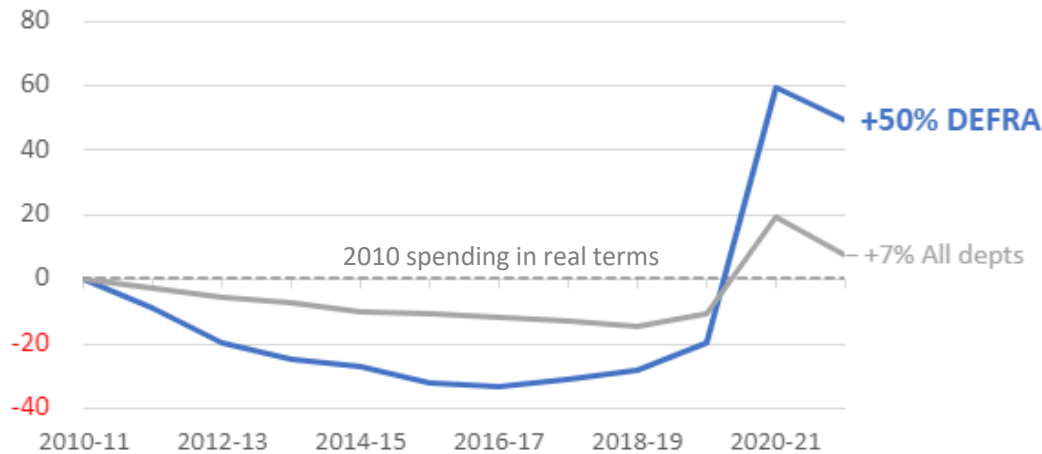


Department for Environment, Food & Rural Affairs (DEFRA)

Long-term trends in DEFRA's spending (in real terms)

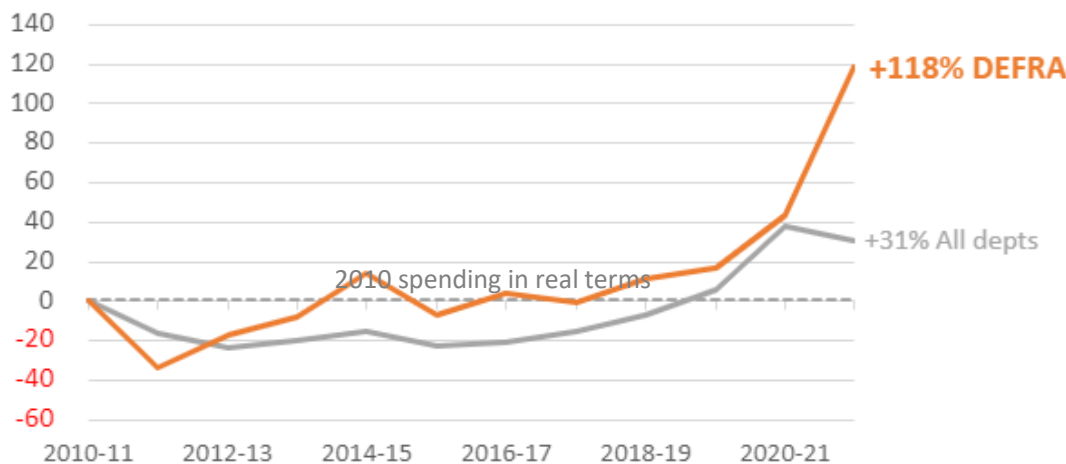
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

- DEFRA's budget **decreased significantly under austerity**, with real terms reductions in spending of **33% in 2016-17 compared to 2010-11**. Savings were made primarily across corporate service areas.
- The increases from 2017-18 are mainly due to additional expenditure for EU exit work funded from the Reserve.
- The large increase in 2020-21 is driven by i) the additional budget for direct payments to farmers following the UK's planned departure from the EU and ii) additional covid support.
- The reduction in 2021-22 reflects the drop in the amount of covid support provided.

Percentage change in **investment spending** compared to 2010 (Capital DEL):



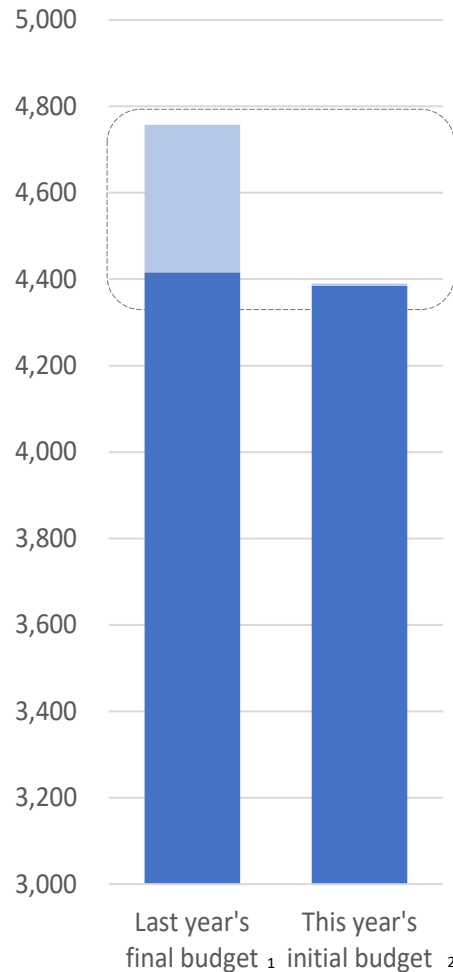
Investment spending trends

- There has been a gradual increase in IT & property investment since 2012 to enable a reduction in the corporate services day to day budget.
- Investment grew in preparation for EU exit to provide for additional infrastructure and systems, including IT development, to support new border controls.
- The large increase in 2021-22 reflects the additional budget provided in SR20 for the Defra science estate, flood and coastal defence programmes and EU exit transition.

How is DEFRA's day-to-day spending changing in 2021-22?

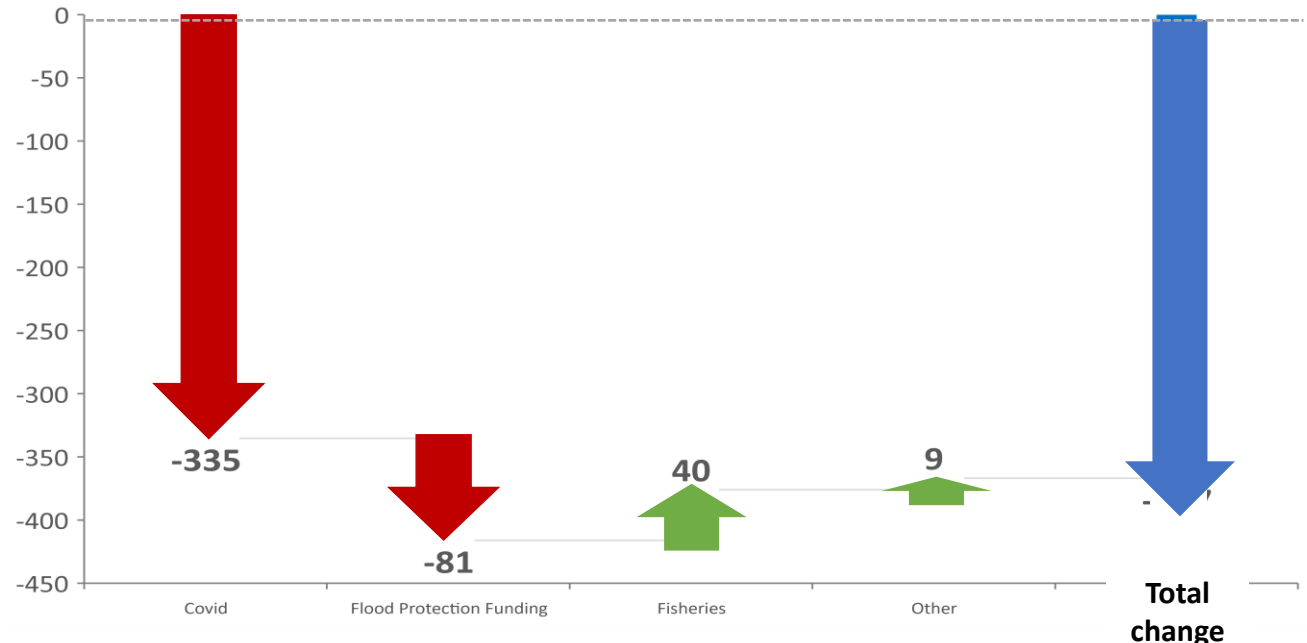
DEFRA's day-to-day budget is decreasing by £366.8m (-8%)

Resource DEL budget in £m



DEFRA's spending reduction is driven by a reduction in Covid-19 funding (possibly temporarily)

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2020-21



Changes in 2021-22

- **Covid** funding has been reduced by £335million, with only £5.8million budgeted so far in 2021/22. This could be amended in the Supplementary Estimates later in the year. DEFRA received £341 million COVID support last year. This was made up of: i) £210 million for providing food supply to vulnerable individuals, ii) £131 million for Local Authority grants to provide support for economically vulnerable people in their communities.
- **Flood protection** funding reduction of £81 million is driven by a budget increase in 2020 for essential flood defence asset repairs.
- **Fisheries:** £40 million increase was outlined in the 2020 Spending Review to deliver a UK-wide scheme to facilitate the structural transformation for the fisheries sectors.

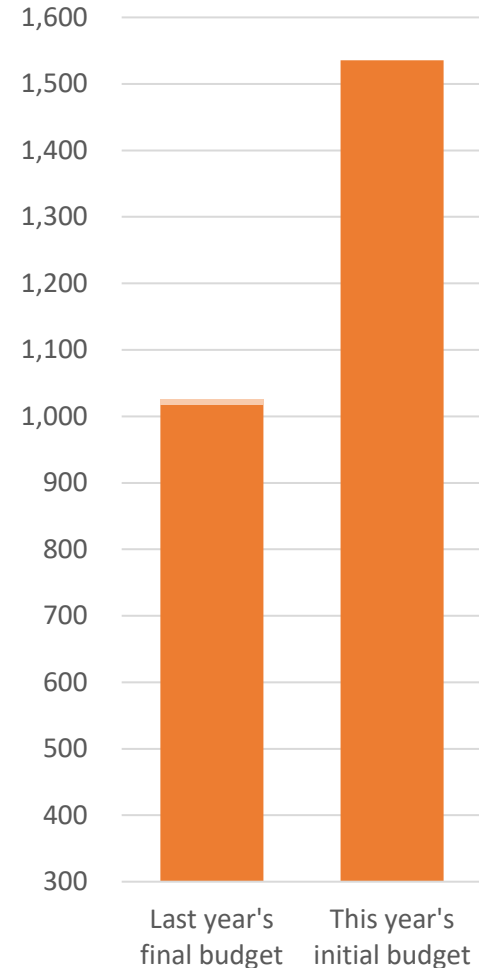
¹ Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

² Initial Budget in Main Estimate 2021-22 (May 2021)

How is DEFRA's investment spending changing in 2021-22?

DEFRA's investment budget is increasing by £510m (+50%)

Capital DEL budget in £m



50% rise in Investment expenditure driven by large programmes.

Changes in Investment (Capital DEL) budget in £m since final budget for 2020-21



Changes in 2021-22

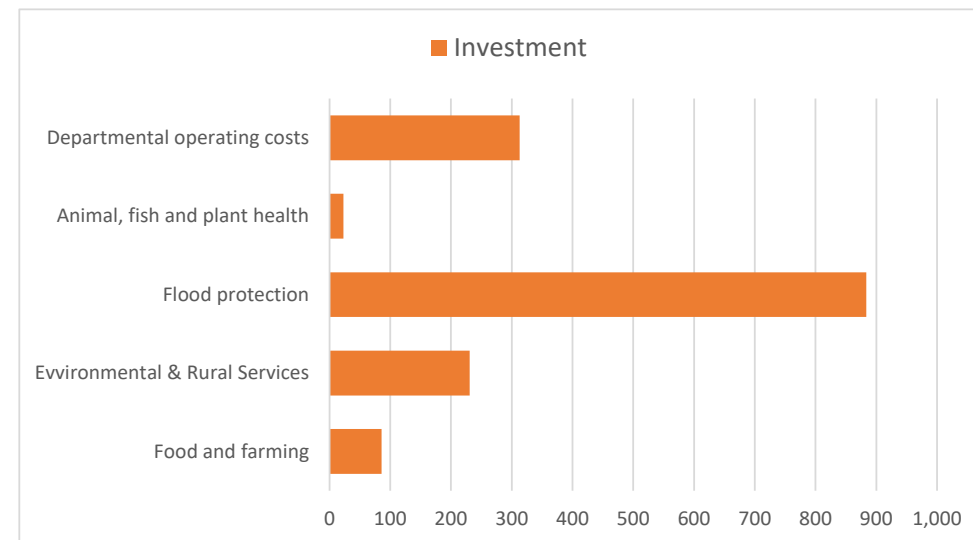
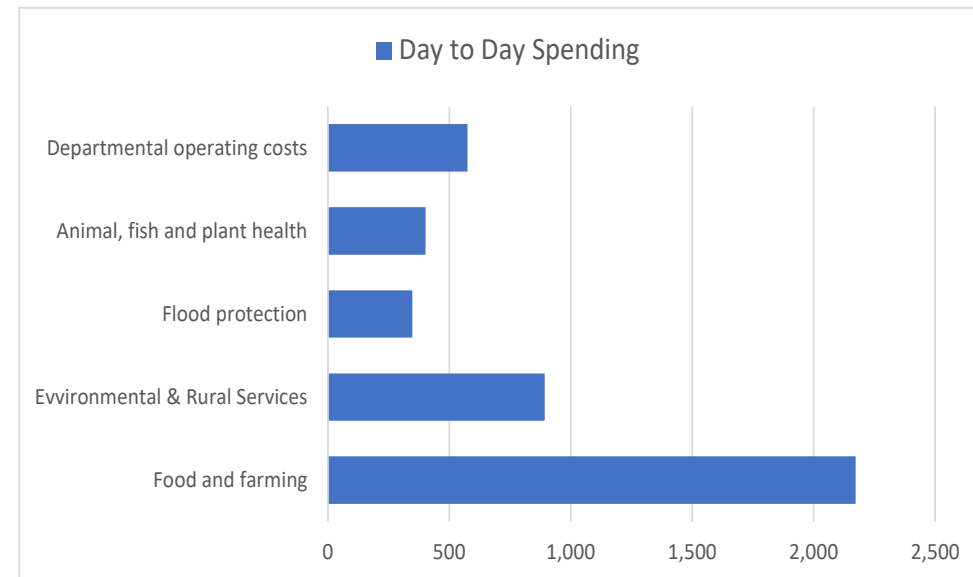
- **Operating Costs** are budgeted to increase by £198.2 million. This is mainly driven by an increase in the Defra science and the Weybridge estate and funding to support EU exit transition which will be allocated out during the year.
- **Flood Protection** is budgeted to increase by £170.2 million. This is part of the 6 year Programme to increase protection for at least 336,000 homes and non-residential properties by 2026-27.
- **Food & Farming** has seen a £58 million increase for capital scheme costs for future farming following the UK's departure from the EU.
- **Environmental & Rural services** is budgeted to increase by £78.4 million, for Nature for Climate fund (a 5-year project focusing on tree planting manifesto commitments and Peatland restoration), National Nature Reserves and waste programmes.

¹ Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

² Initial Budget in Main Estimate 2021-22 (May 2021)

80% of DEFRA's Day to Day Expenditure is for rural payments to farmers.

Breakdown of DEFRA's initial budget for 2021-22 (£ million)*



Day-to-day spending (Resource DEL)

- **Food and farming** makes up over 80% of the day to day spending budget, this is driven by £1,800 million rural payments to farmers. Since 15th Oct 2020 the Treasury has taken over these payments from the EC during the transition period.
- **Environmental & Rural services** expenditure is driven by the 'Natural Environment and atmosphere improvement programmes' £401million (£84million more than last year) and the 'Wildlife, international climate & forestry programme' £163 million (£6 million more than last year).
- **Departmental Operating costs** includes HR, IT, estates, communications and finance functions from the largest network bodies, including associated depreciation. These have been brought into the core Department and have formed group-wide functions, which will improve prioritisation, decision-making, professionalism and efficiency. Many of these costs directly support the front line work in the main operating areas.

Investment spending (Capital DEL)

- **Flood protection** investment spend is administered through the Environment Agency. This year it totals £884 million, an increase of £173 million from last year.
- **Departmental operating costs** includes funding to support Defra science and the development of the Animal Health Science Estate at Weybridge.

*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

DEFRA's spending beyond 2021-22

The most recent spending plans were published in **Spending Review 2020**, with some further announcements in **Budget 2021**. Due to uncertainty caused by Covid-19 plans were only given for 2021-22 and some specific multi-year capital programmes.

Major future commitments have included*:

- Doubling the flood and coastal defence investment to £5,200 million over six years, including £200 million for an innovation programme supporting 25 local areas to develop schemes.
- £2,400 million in 2021-22 to maintain current annual budget to farmers
- To tackle climate change and emissions, £92 million for the Nature For Climate Fund, £75 million for National Parks and an extra £40 million for nature recovery through the Green Recovery Challenge Fund

Day-to-day spending: £5.8m additional Covid spend planned for 2021-22.

- Spending Review detailed a £400 million increase in core funding, but Budget plans now show increased spending in 2020-21 and a flat profile in 2021-22
- Defra may be one of the departments facing future spending reductions from 2022-23

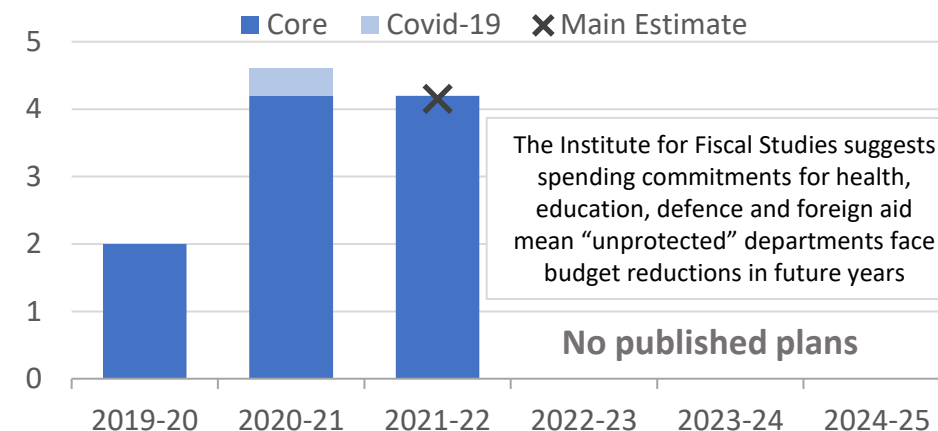
Investment spending:

Capital budget increases by around £510 million in 2021-22. Flood defence programme commits £900 million per year until 2024-25, suggesting £1,600 million will need to be spent in 2025-26 to meet the government's commitment

*May involve day-to-day and investment spending over several years

DEFRA's future day-to-day spending is largely unknown

£ billion, Resource DEL budget excluding depreciation

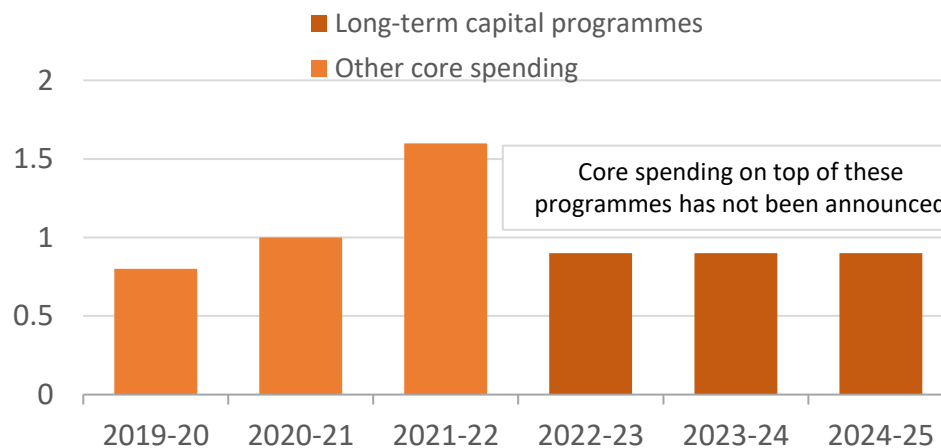


The Institute for Fiscal Studies suggests spending commitments for health, education, defence and foreign aid mean "unprotected" departments face budget reductions in future years

No published plans

DEFRA's future investment spending is on Flood Defence

£ billion, Capital DEL budget



Core spending on top of these programmes has not been announced