



# Natural England

## Annual Report and Accounts

1 April 2020 to 31 March 2021

HC 381

# Natural England

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1 April 2020 to 31 March 2021

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Natural Environment and Rural Communities Act 2006.

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More information on our work, including statistics on subjects in this review, can be found on our website [gov.uk/natural-england](http://gov.uk/natural-england)

# Chair's Foreword

The past 18 months have provided the kind of jolt to our way of life normally only encountered in times of war. Around the world - and here in the UK - governments, economies and people have had to adapt rapidly to the restrictions needed to tackle Covid-19.



The pandemic has taught us many things, not least that humanity needs to treat nature with greater respect or risk further such world-wide disease outbreaks. Covid-19 is a shadow of the much greater disasters we can expect to see if we are unable to tackle the twin emergencies of climate change and nature depletion.

From that perspective we are learning valuable lessons and one of the most instructive and heart-warming aspects of the past year has been the discovery by so many that nature – whether in their garden, local park or on the other side of their window - is fundamental to their personal health and happiness. It is the foundation of our collective health and happiness too, providing essential public goods such as flood risk management, carbon capture, healthy soils, crop pollination, natural beauty and thriving wildlife. And we are seeing nature's value reflected in the welcome commitments by government to Build Back Greener from the pandemic.

The bedrock of a healthy, sustainable economy is thriving nature, and this is where Natural England very much comes into play. In 2020 we launched our 5-year strategy “Building Partnerships for Nature's Recovery” at a virtual event in collaboration with many of the bodies and businesses we will work with to bring this mission to fruition.

The scale of the task is huge: we currently live in one of the most nature-diminished countries on Earth, where once-common species such as the Hedgehog, House Sparrow and Swift have already disappeared from places where they were once common, and if trends continue could be lost altogether. Many organisations who share our ambitions to reverse this alarming prospect have suffered financially during the last year and the lockdowns have restricted the ability of people to build partnerships and carry out conservation on the ground and at sea.

However, none of this has deflected us or our partners from our course of action. I'm very proud that Natural England was able to launch the Delivery Partnership of the Nature Recovery Network in November. By bringing together 400 organisations we aim to help restore nature across protected sites and landscapes and provide at least 500,000 hectares of new wildlife-rich habitat the length and breadth of England, accessible to people.

This is an exciting time for nature conservation, and it feels that the mood of the country and the Government is swinging behind it. In 2020/21 the Prime Minister made a number of important commitments, including the pledge to protect 30% of the UK's land for nature recovery by 2030. Natural England has helped shape the Agriculture and Fisheries Acts which reached the statute book and which will help to ensure that our food is produced in a sustainable way following our departure from the European Union. We have also undertaken extensive work to advise on the content of the Environment Bill which promises to deliver net gain for biodiversity through the planning system and set out the targets needed for this country to leave nature in a better state.

Natural England is ready for the challenges ahead. In the preceding year we had been struggling even to fulfil our statutory duties but in 2020/21 we received a welcome uplift following the spending review which enabled us to bring some more resources to bear on protecting and restoring nature.

Our Board has been strengthened by the welcome arrival of four new members in June 2020 who have learned our business quickly and made important contributions to our discussions. The whole Board has taken well to moving our meetings to a virtual format and it has been very well supported by the executive team and governance team, holding 8 full Board meetings during the year. We have also been able to use the digital approach, holding 27 deep dive briefings to link up the Board with some of our key audiences and partners from sectors such as marine and farming.

Last year was the first full year in which Marian Spain served as our permanent Chief Executive and I very much enjoyed working with her to help Natural England and others put in place the building blocks for nature's recovery. I would also like to acknowledge how impressed the Board and I have been with the flexibility of our staff during an incredibly challenging period for many, personally as well as professionally. Their commitment to the cause has been very much appreciated by every one of us.

As we look forward to a year in which the world will gather on a number of occasions to discuss the challenges posed by climate change and nature loss, including at the climate change COP26 in Glasgow, the Biodiversity COP15 and the G7 Summit, I feel confident that Natural England can support our Government in delivering the outcomes for nature at home that support our leadership role on the world stage. I would like to thank our Board, staff, and partners for their hard work during a very difficult year to help put us in that strong position.

Tony Juniper CBE

Chair

Natural England

# Chief Executive's Statement

2020 was a year like no other for Natural England. Covid-19 has had a very real impact in our personal lives but also in the ability of our staff to carry out their jobs. It also highlighted the necessity for a thriving natural environment, and restrictions shone an even brighter light on the importance of having accessible greenspace for everybody's health and wellbeing.

Our priority in 2020/21 was therefore to continue to deliver whilst also supporting our people, the government, and the sector. Many staff had to change or reduce their hours because of caring responsibilities, and some were unfortunately off sick with Covid-19 for short and extended periods. We used our business continuity framework to prioritise our reduced capacity on the statutory and other work which customers such as farmers and developers depend on most. We all adapted to working from home – helped by our active homeworking network. For the first part of the year all field work, other than in response to emergencies, was suspended and we changed the way we work for example offering farm advice by video conference and using remote sensing techniques to monitor protected sites. We prioritised the mental and physical wellbeing of our staff and volunteers, with a regular drumbeat of communication through various media, enabling staff to take regular breaks and providing tools to allow them to keep in touch remotely. I am proud of the way staff rose to the challenge: continuing to deliver as well as supporting each other



We supported the government through seconding staff to Defra and other departments to support the cross-government response to the crisis. We reached out to environmental non-government organisations (NGOs) to ensure they could continue to access Natural England grants and to support them in applying for support such as the Government's £40m for the Green Recovery Challenge Fund.

As the year progressed, we were able to resume much of our work, using risk assessments and appropriate PPE to protect our staff and our customers. The various local restrictions and a further two lock downs meant most staff continued to work at home all year and activity that needed large groups, or long-distance travel was and continues to be constrained.

## 2020/21 Achievements

Even against this backdrop, thanks to a magnificent effort by our staff and partners, we have been able to achieve much for nature in the last year. This year saw investment in Natural England's work by Government, with a small increase in budget to deliver new roles and reform our statutory work. Our [Action Plan](#) for the year published in May set out how we used that money.

In the autumn we held a virtual "[NE Refresh](#)" event launching our new strategy '[Building Partnerships for Nature's Recovery](#),' positioning Natural England as ready and able to deliver for nature and for people. This was swiftly followed by the [Nature Recovery Network](#) (NRN) Partnership, a 400 strong group of organisations who have pledged to work together to improve

protected sites, recover threatened animals and plants and create new green and blue spaces within an England-wide network to improve nature, connect people and to enhance landscapes from doorstep to mountain top.

Our third major initiative focused on people. [Our People and Nature survey](#) was adapted to give insight into how people used greenspaces during the Covid-19 pandemic, confirming the link to our physical and mental health as well as leading to positive environmental behaviours. The importance of nature to our happiness was confirmed by adults as well as young people in our first ever Children's survey. But the survey also painted a stark picture of inequality of access to nature with children from our poorest families and people from ethnic minority backgrounds least likely to be able to enjoy those wellbeing benefits. Our commitment to addressing these inequalities must be a central part of a green recovery through for example, green infrastructure standards for new developments and our new partnership with National Academy for Social Prescribing (NASP) which supports health and nature activities in communities most impacted by Covid-19.

Covid-19 also saw more and more people visiting the countryside and so in March we launched a new Countryside Code. Seventy years after it was first created this welcomes people to the countryside, to nature sites and to urban greenspaces whilst also reminding everyone how to respect them.

In addition to these flagship initiatives, we also continued to deliver our statutory functions, as detailed in the Performance Section of this report. For example, we notified six new or amended Sites of Special Scientific Interest (SSSIs) totalling 2,300 ha; our Enforcement and Appeals team handled 227 species related cases, we processed over 15,000 wildlife licences and our England Coast Path is now 98% complete. We also responded to 27,200 terrestrial and 1,220 marine planning consultations and provided advice resulting in 666 new agri-environment agreements. We rolled out further reforms to our work, for example our District Level Licensing scheme for great crested newts is now live in 155 local authority areas and we have increased monitoring of the state of SSSIs.

## Challenges

Covid-19 has not been the only challenge we have faced this year with changes to the regulatory framework and associated policies. We seconded staff to Defra to prepare for the EU Exit on 31 December, support and advise on the Fisheries Act and help shape the Environment Bill and Environmental Land Management Scheme (ELM). This work is by no means finished and we continue to provide advice and staff in setting up the Office for Environmental Protection.

A small but very welcome increase in our 2020/21 budget for statutory services enabled us to recruit new staff and invest in much needed reforms, for example strategic solutions in planning and how we monitor the state of SSSIs. But much of our other statutory and discretionary work was still under huge pressure in 2020/21. We were very pleased then following SR20 to receive a more significant budget increase for 2021/22 for investment in consenting and strategic solutions as part of "Project Speed" and to prepare for new duties such as local nature recovery strategies. We continue to work with Defra, including through SR21, to secure funding for other high-risk areas.

Despite the pressure of Covid-19, we saw a welcome 11% rise in the measures of staff engagement from our in-year staff surveys, including growing pride in working for Natural England,

higher motivation because of our new strategy and a recognition of the quality of support from management including greater visibility of senior leaders. However, there were very worrying increases in mental health issues in relation to Covid-19 and the move to working at home. We need therefore to continue to provide practical support to staff and to look to our corporate service providers in Defra to deliver enhanced IT, for example.

Our staff continue to raise very real concerns about whether they are receiving fair reward for their work. In March 2020, Prospect one of our Trade Unions achieved a mandate for strike action. They agreed not to proceed with this in return for assurances for our ongoing commitment to pay reform within Natural England and we continue to work with them. This is now a major project, including ongoing consideration of a case to seek further flexibility in our pay remit from the Treasury.

Equality, diversity, and inclusion (EDI) is ever more important for Natural England as we seek to ensure our workforce reflects the communities we serve. The need for more action was brought even more into the fore in this year of Black Lives Matter and the stark inequalities of access to nature exposed through our research during the pandemic. We have appointed a full time EDI officer who is supporting us on a long-term investment plan and short terms actions such as changing the way we recruit and hosting our first ever “Pride in Nature” event. As a result, we have marginally improved our standing on indices such as the MIND awards where we now score silver.

Legal challenges remain an ongoing challenge, especially in connection with our wildlife licensing functions. Whilst we have successfully defended those challenges, either in the High Court or because they did not progress beyond pre-action correspondence, we take such challenges seriously and continue to seek ways to engage stakeholders earlier and in greater detail, so they better understand the context and reasons for our regulatory actions.

## What we have learned

I started by saying 2020 was a year like no other, however it has helped move us faster to where we need to be to deliver nature recovery. We have developed new capabilities for managing business disruption, we have embraced new ways of working and understand more about what our staff need to thrive. This brings us closer together as we look towards resuming a new way of work post pandemic.

The value of our partners cannot be overestimated. Over the year, we have developed closer working relationships over shared challenges and are communicating better and working more closely.

The year has also confirmed just how important nature and access to nature are for our health, our society, and our economy as we work with Government on plans for a Green Recovery.

## Looking ahead to 2021/22

The year to come will be a big year for nature and for Natural England, with major international environmental conferences and the first Environment Bill in decades. In Natural England we have

new responsibilities to deliver through the 25 Year Environment Plan (25YEP) and a significant budget increase to support this.

We therefore started 2021/22 with a plan for significant reform of the way we work which is progressing well. We have focused on landscape-scale nature recovery, new strategic approaches to enable sustainable development and reached out to connect more people from all backgrounds with nature. Our work will be underpinned by a sound evidence base. And we are strong in the knowledge that our statutory duties and our mission of building partnerships for nature's recovery are as important now, as they ever were – more so, indeed - as greater numbers of people connect with nature and the benefits it brings.

A handwritten signature in black ink that reads "Marian Spain". The signature is written in a cursive, flowing style.

Marian Spain  
Chief Executive,  
Natural England

11 November 2021

# Performance Report

This section should help you understand Natural England, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

# Overview

## Our purpose and activities

Natural England is the government's adviser on the natural environment. Our purpose is to help conserve, enhance and manage the natural environment for the benefit of present and future generations, thereby contributing to sustainable development. The twin challenges of biodiversity loss and climate change mean Natural England's work is more important now than ever and this is why our five-year mission is to build partnerships for nature's recovery.

Our highly knowledgeable staff provide practical advice, grounded in science, on how best to safeguard England's natural wealth on land and sea for the benefit of everyone.

Natural England was created as a Non-Departmental Public Body (NDPB) under an Act of Parliament – the Natural Environment and Rural Communities (NERC) Act 2006 - and we are formally accountable to the Secretary of State for the Environment, Food and Rural Affairs (Defra), who is accountable to Parliament for our activities and performance.

We deliver our broad remit through the integration of locally based work, via our twelve Area Teams, and of national co-ordination and expertise.

## [The 25-year Environment Plan and the Defra Strategy](#)

The Government's [25 Year Environment Plan](#) (25YEP) launched in 2018, sets out a comprehensive and long-term approach to protecting and enhancing natural landscapes and habitats in England for the next generation. Its goals are simple: cleaner air and water; plants and animals which are thriving; and a cleaner, greener country for us all.

The key commitments of the plan have been incorporated into Defra's strategy. The Defra Group Outcome Framework for 2020/21 is summarised on the next page. Natural England as a member of the Defra group has an important role; using its own unique powers to contribute to delivery of these outcomes, in particular around climate change mitigation and adaptation, thriving marine and terrestrial wildlife and enhanced beauty, heritage and engagement with the natural environment.

# DEFRA'S STRATEGIC FRAMEWORK

## OUTCOMES

1. A secure transition in 2020 that enables Defra's sectors (including businesses, industry groups and individuals) and Devolved Administrations to confidently prepare for and adapt to new logistic, trading and regulatory arrangements.
2. Successful negotiations with the EU that secure and deliver thriving trade and economic relationships, supporting high standards in food and animal welfare, and environmental protection.
3. Successful negotiations with global partners that secure and deliver new trade and economic relationships, resulting in diversified food supply and trading opportunities while maintaining the UK's high standards of food safety, animal welfare and environmental protection; and support our environmental objectives.
4. Support delivery of Defra objectives in international and domestic priorities through enhanced engagement and joint working with Devolved Administrations, Crown Dependencies and Overseas Territories.

### 1: TRADE AND INTERNATIONAL

Deliver a successful transition over 2020 by negotiating and preparing for new ambitious regulatory and trading arrangements within the UK and with EU and rest of the world.

### 2: ENVIRONMENT AND CLIMATE

Tackle climate change and pass on to the next generation a natural environment protected and enhanced for the future.

## OUTCOMES

1. Climate change is mitigated and adapted to, and Net Zero delivery by 2050 is maintained, through reducing greenhouse gas emissions, restoring peat lands, and expanding woodlands and forestry.
2. The risk of harm from flooding, drought and other environmental hazards is reduced.
3. Timber and soil are used more sustainably and efficiently.
4. Thriving terrestrial and freshwater plants and wildlife.
5. Thriving marine plants and wildlife, and minimised marine waste.
6. Waste is minimised.
7. Exposure to chemicals is managed.
8. Clean air.
9. Clean and plentiful water.
10. UK is a global leader in climate adaptation as well as mitigation and is influencing international action on climate change and biodiversity.
11. Thriving rural economies and communities are supported.
12. Enhanced beauty, heritage and engagement with natural environment is encouraged.

## OUTCOMES

1. A food industry which is productive and competitive, selling food of high standards at home and internationally.
2. A farming industry which is profitable, producing food to high standards and providing ecosystem services.
3. Climate change is mitigated and people & nature adapt to it by reducing agricultural emissions.
4. Animal, plant and human health are protected from risk while ensuring high animal welfare standards.
5. A thriving fishing industry that uses resources from nature more sustainably and efficiently.

### 3: AGRICULTURE, FOOD AND FISHERIES

Lead the world in food, farming and fisheries with a sustainable model of food production and robust protection and promotion of animal welfare.

### 4: ORGANISATIONAL CAPABILITY AND DEVELOPMENT

Be a more ambitious, professional, outward-looking and inclusive organisation which is focused on getting things done.

## OUTCOMES

1. Defra has a fit for purpose operating model and a reputation for delivery (getting things done).
2. Defra has a talented, skilled and committed workforce which is ambitious; outward looking; professional; and inclusive.
3. Defra leads the public sector with its own net zero ambitions and sustainability actions.
4. Defra has strengthened its R&D base to support and enhance Defra policy and operational functions.

Please see the [Defra Group Accounting Officer System Statement](#) for further information on the Defra Group Accountability system.

## Natural England's Operating Structure

The Natural England Board is responsible for ensuring that Natural England fulfils the aims and objectives set by the Secretary of State for Environment, Food and Rural Affairs. The main roles of the Board are to:

- establish Natural England's strategy and that this aligns with the Defra Group overall strategy
- approve Natural England's direction and agree an Action Plan for each year that sets out Natural England's specific delivery
- review Natural England's performance and assurances on risk management, governance, and internal control

The Board is appointed by the Secretary of State and is made up of a Chairman and currently ten members. Details of the Board and Senior Leadership team are included in the Governance Statement (page 34) and Remuneration report (page 41).

## Natural England's Strategy

During 2020/21 Natural England reviewed its aims and objectives in line with delivering the Government's 25 Year Environment Plan. Our vision is of **thriving nature for people and planet**. Our ambition is not just to improve nature, but to see it thriving everywhere, because a healthy natural environment is fundamental to everyone's health, wealth, and happiness.

For us, nature encompasses not only the natural beauty, wildlife and geology that underpins landscape character and the habitats on which our most precious species depend but also our historic and cultural connections with nature. Our understanding of nature covers the whole natural world on earth and at sea and encompasses the natural environment in our towns and cities as well as the countryside.

Our mission **building partnerships for nature's recovery** reflects the need for us to work with and through a wide range of people to undertake the rapid action needed to rebuild sustainable ecosystems and thereby protect and restore habitats, species, and landscapes to help nature thrive.

Underpinning our vision and mission are our five-year aims which provide the threads that bind our everyday work to the long-term vision in support of the 25 Year Environment Plan and Net Zero commitments.

The Action plan sets out the direction of travel for Natural England, identifying under our five year aims where on an annual basis we can add most value and deliver the Governments 25 Year Environment Plan in line with the Defra group outcome framework.

## Natural England Strategy

Natural England Strategy	
<b>Vision</b>	Thriving nature for people and planet
<b>Mission</b>	Building partnerships for nature's recovery
<b>Five-year aims</b>	<ol style="list-style-type: none"> <li>1) <b>Well managed nature recovery networks</b> across land, water and sea delivering resilient ecosystems rich in wildlife and character, enjoyed by people, and widely benefitting society.</li> <li>2) <b>People connected to the natural environment</b> for their own and society's wellbeing, enjoyment, and prosperity.</li> <li>3) <b>Nature based solutions</b> contributing fully to tackling the climate change challenge and wider environmental hazards and threats.</li> <li>4) <b>Improvements in natural capital</b> underpinning sustainable economic growth, healthy food systems and prospering communities.</li> <li>5) <b>Evidence and expertise</b> are used by a broad range of partnerships, organisations, and communities to achieve nature recovery and enable effective regulation and accreditation.</li> <li>6) <b>A values-led organisation</b> which delivers excellent service standards to all partners, organisations and communities engaged in achieving nature's recovery.</li> </ol>
<b>Strategic Programmes</b>	<ol style="list-style-type: none"> <li>1) Greener farming and fisheries - supporting those who manage land and sea to operate in harmony with the environment.</li> <li>2) Sustainable development - creating great places for people to live and work.</li> <li>3) Connecting people with nature - promoting health and wellbeing through the great outdoors.</li> <li>4) Resilient landscapes and seas - protecting and restoring wildlife and natural beauty for future generations.</li> </ol> <p>Underpinned by;</p> <ol style="list-style-type: none"> <li>5) Specialist Science and Evidence - we realise our ambition for Natural England to be an evidence-led organisation.</li> <li>6) Managing the Organisation - a values-led organisation which delivers excellent service standards to all partners, organisations and communities engaged in achieving nature's recovery.</li> </ol>

## Performance and Risk Summaries

### Performance Summary

Natural England has developed a performance framework based around our five year aims as shown above. Under each of these five-year outcome aims sit a number of Key Performance Indicators (KPIs), then below these an annual suite of performance indicators. We monitored our in-year 2020/21 delivery performance via this suite of 25 in-year Performance Indicators (PIs). The performance framework is agreed by the Natural England Board at the start of each year. The

Performance framework including the KPIs, and PIs reflect our priorities, as agreed with Defra, and provide a line of sight to the Defra Outcome Delivery Plan. Our performance management framework enables us to integrate the management of our delivery targets; our finances; our people; and our risks within our overarching governance arrangements.

We use a four-level assessment for our PI performance (Green; Amber-Green; Amber-Red; and Red) as this enables us to identify and act on emerging challenges much earlier. As seen in the following diagram, despite Covid-19 impacting on nearly all of our PIs in one way or another, we have achieved a good operational performance demonstrated by 20 (80%) of our 25 in-year PIs being rated either Green or Amber-Green and 5 (20%) rated Red or Amber-Red. This is comparable with 2019/20 when 82% of our 22 in-year PIs were rated Green or Amber-Green.

Our suite of in-year PIs evolves in each subsequent financial year to reflect emerging priorities and new workstreams. This year we included 16 in-year PIs that were previously included in our 2019/20 Action Plan, although we refreshed some of the metrics for 2020/21.

We report our in-year PIs as set out below to our Board on a quarterly basis. We also report our progress in regular performance review meetings with Rebecca Pow MP, Parliamentary Under Secretary of State for Defra and Natural England Ministerial Sponsor, as well as quarterly with our Defra Sponsorship Team.

We manage our PIs closely throughout the course of the year. For those PIs where there is an element of underperformance and risk to delivery targets, these risks are also captured in-year within our operational risk register. Details of relevant organisational mitigating actions implemented to minimise any underperformance have been included in the Performance and Risk Analysis section on page 17.

# Natural England Quarter Four Performance 2021



Key to Performance Indicator numbering	
1	Local Nature Recovery Strategies
2	Biodiversity net gain
3	Agri-environment schemes
4	Protected sites
5	Nature Recovery Networks
6	Native species
7	National Nature Reserves
8	England Coast Path
9	Social Prescribing
10	Future Environmental Land Management Schemes
11	Tree and peat strategies
12	Catchment Sensitive Farming
13	Strategic solutions on statutory local plans
14	Environmental advice on fisheries management
15	New regulatory framework for farming and fishing
16	Maximise protection afforded by Marine Designations
17	Evaluation is embedded
18	Natural England staff undertake specialist training
19	Increasing availability and usage of our publications
20	The evidence base for each programme
21	Expert capability needs
22	Carbon footprint
23	2020 People Survey
24	Safe working environment
25	Provide a high quality planning and licensing service

## Risk Summary

Over 2020/21 Natural England managed a range of risks impacting on delivery of the 2020/21 Action Plan. Our updated Risk Strategy has refreshed Natural England's capability in risk management and consolidated our organisational resilience.

The key risks to the long-term success of the organisation managed at board level were:

- (1) Natural England's Position/Reputation with Stakeholders
- (2) Increased Legal Action on Natural England
- (3) Environmental ambition against wider national Covid-19 Recovery Plan

The key in-year delivery risks were:

- (4) Delivery of Natural England's 2020/21 Action Plan
- (5) Staff Wellbeing (including Covid-19)
- (6) In-Year Budget Challenges
- (7) Digital Transformation and IT Support Technology
- (8) Impact of Multiple National Emergencies

Further details around each of these risks are discussed below. For an assessment of how adequate Natural England's systems and processes are in regard to issues and risk management, please refer to the Governance Statement (page 34).

## Going concern

In line with HM Treasury's Financial Reporting Guidance, the information presented in these financial statements is based on the assumption that Natural England will continue to provide existing services in the future, with no legislation changes currently expected. The government's continued commitment through the grant programme is a further indicator of this.

The statement of financial position at 31 March 2021 shows taxpayer's equity of £80.0m (at 31 March 2020 £92.5m). In common with other government non-departmental public bodies, the future funding for our liabilities will be grant-in-aid (GiA) from Defra and other income. Parliament approves this funding annually.

Natural England's GiA for 2021/22 is included within the Defra estimates which have already been approved by Parliament. A government spending review has taken place during 2021 (SR 21) to determine future funding for government departments including Defra. Continued support of Natural England from 2022/23 onwards has been considered and reviewed as part of this Spending Review.

GiA formed 83.7% of our 2020/21 funding (see page 27). Of the remaining 16.3% (£17.4m), £7.6m was income from customers (see page 84). Some of this is supported by multi-year contracts so we expect income from this source to continue at broadly the same level going forward. Of the remaining £9.8m balance of operating income (see page 85), £2.7m is funding from the Heritage Lottery and £5.7m of this represents EU funding.

Based on the above information it has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## Performance and Risk analysis

Analysis of our 2020/21 in-year Performance Indicators is provided in the following table.

Our 2020/21 in-year Performance Indicators	Our Performance	RAG
Local Nature Recovery Strategies are in place and influencing local environmental decision making		
1. Scope and develop prototype Local Nature Recovery Strategies	<p><i>“We will develop 5 prototype Local Nature Recovery Strategies (LNRS).”</i></p> <p>LNRS Pilots running in five councils and local authorities testing the new strategic planning tool proposed in the Environment Bill. Our role is to provide co-ordination, support, and guidance alongside other key stakeholders. The pilots which end in May 2021 will produce a Statement of Biodiversity Priorities and a Local Habitat Map. The lessons learned will feed directly into the national roll out in 2021/22.</p>	Amber Green
2. Positive engagement with local planning authorities/combined authorities to embed biodiversity net gain policies	<p><i>“We will engage with 30 Local Planning Authorities (LPAs).”</i></p> <p>We paused much of this work early in the year due to Covid-19, but continued to support some LPAs through workshops, where their work was at an advanced stage. We also participated in net gain discussions with LPAs as part of Local Plan or strategic solution engagement. This will provide the groundwork for specific inclusion in placed-based policies in the coming year.</p>	Red
Landscapes and seas are becoming more resilient		
3. The area of land in current agri-environment schemes is maintained and contributes to Nature Recovery Networks	<p><i>“We will support 330 Countryside Stewardship (CS) Higher Tier (HT) agreements (originally 500); and 1,300 Higher Level Stewardship (HLS) and Higher Tier extensions (originally 1,700).”</i></p> <p>Natural England undertakes technical assessments on Countryside Stewardship schemes and makes recommendations to the Rural Payments Agency (RPA). This year’s cohort resulted in 290 Higher Tier finalised agreements. We also supported 1,877 HLS and HT extensions which was higher than our original target. The relationship with RPA and Defra has been particularly collaborative, helping us all deal with the delivery challenges we have faced due to Covid-19.</p>	Green
4. Protected sites on land and sea are well managed, resilient & central to driving nature recovery & Good Environmental Status of our seas	<p><i>“We will advise on 95% of high risk/high opportunity planning casework within agreed timescales.”</i></p> <p>We advised on 75.65% of our higher risk and opportunity Planning Casework within agreed deadlines. We continued to prioritise high risk cases, establishing a strategic solutions team to support our Area Teams and a complex cases team to track the wider environmental opportunities. We now have a suite of supporting business improvement/reform activity in place for 2021/22.</p> <p><i>Develop a credible baseline of evidence on the condition of SSSIs which will support work on the 75% favourable condition target.”</i></p> <p>The delivery of our SSSI baseline metric was affected by Covid-19 as we couldn’t undertake the site visits needed to units where we have limited information about their current state. Later in the year we were able to carry out some desk- based work, and we now have greater confidence in the condition of 475 out of 1600 favourable units (30%). Desk assessments also enabled us to increase the number of SSSI monitored features with a condition recorded on our Protected Sites database, with a further 725 features having a recorded condition which exceeded our revised forecast.</p> <p><i>“Progress towards favourable condition of the MPA network on 47 features of marine protected sites.”</i></p>	Amber Red

Our 2020/21 in-year Performance Indicators	Our Performance	RAG
	Our Marine Protected Areas assessments were paused due to Covid-19 and at year-end we had published assessments for 6 features against a target of 47.	
5. Nature Recovery Network is in place, re-establishing functioning ecosystems, contributing to Net Zero and providing distinctive places for all of society to benefit from	<p><i>"We will deliver our plan of four component activities to help drive nature recovery: 1) Build a Nature Recovery Partnership; 2) Provide Nature Recovery Network toolkit of data and evidence to support local spatial prioritisation; 3) Support and inspire action on the ground by launching the Nature Recovery Fund; 4) Support community engagement in spatial priorities for nature by launching community engagement standards and trialling through 5 pilots for informing Local Nature Recovery Strategies."</i></p> <p>Covid-19 caused a delay to the establishment of the Nature Recovery Partnership which had a knock-on impact on our planned subsequent steps in the above plan. In response, Natural England and our partners have all provided innovative proposals on how to proceed which together are successfully driving the project forward albeit not to the original timetable.</p>	Amber Green
6. The conservation status of native species has improved	<p><i>"We will support 12 multi-species Partnership Programmes and 45 species recovery projects, with over 20 species reintroductions/population reinforcements."</i></p> <p>The Species Recovery Programme supports projects to achieve the recovery of endangered species. Some projects had to be rescheduled due to Covid-19, but we still delivered the £775,000 Species Recovery Programme, involving 60 contracts with partners.</p> <p><i>"500 ponds created/restored for Great Crested Newts (GCN) through strategic licences."</i></p> <p>District Level Licensing (DLL) is an England-wide approach to deliver strategic habitat creation for GCN, which uses private sector funding for the environment. This year we delivered 539 ponds for GCN working with 20 sector partners, across 18 geographic areas, and utilising 10 online 'auctions' to maximise landowner engagement. Early but encouraging monitoring showed that 34% of ponds established for over 12 months are colonised by GCN, well above the modelled rates. We have brought in £6.9 million in developer payments and established a pipeline of 1,000 compensation ponds for each financial year hereon in.</p>	Amber Green
There is a positive trend of increasing levels of nature connection		
7. Our National Nature Reserves are safe & welcoming places for our staff, volunteers & visitors	<p><i>"We will develop People and Nature connection measures for our National Nature Reserves (NNRs)."</i></p> <p>Our scoping work this year means we can now provide more inclusive and diverse volunteering opportunities on 5 pilot NNRs in 2021/22, as we aim to realise the full potential of our reserves for our communities and delivering environmental outcomes.</p>	Green
8. The full England Coast Path is approved	<p><i>"We will submit the final 10 stretches (358 miles) of England Coast Path to Government for approval, making 67 stretches in total covering 100% of the coast (2,696 miles)."</i></p> <p>We submitted 6 sets of proposals (253 miles) to Government for approval. 2 sets of proposals comprising the Humber (89 miles) were held in abeyance to address outstanding nature conservation issues. 2 stretches at Lulworth Ranges and north east Isle of Wight (16 miles) will be completed during 2021/22.</p>	Amber Green
General population is increasingly aware of the importance of nature recovery in order for us to all live well		
9. Nature based solutions are mainstreamed into NHS	<i>"We will embed Natural England staff in the national Social Prescribing programme across 7 regional offices."</i>	Amber Green

Our 2020/21 in-year Performance Indicators	Our Performance	RAG
prescription content and education	Natural England Regional Health Leads are in place in 5 of the 7 NHS regions with the final 2 scheduled for May 2021. We are engaging with the National Academy for Social Prescribing (NASP) and local partners to mainstream nature-based solutions into NHS green prescription content and education.	
Land management practices are contributing to Net Zero through enabling greater carbon sequestration and storage		
10. Future Land Management Schemes include measures that support environmental delivery against the 25 Year Environment Plan and Net Zero outcomes	<p><i>"We originally planned to write 402 Future Land Management Schemes technical guidance notes. Early in the year Defra authorised a revised target of 130 technical guidance notes. In March 2021 Defra revised this target further to 63 guidance notes."</i></p> <p>The revised target of 63 were completed by 31 March 2021. We are now working with Defra to plan delivery of guidance for Phase 2 of the Sustainable Farming pilot and the Local Nature Recovery pilot.</p>	Green
11. The tree and peat strategies are implemented consistent with the Nature Recovery Network	<p><i>"We planned to commence restoration on 900 hectares of peatland and publish our position on woodland planting by September 2020."</i></p> <p>We completed planned peatland restoration works on 1,451 hectares of National Nature Reserve land. We are now using the England Peat Strategy to inform the development of an England Peat Action Plan, due for publication. We published our position on woodland planting and are now developing and implementing evidence-led principles for new planting, in partnership with Defra and the Forestry Commission.</p>	Green
The impact of agriculture on diffuse water and atmospheric pollution reduces		
12. Advice to land managers on agri-environment schemes and Catchment Sensitive Farming is reducing the impact of diffuse water and atmospheric pollution.	<p><i>"We will provide advice to 5,000 farms to improve the water and air quality with 60% of our recommended measures implemented."</i></p> <p>We provided advice to 5,140 farms this year and met the target for the implementation of our recommendations.</p>	Green
Planning authorities, including Marine Management Organisation & Protected Landscapes, have plans and policies in place that grow natural capital, build climate resilience, and optimise nature-based solutions		
13. Provide agreed package of environmental advice including strategic solutions on statutory local plans (terrestrial and marine)	<p><i>"We will provide advice that is acted on for 60 plans across 12 Natural England Area Teams."</i></p> <p>We focused our work on priority Local Development Plan activity, engaging with 61 Local Planning Authorities, to help ensure consistent and positive outcomes for the local environment through good planning design/proposals and related local authority decision making.</p>	Green
Natural England's advice supports land and sea managers to deliver healthy food and fishing systems.		
14. Provide environmental advice on fisheries management so that it supports environmental outcomes	<p><i>"We will provide 95% of our statutory advice within statutory guidelines."</i></p> <p>We responded to 96 requests for environmental advice, of which 92 responses were on time, giving an overall performance of 95.83% within deadline. Many of these consultations were from Inshore Fisheries and Conservation Authorities, reflecting progress on delivering the well managed network of Marine Protected Areas.</p>	Green

Our 2020/21 in-year Performance Indicators	Our Performance	RAG
15. The new regulatory framework for farming and fishing is established with high levels of compliance	<p><i>“We will work with Defra to provide technical and policy advice to steer, shape and progress the Environment Bill and implement the Agriculture and Fisheries Acts; develop a set of environmental standards for future land management schemes; and develop an interim regulatory model.”</i></p> <p>It is unlikely that a new regulatory framework will be in place before the implementation of delinking (2024) with the consultation deferred from last autumn. We have continued to advise Defra on aspects of Bill work and related activity. The Environment Bill has resumed progress through Parliament. Fisheries activity includes setting out how future Fisheries Management Plans contribute to Good Environmental Status.</p>	Amber Green
16. Natural England’s advice on policy maximises protections afforded by Marine Designations	<p><i>“We will help deliver 7 Marine Management Organisation (MMO) Byelaws and provide advice on the Marine Strategy.”</i></p> <p>We have made good progress against this year’s fisheries workplan. We have provided support on the fledging Bluefin Tuna fishery; the outline of the Joint Fisheries Statement and future Fishery Management plans; and how fisheries management could begin to address delivering contributions to Good Environmental Status. Whilst we achieved most deliverables within the workplan, some work took longer than expected due to the impacts of Covid-19 on staff capacity.</p>	Amber Green
Routine evaluation of the outcomes of our actions and using the learning to ensure we implement actions that are most likely to work.		
17. Evaluation is embedded in the delivery of each programme	<p><i>“We will complete at least one evaluation for each of our four major strategic programmes.”</i></p> <p>All four strategic programmes have a high-level Theory of Change (ToC) in place to help identify the pathway to our ambitious long-term outcomes. Our programmes are now using their ToC to inform their delivery prioritisation. We will be developing this further in 2021/22.</p>	Green
18. Natural England staff undertake specialist Evaluation training offers	<p><i>“We will increase the number of our staff who receive evaluation technical training by 10%.”</i></p> <p>We increased the level of practitioner level evaluation technical training by 30% above our 2019/20 baseline. An additional 20% are midway through their training. Most of the trained staff were from our four strategic programmes and those involved in running large projects with an evaluation focus.</p>	Green
We publish and publicise our evidence to ensure it is available and used		
19. Increasing availability and usage of our publications	<p><i>“We will publish 75 science and evidence publications and ensure 50+ peer reviewed journals; and facilitate 200k downloads of our technical publications each month.”</i></p> <p>We published 163 science and evidence publications as part of our commitment to increase the availability and usage of our evidence library. We achieved an average of 259,241 downloads per month throughout the year. This figure reflects downloads from the Access to Evidence Catalogue on the gov.uk website.</p>	Green
Natural England remains an expert organisation and has a fully embedded culture of being evidence led		
20. The evidence base for each programme is assessed and communicated	<p><i>“We will produce an Evidence Statement (a description of the state of information we need to do our work) for each of our four strategic programmes and two supporting programmes; and an increasing proportion of our communications will highlight the use of evidence in support of our delivery and advice.”</i></p> <p>We adapted our approach due to Covid-19, producing lighter touch Evidence Priorities which we are using to inform our evidence-based decisions. We also established a refreshed baseline for our evidence communications and</p>	Amber Red

Our 2020/21 in-year Performance Indicators	Our Performance	RAG
	completed a full analysis of our 2020/21 data. Completing Evidence Statements is in our 2021/22 business plan and is a key component of the delivery of our Science, Evidence and Evaluation Strategy.	
21. Review expert capability need and produce a development programme to fill critical gaps	<p><i>“800 members of staff will receive technical training across a range of areas of expertise.”</i></p> <p>857 members of staff received on- line technical training in several areas, supplemented by coaching/mentoring across a wide range of subject areas. We also utilised the Technical Leadership Development Programme run by the Environment Agency to increase other skills.</p>	Green
Natural England’s operations and ways of working make the maximum contribution to Net Zero		
22. We can measure our carbon footprint and work towards ambitious targets for reduction	<p><i>“We will develop a methodology for measuring our carbon footprint (and a target for Net Zero).”</i></p> <p>We have greatly enhanced our understanding of our carbon picture, but we acknowledge we have further work to do in 2021/22 to finalise a formal methodology that enables us to drive organisational behavioural change in line with our ambitions.</p>	Amber Red
Natural England’s customers and partners receive inclusive, trustworthy, high quality and valued support and engagement.		
23. Improvements in 2020 People Survey key areas of engagement, diversity, inclusion, and wellbeing	<p><i>“From responses in our annual all staff survey, we aim to increase our Employee Engagement index by 6% to 60%; 80% of staff believe Natural England is committed to creating a diverse and inclusive workplace (76% in 2019); and 80% of staff respond positively to ‘I believe my organisation cares about my wellbeing’ (73% in 2019).”</i></p> <p>Our June 2020 Pulse Survey results focused on the impacts of Covid-19. The results showed a rise in our Employee Engagement Index to 65%. We were not able to formally assess the other two metrics in 20/21 but made significant progress towards the commitments in our People Strategy as well as launching a Wellbeing Strategy and an Equality, Diversity, Inclusion Delivery Plan. We will use our 2021 staff pulse surveys to ask our staff how they feel about our progress.</p>	Amber Green
24. Provide and maintain a safe working environment, work practices, equipment, and facilities	<p><i>“We will improve our Near Hit ratio by 10% on our 2019/20 performance and 95% of all National Nature Reserve (NNR) check lists will be up to date and completed by March 2021.”</i></p> <p>Due to Covid-19 we saw an initial increase in the reporting of Near Hits on our Nature Reserves due to illegal activity from members of the public but had a comparable reduction in Near Hit reporting in our offices, as staff were working at home. Our full year Near Hit ratio performance declined, but we saw an understandable increase in the number of work-related ill-health reports. We completed 94% of our NNR check lists.</p>	Amber Red
25. Provide a high-quality service to our planning and licensing customer and meet our response obligations.	<p><i>“We will respond to 95% of all planning applications within agreed deadlines.”</i></p> <p>Planning consultation caseloads remained relatively consistent despite Covid-19 with an increase of 2% on 2019/20. We responded to 93.53% (14,994 of 16,031) of these planning consultations) within agreed deadlines. This compares with 93.72% in 2019/20.</p> <p><i>“We will process 85% of all licence applications within agreed deadlines.”</i></p> <p>We processed 85.43% of our licence applications within agreed deadlines despite Covid-19 impacts. Our new reform programme aims to increase customer satisfaction and streamline the application process which in turn will help improve outcomes for protected species at a landscape scale.</p>	Amber Green

## Analysis of our Risks 2020/21

### 1. Natural England's Position/Reputation with Stakeholders

Natural England faces an ongoing risk in explaining our role in delivering environmental improvements to a wide range of stakeholders with sometimes diverging expectations.

To mitigate this risk, Natural England has worked with stakeholders to improve their understanding of our role and the value of our services in delivering environmental outcomes and providing advice. We have worked to develop more pro-active engagement approaches and information sharing with a broad swathe of stakeholders, providing more insight and opportunity to be involved in our work. We have also sought to embrace new tools for engagement approaches, including key (virtual) events such as our Nature Recovery Network Partnership Launch.

### 2. Increased Legal Action on Natural England

Natural England has continued to face an increase in legal actions, which aim to challenge specific instances of our decision-making. In reflecting on this area of challenge, we have reviewed the areas of legal risk and taken steps to increase our in-house legal capability. We are also considering how we can improve stakeholder engagement and proactively work with interest groups to address any areas of conflict relating to our regulatory functions.

### 3. Environmental ambition against wider national Covid-19 Recovery Plan

Due to the severity of the pandemic and the significant impact it has had on the economy, there is risk that environmental issues will not be given the adequate weight they require in wider Covid-19 recovery plans.

To ensure environmental benefits after the pandemic, Natural England has worked with key stakeholders to develop plans and build positive support for nature recovery. For example, Natural England has been central to the creation of the 'Green Recovery Challenge Fund,' which will serve to provide grant funding to help the UK build back greener from the pandemic, forming part of the government's strategy for wider green economic recovery.

Natural England is also supporting Project Speed, which is a government plan aimed at fast-tracking major building projects across the country to fuel the UK's economic recovery. Natural England will invest in more strategic approaches to support the aims of Project Speed and contribute to the government's ambitions to help England build back greener.

### 4. Delivery of Natural England's 2020/21 Action Plan

Natural England faced the risk of being unable to fully deliver against the commissioned 2020/21 action plan due to: recruitment challenges against the uplift in funding, the impacts of Covid-19 affecting our ability to deliver due to long-standing staff absences (illness and caring

responsibilities) and reduced demand for ecological services given the evolving political and economic climate. To mitigate this risk, Natural England undertook quarterly performance evaluations and identified where work demands, and resources could be reprofiled to maintain delivery in the most critical areas so they could be delivered more suitably.

To evaluate how delivery had been impacted, Natural England undertook finance reviews to assess the financial impacts of Covid-19 and impacts on our commissioned plans and staffing resource for 2020/21. Approaching the new financial year, we have new staff coming into the organisation with further recruitment plans. The reprofiling of work delivery has decreased Natural England's risk of not achieving its objectives, but risks are still present in specific areas and will be monitored.

## 5. Staff Wellbeing (including Covid-19)

Staff welfare is an ongoing priority for Natural England. To ensure the welfare of our staff over the past year, a full range of provisions were put in place to enable staff to adapt to Covid-19 and the consequential changes to staff ways of working. Some of these included allowing special leave to those who had caring commitments; providing new IT and home office equipment so they could transition easily into home-based working and increasing the scope and frequency of internal staff communication.

Natural England has also implemented a Wellbeing Strategy which is being used to drive forward changes to systems and processes to practically improve the physical, mental, and social wellbeing of our staff.

We have also continued to refine the way we plan and commission work- to seek to ensure that organisational commitments are aligned to staff capacity.

## 6. In-Year Budget Challenges

Throughout 2020/21, Natural England has faced a challenge of not being able to commit and spend its full pay and programme budget due to delays in recruitment and pressures on our commercial services. This posed a risk on our ability to meet our agreed in-year targets.

In order to mitigate the specific recruitment challenges, and ensure a well-resourced work force, we have created a new central recruitment team and process. We have also started investment in the partnership with Defra group Commercial to bring greater resilience to our commercial activity.

In our 2019/20 Annual Report and Accounts, we had commented that the impact of under investment in recent years had for example been demonstrated in a May 2020 National Audit Office [report](#) regarding how the Ministry of Defence (MoD) had embedded environmental sustainability in its estate management. Natural England was referenced in the report as the statutory conservation body with responsibility for assessing the condition of nationally important Sites of Special Scientific Interest (SSSIs). The report stated that Natural England had assessed 48% of the Ministry of Defence's English SSSIs as being in favourable condition, but more than half of these had not been assessed since at least 2011 and could be increasingly out of date due to reductions in Natural England's inspection regime.

Resource limitations in recent years have certainly resulted in a reduced inspection regime. However, in 2020/21 Natural England received an uplift which enabled the introduction of a new monitoring regime. Despite restrictions on site visits as a result of Covid-19, Natural England staff have undertaken site checks and / or Common Standards Monitoring assessments on 24 SSSI units owned / managed by MoD since April 2020. We will also be working with MoD to develop a targeted long term monitoring programme.

## 7. Digital Transformation & IT Support Technology

During 2020, Natural England required a roll out of new technology, upgrade from Windows 7 to Windows 10 for all staff members, but the speed and efficiency of the roll out could have been improved.

The pandemic contributed to the delayed roll out of providing Windows 10 laptops to all staff as they had to be delivered to the home address of each staff member, rather than Natural England offices, creating additional logistical needs.

Natural England tracked the progress of the roll out and set deadlines and milestones for our Digital Service providers, allowing us to examine where and why the slow uptake of Windows 10 laptops occurred.

## 8. Impact of Multiple National Emergencies

Natural England faced the risk of being impacted by a number a of parallel national emergencies throughout the autumn and winter of 2020/21, comprising a further spike in Covid-19, the risk of a No EU Trade Deal, as well as the risk of natural environmental events occurring. This would have greatly impacted Natural England's ability to maintain normal operations as each of the risks would have resulted in a loss of staff capacity, and requirements to redeploy staff to more priority areas.

Natural England has prepared for national emergencies by developing a new Business Resilience/Crisis Management Framework, based on best practice introduced to Natural England to deal with Covid-19. This has been set up via Natural England's Business Disruption Forum (BDF), which serves as our 'Crisis group,' to provide management during an emergency.

## Greening Government Commitments (GGC)

We continue to measure our corporate environmental impact against the cross-government Greening Government Commitment (GGC) baseline figures as advised for 2010 while we await new targets for 2021 onwards. Natural England in 2020/21 has reduced both its greenhouse gas emissions and water consumption to meet 2020 targets. Waste to landfill is also well below the 10% target. Detail this year has been difficult to reconcile due to fundamental changes to ways of working during Covid-19.

As an environmental organisational and as a public body, Natural England recognises the importance in practical and reputational terms of ensuring that, in addition to our direct work contributing to the improvement of the environment, we ensure that our ways of working also make a positive contribution in any way possible. Since September 2020 this commitment has been captured by a new Key Performance Indicator committed to making our maximum contribution

possible to Net Zero through Natural England's operations and ways of working. For the first time this year, we are now in a position to include the energy and water data from our National Nature Reserve estate. From 2021/22 we intend to further refine our knowledge of energy consumption across our built estate and intend to start capturing the impacts of home working and commuting.

Defra Group Commercial, who support Natural England in their procurement activities, continue to promote sustainable procurement through standing instructions within their policies and processes. We have started to replace our NNR vehicle fleet with cleaner alternatives. This year we will have taken delivery of 15 Mitsubishi Outlander Commercial Plug in Hybrid Electric Vehicles (PHEVs). We have also funded 2 fully electric all-terrain vehicles at Castle Eden Dene NNR.

## Natural Capital

Natural Capital is the term we use to describe parts of the natural environment that produce value for society such as water, air, and trees. It gives us a way to value natural benefits such as outdoor recreation and food production, as well as flood mitigation and improved air and water quality.

Organisations can measure and value the natural capital that they own and are responsible for. This is called Natural Capital Accounting. Defra are leading the way in ensuring environmental impacts are considered in decision making and in reporting. Natural England has used natural capital accounting to report on the value of the National Nature Reserves that it owns or manages. This award-winning report uses an innovative method to report natural assets condition alongside their value to improve decision making. Natural England has also adapted this method to create a Natural Capital Account for a Region, the Tees Valley. This is explained further in Annex Two.

# Review of 2020/21 Financial Performance

Throughout 2020/21, we have continued to operate in a tough financial environment, challenging ourselves on decisions that have affected all areas of our business.

## Summary of Financial performance and funding

Natural England's total funding delegation for the year was £111.8m (2019/20 £90.5m). As can be seen from note 10, cash balances were intentionally reduced down over the course of the year to more prudent levels in line with Government Banking Services guidance. This was achieved by drawing down only the cash required of £89.6m and not the full delegation amount. We delivered our financial outturn to within +0.5% of our agreed year-end target.

Our Key financial successes in 2020/21 included;

- Achieving year-end results (outturn) within 0.5% of Approved Position
- Achieving cash outturn for the year within 1% of target
- Delivering the planned capital investment programme within our funding
- Creating efficiencies to keep within operational funding levels following a group wide savings exercise over the course of the year
- Mitigating financial risks (loss of income and increased expenditure) arising from Covid-19 lockdown.
- Protecting and increasing the value of Grant in aid to fund the natural environment

## Analysis of 2020/21 Operating costs (The Statement of Comprehensive Net Expenditure - SoCNE)

The Statement of Comprehensive Net Expenditure (SoCNE) shows that Natural England's net operating costs for the year were £135.8m (£114.4m 2019/20). This was made up of Total operating costs of £153.2m net of total income of £17.4m. Capital investment totalled £4.9m.

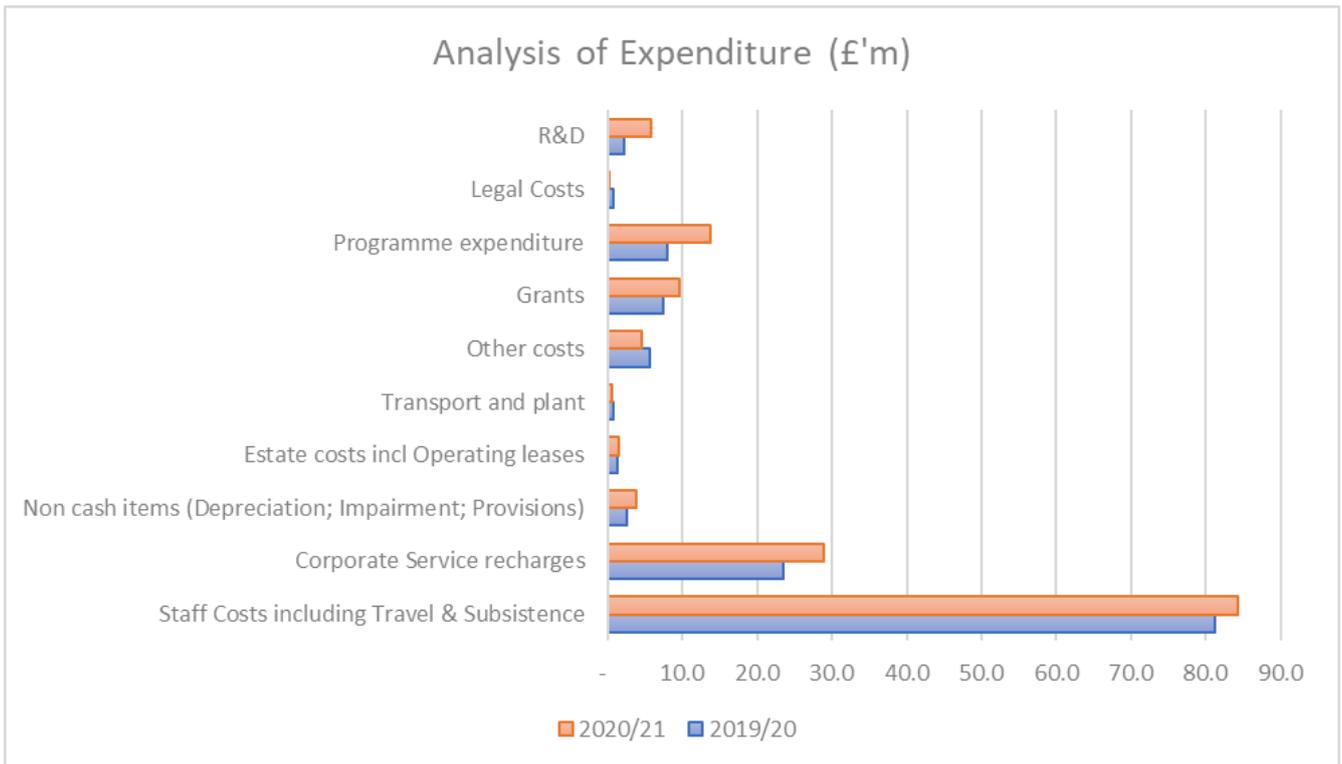
### (i) Revenue Expenditure

Figure 1 below shows where we spent our money in 2020/21 compared to 2019/20.

The largest area of spend is on our people, followed by the Corporate Service recharges which cover the professional support we receive on Finance, Commercial, Digital Data and Technology Services, Property, Communications and Human Resources. Please see note 1.24 to the financial statements for further details on these recharges.

Spending controls which were implemented by Cabinet Office in May 2010 and updated in February 2014 have continued to be applied throughout the year with strict controls on recruitment, use of temporary staff, use of consultants, IT projects, advertising and marketing and property. In accordance with HM Treasury's Financial Reporting Manual (FRM), the GiA is recognised in the General Fund.

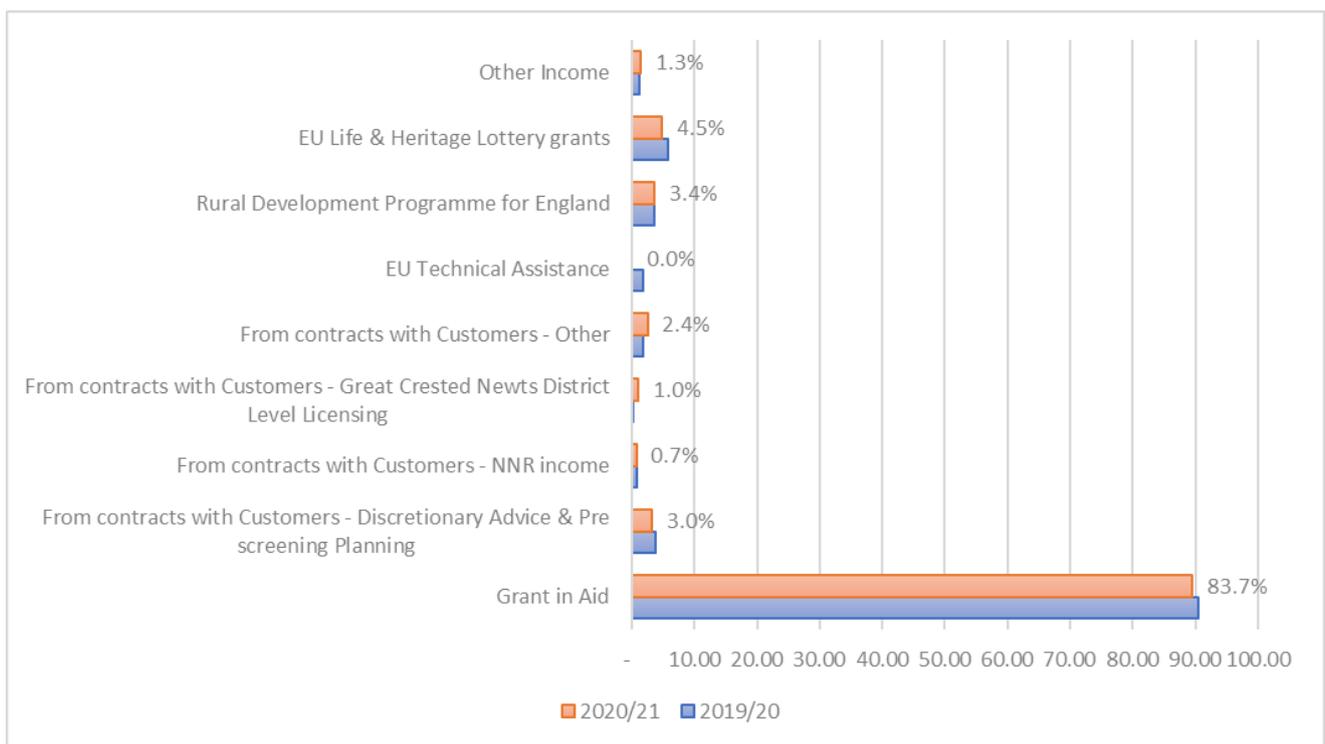
**Figure 1: Expenditure Analysis**



**(ii) Income received**

As explained above Natural England is predominantly funded by Grant in aid (83.7% which goes directly to the SoCNE), but also receives funding from a variety of other sources as set out below in figure 2. As a proportion of our budget, income made up 16.3% (2019/20 17%).

**Figure 2: Analysis of 2020/21 revenue income sources compared to 2019/20 (£'m)**



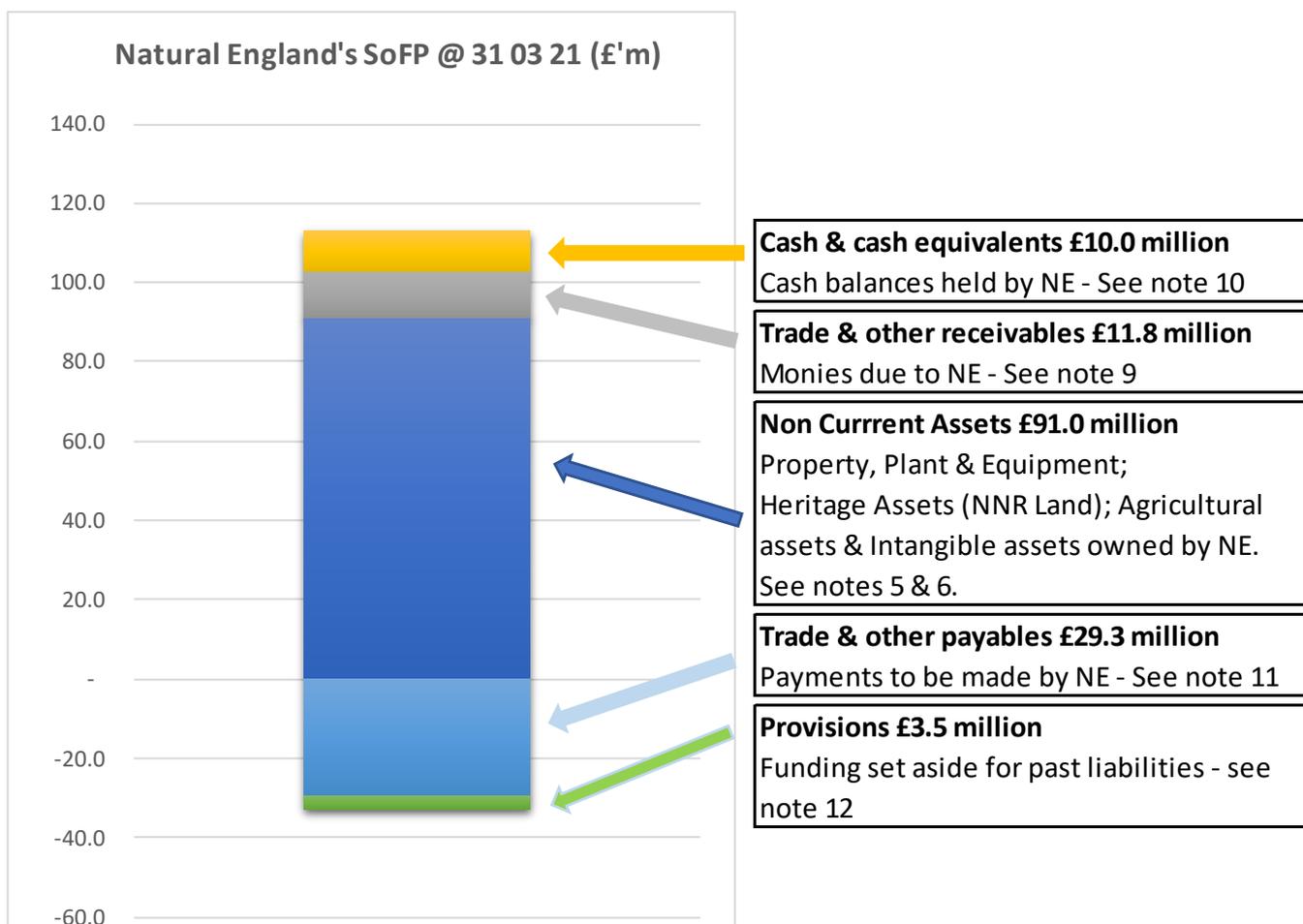
Both EU Life and Heritage Lottery Grants are received for delivering specific environmental projects. The funding for these can vary year on year depending on the current grant agreements in place with the funding bodies.

As shown, funding streams remain largely the same, and these are discussed in further detail at note 4.

We are aiming to grow and increasingly secure new revenue streams to support the natural environment. In 2020/21 we saw increased funding from joint working with other government departments to fund across government commitments. We worked with the Ministry for Housing, Communities and Local Government to introduce District Level Licencing for Great Crested Newts. As the scheme is now bedding down, we are seeing increased demand and therefore contributions coming through from Developers.

### Analysis of the Statement of Financial position SoFP (Balance sheet at 31 March 2021)

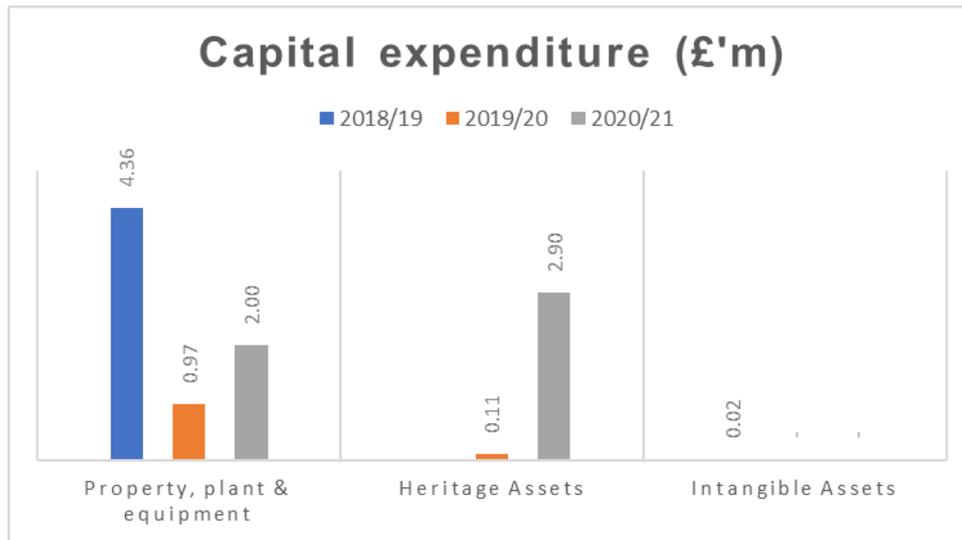
Figure 3 below shows diagrammatically Natural England's SoFP



## Capital Investment (CDEL)

As shown above the largest items on Natural England Statement of Financial Position are the non-current assets. In 2020/21 Natural England received capital investment funding in year of £4.9m, the main areas are identified in figure 4 below, with 2018/19 and 2019/20 details shown for comparative purposes.

Figure 4: Capital Investment



In 2018/19 significant investment was made in the NNR estate to help improve health and safety aspects, a small element of this programme remained to be finalised in 2019/20. Following a further full review of the NNR Estate for the 2020 Spending Review a five-year programme of spend was agreed subject to funding being made available. This commenced in 2020/21 and will continue in 2021/22 where funding has already been agreed as part of annual settlements. Future years funding are subject to SR21. The heritage asset expenditure in 2020/21 included considerable renovation works at a number of sites as well as several land purchases, the most significant being Langley Wood NNR in Wiltshire.

## Future Plans and how we are preparing for the next Spending Review

Both 2020/21 and 2021/22 were single year settlements as a result of the Covid-19 pandemic. The budgets agreed for 2021/22 see a significant increase in funding for Natural England to support the Government's environmental priorities and also address some known pressures in our statutory work functions. Importantly the funding will be used in a very targeted way with a strong emphasis on reform, alongside some increases in skills and capacity to deliver statutory work.

A full multi-year spending review will be conducted in Autumn 2021 (SR21) by H M Treasury for capital and resource budgets beyond 2021/22. Natural England will be working closely with Defra on spending plans and priorities for this review.

## EU Exit

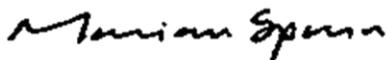
The European Union (Withdrawal Agreement) Act 2020 received Royal Assent on 23 January 2020 and consequently, the UK left the EU under the Withdrawal Agreement on 31 January 2020. A Transition Period was put in place through to 31 December 2020. A Trade and Cooperation Agreement (Free Trade Agreement) was secured with the EU on 24 December 2020, coming into effect on 1 January 2021. Over the 2020/21 financial year, Natural England worked with Defra colleagues to support the UK's practical preparation and contingency planning for the end of the Transition Period. Over this period, the Exit process has not had a significant impact on operational performance or cost. Natural England continues to support Defra in the development of the new regulatory framework for farming, fishing, and the environment in England.

## Human Rights Disclosure

Natural England has an obligation to ensure that all their actions respect the human rights of those who work for them and for whom they provide services. There has not been any litigation against Natural England alleging a breach of the Human Rights Act 1998 during 2020/21.

## Social Community Statement

Natural England actively seeks to engage diverse communities in the natural environment. We do this through our volunteer network and other access and engagement forums. We benefit greatly from the enrichment and learning that their involvement brings. Our aim is to promote personal wellbeing, social cohesion, and inclusion and to create equal opportunities for people in existing and future communities. All of our National Nature Reserves are fully open to the public and these are one of our most important contributors to this aim.



Marian Spain  
Chief Executive,  
Natural England

11 November 2021

# Accountability Report

This section provides the key accountability requirements to Parliament

# Corporate Governance Report

The following section explains the composition and organisation of Natural England's governance structures and how they support the achievement of its objectives.

## Director's Report

### Chief Executive and Chairman

I assumed the post of Natural England's interim Chief Executive on 3 December 2018 and was then appointed to the post on a substantive basis on 29 April 2020.

Tony Juniper was appointed as Chairman on 23 April 2019.

### Board Members

At the 31 March 2021, the Board was made up of ten Non-Executive Board Members including the Chairman. Full details can be found in the Remuneration and Staff report. Any significant interests held by Board Members which may conflict with their stewardship responsibilities are recorded and managed appropriately. Related party disclosures can be seen in Note 17 to the accounts.

### Payment of trade and other payables

Government has committed to a target of paying all suppliers to the public sector within 10 days from receiving the invoice. Between April 2020 and March 2021, 95% (2019/20, 98%) of Natural England's payments to suppliers were within five working days. Natural England is also subject to the Late Payment of Commercial Debts (Interest) Act 1998, which gives small firms with 50 or less employees a statutory right to interest for the late payment of commercial debts. Natural England incurred no late payment interest during 2020/21.

### Personal Data Related Incidents

Government should provide particular protection for personal data, the release or loss of which could harm or cause distress to individuals. Natural England has established governance structures to ensure that information assets are handled appropriately. These include identifying risk owners, undertaking annual risk assessments and providing training to key staff. Information data handling courses are embedded into induction processes and the staff development framework. All staff are required annually to attend a training course providing information on how to handle data appropriately. For further information please see the Governance Statement (page 34).

# Statement of Accounting Officer's responsibilities

Under Schedule 1, Section 24(2) of the Natural Environment and Rural Communities Act 2006, Natural England is required 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 Natural England and of its net expenditure, financial position, changes in taxpayers' equity 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 the Secretary of State for Defra, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgments and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced, and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced, and understandable.

The Principal Accounting Officer of Defra has designated the Chief Executive as Accounting Officer for Natural England. The Accounting Officer is responsible for ensuring that appropriate systems and controls are in place to ensure the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Natural England's assets, as set out in *Managing Public Money*, published by HM Treasury. The Accounting Officer is also responsible for ensuring that any grants offered by Natural England to other organisations are monitored robustly and that agreed deliverables are achieved in return for the grant.

## Disclosure of audit information to auditors

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Natural England's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

# Governance Statement 2020/21

## Introduction

This Statement evaluates the effectiveness of Natural England's governance arrangements, risk management and the system of internal control and stewardship of resources for the financial year 2020/21.

It will report on any specific control issues identified in 2020/21 and on the overall assurance work carried out in the year including the overall opinion from our Head of Internal Audit.

It will conclude with a statement from the Chair of the Natural England Audit Risk and Assurance Committee and with my own personal statement re the assurance I take around Natural England's arrangements and will set out any specific areas of current and future focus.

## Overall governance arrangements

The requirements for Natural England's governance arrangements are set out in the Natural England Framework Document<sup>1</sup> - in line with the Government Corporate Governance Code. The Chair and Board are charged with a number of duties, including to:

- Develop and agree the strategic direction of the organisation
- Agree an annual action plan and review performance in delivering against it
- Ensure that effective arrangements are in place to provide assurance on risk management, governance, and internal control
- Approve all matters not delegated to the Chief Executive under the Natural England Scheme of Delegation

To assist in the delivery of these duties, the Natural England Board has established three standing sub-committees:

- The Audit Risk and Assurance Committee (ARAC): To review the completeness and reliability of assurances in governance, risk management and internal controls and the integrity of financial statements.
- The Remuneration Committee (RemCom): To oversee decision-making on staff remuneration
- The Natural England Science Advisory Committee (NESAC): To provide specialist advice (including from external experts) and to challenge and review Natural England's science and evidence.

## Delivery and Assurances

Over 2020/21, the Natural England Board held 8 formal meetings. Board Member attendance of these meetings and of sub-committees is shown in the following table. Note that some members were only in position for a portion of the year.

**Table 1<sup>2</sup>**

<i>Member</i>	<i>Board attendance (No. meetings)</i>	<i>ARAC attendance</i>	<i>RemCom attendance</i>	<i>NESAC attendance</i>
<i>Tony Juniper (Chair)</i>	<i>8/8</i>			
<i>Marian Spain</i>	<i>8/8</i>	<i>4/4</i>	<i>3/3</i>	
<i>David Lord Blencathra</i>	<i>8/8</i>	<i>4/4</i>	<i>3/3</i>	
<i>Sue Hartley</i>	<i>8/8</i>			<i>3/4</i>
<i>Simon Lyster (left July 2020)</i>	<i>2/2</i>		<i>1/3</i>	
<i>Henry Robinson</i>	<i>8/8</i>		<i>2/3</i>	
<i>Teresa Dent (left July 2020)</i>	<i>2/2</i>		<i>1/3</i>	
<i>Catherine Dugmore</i>	<i>7/8</i>	<i>4/4</i>		
<i>Andy Clements</i>	<i>8/8</i>			<i>4/4</i>
<i>Michael Winter</i>	<i>8/8</i>			<i>2/4</i>
<i>Kim Shillinglaw (from June 2020)</i>	<i>7/7</i>		<i>2/3</i>	
<i>Kerry ten Kate (from June 2020)</i>	<i>7/7</i>			<i>2/4</i>
<i>Rosamund Blomfield-Smith (from June 2020)</i>	<i>7/7</i>	<i>3/4</i>		
<i>Peter Unwin (from June 2020)</i>	<i>7/7</i>	<i>3/4</i>	<i>2/3</i>	

In 2020/21, the Board (directly and with the support of its sub-committees):

- confirmed the refreshed framework of 5-year outcomes to steer the development of Natural England's programme of work
- approved Natural England's 2020/21 Action Plan
- approved a new long-term strategy for National Nature Reserves
- approved a new cross-organisational Risk Management Strategy
- approved a new Science, Evidence and Evaluation Strategy
- reviewed and steered Natural England's formal advice to Government on matters including General Licensing, Planning Reform, and the re-introduction of the beaver
- oversaw the process for the development and approval of the 2019/20 Annual Report
- oversaw Natural England's engagement with the 2020 Spending Review and the process of translating outcomes into an outline Action Plan for 2021/22.
- reviewed quarterly reports on the organisation's delivery against the agreed Performance Indicators
- reviewed (each quarter) the key corporate and organization level risks being managed
- received updates on the organisational response to the Covid pandemic and on the measures taken to maintain the maximum viable organisational delivery and to support staff
- noted the 100th meeting of the Natural England Board (in February 2021) and marked the occasion with a session with the Secretary of State which focused on the future agenda for the organisation.

In response to the Board Effectiveness Review, the Board took the opportunity to establish a complementary rhythm of Board Briefing Sessions by video conference. These provided the opportunity for 27 deeper dives into topics including General Licensing Review, Dasgupta Review, Green Social Prescribing, NRN Introduction, Planning White paper, Marine/Fisheries, Resilient Landscape and Seas and Net Zero.

Following an external review of Board Effectiveness in 2019/20, the Board oversaw the concluding implementation of these recommendations, including the regularisation of the revised rhythm of

meetings. The Board agreed an internal Board Effectiveness Review for 2020/21 which reported to the March 2021 Board. Areas of agreed focus for further work in 2021/22 include:

- Taking steps to increase the diversity of the Board
- Further building cross-Board awareness of, and engagement with, the work of the Audit Risk and Assurance Committee

We have a robust process in place to gather Board Members register of interest and related party transactions information, in line with our process for gathering similar information from all staff.

## Risk Management

As noted above, the Natural England Framework Document requires that the Board assure themselves that effective arrangements are in place for the management of risk. The Audit and Risk Assurance Committee (ARAC) then provides a more detailed scrutiny.

Natural England promotes a supportive risk culture which encourages openness. The aim of our risk management framework is to support safe and successful delivery through the effective identification, analysis, and management of the risks that we face. Our principal risks are considered and discussed by the Executive Team regularly and reported to the Board each quarter.

We ensure that the risks we face are dealt with in accordance with relevant aspects of best practice in corporate governance and in line with the Defra risk strategy and framework, adopting the principles contained within the Treasury guidance Management of Risk: Principles and Concepts. Risks are escalated where required to the Executive Team and Board.

In 2019/20, a full review of Natural England's risk management processes was undertaken. This has resulted in an updated 2020/21 Risk Strategy that sets out Natural England's approach to managing risk, along with the development of a new risk reporting platform which serves as a 'one-stop-shop' for risk management. The platform allows everyone throughout Natural England to record, manage, and escalate risks as required, and enables robust risk reporting for various Natural England Committees and its Board. This has significantly improved Natural England's capability in risk management and has greatly aided organisational resilience.

## Financial Management (including Counter Fraud activity)

Natural England is committed to protecting public resources, revenue, property, information, and other assets from any attempt - either by members of the public, contractors, sub-contractors or its own employees or volunteers - to gain any financial or other benefits by deceit.

Natural England follows Treasury and wider guidance in adopting and implementing policies and practices to safeguard itself against fraud, error, bribery, money laundering and theft. Our policy on fraud, bribery and corruption is one of zero tolerance.

Our Counter Fraud Strategy and Policy applies to all Natural England Board Members and staff whether permanent, part-time, fixed term, casual employees, or volunteers of Natural England, and to any temporary staff, consultants or contractors working on Natural England's behalf. Natural England has a dedicated fraud response plan and a fraud risk register which is regularly reviewed in light of emerging issues relating to fraud and irregularities.

All cases of irregularity and suspected fraud are thoroughly investigated and dealt with appropriately.

There were no significant cases of fraud or irregularity identified within the organisation in 2020/21.

In order to assess our performance in this area, Natural England engages in benchmarking both against other bodies in Defra group and against the Cabinet Office Counter Fraud Functional Standard (GovS 013). The 2020/21 internal audit programme included a review to establish to what extent Natural England's risks relating to fraud are managed in accordance with the Standard. This includes ensuring that key areas of risk are properly identified, assessed, and mitigated and that appropriate mechanisms are in place to provide assurance of this. The review highlighted Natural England's good performance in this area, with relatively few actions required to achieve full compliance.

## Security and Information Management

There are a range of duties placed on Natural England, as on other public bodies, for the security of staff, public assets and of data held or processed by the organisation.

In the management of security, Natural England works with the Defra group Security function and with supporting Corporate Services functions (providing Property and ICT services), recognising that the majority of Natural England staff now work in shared offices as part of Defra group.

During 2020 we employed a dedicated Principal Adviser to work collaboratively with the Defra group Security function and to support Corporate Services functions (providing Property and ICT services). Over the last year, the majority of our staff have been based from home as a direct result of Covid-19, thus little emphasis has been placed on the office space and further investment in security and information with the home working space has taken place.

In the management of information security and wider good data management Natural England has established a Security and Information Steering Group (SISG) to further focus on the delivery of Security and Information as well as ensuring that physical and information assets are handled appropriately. These include identifying risk owners, undertaking annual risk assessments and providing training to key staff. Information data handling courses are embedded into induction processes and the staff development framework. All staff are required to complete annual training on how to handle data appropriately.

In 2020/21 the following incidents were referred to the Natural England Security Team:

- 3 leaks of information;
- 1 complaint regarding our handling of the leaks;
- 6 pieces of equipment reported lost;
- 5 instances of personnel data disclosed and;
- 28 instances of unauthorised disclosures of information

All reported incidents are followed up to ensure that steps have been taken to address the issue and advice is provided to affected parties regarding any recommended remedial actions. Four of the incidents above met the criteria for reporting to the Information Commissioner's Office (ICO). Three of these were information leaks, with ICO investigations confirming that we had discharged our security responsibilities. The fourth was a complaint about our handling of a leak. The ICO noted that we had complied with our security obligations under data protection law, however, a delay in responding to the complaint raised recorded this as a failure to comply with the General Data Protection Regulation, Article 5 (2), the accountability principle.

Natural England has completed a cross-group survey of staff awareness and behaviours with regard to security (both physical and information). This will assist in informing our programme of

Assurance work in 2021/22 and further developing our security and improvement plans for next three years.

## Corporate Services Assurance

The Defra group operating model includes group-wide provision of Finance, Human Resources, Digital, Data and Technology Services, Communications, Property and Commercial Services.

Corporate Services are delivered in line with the commitments in the Natural England Framework Document and as required, Natural England has established a more detailed Partnership Agreement (approved in June 2019) with Defra group Corporate Services to set out the scope of the services provided and the nature of the partnership working to underpin delivery.

A major internal audit on Defra group Corporate Services Transformation was concluded in early 2020/21 and a range of actions agreed, including a commitment to confirm the respective accountabilities of Defra group Corporate Services and the independent organisations that it provides support to. Completion of these actions was delayed as a result of the wider pressures on Defra group Corporate Services through 2020/21. There is now a commitment that the core recommendations of the Audit will be concluded in 2021/22.

## Specific Control Issues and Whistleblowing

Throughout 2020/21, our controls and broader business continuity arrangements were tested as the organisation followed wider public and public sector guidance in responding to the Covid-19 crisis. As we navigated through this period, we sought further assurance and challenge at two points from Internal Audit – to review the initial work to implement the first lockdown and to review the work carried out in re-opening offices and National Nature Reserves safely.

Our internal assurance programme continues to monitor a range of metrics (e.g. about the safe use of public money, the safe management of data). As noted above, we have, as yet not identified any significant new control issues triggered by the pandemic experience.

Natural England has whistleblowing procedures in place, consistent with the Public Interest Disclosure Act 1998 and the Defra whistleblowing policy. We encourage employees to speak out and raise concerns about wrongdoing. Our whistleblowing policy and procedural guidance provide advice on the process for raising complaints and details of the protection afforded to staff who raise concerns. The policy also provides reassurance that concerns will be investigated promptly and professionally. The policy is accessible to all staff on the organisation's Intranet and is publicised in year.

In 2020/21, no new issues were raised via the main whistleblowing channel.

## Overall Assurance

We deliver assurance from a combination of internal work and from reviews commissioned from Government Internal Audit.

Our internal assurance work combines:

- A focused suite of controls and cross-checks
- An end of year review exercise with all of the major teams in Natural England where we review and gather further evidence on how teams are performing in delivering the various

organizational requirements to keep people, money, and data in Natural England safe and to ensure the overall safety of our governance.

Our 2020/21 programme of work from Government Internal Audit was developed by Natural England's independent Head of Internal Audit through working with the Chief Executive, NExCo and with Directors/Area Managers, and then with ARAC. This programme was informed by a review of key risks from our main risk registers, Defra group risks and from an analysis of key business areas and core processes. In 2020/21, Internal Audit completed five assurance reports, five consultancy reports and a follow up report on the 2019/20 audit on the use of Government Procurement Cards (GPC) which led to a limited level of assurance. Remedial actions were agreed and progress against the recommendations has been good.

The 2020/21 internal audit programme included one limited opinion audit, relating to casework guidance. Remedial actions have been agreed and their completion will be monitored by ARAC.

As a result of the internal audit programme of work, the opinion of the Head of Internal Audit is that the overall governance, risk management and control arrangements in Natural England provide **moderate assurance**. This means that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

In 2020/21 we launched Natural England's Assurance Plan, bringing together the assurance gathering actions in place to supplement the internal audit programme, as a means of assessing adherence to our suite of governance arrangements. As part of an end of year assessment, we now ask all senior managers across the organisation to produce personal end of year statements, indicating their levels of confidence. The statements indicate that:

**Keeping People Safe:** There is a strong management focus on Health and Safety across most teams - although this is stretched in some areas due to other pressures. Adapting to new ways of working due to Covid-19 has meant a change of focus towards wellbeing, ensuring that staff are equipped and supported in working remotely. Nonetheless, technical teams have ensured that Health and Safety training in specialist areas has been kept up to date.

**Keeping Money Safe:** There is a good grasp of risk in this area but there are specific risks to manage, including ensuring that the financial rules impacting on the different types of funding are all adhered to.

**Keeping Data Safe:** There are reduced levels of personal data being managed in the organisation – but there are areas of work where personal and other data is highly sensitive. Our general assessment is that this is an area where we need to do more – not least in increasing confidence that managers and teams understand the requirements we place on staff and are supported in this regard.

**Safe Governance:** Natural England makes a range of decisions that implement important legislation and that impacts on the lives and businesses of others (and on the reputation of the organisation). In the context of recent changes to governance structures and in changes to ways of working as a result of the Covid-19 crisis, we recognise some short-term risks to ensuring that the right decisions are being made by the right people and documented in the right way.

## Concluding statements

### From the Chair of ARAC

*As Chair of the Audit Risk Assurance Committee, I am confident that in 2020/21 ARAC has had sufficient opportunity to review the comprehensiveness, reliability and integrity of assurances and has supported the Natural England Board in their responsibilities for risk management, control, and governance in line with the Corporate Governance Code. In what has been an exceptional year due to Covid-19, ARAC has continued with business as usual and has received positive assurance from internal audit work on Natural England's governance arrangements, along with a fully completed internal audit programme.*

### From the Chief Executive

*This Governance Statement covers the period of 2020/21 over which I was Chief Executive of Natural England. My review of assurances for this year has been informed by the work of the Natural England Audit Risk and Assurance Committee, the GIAA, assurances from senior managers with delegated responsibilities within the organisation, and the comments and recommendations made by the external auditors in various other reports. Overall, I am satisfied that Natural England has effective governance, risk management and internal controls in place.*

# Remuneration and staff report

This report provides information on people in Natural England and sets out the entity's remuneration policy for Directors, how that policy has been implemented, sets out the amounts awarded to Directors, and where relevant the link between performance and remuneration. It also provides details on remuneration and staff that Parliament and others see as important to accountability.

## Remuneration report for Natural England Non-Executive and Executive Team

### Appointments

All appointments to the Board are made by the Secretary of State for Environment, Food and Rural Affairs. The appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments. Appointments are normally made for a period of three years. More details about our Board members can be found on our website:

[www.gov.uk/government/organisations/natural-england/about/our-governance](http://www.gov.uk/government/organisations/natural-england/about/our-governance)

Directors are appointed on merit based on fair and open competition in accordance with the Constitutional Reform and Governance Act 2010. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. The Chief Executive is employed on a fixed-term contract which runs to June 2023 and all Chief Officers, are employed under permanent contracts which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

### Remuneration Policy

The remuneration of the Senior Civil Service (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The Cabinet Office advises the department in March or April each year of the government's response to the SSRB recommendations and produces guidance for departments to follow.

The core department develops its reward strategy for its staff who are equivalent to SCS for pay purposes, within the Cabinet Office framework, ensuring that the overall pay awards for senior staff are within the cost ceiling allowed.

The remunerations reported in Table 1 are actual expenditure incurred in the year.

## Remuneration Report (audited information)

### Salary

'Salary' includes gross salary and any other allowance to the extent that it is subject to UK taxation. The total remuneration, as well as the allowances to which Board members and Chief Officers are entitled, is paid by Natural England, and is therefore shown in full in the figures below. Board Members' remuneration is determined by Defra.

### Performance related pay

Performance related pay is based on an individual's performance rating agreed with their line manager for the previous year. The value of performance related pay received by the Chief Executive and Chief Officers is determined by the Chair (for the Chief Executive) and the Chief Executive (for Chief Officers) supported by Natural England Remuneration Committee.

The Leadership Group, which comprises the Chief Executive, Chief Officers and Directors are eligible for non-consolidated performance related payments from a fund of no more than 3.3% of their pay bill. In-year performance payments can be made to a maximum of 40% of the Leadership Group population (8 awards). Any proposed bonus of £17,500 and above requires Treasury approval.

For the pay award due in July 2020 and implemented in October 2020, (relating to 2019/20), one non-consolidated performance payment was paid to a Director and one non-consolidated performance payment paid to a Chief Officer. Total payments were £16k. No Benefits in kind were paid in 2020/21.

Board members and Chief Officers appointment information and remunerations are reported in the tables below, these are actual expenditure incurred in the year.

Table 1: Natural England non-Executive Board Remuneration

Board Members	2020/21 Remuneration	2019/20 Remuneration
	£000	£000
Tony Juniper CBE (Chairman – from 23/4/19) Note 1	85-90	80-85*
Andy Clements	10-15	10-15
Simon Lyster (Left 13/7/20) Note 2	0-5*	10-15
Teresa Dent CBE (Left 13/7/20) Note 2	0-5*	10-15
Julia Aglionby (Left 26/6/19) Note 2	-	0-5*
Michael Winter OBE	10-15	10-15
Rt Hon Lord David Blencathra (Deputy Chairman – from 23/4/19) (Acting Chairman to 22/04/19) Note 3	25-30	25-30*
Catherine Dugmore	10-15	10-15
Prof Sue Hartley OBE	10-15	10-15
Henry Robinson	10-15	10-15
Kim Shillinglaw (From 01/06/20) Note 2	5-10	-

Board Members	2020/21 Remuneration	2019/20 Remuneration
	£000	£000
Kerry ten Kate (From 01/06/20) Note 2	5-10	-
Rosamund Blomfield-Smith (From 01/06/20) Note 2	5-10	-
Peter Unwin CB (From 01/06/20) Note 2	5-10	-

Notes:

- 1) Full Year equivalent £85-90k.
- 2) Full Year equivalent £10-15k.
- 3) Deputy Chairman Full Year equivalent £25-30k

## Table 2: Natural England Senior Leadership Team Remuneration

The salaries reported are actual expenditure incurred in the year. Performance related pay paid relates to performance in the prior year. No Benefits in kind were paid in either 2019/20 or 2020/21. Where a person has been in post for less than a year the full year equivalent value is shown in the notes to the following table:

	2020/21				2019/20			
	Salary	Perf Related Pay	Pension Benefits	Total	Salary	Perf Related Pay	Pension Benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Chief Executive:</b>								
Marian Spain	130-135	-	51	180-185	125-130	0-5	49	175-180
<b>Chief Officers:</b>								
Alan Law (Strategy and Government Advice) See note 1 table 3	95-100	-	35	130-135	110-115	5-10	129	250-255
Tim Hill (Science and Evidence)	95-100	-	52	145-150	90-95	-	38	130-135
Navroza Ladha (Legal and Governance) From 1/5/19 Note 1	95-100	-	58	155-160	85-90*	-	110	195-200
Richard Cornish (Chief Operating Officer) From 3/6/19 Notes 1 & 3	95-100	5-10	41	145-150	75-80*	-	(11)	65-70

	2020/21				2019/20			
	Salary	Perf Related Pay	Pension Benefits	Total	Salary	Perf Related Pay	Pension Benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gleny Lovell (Planning and Performance) From 7/10/19 Note 2	85-90	0-5	34	120-125	45-50*	-	18	60-65
Elizabeth Newton (Temporary Chief Operating Officer) Note 4	5-10	-	26	31-35	-	-	-	-

Notes:

- 1) Full Year salary £95-£100k
- 2) Full Year salary £90-£95k
- 3) Seconded to Department for Health and Social Care (DHSC) 2/12/20 – 31/01/21
- 4) Temporary for period 2/12/20 – 31/01/21. Full year salary 95-100.

## Fair Pay Disclosures (Audited information)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay, and benefits in kind. It does not include severance payments, employer contributions and the cash equivalent transfer value of pensions.

	2020/21	2019/20
Banded remuneration of the highest paid earner in Natural England	£130,000-£135,000	£130,000-£135,000
Median remuneration of the workforce	£32,438	£31,639
Ratio of remuneration of highest paid director to median remuneration of the workforce	4.1	4.2
The range of banded remuneration for employees in Natural England	£10,000-£15,000 to £130,000-£135,000	£15,000-£20,000 to £130,000-£135,000

## Pension Benefits – Chief Executive and Chief Officers (Audited information)

Board Members are not entitled to join the PCSPS or Alpha pension schemes.

Table 3: Natural England Senior Leadership Team Pension benefits

Pension Benefits - Chief Executive & Chief Officers	Total accrued pension at age 60 and related lump sum (LS) at 31 March 2021 £000	Real increase in pension and related lump sum (LS) at age 60 £000	CETV at 31 March 2021 £000	CETV at 1 April 2020 £000	Real increase in CETV £000
<b>Chief Executive:</b>					
Marian Spain	5-10	2.5-5	97	52	33
<b>Chief Officers:</b>					
Tim Hill	40-45 plus a lump sum of 90 - 95	2.5-5 plus a lump sum of 0-2.5	815	748	34
Alan Law (Note 1)	40-45 plus a lump sum of 95-100	0-2.5 plus a lump sum of 0	885	833*	21
Navroza Ladha (from 1/5/19)	35-40	2.5-5	587	528	36
Richard Cornish (From 3/6/19)	25-30 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0-2.5	366	333	16
Gleny Lovell (From 19/9/19)	0-5	0-2.5	50	17	26

Notes:

1) PY correction due to overpayment of salary in 19/20, with the CETV as at 1 April 20 based on the overpaid amount, this has been rectified during 21/22 which has meant a reduction in the pension accordingly.

## 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 has four sections: 3 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 who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch 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 switch 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 defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. 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. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 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 partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do 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 contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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 arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://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 as a consequence 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.

## Reporting of Civil Service and other compensation schemes – exit packages (Audited information)

Exit package cost band	Total number of exit packages by cost band	
	2020/21	2019/20
<£10,000	-	2
£10,000 - £25,000	-	26
£25,000 - £50,000	-	22
£50,000 - £100,000	-	9
£100,000 - £150,000	-	-
£150,000 - £200,000	-	-
<b>Total number of exit packages by type</b>	-	<b>59</b>
<b>Total resource cost (£000)</b>	-	<b>1,838</b>

Redundancy and other departure costs were paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full when official notice has been served. Where Natural England has agreed early retirement, the additional costs are met by Natural England and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

# Staff Report

## Staff Costs comprise (audited information):

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Permanent & Fixed Term Appointments salaries and allowances	62,339	56,070
Employer Superannuation Payment	16,175	14,791
Partnership Pension Contributions	145	130
Permanent & Fixed Term Appointments social security costs	5,898	5,402
Apprenticeship Levy	297	262
Agency and temporary staff	1,942	2,117
Inward secondees	242	49
Temporary staff social security	104	72
Temporary staff superannuation	339	205
Other staff costs	63	53
Early retirement and severance costs	-	1,838
Less recoveries in respect of outward secondments	(3,530)	(3,726)
<b>Total</b>	<b>84,014</b>	<b>77,263</b>

### Notes:

- a) The Apprenticeship Levy introduced in April 2017 requires employers with an annual pay bill in excess of £3m to pay an annual levy based on total percentage of total payroll costs. The levy is collected through the PAYE system by HMRC and is then available through a Digital Apprentice Service for a two-year period to fund approved training for Apprentices. Income received through Natural England's Digital Apprentice Service for training is recognized as grant income in line with associated expenditure (see note 4.2).
- b) Income for secondees in the main represents Natural England staff members seconded to Defra to work on EU Exit activities. These secondments were largely for a two-year period due to end in 2020/21.

## Average Number of Persons Employed (audited information)

The average number of whole-time equivalent persons employed within Natural England during the year was as follows:

	31 March 2021	31 March 2020
	Number	Number
<b>Permanent staff &amp; Fixed Term Appointments</b>		
Executive/Director	18	18
Manager/Principal Specialist/Adviser	209	169
Team Leader/Senior Specialist/Adviser	562	493
Group Coordinator/Lead Adviser/Specialist	715	696
Adviser/Support Adviser	361	352
	<b>1,865</b>	<b>1,728</b>
<b>Temporary and contract staff</b>		
Executive/Director	1	1
Manager/Principal Specialist/Adviser	1	1
Team Leader/Senior Specialist/Adviser	4	1
Group Coordinator/Lead Adviser/Specialist	17	6
Adviser/Support Adviser	51	42
	<b>74</b>	<b>51</b>
<b>Total</b>	<b>1,939</b>	<b>1,779</b>

## Number of Senior Civil Service Staff (Executive/Director) by Band

	31 March 2021	31 March 2020
	Headcount	Headcount
Chief Executive (SCS 3 equivalent)	1	1
Chief Officers (SCS 2 equivalent)	5	5
Directors (SCS 1 equivalent)	13	14
<b>Total</b>	<b>19</b>	<b>20</b>

## Workforce and Diversity profile

In line with the Equality Act 2010, Natural England, like all public bodies, is subject to the Public Sector Equality Duty and must have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. The duty covers the nine protected characteristics. Natural England ensures that the terms, policies, procedures, programmes, services, and systems it offers its employees and customers are fair and equitable. Oversight of the development, improvement and maintenance of equality, diversity, inclusion, and well-being in Natural England is owned by the People Group (a subgroup of NExCo), to which the EDI Steering Group is accountable. The Chairman of the Steering Group and Senior Responsible Officer for EDI is one of Natural England's Chief Officers (SCS 2 equivalent). There is a separate Steering Group for health and safety which includes wellbeing.

The following tables summarise Natural England's workforce and diversity profiles as at 31 March 2021 extracted from the corporate Human Resources management system:

### Gender Split (by headcount)

Gender Split	Male		Female	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Non-Executive Directors	6	6	5	3
Management Staff (SCS grade or equivalent)	11	12	8	8
All other employees for the Defra group	968	843	1,265	1,055
<b>Total</b>	<b>985</b>	<b>861</b>	<b>1,278</b>	<b>1,066</b>

Natural England published its 2020 Gender Pay gap report on 15<sup>th</sup> December 2020. Both the mean (7%) and median (2.7%) gender pay gaps have reduced this year (reduction of 1.4% mean, 3.4% median), maintaining a continuous downward trend over the last four years.

Natural England – publication data	%			
	2018	2019	2020	+/- from 2019
Mean Gender Pay Gap - Ordinary Pay	9.4	8.4	7	-1.4
Median Gender Pay Gap - Ordinary pay	12.4	6.1	2.7	-3.4

Natural England – publication data	%				
	2018	2019	2020	+/- from 2019	
Mean Gender Pay Gap - Bonus pay in 12 months ending 31 March	21.9	0.5	0.9	+4	
Median Gender Pay Gap - Bonus pay in 12 months ending 31 March	0	0	160	+160	
Proportion of male and female employees paid a bonus in 12 months ending 31 March	Male	44	40	91	+51
	Female	37	44	92	+48

In the report Natural England has set out its on-going actions to reduce the pay gap by delivering a number of initiatives through the Defra group Equality, Diversity, and Inclusion Strategy, and through their newly established cross Defra Group Gender Board with the aim of improving gender equality by creating a specific and measurable focus on closing the gender pay gap. The Gender Board includes a specific working group developing effective actions to close the gender pay gap including

- Active support for women returning to work following maternity or adoption leave.
- Help women to progress their careers through schemes such as the Positive Action Pathway (a talent programme for under-represented groups) and Crossing Thresholds (a year-long career development programme for Women in the Civil Service, both of these are open to Non-Department Public Bodies).
- Support a range of employee led networks supported and championed by Natural England senior management and EDI teams. The Natural England Gender Champion aims to support women to reach their full potential.
- Monitor pay to identify any pay differences and take targeted action to ensure all processes are fair and transparent. An analysis of the bonus gap with a focus on an hourly gap, which takes into account pro-rata employees will give a different perspective on the bonus gender gap.
- Continue to anonymise the application process, ensuring all interviewers complete unconscious bias training and use diverse panels. Recruitment data is monitored to identify areas for further improvement, this is continually reviewed to see if any specific action needs to be taken in relation to a gender gap.

Staff split by age (by headcount, excludes non-executive directors)

16-19	20-29	30-39	40-49	50-59	60+	Total
-	324	438	626	673	202	<b>2,263</b>

## Diversity and Inclusion

Indicator	2020/21	2019/20	Trends	Commentary
Gender balance within the Senior Civil Service (SCS)	42.11% female	40% female		This has remained fairly constant since 19/20 but has improved by 43% in the past 5 years.
Ethnic minority staff	2.44%	1.98%		There has been a small increase since 19/20. NE has signed up to the new Defra Group Equality Diversity and Inclusion (EDI) strategy 2020-2024.
Disability	10.52%	9.96%		Rates have consistently increased over the past 5 years. Disability is a priority area, with mandatory training for all people managers on disability and the Equality Act being designed and rolled out across the organisation over the next year.
Sexual Orientation	4.09% LGBO	3.44% LGBO		The Natural England LGBT+ Network provides support to LGBT+ members of staff. We improved our LGBT+ Stonewall Equality Index 2019 score of 12 out of 154 points to 45.5 points in 2020 and ranking from 420 to 351 out of 500 organisations.

Natural England information as at 31 March 2021 shows 9.96 percent of the overall workforce is made up of employees who identify themselves as disabled, 2.44 percent who identify themselves as from an ethnic minority and 4.09% who identify their sexual orientation as lesbian, gay, bisexual or 'other' (LGBO). These are shown by grade below:

Pay band	Disabled	Ethnic minority	LGBO
Support Adviser	13.74%	1.53%	0.76%
Adviser	13.58%	3.97%	6.62%
Lead Adviser/Group Coordinator/ Specialist	10.36%	2.50%	3.81%
Team Leader / Senior Adviser / Senior Specialist	9.96%	2.10%	3.37%
Manager / Principal Adviser / Principal Specialist	7.69%	1.21%	5.67%
SCS	5.26%	10.53%	5.26%
Organisational Average	10.52%	2.44%	4.09%

EDI is of growing importance to Natural England, recruiting our first Equality, Diversity, and Inclusion Principal Advisor in September 2020. Since then, a six-month EDI Delivery Plan has been published. The successful delivery of this plan has paved the way for a new 12-month EDI action plan, prioritising race, disability, and respect at work.

We now have 12 staff Networks in Natural England, with Pregnancy and Parenting and the Social Mobility network being newly formed this year. Network Champions and Deputies now have formal time allocated to their roles.

### Recruitment Practice

Natural England is accredited with the Civil Service Commissioners as a fair and open recruiter, this enables Natural England, as a Non-Departmental Public Body (NDPB), to use the Civil Service website to advertise a vacancy, and our people to apply for civil service wide jobs.

To support diversity outcomes in our recruitment we adopt a blind sifting and selection process up to interview stage. Interview panel members are required to undertake unconscious bias training and we endeavour to avoid single gender selection panels which are allowed by exception only.

Natural England operates a guaranteed interview scheme, which guarantees an interview to anyone with a disability whose application meets the minimum criteria for the post. We offer reasonable adjustments for interviews and to successful candidates once in post. This supports individuals in carrying out their role and can be captured and agreed with the line manager in a workplace adjustment passport.

### Staff Survey



Being recognised by employees and leaders as an engaging and inclusive organisation that is a great place to work is of critical importance to Natural England.

Natural England undertook a Pulse Survey in June 2020 focusing on the impacts of Covid-19 on our staff. The Employee Engagement Index rose to 65% in this survey compared to 54% in the 2019 People Survey. The survey was sent to a selected, representative sample of 600 people across the organisation with 597 responses (99.5% return rate).

Notable headlines from the Pulse Survey were:

- **Support from Natural England:** was rated highly by colleagues: 44% of respondents rated this as excellent and 42% good.
- **Visibility of Leaders:** ninety percent of staff reported NExCo as being visible and welcomed the videos from Marian Spain and others. Additional support requested around access to technology and wellbeing were accelerated in light of Covid-19.
- **Working arrangements and adjustments:** the move to homeworking saw 46% of staff report a reduction in ability to work effectively, with 9% reporting an increase and 37% saying no change. The free text answers indicate that many view homeworking as a real positive, but for some, homeworking is also a cause of stress.
- **Mental health and wellbeing** - 56% of our staff reported negatively affected wellbeing in the week prior to the survey, with 45% feeling stressed or anxious. The virus clearly had a

huge impact on some and since June 2020 wellbeing has been a priority for Natural England.

## Natural England People Strategy

The Natural England People Strategy was launched in July 2019, which set out our priorities for supporting our staff with fair reward, making the best of their expertise, and enabling better career progression. It also sought to make Natural England a place where individuals are accepted and valued for who they are as well as the skills they bring.

The strategy was based around six themes;

1. strategic workforce planning and resourcing
2. wellbeing
3. capability
4. leadership
5. career development
6. employee offer

Each theme has a list of commitments the organisation agreed to work towards. In February 2020, Natural England published its Progress and Plans report, highlighting its progress against each of the commitments.

Below is one highlight from each theme of the progress made:

Theme	Commitment	Progress
<b>Strategic Resource and Workforce Planning</b>	Work with leadership to develop and manage annual workforce plans.	Carried out various exercises to manage annual workforce plans since the People Strategy was launched to support business need.
<b>Wellbeing (including Equality, Diversity, Inclusion)</b>	Improve, increase, and enhance the wellbeing / EDI confidence, capability, and capacity at organisational, team and individual levels.	Begun a review of our work-related stress policies and processes by engaging with colleagues to gather feedback and implement solutions.
<b>Capability</b>	Make strategic use of available apprenticeships and accompanying funding to build skills, and present apprenticeships as an integral part of the capability development offer.	Around 60 people have enrolled on to project management apprenticeships, utilising the mandated apprentice levy. Apprenticeships are being used as a way to develop essential business skills for key groups of people.
<b>Leadership</b>	Continue to support the development of senior leaders, introducing a new Senior Leadership Programme to develop and replenish the potential senior talent pool.	Revamped and delivered the Senior Leadership Programme during Covid-19 restrictions, including emotional intelligence training to strengthen leadership capability.

<b>Career Development</b>	Review induction practices to establish a consistently high standard of induction to support the effective transition into new roles to shape evolving career moves.	New starters receive a structured programme covering Natural England's work as part of their induction programme.
<b>Employee Offer</b>	Develop a long-term (3 year) pay strategy with the aim to achieve parity with Defra group.	Following commitment from NExCo, we have created a Pay Flexibility Project gathering evidence and data to support a pay strategy.

## Employee Wellbeing

Wellbeing has been a strong and recurring theme in messages throughout the year. A wellbeing strategy and associated delivery plan based on the ambitions of the People Strategy were launched in October 2020 to span the next two years.

Outcomes in 2020/21 include; training 50% of people leaders using bespoke mental health scenario-based workshops, sending 30 colleagues to a virtual mental health conference and during Covid-19 producing large communications campaigns such as 'Love your Lunchbreak' which for the first time brought together Health and Safety and the Connecting People with Nature Programme.

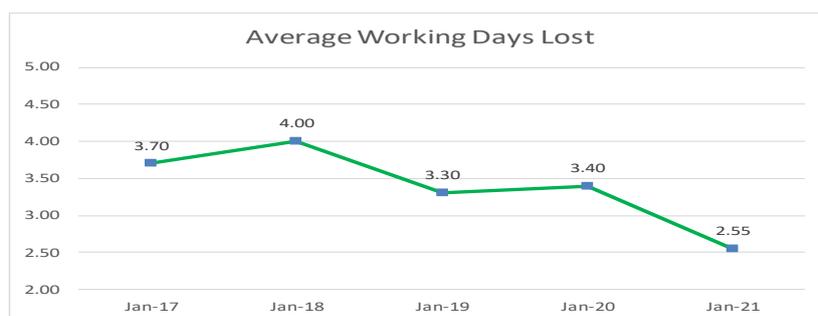
We also continue to work towards the MIND Going for Gold accreditation (currently silver) and the Well-Ment Network continue to provide the Mental Health Buddies scheme, to convene the Mental Health First Aiders and provide Time to Talk calls.

## Managing Attendance

For Natural England during 2020/21, an average of 2.55 working days per employee (3.40 days 2019/20) was lost to sickness absence. Absence due to Mental Health issues (35.6%) continues to be the main cause of absence and is higher than for 2019/20 (28.2%). The top 5 reasons for absence in 2020/21 were:

	Working days	Percentage
Mental and behavioural disorders	1,908	35.6%
Diseases of the respiratory system	972	18.1%
Diseases of the musculoskeletal system and connective tissue	466	8.7%
Diseases of the nervous system	438	8.2%
Neoplasms	434	8.1%

The following graph outlines the average working days lost over the past 5 years:



## Trade Union Facility Time

In accordance with the Trade Union Regulations 2017, a public sector organisation is required to report on trade union facility time in their organisation. Facility time is paid time off for union representatives to carry out trade union activities.

Table 1 – Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent (fte)
57	2.06

Table 2 – Percentage of time spend on facility time

Percentage of time	Number of employees (Headcount)
0%	0
1%-50%	57
51%-99%	0
100%	0

Table 3 – Percentage of pay bill spent on facility time

Total cost of facility time £'000	74
The total pay bill £'000	62,416
The percentage of the total pay bill spent on facility time	0.12%

Table 4 – Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours.	3.68%
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## Consultancy expenditure

Strict spending controls were introduced by Cabinet Office in 2010, including the use of consultants. In line with this, all spend on consultancy is formally approved. During the period from April 2020 to March 2021 there was £nil (£nil in 2019/20) of consultancy expenditure approved.

## Off-payroll engagements

On 31 January 2012, the Chief Secretary to the Treasury announced a review of the tax arrangements of public sector appointees. The aim of the review was to ascertain the extent of arrangements which could allow public sector appointees to minimise their tax payments and make appropriate recommendations. The conclusions of the review were that:

- The most senior staff must be on the payroll, unless there were exceptional temporary circumstances which would require Accounting Officer sign-off and could not last longer than six months.
- Departments (and their arm's length bodies) must be able to seek formal assurance from contractors with off payroll arrangements lasting more than six months and costing over £245 per day that income tax and national insurance obligations are being met. If that assurance is not provided, contracts should be terminated.
- Departments and their arm's length bodies are required to report to Parliament as part of their Annual Report and Accounts on the outcome of applying the above principles.

Table 1: For all off-payroll engagements as of 31 March 2021, for more than £245 per day and that last longer than six months:

	Number
No. of existing engagements as of 31 March 2020 of which:	-
No. that have existed for less than one year at time of reporting	-
No. that have existed for between one and two years at time of reporting	-
No. that have existed for between two and three years at time of reporting	-
No. that have existed for between three and four years at time of reporting	-
No. that have existed for four or more years at time of reporting	-

Table 2: For all new off-payroll engagements or those that reached six months in duration, between 1 April 2020 and 31 March 2021 for more than £245 per day and that last longer than six months:

	Number
No. of new engagements between 1 April 2020 and 31 March 2021 of which:	-
No. assessed as caught by IR35	-
No. assessed as not caught by IR35	-
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	-
No. of engagements reassessed for consistency/ assurance purposes during the year	-
No. of engagements that saw a change to IR35 status following consistency review	-

Table 3: For any off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2020 and 31 March 2021:

	<b>Number</b>
No of off-payroll engagements of board members and/or senior officials with significant financial responsibilities during the financial year.	-
Total number of individuals on payroll and off payroll that have been deemed "board members, and/or senior officials with significant financial responsibility", during the financial year. This figure should include both on-payroll and off-payroll engagements.	8

# Parliamentary Accountability and Audit Report - brings together the key Parliamentary accountability documents within the annual report and accounts.

## Regularity of Expenditure

Natural England's Accounting officer, our Chief Executive, is the person on whom parliament calls to account for stewardship of its resources. The standards the accounting officer is expected to deliver cover Governance, Decision-making, and Financial Management.

Natural England complies with the HM Treasury guidance "Managing Public Money", which in short covers the principles as to how Government bodies handle public funds with probity and in the public interest. The Framework Document sets out the specific financial framework, within which Natural England is required to operate. This is complemented by the Scheme of Delegation which is the means by which a statutory body authorises its employees to carry out certain of its functions. Natural England has separated its Scheme of Delegation into two parts for ease of reference:

- A financial schedule of delegations ("FSoD") which covers all financial functions or functions which have monetary implications e.g. loans, scheme payments etc.; and
- A non-financial schedule of delegations ("NFSoD") which covers all non-monetary functions e.g. licenses, enforcement action etc.

Cabinet office introduced strict spending controls in 2010 on various categories of spend including advertising; external recruitment; consultancy and IT Projects or any other expenditure over £25k. To comply with this Natural England established the Spending Review Panel (SRP) through which expenditure in any of these categories must pass for approval prior to any commitment being made.

In addition to the above under the Government's transparency agenda, expenditure is published monthly on all transactions over £25k and Government Procurement Card spend over £500.

An annual audit of Natural England's Accounts is undertaken by the National Audit Office (NAO). The Government Internal Audit Agency (GIAA) also provides assurance through an ongoing internal audit programme. Natural England has its own Head of Internal Audit who works closely with the Head of Internal Audit for Defra Group, and this ensures consistency across the whole of the Defra Group when looking at the effectiveness of risk management, controls, and governance, and ensures best practice is shared.

### Losses and Special payments (audited)

For 2020/21, we can report that there were no losses, special payments or gifts incurred which exceeded £300k.

### Remote contingent liabilities (audited)

We have carefully considered possible future liabilities relating to past events and have concluded that there are no remote contingent liabilities to be disclosed in the Annual Report and Accounts.

## Public Sector Information Holders

Natural England is a Public Sector Information Holder and has complied with the cost allocation and charging requirements set out in the H M Treasury and the Office of Public Sector Information Guidance.

## Auditors

The accounts of Natural England are audited by the Comptroller and Auditor General under the Natural Environment and Rural Communities Act 2006. The audit fee for 2020/21 is £118k (2019/20: £120k). The audit fee was paid for by Defra and included within the notional recharges. There have been no payments made to auditors for non-audit related work.

## Fees and Charges (Audited)

Natural England led the way as a statutory consultee with the introduction in 2013 of chargeable discretionary pre-application advice (DAS) on planning proposals. We continue to see a strong demand for this service and have recognised a market demand to extend the scope of our offer and apply this approach to other areas of our work where there is customer demand for upfront advice. These services provide customer benefit in having access to Natural England's expert advice at an early stage in the development of a project, reducing the risk of delay or additional cost at a later stage.

Fees and Charges income is derived from a combination of discretionary advice related to our planning, licensing and SSSI assent/consent work under our Discretionary Advice Service (DAS) and Pre-Submission Screening Service (PSS). Further details about Natural England's Discretionary advice service (including charges per application) can be found on <https://www.gov.uk/guidance/developers-get-environmental-advice-on-your-planning-proposals>

In the period April 2020 to March 2021, we have generated £4.3m (2019/20 £4.4m) of income from commercial services including DAS, large scale contracts and chargeable wildlife licences, plus an additional £0.8m (2019/20 £0.9m) from our National Nature Reserve estate.

We are able to resource this non-statutory work through the introduction of charging to cover our costs. Recovery is on a full cost basis in line with HM Treasury's guidance "Managing Public Money".

Natural England is keen to ensure that it can maintain and enhance its customer service and provide more effective delivery of its statutory roles through a package of reform measures which include the introduction of charges for certain areas of its statutory work. By doing so, Natural England aims to deliver exchequer savings and achieve better environmental outcomes by investing in its services to meet customer demand, offering a greater level of choice for customers whilst at the same time mitigating the impact of continuing pressures on Grant-in-Aid. Natural England has continued to work towards extending charging options to a number of work areas where we feel charging is appropriate. This involves addressing legal, financial and stakeholder considerations and securing the approvals of our Board, Defra and in some case H M Treasury, where needed. To this end, during 2019/20 Natural England began charging for more of its statutory wildlife licence types following an initial rollout of charges earlier that year. In the period April 2020 to March 2021 this has generated £0.9m which is included in total income from commercial services of £4.3m.

## Fees and Charges Income

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Discretionary Advice, Catchment Sensitive Farming, HS2 and Wildlife Licensing	4,326	4,365
Income from National Nature Reserves (NNRs)	750	853
Other fees and charges	0	32
<b>Total Income</b>	<b>5,076</b>	<b>5,250</b>

## Analysis of fees and charges

<b>Discretionary Advice and Pre Submission screening:</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>	<b>Cumulative results</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income	4,326	4,365	4,153	12,844
Expenditure	(4,375)	(4,543)	(4,150)	(13,068)
<b>Surplus / (Deficit)</b>	<b>(49)</b>	<b>(178)</b>	<b>3</b>	<b>(224)</b>

The above table shows that Natural England has under recovered costs by £49k in 2020/21. This under recovery will be carried forward to 2021/22 to ensure that fees and charges breakeven over a three-year rolling period. The reason for the under recovery is the expansion of our new wildlife licensing services, including District Level Licensing for Great Crested Newts. As a new service, Natural England has recruited a number of staff to support statutory charging for licensing. These staff have been going through training and development in this first full year of implementation, and the speed in which they complete applications is expected to increase going forward.



Marian Spain  
Chief Executive

11 November 2021

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

## Opinion on financial statements

I certify that I have audited the financial statements of Natural England for the year ended 31 March 2021 under the Natural Environment and Rural Communities Act 2006. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of Natural England's affairs as at 31 March 2021 and of Natural England net expenditure for the year then ended;
- have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State 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 (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 have also elected to apply the ethical standards relevant to listed entities. I am independent of Natural England 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 Natural England'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 Natural England'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 Board and the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Natural England is adopted in consideration of the requirements set out in International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it 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 parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Board and the 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. In connection with my audit of the financial statements, 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, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006; and
- 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.

## Matters on which I report by exception

In the light of the knowledge and understanding of Natural England and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability report. 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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board, and the Accounting Officer, is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Board and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing Natural England'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 Board and the Accounting Officer anticipates that the services provided by Natural England 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 Natural Environment and Rural Communities Act 2006.

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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, Natural England's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Natural England's policies and procedures relating to:
  - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Natural England's controls relating to Natural Environment and Rural Communities Act 2006 and Managing Public Money.
- discussing among the engagement team, and involving relevant internal and external specialists, including asset valuers regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in management estimates.
- obtaining an understanding of Natural England's framework of authority as well as other legal and regulatory frameworks that Natural England operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Natural England. The key laws and regulations I considered in this context included Natural Environment and Rural Communities Act 2006, Managing Public Money, Employment Law, Tax Legislation and Pension Legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims.
- reading minutes of meetings of those charged with governance and the Board.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

I also communicated relevant identified laws and regulations and potential fraud risks 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions 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 that I identify during my audit.

## **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

**16 November 2021**

## **Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

# Financial Statements

# Statement of Comprehensive Net Expenditure for the period ended 31 March 2021

	Note/Ref	31 March 2021 £000	31 March 2020 £000
Revenue from contracts with customers	4	(7,600)	(6,433)
Other operating income	4	(9,802)	(12,343)
<b>Total income</b>		<b>(17,402)</b>	<b>(18,776)</b>
Staff Costs	3	84,014	77,263
Other Costs	3	6,180	11,085
Depreciation, Amortisation and Impairment	3	1,253	1,543
Other Non Cash items	3	31,543	24,498
Grants and Subsidies	3	9,568	7,440
Programme expenditure	3	20,627	11,390
<b>Total operating costs</b>		<b>153,185</b>	<b>133,219</b>
<b>Net operating costs</b>		<b>135,783</b>	<b>114,443</b>
Interest receivable		(1)	(29)
<b>Net expenditure after interest</b>		<b>135,782</b>	<b>114,414</b>
<b>Other comprehensive expenditure</b>			
<b>Items that will not be reclassified to net operating costs</b>			
Net (gain)/loss on			
Revaluation of PPE	SOCTE	(419)	161
Revaluation of Agricultural Assets	SOCTE		13
Revaluation of Heritage assets	SOCTE	(4,352)	(1,953)
Pension actuarial movements	12	19	31
<b>Total comprehensive net expenditure for the year</b>		<b>131,030</b>	<b>112,666</b>

The accounting policies and notes on pages 72-100 form part of these financial statements.

# Statement of Financial Position as at 31 March 2021

	Note	31 March 2021 £000	31 March 2020 £000
<b>Non-current assets</b>			
Property, plant and equipment	5.1	15,972	14,951
Heritage assets	6	74,709	67,086
Agricultural assets		186	167
Intangible assets	5.2	144	548
<b>Total non-current assets</b>		<b>91,011</b>	<b>82,752</b>
<b>Current assets</b>			
Inventories		44	64
Trade, other receivables and contract assets	9	11,775	13,373
Cash and cash equivalents	10	10,023	19,944
<b>Total current assets</b>		<b>21,842</b>	<b>33,381</b>
<b>Total assets</b>		<b>112,853</b>	<b>116,133</b>
<b>Current liabilities</b>			
Trade, other payables and contract liabilities	11	(29,348)	(21,505)
Provisions	12	(3,183)	(1,669)
Pension provision	12	(16)	(15)
Other financial liabilities	16	-	-
<b>Total current liabilities</b>		<b>(32,547)</b>	<b>(23,189)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>80,306</b>	<b>92,944</b>
<b>Non-current liabilities</b>			
Net pension liability	12	(296)	(293)
Other payables and contract liabilities	11	-	(165)
<b>Total non-current liabilities</b>		<b>(296)</b>	<b>(458)</b>
<b>Assets less liabilities</b>		<b>80,010</b>	<b>92,486</b>
<b>Taxpayers' equity and other reserves</b>			
General fund	SOCTE	22,513	38,882
Revaluation reserve	SOCTE	57,497	53,604
<b>Total equity</b>		<b>80,010</b>	<b>92,486</b>

The accounting policies and notes on pages 72-100 form part of these financial statements.



Marian Spain  
Accounting Officer and Chief Executive

11 November 2021

# Statement of Cash Flows for the period ended 31 March 2021

	Note	31 March 2021	31 March 2020
		£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost	SOCNE	(135,783)	(114,443)
Adjustments for non-cash transactions		3,799	2,447
Notional Corporate Services Recharge		28,977	23,514
(Increase)/Decrease in trade and other receivables	9	1,598	339
(Increase)/Decrease in inventories		20	80
Increase/(Decrease) in trade payables	11	7,678	2,370
Use of provisions	12	(890)	(1,046)
<b>Net cash outflow from operating activities</b>		<b>(94,601)</b>	<b>(86,739)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5.1	(1,998)	(968)
Purchase of intangible assets	5.2		
Purchase of Financial Assets		-	-
Purchase of non-current heritage assets	6	(2,900)	(109)
Purchase of agricultural biological assets		(9)	-
Proceeds of disposal of property, plant and equipment		9	14
<b>Net cash outflow from investing activities</b>		<b>(4,898)</b>	<b>(1,063)</b>
<b>Cash flows from financing activities</b>			
Grant in Aid income received by NDPBs (GF)	SOCTE	89,577	90,478
Interest received		1	29
<b>Net financing</b>		<b>89,578</b>	<b>90,507</b>
<b>Net increase/(decrease) in cash in the period</b>		<b>(9,921)</b>	<b>2,705</b>
Cash and cash equivalents at the beginning of the year	10	<b>19,944</b>	<b>17,239</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>10,023</b>	<b>19,944</b>

The accounting policies and notes on pages 72-100 form part of these financial statements.

Key:

SOCNE = Statement of Comprehensive Net Expenditure

SOCTE = Statement of Changes in Taxpayers' Equity

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2020		<b>38,882</b>	<b>53,604</b>	<b>92,486</b>
Grant in Aid income received by NDPBs		89,577	-	89,577
Net expenditure after interest	SOCNE	(135,782)	-	(135,782)
<b>Non-cash adjustments</b>				
Notional Corporate Services Recharge	3	28,977	-	28,977
<b>Movements in reserves</b>				
Other revaluation of tangible assets	7	-	4,771	4,771
Pension actuarial (gain)/loss	SOCNE	(19)	-	(19)
Transfers between reserves		878	(878)	-
<b>Balance at 31 March 2021</b>		<b>22,513</b>	<b>57,497</b>	<b>80,010</b>

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2019		<b>39,224</b>	<b>51,936</b>	<b>91,160</b>
Grant in Aid income received by NDPBs		90,478	-	90,478
Net expenditure after interest	SOCNE	(114,414)	-	(114,414)
<b>Non-cash adjustments</b>				
Notional Corporate Services Recharge	3	23,514	-	23,514
<b>Movements in reserves</b>				
Other revaluation of tangible assets	7	-	1,779	1,779
Pension actuarial (gain)/loss	SOCNE	(31)	-	(31)
Transfers between reserves		111	(111)	-
<b>Balance at 31 March 2020</b>		<b>38,882</b>	<b>53,604</b>	<b>92,486</b>

Key:

SOCNE = Statement of Comprehensive Net Expenditure

# Notes to the Financial Statements

## 1. Statement of accounting policies

### Basis of accounting

These Financial Statements have been prepared in accordance with the 2020/21 Government Financial Reporting Manual (FReM) issued by H M Treasury and the accounts direction issued by the Secretary of State for Defra, in accordance with Schedule 1, Sections 23 and 24 of the Natural Environment and Rural Communities Act 2006. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Natural England, for the purpose of giving a true and fair view has been selected.

The particular policies adopted by Natural England are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Significant judgments and estimation uncertainty

Natural England has used estimations for the following two accounting entries, as described below:

#### 1.1.1 Valuation of Non-Current Land, Building and Heritage Assets

All of Natural England's non-current land, building and heritage assets were professionally revalued as at 31 March 2016, by a firm of qualified and independent surveyors, Bruton Knowles property consultants in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

The period between professional revaluations is normally five years (quinquennial) in line with Accounting guidance, and in between these full revaluations, all freehold Land and Building and Heritage Assets are updated annually where material using a professional desk top valuation exercise as stated in notes 1.3 & 1.7.1. We made the decision to defer the quinquennial revaluation because Natural England considered it inappropriate to carry out site visits for health and safety reasons during the height of the pandemic, and hence there will be a six-year period between full professional revaluations with the next quinquennial scheduled to be completed at 31 March 2022.

Over the five-year period 2016/17 to 2020/21, the annual desk top valuation has been carried out each year by Bruton Knowles property consultants who undertook the quinquennial full valuation as at 31 March 2016. As the quinquennial revaluation has been delayed, Management have worked closely with our professional external valuers to confirm for both heritage and property, plant and equipment, land and building assets, that they have all the latest information required to complete a robust desk top valuation exercise and that the valuations provided continue to remain current and are in accordance with the Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards (the Red Book).

In accordance with IFRS 13, Natural England's non-current land, building and heritage assets valuations have been measured by the external valuers at fair value as defined in the RICS Red Book. The fair value of land and buildings was assessed with reference to transactions in the marketplace (comparable market evidence) with appropriate adjustments. Where there is limited or no comparable market evidence a few assets have been valued using the depreciated

replacement reinstatement value of similar properties in the market. The external valuers have made some assumptions as to the condition of our assets in line with latest asset details provided to them in their desk top valuations due to there being no site visits to inspect their condition. The external valuers have used their professional judgement in estimating the fair values of Natural England's assets in compliance with RICS valuation principles.

### 1.1.2 Employee Benefit Accrual

Natural England accounts for unused annual leave based on the annual leave period which ran from 1 January 2020 to 31 December 2020, Actual figures are collated from across the whole organisation and are then used as a proxy for unused annual leave as at 31 March 2021 in accordance with IAS 19 'employee benefits'. As the annual leave period, like the financial year is for a 12-month period it is considered that the variation would not be material. In addition to annual leave any flexi leave unused in line with Natural England's flexi leave policy is also accounted for. These costs are included as an accrual and the movement in year is recognised as an expense within staff member costs at the reporting date.

## 1.2 Accounting Convention

These accounts have been prepared on a going concern basis under the historical cost convention, modified where materially significant to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

### 1.3 Non-Current Property, Plant and Equipment Assets Recognition and valuation

In accordance with IAS 16 as interpreted by the FReM, land and buildings are reported in the Statement of Financial Position at fair value, stated at market value in existing use. All are normally revalued every five years in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book), but as detailed in note to the accounts 1.1.1 above, as a result of the coronavirus pandemic, the full quinquennial which was due as at 31 March 2021 has been delayed. Operational heritage land and other land and buildings must be valued externally. All Land and Building assets were last valued by external valuers in 2015/16 as at 31 March 2016. In between valuations, all land and building values are updated annually using a professional desk top valuation.

Natural England has set a capitalisation threshold of £5k for assets with the exception of land which is fully capitalised regardless of cost. Individual items with a cost below this threshold are charged directly to the Statement of Comprehensive Net Expenditure. Subsequent expenditure on an asset is capitalised if the criteria for initial capitalisation are met, i.e., if it is probable that economic benefits will flow to Natural England, and the cost of the expenditure can be reliably measured.

Each component of an asset with a value deemed material to the total fair value of the asset and with a materially different useful life is capitalised and depreciated separately. All other assets are carried at fair value at depreciated historical cost.

### 1.4 Non-Current Property, Plant and Equipment Assets Depreciation

Depreciation is provided on all non-current property, plant, and equipment assets other than land. The rates applied are calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life.

▪ Freehold buildings	50 years
▪ Improvements to leasehold buildings	10 years
▪ Computer equipment	3 to 5 years
▪ Plant and other equipment	5 to 15 years
▪ Vehicles	10 years

Depreciation is not charged on assets under construction until they are brought into service.

## 1.5 Intangible Non-Current Assets and Amortisation

Natural England holds various software licences, which were capitalised at purchase cost where this was in excess of capitalisation thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value.

Intangible assets are assumed to have a finite useful life. Amortisation is provided on software licences at rates calculated to write off the cost or valuation of each asset evenly on a straight-line basis, over its expected finite useful life. The standard write-off period is five years although alternative lives may be used where relevant information is available to ascribe a more appropriate expected useful life.

## 1.6 Research and Development

All of our development and research expenditure is written off in the year to the Statement of Comprehensive Net Expenditure.

## 1.7 Heritage assets

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

National Nature Reserves (NNRs) are defined as land that is held in support of our strategic outcome to support a healthy natural environment and continue to ensure that our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change. Although NNRs are open to the public for quiet recreation, they are held principally for their contribution to knowledge and culture. Our NNRs meet the criteria for heritage assets.

Heritage assets can be operational or non-operational. Non-operational heritage assets are those held primarily for their contribution to knowledge and culture and are not held for operational purposes, the main example being the NNR land. Operational heritage assets are those which as well as being held for their contribution to knowledge and culture are also used to provide other services. Natural England has one operational heritage asset – Parsonage Down Farm.

Where the NNR land has buildings attached to it, this will generally include visitor and information centres, offices for NNR staff and toilet facilities. These operational 'support' buildings are not classified as heritage assets and are held generally for administrative purposes. They have therefore been classified as operational assets and have been treated in accordance with IAS 16 as other non-current property, plant, and equipment.

### 1.7.1 Valuation

Both the operational and non-operational Heritage Assets were last subject to a full revaluation exercise by external valuers, in 2015/16 as at 31 March 2016.

Heritage assets since 2010 have been reported in the Statement of Financial Position at fair value, stated at market value. In line with the FReM, heritage assets are normally revalued every five years, but as detailed in note to the accounts 1.1.1 as a result of the coronavirus pandemic, the full quinquennial which was originally scheduled as at 31 March 2021 has been delayed and is due to be undertaken at 31 March 2022. Annually between quinquennial revaluations, a detailed desk top review is undertaken by our external valuers to ensure the valuations remain current and are in line with RICS red book guidance.

Although only operational Heritage Assets have to be valued externally every five years, and non-operational ones could be completed by our own Surveyors, Natural England have opted to have all of our Heritage Assets, both operational and non-operational valued externally due to insufficient specialist valuation resource to undertake the valuations.

Natural England Non-Operational Heritage assets have always proved to be complex to apply a market value, as the valuation process involves a number of judgmental assessments due to the specific features on any given site (for example Sites of Special Scientific Interest or Areas of outstanding natural beauty) and for which due to their unique qualities a suitable comparative site is not easily found. Although the valuations are fully compliant with RICS methodology, valuations themselves rely on professional judgement, knowledge of the area, status of comparable data, status of site being valued and other subjective judgements.

For 2020/21 there was increased subjectivity around the following sub-set of assets due to limited comparable market evidence;

- Heathland (£11m)
- Moorland (£3.5m)

Any surplus or deficit on valuation of the NNRs compared to their historic cost is recognised in the Revaluation Reserve, to the value of the previous upward revaluation, and is reported in the Statement of Other Comprehensive Expenditure and Statement of Changes in Taxpayers' Equity. The land element of the NNRs is not depreciated. Buildings are depreciated on a straight-line basis over their useful lives, which are deemed to be fifty years, but an alternative life may be ascribed if this is considered more suitable.

Agricultural assets (livestock) on the reserves are treated in accordance with IAS 41 Agriculture and is separately recognised in the Statement of Financial Position.

## 1.7.2 Acquisitions

Acquisitions are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at current value ascertained by Natural England's internal valuers with reference, where possible, to commercial market prices. The receipt of donations of Heritage Assets are recognised as income and taken through the SOCNE where there are no conditions relating to the operating activities.

## 1.8 Impairment

Natural England reviews its assets annually to identify those where the recoverable amount falls below the carrying amount. The treatment of any impairment losses is dependent on whether they are a result of:

- Consumption of economic benefit or reduction in service potential - if this is the case the loss is taken to the SoCNE.

- A change in market value – in this case the fall in value will first be offset against the accumulated balance in the revaluation reserve (if any), and once that element of the reserve is exhausted the remainder of the fall in value will be taken to the SoCNE.

## 1.9 Financial Instruments

Natural England holds few financial instruments, those it does relate to either contracts for non-financial items in line with Natural England's expected purchase and usage requirements or income due for goods or services delivered by Natural England. These are both held at amortised cost. The objective is to manage these financial assets to collect the contractual cashflows. Natural England by individually reviewing all items of debt over 180 days recognise any impairment losses at an amount equal to lifetime expected credit losses by assessing the recoverability of aged debt through consideration of the circumstances of the customer. On this basis Natural England are not exposed to considerable credit, liquidity, or market risk.

## 1.10 Taxation

Natural England is a body corporate. Should any investment income be earned, or trading profits received we would be liable to Corporation Tax. During 2020/21 there was no liability for Corporation Tax (2019/20, nil).

## 1.11 Value added Taxation (VAT)

Most of the activities of Natural England are outside the scope of VAT. In general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT. As Natural England makes exempt supplies for VAT, it has partially exempt status. Natural England uses an agreed formula to enable the quarterly calculation of the amount of reclaimable input tax.

## 1.12 Grant in Aid (GiA)

Grant in Aid receipts, both capital and revenue, are treated as financing received from a controlling party giving rise to a residual financial interest. The receipts are treated as financing transactions and credited directly to the general reserve.

## 1.13 Grants Receivable

Natural England receives grant funding from the European Union, Heritage Lottery Fund, and the Rural Payments Agency. These are credited straight to the Statement of Comprehensive Net Expenditure Account. If grants have conditions attached to them and are for funding in future years, they are held as deferred income.

## 1.14 Grants Payable

Financial assistance by way of grant may be given to any person or organisation to undertake any activity which Natural England is empowered to undertake, including the purchase of land. Grants are included as expenditure upon the crystallisation of the obligation to pay the grant. The offer of a grant payment is usually tied to a specific year of account and it is solely at the discretion of Natural England whether an unclaimed grant is carried into the next financial year. Offers of grants contributing towards the ongoing employment of staff may be made on a diminishing basis over a three- or four-year period.

## 1.15 Operating Income

Operating income relates directly to the operating activities of Natural England.

*Revenue from contracts with customers* is recognised in accordance with IFRS 15 and net of VAT, and includes income from our Discretionary Advice Service, contributions from conservation partners and income from National Nature Reserves.

IFRS 15 includes a requirement to report;

- **Contract Assets** – these are recognised when a performance obligation is satisfied over time, and some of the work required under the performance obligations in the contract has been done and transferred to the customer, but the business has not yet completed everything it needs to do to satisfy the entire performance obligation and so be able to bill the customer. A contract asset is conditional on something other than the passage of time, whereas a receivable is an unconditional right to receive consideration due.
- **Contract Liabilities** – these arise when the customer has already paid for the service, but the performance obligation hasn't yet been satisfied. Revenue cannot be recognised until control passes to the customer.

The step-by-step process in IFRS 15 involves identifying contractual performance obligations, allocating the transaction price to those obligations, and recognising revenue only when those obligations are satisfied. For further details please see note 4.

*Other Operating income* excluded from IFRS 15 includes EU Technical Assistance funding, grants from the EU LIFE programme and the Heritage Lottery Fund, charitable donations, and apprenticeship levy income. Income from government grants is recognised in accordance with IAS 20.

## 1.16 Cash and Cash Equivalents

Natural England uses the Government Banking Service (GBS – see note 10 for further information) for all its accounts and manages them in accordance with H M Treasury's Banking Stewardship Guidance. Cash and cash equivalents include cash in hand and deposits with any qualifying financial institution, repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

## 1.17 Short Term Investments

Short term investments relate to bequest funds held in a separate bank account. These funds are available on immediate terms.

## 1.18 Treatment of Foreign Exchange Differences

Transactions which are denominated in a foreign currency are translated into sterling at the Bank of England spot rate. The spot exchange rate is the exchange rate at the date of the transaction. Any gains or losses on exchange are taken to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

## 1.19 Employee Benefits

### 1.19.1 Pension Arrangements

Past and present employees are covered by either the provisions of the Principal Civil Service Pension Scheme (PCSPS) or The Civil Servants and others Pension Scheme (CSOPS known as "Alpha"), full details of which can be found in the Remuneration and Staff Report. Although the

PCSPS and alpha are defined benefit schemes, those covered by the schemes recognise the cost of the elements on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS / alpha of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS / alpha.

From 2006 to 31 December 2013 the Chairman of Natural England's Board was entitled to a pension scheme but was prohibited from joining the PCSPS. Individual schemes were set up, described as "by analogy" to the PCSPS. Any ongoing liability arising from this arrangement is borne by Natural England. The liabilities arising under this arrangement have been accounted for and disclosed in accordance with IAS 19 "Employee Benefits". This entitlement ceased for any new appointees with effect from 1 January 2014.

### 1.19.2 Early Departure Costs

Natural England is required to meet the additional costs of benefits beyond the normal PCSPS / alpha benefits in respect of certain qualifying employees who retire early. These benefits conform to the rules of the PCSPS and alpha schemes. Natural England bears the costs of these benefits until normal retiring age if the employees retire under the Early Retirement Scheme. The total pension liability up to normal retiring age, in respect of each employee is charged to the Statement of Comprehensive Net Expenditure, in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefits payments to the retired employee are then charged annually against the provision. Natural England has paid redundancy and other departure costs in accordance with the provisions of the Civil Service Compensation Scheme.

### 1.19.3 Other Employee Benefits

Natural England recognises a liability and expense for all other employee benefits, including unused annual and flexi leave, accrued at the Statement of Financial Position date, provided these amounts are material in the context of the overall staff costs. No other material employee benefits were accrued at the Statement of Financial Position date.

## 1.20 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. Natural England evaluates contractual arrangements in accordance with the above criteria as laid down in IAS 17. Operating leases and the rentals thereon are charged to the Statement of Comprehensive Net expenditure on a straight-line basis over the term of the lease. Where Natural England occupies a property that is leased by Defra, there is a future commitment that is consistent with arrangements containing a lease as defined by IFRIC 4. Natural England has an imputed finance lease commitment.

## 1.21 Provisions

In accordance with IAS37, Natural England provides for obligations arising from past events where it is probable that it will be required to settle the obligation and a reliable estimate can be made.

## 1.22 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, Natural England discloses possible obligations arising from past events where the outcome is based on uncertain future

events. Similarly, disclosure is made where it has a present obligation that is not probable or cannot be measured reliably.

### 1.23 Notional Corporate Services Recharges

Commencing from 1 April 2015 Defra Corporate Service costs for the following services; Digital Data & Technology Services (DDTS) Commercial and Estates & Knowledge services (CEK) have not been directly invoiced to the separate Defra bodies, but directly to the central department. A second tranche of transfers took place on 1 February 2017; Finance, Human Resources and Communications. Natural England still benefits from the use of these Corporate Services, but the full budgets are retained by the central department in order to procure and manage the services more efficiently and effectively. Annual notional non-cash charges for these services are instead issued to each Defra group body for inclusion in their statutory accounts to ensure a true and fair view of costs is represented. A corresponding credit in the Defra central department Accounts ensure on consolidation that there is no duplication.

### 1.24 Impending Application of Newly Issued Accounting Standards Not Yet Effective

At the date of authorisation of these financial statements, the following standards, relevant to Natural England, had been issued but were not yet effective:

- **IFRS 16 – Leases**

Due to the Covid-19 pandemic IFRS 16 has not yet been implemented. HM Treasury in agreement with the Financial Reporting Advisory Board (FRAB) have deferred the implementation by Natural England until 1 April 2022. IFRS 16 will therefore be implemented for our 2022/23 Annual Report and Accounts. The new Standard replaces IAS 17 Leases and fundamentally changes the accounting treatment of leases for lessees.

IFRS 16 establishes revised principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents those transactions.

For lessees, the current IAS 17 model, which requires entities to distinguish between finance leases (on Statement of Financial Position (SoFP)) and operating leases (off SoFP) will be replaced by a 'right of use' model that requires lessees to recognize on SoFP their right of use assets and associated liabilities.

The implementation of IFRS 16 will necessitate a review of existing and future contracts to identify leases that will be capitalized using the new criteria. The transition will be using the cumulative catch-up method, an adjustment to opening balances on the restatement of lease balances, as opposed to accounting from inception of the lease. As a result, comparatives will not be restated, and the measurement of the asset and liability balances will be recognized with effect from 1 April 2022.

Within government, the scope of the standard has been extended to include non-legally binding lease-like arrangements (for example Memorandum of Terms of Occupation agreements) and to recognise right of use assets within peppercorn leases at value. Exemptions will be applied to low value leases and short-term leases under 12 months. On transition, right of use assets will equal the lease liabilities, adjusted for any lease prepayments or accruals that exist immediately prior to 1 April 2022. Opening balances differences between peppercorn leases assets and liabilities will be transferred to equity.

Lessee accounting under IFRS 16 involves key judgements with respect to the conditions required to recognise the existence of a lease, the valuation of the right of use assets and setting the lease term over which cash flows are discounted. Hindsight will be applied in determining the lease term if the contract contains options to terminate or extend the lease.

The FReM mandates the practical expedient that IFRS 16 is applied to those contracts previously assessed as containing leases under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. Natural England expects its existing operating leases that are not short term or low value will fall within the scope of IFRS 16. From 1 April 2022 former operating lease costs will be taken to net expenditure through the depreciation of right of use assets and the interest charged on the lease liability, leading to a different expenditure profile.

### **Impact of IFRS 16 on Natural England's Financial Statements**

Considerable work has been undertaken during the Covid-19 pandemic both within Natural England and across the Defra Group to determine the impact of IFRS 16 and to set up systems and processes with the aim of achieving a smooth transition to the new Standard. Natural England's operating leases, as lessee, that will be affected by IFRS16 consist of property and heritage assets leases. Based on work to date, the table below shows the estimated impact on both the Statement of Comprehensive Net Expenditure (SoCNE) and the Statement of Financial Position (SoFP) in the 2022/23 Annual Report and Accounts. The impact on the SoCNE is based on the estimated comparison of operating lease rentals during 2021/22 (the year before transition) and depreciation and interest for leases recognized under IFRS 16 during 2021/22 as if IFRS 16 had been implemented during that financial year. The impact on the SoFP is stated as the estimated opening balances for the 2022/23 financial year. There is no overall Cashflow impact from the adoption of the new standard.

## Estimated Leases for 2021/22

	£000
<b>Statement of Comprehensive Net Expenditure</b>	
IAS 17 estimated rentals	(522)
IFRS 16 equivalent in year estimated charges;	
Depreciation	545
Interest	58
Total	<b>603</b>
Increased expenditure	<b>81</b>
<b><u>Estimated leases in existence at 1 April 2022 - Opening Balance</u></b>	
<b>Statement of Financial Position</b>	
Estimated IFRS 16 lease liabilities	(5,929)
Estimated right-of-use assets	7,487
Estimated increase in taxpayers' equity	<b>(1,558)</b>
Number of low value leases	57
Number of short term leases	9

IFRS 16 has a more limited impact for lessors but introduces changes with respect to subleases and sale and leaseback transactions. Lessors continue to distinguish operating and finance leases based on an assessment of the risks and rewards of ownership associated with the lease. As lessor, it is expected that there will be little to no impact for Natural England.

- **IFRS 17 – Insurance contracts**, the International Accounting Standards Board has decided to defer the initial application date of IFRS 17 to 1 January 2023. It is expected, therefore, to be introduced into the FRoM with an effective date of 1 April 2023 (2023/24). IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the Standard. It replaces IFRS 4, and it is anticipated that some forms of guarantees and contingent liabilities may be reclassified as insurance contracts, potentially bringing new liabilities onto the balance sheet. Natural England will need to test any guarantees it holds and its contingent liabilities for potential recognition. Natural England does not expect a significant impact on its financial statements as a consequence of applying IFRS 17.

## 2 Analysis of Net Expenditure by Segment

In accordance with IFRS 8 “Operating Segments” Natural England is required to report financial and descriptive information about its operating segments. These are components about which separate financial information is available. Generally, financial information is required to be reported on the same basis as is used internally.

Natural England's Executive Leadership Team (NExCo) and Governance Groups (Investment , Portfolio and Delivery committees), comprising senior managers, evaluate performance regularly at and below operating segments, whilst deciding how to allocate resources and monitor outcomes. Each of these operating segments aligns to teams managed either nationally, by an Executive Director of the Board, or locally by Local Area Managers.

During 2020/21 Natural England underwent a minimal internal restructure to support the organisations change and transformation programme which saw the establishment of six strategic programmes as set out in the Natural England strategy (page 11). The operating segments are as follows:

- Strategy including:
  - Government Advice
  - Sustainable Development
  - Greener Farming and Fisheries
  - Connecting People with Nature
  - Resilient Landscapes and Seas
- Planning and Performance including:
  - Transformation Programme
  - Business Planning
- Operations, including:
  - National Operations
  - Operations Team North
  - Operations Team South
- Chief Scientist including:
  - Data and Evidence Programme
  - Science Strategy

Legal & Governance, including:

- Natural England Leadership team (NExCo)
- Chairman & Executive Office
- Legal Services
- Organisational Governance and Assurance
- Corporate Service Recharges

## 2.1 Statement of Comprehensive Net Expenditure for the year ended 31 March 2021 by operating segment:

	Legal & Governance		Operations	Science & Evidence	Strategy & Reform	Planning & Performance	TOTAL	
	Defra		£000	£000	£000	£000		£000
	Internal	Recharges						
	£000	£000	£000	£000	£000	£000	£000	
<b>Total Operating income</b>	<b>(273)</b>	<b>-</b>	<b>(14,566)</b>	<b>(347)</b>	<b>(2,218)</b>	<b>-</b>	<b>(17,403)</b>	
<b>Staff costs</b>	5,436	-	51,541	11,493	13,630	1,914	84,014	
<b>Non pay running costs</b>	399	-	1,592	1,301	446	590	4,328	
<b>SSCL Shared Service Recharge</b>	-	1,852	-	-	-	-	1,852	
<b>Corporate Service Recharge</b>	-	28,977	-	-	-	-	28,977	
<b>Depreciation, impairment and other non-cash items</b>	1,768	-	2,051	-	-	-	3,819	
<b>Programme and Grant Expenditure</b>	310	-	14,715	5,131	10,039	-	30,195	
<b>Total Expenditure</b>	<b>7,913</b>	<b>30,829</b>	<b>69,899</b>	<b>17,925</b>	<b>24,115</b>	<b>2,504</b>	<b>153,185</b>	
<b>Net Expenditure</b>	<b>7,640</b>	<b>30,829</b>	<b>55,333</b>	<b>17,578</b>	<b>21,897</b>	<b>2,504</b>	<b>135,782</b>	

Non pay costs represented as depreciation, impairment and other non-cash items are shown separately to align with the Statement of comprehensive net expenditure.

## 2.2 Statement of Comprehensive Net Expenditure for the year ended 31 March 2020 by operating segment:

	Legal & Governance		Operations	Science & Evidence	Strategy & Reform	Planning & Performance	TOTAL Represented	
	Defra		£000	£000	£000	£000		£000
	Internal	Recharges						
	£000	£000	£000	£000	£000	£000	£000	
<b>Total Operating income</b>	<b>(437)</b>	<b>-</b>	<b>(16,174)</b>	<b>(206)</b>	<b>(1,988)</b>	<b>-</b>	<b>(18,805)</b>	
<b>Staff costs</b>	5,390	-	50,075	9,155	11,231	1,412	77,263	
<b>Non pay running costs</b>	707	-	7,178	657	964	159	9,665	
<b>SSCL Shared Service Recharge</b>	-	1,420	-	-	-	-	1,420	
<b>Corporate Service Recharge</b>	-	23,514	-	-	-	-	23,514	
<b>Depreciation, impairment and other non-cash items</b>	2,527	-	-	-	-	-	2,527	
<b>Programme and Grant Expenditure</b>	78	-	7,428	2,716	8,608	-	18,830	
<b>Total Expenditure</b>	<b>8,702</b>	<b>24,934</b>	<b>64,681</b>	<b>12,528</b>	<b>20,803</b>	<b>1,571</b>	<b>133,219</b>	
<b>Net Expenditure</b>	<b>8,265</b>	<b>24,934</b>	<b>48,507</b>	<b>12,322</b>	<b>18,815</b>	<b>1,571</b>	<b>114,414</b>	

### 3. Expenditure

	31 March 2021	31 March 2020
	£000	£000
<b>Staff Costs</b>		
Wages and Salaries	64,586	58,289
Social Security Costs	6,299	5,736
Other Pension Costs	16,659	15,126
Early retirement and severance costs	-	1,838
Less recoveries in respect of outward secondments	(3,530)	(3,726)
Other staff costs		
<b>Staff Costs</b>	<b>84,014</b>	<b>77,263</b>
<b>Other Costs</b>		
Travel, subsistence and hospitality	328	3,989
Estate management	744	695
Stationery & printing	37	71
Internal audit fees	121	267
Transport & plant costs	542	811
Credit Losses: Covid 19 related	14	19
SSCL shared service charges	1,852	1,420
Other Operating costs	2,542	3,813
<b>Non-cash items</b>		
Depreciation	775	1,060
Amortisation	418	487
Revaluation/Impairment on non-current assets	60	(4)
Loss on the disposal of Property, Plant and Equipment	86	110
Profit on the disposal of Property, Plant and Equipment	(10)	(13)
Prior year adjustment	101	-
Provisions provided for in year/(written back)	2,389	887
Notional Corporate Service Recharges	28,977	23,514
<b>Programme</b>		
Grant Expenditure	9,568	7,440
Rentals under operating leases	751	540
Research and development expenditure	5,826	2,114
Legal expenditure	224	749
Other programme expenditure	13,826	7,987
<b>Total</b>	<b>153,185</b>	<b>133,219</b>

## 4. Income

### 4.1 Revenue from contracts with Customers

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Discretionary Advice (inc. PSS and undefined scope)	3,250	3,838
Wildlife Incident Investigation Service (WIS)	274	226
Strategic Access Management and Monitoring (SAMM) agreement	441	426
National Nature Reserves (NNR) income	750	853
Contributions and grants from partners and private sector companies	718	446
Miscellaneous Income	189	124
Great Crested Newt District Level Licensing income	1,033	35
Other fees levies and charges	945	485
<b>Total Revenue from contracts with Customers</b>	<b>7,600</b>	<b>6,433</b>

#### 4.1.1 Significant judgements applied

For some groups of contracts revenue is recognised at a point in time and for others it is more appropriate to recognise it over time as the service is delivered.

None of our contracts with customers provide for variable consideration and our historic bad debt write off rate is immaterial, at less than 1% of revenue from commercial income. On this basis it is highly probable that no revenue reversal will occur in future periods, and so we have recognised all the revenue due under each contract with no adjustments.

Natural England does not incur any costs to obtain or fulfil contracts that can be capitalised, such as sales commissions or similar payments.

#### 4.1.2 Performance obligations (PO)

A Performance obligation is a promise to transfer goods or services to the customer, and these form part of the contract with the customer. All invoices issued are due for payment within 28 days. Natural England have chosen to show revenue from contracts with customers broken down by the type of goods and services sold as this most accurately represents the income earned.

#### 4.1.3 Transaction price allocated to remaining performance obligations

As of 31 March 2021, Natural England has three multi-year contracts in place that have not been completed;

- i. SAMM agreement contract, which is billable quarterly in arrears. Natural England accounts for the income due under the SAMM agreement based on how much of the performance obligation has been completed by 31 March 2021.
- ii. The HS2 contract is a three-year contract, with a completion date of 31 March 2022.
- iii. Great Crested Newt District Level Licencing – Revenue relates to receipts from Developers for creating and maintaining District Level Licencing ponds over a twenty-five-year period. The income is recognised at the point in time when the work is completed.

All other open performance obligations relate to contracts that had an original expected duration of one year or less.

As a practical expedient, Natural England does not report the transaction price allocated to remaining performance obligations for any contracts that had an original expected contract duration of less than one year.

## 4.2 Other operating Income

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
EU Technical Assistance Funding	-	1,841
Rural Development Programme for England	3,603	3,592
Basic Payment Scheme	1,135	923
Apprenticeship Levy	206	205
EU Life Grants	2,062	2,548
Heritage Lottery Funding	2,702	3,201
Grants from Central Government	66	4
Donations	28	29
<b>Total Other Operating Income</b>	<b>9,802</b>	<b>12,343</b>

The above funding streams fall under the scope of IAS 20. Donations and interest income are outside the scope of IFRS 15. Details in relation to the larger items are;

- EU Technical Assistance Funding and Rural Development Programme for England (RDPE) Funding are classed as grants to fund departmental spending on monitoring and evaluation of the EU's Countryside and Environmental Stewardship schemes. Technical Assistance Funding for Natural England ceased in 2020/21. Under the European Union (Withdrawal Agreement) Act 2020, the UK continues to participate in EU programmes under the normal rules after the end of the transition period. This includes the RDPE Programme.
- The Basic Payment Scheme is a grant formerly funded from the EU and from 15 October 2020 funded by the UK government for actively farmed land holdings. Natural England owns and manages land holdings within this scheme in a sustainable way to offer environmental and other benefits in accordance with the scheme requirements. The Basic Payment Scheme will begin to be phased out from 2021 and will be replaced by new schemes funded by the UK government in due course.
- EU Life Grants are income received from the EU Life fund for delivering specific environmental projects.
- Heritage Lottery Funding is grant income received from the National Lottery for delivering specific environmental projects.

## 5. Non-current assets

In accordance with IAS 16 as interpreted by the FReM, all freehold land (except non-operational heritage assets) and buildings are stated at fair value, and are revalued every five years by qualified valuers, on the basis of existing value in use, in accordance with the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Manual. The last full revaluation exercise was carried out as at 31 March 2016 by external valuers Bruton Knowles. The quinquennial full revaluation exercise which was due as at 31 March 2021 was delayed as a result of the Coronavirus pandemic. Please see note 1.1.1 for further details.

## 5.1a Property, plant, and equipment

	Land	Buildings owned	Leasehold Improvements	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
At 1 April 2020	4,778	10,325	994	1,066	3,166	5,764	2,917	519	29,529
Prior Year adjustments	1	(119)	-	-	-	-	-	-	(118)
Additions	134	167	179	-	-	436	483	599	1,998
Disposals	-	(68)	(342)	(133)	(437)	(86)	(50)	-	(1,116)
Impairment	385	(113)	-	-	(110)	(138)	(68)	-	(44)
Reclassifications	(746)	(567)	-	(12)	-	(111)	(17)	-	(1,453)
Revaluation	(237)	570	-	-	19	1,023	(83)	-	1,292
<b>At 31 March 2021</b>	<b>4,315</b>	<b>10,195</b>	<b>831</b>	<b>921</b>	<b>2,638</b>	<b>6,888</b>	<b>3,182</b>	<b>1,118</b>	<b>30,088</b>
<b>Depreciation</b>									
At 1 April 2020	-	3,047	812	911	2,900	4,578	2,330	-	14,578
Prior Year adjustments	-	(3)	-	1	(1)	-	-	-	(3)
Charges in year	-	297	54	117	40	204	63	-	775
Disposals	-	(14)	(342)	(133)	(435)	(56)	(49)	-	(1,029)
Impairment	-	(3)	-	-	(61)	(86)	(50)	-	(200)
Reclassifications	-	(751)	-	-	-	(110)	(17)	-	(878)
Revaluation	-	16	-	-	13	942	(98)	-	873
<b>At 31 March 2021</b>	<b>-</b>	<b>2,589</b>	<b>524</b>	<b>896</b>	<b>2,456</b>	<b>5,472</b>	<b>2,179</b>	<b>-</b>	<b>14,116</b>
<b>Net book value 31 March 2021</b>	<b>4,315</b>	<b>7,606</b>	<b>307</b>	<b>25</b>	<b>182</b>	<b>1,416</b>	<b>1,003</b>	<b>1,118</b>	<b>15,972</b>
Net book value 31 March 2020	4,778	7,278	182	155	266	1,186	587	519	14,951
<b>Assets financing</b>									
Owned	4,315	7,606	307	25	182	1,416	1,003	1,118	15,972
<b>Net book value 31 March 2021</b>	<b>4,315</b>	<b>7,606</b>	<b>307</b>	<b>25</b>	<b>182</b>	<b>1,416</b>	<b>1,003</b>	<b>1,118</b>	<b>15,972</b>

## 5.1b Property, plant, and equipment

	Land	Buildings owned	Leasehold Improvements	IT	Furniture & Fittings	Plant & Machinery	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
At 1 April 2019	4,976	10,320	966	1,045	3,166	5,435	2,626	-	28,534
Prior Year adjustments	-	7	(1)	1	-	(5)	-	-	2
Additions	-	-	-	20	-	206	89	653	968
Disposals	(57)	(41)	-	-	-	(46)	(190)	-	(334)
Impairment	9	105	-	-	-	(13)	-	-	101
Reclassifications	170	(251)	29	-	-	(36)	36	(134)	(186)
Revaluation	(320)	185	-	-	-	223	356	-	444
<b>At 31 March 2020</b>	<b>4,778</b>	<b>10,325</b>	<b>994</b>	<b>1,066</b>	<b>3,166</b>	<b>5,764</b>	<b>2,917</b>	<b>519</b>	<b>29,529</b>
<b>Depreciation</b>									
At 1 April 2019	-	2,689	738	745	2,819	4,125	2,029	-	13,145
Prior Year adjustments	-	2	-	1	(1)	-	-	-	2
Charges in year	-	277	74	165	82	294	168	-	1,060
Disposals	-	-	-	-	-	(36)	(188)	-	(224)
Impairment	-	(5)	-	-	-	(5)	-	-	(10)
Revaluation	-	84	-	-	-	200	321	-	605
<b>At 31 March 2020</b>	<b>-</b>	<b>3,047</b>	<b>812</b>	<b>911</b>	<b>2,900</b>	<b>4,578</b>	<b>2,330</b>	<b>-</b>	<b>14,578</b>
<b>Net book value 31 March 2020</b>	<b>4,778</b>	<b>7,278</b>	<b>182</b>	<b>155</b>	<b>266</b>	<b>1,186</b>	<b>587</b>	<b>519</b>	<b>14,951</b>
Net book value 31 March 2019	4,976	7,631	228	300	347	1,310	597	-	15,389
<b>Assets financing</b>									
Owned	4,778	7,278	182	155	266	1,186	587	519	14,951
<b>Net book value 31 March 2020</b>	<b>4,778</b>	<b>7,278</b>	<b>182</b>	<b>155</b>	<b>266</b>	<b>1,186</b>	<b>587</b>	<b>519</b>	<b>14,951</b>

## 5.2a Intangible assets

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>Purchased Software</b>	<b>Purchased Software</b>
	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>		
At 1 April	10,669	10,669
Disposals	(1,105)	-
Reclassifications	14	-
<b>At 31 March</b>	<b>9,578</b>	<b>10,669</b>
<b>Amortisation</b>		
At 1 April	10,121	9,634
Charged in year	418	487
Disposals	(1,105)	-
<b>At 31 March</b>	<b>9,434</b>	<b>10,121</b>
<b>Net Book Value at 31 March</b>	<b>144</b>	<b>548</b>
Net Book Value at 1 April	548	1,035
<b>Assets Financing</b>		
Owned	144	548
<b>Net book value 31 March</b>	<b>144</b>	<b>548</b>

## 6. Non-current heritage assets

Natural England is the body empowered (under the National Parks and Access to the Countryside Act 1949 and Wildlife and Countryside Act 1981) to declare NNRs in England. 98% of NNRs are also designated Sites of Special Scientific Interest (SSSIs). NNRs were initially established to protect sensitive features and to provide 'outdoor laboratories' for research. Their purpose has since been widened by the Natural Environment and Rural Communities Act 2006 to include quiet recreation where this does not conflict with nature conservation. To visit an NNR or to see our management policies, see details on our website: [www.gov.uk/natural-england](http://www.gov.uk/natural-england)

As at 31 March 2021 there were 222 NNRs in England covering 97,000 hectares. Natural England manages 139 of these on its own or jointly with others, and the remainder are managed by Approved Bodies. Only the value of the NNRs owned or leased by Natural England are reflected in the non-current heritage assets within these accounts. The current net book value of donated heritage assets is £2m.

## 6. Non-current Heritage Assets

	Operational	Non Operational	Assets under Construction	Total
	£000	£000	£000	£000
At 1 April 2020	3,251	63,835	-	67,086
Prior Year adjustments	-	15	-	15
Additions	-	2,900	-	2,900
Impairment	-	(205)	-	(205)
Reclassifications	-	561	-	561
Revaluation	110	4,242	-	4,352
<b>Net Book Value 31 March 2021</b>	<b>3,361</b>	<b>71,348</b>	<b>-</b>	<b>74,709</b>
Gross cost at 1 April 2019	3,251	61,587	-	64,838
Additions	-	109	-	109
Impairment	-	1	-	1
Reclassifications	-	185	-	185
Revaluation	-	1,953	-	1,953
<b>Net Book Value 31 March 2020</b>	<b>3,251</b>	<b>63,835</b>	<b>-</b>	<b>67,086</b>
Gross cost at 1 April 2018	3,251	59,822	-	63,073
Prior Year adjustments	-	22	-	22
Additions	-	-	1,950	1,950
Impairment	-	(58)	-	(58)
Reclassifications	-	1,950	(1,950)	-
Revaluation	-	(149)	-	(149)
<b>Net Book Value 31 March 2019</b>	<b>3,251</b>	<b>61,587</b>	<b>-</b>	<b>64,838</b>
Gross cost at 1 April 2017	3,001	53,962	242	57,205
Additions	-	1,686	(242)	1,444
Transfers	-	(37)	-	(37)
Disposals	-	(227)	-	(227)
Impairment	-	(1,227)	-	(1,227)
Reclassifications	-	(143)	-	(143)
Revaluation	250	5,808	-	6,058
<b>Net Book Value at 31 March 2018</b>	<b>3,251</b>	<b>59,822</b>	<b>-</b>	<b>63,073</b>
Gross cost at 1 April 2016	3,001	49,927	-	52,928
Additions	-	455	242	697
Impairment	-	(64)	-	(64)
Revaluation	-	3,644	-	3,644
<b>Net Book Value at 31 March 2017</b>	<b>3,001</b>	<b>53,962</b>	<b>242</b>	<b>57,205</b>

## 7. Impairments

	31 March 2021	31 March 2020
	£000	£000
<b>Impairment to Statement of Comprehensive Net Expenditure</b>		
Charge to Statement of Comprehensive Net Expenditure	(60)	4
Charge to Revaluation Reserve	4,771	1,643
Depreciation element of Revaluations charged to reserves	-	136
Disposal to Revaluation Reserve	-	-
	<b>4,711</b>	<b>1,783</b>

	Upward Revaluation	Downward Revaluation	Total RR Movement	RR movements relating to PY	Impairme nt to OCE
	£000	£000	£000	£000	£000
Land	327	(564)	(237)	-	385
Building	747	(193)	554	-	(110)
Transport	33	(18)	15	-	(18)
Furniture & Fittings	6	-	6	-	(49)
Plant & Machinery	89	(8)	81	-	(52)
	<b>1,202</b>	<b>(783)</b>	<b>419</b>	-	<b>156</b>
Heritage Assets	6,767	(2,415)	4,352	-	(205)
Agricultural Assets	-	-	-	-	11
Inventory	-	-	-	-	(22)
	<b>6,767</b>	<b>(2,415)</b>	<b>4,352</b>	-	<b>(216)</b>
<b>Balance at 31 March 2021</b>	<b>7,969</b>	<b>(3,198)</b>	<b>4,771</b>	-	<b>(60)</b>

## 8. Financial instruments

As the cash requirements of Natural England are met through GiA provided by Defra, financial instruments play a more limited role in creating risk than would apply to a non-public sector body. The financial instruments held relate to contracts for non-financial items in line with Natural England's expected purchase and usage requirements and Natural England is therefore exposed to little credit, liquidity, or market risk.

These financial instruments (Trade receivables being the most significant) are held to collect contractual cash flows only and are measured at amortised cost this being the initial recognition amount.

As a result of the coronavirus pandemic, Natural England has reviewed in detail outstanding debt and consider as a result of this there may be a marginal increase in credit risk. To address this, we have increased our loss allowance accordingly.

## 9. Trade and Other Receivables

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	5,326	3,365
Prepayments	287	469
Accrued income	5,883	9,233
Contract Assets	320	341
Less Expected Credit Loss for receivables and contract assets	(41)	(35)
<b>Trade and other receivables</b>	<b>11,775</b>	<b>13,373</b>
<b>Receivables due after more than one year</b>	<b>-</b>	<b>-</b>
<b>Total Receivables</b>	<b>11,775</b>	<b>13,373</b>

In light of Covid-19;

- The recoverability and impairment assessment of receivables has been given careful consideration. We believe there is a marginal increase in credit risk and on this basis have increased our loss allowance accordingly to £14k (2019/20 £19k).
- The Government introduced some changes whereby certain rules around Managing Public Money were relaxed during the Coronavirus period, in particular the payments in advance of need (prepayments). Natural England did not undertake any such payments in advance in the period up to 31 March 2021.

Accrued income includes £2.3m Rural Development Programme for England (RDPE), £0.8m Secondment income and £.7m (2019/20, £0.9m) of income due from the EU in relation to the RDPE aftercare claim.

## 10. Cash and cash equivalents

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	19,944	17,239
Net change in cash and cash equivalent balances	(9,921)	2,705
<b>Balance at 31 March</b>	<b>10,023</b>	<b>19,944</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General/Government Banking Services	9,757	19,728
Short term investments	266	216
<b>Balance at 31 March</b>	<b>10,023</b>	<b>19,944</b>

## 11. Trade and other payables

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
VAT	617	684
Other taxation & social security	1,669	1,380
Trade and other payables	5,710	3,323
Accruals	14,798	11,610
Deferred income	6,470	4,454
Contract liabilities	54	54
Countryside S28 payables	30	
<b>Trade and other payables</b>	<b>29,348</b>	<b>21,505</b>
<b>Amounts falling due after more than one year</b>		
Countryside S28 payables	-	165
<b>Other payables</b>	<b>-</b>	<b>165</b>
<b>Total Payables</b>	<b>29,348</b>	<b>21,670</b>

Accruals include amounts for goods received not yet invoiced, £4m of these relate to only 20 separate suppliers. Deferred income balance has increased over the year due to external income being received for a number of projects, where the related expense is not due to be made until 2022/23 and for this reason the income has been carried forward to fund this expenditure.

The Countryside S28 payable is an amount due in relation to S28 of the Wildlife and Countryside Act 1981. This payment will cease in November 2021.

## 12. Provisions

	<b>Balance at 1 April 2020</b>	<b>Provided in the year</b>	<b>Provisions Utilised in the year</b>	<b>Provisions not required written back</b>	<b>Balance at 31 March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pension Provision	308	19	(15)	-	312
Litigation	1,669	2,746	(875)	(357)	3,183
	<b>1,977</b>	<b>2,765</b>	<b>(890)</b>	<b>(357)</b>	<b>3,495</b>

### Analysis of expected timings of discounted flows

	<b>Balance at 1 April 2020</b>	<b>Not later than one year</b>	<b>Later than one year and not later than five years</b>	<b>Later than five years</b>	<b>Balance at 31 March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pension Provision	308	16	67	229	312
Litigation	1,669	3,183	-	-	3,183
<b>Balance at 31 March 2021</b>	<b>1,977</b>	<b>3,199</b>	<b>67</b>	<b>229</b>	<b>3,495</b>

## 13 Commitments under leases

13.1 Total future minimum lease payments under operating leases are given in the table below:

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
<b>Land</b>		
Land operating leases - not later than 1 year	380	375
Land operating leases - 1 to 5 years	1,206	1,267
Land operating leases - over 5 years	2,967	3,266
<b>Total of land operating leases</b>	<b>4,553</b>	<b>4,908</b>
<b>Buildings</b>		
Buildings operating leases - not later than 1 yr	163	144
Buildings operating leases - 1 to 5 years	500	470
Buildings operating leases - over 5 years	502	522
<b>Total of buildings operating leases</b>	<b>1,165</b>	<b>1,136</b>
<b>Total operating leases</b>	<b>5,718</b>	<b>6,044</b>

## 13.2 Defra properties occupied by Natural England

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
<b>Land</b>		
Land operating leases - not later than 1 year	-	-
Land operating leases - 1 to 5 years	-	1
Land operating leases - over 5 years	-	13
<b>Total of land operating leases</b>	<b>-</b>	<b>14</b>
<b>Buildings</b>		
Buildings operating leases - not later than 1 year	1,339	1,044
Buildings operating leases - 1 to 5 years	2,391	2,296
Buildings operating leases - over 5 years	433	600
<b>Total of buildings operating leases</b>	<b>4,163</b>	<b>3,940</b>
<b>Total operating leases</b>	<b>4,163</b>	<b>3,954</b>

Natural England does not hold the freehold of the office buildings which it occupies; they are owned either by a government department or agency and are subject to either a Memorandum of Terms of Understanding (MOTU) or a Memorandum of Terms of Occupation (MOTO) style arrangement with Defra.

Although MOTOs & MOTUs are not a legal lease arrangement, the commercial reality under IFRIC 4 is that these arrangements are consistent with a lease. Therefore, as a going concern, Natural England should reflect the underlying commitment to cover rental payments and the need for on-going provision of accommodation for the duration of the terms of the MOTU arrangement. Natural England occupies 20 properties subject to MOTU arrangements.

This year, in line with new guidance, the calculation has been based on FTE data rather than NIA as in previous years.

Within the Statement of Comprehensive Net Expenditure, the full cost of occupation is reflected within the Notional Corporate Service Recharge in Other expenditure. The costs recharged are proportionate to occupation and include rates, utilities, management overheads, facilities management and associated capital charges. For leasehold properties this also includes rental costs.

## 14. Commitments under Private Finance Initiative (PFI)

### 14.1 Off-balance sheet

An off-balance sheet contract was signed by Defra in February 2001. The scheme involved the grant of a 129-year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30-year lease to 28 March 2033. Break points in the lease exist at the 15, 20 and 25 year points (with the first break point at 28 March 2018). The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra served notice in September 2017 to hand back to the landlord four out of the five break areas on 28th March 2018. The reduced space is now shared between government departments with Defra continuing to take the leading Holder role and granting MOTOs to occupiers for the full 5-year period to the next break in March 2023.

The total future minimum payments for Natural England's share under off balance sheet PFI comprises:

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>Restated £000</b>
Not later than one year	533	521
Later than one year and not later than five years	533	1,049
<b>Present value of obligations</b>	<b>1,066</b>	<b>1,570</b>

Restated due to prior year corrections made by DEFRA Core department.

## 14.2 Charge to the Statement of Comprehensive Net Expenditure and future commitments

There was no charge to the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions during 2020/21 or 2019/20.

## 15. Capital Commitments

Contracted capital commitments at 31 March 2021 not otherwise included in these financial statements:

	<b>31 March 2022</b>
	<b>£000</b>
Plant and Machinery	417
<b>Total capital commitments</b>	<b>417</b>

## 16. Other financial commitments

The below contracts have been disclosed as cancelling them would create an adverse operational impact to Defra and would incur considerable financial penalties. The contract was formerly with Interserve who were purchased by Mitie during 2020/21.

The commitment for the Mitie Facilities Management contract includes values for the core fee and reactive maintenance. The core fee is based on the 2021/22 Price Allocation Matrix including authorised contract variations that impact the future cost of the contract.

The level of Reactive Maintenance funding for 2021/22 has not yet been agreed with Mitie. The value disclosed is estimate used for planning purposes based on a blend of 2019/20 and 2020/21 spend to estimate the impact of COVID restrictions on working from home being eased.

Cost allocations between organisations is based on FTE in each building. The cost associated with sublet or vacant space is 100% Core Defra

The commitment for the Mitie contract is subject to change as the size of the Estate adjusts through Transformational Change.

The BCP's included are those which have been committed to and which are either in progress (partial commitment recognised) or yet to commence and for which there is a commitment (PO) in place. This includes commitment for bodies within and outside of the Defra Network as the contract is in Defra's name, should respective parties default the assumption is that Defra would retain the liability. In 2015/16 the Revenue Project Budgets

were centralised therefore any outstanding commitment is not wholly Defra's. All values are net of VAT.

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	724	709
Later than one year and not later than five years	1,451	2,130
Later than five years	-	-
<b>Present value of obligations</b>	<b>2,175</b>	<b>2,839</b>

## 17. Contingent liabilities disclosed (under IAS 37) and claims against Natural England

Natural England has the following contingent liabilities:

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
<b>Claims and Litigation</b>	<b>1,331</b>	<b>1,256</b>

Natural England is involved in certain claims and litigation relating to its core purpose. Where a reasonable estimate cannot be made or the certainty of a liability, or requirement to settle this is not yet confirmed it is not recognised in the statement of financial position or statement of comprehensive net expenditure but is disclosed here as a note to the accounts.

Management have considered all claims and litigation they are currently involved in, and in their opinion, seven of these cases are disclosed above as contingent liabilities.

## 18. Related party disclosures

Natural England is an Arm's Length Non-Departmental Public Body within the Defra group. Defra is therefore regarded as a related party. During the year Natural England has carried out a number of material transactions with Defra in the normal course of business. In addition, Natural England had various material transactions with the following entities within the Defra group, for which Defra is regarded as the parent department; Animal and Plant Health Agency, Environment Agency, and the Rural Payments Agency.

Natural England keeps a fully updated Register of Interests. During the year, Natural England had transactions with organisations for which Board or senior staff members have declared a related party interest as shown in the below table;

Member/Senior staff Related Party Disclosures	Corporate Related Body	Total Payments made	Total Income Received	Amount owed by Natural England 31 March 2021	Amount Owed to Natural England at 31 March 2021
		£000	£000	£000	£000
Andy Clements	British Trust for Ornithology	88	-	19	-
	National Biodiversity Network Trust	80	-	-	-
	BTO (Better Than the Others) Services Limited	298	-	152	-
Catherine Dugmore	Royal Botanic Gardens Kew	70	-	75	-
Henry Robinson	Hawk and Owl Trust	5	-	-	-
Kerry ten Kate	Royal Society for the Protection of Birds	304	16	94	-
Sue Hartley	Royal Botanic Gardens Kew	70	-	75	-
Kim Shillinglaw	UKRI - Natural Environment Research Council	-	92	-	-
Rt Hon Lord David Blencathra	JNCC - Joint Nature Conservation Committee	15	120	36	19

#### Notes:

No board member, chief officer or senior manager has undertaken any material transactions with Natural England for which they have not declared an interest. Further information on Board members and chief officers can be found in the remuneration report.

In addition to the above disclosures, Tony Juniper, Natural England's Chairman is an ex officio member of Defra, our parent department who provide the majority of Natural England's funding.

## 19. Events after the reporting date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date of which the accounts are authorised for issue by the Accounting Officer which is the date of the Certificate and Report of the Comptroller and Auditor General.

## Natural England Sustainability report 2020/21 (unaudited)

### Background

The environmental data and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: [Sustainability reporting guidance 2020/21](#)

The information contained within this annex has not been subject to audit and does not form part of the auditors' opinion on the accounts.

### Introduction

This annex sets out Natural England's performance against the sustainability objectives of its estate and operations.

As an Environmental organisational and as a public body, Natural England recognises the importance in practical and reputational terms of ensuring that, in addition to our direct work contributing to the improvement of the environment, we ensure that our ways of working also make a positive contribution in any way possible. Since September 2020 this commitment has been captured by a new Key Performance Indicator committed to making our maximum contribution possible to Net Zero through Natural England's operations and ways of working.

In turn, this work complements the emerging wider Defra Sustainability Strategy which looks to address the environmental impacts and mitigation measures from all Defra Group's internal operations. This inward facing strategy supports the outward facing Defra Net Zero Strategy.

This report focuses on the most significant estate and travel impacts identified through the Defra Group's Environmental Management Systems measured against the [Greening Government Commitments \(GGC\)](#) targets. These commitments apply to the office and non-office estate of central government departments and their Executive Agencies, Non-Ministerial Departments and Executive Non-Departmental Public Bodies such as Natural England. These targets are reductions in Green House Gas (GHG) emissions, waste arising, water use and for increasing procurement of more sustainable goods and services.

Other aspects of Natural England's operations contribute to its environmental impact including the embedded carbon and water of purchased items, supplier transport, waste handling and water supply. These impacts are not captured by this report but some of these are mitigated through sustainability criteria stipulated in procurement and services contracts.

As set out in the Sustainability reporting guidance, since the new GGC commitments have been delayed until 2021-22, this year's figures for the financial year 2020-21 are reported in line with the 2015-20 GGCs

The GGC targets, which are measured against the 2009/10 baseline are:

- cut greenhouse gas (GHG) emissions by 44% (*bespoke target for Defra Group*) from the whole estate and UK business transport.
- continue to further reduce water consumption and report on office water use against best practice benchmarks.
- reduce waste sent to landfill to less than 10% of overall waste; continue to reduce the amount of waste generated and increase the proportion of waste which is recycled
- reduce paper consumption by 50% across the group

## Governance

Progress against the GGC targets are reported at a group level to the Defra Director of Group Property on a quarterly basis, who is the Senior Responsible Officer for Defra's participation in the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). Quality assurance is managed through the Defra Sustainability and Energy team who are responsible for producing the Defra group sustainability figures.

## Targets and Performance

Work has begun this year to better understand and improve baseline environmental performance data currently available in Natural England and Defra and to address some longer -term data gaps and data quality. For the first time this year, we are now in a position to include the energy and water data from our National Nature Reserve estate in order to fill a gap in our previous figures. The energy use from NNRs will also be included when re-baselining our GGC figures next year.

### Summary of 2020/21 performance

Overall Greening Government Commitments performance 2020/21			
Area	2020/21 Performance	Achievement against target	Target Performance (where applicable)
Greenhouse gas (GHG) emissions	tCO <sub>2</sub>	507.9	2,018.9 tCO <sub>2</sub> by 2020
Water Consumption	m <sup>3</sup>	1501.7	Continue to reduce
Total Waste	tonnes	5.2	Reduce total waste
Total Waste to Landfill	%	7	Less than 10% of total waste to landfill

(Not including NNR figures)

### Key

Retrospective April 2020 milestone met		Improvement needed to meet retrospective 2020 milestone		Performance has worsened since the baseline year	
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Our performance during 2020/21 has shown reductions in all commitments against the 2020 targets. Detail this year has been difficult to reconcile due to fundamental changes to ways of working during Covid-19 as staff have worked from home, not used offices, and travelled infrequently.

In the years preceding the period of this report we invested in both our workforce and our estate to improve our environmental performance. In doing so we achieved our own internal target of a 50% reduction in our carbon emissions against the 2007 baseline by the end of 2010 and have maintained that level of performance since.

We continue to ensure that the culture and behaviours we have adopted around carbon reduction and sustainable ways of working remain embedded in our daily work. Travel minimisation is firmly embedded along with low carbon travel choices as “business as usual” ways of working. In a bid for continuous improvement of our energy and waste data provision in 2021-22 we will develop our home-working and commuting emission data gathering methodologies.

Note that the energy, waste, and water data is based on those buildings where data is available, as provided by Defra. The utilities cost data also includes notional recharges for buildings where Natural England shares space with other bodies.

### Greenhouse gases:

#### Greenhouse gases and consumption costs 2020/21

Greenhouse gas (GHG) emissions from buildings and travel		2020/21	2019/20	2018/19	2017/28	2016/17
Non-financial indicators (tCO2e)	Total Gross Scope 1 & 2 (direct and indirect) GHG emissions	606*	514	649	720	760
	business travel) GHG emissions	58	1281	1700	1124	1107
	Total emissions	664	1795	2349	1844	2498
Non-financial indicators (kWh)	Electricity: non renewable	#	#	#	#	#
	Electricity: renewable	1187620*	695880	784261	790324	794398
	Electricity : combined heat and power (CHP)	#	#	#	#	#
	Gas	790092*	658889	854038	747370	636651
	Other Energy Sources	#	#	#	#	#
	Total Energy	1,977,712*	1354769	1638299	1537694	1431049
Financial indicators (£000's)	Expenditure on energy	74	72.0	183.0	165.0	206.0
	CRC License expenditure	#	#	16.1	15.7	15.7
	Expenditure on official business travel	72	2592.0	2440.0	2540.0	2680.0
	Total expenditure on energy and business travel	146	2664.0	26391.1	2720.7	2901.7

\*These figures now include our NNR estate gas, electricity, and water figures

As mentioned above, we are now in a position to be able to add in the GHG emissions and water use from our NNR estate explaining the increase figure for electricity and gas use. Both electricity and water fall under CCS contracts, providing the best value for money and

green tariffs. Just four NNRs rely on either metered gas or propane, mainly because of their remote locations.

Our consumption of electricity and gas from our built estate has remained pretty static as offices have remained open, if only sparsely occupied. The large reduction in official business travel owing to Covid-19 restrictions is responsible for the reduction in overall emissions.

## Water

### Water consumption and financial costs 2020/21

Water		2020/21	2019/20	2018/19	2017/18	2017/16
Non-financial indicators	Total water consumption m3	<b>8189*</b>	3679	3705	2334	2428
Financial indicators £'000s	Total water supply costs	17	12	17	28	34

\*Note: this figure now includes water use for NNRs for the year

Water use varies considerably across the NNR estate, owing to their size and amount of livestock. There are currently 65 separate NNR water accounts as some sites have more than one supply (e.g. to both a workshop and an animal trough). The Ribble Estuary NNR has over 500 summer grazing cattle on the reserve from May to October, which swells the water bill considerably. Water use for the built estate alone was much lower this year as staff have overwhelmingly worked from home.

## Waste

### Waste production and financial costs 2020/21

Waste		2020/21	2019/20	2018/9	2017/8	2016/17	
Non-financial indicators (tonnes)	Hazardous waste	*	*	*	*	*	
	Non-hazardous waste	Landfill	0.2	1	2	2	3
		Recycled / reused	3.7	15	27	42	34
		Waste composted	0.3	1	1	2	2
	Incinerated with energy recovery	1	7	9	9	21	
Total waste arising		<b>5.2</b>	24	39	55	60	

Again, our water consumption and waste production by the office estate has fallen considerably as very few staff have actively used offices this year.

## Sustainable Procurement

Whilst the target for all Government cars to be zero emissions by 2024 relates to vehicles taxed as cars, we are pushing hard to replace our NNR vehicle fleet with cleaner alternatives.

This year we will have taken delivery of 15 Mitsubishi Outlander Commercial Plug in Hybrid Electric Vehicles (PHEVs). We have also funded 2 fully electric ATVs at Castle Eden Dene NNR. These vehicles have been financed by an underspend this year but having secured not only a healthy budget next year, we also have agreement that this is an ongoing need going forward. We are also working our way through the NNR bases installing quick chargers.

We are working with the manufacturers on 4x4's that can eventually replace our full and true 4x4 pickups, the work horses of the reserves. This may be a little way off, but we have agreed to trial an experimental vehicle from Eastern Europe which is akin to the Landrover Defender which they are looking to produce an electric version next year.

## Further Sustainable Development information

Natural England operates a sustainable timber policy in line with government guidelines. Many of our NNRs are making use of timber felled from their own sites. For example, Wyre Forest NNR have produced and used around 1000 oak fence posts to replace softwood posts that inevitably fail after 4 or 5 years. The life span of the oak posts is in excess of 20 years. The same NNR, where possible, mills all its own gate posts and timber rails for use across the estate, once again the life span of an oak gate post is 3 times that of a softwood one.

## Natural capital: Accounting and evidence for strategic decision-making

### Introduction

Natural Capital is the term we use to describe parts of the natural environment that produce benefits which society values, such as water, air, and trees. It can be used as a lens through which to consider the environment and will help us make better decisions for nature and for people. It also gives us a way to value natural benefits such as outdoor recreation, food production, flood mitigation and improved air and water quality. This can be done in a Natural Capital Account.

In 2019 the National Nature Reserve Natural Capital Account (NERR078) won the John Hoy award for the best piece of written economic analysis written by a government economist or team. We have repeated the innovative method used by the NERR078 to test natural capital accounting at a regional scale. In the Tees Valley Combined Authority Natural Capital Account, we also explored using data and maps from our Natural Capital Atlases for Counties and City Regions (NECR381) to report on ecological information about the state of natural capital assets, at the same time as economic values of the benefits that they are providing.

We have recently published a Natural Capital Evidence Handbook. This sets out the key components of a natural capital approach for strategic decision-making in a place-based partnership. This is based on Natural England learning and includes evidence which can be used during the decision-making process.

### Tees Valley Natural Capital Account

This report tested natural capital accounting at a regional scale. Following on from the NNR Account, it reported on natural capital asset condition (their quantity and quality) to link economic values to the state of assets.

The Tees Valley account progressed the innovative method by using Natural Capital Atlas data to report on asset quality. Natural Capital Atlases (NECR 285), map natural capital asset quantity, quality, and location for a series of forty-four counties and city regions across England. Using Atlas data and maps in the Tees Valley account demonstrates how openly available data can be used to expand the information included in a natural capital account. This method can be repeated by others wishing to create a natural capital account at a regional / county-scale.

The report was able to quantify the annual benefits of food (£360,000), clean air (£8 million), equitable climate (negative £5 million due to including emissions from agricultural land uses), and social benefit of recreation (£100 million). Confidence ratings are provided for each value to be transparent. Where quantified data was missing benefits were given a significance rating by stakeholders to provide qualitative judgments of their importance in the Tees Valley. We did this to reduce the risk of partial valuation being misinterpreted and to present a more complete picture to decision-makers. Highly significant benefits which

were not possible to value economically were: clean and plentiful water, protection from flooding and other hazards and physical and mental health.

This report will be published soon. A summary of the report can be accessed here <http://publications.naturalengland.org.uk/publication/5108941366493184>

## **Natural Capital Evidence Handbook for Strategic Decision Making**

We have published a Natural Capital Evidence Handbook (NERR092). This can be used by place-based partnerships in a strategic decision-making process to enhance nature and human wellbeing. A best practice view of a natural capital approach is presented, based on Natural England learning and evidence. Key stages of a natural capital approach are outlined (shown in Figure 1), with Natural England resources highlighted where they are helpful. Key learning from trials which Natural England has led (the [North Devon Landscape Pioneer](#) and the [Upland Ecosystem Service Pilots](#)) were critical for developing the report. Important stages of a natural capital process have been agreed with the Environment Agency to join-up our communication in this work area. Examples of Natural England evidence and learning highlighted in the Handbook include:

- The Natural Capital Atlases (both at [national](#) and [county-scale](#)) mapping our Natural Capital Indicators, they provide an off-the-peg spatial natural capital evidence base,
- Natural Capital Accounts ([NNR](#) and Tees Valley) – examples of natural capital accounts which report on assets quantity and quality,
- The Managing Ecosystem Service Evidence Review ([MESER](#)) – a searchable literature review tool of how management interventions affect ecosystem services, and,
- Microeconomic Evidence for the Benefits of Investment in the Environment 2 ([MEBIE2](#)) – a literature review to help provide evidence for the benefits of enhancing the environment.

Throughout 2021/2022 we aim to embed the Handbook across Natural England to help apply a natural capital approach to a range of strategic plans.

This report can be accessed here

<http://publications.naturalengland.org.uk/publication/4658498148499456>

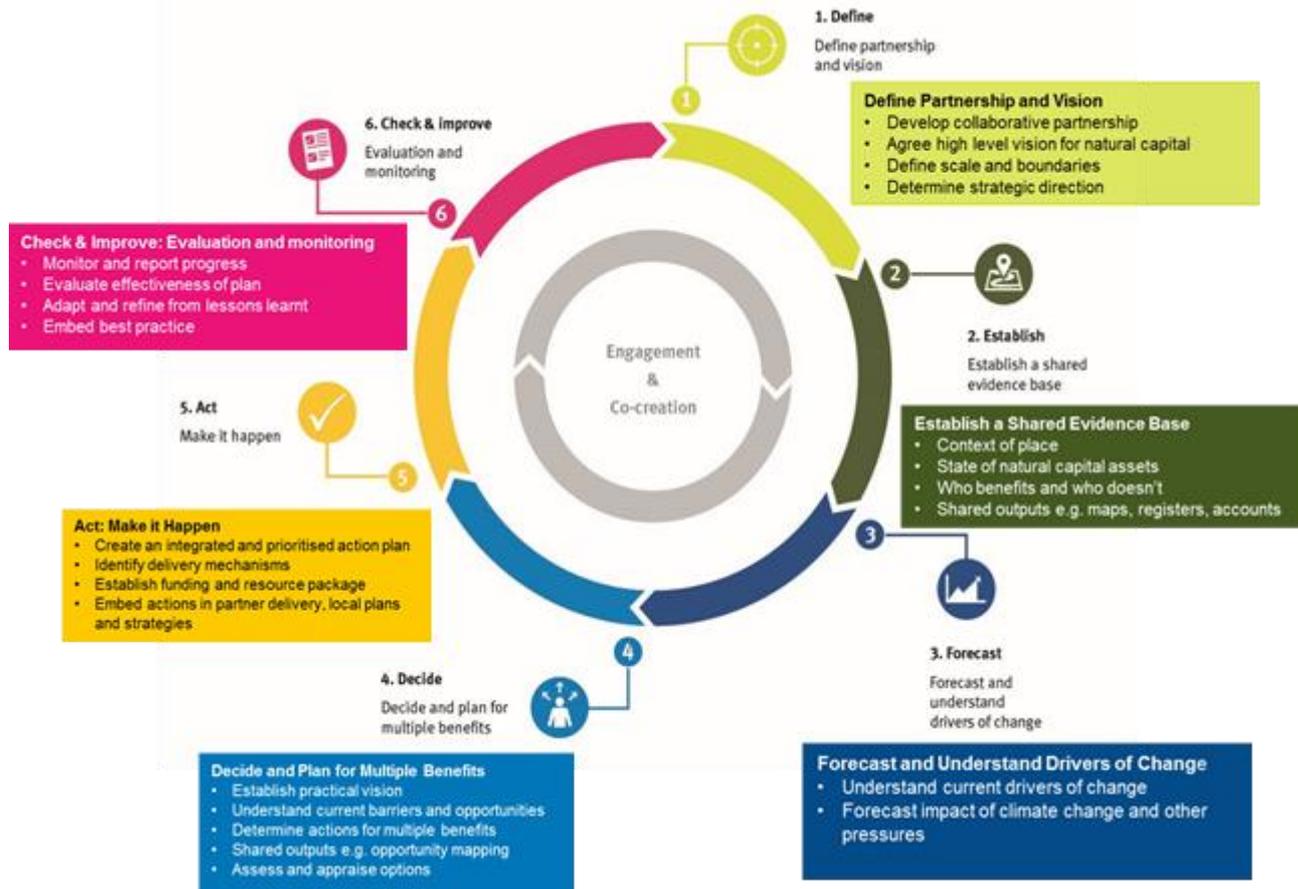


Figure 1. Key stages in a natural capital approach for strategic decision making. From the Natural Capital Evidence Handbook, Natural England Research Report Number 092.

Natural England is here to secure a healthy natural environment for people to enjoy, where wildlife is protected and England's traditional landscapes are safeguarded for future generations.

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