Rural Payments Agency

Supporting the rural community

Annual Report and Accounts 2022-23

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HC 1655

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Annual Report and Accounts 2022-2023

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Chief Executive Officer's statement

Paul Caldwell

Chief Executive and Accounting Officer

14 July 2023

2022-23, was an eventful and successful year for the Rural Payments Agency (RPA). We faced many challenges to deliver new initiatives as well as striving to improve performance on existing schemes and payments, against the backdrop of some volatile external events. Our people once again rose to the challenge and, thanks to their continued hard work, passion and professionalism have ensured 2022-23 was a year of significant achievements of which I am proud.

We once again reported excellent payment performance for schemes and grants including the ongoing Basic Payment Scheme and a reinvigorated Countryside Stewardship offer being taken up by more farmers and landowners than ever. We have assisted farmers with improvements to animal health and welfare, productivity and innovation as well as reducing environmental impact. Significantly, we have begun promoting further environmental benefits to support nature through the successful launch of the first round of the Sustainable Farming Incentive.

As we moved away from the pandemic, our customers faced further significant challenges due to the cost-of-living situation. It was important we recognised those challenges and assisted the rural community with the rising costs they faced.

Over the past year, we were able to release early payments from the Basic Payment Scheme (BPS) scheme, with the vast majority of our 84,000 BPS customers receiving advance payments in July 2022. As part of our 5 year Strategy and Agricultural Transition Plan, we were keen to make those changes and innovate across our schemes, and this was a practical way to make a real difference to our customers by easing their cash flow.

We launched the Lump Sum Exit Scheme, which is a component of the Agricultural Transition strategy, enabling farmers to receive a lump sum payment in place of direct payments. As well as allowing some farmers to retire or leave the industry, it will open opportunities for new farmers and farmers within the industry looking to expand.

Our Farming Equipment and Technology Fund opened for the first time in early 2022 and proved extremely popular receiving more than 5,000 applications and paying farmers over £32.7 million in 2022-23. We are also investing in animal welfare and agricultural sustainability with the Farming Equipment and Technology Fund which includes new grants designed to support farmers to invest in their farms as part of the wider Defra Animal Health and Welfare pathway. Our Animal Health and Welfare capital grants will work alongside the Annual Health and Welfare review, which will facilitate vet visits. The grants will focus on reducing environmental stress and improving biosecurity, whilst Productivity and Slurry grants focus on improving agricultural sustainability and horticultural and forestry productivity, helping farmers use less inputs, reduce emissions and cut waste.

Further grants were opened in April 2023, with the opening of the Water Management Grant Round 2. This will provide capital grant funding to support arable or horticultural businesses in England to apply for capital items to improve farm productivity through more efficient use of water for irrigation, and to secure water supplies for crop irrigation.

In June 2022, we met a significant milestone with the launch of the new Sustainable Farming Incentive (SFI) scheme, which enabled any BPS-eligible farmers to apply directly for SFI online.

I was immensely proud when our SFI project team won the Digital Project of the Year at the Government Project Delivery Awards held in March 2023, which was a culmination of hard work across the entire team.

As we look to the future, digitisation and automation are areas where we are looking to improve to support further strides on the customer service, we provide to ensure the best possible experience for our customers. An automated process for the loft pigeon on-line registration service, which enables us to provide smarter and more efficient service to customers registering loft pigeons was introduced in July 2022. We also implemented the live web chat pilot for British Cattle Movement Service (BCMS) and the Pet Travel helpline. I am excited with the possibilities digitisation and automation can offer us in the coming years as we continue to improve the experience we provide for our customers.

Behind the figures, however, it is our customers that we deliver for and who remain at the heart of why we are here. As we continue our journey towards being a customer service provider exemplar, which we have set out in RPA's 5 year Strategy, we have been focussing on further building the skills and capability across the RPA to deliver customer service excellence. Just this year, we had a record number of RPA colleagues nominated for the 2023 Operational Delivery Profession (ODP) Awards.

The quality of our customer excellence training has been recognised by the core department with it, subsequently, being rolled out across the group as part of our commitment to an excellent Operational Delivery Profession.

The RPA has continued to progress on the net zero commitments set out in the 5 year Strategy. We have made excellent progress towards the Greening Government Commitments for decarbonising our fleet of lease cars and comfortably met the target for at least 25% of our fleet to be Ultra Low Emission Vehicles (ULEV's) by the end of 2022. Once vehicles on order are delivered towards the end of this year, over 55% of our fleet will be ULEV's, with over 20% electric vehicles. We have worked closely with Defra to further develop Countryside Stewardship and SFI to encourage, enable and reward farmers and landowners for practicing sustainable agricultural methods which preserves our British countryside and support our rural areas in continuing to be great places to live.

Our achievements over the past year provide a good basis on which to build towards our future, and the work we will do throughout the rest of 2023 and into 2024 is pivotal to this.

All the work we do is delivering on our purpose to help agricultural and rural communities to create a better place to live. We want the agency to deliver for our customers in a way that is excellent whilst at the same time provides an environment for our people to be the best they can be. Throughout 2023-2024, I will ensure we are focusing on these areas and that our people, and our customers are given opportunities to be involved in helping to continue to improve.

Non-Executive Chair of the Agency Management Board's statement

Elizabeth Passey

Non-Executive Chair,
Rural Payments Agency
Management Board

14 July 2023

As you will see documented in the following pages, this last reporting year has been a characteristically busy one.

As we enter the third year of our 5-year Strategy, we continue to work in partnership with Defra group, and agricultural and rural communities to deliver better outcomes, and to create a better place to live and work. There is much to be done in making the move to England's own environmental land management schemes, and, as we continue to carefully manage this transition, we will keep listening to our customers and strive to improve our service.

The importance of the funding we deliver is unquestionable. We know that what we do and how we do it touches upon almost every aspect of farming and rural community life. That is why delivering on customer service alongside Agricultural Transition is a key focus for us and has been a priority this year.

The impacts of the conflict in Ukraine and cost of living situation have been deeply felt in the agricultural sector and we have sought to address this by implementing new measures that not only improved the flow of cash to farmers but also gave them greater certainty as to when they would be paid. This summer, we issued Basic Payment Scheme recipients with an advanced payment and those taking part in our new Sustainable Farming Incentive (SFI) scheme are now being paid regularly and often, rather than having to wait for a single annual payment.

Thanks go to colleagues across all of the agency who worked hard throughout the year processing claims as quickly as possible. It is their contribution that resulted in the agency paying more money to farmers than ever before during December 2022 (the first month of the farm payment window) and in 2022, we issued over one billion pounds in respect of around 100,000 eligible claims.

We have continued to make progress in making our schemes more accessible to farmers and rural businesses by making them simpler to understand, easier to be applied for and quicker for us to process. We introduced a rolling application window and a new online application process that allows farmers to apply for SFI at a time that suits them best. Using the feedback, we have gained by working in partnership with our customers, we are now looking to apply this learning to improve the existing schemes our farmers have been transitioning to. We also introduced new digital services, particularly for new grants under our Farming Investment Fund, making it much easier for rural businesses to apply for funding to invest in new technology, equipment, and infrastructure. These are services we will continue to develop.

Our 5-year Strategy outlines our aim of being an exemplar organisation for delivering excellent customer service. Our Improving Customer Experience (ICE) programme has been at the forefront of achieving these ambitions. It has so far delivered several specific measures which we believe will improve our farming and rural customers' experience in dealing with the Rural Payments Agency. Examples include the introduction of live web chat; enhancements to our telephony services and changes to our contents on GOV.UK. These improvements are making it much easier and much quicker for farmers to get the right advice and information when they need it.

On the ground we launched a new supportive and partnership-based approach to how we conduct on-farm checks. During the 7,965 visits our field officers carried out this year, they were able to provide farmers with advice on how to get the best out of our schemes and signpost them to new opportunities and important services such as those around farming mental health.

Many of our field officers have taken part in first aid training which allows them to be first responders to any incident that might occur during their visit to a region. This is just one example of the initiatives we are undertaking that we hope will influence the evolving and supportive relationship that we have, and continue to develop, with the rural community.

Our people continue to evolve in their work to serve our communities and to fulfil their own contribution to environment sustainability and climate control. Our volunteers on the Net Zero Working Group are challenging the agency to raise its game in sustainability and environmental impact. Through their encouragement, we are lowering our carbon footprint as outlined in the Chief Executive's statement, and by reducing the number of printers at our sites, trialling Greener Stationery, and encouraging our people to complete the Defra group's Carbon Literacy training programme.

Volunteering is a key part of this progress with several RPA colleagues taking part in a range of initiatives from tree planting to litter picking. These initiatives will help to change our behaviours, build our empathy, and embed sustainability in everything that we do.

> Our people continue to evolve in their work to serve our communities and to fulfil their own contribution to environment sustainability

As a Board we have a wide range of rural and farming experience, and our meetings are almost all held at agency offices across England, rather than in central London. In the last year we have met in Newcastle and York, following previous year's meetings in Carlisle and Workington, and upcoming meetings in Crewe and Exeter. It is important to us that we get the chance to meet with colleagues across the many different functions in the agency and to hear of their experiences, concerns, and opportunities. We are keen to put customer experience at the heart of our decision making and use these opportunities to go to farms during these board sessions to learn about the lived experience in the region. Through this, coupled with visits to agricultural shows, and meeting the farming community directly, we try to empathise with the issues that are faced, and help the agency consider how they could address them.

We engage regularly with the RPA leadership group in one-to-one meetings, formal board meetings, and, via our annual strategy days, and we encourage lateral thinking centred around feedback from rural and farming communities. To this end, the Board and I would like to thank the breadth of the farming community, for sharing their feedback openly and willingly, and for their persistence through the changes of recent years. We thank Paul Caldwell, the agency's people, and our Defra partners as we collectively strive for a better future for British land and agriculture.

Performance report

This section should help you understand the objectives, challenges and achievements of the Rural Payments Agency during the year.

Our purpose and our people

Who we are

The Rural Payments Agency (RPA or the agency) was created in 2001 as an Executive Agency of the Department for Environment, Food and Rural Affairs (Defra or the core department). We play an important role in delivering the department's food and farming agenda by empowering agricultural and rural communities to create a better place to live.

Our 5 year Strategy sets out our commitment to deliver Agricultural Transition, meeting both customer expectations and policy needs and delivering environmental outcomes through a quality service.

RPA has responsibility for making direct aid and rural development payments of over £2 billion annually to farmers and rural businesses in England. Our main responsibilities include:

- Operational delivery of Environmental Land Management including the Sustainable Farming Incentive, the evolution of Countryside Stewardship and new grant offers to help make agriculture more competitive and combat climate change.
- Support for farmers' incomes as the former Common Agricultural Policy Schemes such as the Basic Payment Scheme run down.
- Livestock identification and traceability through the British Cattle Movement Service (BCMS).
- An assurance programme which focuses on maintaining the highest standards of animal health and welfare, food quality and environmental outcomes.
- The provision and integrity of English land data.
- A Customer Contact Centre providing a range of services on behalf of the Defra group.

Defra group strategy

During 2020 to 2021, Cabinet Office and HM Treasury reformed the business planning and performance framework across all government departments. There is now a renewed focus on the importance of delivering and measuring real-world impacts within the departmental planning process.

The Defra group Outcome Delivery Plan sets out the critical real-world outcomes we seek to achieve as a group and how we will measure them. It is structured around our four priority outcomes for environmental improvement, net zero emissions, floods and resilience, and agriculture, food, fisheries, animal welfare and biosecurity, and a set of strategic enablers that aim to strengthen our capacity and capability.

RPA's vision, purpose and ambition

Our vision is what we want to happen - as part of the Defra group we are here to seize opportunities to shape our future and help make our country a great place for living. Our purpose is to 'help agricultural and rural communities to create a better place to live'.

Our schemes and products provide support, and our services are focused on helping economic growth in the food and farming industry. Our people work alongside partner organisations as part of Defra's Food, Farming and Biosecurity system to deliver for our customers and stakeholders. Our values clarify our identity and serve as a focal point for our people to ensure we enact our ambitions. Our values are to be - Visible, Engaging, Respectful, Inclusive, Trusting, Accountable and Supportive.

Going concern statement

The financial statements are prepared on a going concern basis. The agency is the only Common Agricultural Policy (CAP) accredited paying agency in England and as such plays an important role in delivering significant funds to the rural economy and enhancing environmental outcomes. Now that the UK has left the EU, the UK government has committed to maintaining funding to the agricultural sector to match that which it would have received under Pillar 1 of the CAP for 2022, as well as confirming that all multi-year projects agreed by the government before November 2016. Consequently, all Pillar 1 and multi-year projects have continued to remain fully funded post our exit from the European Union.

The agency expects to continue to deliver agricultural support payments in line with Defra strategy and government commitments; hence the agency considers the going concern basis to be appropriate and consistent with the Financial Reporting Manual (FReM) 2022-23, continuation of service principle.

Impact and management of key risks

The agency's Executive Team regularly assesses risks faced by RPA. Key risks faced by the agency include the effective mitigation of fraud and error in scheme expenditure, ensuring the delivery of a quality service for our customers, and the delivery of the agency's key scheme targets. The agency is responding to the risk of fraud and error in scheme expenditure by initiating a range of continuing works that will provide a more thorough understanding of the fraud and error risks, what is causing those risks and what alternative interventions and controls can be applied to mitigate those risks. Further details of risks and their management are set out in the Governance Statement below.

Highlights of the year

RPA YEAR IN NUMBERS

1,800
RPA colleagues have completed **their customer excellence training**

7
RPA colleagues successfully completed the cross-government Beyond Boundaries talent programme

83,017
BPS farmers paid £1.37bn this year

31,700
CS agreements in place by January 2023

776
Members of our new **Research & Insight Network Group**

£14.2m
Issued to 610 farmers under our **Lump Sum Exit scheme** to allow them to leave the industry

6,882
ES agreements extended under new domestic legislation

37
Local Authorities took part in our new Fly-tipping Intervention Grant scheme

2,726
Eligible agreements delivering environmental standards under the **new SFI scheme**

249,406
Calls responded to by our Customer Contact Centre

42,000
Import licences issued within five working days

3,000
People we engaged with at over 40 Agricultural shows and events

920,000
Land parcels checked this year

7,965
Site visits carried out by our Field Officers

£33.6m
Paid to 3,182 rural businesses under **Round 1 of FETF**

99.5%
Cattle births, deaths & movements **recorded within five working days**

5,359
STAR awards of thanks issued to our colleagues

Customers at the forefront

Richard Tagg
@Tiggertagg1

Whole herd @Ruralpay inspection,sorry visit today! read every ear tag check every passport check movement records everything !! Always nerve racking but passed with flying colours went like clockwork from start to finish field officer was a credit to you @KapilaSandy

Emma Powlett
@EmmaPowlett

New Farming Equip &Tech small cap #grants announced, launch late Feb. @Ruralpay have listened & added 'new stuff'. Look at the list & plan to apply. Really simple process,you could do it over your breakfast table ! No need for consultants (like me !)

FCN NORTH
@FCN_North

Scenes from the final day @greatyorkshow . Another fantastic 4 days highlighting all that is great in #Yorkshire . See you all next year! @FutureFarmerYAS @Ruralpay @KatieYon5 @BiteintoBritish @KateMorgan24 @DefraGovUK @YorkshireYFC @bishopton_farm @YorksAgSoc @RoyalFamily

Chris Millward
@Chris4Patches

After just 2 years of farming under @Ruralpay Countryside Stewardship, New Years Day birding @BibbeysWildFarm has been transformed!
51 species incl: Snipe, Little Egret, Barn Owl, loads of Rook & Stock Dove, Raven, 2 Stonechat, big finch flocks. 25+ Yellowhammer & Reed Bunting

Richard Wordsworth
@AdviserSPS

Busy day at @lammashow catching up with members new and old on delinked payments, current trading conditions and SFI and also great discussions with Defra and @Ruralpay on scheme development and codesign. Same again tomorrow I suspect. #goodtobeoutandavout @NFUtweets

RPA
@Ruralpay

4th and final day of a great @greatyorkshow @Ruralpay @DefraGovUK have had great conversations with stand visitors about #SFI #CS If you want to talk about these schemes come along to stand 261 and meet the team @JanetHughes @NFUnortheast @CLANorth @FCNcharity @clanorthadviser

Vanessa Tagg
@VanessaTagg

Should have been at @CerealsEvent. Great day and lovely chatting to @Ruralpay. 🌞 and freebies. My kind of day. Heading home to feed hungry husband and calves. 🥪🐄

Working in Partnership – Field officers and visits

Our field officers have...

- Visited 317,492 hectares of land
- Inspected 185,730 cattle
- Checked 1,413,812 sheep (including external visits)
- Given guidance 2,655 times to assist farmers
- Completed 1,249 Meat and Livestock visits
- Undertaken 7,965 field based visits
- Completed 206 Trader visits

Farmers and rural communities are at the heart of what we do, as we strive to provide excellent delivery and outcomes that are in the public interest. We'll continue to support farmers and land managers through the agricultural transition, seeking to place profitable and sustainable farming and food production at the forefront of environmental good practice.

We continued to carry out visits for control purposes because we're giving out public funds, but with the aim of supporting farmers by offering greater levels of advice, guidance and signposting to help improve compliance with standards and scheme requirements and achieve better outcomes.

As part of this supportive approach, we introduced a new visit record checklist. This helped to inform farmers of their responsibilities and included any advice and guidance given, as well as what is going well in the agreement. We use this insight, in combination with other data sources, to help all our scheme participants meet their obligations.

Field officers conducted 7,965 field based visits over the past year.

We delivered a number of improvements last year, such as simplifications for Countryside Stewardship (CS) and the new twice-annual payments of the Basic Payment Scheme (BPS). Our aim is to improve the customers experience further by:

- Reducing the visit burden by using information from our remote observation activities to increase the number of checks we're able to do without the need for field visits.
- Using the data we gather, including the remote observations and farmer feedback, to identify issues as they arise, helping farmers and land managers get back on track with their scheme requirements before control visits.

- Ongoing training for field officers as schemes develop, and feedback is received.
- Listening to feedback and refining our approach to field visits and making things more straightforward where we can.
- Improving the speed of post-visit and payment processing.
- Supporting vulnerable members of the rural community.

Ben Hastings, Field Officer

Ben has been a Field Officer for 18 years and describes it as 'The best job in the world' – He said *"I take great satisfaction from my role advising farmers on numerous topics, which is very rewarding. Meeting all generations of farmers, landowners and agents is fascinating, listening to their problems and stories, and for me, there's nothing more rewarding than spending time walking in the countryside, seeing an abundance of wildlife, landscapes and terrain.*

I was very fortunate to have been brought up on my grandparent's dairy farm in Cumbria where I gained extensive agricultural knowledge and experience, as well as many years spent working in the animal pharmaceutical industry and in my spare time managing and acting as gamekeeper for my own pheasant and partridge shoot. My experiences and knowledge of agriculture, the countryside, crops, wildlife, and birds has definitely given me an advantage and helped me develop my career and role as a Field Officer."

Working in Partnership – Collaboration with Farming Welfare Organisations

We worked with Defra to review and align our existing charity engagement forums, and the RPA Farmer Welfare Working Group was created in August 2022. The group consists of representatives from a range of national and local farming charities, many with a strong rural mental health focus.

The purpose of the group is to work collaboratively on ways we can improve access to our services for farmers and it provides the members with opportunities to engage with the RPA Head of External Affairs and the team, on RPA delivery.

The insight we receive is invaluable in informing where RPA can support farmers in different ways. It's also an opportunity for us to brief the group on current activity, performance and offer insight into aspects of our delivery with subject matter experts.

Among other things, the group have:

- Endorsed and strengthened our communication campaigns for key messages around BPS progressive reductions, site visits and mapping
- Input into our work on tone and language, reviewing the way we communicate via letter
- Engaged with proposals to improve the way we support farmers experiencing difficulties accessing our services

The External Affairs team have also attended and presented at a number of events both virtually and face-to-face, run by members of the welfare group to engage with wider audiences. At Ripon Cathedral Rural Forum in June 2022, we spoke about our ambition to listen, learn and do better, including our communications approach and channels, the introduction of our Research and Insight Network Group. Our new approach to site visits and our customer excellence training.

"The welfare working group has been a great opportunity to help the RPA develop its new more proportionate approach to administer government schemes. It has been especially gratifying to see a real understanding driven from the top that farmers are people, not just an SBI number, and treating them accordingly."

Richard Betton
Upper Teesdale Agricultural Support Services (UTASS)

Working in Partnership – Shows and events

We made some really good progress implementing changes to our schemes and processes that are having a significant beneficial effect on our customer service. Our relationship with customers continues to evolve to become a partnership with shared goals and an emphasis on co-design.

Getting out and about into the communities we serve helps us to continually improve the customer experience and gives our people the opportunity to speak to farmers and land managers face-to-face.

This year saw us attend more shows and events than ever before. We have spoken to over 3,000 customers at 40 events – a 150% increase compared to the previous year.

Highlights include The Great Yorkshire Show in July 2022, the Real Oxford Farming Conference in January 2023 and the National Farmers Union Conference in February 2023.

Main topics of conversation were around the Environmental Land Management Schemes, BPS and CS as expected. Our Prosperity and Productivity funding also gained a lot of attention, with farmers wanting more information on the Animal Health and Welfare Pathway, Farming Transformation Fund, and the Farming Equipment and Technology Fund.

"This has been an exceptionally busy year for us, and we've really enjoyed getting out to speak to more people this year than any other. We've made good strides in developing the relationship we have with our stakeholders and customers. I know there is still more to do, but we are ready to roll out next year's schedule, get stuck in and give even more of our people some first-hand experience of speaking to our customers."

Katie Yon, Senior Stakeholder Manager and Shows and Events Lead

We also held 70 stakeholder meetings, including our regular working level stakeholder engagement group meetings, where we discussed scheme-specific issues as well as longer-term proposals.

Working in Partnership – MP outreach

2022-2023, has been a great year for MP engagement, expanding our offering and getting more face-to-face opportunities with MP's, farmers, and land managers at both regional and national level.

Our successful MP roundtable events continued, and we held a further 11 across the country.

We engaged with around 800 farmers and had some rich conversations with our customers. Hot topics included SFI rates, food production, farmer welfare, progressive reductions, and the changes from inspections to farm visits.

RPA held a drop-in session with MPs in the House of Commons in May 2022 which gave MPs the opportunities to hear an update on the work RPA and Defra FCP were involved in and provided an open forum for answering questions.

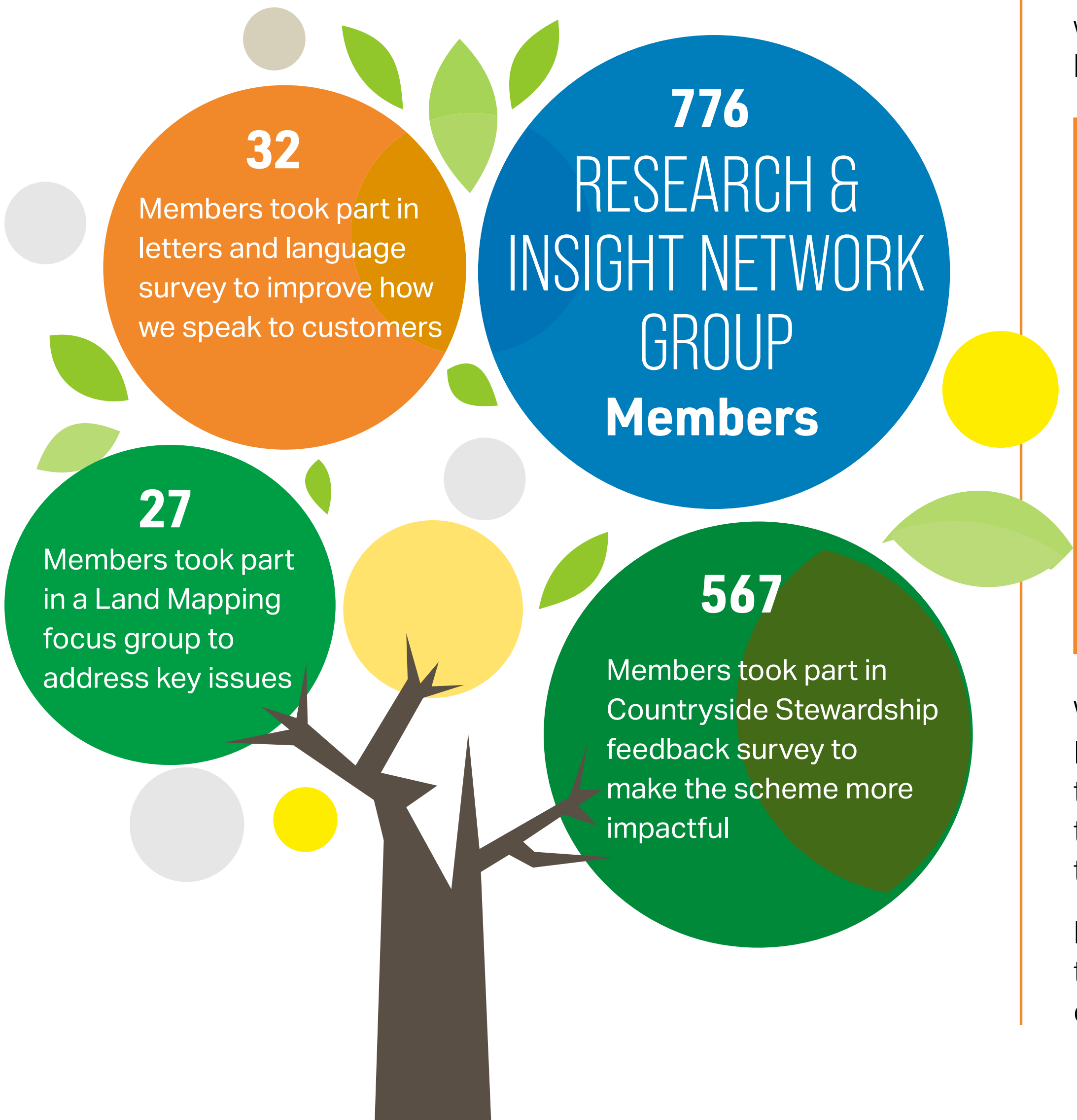
After the success of this, an engagement session hosted by Lord Benyon in the House of Lords was organised in July 2022. This followed a similar format to the House of Commons events we held. Key discussions were on food security; scheme accessibility; and the approach to regulation and enforcement.

We held four farmer roundtables with Trudy Harrison MP, who is also Parliamentary Under-Secretary of State (Minister Environment). These have been well received.

Looking forward, we are in the process of organising further MP roundtable events across England, returning to some constituencies we have already been to, and adding a few new ones onto the list.

Working in Partnership – Research and Insight Network Group and feedback panels

Our Research and Insight Network Group was formally started in May 2022, to bring together all of the customer insight we received into the agency. There are currently 776 members from across the country involved – a mix of farmers, landowners, agents, trusts and charities.



The Research and Insight Network Group brings together customer insight, research opportunities, workshops and user-testing to help the agency understand our customers and provide real and genuine feedback in a wide variety of areas.

567 members took part in the Countryside Stewardship feedback survey, to provide key insights in how to make the scheme more impactful and attractive to new applicants.

As well as holding focus groups with our customers to improve the way we communicate with them, we have looked to improve our land mapping process.

> The virtual focus groups sessions have been deemed "a positive step for the RPA" – with participants feeling appreciative of RPA taking the time "to have focus groups and interact with farmers and landowners about their processes and proposed changes." All [land mapping focus group] participants said that they would recommend similar sessions to other farmers in future.

We collaborated with female farmers to share their stories for International Women's Day 2023, sourced volunteers to help test the UK AERIUS project's online air pollution calculator and started to look at ways we can improve how farmers notify us of changes to their land or entitlements via the RLE1 form.

Research and Insight Network Group members will also start to attend RPA MP roundtable events and continue to work collaboratively with Defra and FFCP on a number of initiatives.

Growth and innovation

Kudos Blends

We enabled Kudos Blends, based in the village of Cleobury Mortimer in the Shropshire Countryside, to invest in a new production line and warehousing. This allowed Kudos Blends to have separate gluten-free and gluten-containing facilities.

Founded in 1999, Kudos Blends are a manufacturer of over 70 different types of baking powder, supplying large 25kg bags of blended baking powder to bakery manufacturers. Their aim is to help bakery manufacturers solve some of their challenges, including increasing shelf life, reducing sodium levels and maintaining consistency of quality.

"We are immensely grateful to the Rural Development Programme for their generous grant. With the installation of state-of-the-art equipment, including a ploughshare blender and first-class equipment to control food safety, we can now totally segregate the manufacture of gluten-free and gluten-containing blends. This investment will not only benefit our business, but also the wider community, as we continue to grow and provide quality products to our customers."

Dinnie Jordan, founder at Kudos Blends

Bannisters Farm

The Bannister family has been farming on the Yorkshire ‘Wolds’ for more than a century and originally began growing potatoes as a break crop from cereals. Since the mid 1980s, they developed the clever idea of baking potatoes when at their best and then freezing them as a way to lock in nutrients, seal in flavour and cut down on waste. It now supplies the food service industry and the retail sector with frozen potatoes in a range of different formats including baked potatoes, filled jackets, roast potatoes and potato skins.

We helped Bannisters Farm to install new equipment to optically grade and sort potatoes that would otherwise need to be graded and sorted by hand. This new technology is ensuring a more efficient utilisation of potatoes crops and will double throughput at the site.

Wicks Manor

Located near Maldon in the beautiful Essex countryside, Wicks Manor is a family run farm producing award winning quality pork products.

Our funding enabled Wicks Manor to develop its existing staff and meat processing facilities along with introducing a new machine to provide additional packing capacity. Together these elements will increase productivity by removing the need for manual handling through the labelling process. It also introduces new techniques that will extend the shelf life of its products.

“This project has helped us to future proof our business securing jobs and boost activity in the local economy. Specifically, it has allowed us to expand our product range giving us greater opportunities to move into new and growing markets.”

Fergus Howie, Wicks Manor

ESTD 1967
Wicks Manor
FAMILY FARMERS & BUTCHERS

Westcott Organics

Westcott Organics sell a range of organic meat products from their farm based in Somerset.

Our funding provided for the construction of a cutting and processing room and storage and ageing facilities on the farm that are all fully compliant with the organic certification process. Recognising that many of their customers do not have the storage capacity for large orders, Wescott Organics can now butcher and process their own and neighbouring farms organic meat in a new certified cutting room which allows them to break down carcasses into more retail friendly packs.

With this dedicated cutting and processing room they are able to sell prime cuts to retail customers and the catering trade as a premium product and are currently looking at developing products focused on the children's organic food market.

Improvements

Live Webchat for Customers

An important step forward in improving our customer experience has been the launch of the live webchat service. This service gives users of these services the option of an additional contact route to help with general enquiries as an alternative to phoning the Customer Contact Centre.

Feedback from our customers suggests that customers who use our services would like fast and easy access to find the information they need which the webchat function will be able to offer them.

The pilot of the live webchat service for customers continues to be successful. From 28 February 2023 through till 28 April 2023, there were 527 webchats completed across the Pet Travel service and BCMS English livestock live webchat service.

RPA call centre operators work across the live webchat service, inbound customer telephone calls and emails, providing various ways to correspond with the agency and meeting inbound customer demand.

Improved Telephony

RPA's customer telephony improvements are some of the first customer experience technology and business process changes and improvements delivered by RPA's Improving Customer Experience Programme. This will support RPA to achieve its 5 year Strategy objective of becoming an 'exemplar of customer service' whilst supporting cultural change.

Social Media Customer Service

Where customers have asked general customer service questions to us on social media (Facebook and Twitter), we are responding to them on social media with the answer or pointing them to the right place. We also collate themes of these queries and work with colleagues to update FAQ's and information on GOV.UK, as appropriate, and also linking with our Customer Contact Centre colleagues.

GOV.UK Improvements

Improvements to GOV.UK content, advice and guidance for customers continues to ensure they can find what they need quickly, the content is up to date and provides answers to their questions. From user research, farmers said they couldn't find what they were looking for, and when they got there, they said there was too much to read. Based on this feedback we've made significant changes to Countryside Stewardship and Basic Payment Scheme pages on GOV.UK.

RPA Podcast

The RPA Podcast is a new communication channel for the Rural Payments Agency to help farmers, land managers and rural communities keep up to date on developments at the RPA, offer support and guidance, and navigate agricultural transition. Farmers don't always have time to read all the documents relating to ongoing schemes and one-off payments, so The RPA Podcast has enabled us to provide information in a format which can meet their needs. We cover a range of subjects in each episode – from scheme updates and application guidance to case studies and wellbeing and business support. Downloads continue to increase month-on-month as awareness of the podcast grows.

RPA Blog

The RPA Blog is a great way of sharing stories, and we published 59 blogs in the last year. Along with scheme updates, key dates and new initiatives we worked on, our 'Introducing you to…' blogs gave great insight into the varied roles we have at the RPA and helped to get to know some of the people who work in the Agency:


Norma, Customer Service Centre Workington


David, CS Inspections Carlisle


Taran, Summer Internship Bristol


Paul, Geospatial Analyst Leeds


Afshan, Operational Mapping Team Reading


Holly, Operational Enabling Team Worcester


Louisa, SFI Team Newcastle


Rachel, BPS Exeter


Carrie, External Affairs York

Future Improvements

As part of improving the customer experience, work is underway to simplify the application process and improve our online forms for our customers. Amongst other changes, the recent Countryside Stewardship Mid-Tier applications launch demonstrates where this work is being put into practice. Applications are now made online, through the Rural Payments Service, a similar way to SFI applications. We have also created an assisted digital route, and farmers are able to request support from the RPA with submitting their applications online. We've already seen some great results from these changes. CS Mid Tier applications are moving to live agreements within weeks and in some cases, days compared to four to six months previously.

"The system [CS Mid Tier online application] is a breath of fresh air! Whilst this wasn't a complex agreement, I'm pleasantly surprised by how straightforward it is to run through."

Andrew Consett
Agricultural Advisor, Wilbys (Yorkshire)

Outreach – Recruitment, Colleges, Development

Getting In, On and Ahead Groups

Our Getting In, On and Ahead groups have worked on initiatives to improve all stages of the employee experience. To help improve the experience of those that join us we introduced two new surveys including a new starter and month in: check in survey so we can understand what we're doing well and where we can improve. We've updated our candidate packs and job adverts to include more advice and tools to help those applying, for roles within the RPA which have also been supported by drop-in Q&A sessions around specific recruitment campaigns.

Internally we also developed a new Workforce and Recruitment hub to provide guidance and tools for vacancy holders as well as resources for candidates looking to change roles.

Our work with East Durham College

We're continuing our work with East Durham College to explore opportunities for joint learning and the development of students, teachers and RPA colleagues over the next year. We are also exploring options to provide insight days and industrial placements to students, as well as opportunities to equip East Durham College educators with more knowledge about upcoming changes.

East Durham College are similarly exploring opportunities to help develop the agricultural knowledge of RPA colleagues training through courses and visits to their working farm. Helping to ensure that our colleagues better understand our customers and the challenges they face improving the service we can provide. Once this partnership model is piloted, we will look to roll-out to this approach to other agricultural colleges across the country.

So far in our partnership we have spoken to the students studying

agriculture at East Durham College about their journey into and experiences of farming, including what they like about, the challenges they face and the advice they would give someone considering getting into farming.

We have also arranged for the college to be part of our Farm Visits pilot, and have worked together to create an educational and informative day for our colleagues. This will give them an opportunity to get a better understanding of how farms work, so in turn they can provide a better service to our customers. It also allows our colleagues to see how their work contributes to real outcomes and impacts on real people.

Beyond Boundaries

Seven RPA colleagues successfully completed the cross-government Beyond Boundaries talent programme and we've another 12 colleagues who have started this year. The Beyond Boundaries programme is a one-year cross-government development programme designed to help participants develop the knowledge, skills and networks required to build a satisfying and effective career in the Civil Service.

Outreach – Apprentices and Social Mobility

Last year we provided three Summer Diversity Internship placements, now known as the Summer Internship Programme (SIP) to students from diverse backgrounds in their second and final years of university study. The SIP gives people from all backgrounds, especially with a regional or Science-Technology-Engineering or Mathematics (STEM) focus, and specific diverse backgrounds the opportunity to see what a career in the Civil Service is like.

"I've really enjoyed the opportunity to explore and understand how RPA works. Before I started my internship, I didn't really understand the work RPA did or how the wider Defra department worked. Through participating and observing in meetings both internal and external with our team, I've been able to develop my understanding of RPA and the work that it does."

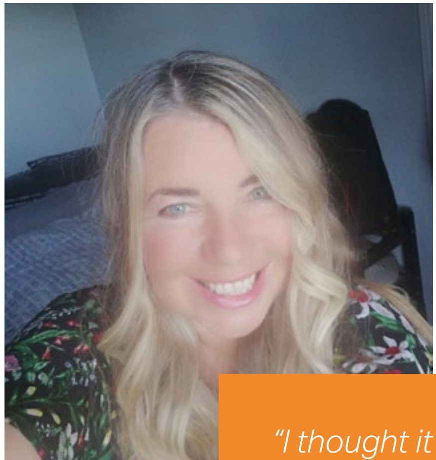
Alice, intern in our Newcastle office

"I've really enjoyed contributing to the team and seeing the development of a project - the RPA is a very collaborative organisation and I do like how everyone's ideas are heard and considered."

Taran, intern in our Bristol office

Our Partnership with Skills Builder

This reporting year we've been delighted to become Collective Impact Partners with Skills Builder to support their mission that one day, everyone will build the essential skills to succeed. So far, the RPA have sponsored nine schools to access the Skills Builder's Accelerator programme. This programme helps equip schools with expert training, tools and resources to ensure essential skills are a part of everyday learning. Helping to address the current 'skills trap' for those from less advantaged backgrounds which undermines social mobility, productivity and wellbeing.



"I thought it was amazing, what a great thing to be part off! Useful to hear what other business representatives had to say and realise we all had similar journeys."

Petra Sneddon, RPA volunteer

"These sessions made the essential skills and employment tangible to the students, many of whom don't get these opportunities to engage with different professions - including public sector and government careers."

Skills Builder School Visited

In 2022-23, through our continued Collective Impact Partnership we:

- Provided funding to four schools across the South East, North West and West Midlands - two secondary schools and two special educational needs school.
- Reached 145 teachers. Helping to build their confidence in teaching essential skills, with 82% of teachers reporting they felt more confident in teaching essential skills so far.
- Reached 1,475 students. With schools supporting their progress to understand, articulate and develop their essential skills

We also supported 10 virtual employer Q&A sessions this year to primary and secondary schools and colleges across the UK and plan to support more in the coming year. During these sessions, RPA people shared how they used essential skills in their roles and gave vital insights into the civil service, breaking down misconceptions of the public sector.

On average, 23% of students are eligible for free school meals across schools sponsored (the national average is 22.5%) reflecting our desire to support those from higher-than-average areas of disadvantage.

Volunteering

Our people engaged in a variety of volunteering opportunities over the last year from beach cleans and tree planting to balsam bashing and butterfly conservation.

We have used an internal sharing platform to promote and enable participation in charity and volunteering events, making it easier for our people to identify volunteering opportunities and undertake them.

In August 2022, RPA colleagues, and family, joined the Eden Rivers Trust (ERT) for a day of balsam bashing - an invasive non-native plant to the UK. The volunteers were shown how to identify the plant as well as how to pull it up. They made a pile ready to be jumped on to bash down the balsam and rot in one place. The group will return in August 2023 to remove the smaller, contained plants and continue the work.

In February 2023, 15 colleagues from RPA, Natural England and Defra joined together for a day organised between RPA and Forestry England. The volunteers worked on butterfly conservation on the butterfly areas at Haldon Forest Park around a species called the Pearl-bordered Fritillary a Priority Species under the UK Post-2010 Biodiversity Framework. The work involved clearing by hand larger saplings and plants so the ideal habitat of bracken for the butterflies could grow.

David Furness awarded Queen's Platinum Jubilee medal for his work with Mountain Rescue England and Wales

David Furness, an RPA Field Officer from York, was awarded the Queen's Platinum Jubilee Medal for his volunteer work with Mountain Rescue England and Wales.

David, who has worked in the agency for the past 27 years supporting our farming customers, said:

"I'm very proud to have volunteered with Mountain Rescue England and Wales for over fourteen years. When I received an email telling me I was receiving the award I was really pleased and humbled to be one of the many recognised."

David has been a blue light driver trainer, is an accredited four x four instructor, lead equipment officer, team chairman, advanced casualty carer and swift water rescue technician.

Net Zero

Net Zero Network, a team of volunteers who are all passionate about the cause and together want to be involved in helping RPA achieve its ambitious targets towards helping the government deliver its commitment of carbon neutrality by 2050.

Our network helps colleagues by raising awareness and by actively seeking out and working to implement opportunities to make carbon savings across the agency.

We are continually looking for opportunities to work in a more sustainable way and make progress against our commitment to Net Zero, as detailed in our 5 year Strategy.

- Net Zero implications are a key consideration in all decisions made by our Executive Team.
- All of our Executive Team have sponsored themes and work with colleagues to improve our performance in those areas.
- We are establishing ourselves as an active stakeholder within the Defra group on sustainability matters and are challenging decision makers to ensure Net Zero is a key consideration in their decision making process.
- We are working to remove consumer single use plastics from our offices. This includes through our supply chain as well, for example, in areas such as the provision of catering and vending facilities.
- We are trialling the Greener Items Stationery catalogue on behalf of the Defra group.
- We are encouraging colleagues to consider sustainability in their day-to-day work and look for opportunities to work in a greener way. Examples of this include policies and facilities to encourage more sustainable methods of commuting, enhancing our recycling provisions and reducing the number of printers we have in our offices.
- We have also included reference to sustainable behaviours in our performance standards.

Decarbonising our travel

We are continuing to decarbonise our travel and ensure people consider sustainability when planning their work. This includes embracing technology and not travelling in the first place if applications like MS Teams can be used as an alternative method to face-to-face communication. Where there is a need to travel, we already have policies in place which prohibit flights being taken on mainland Great Britain and travel by train is our preferred method of transport.

We also have a lease car scheme, which is predominantly used by our field officer colleagues. This is covered by the Greening Government Commitments, and we are working towards electrifying our lease car fleet so that it is zero emission by tailpipe by the end of 2027. We comfortably met the GGC for at least 25% of our vehicles to be Ultra-Low Emission Vehicles (ULEV's) by the end of 2022. Once orders placed have been fulfilled, 64% of our lease cars (67/104) will be ULEV's, with 23% of these fully electric (24/104).

We have also encouraged all colleagues to complete the Carbon & Climate Change Training that has been developed by the Defra group Sustainability Centre of Excellence. This training consists of individual modules that cover the science behind the subject, Defra's role and personal action we can all take before a final facilitated team session where delegates develop their own action plan.

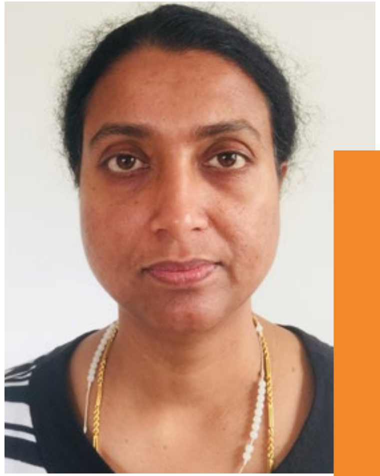
"We're striving to embed sustainability in the organisation and put it at the heart of everything we do, from the schemes we administer to the services we procure, the decisions we make and in the behaviours we display."

Mike Sinclair
Net Zero Network

Developing our People – Green Careers

During the past 12 months, we have continued to roll out the Chartered Management Degree Apprenticeship (CMDA) in Environmental Sustainability Leadership in collaboration with the University of Cumbria, the first of its kind in the country.

This innovative programme saw a second cohort join in September 2022. Five colleagues from RPA, alongside others from Defra group, began their journey to build their leadership skills in environmental sustainability which will be vital across Defra group as there will be a reliance on leadership in environmental sustainability at every level, in every role, in every organisation.



"I decided I wanted to do this as it offers fantastic opportunities for developing new environmental sustainability leadership skills that not only include work-based progression but also allow me to develop the managerial skills, knowledge and experience to showcase the value of learning about sustainability so that I can help achieve our sustainability goals."

Sapna Chacko
SFI Delivery Team

Developing our People – Customer Excellence

Over 1,800 RPA colleagues have so far participated in our new in-house Customer Excellence training. Designed and developed by RPA, this training asks our colleagues to make a commitment to think about how the work we do has a real impact on real people, to make every decision with the customer in mind and to strive for outcomes which have the customer's best interests at heart. Through an internal accreditation process our colleagues are encouraged to evidence how they have applied their learning and demonstrated excellent service. Rolling this out across our teams is giving all of our colleagues the opportunity to understand the role they play in the customer experience and customer service strategy, and to be a part of our improved service offering.

Developing our People – Ambassador Network

We understand the value of face-to-face interactions and the importance of developing links to the communities we serve. This year we have launched our RPA Ambassador Network to support our people develop their knowledge and confidence to go out and represent RPA at local level. Our first 25 Pathfinder Ambassadors are undergoing their training and will represent RPA by engaging with farmers, stakeholders, careers partners and other external audiences in face-to-face interactions. Having local people engage our audiences will enable us to build trust, and gather insight so we can listen, learn and build better relationships.

As well as benefitting the rural communities we serve, being an RPA Ambassador is an excellent opportunity for our people to develop their skills, their understanding of issues impacting our customers and to demonstrate their pride in the work they do.

Developing our People – Farm Visits

We made a commitment to give as many of our people as possible the opportunity for an on-farm experience, to see how their work contributed to real outcomes and real people.

To provide a great understanding of how farms work, and farmers' needs, we have organised a series of pilot Farm Visits with a view for these to be rolled out across the agency in 2023.

Working in partnership with a variety of farms from agricultural colleges and tourist farms to estate managed farms, we are providing a great development opportunity for our people as well as improving the customer experience.

Developing our People – Employee Awards and STaR

STaR

Our 'Special Thanks and Recognition' platform is a way for our people to recognise their colleagues for going above and beyond in their work. This year, colleagues across the agency have recognised their colleagues and thanked them for the great work and supporting our customers by using STaR.

A total of 5,359 awards were given in the last year – both further aiding staff engagement and the positive impacts of that on our service to customers.

Our People Values

Our values help us set our direction, engage people, and deliver results. They are Visible, Engaging, Respectful, Inclusive, Trusting, Accountable and Supportive.

Each year, we hold our RPA employee awards ceremony. This is a highlight in the calendar as we see and hear about the exceptional work our people have undertaken and the exemplar behaviours they exhibited.

Operational Delivery Profession

Lee Martin-White, Head of Operational Change in our Agricultural Transition Directorate won bronze in this year's Operational Delivery Profession (ODP) Awards Community category. This award recognises outstanding work in Operational Delivery which has had a positive impact on the lives of people.

This is the second year running that we have had a finalist representing RPA at the awards, in addition to shortlisted colleagues and many other nominees. Being nominated for an ODP award shows recognition of colleagues and teams making a real difference to the way we work for our customers.

The Operational Delivery Profession is the biggest profession in the Civil Service, serving millions of government customers every year. Here are some impressive facts about this year's ODP awards:

- There are 250,000 ODP colleagues across the civil service
- There were 1,000 nominations for these awards
- Spanning 42 different departments
- 250 invited along to the day
- Nine award categories, with a special Head of Profession award selected from those shortlisted across all the others.

"I'm genuinely grateful for the nomination, which has come about because of the work I do at the Carnegie theatre in Workington, where I've been a volunteer trustee for twelve years now. The Carnegie is a community building. It serves the rural communities in and around Workington. During my time at the Carnegie, I've diversified the building and what it does to serve its community better as a small local charity, sourcing funding for new stage lights to become more energy efficient, improving accessibility by seeking funding to install automatic doors, or just maintaining the Grade 2 listed building because it is such a heritage asset. Over the past two years I've worked towards the Carnegie becoming more embedded into the community through activities that support mental health, wellbeing and youth education working with education providers and social prescribing teams. I'm delighted this year that the Carnegie will be starting its own youth work programme. So what I do as a volunteer is very aligned to what we do at RPA, helping rural communities, often the same communities that we live and work in."

Lee Martin-White

Performance overview

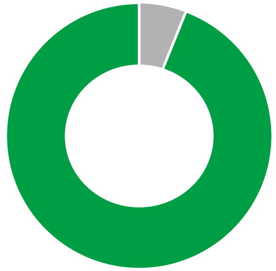
Key business performance indicators are regularly reviewed and updated from previous years.

Objective: Timely processing and payment of the Basic Payment Scheme

Key performance indicator

To issue as many BPS payments as promptly as possible from 1 December 2022

What RPA did



98.3%

of BPS claims were paid by 31 December 2022

Objective: Maintain accurate records of cattle in Great Britain

Key performance indicators

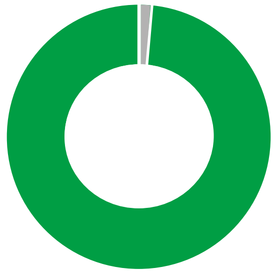
96%

of notified cattle births, deaths and movements recorded within five working days of receipt

96%

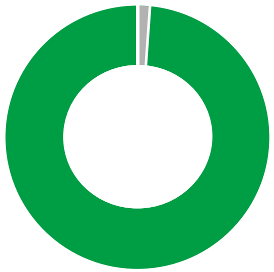
of cattle passports for valid applications and online issued within five working days

What RPA did



99.5%

of notified cattle births, deaths and movements have been recorded within five working days of receipt



99.7%

of cattle passports for valid applications and online were issued within five working days

Objective: Timely processing and payment of Trader Schemes

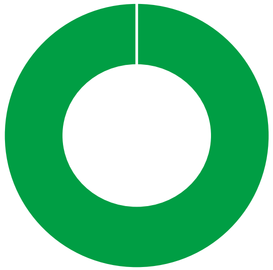
Key performance indicators

100%
of Fruit & Vegetables claims paid by 15 October the following year

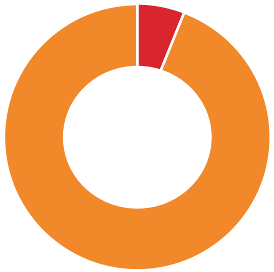
100%
of valid School Milk claims paid within 90 calendar days

At least
98%
of applications for import licences processed within five working days

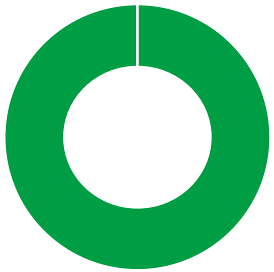
What RPA did



100%
of Fruit & Vegetables claims paid by 15 October 2022



98.8%
of valid School Milk claims paid within 90 calendar days



100%
of applications for import licences processed within five working days

Objective: Timely processing and payment of Grant Service Programme Schemes

Key performance indicators

Create **8,100** jobs by end of 2023 from 2014-2020 Grants Service Programme Schemes

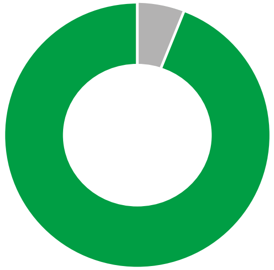
95% legacy claims processed within 30 calendar days

95% of Farming Transformation Fund claims paid within 30 calendar days

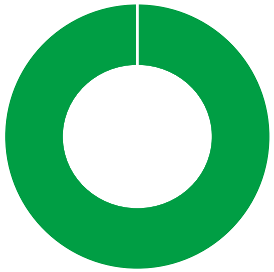
95% of eligible Farming and Equipment Technology Fund Round 1 claims paid by 31 January 2023

What RPA did

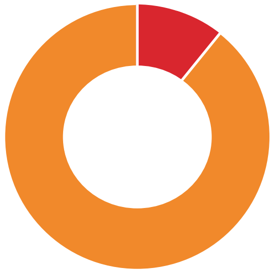
8,581 jobs had been created by 31 March 2023 (ongoing)



97.4% of legacy claims were processed within 30 calendar days



100% of Farming Transformation Fund claims were paid within 30 calendar days



86.2% of eligible Farming and Equipment Technology Fund Round 1 claims paid by 31 January 2023

Performance analysis

Our ambition is to help create thriving businesses, economies and environments and ensure the sustainability of our rural communities. We understand the value of balancing the needs of farming, food and the environment. We strive to continually improve our performance, through trusting and empowering our people to transform our services and always put our farmers at the centre of our focus. The governance statement elaborates on risks: risk overview, fraud risk and disallowance risk.

Farmers and rural businesses across the country have been helped by a strong performance across all our services in 2022-23, including new schemes such as the Sustainable Farming Incentive. We have continued to improve and simplify the Agri-transition schemes to deliver better customer experiences and outcomes, streamlined our business performance and created opportunities to become more flexible and responsive in how we provide our services. Going forward, our transformation work will continue to evolve and will be closely aligned as we continue the transition to new schemes.

Basic Payment Scheme (BPS)

Our performance has continued at the same high level as previous years with 98.3% of BPS payments being made to farmers by the end of December 2022. We were able to maintain this level because of measure we have taken to simplify the administration of the scheme to make it more efficient.

In recognition of the importance of cash flow to the rural community particularly due to issues exacerbated by the war in Ukraine, farmers claiming BPS Payments received two separate payments for the 2022 scheme. This was the start of a permanent change to the BPS payment cycle, with payments now being made in two instalments each year until the end of the agricultural transition period in 2027.

For the first time in July 2022, we paid farmers an Early Advanced Payment (50% of their Claim Value), and 82,872 BPS farmers received an Early Advanced Payment injecting £680 million into the rural economy. Then on 1 December 2022, the first day of the payment window, 81,165 farmers (97.0%) were paid a further £648 million. By 31 December 2022, we had paid 82,191 (98.3%) of farmers and this had increased to 83,017 (99.3%) by 31 March 2023. In total, we released over £1.37 billion of BPS payments into the rural economy this year (2021-22: £1.65 billion). BPS payments began being progressively phased out in England in 2021. This reduction in payments, will continue until 2027 when the last of the payments will be made. The funding that is taken away from BPS will be recycled into the new domestic schemes administered by the agency.

Percentage of BPS payments by scheme year	2022	2021	2020	2019
End of December	**98.3%**	98.3%	97.8%	95.0%
End of March	**99.3%**	99.4%	99.1%	99.0%

Countryside Stewardship (CS)

During this year, we made improvements and enhancements to try and encourage more farmers to participate in the Countryside Stewardship scheme. Along with issuing a greater number of payments, we delivered changes that not only made it easier for farmers to apply, but also improved their customer experience.

We introduced a simplified journey for online applications and an annual claim declaration, which meant that agreement holders do not have to complete a burdensome annual claim form and can instead declare online that they are fulfilling the obligations of their agreement. This has reduced the administrative burden on them whilst also making the claim for payment process quicker and more straightforward.

As of January 2023, there were around 31,700 CS agreements in place containing Revenue options and 4,613 with Capital only agreements. This was an increase of around 7,000 live agreements since reported in January 2022 and is a 94% increase in uptake since 2020 showing how Countryside Stewardship remains a key vehicle for delivering important outcomes for the climate, environment, and food production.

Action	Scheme year	Performance by 31 March
CS Claims payments made	2018	38.3%
	2019	51.5%
	2020	95.3%
	2021	93.8%
	2022	**95.2%**
CS Mid-Tier Agreements offered to Customer	2019	98.2%
	2020	96.6%
	2021	97.5%
	2022	94.4%
	2023	**99.5%**
CS Higher Tier Agreements offered to Customer	2019	94.7%
	2020	95.0%
	2021	96.1%
	2022	88.2%
	2023	**91.6%**

As a result of previous simplifications, we had made, we saw a 25% increase in the number of eligible 2022 CS claims we received compared to the previous year.

By the end of March 2023, we had issued 23,185 (95.2%) 2022 CS payments, equating to £251 million (£271 million of CS expenditure reported in Note 5 Schemes administered by the agency, includes £20 million of accruals). This is a significant increase compared to 2021-22 when we issued 17,631 (93.8%) payments, demonstrating the agency's adaptability and resilience in responding to significant volume increases.

We met our combined target to issue 95% of 2022 CS agreements by 31 March 2023. By this date, we had sent 7,022 (99.5%) Mid-Tier 2023 agreements and 821 (91.6%) Higher Tier 2023 to farmers which is an improvement on last year where we had sent offers of agreement to 8,184 Mid-Tier (94.4%) and 760 (88.2%) Higher Tier 2022 applicants.

Since 1 April 2022, we have received 10,312 CS Capital Claims and have paid 9,681 claims approximately £120 million. On average, claims were processed and paid within 21 working days from point of receipt which is a quarter of the time quicker than last year (2021-22: 28 days).

All CS claims for claim year 2021 onwards, both paid and accrued, are reported in the agency's accounts within Note 5 expenditure. Prior to that date all CS claims were reported in Defra's accounts. Consequently, the figures quoted above for payments made in 2022-23, are for both the agency and Defra CS programmes and will not reconcile to the figures reported in Note 5, which are for the agency CS expenditure only and which also include accruals.

Environmental Stewardship (ES)

This year has seen our best performance to date regarding making Environmental Stewardship payments to farmers.

We have introduced new measures this year to improve the administration and performance of the scheme. Under rules agreed with the EC, previously we were only able to offer one-year extensions and on a rolling basis. From January 2023, we could set our own rules and as all Higher Level Stewardship agreements are now domestically funded, we have given existing agreement holders greater certainty and clarity by offering them extensions up to five years.

The volume of extensions offered has increased year on year. 4,150 were offered in 2021 which increased to 5,756 in 2022 and to 6,882 in 2023.

Action	Scheme year	Performance by 31 March
ES Advance payment	2018	47.6%
ES Final payment	2019	86.3%
ES Final payment	2020	90.4%
ES Final payment	2021	84.8%
ES Final payment	**2022**	**95.6%**

As of 31 March 2023, we made a total of 8,681 (95.6%) payments equating to £126 million.

All ES scheme transactions are reported within Defra's Annual Report and Accounts, and not in RPA's Annual Report and Accounts.

Sustainable Farming Incentive

In 2021, the Sustainable Farming Incentive (SFI) pilot was launched by the RPA who had a key role in the development and co-design of the scheme, alongside responsibility for the successful operational delivery of the scheme and administering payments.

There are currently 831 live SFI pilot agreements, the majority of which have received all four quarter payments to a total annual value of £12.1 million. The agency reports a higher figure of £12.5 million in Note 5 Schemes administered by the agency, as this figure includes £0.4 million of SFI accruals.

Since February 2023, second year payments on these agreements have started totalling around £933k.

We opened the SFI scheme for applications in June 2022 in an incremental way. Using insight gained from the pilot, we have designed a new service that is quicker and more straightforward for farmers than previous schemes. It includes new features that allows us to automate the checks we need to do and process applications much more quickly than we have previously been able to do. Considering, farmer feedback, we introduced rolling applications which allows farmers to apply when it suits them, rather than having to meet a deadline.

As of 31 March 2023, we had received 2,726 eligible applications, of which, 96% of farmers have an agreement in place and are currently delivering on the standards. The total annual value of these live agreements is around £16.1 million.

The Annual Health and Welfare Review element of the SFI scheme started its initial testing in September 2022 and using feedback obtained from farmers and industry experts, we opened it to all eligible farmers in February 2023.

The review allows livestock farmers to get funding for a vet to visit their farm and as of 31 March 2023, we had received 1,271 applications, of which 37% had agreements in place totalling £213.9k. Agreement holders have six months from the date of the agreement to submit their one-off claim and so far, 29 claims had been paid a total of £13.9k. The agency reports a higher figure of £18k in Note 5 Schemes administered by the agency, as this figure includes £4k of vet visits accruals.

See Note 20 below, which explains that from 21 June 2023, SFI 2022 has been closed to allow early take up of an improved SFI 2023 scheme.

Trader Operations

The trader operations team successfully concluded two emergency schemes (Private Storage Aid) and (Slaughter Incentive Payment scheme – SIPS) that were delivered on behalf of the core department, to address the backlog of pigs on farm. Over £580k was paid to the industry operators who applied to these emergency schemes.

We issued over 42,000 import licences and various forms of export certification to help the movement of goods in and out of the UK. All licences were issued within five working days, exceeding the commitments set for the year of 98%.

We also paid Fruit & Vegetables Producer Organisations 100% of their annual claims by the regulatory deadline of 15 October 2022. 99.8% of School Milk claims were paid within 90 calendar days, which represented only 1 out of 652 outside of the 90 days. £5.7 million was paid by the School Milk Scheme this financial year.

We provided over £40 million of financial support this year to Fruit & Vegetables Producer Organisations covering all of the UK's overall production

We helped over 14,500 schools across England, Scotland, and Wales to provide subsidised milk, yoghurt and yoghurt products to their students

Grants service

Our main focus is delivery of Farming and Countryside Programme (FCP) objectives. This includes the Farming Investment Fund (FIF) grants, under the Farming Equipment and Technology Fund (FETF) and the Farming Transformation Fund (FTF). We are also completing the final delivery of our EU socio economic programmes, as well as starting to deliver other non- FCP grants.

By the end of March 2023, almost 14,000 Rural Development Programme for England (RDPE) projects had been awarded over £496 million in grant funding, these projects in total represent an investment in the rural economy of over £1.12 billion. Just over £448 million in grant funding has now been paid to projects since the start of RDPE grant funding. And we are managing the completion of the few remaining projects.

All RDPE grant transactions are reported within Defra's Annual Report and Accounts, and not in RPA's Annual Report and Accounts.

The FETF Fund provides grants towards the cost of equipment and technology to improve productivity, environment and animal health and welfare. The claim window for FETF Round 1 closed in October 2022, and as of 31 March 2023, we had paid out 3,182 claims worth £33.6 million, over 2022-23 and 2021-22. The total of the same two financial years in Note 5 for FETF Round 1 are slightly higher due to accruals.

We have now launched FETF 2023. We opened the portal for Improving Farm Productivity grant and Slurry Infrastructure grant applications in February 2023 and received 2,777 applications worth £28.3 million. The Animal Health and Welfare scheme portal opened in March 2023, and the scheme closing date was 15 June 2023.

The online checker for FTF Water Management grant closed in January 2022. 233 projects with a total grants request of £32.9 million were invited to submit full applications and 106 were received requesting £19.8 million in grants. A second round of the FTF Water Management scheme launched in April 2023. The online checker for FTF Improving Farm Productivity grant closed in March 2022. 338 projects, with a value of just under £61.6 million, were invited to stage 2 of the process, and 144 applications were received worth £20.6 million.

The online checker for FTF Adding Value grant opened for applications in June 2022 and closed in July 2022. The agency received 658 online applications with a value of £76.3 million of which, 628 projects have been invited to submit a full application for stage 2. The application window closes for this stage on 31 January 2024. Applications for the FTF Slurry Infrastructure grant opened to farmers in October 2022 and closed in January 2023. In March 2023, 374 of the 1,292 applicants were invited to stage 2 of the application process, and these need to be received by 28 June 2024.

We continue to work closely with the core department to support RPA's ambition to be the preferred delivery body for grants, taking on new areas of work across wider Defra, responding to all requests for new schemes. An example of this is the Fly-tipping Intervention Grant (worth £800k) which we launched in December 2022, with 37 local authorities who submitted applications worth £1.5 million. We are also reviewing our response to emergency recovery in the agricultural sector from a policy and delivery perspective as part of future planning.

The Farming Transformation Fund provides grants towards large capital items to help businesses improve productivity, profitability, and environmental sustainability.

It covers four grants:

- Water Management - for capital items to improve farm productivity through more efficient use of water for irrigation, and to secure water supplies for crop irrigation by the construction of on-farm reservoirs
- Improving Farm Productivity - for capital items to improve farm and horticulture productivity using robotic or autonomous equipment and systems to aid crop and livestock production and the installation of slurry acidification equipment
- Adding Value - is available for growers or producers to add value to eligible agricultural products after they have been harvested or reared
- Slurry Infrastructure - available to pig, beef, and dairy farmers whose farming systems produce slurry. It helps replace, build new or expand existing slurry stores to provide six months' storage

Cattle records

We maintain an online database to report cattle births, deaths and movements of all bovine animals in England and Wales.

Our British Cattle Movement Service (BCMS) achieved all key performance indicators with 99.5% of cattle births, deaths and movements completed within agreed deadlines.

The amount of non-electronic transactions has reduced from 612k to 516k (96k) from the previous year, and we continue to promote online reporting as the preferred route.

Our people working in BCMS continue to provide subject matter expertise for the replacement livestock systems for England and Wales. This includes planning for the managed disaggregation of the current service and transition to the new successor service. The replacement for the Cattle Ear Tag Allocation Systems was rolled out in February 2023. RPA will be administering the ear tag allocation service on behalf of Defra with Livestock Information Ltd acting as a supplier of the IT system under a three-way memorandum of understanding.

Tracing animals helps to control and eradicate bovine diseases such as Bovine Tuberculosis, Bovine Viral Diarrhoea and foot and mouth disease. It protects consumers by making sure that products in the human food chain are safe

Regulatory & Advice service

In line with RPA's changing approach to visits becoming more partnership-based, working together with the farmer to achieve the environmental outcomes, our programme of visits is designed to meet our obligations for using European Commission and UK money, ensuring payments made by the agency are accurate, and additionally help safeguard the environment, the public, crop health, animal welfare and livestock and food traceability.

Site visits continue, for control purposes, to protect public funds, but the visits have evolved to be more supportive including for example better signposting to information and guidance. This approach helps farmers to achieve the environmental outcomes of schemes and will help farmers and land managers deliver public benefit for public goods.

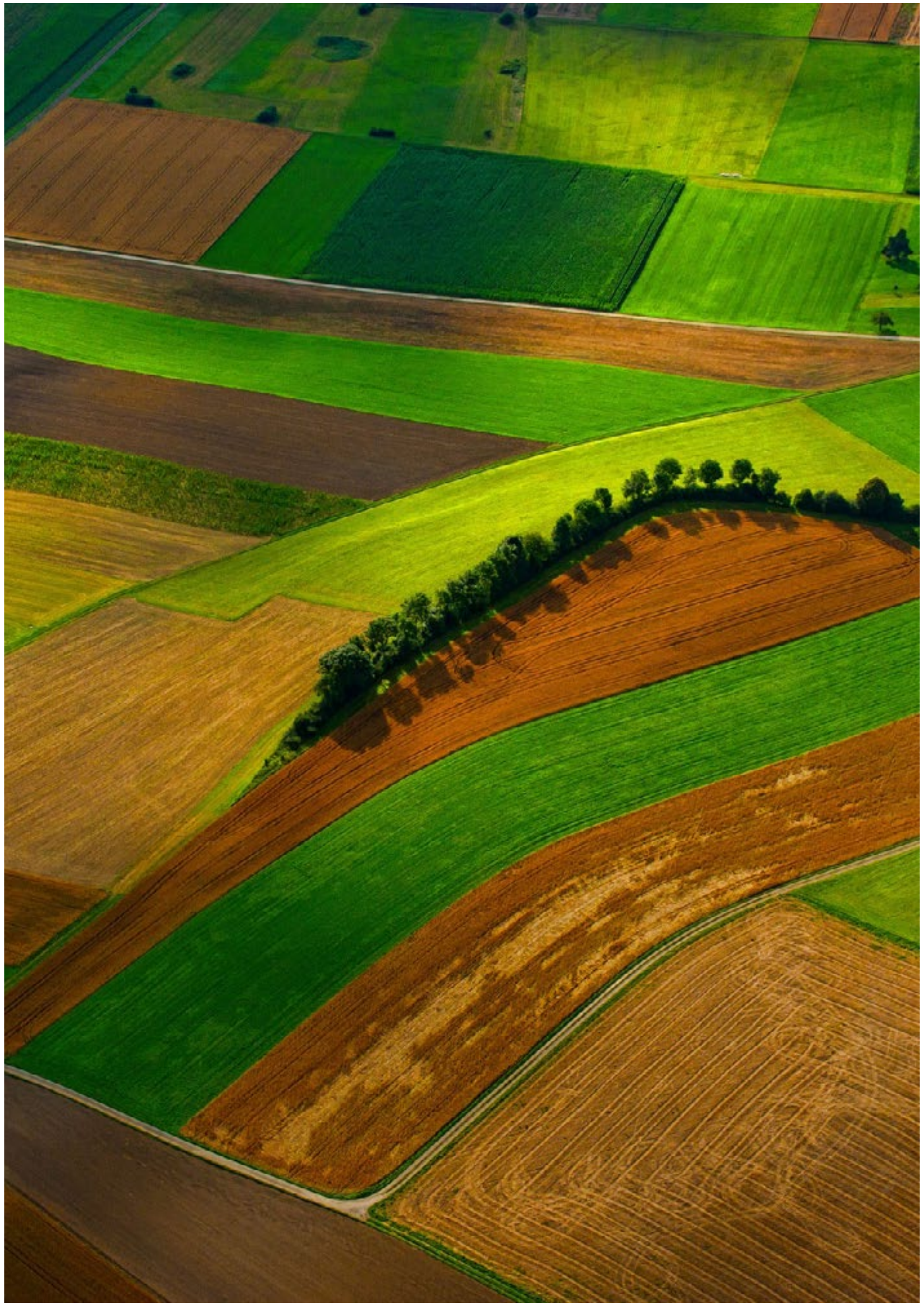
The agency has increased its remote sensing capability (use of satellite data and aerial photography) to reduce burden of visits on the farmers. Increasing our technological and analytical capability, for example through the increased use of directed advice and guidance activity using satellite data, has allowed us to proactively support farmers before issues arise.

Where issues are found, we will support farmers to fix what has gone wrong, wherever possible. For example, we have already made changes to cross compliance visits to take a more supportive and collaborative approach in cases where there is no intent to cause harm.

In 2022-23, RPA was responsible for carrying out 7,965 visits, across a wide range of food and farming grant, support schemes, and our regulatory function areas. In addition, a further 1,200 remote visits were carried out digitally.

We completed 1,300 cattle identification and 2,300 sheep and goat inspection visits within the regulatory deadlines.

Additionally, we continued to deliver our regulatory responsibilities to the red meat sector. During 2022-23, we carried out 261 Beef Carcass Compliance visits and 77 Video Imaging Analysis visits to beef plants operating this technology, as well as 133 Pig Carcass Grading visits, 173 Deadweight Price Reporting and 277 Beef Labelling Scheme inspections this year.



Geospatial services

To assist with the delivery of the land-based schemes, RPA is responsible for the collation and maintenance of the Rural Land Register for England. This captures land information such as boundaries and land covers for example: arable, grassland for areas that are registered to receive funding from the land-based schemes. This geospatial information is accessible to farmers and land managers for their own land.

We have completed 131,099 digitisation transactions representing 105,025 published parcels. The completion of these jobs supported the BPS, CS, ES and SFI payment targets.

We continue proactive land change detection activity with approximately 920,000 parcels checked this year to support the accuracy of the Rural Land Register. This activity is completed using the latest intelligence from aerial photography, satellite imagery and other geospatial datasets.

We continue to look at innovative ways in which geospatial data can be used to support RPA in meeting its obligations for compliance to ensure payments made by RPA are accurate. For the delivery of the SFI 2022, satellite imagery has been successfully tested as a remote monitoring technique.

We maintain the accuracy of approximately 2.7 million land parcels covering around 9.75 million hectares which equates to 75% of land in England

Customer Contact Centre

During the last year, we have renewed our focus on providing excellent customer service. A new learning and development programme is being rolled out across the agency aimed at making sure that the customer is at the forefront of everything we do, from developing processes to responding flexibly to customer requests wherever possible.

We have worked with groups of our customers to evaluate and improve our services and communications. From this, we have developed and implemented new processes and customer contact tools to allow customers greater flexibility when contacting us or sending us claim or application information. Using this feedback, we aim to continually improve the overall customer experience when they need to contact us.

We continue to develop new processes and enhance our customer contact technology to modernise our customer service, including introducing a webchat pilot to allow live chats with our call centre operators on both the Pet Travel Scheme and Defra helplines. We will extend this offer to our other helplines if the pilot is a success.

The Defra and Pet Travel Scheme helplines received 50,732 calls, answering 49,370 calls (97.3%) during 2022-23. We answered 84.3% within the service level agreement of 80% within one minute.

The remaining helplines received 206,583 calls, answering 200,036 (96.8%) during 2022-23. We answered 85.8% within the service level agreement of 80% within two minutes.

We responded to almost 250,000 calls and to more than 188,000 items of correspondence during the year

Transparency of data and access to information

During 2022-23, we responded to 473 requests for information this year, of which 96.2% were within the agreed deadlines. These cases involved requests for information under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, and the General Data Protection Regulations (GDPR)/Data Protection Act 2018.

We also received eleven internal reviews and three Information Commissioner's Office complaints. An additional 72 routine business requests were managed by our Information Rights team.

In line with requirements all spend on government procurement cards, expenditure with all RPA suppliers greater than £25,000 per transaction and a complete procurement spend analysis is reported on the central government website. The procurements team experienced some down-time in January 2023, to accommodate a migration to a Defra group, Single Operating Platform (SOP) based finance system. This explains the lower payment statistics reported below for 2022-23.

Supplier payment statistics	2022-23	2021-22
Payment within five days	**73.4%**	92.7%
Payment within ten days	**84.6%**	97.4%

Complaints

The number of complaints received over the last year has decreased, which reflects our continuing focus to simplify and improve our services, learn lessons, and make accurate and timely decisions, first time. Most customer complaints related to the Basic Payment or Countryside Stewardship schemes making up 75% of the total. The average number of days to resolve complaints has greatly improved from 28 days in 2021-2022 to 20 days for 2022-2023.

Complaints handled by RPA	2022-23	2021-22
Prior year complaints unresolved	**28**	145
New complaints received	**545**	618
Complaints resolved, withdrawn or cancelled	**531**	735
Complaints unresolved at 31 March	**42**	28

Appeals

In 2022-23, we received 81 appeals against decisions we had made.

The number of appeals received in year has decreased by 12.9% compared to 2021-22. We have resolved 98 (75%) in 2022-23. Of the appeals resolved in 2022-23, 72% of appeals were upheld or partially upheld on decisions made by the agency.

The grounds of each appeal are considered by our Appeals and Policy Teams before being considered at an Independent Agricultural Appeals Panel (IAAP). For each appeal, the IAAP consider whether the agency has correctly followed the scheme rules, policies, and legislation in their implementation of the subsidy schemes. The panel make a recommendation to a Defra Minister, who makes the final decision on each appeal.

Independent Agricultural Appeals Panel appeals handled	2022-23	2021-22
Prior year appeals unresolved	**50**	69
Appeals received	**81**	93
of which: customer complaint upheld	**30**	39
customer complaint partially upheld	**13**	8
RPA decision upheld	**52**	60
appeals withdrawn	**3**	5
Appeals resolved	**98**	112
Appeals unresolved at 31 March	**33**	50

Human rights disclosure

We have an obligation to ensure that all our actions respect the human rights of those who work for RPA, and for whom we provide services. There has been no litigation against RPA alleging a breach of the Human Rights Act 1998 during 2022-23.

Anti-corruption and anti-bribery matters

We will not accept any level of fraud or corruption. All RPA employees must follow the relevant RPA conduct and propriety policy, the civil service code and all other relevant procedures and policies.

All cases of suspected fraud, bribery and corruption are thoroughly investigated and dealt with appropriately. RPA is committed to protecting public resources, revenue, property, information, and other assets from any attempt, either by members of the public, grant applicants, contractors, and sub-contractors or its own employees, to gain, by deceit, any financial or other benefits.

Our Fraud Risk Management Strategy is aligned to the Defra group Counter Fraud Strategy and anti-bribery and corruption policy. These apply to all RPA workers, whether permanent, part-time, fixed term or contingent workers.

Financial review

Preparation of the Annual Report and Accounts

The Statement of Accounts reports the financial results for the year from 1 April 2022 to 31 March 2023. It is prepared in accordance with Section 7(2) of the Government Resources and Accounts Act 2000, the Accounts Direction issued by HM Treasury and the Financial Reporting Manual (FReM) published by HM Treasury.

Auditor

The Annual Report and Accounts have been audited by the Comptroller and Auditor General who is appointed under the Government Resources and Accounts Act 2000. A notional cost of £246,000 (2021-22: £235,000) was incurred for the audit of the agency's Annual Report and Accounts and is now included within the Corporate overhead recharge (notional).

The Comptroller and Auditor General is also the auditor of the European Agricultural Funds, which have a financial year ending 15 October. The cash cost for the audit of these funds was £2.0 million (2021-22: £2.2 million) as disclosed in Note 3. This single charge from the Comptroller and Auditor General as the UK Certification Body covers the Comptroller and Auditor General's own work on co-ordination and the audit of the EAFRD for England, as well as on-charges of work performed by the Auditors General for Scotland, Wales, and Northern Ireland.

Defra allocates running costs budgets for EAFRD audits to the UK Co-ordinating Body an independent body that uses the agency's finance system to record these costs. From 1 April 2023, UK Co-ordinating Body budgets transferred to Defra, hence for 2023-24 onwards all UK Co-ordinating Body costs will be reported in Defra's Annual Report and Accounts.

The auditor has not conducted any non-audit work for the agency.

Financial Performance Review

RPA normally considers its financial performance in two categories; running costs representing monies needed to provide the service required of the agency by Defra and scheme costs related to the funds the agency administers.

The agency's running costs are funded by Defra. Payments under EAGF (Pillar 1) and EAFRD (Pillar 2) schemes were initially funded by the UK Exchequer, with subsequent reimbursement sought from the European Commission for scheme payments prior to the 16 of October 2020. From 16 October 2020, all Pillar 1 schemes are now UK funded and it is only Pillar 2 payments that the European Commission will continue to fund until the end of their programmes. When the agency is in the position of having surplus cash funds, these are repaid to the UK Exchequer, net of short-term funding requirements.

Gross running costs this year of £174.0 million are higher than the previous year (2021-22: £157.1 million). Staff costs have risen year-on-year by £14.5 million due to 375 additional average full time equivalent permanent staff in 2022-23, employed as a result of the development and implementation of new schemes and services delivered by the agency. The agency also received £4.0 million less Corporate overhead recharge (notional), from Defra in 2022-23, mostly due to a decrease in information technology costs £29.9 million (2021-22: £34.4 million), see Note 3.

Net running costs were £171.6 million (2021-22: £154.0 million) after allowing for income. Running cost income fell to £2.5 million in 2022-23 (2021-22: £3.1 million), this consisted almost entirely of income for work on the British Cattle Movement Service on behalf of Defra of £2.4 million (2021-22: £3.0 million).

The UK government and devolved administrations in Scotland, Wales and Northern Ireland now directly fund several schemes which were previously funded by the European Union. For these schemes, EU funding ceased at the end of the EU's agricultural funding year on 15 October 2020. The principal schemes involved, and their presentation within these 2022-23 financial statements are summarised in the table below. To note that all expenditure is now primarily UK funded, however the table below is covering how the insignificant or residual amounts, resulting from the winding up of previously EU funded schemes, are presented in these accounts.

		Scheme payments made		Presentation within financial statements	
Scheme area	Principal schemes	On or after 16 October 2020	On or before 15 October 2020	On or after 16 October 2020	On or before 15 October 2020
New UK funded schemes	Simplified Countryside Stewardship (2021 claim year onwards), Farming Equipment and Technology Fund, Sustainable Farming Incentive, Lump Sum Exit Scheme, Fly-tipping	100% UK funded	Not applicable	Expenditure is shown within the UK funded schemes section of note 5.	Not applicable
EU legacy Pillar 1 schemes – administered separately by devolved administrations	Basic Payment Scheme	100% UK funded (except reimbursement of Financial Discipline Mechanism amounts).	100% EU funded	For claims paid by RPA, expenditure is shown within the UK funded schemes section of note 5. There is no corresponding income. Devolved administrations fund their BPS schemes directly. Hence no expenditure or income is reported within RPA's financial statements.	For claims paid by RPA, expenditure and income from the EU are shown within the EU funded schemes section of note 5. Funding provided to devolved administrations and income from the EU are shown within note 6.

		Scheme payments made		Presentation within financial statements	
Scheme area	Principal schemes	On or after 16 October 2020	On or before 15 October 2020	On or after 16 October 2020	On or before 15 October 2020
EU legacy Pillar 1 schemes – administered by RPA on a UK wide basis	Fruit & Vegetables, School Milk	100% UK funded	EU funded (with some minor UK funded elements).	Expenditure is shown within the UK funded schemes section of note 5. Income from devolved administrations is shown within the UK funded section of note 5.	Expenditure and income from the EU are shown within the EU funded schemes section of note 5.
EU legacy Pillar 2 schemes[1]	Countryside Stewardship, Environmental Stewardship	Unchanged - either 100% EU funded, or EU and UK co-financed.		Unchanged - for claims paid by RPA, expenditure and income from the EU are reflected within Defra's accounts as Defra is the managing authority for these schemes. Hence no expenditure or income is reported within RPA's financial statements. Funding provided to devolved administrations and income from the EU are shown within note 6.	

1. *From 1 April 2023 EU funding was substantially exhausted, and as such Defra ceased to function as the managing authority. Accordingly, expenditure under these schemes began to be recognised by RPA from 1 April 2023 onwards.*

Several further new schemes are currently being administered by the agency, with spending under these schemes not expected to be recognised until the 2023-24 financial year. Those schemes are Delinked payments (which will replace Basic Payment Scheme in England) and Sustainable Farming Incentive 2022 Scheme.

Overall payments made under schemes administered by the agency in 2022-23 were £1.8 billion (2021-22: £1.8 billion). Some £1.8 billion of these payments were funded by the UK government (2021-22: £1.8 billion). Most of this expenditure was for Basic Payment Scheme 2022 claims of £1.4 billion (2021-22: £1.7 billion) but also included were payments made for Countryside Stewardship 2022 of £271.4 million, (2021-22: £99.8 million), Fruit & Vegetables payments of £40.5 million (2021-22: £39.4 million), School Milk payments of £5.7 million (2021-22: £4.6 million), Farming Equipment and Technology Fund amounting to £32.7 million (2021-22: £1.6 million), and Sustainable Farming Incentive totalling £12.5 million (2021-22: £nil), see Note 5.

During 2022-23, the agency also made payments on new domestically funded schemes including £14.2 million paid under the Lump Sum Exit Scheme which is designed to allow farmers who do not wish to transition to future schemes to exit early by selling their entire land holding. And £0.8 million paid out under Fly-tipping which is known as a 'Section 31' grant to local authorities to deliver and trial innovate solutions to counter fly-tipping.

The agency received £11.3 million of income in 2022-23 (2021-22: £7.5 million), including £4.8 million for Fruit & Vegetables (2021-22: £4.0 million) and £3.1 million for School Milk (2021-22: £3.0 million), see Note 5.

Funding provided to Scotland, Wales and Northern Ireland fell in 2022-23 to £99.7 million (2021-22: £165.7 million), see Note 6, as the devolved administrations now fund their own Basic Payment Scheme directly.

The agency also received £99.6 million (2021-22: £166.1 million) from the EU to offset the devolved administrations' funding requirements. The overall net scheme expenditure for the devolved administrations is therefore a deficit of £0.08 million. The agency attempts to get back all its EU funded expenditure back from the EU, so the net position relation to EU funded devolved administration's activity will mostly be incurred because of costs incurred in managing currency receipts from the European Commission, see Note 6.

Financial position

Non-current assets of the agency have increased by £4.6 million in the year to 31 March 2023. The full year's depreciation and amortisation of £11.9 million (2021-22: £8.5 million) being charged was mostly offset by £11.7 million of capital additions (2021-22: £4.1 million). The £4.6 million increase is therefore explained by intangible assets being revalued in 2022-23 by £4.5 million (2021-22: £2.7 million).

Most of the additions in 2022-23 (£11.6 million) were intangible assets acquired from Defra (2021-22: £4.1 million), via a non-cash transfer through the General Fund.

Receivables have increased by £157.0 million compared to 31 March 2022. This is largely to do with an increase in monies due from the European Commission was which £212.8 million at 31 March 2023 (2021-22: £59.5 million). The increase over the 31 March 2022 balance is due to RPA and Scotland exceeding the point at which the European Commission receipt the RPA on a quarterly basis.

Payables due within one year have increased by £30.7 million compared to 31 March 2022. This is mainly due to £23.0 million of Rural Development advances now being due within one year (2021-22: £14.5 million) and an increase in scheme accruals to £57.4 million (2021-22: £42.3million).

The cash balance of the agency has dropped to £54.4 million (2021-22: £329.8 million). The cash balance maintained by the agency is sufficient to meet the immediate funding needs of the agency, and OPAs in respect of EU funded schemes where the agency acts as the UK funding body. The agency holds a lower cash balance than previous years due to a funding transfer to the Core department prior to year-end, and the removal of any requirement to hold balances to manage potentially large Other Paying Agency funding requests.

Payables due over one year have fallen by £16.1 million compared to 31 March 2022. The agency reported £16.3 million of over one-year Rural Development Programme advance at 31 March 2022. At 31 March 2023, there are no over one-year Rural Development Programme advances remaining, the agency does however report £245k of over one-year IFRS 16 vehicle lease liabilities, see Note 16.2.

Financial risk

The agency is not exposed to any significant financial risks in administering UK funded scheme payments. In respect of residual EU funded scheme payments, the agency is exposed to two financial risks.

The first is a foreign exchange risk since scheme payments are made in sterling with reimbursements from the European Commission being received in euros. Consequently, any differential between the prevailing exchange rate when reimbursement is received, and the scheme exchange rates fixed by the European Commission, will result in an exchange gain or loss for the agency.

To mitigate this risk, the agency enters forward foreign exchange contracts for the EU funded UK Rural Development Programmes. As at 31 March 2023, these derivative contracts represent a net liability of approximately £4.8 million to the agency (2021-22: net liability of £3.4 million). This valuation is consistent with foreign exchange movements in 2022-23 and offsets the corresponding potential gains in the value of the Euros receivable from the European Commission.

The second risk relates to the potential that the European Commission may retrospectively choose not to reimburse the agency for payments made should there have been deemed to be any infringements in scheme regulations. Such disallowances represent a high risk to the agency due to the complexity and extent of scheme regulations. This risk is expected to remain for several years until formal closure of the Rural Development Programmes. Where schemes have now become UK funded, the European Commission will continue to audit and assess EU funded expenditure in prior years.

While for UK-funded schemes, disallowance risk is no longer a factor, the agency still actively manages the risks of non-compliance with scheme rules especially since in many cases these will reflect a loss to the taxpayer, and irregular spend within the meaning of Managing Public Money. The governance statement describes the agency’s approach to risk in this area, and the Parliamentary accountability and audit report, provides transparency on the extent of non-compliance in the period under review.

Sustainability report

The agency's sustainability journey is outlined in the Highlights of the year above. Our approach to sustainability is aligned to the Greening Government Commitments (GGCs). The Greening Government Commitments set out the actions UK government departments and their partner organisations will take to reduce their impacts on the environment in the period 2021 to 2025. This includes reducing greenhouse gas emissions, the amount of waste generated and water consumption. For 2022-23 reporting, 2017-18 is the baseline year against which performance has been measured.

Many of the areas covered by the GGCs are centrally managed by Defra, for example sustainable procurement and Information and Communication Technology (ICT) strategies. Defra Digital Data and Technology Services (DDTS) have a Defra Group Sustainable Information Technology (IT) Strategy which is available on GOV.UK

The majority of GGC's are managed centrally by Defra including commitments for consumer single use plastics, finite resource consumption, nature recovery and biodiversity action planning. Defra also manages climate change adaptation, sustainable construction, rural proofing, air travel, and other natural resource consumptions. Consequently, all of these GGC's are reported in Defra's Annual Report and Accounts.

To minimise waste, many redundant ICT assets have been sold, or donated to Citizen's Advice and Computer Aid by Defra group. RPA supports Defra in delivering departmental sustainability aims which will be included in Defra's 2022-23 Annual Report and Accounts. All the farming schemes funded by the agency are designed where possible to improve environmental sustainability.

Key performance indicators

	Change against baseline
Mitigating climate change: working towards Net Zero by 2050	-24%
Water consumption	-34%
Percentage of waste recovered or reused	-1.5%

RPA has achieved improved performance against the baseline year of 2017-18, with lower greenhouse gas emissions, lower water consumption, and a marginally lower percentage of waste recovered or reused. Following the global pandemic, we continue to maximise hybrid working, rationalise our estate, occupancy and business travel which have positively contributed to a significant reduction in emissions.

Greenhouse Gas Emissions		2022-23	2021-22	2020-21	2019-20	2017-18 baseline
Non-financial indicators (tonnes CO_2)	Scope 1 emissions (direct)	**532.53**	506.75	216.90	494.10	716.67
	Scope 2 emissions (indirect)	**332.67**	354.03	282.20	311.80	724.50
	Scope 3 emissions (direct travel)	**393.48**	300.60	24.00	158.60	220.30
	Total emissions	**1,258.68**	1,161.38	523.10	964.50	1,661.47
	Direct carbon from buildings	**335.73**	363.13	216.90	176.01	229.44
	Carbon from UK flights	**0.69**	0.03	–	4.41	5.06
	Carbon from international travel	**1.50**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Related energy consumption (KWh)[4]	Electricity non-renewable	**-**	–	–	–	2,060,820[2]
	Electricity renewable	**1,727,564**	1,669,628	1,104,185	1,219,740	
	Gas	**1,836,978**	1,980,685	1,176,011	954,337	1,245,754
	Biomass	**-**	–	–	–	1,182
Financial indicators (£)[4]	Electricity - expenditure	**294,301**	422,910	n/a[1]	n/a[1]	n/a[1]
	Gas - expenditure	**138,802**	97,797	n/a[1]	n/a[1]	n/a[1]
	Total expenditure in energy	**433,103**	520,707	202,374	139,083	240,052
	Carbon Reduction Commitment (CRC) licence expenditure	**Nil[3]**	Nil[3]	Nil[3]	Nil[3]	39,389
	Expenditure on official business travel	**1,374,620**	909,380	605,313	1,821,130	2,121,107

1. *Data not captured historically. Carbon from international travel is being reported from 2022-23.*
2. *Baseline 2017-18 electricity consumption was not classified as non-renewable or renewable.*
3. *There was no CRC licence fee in the baseline year of 2009-10, and from 2019-20 licences are reported in Defra's Annual Report and Accounts.*
4. *Oil consumption and expenditure is reported in Defra's Annual Report and Accounts.*

Waste Management		2022-23	2021-22	2020-21	2019-20	2017-18 baseline
Recovered or recycled (tonnes)	Reused or recycled	**55.24**	40.04	21.24	63.45	161.37
	ICT waste recycled, reused and recovered (externally)	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Composted	**0.36**	0.25	1.80	5.61	6.09
	Incinerated with energy recovery	**20.97**	17.92	12.17	44.16	49.12
	Total recovered or reused	**76.57**	58.21	35.21	113.22	216.58
Not recovered or recycled (tonnes)	Incinerated without energy recovery	**0.75**	0.72	2.54	2.93	-
	Landfill	**4.77**	0.36	0.55	10.18	11.90
Total waste (tonnes)		**82.09**	59.29	38.30	126.33	228.48
% recovered or reused		**93.30**	98.18	91.93	89.62	94.79
Recovered or recycled (£)	Reused or recycled	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	ICT waste recycled, reused and recovered (externally)	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Composted	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Incinerated with energy recovery	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Total recovered or reused	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Not recovered or recycled (£)	Incinerated without energy recovery	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
	Landfill	**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Total waste (£)		**n/a[1]**	n/a[1]	n/a[1]	n/a[1]	n/a[1]

1. *Data not captured historically and is expected to be reported from 2023-24.*

Finite Resource Consumption	2022-23	2021-22	2020-21	2019-20	2017-18 baseline
Water consumption (m^3)	**7,896**	3,507	8,758	9,778	11,983
Water supply costs (£)[1]	**47,676**	33,560	Nil[1]	Nil[1]	47,408

1. *Water supply costs from 2020-21 and 2019-20 are reported in Defra's Annual Report and Accounts. The agency's 2022-23 and 2021-22, water supply costs are included within Corporate overhead recharge (notional), within Estate management costs, see Note 3.*

Other target areas		2022-23	2021-22	2020-21	2019-20	2017-18 baseline
Paper usage	Reams (A4 equivalent)	**349**	431	n/a[1]	n/a[1]	5,954
	Percentage reduction from baseline	**94.1%**	92.8%	n/a[1]	n/a[1]	n/a[1]
Travel – car fleet	Percentage of ultra-low emission vehicles	**36.0%**	23.8%	n/a[1]	n/a[1]	n/a[1]
	Percentage of zero emission vehicles	**15.3%**	10.5%	n/a[1]	n/a[1]	n/a[1]

1. *Data not captured historically.*

Paul Caldwell
Chief Executive and Accounting Officer
14 July 2023

Accountability report

This section provides the key accountability requirements to Parliament.

Corporate governance

Purpose

This section describes the governance, risk management and internal control arrangements for the agency and how our processes have evolved in response to a changing business environment and set of risks over 2022-23.

Director's report

Governance framework

Defra's Secretary of State has overall responsibility for RPA and is accountable to Parliament for all matters concerning the agency. Ministerial responsibility for the agency has been assigned to the Minister of State (Minister for Food, Farming and Fisheries).

Tamara Finkelstein, Defra's Permanent Secretary, is the Principal Accounting Officer and principal adviser to the Secretary of State on matters affecting Defra as a whole, including resource allocations across the department and is responsible for ensuring a high standard of financial management.

The Chief Executive Officer (CEO), Paul Caldwell, is designated the agency's Accounting Officer by the Principal Accounting Officer. He must be satisfied that the agency has adequate risk management, financial systems and procedures in place to support the efficient and economical conduct of its business, safeguards financial propriety, regularity and reputation and ensures business continuity. The CEO is line managed by the Director General for the Food, Farming and Biosecurity system, David Kennedy.

Significant business interests

Details of company directorships and other significant interests held by directors of the agency, which may conflict with their management responsibilities, are disclosed in Note 19 of the financial statements.

As per the Civil Service Code, all colleagues are required to complete a business interest declaration to disclose where there is, or could perceived to be, a conflict of interest between their role as an RPA employee and any other business or private capacity interests that they are involved with.

The business appointment rules apply to serving civil servants who intend to take up an outside role after leaving the Civil Service and to former civil servants for up to two years after the last day of paid service. The policy and process is managed by Defra who publish details of appointments on a quarterly basis.

The Agency Management Board

Chaired by a Non-Executive Director, the Agency Management Board (AMB) is responsible for strategic oversight of the agency's performance, advising and challenging the CEO, and escalating issues to Defra and ministers as appropriate. It provides leadership in the delivery of statutory corporate and business responsibilities, ensures that risks are effectively identified and managed, encourages improvements in performance across the agency and ensures effective governance and control is in place for the agency.

Key business at AMB meetings in 2022-23 included:

- the progress made in managing existing payment schemes and the launch and management of new schemes and grants (Sustainable Farming Incentive and the evolution of Countryside Stewardship)
- monitoring of the financial position of the agency
- recruitment, retention, and the strategic deployment of resource across the full complement of the agency's workload
- navigation of issues and challenges including changes in governmental structure, policy and industrial action

AMB members are recruited and paid following public appointments guidance set by the Cabinet Office.

The Audit and Risk Assurance Committee

Chaired by a Non-Executive Director, who is also a member of AMB, the Audit and Risk Assurance Committee (ARAC) is responsible for advising both AMB and the CEO (as Accounting Officer) on whether the agency's Annual Report and Accounts and internal control systems are fully compliant with current legislation, standards, and best practices. ARAC also reviews the agency's approach to risk, fraud, and whistleblowing. RPA's ARAC Chair is also a member of the Defra Audit and Risk Assurance Committee.

Key business at ARAC meetings in 2022-23 included:

- review of the agency's Annual Report and Accounts for compliance with current legislation and appropriate standards
- regular reviews of the agency's approach to risk and fraud risk management
- regular reviews of progress against the Government Internal Audit Agency (GIAA) annual audit plan and outcomes of audit work undertaken
- contributing to the development of an integrated risk and assurance approach

ARAC members are recruited and paid following public appointments guidance set by the Cabinet Office.

Membership and Attendance

		AMB		ARAC	
Name	**Title**	**Attendee**	**Meetings attended**	**Attendee**	**Meetings attended**
Elizabeth Passey	Chair of AMB, Non-Executive Director	Chair	5 of 5	-	-
Victoria Brookes	Deputy HR Director Business Partnering – AHPA, RPA, VMD (from 1 February 2023)	Member	1 of 2	-	-
Paul Caldwell	Chief Executive Officer	Member	5 of 5	-	-
Peter Crewe	Assurance Director	Member	5 of 5	-	-
Janet Hughes	Defra Director, Farming and Countryside Programme	Member	1 of 5	-	-
Alison Johnson[1]	Engagement and Operational Readiness Director	Member	0 of 5	-	-
Jessie Peramal	Finance Director and Departmental Group Functional Lead for Grants	Member	4 of 5	-	-
Paul Dillon-Robinson	Non-Executive Director and Chair of ARAC	Member	5 of 5	Chair/ Member	4 of 4
Tim Breitmeyer	Non-Executive Director	Member	5 of 5	Member	4 of 4
Julia Grant	Non-Executive Member (from 1 October 2022)	-	-	Member	1 of 2
Mark Suthern	Non-Executive Director	Member	5 of 5	Member	3 of 4

1. *During 2022-23, Alison Johnson paused her role on AMB whilst the board reconsidered its executive membership.*

The Executive Team

The RPA is headed by the CEO and a team of Executive Directors. These individuals form the Executive Team (ET) that sets the strategy and direction for the agency and has the overall authority to run the agency on a day-to-day basis. The Executive Team is committed to complying at all times with the Corporate Governance Code and its five principles of responsibility, accountability, awareness, impartiality and transparency.

Key business at ET meetings in 2022-23 included:

- day-to-day running of the agency including budget delegations and ensuring overall budget management
- setting of policy and direction for the agency according to the 5 year Strategy and Defra's strategic objectives
- setting of risk appetite and managing strategic risk
- reviewing people management related issues for the agency including budgets, resourcing, and communication
- reviewing Defra Corporate Services delivery on a quarterly basis

The agency's Executive Team remunerations are set by the Defra's Remuneration Committee, which follows the pay guidance and recommendations of the Cabinet Office Senior Salaries Review Body for all Senior Civil Servants (SCS). The pay award for agency staff below SCS is set by Defra who agree the pay awards for all the Defra group with the Cabinet Office.

ET membership throughout the year is listed below:

Name	Title	Start date of membership (if not in post at 1 April 2022)	End date of membership
Emma Appleby (ET Chair)	Chief Operating Officer (Chair from 25 April 2022)	-	Present
Paul Caldwell	Chief Executive Officer (Chair to 24 April 2022)	-	Present
Susan Bower[1]	Customer Operations Director	-	Present
Victoria Brookes[2]	Deputy HR Director Business Partnering – APHA, RPA, VMD	1 February 2023	Present
Peter Crewe[3]	Assurance Director	-	Present
Alison Johnson	Engagement and Operational Readiness Director	-	Present
Sandy Kapila	Customer Director	-	31 March 2023

The Executive Team (Continued)

Name	Title	Start date of membership (if not in post at 1 April 2022)	End date of membership
Nadia Khan[2]	Food, Farming and Biosecurity Deputy HR Director	-	16 December 2022
Rozanne Kidd	Agricultural Transition Director	-	Present
Andy King	Regulation, Grants and Standards Director	-	Present
Jake McClure[4]	Organisational Capability Director	-	29 April 2023
Gill Moger	Defra, Livestock Information Transformation Programme Director	24 October 2022	Present
David Painter[2]	Digital, Data and Technology Services Director	-	Present
Jane Parsley	Customer Operations Director	1 August 2022	Present
Jessie Peramal[2]	Finance Director and Departmental Group Functional Lead for Grants	-	Present

1. *Susan Bower changed her surname during the year from Boyd. Her title changed during the year from Customer Operations, Complaints and Appeals Director.*
2. *Victoria Brookes, Nadia Khan, David Painter, and Jessie Peramal are employees of Defra group corporate services.*
3. *Peter Crewe's title changed during the year from Compliance, Assurance and Risk Director.*
4. *Jake McClure has left the agency, and his last day on the Executive Team board was 29 April 2023.*

Relationship with Defra

Defra's Executive Committee (ExCo) is responsible for overseeing the strategic direction and performance of the Defra group. Responsibilities for decisions which affect more than one organisation, or set a precedent for the future, ultimately lie with ExCo. ExCo is supported by several key subcommittees and subcommittee members which include CEOs of relevant delivery bodies and Defra directors. RPA is a delivery body which directly reports into the Food, Biosecurity and Trade DG Group.

RPA has provided wide ranging support and capability to various cross Defra programmes and strategic initiatives in support of Defra's 25 Year Plan including the Farming and Countryside Programme. We continue to demonstrate a shared commitment to the achievement of Defra's strategic ambitions and stand ready to evolve and build on our current involvement.

Security, information risk and fraud

Security, information risk and fraud compliance to Information security ISO/IEC 27001:2013 is audited annually by the British Standards Institution (BSI). This is a requirement under Commission Regulation 885/2006 but with this requirement coming to an end post Brexit in 2024. Defra group security conducts compliance reviews of the RPA, suppliers and delegated bodies to ensure assurance of alignment to ISO/IEC 27002:2013. Under Commission Regulation 907/2014 there was a requirement to be certified to ISO/IEC 27001:2013 from 16 October 2016. ISO/IEC 27001:2013 certification was first achieved for the agency in August 2015 with recertification in August 2018 and again in May 2021 with the audit recommendation that the agency is recertified for a further three years. This requirement for formal ISO27001 compliance will be re-assessed going forward in the light of requirements post Brexit and the move to GovAssure and the National Cyber Security Centre's (NCSC) Cyber Assessment Framework (CAF).

Throughout the year work has continued to support compliance, with audits of Cambridge and Newcastle offices by the BSI as part of the ongoing certification regime. A new senior civil service level Senior Security Advisor (SSA) has been appointed to lead on physical, personnel and cyber security across the Defra group, including RPA. The SSA is responsible for managing security risks, providing assurance and advice on security issues, and advising the Permanent Secretary, Executive Team and the Audit and Risk Assurance Committee on the continued effectiveness of controls.

Defra group Security managed the annual 2022 Departmental Security Health Check submission which assessed compliance against the minimum baseline standards for physical, personnel and cyber security. This was a joint submission that covered the Defra group (including RPA). Several security improvement workstreams have been implemented in 2022-23 to address amongst other things issues with legacy applications and out of date user accounts. This work will continue into next year to support ongoing compliance against the government functional standard GovS007: Security.

Information handling

The RPA operates a multidisciplinary governance structure to ensure that personal data is processed to conform with the law and HM Government information management standards.

As agreed by the RPA CEO, the agency, guided by the Defra Protection Officer (DPO), continued the work of embedding the Information Commissioner Office (ICO) Accountability Framework into the agency's structure of controls and indeed used it to populate the Information Governance Model (IGM) cascaded through the network of information asset owners (IAOs). Throughout the embedding of the Accountability Framework, periodic briefing was provided to the RPA Security Risk Owner (SRO) and the Defra DPO, with an end of year report provided to the RPA CEO.

To support the agency's SRO and the IAOs, the collective efforts of the RPA Data Protection Assurance Manager, Defra Security, Business Continuity, Data Integrity and Governance and the Information Rights Team serve as a focal point for the IAOs to obtain guidance on the effective management of information risk within the defined risk tolerance. The IAOs are locally accountable for compliance and managing risk, but more complex issues would be referred to the Information Governance Business Unit Group and, as need be, escalated to the Finance and Assurance Senior Sponsorship Group.

When people join the RPA, the need for compliant information handling is highlighted in the induction process. This was reinforced during the annual Security and Data Protection on-line course provided by Civil Service Learning. The Security and Data Protection training, which includes a certificate of completion, is recommended for all agency colleagues so they are equipped to demonstrate their competence in personal data processing. The Data Protection Assurance Manager also provided role-based training for the IAOs.

Personal data incidents

During 2022-2023, a total of 208 personal data breach incidents were reported for investigation in relation to United Kingdom General Data Protection Regulation (UK GDPR) compliance. None were deemed to have fulfilled the criteria for reporting to the Information Commissioner's Office.

Fraud referrals

Fraud referrals are assessed by the RPA Fraud Referral team to consider whether a potential fraud has occurred. The agency takes appropriate recovery action on cases if the recommendation is made to recover funds.

RPA fraud referrals	2022-23	2021-22
Number of new fraud referrals in year	**190**	152
Number of fraud referrals closed	**164**	157
Value of:		
Detected fraud value	**£464,053**	£89,179
Detected fraud number of cases	**23**	18
Detected fraud recovered value	**£277,319**	£70,459
Detected fraud recovered number of cases	**16**	16
Prevented fraud value	**£251,469**	£746,440
Prevented fraud number of cases	**8**	16
Number of fraud cases outstanding	**145**	119

The table above includes known, detected fraud referral cases only. The agency also acknowledges that some fraud will, by its nature, remain undetected. The agency therefore estimates the level undetected fraud and error with scheme expenditure. This is disclosed in the Parliamentary accountability and audit section below.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the RPA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the RPA and of its expenditure and income, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed
- disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis

The Accounting Officer has taken all the steps necessary to familiarise himself with any relevant audit information and to establish that the agency's auditor is aware of that information. As far as he is aware, there is no relevant audit information of which the agency's auditor has no knowledge.

The Accounting Officer confirms that the Annual Report and Accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

The Permanent Secretary appointed Paul Caldwell, the agency Chief Executive Officer, as Accounting Officer of the RPA. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the RPA's assets, as set out in Managing Public Money published by HM Treasury.

Governance Statement

As Accounting Officer, I am responsible for maintaining a robust system of internal control that supports the achievement of the agency's policies, aims and objectives, while safeguarding public funds and agency assets. This is in accordance with the responsibilities assigned in the HM Treasury publication, Managing Public Money.

Governance framework

Defra's Executive Committee is chaired by the Permanent Secretary and comprises of the Defra Directors General, along with the Group Directors for Finance, HR and Communications and the Chief Executive Officer of the Environment Agency. The committee provides a strategic steer, makes decisions where appropriate on cross-network issues, reviews plans and progress on improving Defra's capacity and capability for the future, and oversees cross departmental initiatives to inform strategic decisions by ministers on their priorities and spending plans.

RPA's Agency Management Board (AMB) is responsible for ensuring that effective arrangements are in place to provide assurance on risk management, governance, and internal control. As part of this the AMB is required to set up an Audit and Risk Assurance Committee (ARAC) chaired by an independent Non-Executive member to provide independent advice and ensure that this committee provides assurance on risk. AMB is expected to assure itself of the effectiveness of the internal control and risk management systems.

The Audit and Risk Assurance Committee is responsible for advising both the AMB and CEO as Accounting Officer on all matters relating to strategic processes for risk and control, the governance statement, accounting policies, the Annual Report and Accounts, assurance of internal and external audits (including work conducted by the Certification Body) and anti-fraud policies. The ARAC Chair is also a member of Defra's Audit and Risk Assurance Committee. The RPA is headed by the CEO and a team of Executive Directors who collectively form the Executive Team that sets the direction for the agency and has the overall authority to run the agency on a day-to-day basis.

Internal Controls

Risk overview

The agency has ensured appropriate risk management and internal control arrangements have been in place throughout the year up to the date of this report. Continued comprehensive assessment of risk across all areas and different levels of the business has been undertaken throughout the year. The risk assessment approach has a hierarchy whereby there are strategic, operational, and tactical levels of risk assessment within all areas. The assessment of risks where the agency has a dependency on third parties, such as Defra group corporate services providers, has also been a feature of that risk assessment.

At the strategic level the risk assessment has seen a mix of short-term risks featured as an agency level concern for a single quarter and those that have been part of the overall picture of strategic risk assessment for the duration of the financial year. In 2022-23, shorter-term risks included the transition to the Defra group HR, running costs and supplier payment system; outcomes of the spending review; transitioning to a new blended working approach. Each of these risks have been mitigated during the year to the extent that they are no longer specific risks featured in the current agency level risk assessment.

In December 2022, the Executive Team undertook a full reassessment of the agency level risks. The output of this exercise has led to a more strategic description of the key challenges the agency faces at this point. Executive Director risk owners have been progressing full assessments of the new risks for which they are responsible.

The strategic level risk assessment covers areas in which the RPA is primarily in control of and responsible for the mitigation, and other risks whereby there is a need to work closely with delivery partners to provide effective mitigation.

Specific risks requiring RPA and delivery partners to provide joint mitigation include risks describing the need to effectively mitigate fraud and error in scheme expenditure, the provision of IT services to RPA, ensuring corporate service delivery meets RPA's needs and ensuring the delivery implications of wider policy decisions are fully understood and impacted.

Areas that are more primarily focussed on RPA's ability to mitigate have included the effectiveness of workforce planning to build appropriate capability and capacity, ensuring the delivery of a quality service for our customers and the delivery of the agency's key scheme targets.

The longer-term risk of achieving Net Zero commitments has and continues to be a feature of the agency level risk assessment.

Fraud risk management

The management of fraud risk has been a significant area of focus for RPA in 2022-23. The focus has been primarily pointed at the effective management of fraud and error within scheme expenditure.

A range of external drivers which include the transition from EU to exchequer funded schemes, widespread focus across government departments on fraud and error in grant expenditure and development of new grant schemes has led to a significant evolution in the extent to which fraud risk management is becoming embedded into the business-as-usual processes of the agency.

The agency has recognised the risk associated with ineffective fraud and error risk management across scheme expenditure and the consequences of not being able to demonstrate that grant funding has been effectively utilised to deliver intended objectives, that value for money in the administration of those schemes is achieved and the possible consequence of qualified annuals reports and accounts.

The agency has responded, initiating a range of continuing works that will provide a more thorough understanding of the fraud and error risks, what is causing those risk and what alternative interventions and controls can be applied to mitigate those risks. Whilst the risk remains, there is a positive direction of travel that will allow an increased demonstration of control in future years.

The agency defines fraud and error (collectively "irregularities") in scheme expenditure to be any expenditure which is not in compliance with the terms and conditions of a given scheme. Fraud is a specific subset of such cases in which there is deliberate intent to make a financial gain by making or receiving such expenditure. Further details of irregularities are given in the Parliamentary accountability and audit disclosure below.

Disallowance risk management

Disallowance risks are regularly reviewed with updated forecasts, advice and progress reports provided to the core department's Disallowance Strategy governance groups. Adherence with the strategy is monitored through the agency's Finance and Assurance Sub Committee. Quarterly reports on the risk of disallowance are also presented to the ARAC to ensure visibility of the potential financial exposure and the impact of the agency's mitigation.

The value of EU expenditure continues to reduce and expenditure on EU legacy schemes beyond 31 March 2023 is expected to be almost wholly UK funded, which in turn impacts on the risk of disallowance. The Executive Team considers any significant disallowance risk and any proposals for business changes are considered from a disallowance risk point of view as part of formal governance before implementation can be agreed.
The agency has established working groups to develop proportionate measures for improving control deficiencies, taking account of the risk of further irregular expenditure. This will include

consideration of risks arising from the audit of the agency's EU accounts and any Emphasis of Matter affecting European Commission funded scheme expenditure. These findings will also be incorporated into the agency's assurance strategy monitoring activities, which will improve future payment controls.

The agency supports the Defra disallowance strategy and responded to the changes resulting from EU exit, with a particular focus towards either justifying our approach to control or through tactical activity that used analytical evidence to calculate the financial risks associated with audit observations.

The agency works closely with the UK Co-ordinating Body, devolved administrations and delivery partners (Environment Agency, Forestry Commission, and Natural England) to identify and mitigate potential causes of disallowance. We were able to return to on the ground audits visits in 2022-23 which allowed for easier presentation of evidence. Our bilateral discussions with the European Commission audit teams and the EU Conciliation Body continued through video calls which proved to be effective and offered better value of money. Our proactive and constructive engagement with the European Commission external auditors has ensured that any adverse audit findings are understood. This approach has been successful in reducing the amounts of disallowance applied.

Effectiveness of risk management

The Executive Team holds responsibility for the management of the most significant risks the agency faces. Each agency level risk identified is owned by one of the Executive Team. There is an overarching risk management process for escalation of risks. Operational risks have been managed on a tactical level in order to meet delivery objectives.

Quarterly strategic risk sessions are held with the Executive Team in order to review and agree the agency's overarching risk

priorities. Risk assurance sessions are held at each ARAC meeting who in turn report on key risks to the Agency Management Board. External risk escalations to the core department are made through the Defra System Committees as required.

The Audit and Risk Assurance Committee have challenged and supported the ongoing development of risk management through the reporting that is presented to each ARAC meeting, primarily in terms of how we are able to provide assurance that agency level risks are being managed effectively. We have implemented an approach of risk deep-dives and are undertaking further work to enhance this approach.

Effectiveness of whistleblowing arrangements

The core department encourages employees to use the whistleblowing procedures to raise concerns about past, present or imminent conduct within the Defra group or conflicts with the Civil Service Code. The core department implemented the Civil Service Employee Policy in January 2013 across Defra and its executive agencies (including RPA) and updated the policy in December 2016.

There were three reported cases during the financial year 2022-23 being managed within the whistleblowing process. The RPA 2022 People Survey results indicate that most people in RPA are confident that if they raised a concern, it would be dealt with properly. The agency will communicate the policy on an ongoing basis.

Internal Audit opinion

The RPA's Head of Internal Audit provides an annual opinion based on the internal audit work completed during the year and attendance at key governance forums, in line with the audit plan agreed with the Executive Team and with the RPA's Audit and Risk Assurance Committee.

All changes to the plan during the year were evaluated against RPA's key risks to ensure sufficient coverage was maintained to inform her opinion. Her 'Moderate' opinion for 2022-23 reflects that whilst there are areas that could be improved, RPA's frameworks for governance, risk management and control are largely operating effectively in delivering RPA's objectives and in administering the payment schemes for which it is responsible. This includes management of associated legacy disallowance risks, the transition from EU funding arrangements to domestic funding and the development of alternative schemes through the Farming and Countryside Programme (FCP). It also recognises that RPA maintained operations during strike activity by evoking business continuity arrangements.

Of the 22 assurance reports delivered, one was advisory and did not carry an assurance rating. One of the remaining 21 reviews reported assurance that was less than 'Moderate'. This related to poor implementation of actions to address issues from an ISO 27001:2013 Information Compliance review of the Defra Digital Data and Technology Services (DDTS) Software Development function, by Defra group Security (DgS) Compliance team. These actions related to the Microsoft Dynamics 365 application on which the RPA relies for resource and scheme accounting and were to address: poor implementation of quarterly system access checks; lack of information on system administration activities; and no formal process for maintaining the D365 Role-Based Access Control Matrix. These actions are dependent on activity by DDTS but only one of the five actions has been completed in full, with three partially complete and one fully outstanding. Discussions are in progress to expedite the necessary activity.

Significant progress has been made in developing a productive relationship between RPA and the corporate services functions, particularly DDTS, resulting in some previously longstanding DDTS actions being closed in 2022-23. However, there remains an ongoing dependency on corporate service activities for managing some of RPA's strategic risks and the Intelligent Client roles within RPA will play an important part in managing that dependency.

Compliance with governance codes

An informal review carried out against the NAO 'Corporate Governance in Central Government Departments: Code of Good Practice 2011 Compliance Checklist' indicated that RPA complies with the principles for an agency of our size, status, and legal framework.

Effectiveness of governance arrangements

Governance arrangements are effective and proportionate given the level of activity currently being undertaken by the agency. Defra's Executive Committee (ExCo) is supported by several subcommittees (with RPA being part of the Food, Biosecurity and Trade, and Environment systems) whose focus is on ensuring delivery of outcomes, joining up policy development and operations to ensure the core department is providing the best possible service to customers. RPA has representatives at both systems committees.

Framework document

RPA's framework document, setting out the broad framework within which the agency operates is on the Gov.uk website: Rural Payments Agency framework document - GOV.UK (www.gov.uk)

Effectiveness of board & committee performance

During 2022-23, Executive Directors held regular meetings with the Chair of the Agency Management Board to keep her informed about what was happening across the agency, and to discuss the effectiveness of the Board. Both the Agency Management Board and the Audit and Risk Assurance Committee undertook effectiveness reviews in 2022-23. And have confirmed that the quality of the information and data they received in 2022-23, was sufficient to inform their decisions and opinions, and to enable them to operate effectively.

Managing significant challenges in 2022-23

Changing paths on schemes

The year 2022-23, has been significant for our agency as we worked with the Farming and Countryside Programme to develop and deliver essential services to the rural sector. This year has seen close collaboration with Defra colleagues to introduce and deliver new schemes and grants. Customer and stakeholder feedback has been essential in shaping our approach to design and simplify our service and linked processes.

Following a successful pilot over 2021-22, the SFI22 application window was launched in June 2022, allowing all BPS eligible farmers to apply online. For farmers in existing agri-environmental schemes, such as Countryside Stewardship and Environmental Stewardship, and those who farm on common land, we have carefully managed the roll out and provided guidance throughout the process. As an agency who has primarily delivered schemes with fixed application windows in the past, the transition to the rolling windows of the Sustainable Farming Incentives (SFI) came with its challenges.

Nevertheless, our teams have worked tirelessly to ensure that farmers were well supported and feedback on the SFI application process is positive.

By December 2022, approximately 1,600 eligible applications for SFI were received, and our controlled rollout for those on other agri-environment schemes and commons farmers continued. We have continued to work with Defra to expand the range of actions being offered to customers, for example at the Oxford Farming Conference, where the Minister of State, The Rt Hon Mark Spencer, announced the introduction of management payments for SFI agreements. SFI23 will see additional standards with varying levels and payments introduced, providing more support to the industry. As part of SFI22 we also delivered the Annual Health and Welfare

Review which provides farmers with the opportunity to receive funding for a vet to visit their farm and carry out a health review of their animals. As of the end of March 2023, we had received 1,271 applications with 37% having an agreement in place.

Besides our land schemes, we have further developed our grants offering and capability by building upon the Farming Investment Fund (FIF) initially rolled out in 2021. In December 2022, we launched the Slurry Infrastructure grant as part of FIF, which allows pig and cattle farmers to apply for grants of up to £250,000 to improve their slurry storage thereby, helping to prevent water and air pollution. Our Farming Equipment and Technology Fund, which enables farmers to improved productivity using modern equipment and technology, has again been popular paying out over £32 million of grants in round one alone. The agency is also fully engaged in supporting the core department's future approach to grants and the creation of a future grants hub.

The rural sector has not been immune to the cost-of-living situation, and we have played a part in supporting our farmers by delivering BPS advance payments in July 2022, to assist farmers with their cash flow. This was a challenge for the agency as it involved additional workload alongside our existing scheme and grant objectives. Nonetheless, we were able to provide crucial payments to over 82,000 farmers and landowners across the country months earlier than had been traditional.

Level of irregularity

Over the past number of years, the agency has been in a period of transition where our schemes have been moving away from adherence to EU rules and into a domestically funded approach. As we navigate through this period of change it has been identified that the level of irregular payments that may result from fraud and error within the existing and newly formed agri-environment schemes has the potential to be higher than those found within direct payments. Historically, agri-environmental schemes, such as Countryside Stewardship, have had a higher rate of fraud and error than those of direct payments. This is because agri-environment schemes are more complex which increases the potential for greater customer error and lack of understanding resulting in failure to fulfil their scheme obligations. As Agri-environment schemes become a higher proportion of RPA's payments to our farmers, there is a risk of an increase in the level of irregular payments, which we are addressing.

Significant measures have been put in place. The agency is developing a new counter fraud and error approach for scheme expenditure. This approach will use data and intelligence to help farmers avoid error and will use the agency's data analysis capabilities to measure fraud and error more effectively and identify actions to address the issues found. As well as the change in approach and greater focus on prevention, we have sought to simplify our schemes, update our guidance, and ensured colleagues are expertly trained in guiding our farmers as they continue to take-up our new scheme offerings.

Where overpayments are identified for any reason, the agency seeks recovery of debts in full to protect taxpayer money. Recovery methods employed include interception of future scheme payments, agreement of extended repayment terms, and ultimately legal action where warranted, appropriate and offering value for money to the taxpayer.

Cost-of-living

Internally, we recognise the challenges faced by at RPA colleagues and as an organisation committed to investing in our people, we have worked alongside Defra to refresh our employment offer and implement interim improvements to support colleagues in managing their economic challenges.

Remuneration and staff report

Purpose

The remuneration and staff report provides information on people in the agency and sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors. It also provides details on remuneration and staff that Parliament and others see as important to accountability, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No.1981 and amended by HM Treasury's Financial Reporting Manual.

Remuneration report

Although costs for the CEO and the members of ET are included in the RPA's annual accounts, they are formally employed by Defra. The framework for remunerating the CEO and ET, as for all Senior Civil Servants (SCS), is set by the Prime Minister following independent advice from the Senior Salaries Review Body. Further details about this body can be found at www.ome.uk.com. The Cabinet Office advises Defra in March or April each year of the government's response to the Senior Salaries Review Body's recommendations and produces guidance for departments to follow. Defra develops its SCS pay strategy within this Cabinet Office framework, ensuring that the overall pay awards are within the cost ceiling allowed.

Consolidated pay and non-pensionable, performance related pay awards for members of ET are based on their performance assessed relative to all others in their peer group within Defra.

Consolidated awards generally differ depending on the level of performance and the relative position of each person in their pay range. Members of the SCS are eligible to be considered for individual levels of bonus as non-pensionable, non-consolidated variable pay (NCVP). NCVP is performance related and is paid in arrears in the financial year after that in which it was earned. During 2022-23, NCVP for 2021-22 performance bonuses was paid to approximately 25% of the SCS and was capped at £10,000. NCVP values, informed by each individual's appraisal grade were paid within Cabinet Office guidelines. The table of salary and non-cash benefits shown in this report includes NCVP paid to the CEO, ET and Non-Executive Directors. Departments also have discretion to make in-year non-consolidated award payments to recognise outstanding contribution for up to 40% of SCS staff. These are limited under Cabinet Office guidance to a maximum of £5,000.

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Further information about the Civil Service Commission can be found at www.civilservicecommission.org.uk.

The CEO and ET are permanent civil servants. The Executive Directors are required to give three months' notice under the terms of their contracts. Our Non-Executive Directors are appointed on fixed term contracts with a notice period of one month.

The employment of the CEO and members of ET may be terminated in accordance with normal civil service procedures. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Compensation for loss of office (audited)

No compensation amounts were paid to Executive Directors during the year. Compensation for leave not taken, where appropriate, is included within the salary figures in the remuneration table.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the agency and thus recorded in these accounts.

Benefits in kind (audited)

The monetary value of benefits in kind covers any benefits provided by the agency and treated by HM Revenue and Customs as a taxable emolument. In 2022-23, no director (2021-22: none) had any taxable benefits permitted by the Civil Service Management Code.

Bonuses (audited)

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2022-23 relate to performance in 2021-22 and the comparative bonuses reported for 2021-22 relate to the performance in 2020-21. This is because the appraisal process does not allow sufficient time to accrue for individual bonuses relating to performance in the reporting year's financial statements.

Fair pay disclosure (audited)

Reporting bodies are required to disclose the percentage change from the previous financial year for both salary and performance pay in respect of the highest paid director and the average percentage change in respect of employees of the organisation taken as a whole.

The Non-Executive Directors are excluded from this disclosure as their work is part-time by nature and their inclusion would have a distorting impact on the calculation.

2022-23	Salary	Bonus	Total
Annualised band of highest paid director remuneration (£000)	**110-115**	**5-10**	**115-120**
Mean employee remuneration	**£26,990**	**£214**	**£27,204**

2021-22	Salary	Bonus	Total
Annualised band of highest paid director remuneration (£000)	105-110	5-10	110-115
Mean employee remuneration	£26,580	£231	£26,811

Percentage change from previous year	Salary	Bonus	Total
Highest paid director (based on midpoint of band)	+5%	0%	+4%
Mean employee remuneration	+2%	-7%	+1%

Mean employee remuneration includes agency staff, contractors, and corporate services directors.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the financial year 2022-23 was £115,000-£120,000 (2021-22: £110,000-£115,000). This was 4.7 times (2021-22: 4.6) the median remuneration of the workforce, which was £25,017 (2021-22: £24,618).

In 2022-23, three (2021-22: two) contractors and no permanent employees (2021-22: nil) received remunerations more than the highest paid director.

Total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2022-23 25th percentile remuneration	2022-23 Median total remuneration	2022-23 75th percentile remuneration	2021-22 25th percentile remuneration	2021-22 Median total remuneration	2021-22 75th percentile remuneration
Highest paid director remuneration (mid-point of pay band)		**£117,500**			£112,500	
All employees (excluding highest paid director) Total pay and benefits	**£22,403**	**£25,017**	**£30,164**	£21,487	£24,618	£29,179
All employees (excluding highest paid director) Salary component only	**£22,150**	**£22,150**	**£26,853**	£21,298	£24,486	£29,179
Total pay ratio	**5.2**	**4.7**	**3.9**	5.2	4.6	3.9

The median remuneration, 25th percentile pay remuneration and the 75th percentile pay remuneration is based on annualised, full-time equivalent remuneration as at the end of the financial year.

The median pay ratio has marginally increased from 2021-22. In addition, in line with the public sector pay remit guidance, on 1 July 2021 annual pay increased by £250 for employees earning less than £24,000 full time equivalent per annum and there were increases to the pay ranges at AA and National AO grades.

The reduction in remuneration in the 75th percentile is because of recruitment of permanent employees to reduce interim staff levels. The decrease in remuneration in the 25th percentile is because of recruitment focusing on more senior posts

The banded remuneration for employees in the agency ranged from £20,000-£25,000 to £130,000-£135,000 (2021-22: £15,000-£20,000 to £130,000-£135,000). These figures exclude the Non-Executive Directors.

Remuneration (including salary) and pension entitlements (audited)

The remuneration and the pension interests of the Non-Executive Directors and the Executive Directors of the agency are detailed in the following tables:

	2022-23					2021-22				
Name and title	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[1] (£000)	Total (£000)	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[1] (£000)	Total (£000)
Tim Breitmeyer Non-Executive Director	**5-10**	-	-	-	**5-10**	5-10	-	-	-	5-10
Paul Dillon-Robinson Non-Executive Director	**10-15**	-	-	-	**10-15**	5-10	-	-	-	5-10
David Gardner[2] Non-Executive Director (until 30 June 2021)	-	-	-	-	-	0-5	-	-	-	0-5
Julia Grant[3] Non-Executive Member (from 1 October 2022)	**0-5**	-	-	-	**0-5**	-	-	-	-	-
Shrinivas Honap[2] Non-Executive Director (until 31 October 2021)	-	-	-	-	-	5-10	-	-	-	5-10
Elizabeth Passey Non-Executive Director	**5-10**	-	-	-	**5-10**	5-10	-	-	-	5-10
Mark Suthern Non-Executive Director	**5-10**	-	-	-	**5-10**	5-10	-	-	-	5-10

1. *The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.*
2. *David Gardner's whole year equivalent salary was in the range £0 to £5,000. Shrinivas Honap's whole year equivalent salary was in the range £15,000 to £20,000.*
3. *Julia Grant's whole year equivalent salary is in the range £0 to £5,000.*

Remuneration (including salary) and pension entitlements (audited) – continued

2022-23

Name and title	Salary (£000)	Bonus payments[4] (£000)	Benefits in kind (to nearest £100)	Pension benefits[5] (£000)	Total (£000)
Emma Appleby Chief Operating Officer	95-100	5-10	-	38	140-145
Susan Bower[1] Customer Operations Director	35-40	-	-	(42)	(5)-(10)
Victoria Brookes[2,3] Deputy HR Director Business Partnering – APHA, RPA, VMD (from 1 February 2023)	10-15	-	-	(7)	5-10
Paul Caldwell Chief Executive Officer	110-115	5-10	-	11	125-130
Peter Crewe Assurance Director	70-75	-	-	(15)	55-60
Alison Johnson Engagement and Operational Readiness Director	70-75	5-10	-	(6)	75-80
Sandy Kapila Customer Director (until 31 March 2023)	70-75	0-5	-	56	125-130
Nadia Khan[2,3] Food, Farming and Biosecurity Deputy HR Director (until 16 December 2022)	50-55	5-10	-	22	80-85
Rozanne Kidd Agricultural Transition Director	70-75	0-5	-	13	85-90
Andy King Regulation, Grants and Standards Director	75-80	-	-	10	85-90

Remuneration (including salary) and pension entitlements (audited) continued

2022-23

Name and title	Salary (£000)	Bonus payments[4] (£000)	Benefits in kind (to nearest £100)	Pension benefits[5] (£000)	Total (£000)
Jake McClure Organisational Capability Director	**70-75**	**-**	**-**	**14**	**85-90**
Gill Moger[3] Defra, Livestock Information Transformation Programme Director (from 24 October 2022)	**30-35**	**0-5**	**-**	**24**	**55-60**
David Painter[2] Digital, Data and Technology Services Director	**75-80**	**0-5**	**-**	**(23)**	**50-55**
Jane Parsley[3] Customer Operations Director (from 1 August 2022)	**45-50**	**0-5**	**-**	**43**	**90-95**
Jessie Peramal[2] Finance Director and Departmental Group Functional Lead for Grants	**90-95**	**5-10**	**-**	**37**	**135-140**

1. *Susan Bower changed her surname during the year from Boyd. Her title changed during the year from Customer Operations, Complaints and Appeals Director. She works part-time, her full-time equivalent is 0.46. Her full year equivalent pay, if she was a full-time employee, would be in the range £75,000 to £80,000 (2021-22: £75,000 to £80,000).*
2. *Victoria Brookes, Nadia Khan, David Painter, and Jessie Peramal are employees of Defra group corporate services and RPA Directors in 2022-23.*
3. *Victoria Brookes whole year equivalent salary is in the range £80,000 to £85,000. Her salary is presented as her full salary, and not apportioned for any work she does for APHA or VMD. Gill Moger's whole year equivalent salary is in the range £70,000 to £75,000. Jane Parsley's whole year equivalent salary is in the range £70,000 to £75,000. Nadia Khan's whole year equivalent salary was in the range £75,000 to £80,000.*
4. *Bonus payments to RPA's Board members are approved at Defra group level by the Defra Remuneration Committee and paid where exceptional performance has been clearly demonstrated. The bonuses awarded are not part of any performance related contractual obligations but reflect what Defra group deem to be a reasonable payment for this exceptional performance. Consequently, the bonuses are not awarded based on any specific formula.*
5. *The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights. Since the real increase factors in an increased discount rate, depending on the nominal value of pension rights increases, the real increase - and therefore the declared value of associated benefits - may be a negative figure.*

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Remuneration (including salary) and pension entitlements (audited) continued

					2021-22
Name and title	Salary (£000)	Bonus payments[4] (£000)	Benefits in kind (to nearest £100)	Pension benefits[5] (£000)	Total (£000)
Emma Appleby Chief Operating Officer	90-95	5-10	-	37	135-140
Susan Boyd[1] Customer Operations, Complaints and Appeals Director	35-40	5-10	-	(11)	30-35
Paul Caldwell Chief Executive Officer	105-110	5-10	-	11	120-125
Peter Crewe Compliance, Assurance and Risk Director	70-75	-	-	2	70-75
Alison Johnson Engagement and Operational Readiness Director	70-75	-	-	9	80-85
Sandy Kapila[3] Customer Director (from 17 January 2022)	10-15	-	-	27	40-45
Nadia Khan[2] Food, Farming and Biosecurity Deputy HR Director	70-75	-	-	29	100-105
Rozanne Kidd[3] Agricultural Transition Director (from 1 July 2021)	50-55	-	-	54	105-110
Andy King Regulation, Grants and Standards Director	75-80	-	-	21	95-100
Jake McClure Organisational Capability Director	70-75	-	-	49	115-120

Remuneration (including salary) and pension entitlements (audited) continued

					2021-22
Name and title	Salary (£000)	Bonus payments[4] (£000)	Benefits in kind (to nearest £100)	Pension benefits[5] (£000)	Total (£000)
Anne Marie Millar[2] Finance Director for RPA, Future Farming & EU Finances (until 19 October 2021)	60-65	-	-	41	100-105
David Painter[2] Digital, Data and Technology Services Director	70-75	-	-	14	85-90
Jane Parsley[3] Interim Agricultural Transition Director (from 5 April 2021 until 31 July 2021)	20-25	-	-	34	55-60
Jessie Peramal[2] Finance Director and Departmental Group Functional Lead for Grants (from 19 July 2021)	65-70	-	-	7	70-75

1. *During 2021-22, Susan Boyd voluntarily reduced her hours, hence the drop in salary compared to 2020-21.*
2. *Nadia Khan, David Painter and Jessie Peramal are employees of Defra group corporate services and RPA Directors in 2021-22, as was Anne Marie Millar until 19 October 2021. Anne Marie Millar's whole year equivalent salary was in the range £120,000 to £125,000. Jessie Peramal's whole year equivalent salary is in the range £90,000 to £95,000.*
3. *Sandy Kapila's whole year salary is in the range £70,000 to £75,000. Rozanne Kidd's whole year equivalent salary is in the range £70,000 to £75,000. Jane Parsley's whole year equivalent salary was in the range £70,000 to £75,000.*
4. *Bonus payments to RPA's Board members are approved at Defra group level by the Defra Remuneration Committee and paid where exceptional performance has been clearly demonstrated. The bonuses awarded are not part of any performance related contractual obligations but reflect what Defra group deem to be a reasonable payment for this exceptional performance. Consequently, the bonuses are not awarded based on any specific formula.*
5. *The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights. Since the real increase factors in an increased discount rate, depending on the nominal value of pension rights increases, the real increase - and therefore the declared value of associated benefits - may be a negative figure.*

Pension benefits (audited) information

Non-Executive Directors are not entitled to a pension so are not included within the following table.

Name and title	Accrued pension at pension age as at 31 March 2023 and related lump sum (£000)	Real increase in pension and related lump sum at pension age[1] (£000)	CETV at 31 March 2023[2] (£000)	CETV at 31 March 2022 (£000)	Real increase in CETV[1,3] (£000)	Employer contribution to partnership pension account (to nearest £100)
Emma Appleby Chief Operating Officer	**20-25**	**0-2.5**	**283**	246	**18**	**-**
Susan Bower Customer Operations Director	**40-45 plus lump sum of 105-110**	**0-(2.5) plus lump sum of (5)-(7.5)**	**940**	879	**(48)**	**-**
Victoria Brookes Deputy HR Director Business Partnering – APHA, RPA, VMD (from 1 February 2023)	**45-50**	**0-(2.5)**	**801**	798	**(8)**	**-**
Paul Caldwell Chief Executive Officer	**55-60 plus lump sum of 130-135**	**0-2.5 plus lump sum of (2.5)-(5)**	**1,258**	1,122	**(4)**	**-**
Peter Crewe Assurance Director	**35-40 plus lump sum of 100-105**	**0-(2.5) plus lump sum of (5)-(7.5)**	**875**	813	**(25)**	**-**
Alison Johnson Engagement and Operational Readiness Director	**40-45 plus lump sum of 80-85**	**0-2.5 plus lump sum of (2.5)-(5)**	**797**	727	**(16)**	**-**
Sandy Kapila Customer Director (until 31 March 2023)	**30-35 plus lump sum of 55-60**	**2.5-5 plus lump sum of 2.5-5**	**548**	454	**41**	**-**
Nadia Khan Food, Farming and Biosecurity Deputy HR Director (until 16 December 2022)	**5-10**	**0-2.5**	**78**	60	**11**	**-**
Rozanne Kidd Agricultural Transition Director	**35-40 plus lump sum of 75-80**	**0-2.5 plus lump sum of 0-(2.5)**	**735**	654	**2**	**-**

Name and title	Accrued pension at pension age as at 31 March 2023 and related lump sum (£000)	Real increase in pension and related lump sum at pension age[1] (£000)	CETV at 31 March 2023[2] (£000)	CETV at 31 March 2022 (£000)	Real increase in CETV[1,3] (£000)	Employer contribution to partnership pension account (to nearest £100)
Andy King Regulation, Grants and Standards Director	**25-30**	**0-2.5**	**405**	365	**(2)**	-
Jake McClure Organisational Capability Director	**20-25**	**0-2.5**	**287**	255	**2**	-
Gill Moger Defra, Livestock Information Transformation Programme Director (from 24 October 2022)	**40-45**	**0-2.5**	**670**	629	**17**	-
David Painter Digital, Data and Technology Services Director	**35-40 plus lump sum of 70-75**	**0-(2.5) plus lump sum of (5)-(7.5)**	**705**	659	**(32)**	-
Jane Parsley Customer Operations Director (from 1 August 2022)	**35-40 plus lump sum of 70-75**	**0-2.5 plus lump sum of 0-2.5**	**694**	610	**31**	-
Jessie Peramal Finance Director and Departmental Group Functional Lead for Grants	**10-15**	**0-2.5**	**120**	92	**16**	-

1. *The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence some negative values are reported in the table above.*
2. *CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023. This guidance will be used in the calculation of 2023-24 CETV figures.*
3. *The accrued pensions at 31 March 2023 represents the annual pension that individuals would be entitled to at their normal retirement date in the event they left employment with the agency on 31 March 2023. Changes in the lump sum calculation can fluctuate depending on changes in the final salary figures at the start and end of the period, which can sometimes result in a reduction in value.*

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced; the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service, joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS had four sections, three providing benefits on a final salary basis (classic, premium, or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS remained in the PCSPS after 1 April 2015 if they were within 10 years of their normal pension age on 1 April 2012. However, these members will transfer from their PCSPS legacy scheme on 1 April 2022 and will switch into alpha. Those who on 1 April 2012 were between 10 years and 13 years and 5 months from their normal pension switched into alpha sometime between 1 June 2015 and 1 February 2022.

Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period and this may affect the Cash Equivalent Transfer Values shown in this report, see below.

All members who switched to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership.

The partnership pension account is a stakeholder pension arrangement. The employer made a basic contribution of between 8.00% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers, on 31 March 2023 that provider was Legal & General Mastertrust. The employee did not have to contribute, but where they did make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contributed a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

From 1 April 2022, all agency employees choosing to be in a civil service pension scheme, are in the alpha pension scheme. And will earn at the end of each scheme year (31 March) a pension account credit equal to 2.32% of their pensionable earnings in that scheme year. This accrued pension is updated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.

Further details about the civil service pension scheme arrangements can be found on the Civil Service website www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued because of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff report

Staff costs and numbers are disclosed in Note 2 and audited as required by FReM 6.2.1.

Senior staff by pay-band

The table below provides the number of Senior Civil Servants or equivalent within the agency by pay-band, the table doesn't include the Directors that are Defra employees.

Senior Civil Servants by pay-band	As at 31 March 2023	As at 31 March 2022
Pay-band 3 £120,000 to £208,100	**-**	-
Pay-band 2 £93,000 to £162,500	**2**	1
Pay-band 1 £71,000 to £117,800[1]	**10**	9

1. *Susan Bower is included in the table at her full-time equivalent salary within pay-band 1.*

Staff composition

We are working to define the future workforce profile that aligns with new opportunities following the UK's exit from the European Union. We use a blended approach to resourcing utilising a mix of permanent, fixed term and temporary agency workers to balance resources and delivery against peaks and troughs in workload. We have worked to reduce reliance on large numbers of temporary agency workers in favour of permanent roles through recruitment campaigns to stabilise the workforce. Consequently, our dependency on temporary agency staff has fallen in the year as reflected in the table below.

For 2022-23, our average full time equivalent workforce was:

Workforce profile (audited) Average full time equivalent	Year to 31 March 2023	Year to 31 March 2022
Permanently employed staff	**2,539**	2,164
Agency	**127**	136
Contractors	**3**	6
Total	**2,669**	2,306

At 31 March 2023, we had an average full time equivalent workforce of 2,648 (2021-22: 2,635) as follows:

Workforce profile (audited) Average full time equivalent	As at 31 March 2023	As at 31 March 2022
Permanently employed staff	**2,587**	2,574
Agency	**57**	57
Contractors	**4**	4
Total	**2,648**	2,635

The gender diversity of our permanently employed staff and Non-Executive Directors was:

Gender diversity as at 31 March 2023 Average full time equivalent	Male	Female
Executive Team not including Defra employees appointed as ET members	5	6
Permanently employed staff (excluding Executive Team)	1,175	1,401
Total permanently employed staff	**1,180**	**1,407**
Non-Executive Directors	3	2
Total	**1,183**	**1,409**

During 2022-23, the agency had 15 temporary secondees loaned out to Defra group on short term loans. The agency also loaned two secondees from Defra group (2021-22: none) and one temporary secondee from the House of Commons, (2021-22: two). The net recovery of secondment costs £211k is reported in Note 2, under recoveries in respect of secondments.

People Forum and our People Plan

People Forum is a decision-making body that forms part of RPA's governance. Its purpose is to provide an inclusive and collaborative space for progressing people initiatives and engagement across the agency. All employees are welcome to contribute to People Forum.

The forum is designed to harness the energy, passion, and creativity of our people to deliver targeted, specific activities and wider initiatives designed to increase scale and reach and to change culture and attitudes.

The People Plan is a statement of the agency's ambition to make the agency an outstanding place to work. The plan promotes a culture of inclusivity, with opportunities for all, underpinned by supportive learning and development. The People Forum is designed to bring the People Plan to life and to shape the agency to be future ready through our trusted reputation.

We will ensure the agency is well positioned for opportunities arising from the 25 Year Environmental Plan and agricultural transition through growing our organisational capability.

Develop our learning and development strategy

We continue to develop our learning and development strategy and framework as we have now brought our learning and development budget back in-house from Defra. Our framework comprises of leadership and management, profession specific and technical training and is underpinned by our values – to be visible, engaging, respectful, inclusive, trusting, accountable and supportive. It is supported by a system holding all our learning, training, and development information.

Developing our professional capability as operational delivery experts

We enable our people to join and benefit from the largest of all the Civil Service Professions with 250,000 members across all government departments, through a new Operational Delivery Profession strategy. Our CEO is Head of Profession for Operational Delivery for the whole of the Defra group.

This offers our people training and development programmes, career pathways, networking opportunities and a real sense of belonging. We have the following objectives for our people who are part of this community and will continue to grow this work in future years:

- Build a thriving community of practice, recognised, and respected for its vital role in public service delivery
- Create a dynamic workforce who are future-ready, by helping our people develop, progress, and feel part of a community
- Instil a sense of pride and passion amongst our people, ensuring they feel valued for their work
- Inspire full commitment from our people to furthering their own skills
- Ensure our people are passionate about the people they serve and always have the desire to do better and be better, throughout their careers
- Enhance our customer experience expertise across our agency so that we deliver the best services
- Celebrate the impact we have and reward exceptional delivery

Design a collective agreement to meet our changing workforce needs

We show our commitment to making the agency an inclusive place to work, where everyone is encouraged and supported to realise their full potential through ensuring that our workforce is well managed and affordable, and considering resourcing and deployment at an agency level.

Celebrating our success

We launched our first RPA people awards in 2020. These awards celebrate and recognise our people that are Visible, Engaging, Respectful, Inclusive, Trusting, Accountable, and Supportive and who deliver with collaboration and innovation.

The award scheme has been used throughout the year to recognise and reward in-year achievements of RPA people who have gone above and beyond their normal duties to support successful delivery of business objectives.

The agency's now annual, people awards are hosted virtually which has improved the visibility, levelled the opportunities for all to attend and improved recognition and attendance.

We are early adopters of a new recognition platform which has allowed social and financial recognition, through the lens of our people values whilst streamlining our approach to 'Celebrating our success' and continuing to build on our culture.

Attendance management

The RPA's annual working days lost figure for the 2022-23 year was 6.2 (2021-22: 7.1).

Year to 31 March	2023	2022
Annual working days lost	**6.2**	7.1

Employee engagement

The RPA's employee engagement index in 2022 was 57% (2021: 62%).

Engagement index	2022	2021
RPA employee engagement index	**57%**	62%
Defra employee engagement index	**60%**	67%
Civil Service benchmark employee engagement index	**65%**	66%

We recognise the need to continually improve people engagement through our staff engagement survey results and comments, so are embracing new ways of gathering feedback and views. We have increased engagement through the pandemic through regular CEO and Executive Team all-agency calls, using interactive, easy-to-use question and answer and polling software applications, which have become an integral part of staff engagement with RPA's senior team and workforce. We will continue to track impact and engagement activity through our people plan.

Expenditure on contractors and agency workforce (audited)

The agency is committed to using permanent people when possible but the nature of our operations means we also require the expertise of temporary contractors and an agency workforce, see Note 2.

The agency had consultants on its payroll in 2022-23 for £0.6 million (2021-22: £0.8 million) as reported in staff costs in Note 2. And agency staff on its payroll of £4.3 million (2021-22: £4.3 million).

Agency staff were typically lower grade individuals used on a short-term temporary basis to process scheme payments and provide cover for some business-as-usual tasks.

The table below demonstrates that our temporary workforce costs have dropped year on year:

Expenditure on temporary workforce	Year to 31 March 2023 (£000)	Year to 31 March 2022 (£000)
Contractors	**589**	810
Agency	**4,353**	4,269
Total expenditure on temporary workforce	**4,942**	5,079

Expenditure costs on out-sourced consultancy companies in 2022-23 was £1.6 million (2021-22: £0.4 million). These costs have been incurred directly by the agency and are categorised by their nature within IT costs and Non-IT professional services in Note 3 of these accounts. Most consultancy costs incurred by the agency, are paid by Defra and recharged to the agency in the Corporate overhead recharge (notional) in Note 3 of these accounts.

Health, Safety and Wellbeing

The agency's Health, Safety and Wellbeing Unit (HSWU) role is to plan, introduce, monitor and review the protective and preventative measures that the RPA follow to ensure all employees are safe at work and in good mental health and that the agency is legislatively compliant. The unit works with all people from all areas of the business to minimise operational risks, losses, occupational health cases, accidents and injuries. The HSWU will arrange risk assessments to identify any situation that poses a level of threat to life, health, agency property or the environment. The unit works closely with the Defra estates division whose role is to ensure that the buildings used by the agency are fit for purpose and safe to work in.

Due to COVID-19 the HSWU issued in April 2020 updated guidance for the health and safety of homeworkers, the agency will continue to offer remote workstation assessments for those employees that request them.

Staff turnover (audited)

The agency uses Department Turnover (staff leaving the Civil Service or a particular department) as defined by civilservicestatistics@cabinetoffice.gov.uk in calculating its staff turnover.

For 2022-23 and 2021-22, the agency's turnover is calculated as the number of leavers within the year divided by the average of staff in post over the period. The average staff in post is calculated as the average of headcount at the start and end of the year.

Leavers include retirements, death in service, end of appointments, as well as dismissals and resignations and leavers under compulsory and voluntary redundancies

Average full time equivalent Permanent staff, short and fixed term appointments	Year to 31 March 2023	Year to 31 March 2022
Leavers in the year	**250**	257
Staff at beginning of the year	**2,574**	2,178
Staff at end of the year	**2,587**	2,574
Average staff during the year	**2,581**	2,376
Staff turnover during the year	**9.7%**	10.8%

Employee relations and tribunals

There was no Civil Service Appeal Board (CSAB) closed and settled employment tribunals between 1 April 2022 and March 2023, (2021-22: none). The trade union engagement framework was introduced in April 2014 and is now firmly embedded within the agency. Facility time used by the trade union representatives has been within the maximum introduced by the Cabinet Office in 2013.

Employment issues and recruitment practice

We have continued to recruit during this challenging period and have reduced our time to hire through successful adaptation of our recruitment processes, introducing video interviews and pre-recorded interviews. We continue our workforce stabilisation through large recruitment campaigns, utilising a range of resourcing options including fixed term appointments, apprenticeships, and permanent recruitment.

Defra HR continues to provide an expert service to RPA, managing vacancies throughout their life cycle from inception to realisation and provide full administrative functions for resourcing. This has ensured that RPA continues to be compliant with the Civil Service Commissioner's Recruitment Principles.

Pay policy

RPA is part of the Defra departmental pay bargaining unit. In April 2023, the government published its 2023-24 pay guidance. This year's highlights are:

- departments can make average pay awards up to 4.5%
- departments also have additional flexibility to pay up to a further 0.5% where they can demonstrate targeting of the pay award to those in their "lower pay bands", departments determine how they apply the targeted element

Defra remain committed to pursuing a pay flexibility case with the Cabinet Office and HM Treasury to address recruitment and retention issues and are looking into ways the groups pay flexibility case can be incorporated within the government guidance. Defra are engaging with trade unions during this process.

Exit packages (audited)

The agency offered no voluntary redundancies to employees in 2022-23 (2021-22: none). Exit packages are reported in staff costs in Note 2.3 of these accounts.

Diversity issues

We continue to work to ensure we have a diverse and inclusive culture where everyone feels they belong and are valued. Our commitment to providing opportunities for all, attracting, and developing diverse and motivated people, focusing on strengths, is tracked through our People Plan.

A socio-mobility survey was launched across Defra group in 2019 to gather data to underpin the approach to improving socio-mobility. In March 2020, new socio-economic background questions were added to the people management system portal. These questions help to establish the backgrounds of employees, so that we can see overall how inclusive we are of people who come from lower socio-economic backgrounds. As a result, RPA launched a Social Mobility Strategy which is being adopted across the whole of Defra group on the recommendation of the Defra group Social Mobility Board.

We remain part of the Defra group Equality, Diversity, and Inclusion Strategy to ensure positive action is taken on four key themes where people feel respected, valued, supported, and engaged. We have supported the cross-government activities for 2022, including: Celebration of civil partnerships, Celebration of Transgender Day, World Autism Awareness Week, World Hearing Day, Holocaust Memorial Day, and International Women's Day.

We have an Inclusion Leadership Group and groups representing our diverse workforce, and the actions from these groups feed into a central dashboard which is being created by the Group Equality Diversity Inclusion (EDI) team. The leads for these groups also represent RPA at the Defra boards.

Equal treatment in employment and occupation

We are working closely with cross-government initiatives to attract and encourage applicants from much wider, diverse groups such as care leavers, ex-offenders, and ex-military. This scheme enables those from specified groups who meet "basic" minimum selection criteria to have guaranteed interviews for junior roles within the Civil Service.

RPA, as part of Defra group, continues to work with a range of staff networks that support equal treatment in employment and occupation. Project Race, developed in 2019, is one of these networks. It aims to improve outcomes for colleagues of ethnic minorities in relation to representation, performance management and engagement.

In support of equal treatment in recruitment, the agency continues to use the Civil Service Guaranteed Interview Scheme for those people informing us of a disability or health condition. The agency also follows the 'blind' application process to ensure that diversity information is not disclosed to vacancy holders/interviewers at any time during the application process and therefore avoid unconscious bias entering the recruitment process. Interview panels are trained in aspects of 'unconscious bias' and its impact on decision making.

The agency induction packs direct starters to EDI support and support networks. Workplace adjustment passports, workstation assessments and occupational health referrals are all fully utilised by our workforce.

The agency does everything possible to encourage and support its disabled employees. We are committed to giving disabled employees the same opportunities to develop and progress as non-disabled employees, making sure there are no barriers in achieving their full potential. The agency will not unlawfully discriminate against disabled people in any aspect of employment including the recruitment process, training, and promotional and career development opportunities.

Trade union relationships

Working relationships with the trade union have remained positive and constructive, providing valuable input and support into initiatives throughout the year.

Facility time publication requirements

In accordance with the requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017, the following tables summarise trade union officials of employees and facility time usage during the year 2022-23.

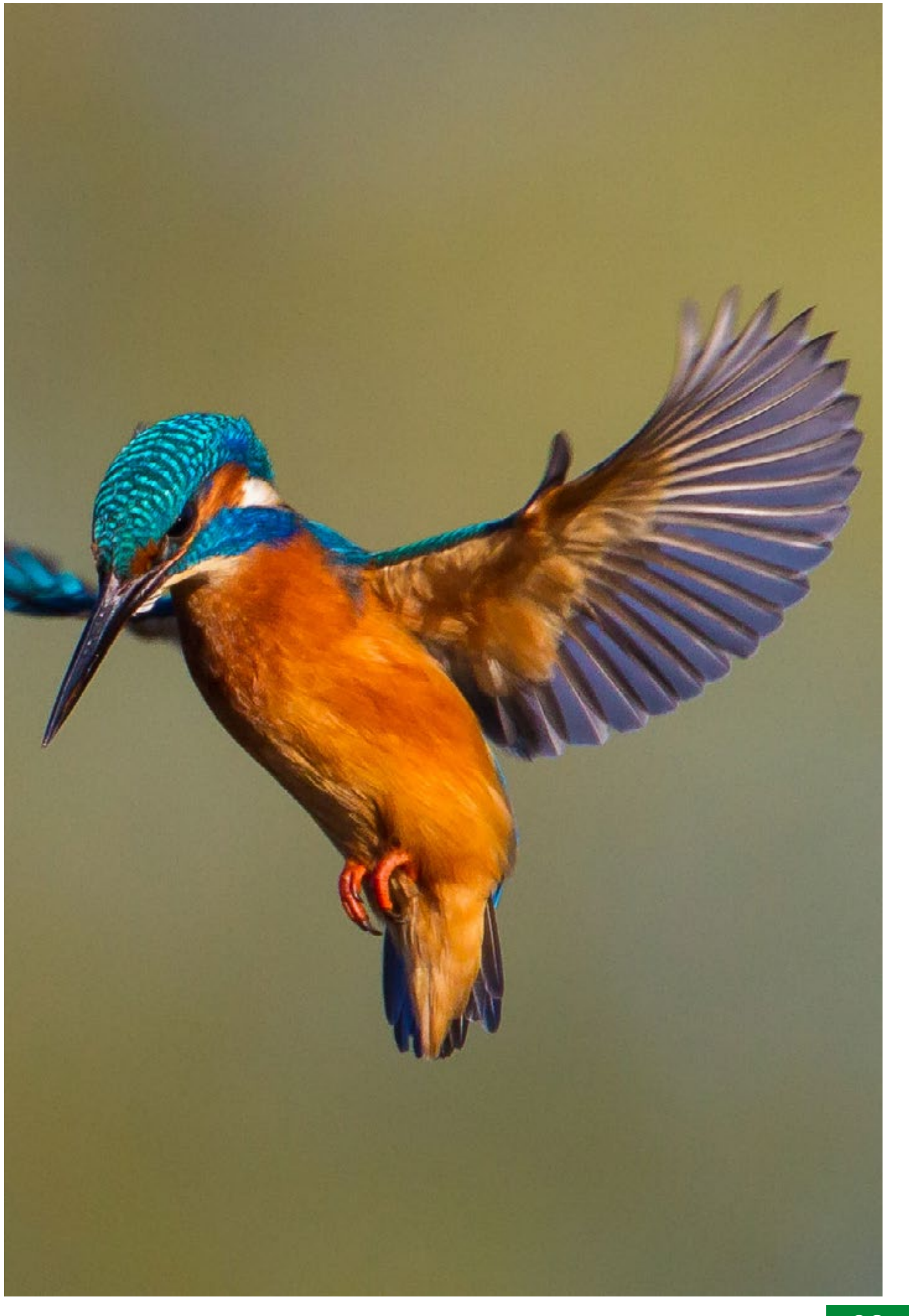
Trade union representative	2022-23
Number of employees who were relevant union officials	**28**
Full time equivalent employee number	**27**

Number of employees by percentage of time spent on facility time	2022-23
0%	**13**
1-50%	**15**

Percentage of pay bill spent on facility time	2022-23
Total pay bill spent on facility time (total cost of facility time ÷ total pay bill) x 100	**0.05%**

Total cost of facility time during the year to 31 March 2023	**£42,059**
Total pay bill cost during the year to 31 March 2023	**£93.7m**

Paid trade union activities	2022-23
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by trade union representatives during the year to 31 March 2023 ÷ total paid facility time hours) x 100	**0%**



Off-payroll appointments

In line with the recommendations of a review of Tax Arrangements of Public Sector Appointees published by HM Treasury in May 2012 the RPA put in place controls to ensure its non-payroll people earning greater than £245 per day are contractually obliged to assure the agency that they are meeting their tax obligations. Monitoring continues to take place with regular reports being supplied to Defra.

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater:

Payroll workers engaged during the year ended 31 March 2023	2022-23
Number of off-payroll workers engaged during the year ended 31 March 2023	**4**
of which: not subject to off-payroll legislation	**4**
subject to off-payroll legislation and determined as in-scope of IR35	**-**
subject to off-payroll legislation and determined as out-of-scope of IR35	**-**
Number of engagements reassessed for compliance or assurance purposes during the year	**4**
of which: number of engagements that saw a change to IR35 status following review	**-**

For all off-payroll existing engagements as of 31 March 2023, for more than £245 per day and that last for longer than six months:

Number of existing engagements	2022-23
Existing engagements as at 31 March 2023	**2**
of which: existed for less than one year at time of reporting	**-**
existed between one and two years at time of reporting	**-**
existed between two and three years at time of reporting	**2**
existed between three and four years at time of reporting	**-**
existed for four or more years at time of reporting	**-**

For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023:

Number of existing engagements	2022-23
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	**-**
Total no. of individuals on payroll and off-payroll engagements that have been deemed board members, and/or, senior officials with significant financial responsibility, during the financial year.	**15**

Senior officials with significant financial responsibility are defined as all board level executives, non-executive directors, and finance directors.

Parliamentary accountability and audit

Purpose

This section describes how the agency meets key accountability requirements to Parliament.

Regularity of expenditure (audited)

The agency reports losses and special payments:

	Year to 31 March 2023		Year to 31 March 2022	
	Number of cases	Value (£000)	Number of cases	Value (£000)
Cash losses - Scheme	**709**	**328**	3,205	1,394
Cash losses - running costs	**2**	**7**	-	-
Special payments - Scheme	**209**	**302**	219	456
Realised exchange loss	**1**	**472**	-	-
Total	**921**	**1,109**	3,424	1,850

During 2022-23, there were no losses which individually exceeded £0.3 million. During 2021-22, the agency identified cost of hedging and foreign exchange debts totalling £2.1 million owed to the agency by other paying agencies, that were not likely to be paid by the counterparty. These debts related to historical activities between 2015-2020. The agency took the decision to treat these as cash losses in 2021-22.

Included within 2021-22 cash losses is a reversal of £1.2 million, which arose when the agency ceased to recognise cash losses on cases where Defra, in its capacity as the managing authority for certain schemes, recognised these losses. The 2021-22 special payments figure includes a reversal of an ex-gratia payment relating to a retrospective claim on common land, of £0.3 million that the agency had previously recognised as a special payment but no longer considered to be ex-gratia.

Cash losses represent known, specific cases where a monetary loss has been incurred, for example when overpayments made to specific customers have not been recoverable. The agency also estimates the value of undetected irregularities within UK funded schemes for which the agency has incurred material net expenditure during the year, and where the nature of those schemes is such that there is a probable risk of undetected irregularities arising. Such undetected irregularities are estimates, and by their nature cannot be attributed to specific customers, nor can action to recover them be pursued.

Estimates are made by examining the results of randomly selected visits and remote sensing procedures and extrapolating the irregularity rates found by those visits. In assessing whether the results of visits indicate fraud or error, and in quantifying the monetary value of the loss to the taxpayer, the agency refers to the specific actions required by agreements in place with claimants. Those agreements reflect the Secretary of State's wider scheme rules in accordance with the Agriculture Act and relevant regulations covering each scheme examined.

The agency is undertaking ongoing work to better understand the underlying causes of fraud and error within scheme expenditure, with the goal of making targeted interventions to reduce non-compliance. Such interventions could for example include communications to customers claiming for actions where there have been historically high error rates, or the simplification of scheme rules where possible. This work is planned to include detailed collection of data on the causes of irregularities, however common causes of irregularities are known to include measurement errors (in which customers inadvertently over declare quantities, areas or lengths of items claimed for) and issues surrounding land parcels not being at the claimant's disposal during the period relating to their claim.

The table below summarises most likely estimated irregularity rates and values by scheme.

	Year to 31 March 2023		Year to 31 March 2022	
	Estimated irregularity rate	Value (£m)	Estimated irregularity rate	Value (£m)
Basic Payment Scheme	**0.24%**	**3.3**	0.23%	3.9
Countryside Stewardship – Revenue	**4.04%**	**6.8**	5.08%	2.9
Countryside Stewardship – Capital	**1.93%**	**2.0**	6.34%	2.7
Farming Equipment and Technology Fund	**0.00%**	**-**	-	-
Sustainable Farming Incentive	**2.64%**	**0.3**	-	-
Other schemes subject to estimation[1]	**0.74%**	**0.2**	0.54%	-
Overall	**0.74%**	**12.6**	0.54%	9.5

1. *Other schemes included in the estimation of undetected irregularities comprise of the School Milk Scheme, Farming Transformation Fund, Lump Sum Exit Scheme, and other minor schemes. The value of expenditure under these schemes for the year is not material and performing a formal estimate would not be cost effective. Therefore, the agency has assumed that the overall irregularity rate within schemes which were measured can be applied to these schemes. Note that expenditure under the Fruit & Vegetables Scheme has been judged by management to be materially free from irregularities due to the nature of the operation of the scheme. As such this scheme is not included within the estimates above.*

The above table contains estimates based on a random sample of visits and is therefore subject to a degree of statistical uncertainty. The estimates are prepared to within a stated range of accuracy, known as confidence intervals. 95% confidence intervals are presented below.

	Year to 31 March 2023			Year to 31 March 2022		
	Central estimate (£m)	Confidence interval from (£m)	Confidence interval to (£m)	Central estimate (£m)	Confidence interval from (£m)	Confidence interval to (£m)
Basic Payment Scheme	**3.3**	**2.1**	**4.7**	3.9	2.0	6.6
Countryside Stewardship – Revenue	**6.8**	**3.7**	**10.5**	2.9	1.8	4.3
Countryside Stewardship – Capital	**2.0**	**1.1**	**2.9**	2.7	1.3	4.5
Farming Equipment and Technology Fund	**-**	**-**	**-**	-	-	-
Sustainable Farming Incentive	**0.3**	**0.2**	**0.5**	-	-	-
Other schemes subject to estimation[1]	**0.2**	**0.1**	**0.2**	-	-	0.1
Overall[2]	**12.6**	**8.0**	**17.9**	9.5	4.9	17.1

1. *Other schemes included in the estimation of undetected irregularities comprise of the School Milk Scheme, Farming Transformation Fund, Lump Sum Exit Scheme, and other minor schemes. The value of expenditure under these schemes for the year is not material and performing a formal estimate would not be cost effective. Therefore, the agency has assumed that the overall irregularity rate within schemes which were measured can be applied to these schemes. Note that expenditure under the Fruit & Vegetables Scheme has been judged by management to be materially free from irregularities due to the nature of the operation of the scheme. As such this scheme is not included within the estimates above.*
2. *Note that the confidence interval figure for the overall estimate is determined by a statistical process. As such the bounds of the overall confidence interval do not equate with the sum of confidence bounds for individual schemes.*

Where practical to do so, the agency adjusts estimates for the effects of known and probable measurement errors. However, the figures presented are estimates, and have several limitations. For example, judgement must occasionally be employed by field officers in determining whether or not a breach of scheme rules exists, and further judgements determine whether or not this has resulted in irregular expenditure. The tables below demonstrate the effect of these potential measurement errors upon the estimated values presented. The percentage changes selected for this sensitivity analysis are judged to be representative of the possible level of measurement errors, based upon management knowledge of the operation of schemes and upon insights generated by quality control processes.

	Basic Payment Scheme	Countryside Stewardship - Revenue	Countryside Stewardship - Capital	Farming Equipment and Technology Fund	Sustainable Farming Incentive	Other Schemes
Expenditure (£000)	1,370,326	169,466	101,958	32,701	12,490	23,671
Irregularity rate	0.24%	4.04%	1.93%	0.00%	2.64%	0.74%
Irregularity value (£000)	3,289	6,846	1,968	-	330	175
Contribution to overall irregularity value	26.09%	54.30%	15.61%	0.00%	2.62%	1.38%
Impact of a 0.1% (BPS) or 10% (other schemes) change in monetary value of irregularity on the overall irregularity rate	0.02%	0.04%	0.01%	0.00%	0.00%	0.00%

For example, Countryside Stewardship Revenue spending currently contributes 54.30% of the total estimated irregularity value. If the monetary value of the estimated irregular expenditure for this scheme (currently £6,846,000) were to increase by 10% this would lead to the overall estimated irregularity rate of 0.74% increasing by 0.04% to 0.78% (equating to around a further £685,000 of irregular expenditure).

Government Functional Standards

The mandate for the use of functional standards is provided by Managing Public Money (MPM) and endorsed by Ministers through the Declaration on Government Reform. Each standard sets expectations for what needs to be done, and why, relating to the work within its scope. The functional standards contain mandatory, advisory and permitted elements and uses active language to set expectations ('shall', 'should', 'may', 'might' etc) for each element. An overall assessment for each standard is then made of 'Best', 'Better', 'Good', 'Developing'. 'Good' means that all mandatory elements, and the most important advisory elements, are met. To be good, better or best, RPA would need to meet all the criteria for that level across the functions.

The Government Functional Standards for RPA are largely managed by Defra who make the judgements as owners of the various functional standards and the associated corporate services. As part of the services delivery model, core department Heads of Function ensure compliance assessments are in place for these Functional Standards which are used to assess future development areas. Assessments for services received currently range from "developing" to "good". Going forward we will continue to improve and work collaboratively with Defra colleagues and learn from what we have achieved this financial year, to stretch our ambition. This will help both Defra and RPA to continue to improve the assessments.

Fees and charges (audited)

The agency has no material income fees and charges.

Remote contingent liabilities (audited)

The agency has no remote contingent liabilities that are required to be reported to Parliament under Managing Public Money.

Long term expenditure trends

A detailed commentary on current and prior year performance is included within the Performance Analysis section.

Paul Caldwell
Chief Executive and Accounting Officer
14 July 2023

The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Rural Payments Agency for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

- The financial statements comprise: the Rural Payments Agency's
- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of Rural Payments Agency's affairs as at 31 March 2023 and its net operating cost for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022).* My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019.* I am independent of the Rural Payments Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Rural Payments Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Rural Payments Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Rural Payments Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's certificate and report thereon. The Chief Executive as Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements

Matters on which I report by exception

In the light of the knowledge and understanding of the Rural Payments Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Rural Payments Agency or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or

- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Chief Executive as Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Rural Payments Agency from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Rural Payments Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Rural Payments Agency will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud.

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Rural Payments Agency's accounting policies, key performance indicators and performance incentives.
- inquired of management, Rural Payments Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Rural Payments Agency's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Rural Payments Agency's controls relating to the Rural Payments Agency's compliance with the Government Resources and Accounts Act 2000, and Managing Public Money;
- inquired of management, Rural Payments Agency's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal specialists, including our IT audit team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Rural Payments Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and fraud and error within scheme expenditure. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Rural Payments Agency's framework of authority and other legal and regulatory frameworks in which the Rural Payments Agency operate. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Rural Payments Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, grant expenditure legislation, employment law, pensions legislation and tax legislation.

I considered the Rural Payment Agency's estimate of the risk of fraud and error within the scheme expenditure population.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud and irregularity within scheme expenditure.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
18 July 2023

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements

This section provides financial statements of the reportable activities of the Rural Payments Agency during the year.

Account statements

Statement of Comprehensive Net Expenditure for the Year to 31 March 2023

		Year to 31 March 2023		Year to 31 March 2022	
	Note	(£000)	(£000)	(£000)	(£000)
Running costs					
Staff	2	**98,488**		84,022	
Others	3	**75,526**		73,039	
		174,014		157,061	
Running costs income	4	**(2,451)**		(3,055)	
Net running costs			**171,563**		154,006
Scheme costs					
Rural Payments Agency					
Costs	1.8, 5	**1,752,131**		1,803,100	
Income	1.8, 5	**(11,262)**		(7,520)	
			1,740,869		1,795,580
Other paying agencies					
Costs	1.9, 6	**99,721**		165,714	
Income	1.9, 6	**(99,642)**		(166,085)	
			79		(371)
Net scheme expenditure			**1,740,948**		1,795,209
Net operating cost			**1,912,511**		1,949,215

Statement of Comprehensive Net Expenditure for the Year to 31 March 2023 (continued)

		Year to 31 March 2023		Year to 31 March 2022	
	Note	(£000)	(£000)	(£000)	(£000)
Net operating cost			**1,912,511**		1,949,215
Other Comprehensive Net Expenditure					
Items that will not be classified subsequently in the Statement of Comprehensive Net Expenditure					
Net gain on revaluation of intangible assets	**14**		**(4,464)**		(2,675)
Items that may be classified subsequently in the Statement of Comprehensive Net Expenditure when specific conditions are met			**-**		-
Total comprehensive net expenditure for the year			**1,908,047**		1,946,540

The Notes on pages 112 to 148 form part of these accounts.

Statement of Financial Position as at 31 March 2023

		As at 31 March 2023		As at 31 March 2022	
	Note	(£000)	(£000)	(£000)	(£000)
Non-current assets					
Property, plant and equipment	**7**	**336**		4	
Intangible assets	**8**	**54,637**		50,382	
Total non-current assets			**54,973**		50,386
Current assets					
Trade receivables and other current assets	**9**	**234,536**		77,549	
Derivative assets	**13**	**90**		15	
Cash and cash equivalents	**10**	**54,421**		329,767	
Total current assets			**289,047**		407,331
Total assets			**344,020**		457,717
Current liabilities					
Trade payables and other current liabilities	**11**	**(115,072)**		(84,405)	
Lease liabilities	**16.2**	**(167)**		-	
Derivative liabilities	**13**	**(4,847)**		(3,370)	
Total current liabilities			**(120,086)**		(87,775)
Total assets less current liabilities			**223,934**		369,942

Statement of Financial Position as at 31 March 2023 (continued)

		As at 31 March 2023		As at 31 March 2022	
	Note	(£000)	(£000)	(£000)	(£000)
Non-current liabilities					
Trade payables and other liabilities	**11**	**-**		(16,327)	
Lease liabilities	**16.2**	**(245)**		-	
Total non-current liabilities			**(245)**		(16,327)
Total assets less total liabilities			**223,689**		353,615
Taxpayers' equity					
General fund			**213,757**		345,758
Revaluation reserve	**14**		**9,932**		7,857
Total taxpayers' equity			**223,689**		353,615

The Notes on pages 112 to 148 form part of these accounts.

Paul Caldwell
Chief Executive and Accounting Officer
14 July 2023

Statement of Cash Flows for the Year to 31 March 2023

	Note	Year to 31 March 2023 (£000)	Year to 31 March 2022 (£000)
Cash flows from operating activities			
Net operating cost		**(1,912,511)**	(1,949,215)
Adjustment for non-cash items included in other running costs	**3**	**60,632**	61,217
Movement in provisions		**-**	(143)
Adjustment for derivative financial instruments[1]	**13**	**1,402**	11,549
(Increase)/decrease in trade receivables and other current assets	**9**	**(156,987)**	204,106
Increase/(decrease) in trade payables and other liabilities	**11**	**14,339**	(120,243)
Net cash outflow from operating activities		**(1,993,125)**	(1,792,729)
Cash flows from investing activities			
Purchase of property, plant and equipment - Right of use	**7**	**(490)**	-
Net cash outflow from investing activities		**(490)**	-
Cash flows from financing activities			
Financing by Defra		**2,055,000**	2,328,000
Financing to Defra		**(120,000)**	(385,000)
Payments for Rural Development Programme for England on behalf of Defra	**1.10**	**(362,339)**	(440,058)
Receipts for Rural Development Programme for England on behalf of Defra	**1.10**	**162,695**	310,723
Disallowance transfer to Defra	**1.23**	**(17,499)**	(21,360)
Capital element of payments in respect of lease liabilities	**16.2**	**412**	-
Net cash inflow from financing activities		**1,718,269**	1,792,305
Decrease in cash and cash equivalents in the period		**(275,346)**	(424)
Cash and cash equivalents at 1 April	**10**	**329,767**	330,191
Cash and cash equivalents at 31 March	**10**	**54,421**	329,767

1. *The adjustment in derivative financial instruments above, is calculated by the sum of: (current year's derivative assets minus previous year's derivative assets) minus (current year's derivative liabilities minus previous year's derivative liabilities).*

The Notes on pages 112 to 148 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year to 31 March 2023

	Note	General fund (£000)	Revaluation reserve (£000)	Total taxpayers' equity (£000)
Balance at 31 March 2021		444,461	6,534	450,995
Net operating cost		(1,949,215)	-	(1,949,215)
- intangible assets	14	1,352	(1,352)	-
Arising on revaluation during the year (net)	14	-	2,675	2,675
Total comprehensive net expenditure for year ended 31 March 2022		(1,947,863)	1,323	(1,946,540)
Notional charge – corporate overhead recharge	3	52,705	-	52,705
Financing by Defra		2,328,000	-	2,328,000
Financing to Defra		(385,000)	-	(385,000)
Payments for Rural Development Programme for England on behalf of Defra	1.10	(440,058)	-	(440,058)
Receipts for Rural Development Programme for England on behalf of Defra	1.10	310,723	-	310,723
Disallowance transfer to Defra	1.23	(21,360)	-	(21,360)
Assets transfer from Defra	8	4,150	-	4,150
Balance at 31 March 2022		345,758	7,857	353,615

Statement of Changes in Taxpayers' Equity for the Year to 31 March 2023 (continued)

	Note	General fund (£000)	Revaluation reserve (£000)	Total taxpayers' equity (£000)
Balance at 31 March 2022		345,758	7,857	353,615
Net operating cost		(1,912,511)	-	(1,912,511)
Transfer from revaluation reserve to General Fund:				
- intangible assets	14	2,389	(2,389)	-
Arising on revaluation during the year (net)	14	-	4,464	4,464
Total comprehensive net expenditure for year ended 31 March 2023		(1,910,122)	2,075	(1,908,047)
Notional charge – corporate overhead recharge	3	48,660	-	48,660
Financing by Defra		2,055,000	-	2,055,000
Financing to Defra		(120,000)	-	(120,000)
Payments for Rural Development Programme for England on behalf of Defra	1.10	(362,339)	-	(362,339)
Receipts for Rural Development Programme for England on behalf of Defra	1.10	162,695	-	162,695
Disallowance transfer to Defra	1.23	(17,499)	-	(17,499)
Assets transfer from Defra	8	11,604	-	11,604
Balance at 31 March 2023		213,757	9,932	223,689

The Notes on pages 112 to 148 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2022-23 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted for the public sector. Where the FReM allows a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the agency for the purpose of giving a true and fair view has been selected. They have been applied consistently in the current and preceding year in dealing with items considered material in relation to the accounts.

The financial statements are prepared on a going concern basis on a financial basis and are consistent with the FReM 2022-23 continued provision of service basis.

1.1 Accounting convention

These accounts have been prepared under the historic cost convention, modified to account for the revaluation of intangible assets, and certain financial assets and liabilities, where material.

1.2 Property, plant and equipment

Property, plant and equipment is recognised on a depreciated historic cost basis due to being low in value. Property, plant and equipment assets are reviewed annually for indicators of impairment.

The agency has set a capitalisation threshold of £10,000. Below this threshold costs are charged directly to the Statement of Comprehensive Net Expenditure. From 1 April 2021, assets purchased as a group, each costing above £500 but totalling more than £500,000, have been capitalised.

1.3 Intangible assets

Intangible assets are initially recognised at cost, including their deemed cost to Defra where they are transferred from our parent department. Subsequently they are measured at depreciated historic cost modified by annual revaluations using appropriate price indices issued by the UK Office of National Statistics, as a proxy for Depreciated Replacement Cost (the fair value option applicable to these non-actively-traded assets). The unrealised element is credited/debited to the Revaluation reserve as shown in the Statement of Changes in Taxpayers' Equity, see Note 14. Intangible assets are reviewed annually for indicators of impairment.

Intangible assets comprise internally developed applications and bespoke IT software projects, licences and packages developed by third parties. Software projects being developed are capitalised as development expenditure and treated as capital expenditure (but not amortised or revalued until the software is fully developed and brought into use). Transfer of assets developed by Defra are provided to the agency via the General Fund. The agency has set a capitalisation threshold for software projects of £100,000 and £10,000 for software licences. From 1 April 2021, software licences assets purchased as a group, each costing above £500 but totalling more than £500,000, have been capitalised. At 31 March 2023, the agency had no capitalised software licences.

Licences and related customisations are only recognised where they represent identifiable assets controlled by the agency, rather than being purely part of service contracts.

1.4 Depreciation and amortisation

Depreciation and amortisation are provided at rates estimated to write off the valuation of property, plant and equipment, and intangibles on a straight-line basis, over the estimated useful life of the asset, taking into account residual value (if it applies). Assets are depreciated or amortised from the month after they are available for use.

Estimated useful lives at initial recognition are normally in the following ranges:

Depreciation

IT hardware	
• Laptops, printers and similar equipment	3 years
• Communications	5 years
• Servers	Up to 7 years
Office machinery	5 years
Right of use - vehicles	4 years
Others	5 to 25 years

Amortisation

IT software[1]	5 to 7 years
IT licences	Up to 7 years

1. *All IT software assets capitalised to deliver CAP scheme payments have been amortised over the period ending 31 March 2028, see Note 8. These CAP assets therefore no longer sit within the stated useful expected life range for software stated above.*

1.5 Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount.

In line with an adaption in the FReM, any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential should be recognised in full as an impairment loss in the Statement of Comprehensive Net Expenditure. However, to align the balance in the Revaluation reserve with that which would have resulted through strict application of IAS 36, an amount up to the value of the impairment is transferred to the General Fund for the individual asset concerned.

Downward revaluations, resulting from changes in market value, only result in impairment where the asset is revalued below its historic cost carrying amount. In these cases, the accounting treatment is as for any other impairment, with amounts being first set against any accumulated balance in the revaluation reserve, and any amount in addition to this being recognised and recorded in the Statement of Comprehensive Net Expenditure.

1.6 Leased assets

The agency has implemented IFRS16 with effect from 1 April 2022, using the adaptions and interpretations set out by HM Treasury in the 2022-23 Financial Reporting Manual (FReM). As mandated by the Financial Reporting Manual a cumulative catch-up basis has been used and prior year comparatives have not been restated.

This transition has removed the separation between operating and finance leases, instead recognising leases in scope of IFRS 16 on the Statement of Financial Position as right of use assets and corresponding lease liabilities. Liabilities have been calculated using the present value of outstanding payments at 1 April 2022 and the opening cost of the right of use assets is calculated to equal lease liabilities adjusted for any lease prepayments or accruals that existed immediately prior to 1 April 2022.

The Statement of Comprehensive Net Expenditure will reflect related charges for the depreciation of the right of use assets and interest on the lease liability in place of rental expenses and continue to reflect irrecoverable VAT where applicable on any leases as HM Treasury guidance on the application of IFRS 16 states this should not form part of the initial measurement of the right of use assets.

The agency has identified leased vehicles which fall into IFRS 16 categorisation. This treatment has been applied to all vehicles leased except those which are short-term (less than 12 months) which will continue to be treated as expenses on a straight-line basis in the Statement of Comprehensive Net Expenditure for the duration of the lease term. The impact of IFRS 16 for these leased vehicles to the Statement of Financial Position at 1 April 2022 is to increase right of use assets by £0.3 million and lease liabilities by the same value. The agency has applied a rate of interest taken from the lease contract for vehicles.

Cost has been used as an appropriate proxy for current value in existing use of vehicles as they have a relatively short useful life.

1.7 Defra properties occupied by the agency

For 2022-23, the full cost of occupation of buildings that are either owned or leased by Defra is reflected within the Statement of Comprehensive Net Expenditure as part of 'Corporate overhead recharge (notional)', see Note 3. The costs are determined by Defra based on proportionate occupation of the properties and include rates, utilities, management overheads, and associated capital charges. For Defra leasehold properties this also includes rental costs.

The Defra Management Committee estates strategy states that the default position is that lease breaks are exercised. Defra undertakes a detailed annual review on the material lease exits to confirm this judgement holds true. This has the implication of recognising the lease commitment (and any depreciation) to the lease break date. If however, the evidence suggests that it is unlikely individual lease breaks will be exercised, the commitment is assumed to be until the end of the lease.

1.8 Agency scheme expenditure and income

Schemes administered on behalf of Defra

Defra core accounts recognise the expenditure and income for schemes over which it acts as Managing Authority, thereby demonstrating control of policy and prioritisation of spend. Payments made by the agency on such schemes (for example rural development expenditure under the Rural Development Programme for England) are reported in the agency accounts as movements through the General Fund. See Note 10.1, for further details of accounting treatment for the Rural Development Programme for England.

Where RPA makes payments on behalf of another government body which is acting as the controlling entity, expenditure and income for such schemes will be recognised by them. Assets and liabilities relating to these schemes are reported in the agency's Statement on Financial Position along with a corresponding intra-governmental balance.

All other schemes

Expenditure and income relating to all other schemes is recognised in the accounts of the agency and is presented within Note 5. The accounting policies applying to expenditure under UK Exchequer funded schemes, and to both income and expenditure under European Commission funded schemes are described separately below.

UK Exchequer funded schemes

For all UK Exchequer funded schemes, expenditure is recognised by the agency when both of the following criteria are judged to be met:

a) The customer has fulfilled their performance obligations in line with the applicable scheme rules and regulations; and

b) The value of the claim can be reliably estimated by the agency.

This commonly results in expenditure being recognised on receipt of claims from farmers. However, expenditure may be recognised later when claims are received in advance of other underlying performance obligations being completed by the customer. This is the case for the Basic Payment Scheme, where recognition is the later of the receipt of claims, and the 15 May eligibility date when claimants must have land at their disposal; and Sustainable Farming Incentive revenue agreements where recognition is on the latter of receipt of a customer's annual declaration and the final day of their agreement year, as submitting an annual declaration is a performance obligation for claimants.

The agency enters into multi-annual agreements in respect of some schemes. In accordance with the recognition criteria above, where such agreements contain obligations that customers have not yet performed, those elements of the agreements are not recognised as expenditure. The agency discloses the extent of these unrecognised commitments in Note 17. To the extent that customers meet their future performance obligations, the agency expects that these commitments will be recognised as expenditure in future years.

Devolved administrations

RPA administers several schemes for all UK claimants. Principally these schemes comprise of the Fruit & Vegetables Scheme and School Milk Scheme. Where RPA makes payments to claimants outside of England these amounts are reclaimed from the associated devolved administrations in Scotland, Wales and Northern Ireland.

This income is recognised by the agency when it is probable that it will receive a reimbursement from the devolved administration for scheme expenditure incurred and the amount to be received is considered reliably measurable. These conditions are deemed to be met at the point that the related scheme expenditure is recognised. The income is presented within the UK funded schemes section of Note 5.

European Commission funded schemes

The European Commission funding ceased on 15 October 2020. However, the agency continues to recover debts from farmers in relation to scheme payments which were originally funded by the European Commission and continues to repay a proportion of the monies recovered to the European Commission. These recoveries are presented as negative expenditure, whilst the corresponding repayments to the European Commission are presented as negative income. Entries are against expenditure and income, rather than the Statement of Financial Position, since the RPA is recovering and paying over money owed by customers ultimately to the European Union, rather than owed by customers to the agency itself.

1.9 Other UK paying agencies expenditure and income

Other UK paying agencies have continued to administer payments to customers throughout the year under the European Agricultural Fund for Rural Development. These payments are funded by the agency and are subsequently recovered by the agency from the European Commission.

Scheme expenditure in relation to funding provided by the agency is recognised when the agency has a present obligation to fund a payment to the other UK paying agencies and the amount payable is considered reliably measurable and probable. These conditions are deemed to be met upon the receipt of a funding request from the other UK paying agencies, adjusted for any over or underfunding to the paying agencies calculated at period end. Funds provided to other paying agencies in advance of these points are treated as prepayments. As accredited paying agencies, other UK paying agencies are responsible for the regularity and propriety of payments issued to their ultimate beneficiaries.

Scheme income in relation to funding provided to the other UK paying agencies is recognised by the agency when it is probable that it will receive reimbursement from the European Commission for scheme expenditure incurred and the amount to be received from the European Commission is considered reliably measurable. These conditions are deemed to be met at the point that the related scheme expenditure is recognised.

All expenditure and income related to the funding of other UK paying agencies is presented in Note 6.

The impact of any foreign exchange movements between the claim date and the date of actual reimbursement by the European Commission are borne by the agency and accordingly recognised in the Statement of Comprehensive Net Expenditure.

1.10 European Commission funding of schemes administered by the agency

Up until 31 March 2023, rural development expenditure under the RDPE was managed by the agency on behalf of Defra. Accordingly, scheme income and expenditure were reported in Defra's resource accounts with transfers reported as movements through the General Fund. Payments to customers made on behalf of Defra, and recoveries received from the European Commission on behalf of Defra are disclosed within the Cash Flow statement under the Financing Activities heading as this best reflects their nature as cash flow items only for the agency. With effect from 1 April 2023 control of the scheme passed to the agency, and therefore all future RDPE expenditure and recoveries will be recognised in RPA’s accounts.

The impacts of any foreign exchange movements between the claim date and the date of actual reimbursement by the European Commission are borne by the agency and accordingly recognised within the Statement of Comprehensive Net Expenditure.

1.11 Value Added Tax (VAT)

Defra and its executive agencies share a single VAT registration. Most activities relating to the group are outside the scope of VAT.

As a result, input tax cannot generally be recovered. However, under an HM Treasury concession applying to government departments, limited input VAT recovery may be possible on certain specified contracted out services attributable to those activities. For those limited activities where output VAT is charged, directly attributable input VAT can be recovered under the normal rules.

In all instances, where output tax is charged, and input tax is recoverable, amounts are stated net of VAT. Where input tax cannot be recovered, amounts are stated inclusive of VAT.

1.12 Foreign currency transactions

The functional and presentational currency of the agency is sterling.

The agency receives reimbursements from the European Commission in euros for funds administered by the agency and other UK paying agencies in relation to the Rural Development Programme and in accordance with respective scheme rules and regulations.

These foreign currency transactions are recognised as scheme expenditure and scheme income at the rates of exchange prevailing on the dates of recognition of those transactions as described in Notes 1.9, and 1.10. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in the Statement of Comprehensive Net Expenditure in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks, see Note 1.13.

1.13 Derivative financial instruments

Note that, despite a number of schemes ceasing to be EU funded, the agency continues to be exposed to foreign exchange risk in respect of schemes which the agency administers on behalf of Defra, and which continue to utilise agreed budgets under EU programme closure regulations (e.g., in respect of schemes forming part of the Rural Development Programme for England). The agency also continues to fund the devolved authorities for equivalent rural development programmes and continues to manage the resulting foreign exchange risk which arises on the ongoing reimbursement of CAP expenditure.

The agency enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk arising on the reimbursement, by EU, of this expenditure. Further details of derivative financial instruments are disclosed in Note 13.

The agency does not designate the contracts for hedge accounting and derivatives are recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period date. The resulting gain or loss is recognised in the Statement of Comprehensive Net Expenditure immediately. The fair value is established using published exchange and swap rates, for the currency pair, and reconciled to the valuation reported by the counterparty.

Derivatives are settled to correspond with reimbursement of expenditure by the EU through the regular quarterly cycle and in line with EU programme closure arrangements.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset or current liability if the remaining maturity of the instrument is less than 12 months or is greater than 12 months but is expected to be realised or settled within 12 months. The agency does not trade derivative arrangements for speculative purposes.

1.14 Trade receivables

Trade and other receivables primarily represent amounts expected from the EC, other government agencies, and customers under various schemes administered by the agency. Trade and other receivables are classified under IAS 32 Financial Instruments as financial assets.

The business model of the agency is to collect payments of principal, and interest where applicable, from its debtors. In general, the largest receivables owed to the agency, tend to be public sector entities or the EC in respect of money owed for schemes processed, to which no real prospect of default applies.

The agency has no non-current receivables or any receivables where a financing component has been applied. Therefore, the agency recognised its receivables at fair value, and holds them at amortised cost which for receivables with no financing component, is the invoiced amount, less provision for expected credit losses.

Expected credit losses

The agency has reviewed receivable balances against the creditworthiness of the related customers. For those customers that are not other government agencies or the EU, the agency has policies and procedures in place to ensure credit risk is kept to a minimum.

These include netting receivable balances owed to the agency against scheme payments the agency is obliged to make to those customers, contacting customers with overdue receivable balances by letter, phone and e-mail, and in some cases offering them sensible repayment terms to recover sums owed. The agency is therefore not exposed to material credit risk.

Because receivables are short-term in nature with no financing component the simplified model has been applied in which the loss allowance is equal to lifetime expected credit losses.

Credit losses are recognised in the Statement of Comprehensive Net Expenditure and measured as the present values of the differences between the contractual cash flow, and the estimated future cash flow.

The estimated future cash flows are determined after considering, amongst other things, the impact of agreed payment plans with customers, amounts expected to be recovered through interception (the process of offsetting a customer's receivables against a future scheme payment) and historic collection data for customers who have left the scheme.

1.15 Pensions

Present and past employees of the agency are covered by the provisions of four separate defined benefit schemes called Principal Civil Service Pension Schemes (PCSPS), and from 1 April 2015 a career average basis scheme called alpha, which are described in Note 2.2.

PCSPS is a multi-employer defined benefit scheme where, as one of many participating organisations, the RPA is unable to identify its share of the underlying assets and liabilities. Accordingly, per IAS 19, the RPA accounts for this scheme as it were a defined contribution scheme and recognises the costs of these contributions as they fall due. The agency is not liable for the obligations of other entities within the scheme. Further details of the pension arrangements of this scheme can be seen within the Cabinet Office Civil Superannuation Annual Reports.

The agency cannot identify its share of underlying assets and liabilities for these defined benefit schemes. Therefore, the agency recognises the expected cost of these pension schemes on a systematic and rational basis over the period during which it benefits from employees' services by payment to the five pension schemes calculated on an accruing basis.

Liability for future benefits is a charge on the pension schemes on an accruing basis. The agency does not make contributions to any other pension scheme.

From 1 April 2022, all employees who remain members of the PCSPS legacy pension schemes (Classic, Classic Plus, Premium and Nuvos) transferred to the alpha career average scheme. Their contributions towards the legacy schemes ceased from 1 April 2022, and future benefits will be accrued under the rules applicable for the alpha scheme.

1.16 Provisions

Provisions are recognised when the agency has a legal or constructive present obligation as a result of a past event, it is probable that the agency will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received, and the amount of the reimbursement can be measured reliably.

1.17 Early departure costs

The agency is required to meet the additional costs of benefits before normal retirement age in respect of employees who retire under early severance and early retirement schemes. The agency provides for this when a formal letter has been issued to the employee giving a leaving date and severance terms.

1.18 Contingent liabilities

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the entity; or a present obligation that arises from past events but is not recognised because (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

In addition to contingent liabilities disclosed in accordance with IAS 37, the agency discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.19 Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the agency that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The agency has identified the Chief Executive Officer as the Chief Operating Decision Maker. The required granular information is disclosed in the accounts in Note 3 and Note 4 for running costs and Note 5 and Note 6 for scheme because these notes are reflective of the information presented to senior management and relevant decision makers.

For segmental reporting during 2022-23, Defra uses major areas of spend as reported monthly to the Defra Management Committee. The agency represents one of these discrete areas of spend. As in previous years, the Chief Executive Officer continued to review and monitor the agency's operational and financial performance at this aggregated level as presented in Defra's financial statements.

1.20 Critical accounting judgements and key sources of estimation uncertainty

The Chief Executive Officer, in his capacity as Accounting Officer, uses judgement in making estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the accounting period in which the estimate is revised, and if the revision also affects future periods in these periods as well. In reviewing these estimates, we consider the extent to which these could possibly vary and whether such a variation could indicate the need for a material adjustment to the accounts. There is nothing in the current review to indicate that a variation of a material amount could arise.

The following are the critical judgements, which the Chief Executive Officer, in his capacity as Accounting Officer, has made in the process of applying the agency's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

a. Recoverability and useful lives of intangible assets

In capitalising internally developed applications and bespoke IT software projects and licences and packages developed by third parties, the Chief Executive Officer, in his capacity as Accounting Officer, makes judgements and estimates when assessing whether the costs incurred meet the criteria for capitalisation in the accounting standards, whether the capitalised software will continue to provide sufficient benefit to the agency to support its carrying amount, and whether the useful life of the existing capitalised, internally generated intangible assets remains appropriate.

Key factors driving useful life and impairment assessments include estimates of the expected future life span of the current schemes administered by the agency and the expected use of some or all of the current functionalities of the current capitalised intangible assets in pilots and succession schemes.

b. Estimated amounts for claims not yet paid

In line with the policy set out in Note 1.8, RPA typically recognises UK funded scheme expenditure upon the receipt of claims (or later if the claimant has other obligations to fulfil). This is prior to claims being fully checked and validated by RPA. In preparing the accounts RPA makes an estimate of the actual amounts which are likely be paid in order to settle the claims received.

An accrual of £57.4 million (2021-22: £42.3 million) has been recognised, which represents management's view of the most likely amounts due to individual claimants. Where possible accruals are based on internal data of when claims have been received and their value and checked whether they are still to be paid out. Accruals are also recognised where it is reasonable to expect that claimants will have fulfilled their other obligations per their grant agreement where appropriate.

Year end accruals for UK funded scheme expenditure	As at 31 March 2023 (£000)	As at 31 March 2022 (£000)
Basic Payment Scheme	**3,764**	8,567
Lump Sum Exit Scheme	**4,580**	-
Fruit & Vegetables	**17,049**	17,414
School Milk	**1,516**	1,526
Countryside Stewardship	**29,074**	13,598
Farming Equipment & Technology Fund	**654**	1,181
Farming Transformation Fund	**629**	-
Fly-tipping	**111**	-
Total	**57,377**	42,286

1.21 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Bank overdraft amounts are included within trade and other payables in the Statement of Financial Position.

1.22 General Fund

The General Fund represents the total assets less liabilities of the agency, to the extent that the total is not represented by other reserves. Financing by Defra is credited to the General Fund. When the agency makes repayments of financing to Defra these are debited to the General Fund.

1.23 Financial penalties

The agency receives income through reimbursement of scheme expenditure from the European Commission. This includes reimbursements of payments made by other UK paying agencies, see Note 1.9.

The European Commission may apply financial penalties to any of the paying agencies if they consider there to be infringement of scheme regulations. These penalties, referred to as "financial corrections" or "disallowance", are typically deducted retrospectively from reimbursements. Due to the time taken for the Commission to assess possible penalties, corrections may continue to arise for several years after the UK's exit from the European Union.

Financial penalties attributable to schemes administered by the agency are recognised as a loss in the Statement of Comprehensive Net Expenditure of the core department, not within the agency's accounts. The shortfall in reimbursement is shown as a funding transfer through the agency's Statement of Changes in Taxpayers' Equity when the reimbursement takes place.

With effect from 1 April 2023 onwards, all RDPE expenditure and recoveries have been recognised within the agency's financial statements. However, all disallowance charges and similar EU financial penalties, relating to RDPE expenditure incurred by Defra prior to 1 April 2023, have continued to be recorded in Defra's financial statements as Defra retains responsibility for those historic transactions.

Financial penalties attributable to schemes administered by other UK paying agencies are charged to those agencies at the point the European Commission deduct it from their reimbursement. Consequently, these financial penalties have no impact on the agency's own expenditure and income and are reported within Note 6 Other paying agencies expenditure and income.

1.24 Corporate overhead recharge (notional)

Defra Corporate overhead recharge services costs, comprising charges for legal, HR, IT, estates, procurement, and shared services including payroll and financials, are recognised by the agency as notional charges, with the core department recording the associated credit. The agency still benefits from the use of these corporate services, but the full budgets are retained by Defra to procure and manage the services more efficiently and effectively. The annual non-cash charges for these services made by Defra to the agency are settled on a notional (non-cash) basis to avoid unnecessary cash flows between the department and the agency; this settlement is reflected directly in equity since it constitutes a contribution from Defra as a controlling party of an equal amount to the recharge itself, which is recognised in the Statement of Comprehensive Net Expenditure.

1.25 Adoption of new and revised standards

The following reporting standard will become effective for accounting periods after 1 January 2024:

IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts becomes effective, subject to adoption into the FReM, for accounting periods commencing on, or after, 1 January 2025. It requires a discounted cash flow approach to measuring insurance liabilities. The agency has assessed that there are no arrangements that currently fall within scope and therefore this standard will have no impact on the financial statements. The agency does not expect any other new, or revised standard, or interpretation to have a material impact.

2. Staff numbers and related costs

2.1 Staff costs comprise:

	Permanently employed staff[1] (£000)	Year to 31 March 2023 Total (£000)	Permanently employed staff - reclassified[2] (£000)	Year to 31 March 2022 Total (£000)
Wages and salaries	**69,152**	**69,152**	58,410	58,410
Social security costs	**6,781**	**6,781**	5,516	5,516
Other pension costs	**17,775**	**17,775**	14,976	14,976
Early retirement and early severance costs				
Expensed in the year	**49**	**49**	9	9
	93,757	**93,757**	78,911	78,911
Less recoveries in respect of secondments		**(211)**		32
Agency staff		**4,353**		4,269
Contractors		**589**		810
Total staff costs		**98,488**		84,022

1. *For 2022-23, all fixed term appointments costs previously disclosed separately, are now included within permanently employed staff costs. This is to bring the agency in line with the same reporting treatment as Defra group.*
2. *For 2021-22, all fixed term appointment costs totalling £4.9 million have been reclassified and are now included within permanently employed staff costs.*

No staff costs have been capitalised (2021-22: £nil).

Average number of persons employed

The average number of full-time equivalent persons employed (including senior management and agency staff) during the year are disclosed in the Staff Composition section of the Staff Report.

Individual contractors engaged to fill temporary or permanent vacancies, or provide additional resource are included within staff costs in Note 2.1. Where firms have been engaged to provide services, they are not considered to be employees and are excluded from staff costs in Note 2.1 and are reflected within Non-IT professional services in Note 3.

2.2 Pension schemes

For 2022-23, employers' contributions of £17.5 million were payable to the PCSPS (2021-22: £14.8 million) at one of four rates in the range 26.6% to 30.3 % of pensionable earnings, based on salary bands.

The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the members retire and not the benefits paid during this period to existing pensioners.

Employers' contributions of £219k (2021-22: £203k) were paid to the Legal & General Mastertrust stakeholder pension provider. Employer contributions are age-related and ranged from 8% to 14.75 %.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £7.6k (2021-22: £7.2k), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the statement of financial position date were £18.7k (2021-22: £17.3k). There were no prepaid contributions at that date.

2.3 Reporting of Civil Service and other compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Where the agency has agreed early retirements, the additional costs are met by the agency and not by the civil service pension scheme for 2022-23 the agency reported £49k of such costs (2021-22: none).

During the year to 31 March 2023 there were no compulsory redundancies (2021-22: none) and no voluntary redundancies (2021-22: none).

3. Other running costs

	Note	Year to 31 March 2023 (£000)	Year to 31 March 2022 (£000)
Non-cash items (including notional charges)			
Corporate overhead recharge (notional)[1]		**48,660**	52,705
Loss on disposal of non-current assets		**25**	-
Depreciation	**7**	**158**	4
Amortisation	**8**	**11,789**	8,508
		60,632	61,217
Other expenditure			
Accommodation		**11**	28
IT costs		**2,356**	903
Non-payroll staff costs		**2,262**	1,423
Communications costs		**1,849**	1,742
Non-IT professional services		**6,324**	5,605
Finance lease interest		**20**	-
Certification Body (NAO) grant certification fee		**1,995**	2,153
Other running costs		**77**	(32)
		14,894	11,822
Total		**75,526**	73,039

1. *Services and facilities provided by Defra.*

The agency does not directly meet the costs of certain services that are provided centrally by Defra. These services are agreed and managed through service level agreements between the agency and Defra.

The agency reports these notional recharges to accurately reflect the true costs of operations, with a matching credit recorded in the General Fund.

The Corporate overhead recharge (notional) comprises:

	Year to 31 March 2023 (£000)	Year to 31 March 2022 (£000)
Estate Management costs	**9,361**	9,866
Information Technology	**29,859**	34,432
Human Resources services	**2,069**	2,131
Legal services	**258**	449
Communications	**600**	593
Corporate strategy	**2,083**	951
Shared services including payroll and financial	**4,184**	4,048
Auditors' remuneration and expenses	**246**	235
Total	**48,660**	52,705

During the year to 31 March 2023, the agency received no non-audit services from the NAO (2021-22: £nil).

Included in Notes 2 and 3 are the costs associated with the UK Co-ordinating Body which are summarised in the following table:

	Year to 31 March 2023 (£000)	Year to 31 March 2022 (£000)
Payroll costs	**412**	422
Other costs	**152**	95
Certification Body (NAO) grant certification fee	**1,995**	2,153
Total	**2,559**	2,670

The UK Co-ordinating Body is an independent body, whose function is to ensure that all paying agencies maintain their accreditation status and effectively administer CAP.

From 1 April 2023, UK Co-ordinating Body budgets transferred to Defra, hence for 2023-24 onwards all UK Co-ordinating Body costs will be reported in Defra's Annual Report and Accounts.

4. Running costs income

	Year to 31 March 2023 (£000)	Year to 31 March 2022 (£000)
British Cattle Movement Service (BCMS)	**(2,374)**	(2,979)
Other running costs income	**(77)**	(76)
Total	**(2,451)**	(3,055)

The agency also received income in 2022-23 for services it provides for the BCMS on behalf of Defra of £2.4 million (2021-22: £3.0 million).

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5. Schemes administered by the agency

	Year to 31 March 2023			Year to 31 March 2022		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (£000)	Income (£000)	Net (£000)
UK Funded schemes[1]						
Basic Payment Scheme[3]	**1,370,326**	**-**	**1,370,326**	1,653,709	-	1,653,709
Lump Sum Exit Scheme	**14,214**	**-**	**14,214**	-	-	-
Fruit & Vegetables	**40,492**	**(4,819)**	**35,673**	39,355	(3,990)	35,365
School Milk	**5,703**	**(3,144)**	**2,559**	4,567	(3,044)	1,523
Countryside Stewardship	**271,424**	**-**	**271,424**	99,771	-	99,771
Farming Equipment & Technology Fund	**32,701**	**-**	**32,701**	1,570	-	1,570
Farming Transformation Fund	**1,814**	**-**	**1,814**	-	-	-
Sustainable Farming Incentive	**12,490**	**-**	**12,490**	-	-	-
Other schemes (see breakdown below)	**1,940**	**(327)**	**1,613**	857	-	857
Total UK Funded schemes	**1,751,104**	**(8,290)**	**1,742,814**	1,799,829	(7,034)	1,792,795
EU Funded schemes[2]						
Basic Payment Scheme[3]	**(264)**	**327**	**63**	(1,163)	794	(369)
Fruit & Vegetables	**-**	**1**	**1**	(490)	443	(47)
School Milk	**-**	**-**	**-**	-	(17)	(17)
Other schemes	**-**	**9**	**9**	12	16	28
Total EU Funded schemes	**(264)**	**337**	**73**	(1,641)	1,236	(405)

5. Schemes administered by the agency (continued)

	Year to 31 March 2023			Year to 31 March 2022		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (£000)	Income (£000)	Net (£000)
Other costs						
Realised exchange loss/(gain)	**472**	**-**	**472**	-	(1,589)	(1,589)
Unrealised exchange (gain)/loss	**-**	**(1,214)**	**(1,214)**	3,706	-	3,706
Cost of hedging contracts	**-**	**(1,414)**	**(1,414)**	-	(133)	(133)
Other scheme related costs[4]	**819**	**(681)**	**138**	1,206	-	1,206
Total of other costs	**1,291**	**(3,309)**	**(2,018)**	4,912	(1,722)	3,190
Total scheme expenditure/(income)	**1,752,131**	**(11,262)**	**1,740,869**	1,803,100	(7,520)	1,795,580

1. *UK funded scheme expenditure relates to amounts paid to customers on or after 16 October 2020, for which there is no European Commission funding as a result of the UK's exit from the European Union. Income in respect of UK funded schemes relates to amounts due from the devolved administrations in Scotland, Wales and Northern Ireland for schemes administered by RPA on a UK wide basis, see Note 1.8.*
2. *European Commission funding ceased on 15 October 2020. However, the agency continues to recover debts from customers in relation to scheme payments which were originally funded by the European Commission and continues to repay a proportion of the monies recovered to the European Commission. These recoveries are presented as negative expenditure.*
3. *Direct payments are being phased out in England. Progressive reductions to payments began with BPS scheme year 2021 payments expenditure figure and will continue until the final direct payments are made in 2027. This accounts for the reduction in BPS expenditure in 2022-23, relative to 2021-22. BPS income and expenditure under 'EU Funded schemes' relates to the recovery and onward payment of EU customer debts, see Note 1.8.*
4. *Other scheme related costs include losses, special payments, legal fees, and movements in the expected credit losses for receivables.*

UK funded schemes – Other Schemes comprises:

	Year to 31 March 2023			Year to 31 March 2022		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (£000)	Income (£000)	Net (£000)
Fly-tipping	**778**	**-**	**778**	-	-	-
Slaughter Incentive Payment Scheme	**376**	**-**	**376**	-	-	-
UK National Honey Programme	**300**	**-**	**300**	349	-	349
Promotions	**262**	**(262)**	**-**	-	-	-
Private Storage Aid	**206**	**-**	**206**	-	-	-
Annual Health and Welfare vets visits	**18**	**-**	**18**	-	-	-
Farming Recovery Fund	**-**	**-**	**-**	488	-	488
Single Payment Scheme	**-**	**(65)**	**(65)**	20	-	20
Total other schemes expenditure/(income)	**1,940**	**(327)**	**1,613**	857	-	857

6. Other paying agencies

	Year to 31 March 2023			Year to 31 March 2022		
	Expenditure (£000)	Income (£000)	Net (£000)	Expenditure (£000)	Income (£000)	Net (£000)
Other paying agencies						
Scottish Government Rural Payments and Inspections Division	**21,468**	**(21,448)**	**20**	54,093	(54,417)	(324)
Welsh Government	**66,964**	**(66,926)**	**38**	74,380	(74,342)	38
Department of Agriculture, Environment and Rural Affairs, Northern Ireland	**11,289**	**(11,268)**	**21**	37,241	(37,326)	(85)
Total scheme expenditure/(income)	**99,721**	**(99,642)**	**79**	165,714	(166,085)	(371)

The agency is required to provide funding to other paying agencies in order to allow them to make payments under EU funded schemes. The associated income claimed from the European Commission, is presented alongside the funding provided. BPS expenditure paid after 15 October 2020 is funded directly by the relevant devolved administration, and as such no expenditure or income is presented within the agency's accounts. This is the cause of the significant decrease in both funding and income year-on-year.

7. Property, plant and equipment

	Information technology hardware and office furniture (£000)	Right of use (£000)	Total (£000)
Valuation			
At 1 April 2022	**871**	**345**	**1,216**
Additions	**-**	**145**	**145**
Disposals	**(111)**	**-**	**(111)**
At 31 March 2023	**760**	**490**	**1,250**
Depreciation			
At 1 April 2022	**867**	**-**	**867**
Charged in year	**4**	**154**	**158**
Disposals	**(111)**	**-**	**(111)**
At 31 March 2023	**760**	**154**	**914**
Net Book Value			
At 1 April 2022	4	345	349
At 31 March 2023	**-**	**336**	**336**
Assets Financing			
Owned	**-**	**-**	**-**
Financed lease	**-**	**336**	**336**
Net Book Value at 31 March 2023	**-**	**336**	**336**

Included in property, plant and equipment are assets with a historic cost of £0.8 million (31 March 2022: £0.9 million), which have been fully depreciated. These assets are still in use by the agency.

	Information technology hardware and office furniture (£000)	Total (£000)
Valuation		
At 1 April 2021	1,046	1,046
Additions	(4)	(4)
Disposals	(171)	(171)
At 31 March 2022	871	871
Depreciation		
At 1 April 2021	1,034	1,034
Charged in year	4	4
Disposals	(171)	(171)
At 31 March 2022	867	867
Net Book Value		
At 1 April 2021	12	12
At 31 March 2022	4	4
Assets Financing		
Owned	4	4
Net Book Value at 31 March 2022	4	4

8. Intangible assets

	Information technology (£000)	Total (£000)
Valuation		
At 1 April 2022	**167,089**	**167,089**
Additions	**11,604**	**11,604**
Disposals	**(2,113)**	**(2,113)**
Revaluations	**11,716**	**11,716**
At 31 March 2023	**188,296**	**188,296**
Amortisation		
At 1 April 2022	**116,707**	**116,707**
Charged in year	**11,789**	**11,789**
Disposals	**(2,089)**	**(2,089)**
Revaluations	**7,252**	**7,252**
At 31 March 2023	**133,659**	**133,659**
Net Book Value		
At 1 April 2022	50,382	50,382
At 31 March 2023	**54,637**	**54,637**
Assets Financing		
Owned	**54,637**	**54,637**
Net Book Value at 31 March 2023	**54,637**	**54,637**

During the year to 31 March 2023 there were £nil impairment losses (2021-22: £nil).

Included in intangible assets are assets with a historic cost of £35.2 million (31 March 2022: £36.0 million) which have been fully amortised. These assets are still in use by the agency.

The historic cost net book value for intangible assets as at the Statement of Financial Position date is £44.7 million (2021-22: £42.5 million).

Included in intangible assets are software assets provided from Defra to deliver CAP scheme payments. These intangible assets had a historic cost of £112.2 million and at 31 March 2023 a net book value of £43.5 million, with five years remaining amortised life ending 31 March 2028.

During the year to 31 March 2023 the agency had £11.6 million intangible assets transferred from Defra through General Funds (2021-22: £4.2 million). For both 2022-23, and 2021-22, these were notional transfers from a controlling party, Defra. Consequently, as non-cash items, the assets provided are not disclosure within the Statement of Cash Flow for 2022-23 or 2021-22.

8. Intangible assets (continued)

	Information technology (£000)	Total (£000)
Valuation		
At 1 April 2021	162,893	162,893
Additions	4,150	4,150
Disposals	(4,955)	(4,955)
Revaluations	5,001	5,001
At 31 March 2022	167,089	167,089
Amortisation		
At 1 April 2021	110,828	110,828
Charged in year	8,508	8,508
Disposals	(4,955)	(4,955)
Revaluations	2,326	2,326
At 31 March 2022	116,707	116,707
Net Book Value		
At 1 April 2021	52,065	52,065
At 31 March 2022	50,382	50,382
Assets Financing		
Owned	50,382	50,382
Net Book Value at 31 March 2022	50,382	50,382

9. Trade receivables

Amounts falling due within one year:

	31 March 2023 (£000)	31 March 2022 (£000)
Due from Defra and its agencies	**529**	275
Due from other government departments (including OPAs)	**8,540**	7,031
VAT recoverable	**780**	918
Total Intra-government balances	**9,849**	8,224
Trade receivables	**3,860**	3,927
Less expected credit loss for receivables	**(320)**	(238)
	3,540	3,689
Due from European Agricultural Guarantee Fund/European Agricultural Fund for Rural Development	**212,772**	59,473
Prepayments and other receivables	**8,375**	6,163
Total other receivables	**224,687**	69,325
Total receivables	**234,536**	77,549

The credit period for trade receivables invoices is nil except in those instances where an agreement is reached between the agency and the customer to allow for recovery through the interception of future payments or extended repayment terms are agreed. The agency has an ability to charge interest on overdue scheme balances.

10. Cash and cash equivalents

	31 March 2023 (£000)	31 March 2022 (£000)
Balances held at 1 April	**329,767**	330,191
Net cash outflow	**(275,346)**	(424)
Total balance	**54,421**	329,767

The following balances were held at 31 March:

	31 March 2023 (£000)	31 March 2022 (£000)
Government Banking Services	**54,421**	329,767
Total balance	**54,421**	329,767

Included within the cash held with Government Banking Services at 31 March 2023, are cash securities of £4.0 million (31 March 2022: £3.5 million) received from import and export traders and held by the agency within a public bank account. These are payments made to the agency to ensure these traders comply with the obligations associated with the import and export licences they have been issued. If a trader does not meet these obligations, they may forfeit these cash securities with the cash being retained by the agency.

At 31 March 2023, the cash equivalent balance was £nil (31 March 2022: £nil).

11. Trade payables and other current liabilities

Amounts falling due within one year:

	31 March 2023 (£000)	31 March 2022 (£000)
Due to Defra and its agencies	**6,264**	477
Due to other government departments (including OPAs)	**5,413**	6,838
Other taxation and social security	**1,464**	1,332
Total Intra-government balances	**13,141**	8,647
Trade payables[1]	**10,920**	9,884
Cash securities[2]	**4,007**	3,508
Scheme accruals	**57,377**	42,286
Running cost accruals	**4,764**	3,901
Other payables	**1,873**	1,633
Advance on Rural Development Programme[3]	**22,990**	14,546
Total other payables	**101,931**	75,758
Total payables	**115,072**	84,405

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Amounts falling due after more than one year:

	31 March 2023 (£000)	31 March 2022 (£000)
Non-current payables		
Advance on Rural Development Programme[3]	-	16,327
Total	-	16,327
Total trade payables and other liabilities	**115,072**	100,732

1. *Trade payables principally comprise amounts outstanding for claims to be paid to customers.*
2. *Traders wishing to undertake certain transactions under European Commission regulations are required to guarantee completion of the transaction by lodging a security with the agency. The security may be forfeited (in whole or in part) if the undertaking is not completely fulfilled. The security received is included within cash, see Note 10, with the corresponding liability with the trader shown above.*
3. *As at 31 March 2023, £23.0 million of the advance has been classified as a current liability (31 March 2022: £14.5 million). This reflects the expected exhaustion of EU funds for the Rural Development Programme in England, Scotland and Northern Ireland, during the next financial year, meaning that the balance relating to these nations will be utilised to fund scheme expenditure within the next financial year.*

The agency considers that the carrying amount of trade and other payables approximates to their fair value.

12. Provisions

Scheme related provision

The agency has some cases where customers have challenged its decisions regarding their claim eligibility for scheme payments. This has been reviewed on a case-by-case basis, with provisions made where the agency considers payment to be probable and can be measured reliably.

The agency has no provisions for 2022-23 (2021-22: none).

13. Financial instruments

13.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of expenditure and income) for each class of financial asset and financial liability are disclosed in Note 1.

Categories of financial instruments:

Financial Assets	Amortised Cost (£000)	Fair value-SOCNE[1] (£000)	Fair value-OCE (£000)	31 March 2023 (£000)	31 March 2022 (£000)
Trade receivables and other current assets[2]	**226,240**	-	-	**226,240**	71,464
Cash and cash equivalents	**54,421**	-	-	**54,421**	329,767
Derivative instruments in designated hedge accounting relationships	-	-	-	-	-
Other derivative instruments	-	**90**	-	**90**	15
Sub-total of derivatives assets	-	**90**	-	**90**	15

Financial Liabilities	Amortised Cost (£000)	Fair value-SOCNE[1] (£000)	Fair value-OCE (£000)	31 March 2023 (£000)	31 March 2022 (£000)
Trade payables and other liabilities[3]	**111,646**	-	-	**111,646**	97,577
Derivative instruments in designated hedge accounting relationship	-	-	-	-	-
Other derivative instruments	-	**4,847**	-	**4,847**	3,370
Sub-total of derivatives liabilities	-	**4,847**	-	**4,847**	3,370

1. *Other derivative instruments not designated for hedging are measured at Fair Value through the Statement of Comprehensive Net Expenditure (SOCNE).*
2. *Trade receivables and other current assets valued above, are £8.3 million lower than reported in Note 9. This is because £8.3 million of prepayments are not classified as financial assets (2021-22: £6.1 million).*
3. *Trade payables and other current liabilities valued above, are £3.4 million lower than reported in Note 11. This is because £3.4 million of running costs accruals are not classified as financial liabilities (2021-22: £3.2 million).*

Others:

Financial Guarantee Contracts	31 March 2023 (£000)	31 March 2022 (£000)
Cash securities (included within both cash and trade payables above)	**4,007**	3,508
Non-cash guarantees	**352,000**	452,000

Cash on deposit at 31 March 2023, consists of money lodged with Government Banking Services and Commercial Banks.

The sterling denominated accounts held within Government Banking Services are not subject to an interest rate charge while the euro denominated accounts held were subject to an interest rate charge of 0.65% from 18 September 2019 onwards (0.55% until 17 September 2019).

Cash securities are provided by certain traders, see Note 11. No interest is paid to traders on cash balances lodged with the agency as security.

The agency issues traders with import and export licences for which a non-cash guarantee from a bank or insurance company is required to be put into place. These non-cash guarantees are assurances that guarantee payment to the agency if the trader fails to honour certain contractual obligations to the agency. They will become cash payments to the agency in the event these obligations are not fulfilled. Most licence holders meet their obligations therefore the guarantees are not a contingent asset.

Non-cash sterling guarantees totalling £215 million, and euro guarantees totalling €156 million (£137 million) were held at 31 March 2023 (£233 million and €259 million (£219 million) at 31 March 2022). These are not measured above zero in the Statement of Financial Position since the agency assesses based on prior experience of trader behaviour a minimal chance of the guarantees being called upon.

13.2 Financial risk management policies

The agency's treasury operations are managed in accordance with the framework document agreed with Defra and HM Treasury. The framework document sets out the governance arrangements in respect of the agency's hedge strategy, the execution of contracts, the valuation of derivatives, the process for settlement of derivatives and external reporting.

13.3 Market risks

The agency's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The agency enters into forward foreign exchange contracts to manage its exposure to foreign currency risk relating to euro denominated receipts from the European Commission for the Basic Payment Scheme and Rural Development Programme Scheme expenditure (including Scotland, Wales and Northern Ireland).

From January 2003, in accordance with Commission Regulation (EC) No.1997/2002 (as amended), non-Eurozone member states, such as the UK, are reimbursed by the European Commission in euros. However, the majority of distributions by the agency are transacted in sterling, which creates an exposure to gains or losses from fluctuations in foreign exchange rates between the euro and sterling. The agency has managed its exposure to this risk through the purchase of forward foreign currency contracts.

13.4 Foreign currency denominated monetary assets and monetary liabilities

The carrying amounts of the agency's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	31 March 2023		31 March 2022	
	Assets (£000)	Liabilities (£000)	Assets (£000)	Liabilities (£000)
Euro	**234,979**	**23,496**	183,125	31,378

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13.5 Sensitivity analysis

The following table details the agency's sensitivity to a 10% increase and decrease in sterling against the euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 10% change in foreign currency rates. For net operating costs a positive number indicates a decrease in net operating costs whereas a negative number indicates an increase in net operating cost.

	Impact of movement in Euro/Sterling rate Sterling appreciates by 10%		Impact of movement in Euro/Sterling rate Sterling depreciates by 10%	
	31 March 2023 (£000)	31 March 2022 (£000)	31 March 2023 (£000)	31 March 2022 (£000)
(Increase)/decrease in Net operating cost[1]	**(21,146)**	(15,177)	**21,146**	15,177
Derivative instruments				
(Increase)/decrease in Net operating cost[2]	**22,337**	19,004	**(22,337)**	(19,004)

1. *This is attributable to the exposure outstanding on euro receivables and payables in the agency at the Statement of Financial Position date.*
2. *This is the result of the changes in fair value of derivative instruments held for trading not in designated hedging arrangements.*

Outstanding foreign currency contracts:

	Average Euro:Sterling exchange rate 31 March 2023	Hedge ratio[1] 31 March 2023	Foreign currency 31 March 2023 (€000)	Notional value 31 March 2023 (£000)	Fair value 31 March 2023 (£000)
Current derivative assets to sell euros	**0.88590**	**1:1**	**24,620**	**21,811**	**90**
Current derivative assets to buy euros	**-**	**-**	**-**	**-**	**-**
Current derivative liabilities to sell euros	**0.87054**	**1:1**	**229,444**	**197,627**	**4,847**
Current derivative liabilities to buy euros	**-**	**-**	**-**	**-**	**-**

1. *The foreign currency forwards and options are denominated in the same currency as the highly probable future cash receipts from the European Commission (EURO), therefore the hedge ratio is 1:1.*

No hedge ineffectiveness was recognised during the period, and no future ineffectiveness is expected. However possible sources of hedge ineffectiveness have been identified as:

- The credit risk of both the European Commission and the derivative counterparty, and
- The risk that forecast future euro denominated reimbursements of expenditure may not occur

During the year the agency entered into derivative exchange contracts to hedge the quarterly euro denominated receipts in relation to the Rural Development Programme.

The fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. They represent Level 2 fair value measurements which are those derived from inputs, other than quoted prices, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

13.6 Own credit risk and counterparty credit risk

As the agency is a UK Government entity, the own credit risk for the agency is not significant. All derivative contracts are with a stable international bank; therefore, the fair value of the counterparty credit risk is also limited.

Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the agency. As part of its procedures the agency periodically reviews the counterparty credit risk.

Trade receivables consist of a large number of unrelated customers with differing credit qualities, which serves to diversify the agency's credit risk. An ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

13.7 Liquidity risks

The agency is funded by HM Treasury through Defra. The agency has maintained liquidity, wherever possible, through timely submission of funding claims to the European Commission.

The agency does not undertake the borrowing of funds other than from HM Treasury. Such borrowing, arising from short-term in-year fluctuations in expenditure, if required, would be affected by the agency drawing monies from HM Treasury's Contingencies Fund. This facility is the subject of a formal standing arrangement agreed by HM Treasury. Drawings are normally repayable within the year.

13.8 Liquidity tables - non-derivative liabilities and assets

The following table details the agency's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the agency can be required to pay. The table includes both interest and principal cash flows.

Non-interest bearing as follows:

	31 March 2023 (£000)	31 March 2022 (£000)
Zero to three months	**88,244**	66,704
Three months to twelve months	**23,157**	14,546
One to five years	**245**	16,327
Total	**111,646**	97,577

The following table details the agency's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the agency's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Non-interest bearing as follows:

	31 March 2023 (£000)	31 March 2022 (£000)
Zero to three months	**209,108**	41,373
Three to twelve months	**17,132**	30,091
Total	**226,240**	71,464

13.9 Liquidity table - gross settled foreign exchange forward contracts

The following table details the agency's liquidity for its undiscounted derivative financial instruments. All derivatives used for hedging purposes are shown by maturity based on their contractual undiscounted gross cash flows.

	31 March 2023		31 March 2022	
	Derivative liabilities (£000)	Derivative assets (£000)	Derivative liabilities (£000)	Derivative assets (£000)
Zero to three months	**4,166**	**184**	1,820	9
Three to six months	**-**	**48**	11	-
Total	**4,166**	**232**	1,831	9

14. Revaluation reserve

The Revaluation reserve relates to revaluation of Intangible assets (Note 8) analysed as follows:

	Intangible assets (£000)	Total (£000)
Balance at 31 March 2022	**7,857**	**7,857**
Transfer to General fund[1]	**(2,389)**	**(2,389)**
Revaluation during the year	**4,464**	**4,464**
Balance at 31 March 2023	**9,932**	**9,932**

1. *The transfer to the General Fund reflects the difference between the amortisation charge based on the revalued carrying amount of the asset and the amortisation charge based on the original cost.*

15. Capital commitments

The agency had nil capital commitments as at 31 March 2023 (31 March 2022: £nil).

16. Lease commitments

16.1 Building

The agency occupies various properties which are held on a leasehold basis by Defra. The core department manages these properties and the allocation of space between its agencies and arms' length bodies.

These do not represent identified assets controlled by the agency and so under IFRS 16 do not result in right of use assets or lease liabilities.

These and the related commitments are described in the department's own accounts. The total recharge made by Defra in the current year was £2,842k which along with the £6,519k facilities management recharge quoted in Note 17 make up the £9,361k which is included within Corporate overhead recharges (notional), Estate management costs, see Note 3.

16.2 Lease liabilities

Total future minimum lease payments under non-cancellable finance leases at 31 March 2023 are given in the table below for each of the following periods:

	31 March 2023 (£000)
Not later than one year	**167**
Later than one year and not later than five years	**245**
Total	**412**
Less interest element	**(20)**
Present value of obligations	**392**

The present value of total future minimum lease payments under non-cancellable finance leases at 31 March 2023 are given in the table below for each of the following periods:

	31 March 2023 (£000)
Not later than one year	**159**
Later than one year and not later than five years	**233**
Present value of obligations	**392**

17. Other financial commitments

The agency has entered into non-cancellable contracts (which are not leases or Private Finance Initiative contracts). Agreements have been analysed spanning the year end and reflecting contractual cancellation clauses.

The payments to which the agency is committed (not accrued for) are as follows:

	31 March 2023 (£000)	31 March 2022 (£000)
Not later than one year	**761**	618
Total	**761**	618

Additionally, the agency benefits from certain facilities management services that are provided centrally by Defra, including estate staff, utilities, and property maintenance.

These services are agreed and managed through service level agreements between the agency and Defra but the contractual commitments underlying these arrangements are made by the core department and disclosed in their accounts.

The total recharge made by Defra in the current year was £6,519k which is included within Corporate overhead recharges (notional), Estate management costs, see Note 3.

Private Finance Initiative (PFI) commitments

In 2022-23, a contract break was exercised to terminate an occupancy agreement for a property occupied by Defra, arm's length bodies and other government departments including the agency. Consequently, the agency now has no off-Statement of Financial Position PFI contracts commitments at 31 March 2023 (31 March 2022: £0.1 million).

UK funded schemes financial commitments

The agency has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for UK funded schemes payable to farmers, land managers, schools, local authorities, and other organisations.

It is common for schemes, depending on their nature, to see a significant percentage of customers in receipt of a grant funding agreement either not proceeding to claim, or legitimately electing to claim less that the maximum agreement value. No adjustment has been made for this factor – the commitments therefore represent a maximum possible scheme expenditure to which the agency is committed at 31 March. Payment rates in grant agreements have been adjusted by published increases in payment rates since inception of the agreements through to 31 March 2023 in order to disclose commitments at their current values. Total grant agreement values have been increased by factors ranging from 0% to 48% to account for the effects of published weighted average increases in scheme payment rates between 2021 and 2023. The agency is content that this provides an appropriate portfolio-level analysis but notes that as payment rates are increased by different amounts for each of the different underlying activities (options) which comprise each grant agreement, the commitment values will be influenced by the balance of options taken up at beneficiary levels. If the factors used were to increase or decrease by 1%, the corresponding increase or decrease in financial commitments would be £11.2 million.

The amounts presented below reflect the agency's commitments at 31 March 2023. On 1 April 2023, the responsibility for administering and accounting for legacy RDPE agreements transferred from Defra to the agency. The agency will continue to support these agreements provided that the terms and conditions of the agreements are met. Therefore, on 1 April 2023 RPA recognised additional financial commitments relating to these agreements. More information about RDPE commitments can be found in the accounts of the Core department.

Future full-length contractual agreements to which the agency is committed are as follows:

UK Funded schemes	Note	Within one year (£000)	Later than one year and not later than five years (£000)	Later than five years (£000)	Total 31 March 2023 (£000)	Total 31 March 2022 (£000)
Lump Sum Exit Scheme	1	**23,620**	**13,370**	**-**	**36,990**	-
Fruit & Vegetables	2	**46,817**	**58,199**	**-**	**105,016**	51,995
School Milk	3	**15,678**	**-**	**-**	**15,678**	17,375
Countryside Stewardship	4	**421,590**	**1,233,203**	**41,458**	**1,696,251**	570,080
Farming Investment Fund	5	**9,745**	**441**	**-**	**10,186**	43,483
Sustainable Farming Incentive	6	**29,462**	**42,175**	**-**	**71,637**	78,743
Farming Recovery Fund		**-**	**-**	**-**	**-**	21
Total		**546,912**	**1,347,388**	**41,458**	**1,935,758**	761,697

See notes to the table on following page

UK funded schemes financial commitments: notes

1. *The agency has entered into contractual commitments which include agreements with farmers who do not wish to transition to future schemes such as SFI to exit the industry early by selling their entire land holding. The agency has assessed that a commitment arises at the point when an application is received. Claimants must complete the sale of their land by 31 May 2024, although in some exceptional cases this deadline may be extended.*

2. *The agency, in collaboration with the Devolved Administrations, is responsible for recognising Producer Organisations (POs) into the Fresh Fruit and Vegetables Aid Scheme. The scheme year runs from 1 January to 31 December. Applications for 'operational programmes' submitted by POs to claim monies under the scheme, are approved by the agency by 15 December before the scheme year commences, and the agency has assessed that a commitment arises at this point. All operational programmes are between three and five years in duration.*

3. *The scheme subsidises the cost of milk, certain milk products and yoghurts for school children in England, Scotland, and Wales. The subsidy can be claimed by schools, local authorities, suppliers, or other organisations so that the products can be sold to schoolchildren at a lower price. The scheme year aligns with the school year running from August to July in the following year, and organisations must apply to the agency for approval of their application by 31 October of the school year. The agency has assessed that commitments arise when applications are approved.*

4. *Countryside Stewardship (CS) was introduced for farmers and land managers to boost biodiversity and help protect and enhance farmland and the countryside. CS can effectively be split into two categories – multi-annual 'management options' (commonly referred to as revenue options) and capital options. Agreements for both revenue and capital options follow the same timelines.*

   All revenue agreements are long term agreements typically made of options which constitutes 5-year agreements (Mid-Tier agreements) and 10-year agreements (Higher-Tier agreements). Capital options relate to one-off improvement works such as fencing, installing water storage tanks, or making improvements to farmyards to reduce soil erosion. Capital works must be undertaken by the customer during the first two years of an agreement. The agency has assessed that commitments arise when agreements are entered into.

5. *The Farming Investment Fund (FIF) is a capital scheme under which a claimant is issued a grant agreement and then completes agreed works, before subsequently making a claim. The FIF provides grants to improve productivity and bring environmental benefits. FIF is made up of two separate funds: Farming Equipment and Technology Fund and Farming Transformation Fund. Both these schemes operate in a similar manner, but on different scales and timelines. The agency has assessed that commitments arise when agreements are entered into.*

6. *Sustainable Farming Incentive (SFI) includes SFI Pilot and SFI 2022. In both cases, the agency has assessed that commitments arise when agreements are entered into.*

   ***SFI Pilot** has three elements namely capital options, revenue options and the pilot participation fee. The scheme pays customers for actions they take to manage their land in an environmentally sustainable way. The workings of the capital options in the pilot scheme operates in a similar fashion as CS capital offerings. Once an agreement is in place, the claimant must first complete the works and then submit a claim with supporting evidence to RPA for payment. Revenue options consists of a set of standards which the claimant is required to deliver annually on designated parcels of land. These agreements last for three years and the first of such agreements went live on 1 November 2021.*

   The participation fee is set at £5k per claimant for the first year of revenue agreements and is intended to compensate claimants for their time and costs in completing learning activities.

SFI 2022. *The main SFI 2022 scheme only offers revenue options. The nature of this scheme is similar to the SFI Pilot described above. Customers submit an annual declaration to confirm progress towards meeting the requirements of their agreement each year. SFI 2022 agreements will last for three years, with some flexibility for farmers to amend them every 12 months from their start date.*

The above represents the maximum possible commitments to which the agency is committed to as at the end of the reporting period if all agreements continue for their entire multi-annual terms. However, as per the strict terms and conditions of some of the schemes, the agency may terminate the agreements and any future grant payments on giving the agreement holder six months' written notice at any time. The following table shows the agency's commitments based on the strict terms and conditions of these schemes.

UK Funded schemes	Within six months (£000)	Total 31 March 2023 (£000)	Within six months (£000)	Total 31 March 2022 (£000)
Countryside Stewardship	**263,479**	**263,479**	130,585	130,585
Farming Investment Fund	**1,641**	**1,641**	7,320	7,320
Sustainable Farming Incentive	**16,071**	**16,071**	15,855	15,855
Total	**281,191**	**281,191**	153,760	153,760

18. Contingent assets and contingent liabilities disclosed under IAS 37

18.1 Contingent assets

The agency has no contingent assets.

18.2 Contingent liabilities

The agency has the following contingent liabilities where the possibility of an outflow in settlement is not considered to be remote:

The European Commission can apply financial corrections if Defra (through the agency) does not comply with European Commission regulations for payments funded by the European Agricultural Guarantee Fund. Any amounts disallowed (and hence funded by Defra instead) will depend on the assessed severity of the breach of regulations and on subsequent clarification negotiations with the European Commission in accordance with the European Commission's clearance of accounts procedure. There is an ongoing potential liability in respect of financial corrections which is unquantifiable.

All financial corrections are funded by Defra, and the contingent liabilities for these are reported in Defra's accounts and not those of the agency.

The agency is currently in receipt of appeals from scheme claimants against the non-payment of claims covering schemes administered by the RPA. If the appeals are successful, they could either result in a liability for EU or Exchequer funded payments. The amount of any such potential liability is unquantifiable, though is expected to be immaterial. Further details of the number of appeals is set out within the Appeals disclosure within the Performance report above.

19. Related party transactions

The agency, as an executive agency of Defra, has transactions with both Defra and the following agency:

- Animal and Plant Health Agency

The agency also had transactions with the following Non-Departmental Public Bodies which are also linked to Defra:

- Agriculture and Horticulture Development Board and its subsidiary Livestock Information Limited
- Environment Agency
- Natural England

The agency also had transactions with the following Non-Ministerial government department accountable to parliament through the Secretary of State for Health and Social Care:

- Food Standards Agency

A significant proportion of expenditure made by other paying agencies through the operation of market support schemes is funded by the agency. These funding transactions have been with:

- Scottish Government Rural Payments and Inspections Division
- Welsh Government
- Department of Agriculture, Environment and Rural Affairs, Northern Ireland

Disclosure of employment

Elizabeth Passey is a Non-Executive Director of the agency. She is also a trustee of The Wye and Usk Foundation (charity) which received scheme payments of £95k during the year to 31 March 2023.

Tim Breitmeyer joined as a Non-Executive Director of the agency on 1 April 2021. He runs a family farm, Bartlow Estate, which received scheme payments of £99k during the year to 31 March 2023.

These transactions were undertaken in the normal course of business and all transactions were at arm's length. These Non-Executive Directors also receive salaries as shown in the Remuneration report.

20. Events after the reporting period

On 21 June 2023, the agency closed applications to the SFI 2022 scheme and wrote to existing SFI 2022 agreement holders stating its intention to curtail existing agreements in order to allow earlier take up of the improved SFI 2023 scheme. Where agreements featured actions which will not be available under SFI 2023 the agency undertook to compensate agreement holders for any loss of income which this created. As a result, the agency estimates that it will incur approximately £16 million of ex-gratia expenditure during the 2023-24 financial year.

These accounts have been authorised for issue by the Accounting Officer on the date the Comptroller and Auditor General's audit certificate and report was signed.

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