previously held by arms length bodies now being held centrally.
Environment Agency (EA)	498.6	452.4	-46.2	-9.3	The variance relates to a claim on the Reserve for Flood Resilience in 2017-18, a reduction in the Capital budget due to the changing profile in the SR15 period and the transfer from Resource to Capital in 2017-18, as explained in paragraph 4.3.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
Forestry Commission (FC)	6.6	9.3	2.7	40.9	The variance relates to an increase in the 2018-19 budget for Forestry Commission for the Woodland Carbon Fund and the budget for the Peatland restoration grants being held in this programme in 2018-19 prior to allocation to Natural England during the year.
Natural England (NE)	6.9	0.4	-6.5	-94.2	The variance relates to the additional budget included in 2017-18 for the protection and restoration of Bolton Fell Moss to meet EU Habitats Directive which ended in 2017-18.
Royal Botanic Gardens, Kew (RBG, Kew)	19.1	15.7	-3.4	-17.8	The variance relates to a reduction in the Capital budget as per the SR15 allocations.
Rural Payments Agency (RPA) including UK Coordinating Body	0.4	0.0	-0.4	-100.0	The variance relates to the Capital budget being centrally held in 2018-19.
Veterinary Medicines Directorate (VMD)	1.5	1.5	0.0	0.0	No change
Other Network Bodies	0.9	0.8	-0.1	-11.1	Small variances across a number of the smaller Network Bodies.
Total Capital DEL	643.9	613.0	-30.9	-4.8	

Spending in Capital AME					
AHDB (NDPB)	16.0	16.0	0.0	0.0	No change.
Total Capital AME	16.0	16.0	0.0	0.0	
Total Capital	659.9	629.0	-30.9	-4.7	

Analysis of movements in Resource spend by Estimate Sub-head and programme

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
Spending in Resource DEL					
A - Food and farming	259.0	216.4	-42.6	-16.4	
<i>Of which:</i>					
CAP disallowance	100.0	59.0	-41.0	-41.0	The variance relates to the reduction in the CAP Disallowance budget as part of the SR15 settlement, as explained in paragraph 4.3.
Food, sustainable and competitive farming	73.8	85.4	11.6	15.7	The variance relates to the reclassification of budget in 2017-18 from Resource to Capital for Research & Development (R&D). The Resource/Capital split of R&D projects in 2018-19 will be assessed during the year.
Rural Payments Agency including UK Coordinating Body	85.2	72.0	-13.2	-15.5	The variance relates to a one-off investment in 2017-18 for the Land Parcel Identification system and efficiency savings in 2018-19.
B - Improve the environment	295.5	321.4	25.9	8.8	
<i>Of which:</i>					
Better regulation	2.6	1.6	-1.0	-38.5	The variance relates to a transfer to the EU and International Trade programme following an internal restructure.
EU and International Trade	2.8	3.5	0.7	25.0	The variance relates to a transfer from the Better Regulation programme following an internal restructure.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
Natural environment and atmosphere improvement programmes	244.1	272.0	27.9	11.4	The variance mainly relates to additional budget for the Clean Air Fund and Waste Crime Enforcement allocated as part of the 2017 Autumn Budget. This is partially offset by a decrease due to a different Resource/Capital split of the ODA budget across the two years.
Waste	4.1	3.9	-0.2	-4.9	Small variances of less than £10.0m and 10.0%.
Water	41.9	40.4	-1.5	-3.6	Small variances of less than £10.0m and 10.0%.

C - Protect the country from floods	1.6	1.6	0.0	0.0	
<i>Of which:</i>					
Flood risk management	1.6	1.6	0.0	0.0	No change.

D - Animal and plant health	157.0	154.9	-2.1	-1.3	
<i>Of which:</i>					
Animal and Plant Health Agency	94.8	90.2	-4.6	-4.9	Small variances of less than £10.0m and 10.0%.
Animal health and welfare including disease control and trade policy	10.6	12.8	2.2	20.8	The variance relates to the reclassification of budget in 2017-18 from Resource to Capital for R&D. The Resource/Capital split of R&D projects in 2018-19 will be assessed during the year.
Endemic diseases	34.4	37.3	2.9	8.4	Small variances of less than £10.0m and 10.0%.
Plant health	14.4	11.9	-2.5	-17.4	The variance relates to the reclassification of budget in 2017-18 from Resource to Capital for R&D. The Resource/Capital split of R&D projects in 2018-19 will be assessed during the year. This is partially offset by internal restructures.
Veterinary Medicines Directorate	2.8	2.7	-0.1	-3.6	Small variances of less than £10.0m and 10.0%.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
E - Marine and Fisheries	32.2	27.7	-4.5	-14.0	
<i>Of which:</i>					
Marine programme	32.2	27.7	-4.5	-14.0	The variance relates to part of CEFAS' budget being centrally held in 2018-19, this will be allocated out throughout the year as priorities arise.

F - Countryside and rural services	134.8	134.2	-0.6	-0.4	
<i>Of which:</i>					
Rural development programme policy and outdoor recreation	134.8	134.2	-0.6	-0.4	Small variances of less than £10.0m and 10.0%.

G - Departmental operating costs	532.8	404.3	-128.5	-24.1	
<i>Of which:</i>					
Corporate services and centrally held budgets	230.7	108.0	-122.7	-53.2	The variance mainly relates to additional budget received in the 2017-18 Supplementary Estimate for EU exit, a transfer of un-utilised EA pension fund budget back to Core Defra and the Capital to Resource transfer that was processed as part of the 2017-18 Supplementary Estimate.
Estates and commercial	143.7	137.2	-6.5	-4.5	Small variances of less than £10.0m and 10.0%.
Information services	158.4	159.1	0.7	0.4	Small variances of less than £10.0m and 10.0%.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
H - Improve the environment (ALB) (net)	209.3	207.4	-1.9	-0.9	
<i>Of which:</i>					
EA - Environment protection, water and fisheries (NDPB)	78.7	94.9	16.2	20.6	The variance mainly relates to the Resource to Capital transfer processed in the 2017-18 Supplementary Estimate, as explained in paragraph 4.3, and a transfer of un-utilised EA pension fund budget back to Core Defra.
NE and JNCC (NDPB)	98.3	81.8	-16.5	-16.8	The variance is due to part of the budget for NE and JNCC being centrally held in 2018-19, this will be allocated out throughout the year as priorities arise. There are also some efficiency savings in line with SR15.
RBG KEW (NDPB)	27.0	25.5	-1.5	-5.6	Small variances of less than £10.0m and 10.0%.
Consumer Council for Water (CCW) (NDPB)	5.3	5.2	-0.1	-1.9	Small variances of less than £10.0m and 10.0%.
I - Protect the country from floods (ALB) (net)	333.6	324.5	-9.1	-2.7	
<i>Of which:</i>					
EA - Flood Risk Management (NDPB)	333.6	324.5	-9.1	-2.7	Small variances of less than £10.0m and 10.0%.
J - Marine and fisheries (ALB) (net)	16.8	14.2	-2.6	-15.5	
<i>Of which:</i>					
MMO (NDPB)	16.8	14.2	-2.6	-15.5	The variance mainly relates to increases in fees and charges income in 2018-19 and a reduction in expenditure following efficiency savings.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
K - Countryside and rural services (ALB) (net)	2.6	2.4	-0.2	-7.7	
<i>Of which:</i>					
National Forest Company (NFC) (NDPB)	2.6	2.4	-0.2	-7.7	Small variances of less than £10.0m and 10.0%.

Resource DEL Total	1,975.2	1,809.0	-166.2	-8.4	
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Spending in Resource AME					
L - Food and farming	19.7	36.8	17.1	86.8	
<i>Of which:</i>					
CAP disallowance	-14.0	27.0	41.0	-292.9	The variance relates to the increase in AME budget for the utilisation of the CAP Disallowance budget as part of the SR15 settlement.
Rural Payments Agency including UK Coordinating Body	33.7	9.8	-23.9	-70.9	The variance is mainly due to increases in the 2017-18 Supplementary Estimate for BPS and SPS provisions and the Foreign Exchange rate budget for EU income.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
M - Improve the environment	107.6	-44.1	-151.7	-141.0	
<i>Of which:</i>					
Natural environment and atmosphere improvement programmes	-3.0	-3.0	0.0	0.0	No change.
Water	110.6	-41.1	-151.7	-137.2	The variance mainly relates to reductions in the Metal Mines provision as a result of the large increase to this provision that was processed in the 2017-18 Supplementary Estimate to reflect changes in the discount rate used for valuing provisions.

P - Countryside and rural services	-0.3	-0.3	0.0	0.0	
<i>Of which:</i>					
Rural development programme policy and outdoor recreation	-0.3	-0.3	0.0	0.0	No change.

Q - Departmental operating costs	40.5	50.4	9.9	24.4	
<i>Of which:</i>					
Corporate services and centrally held budgets	9.5	49.4	39.9	420.0	The variance is due to a reduction in the centrally held provisions in the 2017-18 Supplementary Estimate.
Estates and commercial	31.0	1.0	-30.0	-96.8	The variance is due to an increase in the Foot and Mouth Disease Burial Sites provision to reflect changes in the discount rate used for valuing provisions, partially offset by a decrease in the onerous lease provision, both processed in the 2017-18 Supplementary Estimate.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
R - Food and farming (ALB) (net)	1.2	3.8	2.6	216.7	
<i>Of which:</i>					
AHDB (NDPB)	1.2	3.8	2.6	216.7	The variance mainly relates to an increase in expenditure for export development and levy payer communications in 2018-19.
S - Improve the environment (ALB) (net)	2.0	21.3	19.3	965.0	
<i>Of which:</i>					
EA - Environment protection, water and fisheries (NDPB)	2.0	21.3	19.3	965.0	The variance relates to changes in the EA pension fund provision to reflect the most recent actuarial report.
T - Protect the country from floods (ALB) (net)	96.0	146.0	50.0	52.1	
<i>Of which:</i>					
EA - Flood Risk Management (NDPB)	46.0	46.0	0.0	0.0	No change.
Flood risk management (Flood Re)	50.0	100.0	50.0	100.0	The variance relates to a reduction in Flood Re's budget in the 2017-18 Supplementary Estimate to align with their most recent forecasts. Their 2018-19 budget will be assessed as part of the 2018-19 Supplementary Estimate.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
U - Marine and fisheries (ALB) (net)	0.3	0.1	-0.2	-66.7	
<i>Of which:</i>					
SFIA	0.3	0.1	-0.2	-66.7	The variance relates to a change in the income and expenditure levels in 2018-19 resulting in a slightly lower net budget in line with the new SFIA 3 year corporate plan.

Resource AME Total	267.0	214.0	-53.0	-19.9	
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Spending in Non-Budget Resource					
W - Food and farming	10.0	10.0	0.0	0.0	
<i>Of which:</i>					
Rural Payments Agency (RPA) including UK Coordinating Body	10.0	10.0	0.0	0.0	No change.
Non-Budget Resource Total	10.0	10.0	0.0	0.0	

Resource Total	2,252.2	2,033.0	-219.2	-9.7	
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Analysis of movements in Capital spend by Estimate Sub-head and programme

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
Spending in Capital DEL					
A - Food and farming	9.4	4.8	-4.6	-48.9	
<i>Of which:</i>					
Food, sustainable and competitive farming	9.0	4.8	-4.2	-46.7	The variance relates to the reclassification of budget in 2017-18 from Resource to Capital for R&D. The Resource/Capital split of R&D projects in 2018-19 will be assessed during the year.
Rural Payments Agency including UK Coordinating Body	0.4	0.0	-0.4	-100.0	The variance relates to the Capital budget being centrally held in 2018-19.
B - Improve the environment	9.9	23.1	13.2	133.3	
<i>Of which:</i>					
Natural environment and atmosphere improvement programmes	7.1	18.3	11.2	157.7	The variance relates to a different Resource/Capital split of the ODA budget across the two years.
Waste	0.4	0.4	0.0	0.0	No change.
Water	2.4	4.4	2.0	83.3	The variance relates to a higher budget for Metal Mines in 2018-19.
C - Protect the country from floods	0.2	0.1	-0.1	-50.0	
<i>Of which:</i>					
Flood risk management	0.2	0.1	-0.1	-50.0	The variance relates to a lower Capital R&D budget in 2018-19 for the Flood and Coastal Risk Management budget.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
D - Animal and plant health	10.9	9.6	-1.3	-11.9	
<i>Of which:</i>					
Animal and Plant Health Agency	1.4	0.5	-0.9	-64.3	The variance relates to centrally held Capital budgets in 2018-19, specifically for the Field Activity Programme. This will be allocated out throughout the year as priorities arise.
Animal health and welfare including disease control and trade policy	3.2	1.4	-1.8	-56.3	The variance relates to the reclassification of budget in 2017-18 from Resource to Capital for R&D. The Resource/Capital split of R&D projects in 2018-19 will be assessed during the year.
Endemic diseases	3.7	3.3	-0.4	-10.8	The variance relates to the reclassification of budget in 2017-18 from Resource to Capital for R&D. The Resource/Capital split of R&D projects in 2018-19 will be assessed during the year.
Plant health	1.1	2.9	1.8	163.6	The variance mainly relates to the reclassification of part of the evidence R&D budget from Resource to Capital in 2018-19.
Veterinary Medicines Directorate	1.5	1.5	0.0	0.0	No change.
E - Marine and Fisheries	8.9	5.1	-3.8	-42.7	
<i>Of which:</i>					
Marine programme	8.9	5.1	-3.8	-42.7	The variance relates to the 2017-18 budget for CEFAS including budget for the Lowestoft redevelopment. The 2018-19 budget is currently held centrally and will be allocated out as priorities arise.

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
F - Countryside and rural services	26.3	34.5	8.2	31.2	
<i>Of which:</i>					
Rural development programme policy and outdoor recreation	26.3	34.5	8.2	31.2	The variance relates to an increase in the 2018-19 budget for Forestry Commission for the Woodland Carbon Fund and the budget for the Peatland restoration grants being held on this programme prior to allocation to Natural England during the year.
G - Departmental operating costs	52.8	66.4	13.6	25.8	
<i>Of which:</i>					
Corporate services and centrally held budgets	-45.7	-4.7	41.0	89.7	The variance mainly relates to the re-profiling of the Flood and Coastal Erosion Risk Management budgets across the SR years, as set out in the 2017 Autumn Budget and a transfer to Resource in 2017-18.
Estates and commercial	46.9	45.1	-1.8	-3.8	Small variances of less than £10.0m and 10.0%.
Information services	51.6	26.0	-25.6	-49.6	The variance is due to the profile of Information Communications Technology (ICT) spend in SR15, as explained in paragraph 4.3.
H - Improve the environment (ALB) (net)	61.8	39.0	-22.8	-36.9	
<i>Of which:</i>					
EA - Environment protection, water and fisheries (NDPB)	34.9	22.0	-12.9	-37.0	The variance relates to a claim on the Reserve for Flood Resilience in 2017-18 and the transfer from Resource to Capital in 2017-18, as explained in paragraph 4.3

Description	2017-18 as per Supplementary Estimate (SE)	2018-19 as per Main Estimate (ME)	Variation 2017-18 SE to 2018-19 ME		Explanation of Variance
	£m	£m	£m	%	
NE and JNCC (NDPB)	7.8	1.3	-6.5	-83.3	The variance relates to the additional budget included in 2017-18 for the protection and restoration of Bolton Fell Moss to meet EU Habitats Directive which ended in 2017-18.
RBG KEW (NDPB)	19.1	15.7	-3.4	-17.8	The variance relates to a reduction in the Capital budget, as per the SR15 allocations.

I - Protect the country from floods (ALB) (net)	463.7	430.4	-33.3	-7.2	
<i>Of which:</i>					
EA - Flood Risk Management (NDPB)	463.7	430.4	-33.3	-7.2	The variance relates to the transfer from Resource to Capital in 2017-18, as explained in paragraph 4.3, and a reduction in the capital budget due to the changing capital profile in the SR15 period.

Capital DEL Total	643.9	613.0	-30.9	-4.8	
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Spending in Capital AME					
R - Food and farming (ALB) (net)	16.0	16.0	0.0	0.0	
<i>Of which:</i>					
AHDB (NDPB)	16.0	16.0	0.0	0.0	No change.

Capital AME Total	16.0	16.0	0.0	0.0	
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Capital Total	659.9	629.0	-30.9	-4.7	
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Annex B – Changes compared with the 2015 Spending Review (SR15) settlement

Resource changes

Description	£m
A budget cover transfer to the Department for Communities and Local Government for Lead Local Flood and Sustainable Drainage Systems.	-8.5
A budget cover transfer to the Department for Business, Energy and Industrial Strategy (BEIS) for the Building Information Modelling project.	-0.1
Additional funding allocated to the flood defence maintenance budget in the 2016 Budget.	40.0
Machinery of Government transfer from BEIS in relation to the Environmental Regulation Team.	1.9
A budget cover transfer to the Cabinet Office for the Minority Ethnic Talent Association's (META) programme.	-0.2
Additional funding allocated to the Clean Air Fund in the 2017 Autumn Budget.	45.0
Additional funding allocated for Waste Crime Enforcement in the 2017 Autumn Budget.	5.0
A budget cover transfer from the Foreign and Commonwealth Office to fund Darwin Plus projects.	0.5
A budget cover transfer from the Department for International Development for the Conflict, Stability and Security Fund.	4.2
A budget cover transfer from the Department for International Development for Official Development Assistance (£15.3m in 2016-17 and £21.0m in 2017-18).	36.3
A budget cover transfer from the Department for International Development for the Commonwealth Heads of Government Meeting.	1.8

Capital changes

Description	£m
Additional funding allocated to the flood and coastal erosion risk management budget in the 2016 Budget.	55.0
Additional funding allocated to the estates budget in the 2016 Budget.	6.0

Description	£m
Additional funding allocated to the ICT budget in the 2016 Budget.	5.0
Additional funding allocated to the natural environment schemes in the 2016 Budget.	15.0
Additional funding allocated to the flood and coastal erosion risk management budget in the 2016 Autumn Statement.	5.4
Re-profiling of the flood and coastal erosion risk management budget from 2018-19 to 2019-20 as set out in the 2017 Autumn Budget.	-40.0
A budget cover transfer to the Department for International Development for Official Development Assistance.	-21.0

Annex C – Comparison of outturn to plans for the last three years for all control totals

	2015-16				2016-17				2017-18*			
	Plans	Outturn	Variance	Variance	Plans	Outturn	Variance	Variance	Plans	Estimated Outturn	Variance	Variance
	£m	£m	£m	%	£m	£m	£m	%	£m	£m	£m	%
Resource DEL	1,789.0	1,736.6	52.4	2.9	1,897.9	1,743.6	154.3	8.1	1,975.2	1,911.4	63.8	3.2
Administration	540.7	497.2	43.5	8.0	511.3	452.6	58.7	11.5	538.1	504.2	33.9	6.3
Programme	1,248.3	1,239.4	8.9	0.7	1,386.6	1,291.0	95.6	6.9	1,437.1	1,407.2	29.9	2.1
Capital DEL	587.7	569.9	17.8	3.0	671.0	655.0	16	2.4	643.9	640.2	3.7	0.6
Resource AME	457.9	390.7	67.2	14.7	492.2	86.1	406.1	82.5	267.0	184.3	82.7	31.0
Capital AME	2.0	0.2	1.8	90.0	1	0.9	0.1	10	16.0	0.4	15.6	97.5
Non-Budget	10.0	0.1	9.9	99.0	10.0	-3.8	13.8	138.0	10.0	0	10.0	100.0

Outturn and plans detailed above have been restated to reflect any Machinery of Government changes which occurred in previous years and prior period adjustments to comply with HM Treasury guidance.

*Outturn for 2017-18 is estimated.

Annex D - Explanation of key terms used in the Memorandum

Administration Budget

A HM Treasury control on the resources consumed directly by departments and Agencies/ALBs that forms part of the DEL. Includes spend such as staff costs, resource expenditure on accommodation, utilities and services etc. where they are not directly associated with front line service delivery.

Annually Managed Expenditure (AME)

This is spending that is generally less predictable and controllable than expenditure in DEL. It is a HM Treasury budgetary control that is reviewed twice a year with departments. Defra's AME budget relates mainly to provisions, including the EA pension scheme provision movements and CAP Disallowance provision movements and the budget for *Flood Re* and Levy Funded Bodies.

Ambit

The Ambit describes the activities for which provision sought in the Estimate will be used. Separate Ambits are required for both expenditure and income in each budgetary category included in the Estimate (DEL, AME and Non-Budget).

Departmental Expenditure Limit (DEL)

This is spending that is within the Department's control and can therefore be planned over an extended period. It is a HM Treasury budgetary control that is set for a three or four year period. Examples include administration costs, payments for goods and services, CAP scheme payments and non-cash costs such as depreciation.

Estimate

A statement of how much money the Government needs in the coming financial year, and for what purpose(s), by which parliamentary authority is sought for the planned level of expenditure by a government department.

Main Estimate

The means through which departments seek Parliamentary approval for their spending plans for the year ahead. The Main Estimate is normally presented to Parliament within five weeks of the Budget Statement.

Net Cash Requirement (NCR)

The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure in its Estimate. In the case of a negative NCR, the Department must generate a surplus of at least that amount.

Non-Budget

Income and expenditure that passes through a department's books, but is not included in DEL or AME.

Online System for Central Accounting and Reporting (OSCAR) Database

The HM Treasury database holding public expenditure data (plans and outturn) for a number of years.

Reserve

A small DEL Reserve from which HM Treasury may support unavoidable costs that cannot be absorbed within the existing limit.

Spending Review (SR)

A cross government review of Departmental aims and objectives and analysis of spending programmes. Normally results in the allocation of multi-year budgetary limits. SR15 was an exercise that allocated Departmental budgets for 2016-17 to 2019-20.

Supplementary Estimate

The means by which departments seek to amend Parliamentary authority provided through Main Estimates by altering the limits on Resource, Capital and/or cash or varying the way in which provision is allocated. Normally presented in February each year.