

# Natural England Annual Report and Accounts

1 April 2019 to 31 March 2020

HC 712

[www.gov.uk/natural-england](http://www.gov.uk/natural-england)



## CORRECTION SLIP

Title: Natural England Annual Report and Accounts 1 April 2019 to 31 March 2020

Session: 2019-20

HC 712

ISBN: 978-1-5286-2140-3

Ordered by the House of Commons to be printed on 17 September 2020

### Correction:

ISBN currently reads: 978-1-5286-2140-3

ISBN should read: 978-1-5286-2157-1

# Natural England

Annual Report and Accounts  
1 April 2019 to 31 March 2020

Presented to Parliament pursuant to Paragraph 25 of Schedule 1 to the  
Natural Environment and Rural Communities Act 2006.

Ordered by the House of Commons to be printed on 17 September 2020.

HC 712



© Crown copyright **2020**

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/official-documents](https://www.gov.uk/official-documents)

Any enquiries regarding this publication should be sent to us at [enquiries@naturalengland.org.uk](mailto:enquiries@naturalengland.org.uk)

ISBN 978-1-5286-2140-3

CCS0520640292

09/20

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

# Contents

<b>Chair's Foreword</b>	2
<b>Chief Executive's Statement</b>	4
<b>Performance Report – provides information about Natural England, its main objectives and strategies and the principal risks it faces;</b>	
Overview	
Purpose and activities of the Organisation	8
Going Concern Statement	11
Performance Summary	12
Chief Finance Officer review	20
<b>Accountability Report– provides the key accountability requirements to Parliament;</b>	
Corporate Governance Report:	
Directors' Report	26
Statement of Accounting Officer's Responsibilities	27
Governance Statement	28
Remuneration and staff report	35
Parliamentary accountability and audit report	
Regularity of expenditure	53
Fees and charges	54
The Certificate and Report of the Comptroller and Auditor General	56
<b>Financial Statements:</b>	
Statement of Comprehensive Net Expenditure	61
Statement of Financial Position	62
Statement of Cash Flows	63
Statement of Changes in Taxpayers' Equity	64
Notes to the financial statements	65
Annex one – Sustainability Report	92
Annex two – Natural Capital Accounting for Natural England's estate	97

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 year – my first with Natural England - has been a busy one. On top of the day-to-day demands of our very broad remit we have devoted a great deal of effort to the development of a new strategy for Natural England while also preparing for EU exit and latterly to dealing with the huge impact of coronavirus.



During this time the case has been made even more convincingly for the need to restore our natural environment. That message has come not only from a succession of scientific reports and public figures including Greta Thunberg and Sir David Attenborough, but also from all the main political parties in their manifestoes. This has been reinforced by the way people up and down the country responded to the coronavirus lock-down, in turning to Nature's Spring rebirth as a joyful diversion from the harsh realities of illness, isolation and financial uncertainty. The public mood has really strengthened towards recognising the clear threat of climate change and catastrophic biodiversity loss and seizing the opportunity to tackle it now, as part of the nation's recovery from coronavirus. Natural England has taken great heart from that shift in opinion in what has been a challenging year.

It has been well-documented that Natural England's government funded Grant in Aid budget has declined by 49 percent in six years and almost two-thirds over a decade. In 2019/20 the effects of that decrease have been particularly keenly felt. We are now running with some serious risk to our core, statutory functions, which will have consequences for our customers as well as for wildlife. For example our monitoring of Sites of Special Scientific Interest has been reduced in frequency, so that our efforts are focused on the highest priority sites. Spending on our National Nature Reserves has been restricted to ensuring public health and safety, meaning that opportunities to encourage people to have greater contact with nature have been missed. These have also affected our reputation among people who understandably expect our natural heritage to be protected and enhanced for generations to come.

There have been promising signs of an improved financial picture with the advent of an increase in our budget next year, although the arrival of coronavirus inevitably adds uncertainty to all forecasting. Not only has the pandemic led us to become a mainly home-based organisation for the time being, it may have implications for future recruitment and reduce the capacity of our partner organisations and volunteers to work with us to restore nature.

However, despite the unpredictable times in which we find ourselves, I and my Board have been impressed by the way Natural England staff have continued to carry out vital work. Marian Spain has provided exceptional leadership and I was pleased that she agreed to remain in post as Interim Chief Executive for an additional year and has since been appointed on a permanent basis. Our experts have helped to shape the Environment, Agriculture and Fisheries Bills, which will be key to delivering a nature recovery network and other important outcomes in the Government's 25 Year Environment Plan. We have reformed our organisational strategy to prepare for the challenges facing us next year and have adapted the way we work in order to ensure we have the skills needed to restore nature.

The Board in 2019 agreed a new vision for Natural England: “Thriving nature for people and planet”, which we will achieve through our mission, “Building partnerships for nature’s recovery”. That partnership work can be seen at a strategic level in the Net Zero summit we convened in October where we agreed with the statutory conservation bodies in the UK to collaborate on nature-based solutions to climate change; and in a practical one in our collaborative projects on the ground, for example the peatland pilots we have set up to find ways of restoring these precious ecosystems.

I feel that the next 12 months and beyond will present a number of opportunities which will allow us to bend the curve of Nature decline and toward Nature recovery. We can – and must – put thriving Nature at the heart of our emergence from coronavirus to ensure that the recovery is sustainable, through building a more harmonious relationship with the natural world that is the source of our health, wealth and security. One context for any plan to do that must be the extent to which the risk of novel diseases in humans is increased through what is now a largely broken relationship with the natural world.

New legislation currently in Parliament, including the new ways in which farmers will be paid for environmental goods, can help plot the trajectory for Nature recovery, as can the postponed Biodiversity COP 15 and Climate Change COP 26 when they are rearranged. However, we will only be able to seize these opportunities if we as a nation recognise that increased investment in Nature would yield vast economic and social returns in healthier, happier people, a more sustainable economy and a country more resilient to the varied pressures facing modern society, including climate change.

Natural England will be seeking an improved funding settlement in the next spending review so that we can invest in realising the benefits for everyone in society from a healthy environment in England. We need to fulfil our statutory role effectively and go further to meet the exciting ambitions of the 25 Year Plan, including maximising outcomes from the pioneering Nature for Climate Fund and through Nature recovery and net gain.

The public mood is now firmly behind Nature recovery and at Natural England we possess the talent, powers and expertise to make it happen – with the right resources in place I look forward to us making some significant strides towards this goal.

Tony Juniper

Chair  
Natural England

# Chief Executive's Statement

The evidence is clear: a thriving natural environment is fundamental to everyone's health, wealth and happiness and is one of the most important things we can invest in as a nation. The impacts of the restrictions on everyday life made necessary by the coronavirus over the last few months have made even more clear how much we need and value access to nature and outdoor spaces. We have therefore over the last year been reshaping our strategy and our way of working to make an even bigger impact to recover nature for everybody.

## Where we are now:

2019/20 was a pivotal year for us. We launched our vision for thriving nature for people and planet; we do not just want to see nature improve, we want it to flourish – across land, sea and air, in towns and countryside. Our vision is being embedded within Natural England alongside our mission to build partnerships for nature's recovery – working with and through a wide range of partners and stakeholders, taking rapid action to re-build sustainable ecosystems.

We have defined five-year organisational aims as milestones towards that long term vision:

1. **Well-managed nature recovery networks** across land, water and sea delivering resilient ecosystems rich in wildlife and character, enjoyed by people, and widely benefiting society
2. **People connected to the natural environment** for their own and society's wellbeing, enjoyment and prosperity
3. **Nature-based solutions** contributing fully to tackling the climate change challenge and wider environmental hazards and threats
4. **Improvements in natural capital** underpinning sustainable economic growth, healthy food systems and prospering communities
5. **Evidence and expertise** is used by a broad range of partnerships, organisations and communities to achieve nature recovery and enable effective regulation and accreditation
6. **A value-led organisation** which delivers excellent service standards to all partners, organisations and communities engaged in achieving nature's recovery.

## 2019/20 achievements:

The Performance Section provides more detail on Natural England's delivery in 2019/20, but I would like to note a few specific highlights.

Firstly with regard to delivery of our statutory duties, we have:

- Secured a number of important designations (including the declaration of two new National Nature Reserves and a number of SSSIs (Sites of Special Scientific Interest)), supported the confirmation of 41 new Marine Conservation Zones and put forward a proposal for the extension of the Suffolk Coast and Heaths AONB (Area of Outstanding Natural Beauty)
- Provided advice on over 14,000 planning consultations and responded to over 17,000 licence applications
- Continued to deliver enforcement where this is necessary (for example with regard to damage to SSSIs)
- Enabled positive conservation initiatives such as the reintroduction of the white-tailed eagle to the Isle of Wight and the Back from the Brink initiative, working with NGOs to



improve the fortunes of over 100 of our most threatened species

- In our statutory role as adviser to the Government on the natural environment, continued to provide evidence-based advice, for example in advising Defra on the new Environmental Land Management Scheme, and the NHS on the way that the natural environment can be part of social prescribing.

More broadly, in support of the Government's 25 Year Environment Plan and of wider government objectives, we have delivered key programmes of work including:

- Support to over 2,000 farmers and land managers in entering Countryside Stewardship and "rolled over" Higher Level Stewardship agreements
- Leadership of the Children and Nature Programme, enabling thousands of pupils to experience the natural environment as part of their daily school life
- Ongoing delivery of the England Coast Path where, as of the end of 2019/20, we had put in place 402 miles of this new National Trail to be used and enjoyed

In all of our work, our aim is to take an evidence-based approach and to continually look for better ways of doing things. In that vein, I would like to highlight:

- Our continuing work to transform the way we deliver licensing work for great crested newts. Our District Level Licensing Scheme is now available across 69 local authorities and has secured over £2m of funding for the natural environment
- Our evidence review on the impacts of burning on deep blanket bog has led to real changes in the management of uplands protected sites and to date over 200 historical consents to burn have been given up or amended.

## **Challenges:**

There is a lot to be proud of over the past year but there have also been a range of challenges for the organisation to navigate.

The fifth successive financial cut to our budget required us to re-prioritise at the start of year, seeking to fit our work to the funding available – and as part of this readjustment we completed a small voluntary exit scheme (with 59 staff leaving the organisation). In agreeing the plan for 2019/20 with Defra, our aim was to seek to protect statutory duties and customer service where we could and to make progress on key elements of the government's 25 Year Environment Plan. This led to us agreeing with the department the need to invest further in NE's work to keep pace with growing demand for our services. As we move into 2020/21 I am glad to note that we have made progress and the plan for 2020/21 includes some additional funding for critical areas of work.

There has continued to be a growth in legal challenges to our work, often focusing on our wildlife licensing work which is at times inevitably contentious and can polarise opinions. In responding, we continue to work with stakeholders to find practical solutions which respect the law and enhance the natural environment.

We continue to work to improve the model in place for the provision of Corporate Services from central Defra. This brings benefits of access to a larger group of specialist and professional staff and we have seen this for example in our communications service. However in other areas (for example IT) there is more to do to ensure that the service provided enables us to deliver our statutory duties and our wider action plan.

We recognise the need to address staff concerns, notably about pay - members of one of the Natural England Trades Unions voted for industrial action in February 2020. We are undertaking a thorough review of NE pay to address any possible inequalities and to ensure all staff have fair

reward for their work; this includes considering whether there is a case to be made to Treasury for flexibility in the public sector pay remit for NE staff.

Finally at the end of the year the restrictions necessitated by the coronavirus had a significant impact with all staff moved quickly to home working and restrictions on all but emergency field work. We rapidly reprioritised our work plan in the face of significant absences due to illness and caring responsibilities and these essential changes. As Government restrictions eased we began to reinstate field work but have also used the time to innovate and use remote and virtual solutions.

I am proud of the way the organization adjusted and am grateful to the resilience shown by the whole team in this time of unprecedented challenge. As the report shows, at the time of writing we remain largely on target on our regulatory and customer facing work though there will inevitably be a lasting impact on our work programme as the year unfolds.

### **Our People:**

Our people continue to be our greatest asset and the commitment they show to working for nature's recovery is immense. Staff morale received a huge boost from the first Natural England staff conference in September 2019 which brought our people together to celebrate achievements and share ideas for the future, as well as launching our new vision, mission and strategy. We have continued to develop the strategy through the remainder of the year – for example in the development of Natural England's values.

However, continued budget cuts have stretched the abilities of our staff to cope and more and more are struggling to manage growing workloads, as evidenced by our annual staff survey. The Natural England People Strategy, launched in July 2019, 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 NE a place where individuals are accepted and valued for who they are as well as the skills they bring.

Our work on Equality, Diversity and Inclusion has achieved a number of milestones this year including hosting our first Project Race workshop in November 2019 – a Defra-wide initiative that aims to improve outcomes for Black, Asian and Minority Ethnic colleagues. Our newly formed voluntary "Well-Ment" network has been supporting staff with mental health issues and our open discussions and help are part of the reason for NE being awarded Silver in the charity Mind's workplace wellbeing awards this year.

### **Summary**

Natural England has been greatly tested during 2019/20 including having to deal with the coronavirus crisis which affected every member of staff and our partners, customers and stakeholders. But it has shown great resilience and, with leadership from the Chair and the Board, has created a positive and compelling vision for the future which is even more relevant than ever as we begin to plan a Green Recovery. We end the year looking forward with confidence.



Marian Spain  
Chief Executive,  
Natural England

3 September 2020

# 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 advisor on the natural environment. We play a vital role in delivering the Government's 25 Year Environment Plan, supporting the Government's ambitions for agriculture, fisheries and the natural environment as we leave the European Union and responding to the Government's commitment to net zero by 2050. The twin challenges of biodiversity loss and climate change mean Natural England's work is more important now than ever.

We provide practical advice, grounded in science, on how best to safeguard England's natural wealth for the benefit of everyone. Our remit is to ensure sustainable stewardship of the land and sea so that people and nature can thrive. It is our responsibility to see that England's rich natural environment can adapt and survive intact for future generations to enjoy.

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.

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

The 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 Strategic Framework 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.

DRAFT

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
- review Natural England's performance and assesses risk management

The Board is appointed by the Secretary of State and is made up of a Chairman and nine members. Details of the Board and Senior Leadership team are included in the Governance Statement (page 28) and Remuneration report (page 35).

## Natural England's Strategy

Over the course of 2019/20 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 strategic framework.

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> is 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 will 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>

## Going concern

In line with HMT 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 statement of financial position at 31 March 2020 shows taxpayer's equity of £92.5m (at 31 March 2019 £91.2m). 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 2020/21 is included within the Defra estimates which have already been approved by Parliament. A government spending review is commencing in 2020 to determine

future funding for government departments including Defra. Continued support of Natural England from 2021/22 onwards will be considered and reviewed as part of this Spending Review.

GiA formed 83% of our 2019/20 funding (see page 23). Of the remaining 17% (£18.8m), £6.4m was income from customers (see page 76). 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 £12.3m balance of operating income (see page 77), £3.2m is funding from the Heritage Lottery and £7.9m of this represents EU funding. Since EU Exit on 31 January 2020, under the terms of the Withdrawal Agreement the UK is continuing to receive funding under the current 2014–2020 Multiannual Financial Framework (MFF) until 2023. The UK government has guaranteed the small number of EU Rural Development Project payments not covered by the Withdrawal Agreement. On 30 December 2019 the Chancellor announced £1,843m of funding for England across financial years 2020-21 and 2021-22 for Direct Payments for 2020. This replaces funding from the EU and will allow the funding for Direct Payments for 2020 to continue at the same level as 2019.

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 Summary

We monitor our performance via a suite of Key Performance Indicators (KPIs) which are agreed by the Natural England Board at the start of the year. These indicators reflect our priorities, as agreed with Defra, and provide a line of sight to the Single Departmental Plan. Our performance management framework embeds within it our approach to delivery and operational risk management.

Overall, as explained in the Chief Executive's Statement we have had a year in which we delivered a significant planned transformation programme. Against this backdrop and a further funding cut coupled with rising demand for statutory services we have achieved a good operational performance, demonstrated by 18 (82%) of our 22 KPIs being rated either Green/Amber or Green (we had a slightly different set of 14 KPIs in 2018/19 and of these 64% were rated Green/Amber or Green). The 4 rated amber or amber red reflect the impact of a growing demand for our statutory services against several years of declining resources. We have therefore agreed with Defra for 2020/21 an increased budget to be invested in additional capacity and efficiency reforms in these 4 areas.

We report our KPIs as set out below to our Board on a quarterly basis. We also report high level progress through Defra's Board on a quarterly basis and in regular performance review meetings with the Secretary of State and Ministers.

We manage our indicators closely over the course of the year. For those indicators where there is an element of underperformance, and risk to delivery targets, these are also captured in-year on our corporate risk register. Details of mitigating actions implemented to minimise the underperformance have been included in the key risks and issues section on page 16.

## Key Performance Indicators and measure of performance

Summary of KPI Performance	
RAG Status	No of 2019/20 targets
Green	13
Amber Green	5
Amber	1
Amber Red	3
Red	0
<b>Total</b>	<b>22</b>

Greener farming and fisheries		
Our long term ambition	Key Performance targets 2019/20	RAG
An Environmental Land Management System (ELMS) based on payments for public benefits is delivering nature recovery where Natural England is playing a key advisory role.	Natural England completes 300 Countryside Stewardship Higher Tier and 1,500 Higher Level Stewardship extension offers with agreed milestones to support the Rural Payments Agency in securing agreements with customers.	AG
	Deliver Defra Funded Payments by Results Trial, in partnership with Yorkshire Dales National Park Authority, undertaking monitoring, evaluation and reporting findings to inform ELMS development	G
	Develop an ELMS guidance set of standards (informed by end user testing, engagement with stakeholders) for use in all guidance advice.	AG
Diffuse pollution to air and water from agriculture is reducing.	Over 5,000 priority farms engaged by catchment sensitive farming.	G
Fisheries practices adopted that restore and protect the marine ecosystem.	Develop and offer our science based advice to Defra on sustainable fisheries policy.	G

<b>Sustainable Development</b>		
<b>Our long term ambition</b>	<b>Key Performance targets 2019/20</b>	<b>RAG</b>
Net gain is established as a mandatory requirement and is delivering measurable benefits, including by contributing to the Nature Recovery Network.	Positive engagement with up to 25 local planning authorities/combined authorities to seek to embed biodiversity net gain policies or approaches in statutory development plans or locally agreed guidance.	G
	Support Defra in work to embed net gain into the Environment Bill.	G
New development, housing, infrastructure and commercial, creates a better environment for those who live and work there and adds to local natural capital.	95% of planning applications are responded to within agreed deadlines.	AR
Our licensing functions are enabling responsible wildlife management and delivering real benefits for the populations of protected species.	85% of licence applications are processed within agreed deadlines.	AR
	Live District Level Licensing (DLL) schemes in place across 69 local planning authorities (LPAs) by end March 2020. Note: This target was updated from that published in our 2019/20 Action Plan following HM Treasury approval to extend our finance mechanism and with a Ministry for Housing, Communities and Local Government steer on a revised approach.	G

<b>Connecting People with Nature</b>		
<b>Our long term ambition</b>	<b>Key Performance targets 2019/20</b>	<b>RAG</b>
New opportunities to access greenspace and nature are created through a range of mechanisms.	Proposals for 58 stretches of coast (85% or 3,729km / 2,317 miles of the cumulative total) to create the England Coast Path are submitted to Secretary of State for approval by March 2020.	G
Significant investment is being made across government to realise societal benefits through contact with nature, notably for health, wellbeing, education and poverty alleviation.	Award and commence delivery of the three projects in the 4-year £10m Children and Nature Programme with the aim that 100 schools and organisations are actively involved by March 2020. Note: In-year the Programme evolved into a five year £9.5 million plan.	G
People feel more connected to nature (as measured by 'nature connectedness') across England.	Complete, publish and promote the annual Monitor of Engagement with the Natural Environment (MENE) report.	G

<b>Resilient Landscapes and Seas</b>		
<b>Our long term ambition</b>	<b>Key Performance targets 2019/20</b>	<b>RAG</b>
SSSIs are improving in condition. Landscape quality is improving, including in designated landscapes, which are also delivering improved benefits for biodiversity and people.	Maintain the condition of terrestrial protected sites (including freshwater and wetlands SSSIs) so that 38.8% of SSSIs are in favourable condition and contributing to Biodiversity 2020 outcomes.	AR
Targeted species work is recovering England's most threatened species, including through reintroductions.	Progress our Species Recovery Programme including for example translocations.	G
The Nature Recovery Network (NRN) has been planned and is being delivered across England, with demonstrable habitat expansion including through the establishment of large Nature Recovery Areas.	Agree a framework for the design and delivery of the Nature Recovery Network with partners.	G
Management plans are in place and being implemented for the Marine Conservation Zone network and additional Highly Protected Marine Areas have been established.	Agree and deliver a programme of management advice to marine regulators to cover all Marine Protected Areas (MPAs) by June 2021 (including 23 finalised Conservation Advice packages published and 10-20 new MPA condition assessments completed).	A

<b>Managing our organisation</b>		
<b>Our long term ambition</b>	<b>Key Performance targets 2019/20</b>	<b>RAG</b>
Natural England is a great organisation to work for and to work with.	Improve wellbeing to allow all staff to achieve their full potential for the benefit of themselves and Natural England (10% increase in annual relevant staff survey measure).	AG
	Increase of 10% of near hits (i.e. instead of serious accidents) reported to prevent serious accidents occurring.	AG
We have the financial resources needed to meet our goals, from Government and beyond.	We deliver our financial outturn to agreed forecast (+/- 0.5% of year end target).	G
	We reduce our dependence on government funding by increasing the level of income generated through chargeable services to £5.7m.	AG
We produce world class science and data which other people can also use in decision-making and practice.	Publish a new monitoring strategy to improve the efficiency and effectiveness of our monitoring work across our remit, including through the use of new technologies.	G

## Key risk and issues

Over 2019/20, Natural England managed a range of risks impacting on the delivery of the 2019/20 Action Plan. The key risks managed were:

- 1) Staff Engagement and Wellbeing
- 2) In year Budget cuts and pressures on statutory services
- 3) Health and Safety Risk assessments
- 4) Increased litigation
- 5) The challenges and opportunities of investment in new technologies
- 6) EU Exit and Operational Readiness for the transition period and beyond

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 28).

### Staff Engagement and Wellbeing

There is a risk that changes in work priorities, ongoing budget reductions and other background factors (e.g. a greater awareness of pay differentials across the Defra group) will lead to a continuing decline in staff wellbeing and morale.

We have been addressing this risk over the year. In July 2019 we launched a new People Strategy which sets out a cohesive approach to a range of issues raised by staff, including wellbeing and resilience, workforce planning, capability, our employee offer and career development, and our approach to change, in order to create an inclusive, empowered and flexible workforce. This strategy is being implemented through a range of projects, including a review of the position on pay. We have also increased our focus on mental wellbeing, following a rise in reporting of stress-related ill health. We are addressing the underlying causes of stress, including workloads where we have introduced a new more rigorous approach to business planning to seek to ensure that organisational commitments are better aligned to staff capacity.

### In year budget cuts and pressures on statutory services

Over the six year period 2013/14 to 2019/20 Natural England's Grant in Aid reduced by 49%. NE also receives a smaller element of external funding to support activities, and although this increased over the same period by 91%, this was not enough to make up for the drop in Grant in Aid, the net impact being an overall reduction in funding over the six year period of 40%. This has resulted in a significant change in what we do and how we have had to work. In 2018/19 we had 53 staff transfer to Defra on two year secondments to work on EU Exit activities, and in 2019/20 lost a further 59 staff on voluntary redundancy. This has been coupled with an increase in demand for services in some areas. The reductions in our budget have also seen an increase in criticism from stakeholders and partners who have wished us to be able to do more in a number of areas related to our statutory remit.

Discussions with Defra commenced early in 2019/20 in order to work through these concerns in detail. This resulted in additional funding being agreed for 2020/21 to direct to some specific services that have faced under investment in the last five years. Detailed plans are now in place to improve delivery in these areas (see page 23 future plans for further information).

A specific example of the impact of under investment in recent years was shown in a recently published NAO [report](#) regarding how the Ministry of Defence 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 (SSSI). 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.

Natural England consider that resource limitation in recent years have affected the reduction in the inspection regime, and in 2020/21 part of the additional funding received is being utilised to reform our approach to monitoring, evaluation and assessment of SSSIs by re-establishing a nationally co-ordinated programme of SSSI monitoring and evaluation. We are also reforming our approach to monitoring and assessment, including assessing and reporting on whole features at the site level and using new technologies such as Earth Observation.

### Health and Safety Risk Assessments

We take the health and safety of our staff, volunteers and the public seriously and by and large have a good record of safe practices and compliance with the necessary regulations and processes. Across the whole organisation we had 284 actual incidents reported in 2019/20, 5 of these required reporting under "RIDDOR". An internal audit during 2018 identified areas for improvement in the Health and Safety Management system with respect to design and operating effectiveness. In response a new Health and Safety strategy was developed which provided a clear vision and concise risk management process to be implemented across the organisation.

Some of the key actions which have been put in place since the audit include:

- The central Health and Safety Team working pro-actively with Area Teams to understand higher risk activities.
- Risk Assessment workshops delivered to Area Teams, and Health and Safety Leadership Culture sessions to Area Team management teams.
- Ensuring there are mechanisms in place to enhance learning & development for Health and Safety.
- A continued audit programme put in place for National Nature Reserves and Area Team audits for high risk site areas.

### Litigation

A material issue that we have seen over the last few years is an increase in external legal action (including for example litigation financed by crowd funding and social media campaigns) aimed at challenging aspects of Natural England's regulatory decision-making. As a consequence there has been an increased cost in delivery work, and we have had to divert resources to legal cases which has reduced our ability to deliver our statutory remit.

For example In April 2019 Natural England revoked three general licenses for controlling certain wild birds. The change followed a legal challenge to the way the licenses had been issued. Natural England worked at pace to put in place alternative measures to allow lawful control of these bird species to continue where necessary, until new licenses are issued.

Following this case, work was carried out on how we ensure that legal risk linked to our delivery of statutory duties (including those delegated from Defra) is more regularly assessed. To further mitigate such risks we are also investing further in our in house legal capacity as well as engaging proactively with interest groups and to more constructively address areas of potential conflict and challenge.

## The challenges and opportunities of investment in new technologies

A number of our existing systems are coming to the end of their useful life (as is a lot of our operational hardware). This is now having a clear operational impact on productivity and on the wellbeing of staff.

We are working with our IT suppliers (in core Defra) to address these gaps and to ensure that our future systems support the delivery of the business and our longer term strategy.

## EU Exit and Operational Readiness for the transition period and beyond

The UK formally left the EU on 31 January 2020 and is in a transition period until new rules come into place from 1 January 2021. There created a risk related to our ability to continue to respond effectively to the evolving requirements of Defra and cross-government work on EU Exit.

Throughout the year, we continued to support Defra in the delivery of their EU Exit programmes. We have been working under our Operational Readiness Programme to make business critical changes to our processes, guidance and casework documentation across the organisation. The way these changes were implemented meant that we were able to work in much the same way as we have done previously ensuring that, at the day of EU Exit, our business continued without disruption and our guidance was relevant and helpful for our customers.

All of the actions taken and our ongoing planning means we anticipate being ready when the transition period ends on 31 December 2020.

## Greening Government Commitments (GGC)

Comparing to Greening Government Commitments (GGC) baseline figures which are measured against a 2010 baseline, Natural England in 2019/20 has reduced both its greenhouse gas emissions and water consumption to meet 2020 targets. Waste to landfill is 4% of total waste so well below the 10% target.

For further information on GGC targets and Natural England's 2019/20 performance against these please see our sustainability report at Annex One.

Defra group Commercial who support Natural England in their procurement activities continue to promote sustainable procurement through standing instructions within their policies and processes.

## 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. The Natural Capital Committee is an independent advisory committee that advises the government on how to use natural capital sustainably. The committee and its partners have established a framework to help organisations 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 taken into account in decision making and in reporting.

Please see at Annex Two a statement regarding Natural Capital Accounting for Natural England's estate.

## The impact of Coronavirus on Natural England Operations, how this has been dealt with, known impacts and early indications of longer term impacts

The World Health Organisation (WHO) announced the Coronavirus (C-19) pandemic on 11 March 2020. Natural England had at this stage mobilised its Business Disruption Forum to plan for various operating scenarios and stood up an Emergency Operations Centre. The pandemic and its implications created uncertainty and additional pressures, including a successful and swift change in working practices, with all staff moving to full remote working from home within days of the Government announcements in this regard on 23 March.

Our business continuity plans were successfully implemented and the Board and Defra were provided regular updates on the impact and implications, and continue to be so as restrictions on our work continue.

The immediate key focus was on staff wellbeing, providing support to our key customers and stakeholders where possible and prioritizing our service delivery within our available staff capacity, to protect our statutory and customer facing work, such as response to planning consultations. We maintained our ability to respond to serious environmental harm throughout the lock down.

For 2019/20 our KPIs as shown on page 13, were not impacted by C-19. The timing of the pandemic also resulted in minimal financial impact in 2019/20.

Whilst the Natural England Action plan for 2020/21 describes our delivery pre-Coronavirus, the organisation has adjusted in response to the crisis. We started to mobilise restart key activities (such as on our National Nature Reserves, monitoring field work and farm visits) as lockdown eased. Although staff continue to largely work from home and there remain restrictions in staff capacity, either due to illness or caring responsibilities, most work is now happening as normal.

There are though inevitably impacts on our ability to deliver the full plan for 2020/21, both because of restrictions on work (especially field work), risks of loss of income, reduced staff capacity and delays in planned recruitment.

Areas of our business which have been significantly impacted, and for which we are developing recovery plans are;

- Special Sites of Scientific Interest (SSSI) monitoring programme to improve confidence in condition assessment and engage more proactively with site owners and managers.
- Launch of the national Nature Recovery Partnership and convening local partnership to take forward nature recovery network planning.
- Marine Condition Assessments and the production and publication of Conservation Advice for newly designated Marine Protected Areas.
- Work on our NNR estate which was initially restricted to essential measures for health and safety and stock management.
- England Coast Path – due to fieldwork restrictions on staff and local authority inspectors, work is delayed on publishing new stretches.
- Partnership working – where we have joint projects delivered with partners we have had to re-evaluate delivery plans to adjust to issues faced by others.

Our governance framework and risk management processes worked well throughout the C-19 crisis and these were reviewed and endorsed by internal audit. Staff feedback on leadership, communication and wellbeing throughout this difficult time has been very positive.

# Chief Financial Officer's review of the year

Throughout 2019/20, we have continued to operate in a tough financial environment and we have challenged ourselves on decisions that have affected all areas of our business. This review will include;

- Details of our financial performance over the year and how we have spent our money
- A summary of our approach to capital investment including details of the main investments we have made throughout 2019/20.
- A review of our revenue sources and
- A summary of plans looking forward and how we are preparing for the next Spending Review.

## Financial performance

Predominantly funded by Defra grant-in-aid (GiA), our funding agreement operates within the context of the Comprehensive Spending Reviews (CSR) which HM Treasury agrees with each Government Department. 2019/20 is the fourth year of the CSR 2015 settlement which covers the spending plans for the period 2016/17 to 2019/20.

Natural England's original 2019/20 GiA settlement was £79.0m. Several in year adjustments were made for unplanned or unfunded work including additional funding for: General Licenses; Bovine TB; Uplands; Environment Bill; Air quality and EU exit, along with transfers of funding from the Ministry of Housing, Communities and Local Government and the Department of Education resulting in a total GiA receipt for 2019/20 of £90.5m (2018/19 £96.3m). We delivered our financial outturn to within +0.5% of our agreed year-end target.

Our Key financial successes in 2019/20 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 5% savings exercise over the course of the year
- Protecting and increasing the value of Grant in Aid to fund the natural environment

## Total Expenditure

The Statement of Comprehensive Net Expenditure shows that Natural England's total operating costs for the year were £133.2m (£141.1m 2018/19). If notional corporate service recharges are removed as these are charges which are issued to each Defra group body to include in their statutory accounts to ensure a true and fair view of costs is represented but for which the costs are held centrally by Defra (see note 1.23 for further information) this gives Operating costs to fund of £109.7m. Capital investment totalled £1.2m. Both Revenue and Capital are largely funded by Grant in Aid, but also from other sources of revenue and a small proportion from Taxpayers' equity as shown below;

Figure 1: Total Expenditure

	Revenue (RDEL) £'m	Capital (CDEL) £'m	Total £'m
Total Expenditure	133.2	1.2	134.4
Less Notional Corporate Service Recharge	(23.5)		(23.5)
<b>Total costs to be funded</b>	<b>109.7</b>	<b>1.2</b>	<b>110.9</b>
Financed by;			
Income	18.8		18.8
Grant in Aid	89.3	1.2	90.5
Taxpayers' Equity	1.62		1.62
<b>Total funding</b>	<b>109.7</b>	<b>1.2</b>	<b>110.9</b>

## Revenue Expenditure

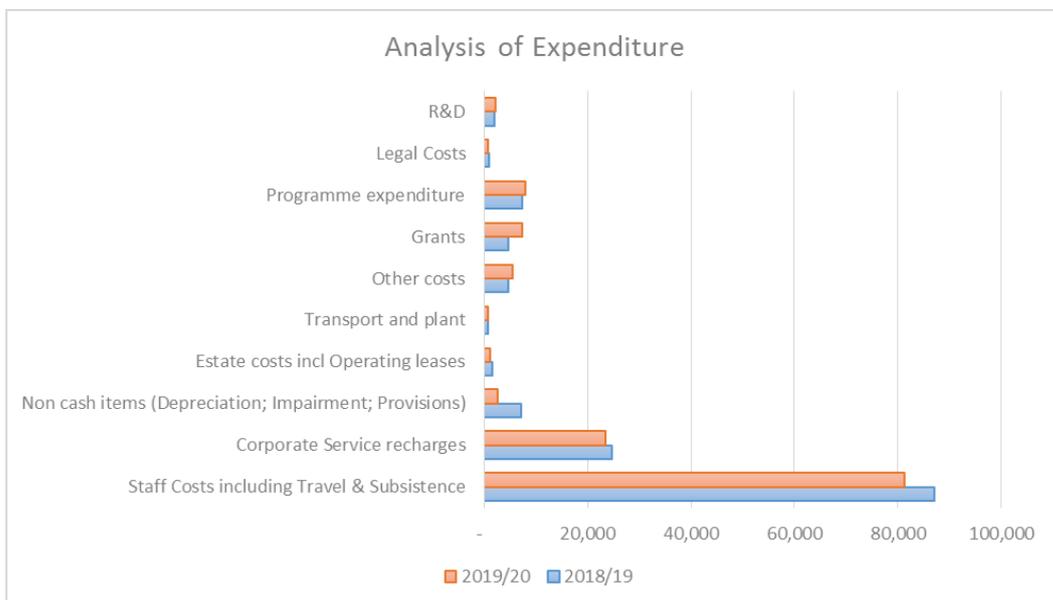
Figure 2 below shows where we spent our money in 2019/20 compared to 2018/19.

The largest area of spend is on our people. On 1 October 2018 in order to provide a more joined-up service for customers, the responsibility for the delivery of Countryside and Environmental Stewardship was transferred from Natural England to the Rural Payments Agency. As a consequence of this, 714 staff transferred under TUPE arrangements to the Rural Payments Agency. The below expenditure figures therefore include six months costs for these staff in 2018/19 covering the period 1 April – 30 September 2019, and none of their costs are included in 2019/20. This expenditure has been offset to some degree by the cost in 2019/20 of a voluntary exit scheme which resulted in 59 staff exits. Further details can be found on page 42.

The second largest area of expenditure relates to our Corporate Service recharges which cover work disciplines such as Finance, Commercial, Digital Data and Technology Services, Communications and Human Resources. Please see note 1.23 to the financial statements for further details on these recharges.

The other significant movement identified below is within non-cash items this is due to impairments on non-current assets in 2018/19.

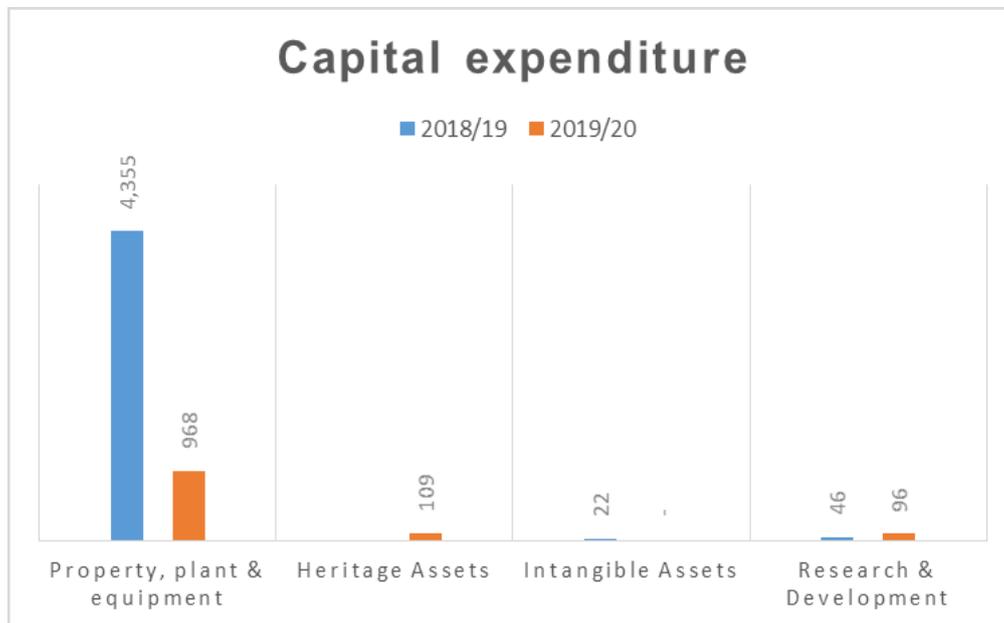
**Figure 2: Expenditure Analysis (£'000)**



## Capital Investment

Natural England received limited capital investment in year, the main areas are identified in figure 3 below, with 2018/19 details shown for comparative purposes.

Figure 3: Capital Investment (£'000)



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. Other capital expenditure in 2019/20 related to an NNR site which had flooded and reinstatement works were required. The heritage asset expenditure related to a small area of land purchased and added to the NNR estate.

## Sources of revenue

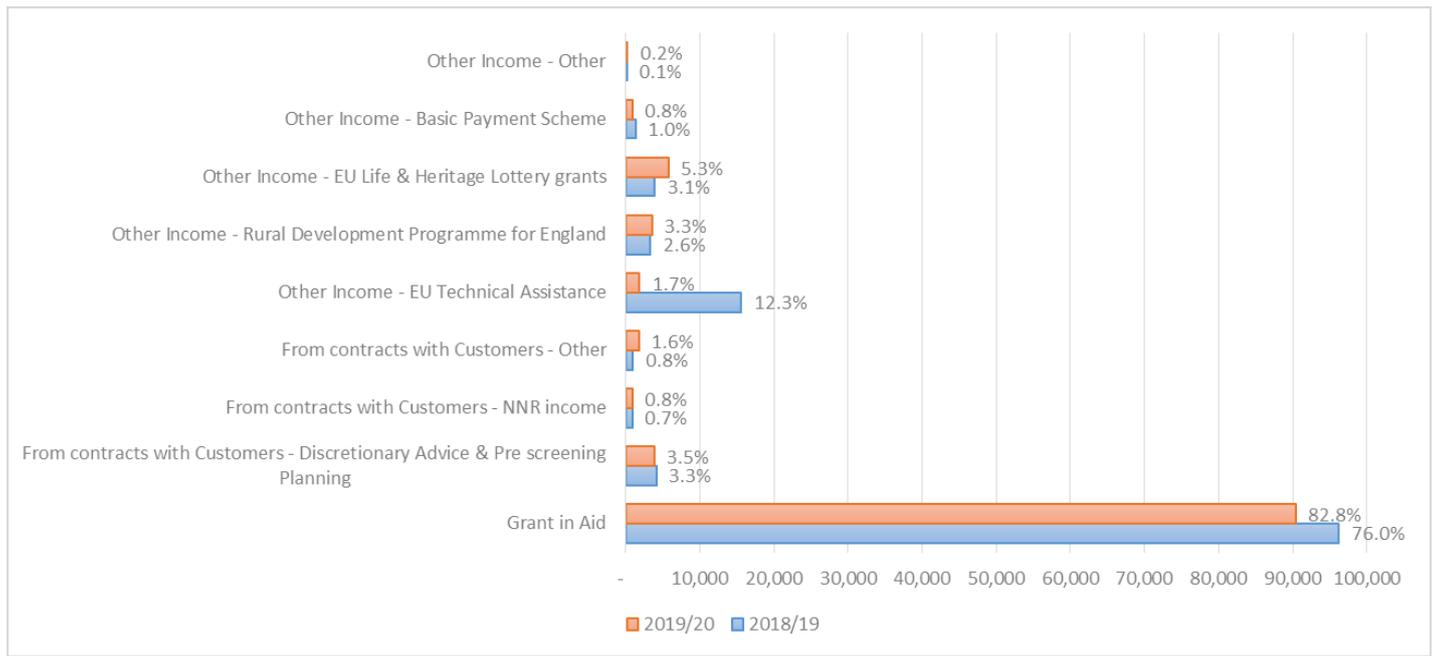
Natural England is predominantly funded by Grant in Aid, but also receives funding from a variety of other sources as set out below in figure 4. As a proportion of our budget, income made up 17% (2018/19 24%).

Funding streams remain largely the same, but as can be seen the amount of EU Technical Assistance has reduced as shown in note 4.2 by £13.8m. As disclosed within the staff report on page 43, 714 Natural England staff transferred under TUPE arrangements to the Rural Payments Agency on 1 October 2018. These staff were funded by EU Technical Assistance. Following the transfer a smaller element of work focusing largely on aftercare has remained within Natural England.

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.

At the start of 2019/20 Natural England were forecasting a small increase of c£1m in fees and charges due to the introduction of Wildlife licencing. This increase did not happen due to staff time in this activity area being refocused on dealing with the General Licencing issue, an update on which is given under the risks and issues section - Litigation on page 17.

**Figure 4: Analysis of 2019/20 revenue sources compared to 2018/19 (£'000)**



We are aiming to grow and increasingly secure other funding to reduce our reliance on government funding. In 2019/20 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, and they provided £3.9m funding for this purpose. We also worked with the Department for Education on the Children in Nature project and secured £1.9m to jointly deliver three projects which support children.

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

For 2020/21 budgets will be based on a one year settlement, rolling over 2019/20 GiA allocations but with some additional one off funding on top of this. An additional £11m has been made available for key areas of the business which it was agreed with Defra had been subject to under investment in recent years. These specifically focussed on addressing known statutory work pressures and demands in planning, licensing, consenting, National Nature Reserve Health and Safety and Sites of Special Scientific Interest condition. 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. This will build greater resilience for us in future years when we have no guarantees that the uplifted funding levels will be sustained. A further c£4m biodiversity funding will enable Natural England to take a lead role for government in implementing two flagship initiatives; the Nature Recovery Network and net gain.

A further spending review will be conducted in Autumn 2020 (CSR 2020) by H M Treasury for capital and resource budgets beyond 2020/21. The review will take into account the implications and impact of COVID-19, the nature of Brexit and set out further plans for long-term reform. Natural England will be working closely with Defra on spending plans and priorities for this review to ensure we get the best possible resource settlement to enable Natural England to deliver its planned future work.

## EU Exit

The United Kingdom formally left the European Union on 31 January 2020, moving into what is known as a 'Transition Period' until 31 December 2020. The Transition Period allows the United Kingdom and the European Union time to negotiate new arrangements for the future relationship. During the Transition Period pre-existing arrangements for business, trade and travel are maintained.

## 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 2019/20.

## 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

3 September 2020

# 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.

Andrew Sells was Chairman for the period 1 April 2018 to 18 January 2019. Lord Blencathra acted as interim Chairman from 19 January 2019 until the new Chairman, Tony Juniper was appointed and commenced on 23 April 2019.

### Board Members

At the 31 March 2020, the Board was made up of nine 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 a commitment to pay suppliers within 10 days and we aim to meet this target wherever possible. Between April 2019 and March 2020, 72% (2018/19, 69%) 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 2019/20.

### 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 invited annually to attend a training course providing information on how to handle data appropriately. For further information please see the Governance Statement (page 28).

# 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.

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 Accounting Officer I have taken all appropriate steps to make myself aware of any information which would be relevant to Natural England's auditors. As far as I am aware, there is no relevant information which has not been brought to their attention.

Furthermore, I confirm that the annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

# Governance Statement 2019/20

## 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 2019/20.

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisations policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the organisation is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the Treasury document 'Managing Public Money.'

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Natural England; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Natural England for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

## Overall governance arrangements

The requirements for Natural England's governance arrangements are set out in the Natural England Framework Document<sup>1</sup>. 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, Natural England has established three standing sub-committees:

- The Audit Risk and Assurance Committee (ARAC): To review the completeness and

---

<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/647574/natural-england-framework-document.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/647574/natural-england-framework-document.pdf)

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 2019/20, the Natural England Board held 9 formal meetings of which 1 included a public session. Board Member attendance of these meetings and of sub-committees is shown in the following table

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

<b>Member</b>	<b>Board Attendance (No. meetings)</b>	<b>ARAC attendance</b>	<b>RemCom Attendance</b>	<b>NESAC attendance</b>
<i>Tony Juniper (Chairman)</i>	9/9			
<i>Marian Spain</i>	9/9	4/4	2/2	
<i>Lord David Blencathra</i>	9/9	4/4	1/2	
<i>Sue Hartley</i>	8/9			3/4
<i>Simon Lyster</i>	9/9		2/2	
<i>Henry Robinson</i>	9/9	1/1		
<i>Teresa Dent</i>	9/9	2/4	2/2	3/4
<i>Catherine Dugmore</i>	9/9	4/4		
<i>Julia Aglionby*</i>	2/2	1/1		
<i>Andy Clements</i>	7/9			
<i>Michael Winter</i>	9/9			

\*Note: Julia Aglionby left 26/06/19

<sup>2</sup> All Board Members are asked to review and update their conflict of interest record at least annually. Any significant interest held is included in the Note on Related Party Transactions. At the commencement of formal Board or sub-committee meetings, all members are asked to declare any new conflicts of interest. These are noted in the minutes along with the appropriate action taken to manage them.

In 2019/20, the Board (directly and through its sub-committees):

- Reviewed the strategic direction of the organisation and put in place a new organisational vision and mission and an agreement statement of 5-year organisational aims
- Agreed the 2019/20 Action Plan<sup>3</sup> and reviewed performance in delivering against it throughout the year, informing reporting to Defra and to the Secretary of State
- Took a number of retained statutory decisions

In 2019/20 the Board commissioned an external review of its performance. The actions emerging from this review have been implemented within the year, including:

- A review of the suite of Board Sub-committees
- Updates to the Board Standing Orders and the Board Code of Conduct
- Further governance improvement actions, including reviews of our audit and corporate assurance plans as well as our approach to risk management (see following section). Progress against the actions was monitored by ARAC.

## Risk Management

As Accounting Officer, I have overall responsibility for 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. 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 a 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 ARAC and 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, for example to the Board or to the relevant responsible officer in Defra.

In 2019/20, we undertook a full review of Natural England's risk management processes. As a result of the review we have updated our Risk Strategy and will be launching a new risk reporting platform in 2020/21. The platform will allow everyone throughout NE to lodge, manage and escalate risks and for reports to be run for the various NE Committees and its Board. As a result, risk reporting in 2020/21 will be far more comprehensive.

## Counter fraud activity

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.

Natural England's policy on fraud, bribery and corruption is one of zero tolerance, whether involving its own staff, or other external individuals or bodies. All Natural England Board Members,

---

<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/816551/natural-england-action-plan-2019-to-2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/816551/natural-england-action-plan-2019-to-2020.pdf)

Chief Officers, Directors, Area Managers and staff must follow the Natural England Code of Conduct, the policies on Counter Fraud and on Regularity and Propriety and all other relevant procedures and policies.

All cases of irregularity and suspected fraud will be thoroughly investigated and dealt with appropriately. 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 by deceit, any financial or other benefits.

Natural England's 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.

There were no significant cases of fraud or irregularity identified within the organisation in 2019/20.

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 anti-fraud functional standards.

The 2019/20 assessment, carried out as part of a wider cross-Defra exercise, showed:

- a clear fraud response plan, with well-defined individual responsibilities
- a comprehensive whistleblowing policy and associated guidance
- a range of learning opportunities available to all staff

We continue to review our practices and to learn from experience elsewhere. For 2020/21 we have commissioned work to develop counter fraud metrics for the organisation.

## 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.

In the management of information security and wider good data management 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 to complete annual training on how to handle data appropriately.

In 2019/20 there were 26 personal data related incidents:

- One incident of loss of inadequately protected electronic equipment from outside secure government premises
- Eleven incidents of unauthorised disclosure
- Eleven losses of equipment
- Three data security incidents

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. None of the incidents above met the criteria for reporting to the Information Commissioner's Office (ICO).

In order to assess performance in this area, 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 2020/21.

## 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 Agreement 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 Defra internal audit on Corporate Services Transformation was commissioned in 2020/21. This identified a number of actions including those needed to clarify governance and accountabilities. These actions are being taken forward by a joint project between Defra group Corporate Services and its Customers, including Natural England.

## Specific Control Issues and Whistleblowing

Natural England has whistleblowing procedures in place, consistent with the Public Interest Disclosure Act 1998 and wider Defra whistleblowing policy. We encourage employees to speak out and raise concerns about wrongdoing. Our whistleblowing policy and procedure provide advice and guidance on the process for raising complaints and advise on the protection afforded to whistle blowers 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.

In 2019/20 two issues were raised as potential whistle-blowing cases – both related to internal staffing matters.

## Covid-19

At the end of 2019/20, 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. In this response our priority has been to keep staff, visitors, customers and partners safe – whilst continuing to deliver our work to the best of our ability in changed circumstances. We will invest in assessing what we learn from this challenge about our control and continuity planning processes – and will be receiving ongoing support from Internal Audit in this assessment through the coming year.

## 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.

## Results of internal audits

Our 2019/20 programme of work from Government Internal Audit was developed by Natural England's independent Head of Internal Audit through working with the Chief Executive, SLT 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 2019/20, Internal Audit completed 11 assurance reports and 4 consultancy reports.

All but one review has had substantial or moderate opinions, with the exception of a limited opinion on the use of Government Procurement Cards (GPC). Whilst no specific cases of fraud were found, the high volume of cards and limited second line assurance checks posed a significant risk that fraud could occur. 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 there are some improvements required to enhance the adequacy and effectiveness of the governance, risk management and control framework.

## Results of end of year assurance conversations with teams

As part of the 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 in their teams' adherence to our suite of governance arrangements. 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.

**Keeping Money Safe:** There is a good grasp of risk in this area but there are specific risks to manage, including ensuring that travel and subsistence budgets are managed in compliance with policy and 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 and can enforce the requirements we place on staff.

**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 shorter term ways of working as a result of the Covid-19 crisis, there may be short-term risks in

ensuring that the right decisions are being made by the right people and documented in the right way.

As a result of the work in 2019/20, we will be developing a more integrated approach to considering different areas of assurance in 2020/21. This will include a review of the way that we communicate with staff and line managers.

## Concluding statements

From the Chair of ARAC

*As Chair of the Audit Risk Assurance Committee I am confident that in 2019/20 ARAC has had sufficient opportunity to review the comprehensiveness, reliability and integrity of assurances, including the results of internal audits, and has supported the Natural England Board in their responsibilities for risk management, control and governance.*

From the Chief Executive

*This Governance Statement covers the period of 2019/20 over which I was Interim 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 Senior Leadership 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 on the basis of 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 of the Chief Officers, except for one, are employed under permanent contracts which are open-ended. The remaining Chief Officer is employed on a short term appointment contract until 30 September 2020. 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, overtime and any other allowance to the extent that it is subject to UK taxation. The total remuneration, as well as the allowances to which they 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 amount of performance related pay received by the Chief Executive and Chief Officers is determined by what is signed off by Defra.

The Leadership Group, which comprises the Chief Executive, Chief Officers and Directors can earn a non-consolidated performance related payment of up to 15% of their current salary. Any proposed bonus of £17,500 and above requires Treasury approval. In addition, the Remuneration Committee, a sub-group of the main Board, chaired by a Board member with two other Board members, make all decisions on senior people's performance related pay, apart from the Chief Executive which is agreed by the Chairman.

For the pay award due in July 2019 and implemented in November 2019, (relating to 2018/19), two non-consolidated performance payments were paid to Directors and there were two non-consolidated performance payments paid to the Senior Leadership Team. Total payments were £30k and of these two related to the Senior Leadership Team and are included in table 2. No Benefits in kind were paid in 2019/20.

Senior staff 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	2019/20 Remuneration £000	2018/19 Remuneration £000
Tony Juniper CBE (Chairman – from 23/4/19) Note 1	80-85	-
Andrew Sells (Chairman – left 18/01/19) Note 2	-	45-50
Nigel Reader CBE (Left 31/5/18) Note 3	-	0-5
Joe Horwood (Left 30/9/18) Note 3	-	5-10
Andy Clements	10-15	10-15
Simon Lyster	10-15	10-15
Teresa Dent CBE	10-15	10-15
Julia Aglionby (Left – 26/6/19) Note 3	0-5	10-15
Michael Winter OBE	10-15	10-15

Board Members	2019/20 Remuneration	2018/19 Remuneration
	£000	£000
Rt Hon Lord David Blencathra (Acting Chairman from 19/01/19) Note 4	25-30	20-25
Catherine Dugmore	10-15	10-15
Prof Sue Hartley OBE	10-15	10-15
Henry Robinson	10-15	10-15
Marian Spain (up to 02/12/18) Note 5	-	5-10

Notes:

- 1) Full Year equivalent £85-90k.
- 2) Full Year equivalent £60-65k.
- 3) Full Year equivalent £10-15k.
- 4) Deputy Chairman Full Year equivalent £25-30k
- 5) Chief Executive from 3 December 2018

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 2018/19 or 2019/20. 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:

	2019/20				2018/19			
	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>								
James Cross Left 9//11/18 Note 1	-	-	-	-	95-100	10-15	44	150-155
Marian Spain From 3/12/18 Note 2	125-130	0-5	49	175-180	40-50	-	15	60-65
<b>Chief Officers:</b>								
Alan Law (Strategy and Reform) Note 3	110-115	5-10	129	250-255	105-110	-	58	160-165
Tim Hill (Science and Evidence)	90-95	-	38	130-135	90-95	-	29	120-125

	2019/20				2018/19			
	Salary	Perf Related Pay	Pension Benefits	Total	Salary	Perf Related Pay	Pension Benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Julie Lunt (Legal and Governance) Left 29/3/19 Note 4	-	-	-	-	85-90	-	36	125-130
Navroza Ladha (Legal and Governance) From 1/5/19 Note 5	85-90	-	110	195-200	-	-	-	-
Richard Cornish (Chief Operating Officer) From 3/6/19 Note 5	75-80	-	(11)	65-70	-	-	-	-
Gleny Lovell (Planning and Performance) From 19/9/19 Note 6	45-50	-	18	60-65	-	-	-	-

Notes:

- 1) Salary payment includes a payment in lieu of notice in the range of £10-15k. Full Year salary £140-145k in 2018/19 (excluding payment in lieu of notice).
- 2) Full Year salary £125-130k in 2018/19
- 3) Full Year salary £110-115k in 2018/19 (includes salary enhancement for role as Acting Chief Executive between 10 November to 2 December 2018 and then subsequent role as Deputy Chief Executive WEF 3 December 2018). Overpayment of salary received in 2019/20, which has been corrected in the reported salary above, but due to the timing of the identification of the error, both the cash and pension correction will not be made until 2020/21.
- 4) Full Year salary £90-£95k in 2018/19
- 5) Full Year salary £95-£100k
- 6) Full Year salary £90-£95k

## 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.

	2019/20	2018/19
Banded remuneration of the highest paid earner in Natural England	£130,000–135,000	£125,000–130,000
Median remuneration of the workforce	£31,639	£30,931
Ratio of remuneration of highest paid director to median remuneration of the workforce	4.2	4.0
The range of banded remuneration for employees in Natural England	£15,000-£20,000 to £130,000–£135,000	£5,000-£10,000 to £125,000–£130,000

## 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 2020 £000	Real increase in pension and related lump sum (LS) at age 60 £000	CETV at 31 March 2020 £000	CETV at 1 April 2019 £000	Real increase in CETV £000
<b>Chief Executive:</b>					
Marian Spain	0-5	2.5-5	52	12	31
<b>Chief Officers:</b>					
Tim Hill	40-45 plus a lump sum of 90 - 95	0-2.5 plus a lump sum of 0-2.5	748	687	21
Alan Law	40-45 plus a lump sum of 105-110	5-7.5 plus a lump sum of 10-12.5	882	736	106
Navroza Ladha (from 1/5/19)	35-40	5-7.5	528	427	78
Richard Cornish (From 3/6/19)	25-30 plus a lump sum of 45-50	0 plus a lump sum of 0	333	332	(17)
Gleny Lovell (From 19/9/19)	0-5	0-2.5	17	-	14

## 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 will switch into alpha sometime between 1 June 2015 and 1 February 2022. 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 'money purchase' stakeholder 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider - Legal & General. 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 CETV

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)

Natural England ran a Voluntary Exit scheme in 2019/20 resulting in 59 exits (48 people exiting on 29 November 2019, 10 on 10 January and 1 on 31 January 2020). Details of this are shown in the table below:

Exit package cost band	Total number of exit packages by cost band	
	2019/20	2018/19
<£10,000	2	-
£10,000 - £25,000	26	-
£25,000 - £50,000	22	-
£50,000 - £100,000	9	1
£100,000 - £150,000	-	-
£150,000 - £200,000	-	-
<b>Total number of exit packages by type</b>	<b>59</b>	<b>1</b>
<b>Total resource cost (£000)</b>	<b>1,838</b>	<b>79</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):

		31 March 2020	31 March 2019
		£000	£000
Permanent & Fixed Term Appointments salaries and allowances	Note a	56,070	59,441
Employer Superannuation Payment	Note b	14,791	12,011
Partnership Pension Contributions		130	147
Permanent & Fixed Term Appointments social security costs		5,402	5,847
Apprenticeship Levy	Note c	262	296
Agency and temporary staff		2,117	6,531
Inward secondees		49	693
Temporary staff social security		72	74
Temporary staff superannuation		205	166
Other staff costs		53	163
Early retirement and severance costs		1,838	79
Less recoveries in respect of outward secondments	Note d	(3,726)	(2,968)
<b>Total</b>		<b>77,263</b>	<b>82,480</b>

### Notes:

- a) On 1 October 2018 in order to provide a more joined-up service for customers, the responsibility for the delivery of Countryside and Environmental Stewardship was transferred from Natural England to the Rural Payments Agency, the accredited Paying Agency for England that manages the Rural Payments System. As a consequence of this, 714 staff (334 Permanent and Fixed term; 380 Agency) transferred under TUPE arrangements to the Rural Payments Agency. The above figures therefore include six months costs for these staff in 2018/19 covering the period 1 April – 30 September 2019, and none of their costs are included in 2019/20.
- b) The Civil Service Pension Scheme is currently subject to a revaluation. It was agreed by HM Treasury in order to provide certainty in 2019 across Government, that employer's contributions would be based on the valuation results as at February 2019. Once the valuation is completed it will then be used to set pension rates for subsequent financial years. The 2019/20 revised superannuation rates increased on average by approximately 6%. In January 2019 the government announced a pause to the review due to uncertainty arising from the McCloud judgement. In March 2020 the government confirmed it would provide an update on the pension revaluation later in the year. The impact of the increase in employer superannuation payments resulting from the pension revaluation can be seen in the above note.
- c) 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 NE's Digital Apprentice Service for training is recognized as grant income in line with associated expenditure (see note 4.2).
- d) 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

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

	31 March 2020	31 March 2019
	Number	Number
<b>Permanent staff &amp; Fixed Term Appointments</b>		
Executive/Director	18	16
Manager/Principal Specialist/Adviser	169	165
Team Leader/Senior Specialist/Adviser	493	488
Group Coordinator/Lead Adviser/Specialist	696	770
Adviser/Support Adviser	352	480
	<b>1,728</b>	<b>1,919</b>
<b>Temporary and contract staff</b>		
Executive/Director	1	1
Manager/Principal Specialist/Adviser	1	3
Team Leader/Senior Specialist/Adviser	1	1
Group Coordinator/Lead Adviser/Specialist	6	7
Adviser/Support Adviser	42	240
	<b>51</b>	<b>252</b>
<b>Total</b>	<b>1,779</b>	<b>2,171</b>

Note:

As this is average staff numbers over the full year it does not clearly reflect the transfer of staff to the RPA on 1 October 2018. This is because staff working on Countryside Stewardship and Environmental Stewardship are only represented for the six month period 1 April – 30 September 2018 in the 2018/19 average numbers. The above decrease of 400 fte is due largely to these staff transfers and the voluntary exit scheme which took place during 2019/20.

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

	31 March 2020 Headcount	31 March 2019 Headcount
Chief Executive (SCS 3 equivalent)	1	1
Chief Officers (SCS 2 equivalent)	5	2
Directors (SCS 1 equivalent)	14	13
<b>Total</b>	<b>20</b>	<b>16</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 age, disability, sex, gender reassignment, pregnancy and maternity, race, religion or belief, and sexual orientation. This duty also covers marriage and civil partnership in the workplace. 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 via a Steering Group. Membership, drawn from all levels, includes 'champions' for each of the legally defined protected characteristics. The Chairman of the Steering Group and SRO is one of Natural England's Chief Officers (SCS 2 equivalent). There is a separate Steering Group for health and safety.

The following tables summarise Natural England's workforce and diversity profiles as at 31 March 2020 extracted from the corporate HR management system:

### Gender Split (by headcount)

Gender Split	Male		Female	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Non-Executive Directors	6	5	3	4
Management Staff (SCS grade or equivalent)	12	11	8	5
All other employees for the Defra group	843	826	1,055	1,051
<b>Total</b>	<b>861</b>	<b>842</b>	<b>1,066</b>	<b>1,060</b>

Natural England published its 2019 Gender Pay gap report on 23 January 2020. This shows that both the median and mean pay gap continues to reduce, as does the mean for bonuses<sup>4</sup> paid, the median remains at 0.

Natural England – publication data	%			
	2017	2018	2019	+/- from 2018
Mean Gender Pay Gap - Ordinary Pay	10.9	9.4	8.4	-1.0
Median Gender Pay Gap - Ordinary pay	13.2	12.4	6.1	-6.3

Natural England – publication data	%				
	2017	2018	2019	+/- from 2018	
Mean Gender Pay Gap - Bonus pay in 12 months ending 31 March	20	21.9	0.5	-21.4	
Median Gender Pay Gap - Bonus pay in 12 months ending 31 March	0	0	0.0	0.0	
Proportion of male and female employees paid a bonus in 12 months ending 31 March	Male	87	44	40	-4.0
	Female	89	37	44	7.0

<sup>4</sup> For the purposes of gender pay gap reporting 'bonuses' include the performance (rating) related, non-consolidated award

In the report Natural England has set out its on-going actions to reduce the pay gap. Natural England remains committed to doing this and is working with the Gender Champion, diversity networks, the People Group and HR to identify actions we can prioritise to have the biggest impact. This includes looking at our flexible working and other offers (eg learning and development / recruitment / career progression) to enhance well-being and to create opportunities for people to progress. Progression of females into senior roles and into the main feeder group of Manager / Principal Specialist and Principal Adviser is the main way to address the gender pay gap in Natural England. On-going actions include supporting women to apply for Civil Service talent programmes such as Positive Action Pathways (for under-represented groups), Future Leaders' Scheme and Senior Leaders' Scheme and Crossing Thresholds (a career development programme for women). Natural England's own Future Leadership Programme (run annually) continues to attract a predominantly female cohort. A new Senior Leadership Development Programme was launched in February 2020 and females make up 58% of participants.

Female representation at Senior Leadership Group level stands at 35% and at 48.9% at the Manager etc level. Natural England continues to maintain its excellent flexible working arrangements to accommodate carers, working mothers / parents and continues to look for other ways to remove barriers preventing women from progressing to senior roles or to better support to continue to work at those senior levels. Natural England's EDI Steering group is developing a new action plan to address these, and other issues common to the wider protected characteristic groups. 'Project Race', aimed at getting a better representational ethnic mix in Natural England as well as improving retention and engagement of black and ethnic minority employees is a major focus for Natural England in 2020/21.

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

16-19	20-29	30-39	40-49	50-59	60+	Total
3	197	353	603	601	170	1,927

#### Diversity and Inclusion

Natural England information as at 31 March 2020 shows 10.01 percent of the overall workforce is made up of employees who identify themselves as disabled, 1.87 percent who identify themselves as from an ethnic minority and 3.48 percent 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	12.40%	0.78%	0.78%
Adviser	12.92%	3.69%	4.06%
Lead Adviser/Group Coordinator/ Specialist	10.20%	1.83%	3.40%
Team Leader / Senior Adviser / Senior Specialist	9.01%	1.47%	3.13%
Manager / Principal Adviser / Principal Specialist	6.35%	1.59%	5.29%
SCS	5.00%	10.00%	5.00%
Organisational Average	9.96%	1.98%	3.44%

Natural England supports and embraces the Defra group Equality, Diversity and Inclusion (EDI) strategy and inclusion (launched in January 2017), and is working with Defra group to develop its successor due to launch early 2020/21. Natural England's action plan for 2020/21 will be built around building an inclusive workplace.

Alongside Defra we are working to improve completion rates by staff about their diversity backgrounds, using these positive declarations to focus activities to better support the career development of people in protected characteristic groups, to promote inclusive behaviours and to tackle discrimination, bullying and harassment.

Natural England achieved Disability Confident level 3 (Leader) status in November 2019. Natural England continues to promote and encourage the use of a workplace adjustment passport (My Passport) in which an employee can capture any and all agreed workplace adjustments. To give further support to employees and to their line managers we established a Workplace Passport Advisory Panel in early 2019 as cases referred to it remain very low the purpose of this group will be reviewed in 2020/21.

In 2019/20 we used two further benchmark measures for equality, diversity and inclusion: Stonewall (LGBT+) and the MIND well-being index. The Mind report arrived in April 2020 and Natural England was awarded a Silver (Achieving Impact), just narrowly missing out on Gold. This year our Stonewall benchmark showed NE ranked as 351 out of ca 600 organisations (58<sup>th</sup> placed) compared to 420 out of 445 (94<sup>th</sup> placed) in 2018

Natural England has a number of employee networks in place. This year we appointed a new Race Champion but also appointed Champions for Region and Belief and for Carers. Our staff are also able to join the Environment Agency or Defra-wide networks supporting people with disabilities, impairments or long term health conditions; Defra's Ethnic Minority Network or Experience and Age Network (DEAN).

## Recruitment Practice

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

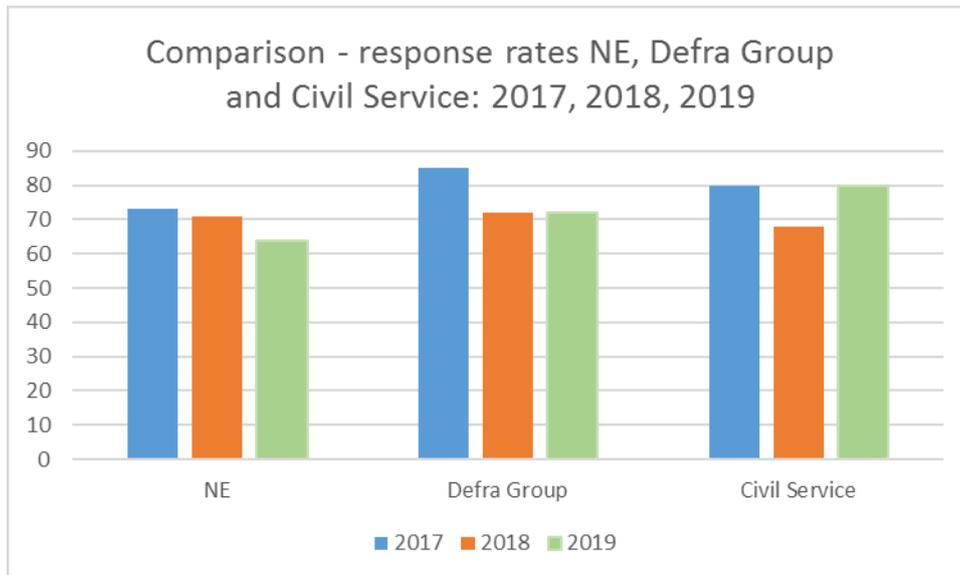
Natural England is monitoring the roll out of a strength based approach to recruitment and selection in Defra and the wider Civil Service with a view to adopting if appropriate. We anticipate that this blended model will draw out better evidence of candidates' strengths and values. This approach also provides a better experience for candidates, particularly external candidates. Ultimately we believe this approach should improve diversity outcomes of recruitment. In the meantime we have adopted blind sifting during recruitment and selection process up to interview stage and interview panel members are required to undertake unconscious bias training. 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. Once in post, people with disabilities are provided with reasonable adjustments they need to carry out their role which 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. The 2019 Staff Survey results reflect the difficult and challenging year that many employees have experienced showing reductions in just about all aspects of the survey. The response rate was lower than in the last two annual surveys (64% 2019; 71% in 2018; 73% in 2017). This downward trend is not consistent with trends in Defra group or the wider civil service.



Our Employee Engagement Index (EEI) increased by just over 2 points and our Employee Voice Index (EVI) by 5.13 points. All five of the questions that comprise the EEI showed small increases in positive response rates.

Other notable headlines from this survey were that:

- Pay remains a major concern, with only 9.5% of people believing their pay adequately reflected their performance.
- Significantly more people were satisfied with the total benefits package - rising from 27.21% in 2018 to 43% in 2019.
- People were less positive about having the tools they need to do their job effectively (2019 = 52.7% (2018 = 59.29%).
- Fewer people believed they had an acceptable workload (2019 = 45.4% / 2018 = 49.35%).
- There was a drop in the number of people who said they'd experienced discrimination (2019 = 2.44% / 2018 = 8.27%) and likewise a small drop in the number of people who said they had experienced bullying and harassment (2019 = 7.65% / 2018 = 8.27%).
- Leadership and change: Our Senior Leadership Team's (SLT) visibility has risen by 6.53% on last year. 52.9% of respondents believe that SLT has a clear vision of the future of Natural England.
- An increased number of people believed that Natural England cares about their well-being (73.14% in 2019, 64.73% in 2018).

## Natural England People Strategy

The Natural England People Strategy was launched in July 2019. This 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 NE a place where individuals are accepted and valued for who they are as well as the skills they bring.

The strategy is based around six themes;

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

These six themes are currently moving forward under four work-programmes which have so far delivered or started work on the following;

Theme	Work Delivered (Examples)	Work In Progress (Examples)
Employee Offer	A balanced 2019 pay award, at the maximum possible level	Development of a formal pay flexibility case Development of an in-year bonus scheme Developing the non-pay offer
Resource and Workforce Planning	New internal resourcing framework (revised assignment process)	Development of a longer term workforce plan
Wellbeing (including Equality, Diversity, Inclusion)	Trained / embedded Mental Health First Aiders	Starting to address root causes (e.g. re corporate services support, support for home-workers)
Capability and Progression	Defra Secondment opportunities New apprenticeship schemes	New leadership development programmes defined and starting to be rolled out

In quarter 4 of 2019/20 we also conducted an Equal Pay Audit which should help us to understand whether or not there are issues with current pay which causes a sense of discrimination, as well as how we might address these.

## Employee Wellbeing

In light of EU Exit and resulting challenges, a dedicated wellbeing position was recruited permanently in July 2020. Natural England further demonstrated their commitment to employee wellbeing through the establishment of the new People Strategy, and taking part in the MIND Workplace Wellbeing Index.

Natural England has grown its Well-Ment Network to ninety champions for wellbeing and mental health across twenty five office locations, and inspired local events and training around the country e.g. Health, Safety and Wellbeing Week in East Anglia, and WEE (Wellbeing, EDI and Eco) day at

our Ashford office. In addition the network of volunteers continues to offer a valuable buddy service, and monthly Time to Talk calls where staff talk freely about how they feel.

The Defra Wellbeing Programme promotes a collaborative approach across the Defra group to maximise the benefit and coverage to our employees while enabling organisations to adapt health and wellbeing activities to their specific organisational requirements and risks. This has been demonstrated successfully in 2019/20 through refreshed Wellbeing guidance and training, shared national campaigns and blogs, and shared contracts for our Employee Assistance programme, Occupational Health Service, and Corporate Eye Care contracts. Additionally, fifty Mental Health First Aiders were trained (taking our total to 75), and employees have benefited from access to Health and Wellbeing Kiosks (measuring their weight, BMI, blood pressure etc) across the country between January and April 2020.

## Managing Attendance

For Natural England during 2019/20, an average of 3.40 working days per employee (3.35 days 2018/19) was lost to sickness absence. Absence due to Mental Health issues (28.2%) continues to be the main cause of absence but is slightly lower than for 2018/19 (29.3%). The top 5 reasons for absence in 2019/20 were:

	Working days	Percentage
Mental and behavioural disorders	1,714	28.2%
Diseases of the respiratory system	1,176	19.4%
Diseases of the musculoskeletal system and connective tissue	885	14.6%
Neoplasms	675	11.1%
Diseases of the digestive system	642	10.6%

## 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)
66	1.57

Table 2 – Percentage of time spend on facility time

Percentage of time	Number of employees (Headcount)
0%	0
1%-50%	66
51%-99%	0
100%	0

Table 3 – Percentage of pay bill spent on facility time

<b>Total cost of facility time £'000</b>	55
<b>The total pay bill £'000</b>	55,706
<b>The percentage of the total pay bill spent on facility time</b>	0.1%

Table 4 – Paid trade union activities

<b>Time spent on paid trade union activities as a percentage of total paid facility time hours.</b>	2.44%
---	-------

## 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 via a Spending Review Panel. During the period from April 2019 to March 2020 there was £nil (£5k in 2018/19) of consultancy expenditure approved through the Spending Review Panel.

## 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 2020, 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 2019 and 31 March 2020 for more than £245 per day and that last longer than six months:

	Number
No. of new engagements between 1 April 2019 and 31 March 2020 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 2019 and 31 March 2020:

	Number
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.	7

# 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 2019/20, 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 2019/20 is £115k (2018/19: £115k). 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 2019 to March 2020 we have generated £4.4m of income from commercial services (2018/19 £4.2m), plus an additional £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, this year Natural England introduced charges for some of its statutory wildlife licences. In the period April 2019 to March 2020 this has generated £485k of income.

## Fees and Charges Income

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Discretionary Advice, Catchment Sensitive Farming and High speed two	4,365	4,153
Income from National Nature Reserves (NNRs)	853	858
Other fees and charges	32	14
<b>Total Income</b>	<b>5,250</b>	<b>5,025</b>

## Analysis of fees and charges

Discretionary Advice and Pre Submission screening:	<b>2019/20</b>	<b>2018/19</b>	<b>2017/18</b>	<b>Cumulative results</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income	4,365	4,153	3,159	11,677
Expenditure	(4,543)	(4,150)	(3,162)	(11,855)
<b>Surplus / (Deficit)</b>	<b>(178)</b>	<b>3</b>	<b>(3)</b>	<b>(178)</b>

The above table shows that Natural England has under recovered costs by £178k in 2019/20. This under recovery will be carried forward to 2020/21 to ensure that fees and charges breakeven over a three year rolling period. The reason for the under recovery is the introduction of our new wildlife licencing service. As a new service, Natural England has recruited a number of staff to support statutory charging for licencing. These staff have been going through training and development in this first year of implementation, and the speed in which they complete applications is expected to increase going forward.



Marian Spain  
Chief Executive

3 September 2020

# 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 2020 under the Natural Environment and Rural Communities Act 2006. The financial statements comprise: the 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. 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 2020 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder.

## Emphasis of matter – Valuation of Non-Current Land, Building and Heritage Assets

I draw attention to Note 1.1.1, Valuation of Non-Current Land, Building and Heritage Assets in the financial statements, which describes the material uncertainty associated with the valuation of non-current land, buildings and heritage assets that Natural England is facing as a result of COVID-19. My opinion is not modified in respect of this matter.

## 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 2016. I am independent of Natural England in accordance with the ethical requirements that are relevant to my audit and 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- Natural England's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Natural England have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Natural England's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to examine, certify and report on the financial statements in accordance with the Natural Environment and Rural Communities Act 2006.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Natural England's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of Natural England's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Natural England's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Natural England to cease to continue as a going concern.

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.

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.

## Other Information

The Accounting Officer is responsible for the 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 report thereon. My opinion on the financial statements does not cover the other information and 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, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the 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;

- 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 any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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
- 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.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

**10 September 2020**

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

# Financial Statements

# Financial Statements

## Statement of Comprehensive Net Expenditure for the period ended 31 March 2020

	Note/Ref	31 March 2020 £000	31 March 2019 £000
Revenue from contracts with customers	4	(6,433)	(5,972)
Other operating income	4	(12,343)	(24,349)
<b>Total income</b>		<b>(18,776)</b>	<b>(30,321)</b>
Staff Costs	3	77,263	82,480
Other Costs	3	11,085	10,798
Depreciation, Amortisation and Impairment	3	1,543	5,614
Other Non Cash items	3	24,498	26,176
Grants and Subsidies	3	7,440	4,783
Programme expenditure	3	11,390	11,201
<b>Total operating costs</b>		<b>133,219</b>	<b>141,052</b>
<b>Net operating costs</b>		<b>114,443</b>	<b>110,731</b>
Interest receivable		(29)	(11)
<b>Net expenditure after interest</b>		<b>114,414</b>	<b>110,720</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	161	530
Revaluation of Agricultural Assets	SOCTE	13	-
Revaluation of Heritage assets	SOCTE	(1,953)	149
Pension actuarial movements	12	31	162
<b>Total comprehensive net expenditure for the year</b>		<b>112,666</b>	<b>111,561</b>

The accounting policies and notes on pages 65-91 form part of these financial statements.

# Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
<b>Non-current assets</b>			
Property, plant and equipment	5.1	14,951	15,389
Heritage assets	6	67,086	64,838
Agricultural assets		167	208
Intangible assets	5.2	548	1,035
<b>Total non-current assets</b>		<b>82,752</b>	<b>81,470</b>
<b>Current assets</b>			
Inventories		64	144
Trade, other receivables and contract assets	9	13,373	13,712
Cash and cash equivalents	10	19,944	17,239
<b>Total current assets</b>		<b>33,381</b>	<b>31,095</b>
<b>Total assets</b>		<b>116,133</b>	<b>112,565</b>
<b>Current liabilities</b>			
Trade, other payables and contract liabilities	11	(21,505)	(18,866)
Provisions	12	(1,669)	(1,807)
Pension provision	12	(15)	(15)
<b>Total current liabilities</b>		<b>(23,189)</b>	<b>(20,688)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>92,944</b>	<b>91,877</b>
<b>Non-current liabilities</b>			
Provisions	12	-	(6)
Net pension liability	12	(293)	(277)
Other payables and contract liabilities	11	(165)	(434)
<b>Total non-current liabilities</b>		<b>(458)</b>	<b>(717)</b>
<b>Assets less liabilities</b>		<b>92,486</b>	<b>91,160</b>
<b>Taxpayers' equity and other reserves</b>			
General fund	SOCTE	38,882	39,224
Revaluation reserve	SOCTE	53,604	51,936
<b>Total equity</b>		<b>92,486</b>	<b>91,160</b>

The accounting policies and notes on pages 65-91 form part of these financial statements.



Marian Spain  
Accounting Officer and Chief Executive

3 September 2020

# Statement of Cash Flows for the period ended 31 March 2020

	Note	31 March 2020	31 March 2019
		£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost	SOCNE	(114,443)	(110,731)
Adjustments for non-cash transactions		2,447	7,161
Notional Corporate Services Recharge		23,514	24,608
(Increase)/Decrease in trade and other receivables	9	339	(232)
(Increase)/Decrease in inventories		80	24
Increase/(Decrease) in trade payables	11	2,370	(6,640)
Use of provisions	12	(1,046)	(227)
<b>Net cash outflow from operating activities</b>		<b>(86,739)</b>	<b>(86,037)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5.1	(968)	(4,355)
Purchase of intangible assets	5.2		(22)
Purchase of non-current heritage assets	6	(109)	-
Proceeds of disposal of property, plant and equipment		14	(3)
<b>Net cash outflow from investing activities</b>		<b>(1,063)</b>	<b>(4,380)</b>
<b>Cash flows from financing activities</b>			
Grant in Aid income received by NDPBs (GF)	SOCTE	90,478	96,254
Interest received		29	11
<b>Net financing</b>		<b>90,507</b>	<b>96,265</b>
<b>Net increase/(decrease) in cash in the period</b>		<b>2,705</b>	<b>5,848</b>
Cash and cash equivalents at the beginning of the year	10	17,239	11,391
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>19,944</b>	<b>17,239</b>

The accounting policies and notes on pages 65-91 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 2020

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2019		39,224	51,936	91,160
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>

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2018		29,195	52,657	81,852
Grant in Aid income received by NDPBs		96,254	-	96,254
Net expenditure after interest	SOCNE	(110,720)	-	(110,720)
<b>Non-cash adjustments</b>				
Notional Corporate Services Recharge	3	24,608	-	24,608
<b>Movement in reserves</b>				
Other revaluation of tangible assets	7	-	(672)	(672)
Pension actuarial (gain)/loss	SOCNE	(162)	-	(162)
Transfers between reserves		49	(49)	-
<b>Balance at 31 March 2019</b>		<b>39,224</b>	<b>51,936</b>	<b>91,160</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 2019/20 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

During 2015/16, all of our non-current land, building and heritage assets were professionally revalued by a firm of qualified and independent surveyors in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

Between professional quinquennial 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. Over the four year period 2016/17 to 2019/20, this annual desk top valuation has been carried out by Bruton Knowles property consultants. In accordance with IFRS 13, the fair value hierarchy has been applied. The fair value of the significant majority of our assets was derived using comparable market evidence (level 2). In some cases, where level 2 data was unavailable the level 3 technique is applied using the depreciated reinstatement value of similar properties on the market.

Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgement.

In light of C-19 there have been material uncertainties associated with the valuation of non-current land, building and heritage assets. The assets valued under the annual desktop exercise which is undertaken by our external property consultants have been subject to additional estimation uncertainty due to uncertainties in the market within March 2020 caused by the impact of the coronavirus pandemic thus far. The Royal Institute of Chartered Surveyors (RICS) issued guidance around this and when it might be appropriate to include materiality uncertainty clauses on any valuations undertaken over this period. As a consequence the report from our external valuers on Natural England's desktop revaluation exercise as at 31 March 2020 contained the following clause;

*“As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the property under frequent review.”*

Management acknowledges the material valuation uncertainty but considers there is little or no empirical evidence available to show that there is an impact of C-19 on the non-current land, building and Heritage asset values. While this lack of evidence reduces the level of certainty that can be attached to such a valuation, management considers that the valuation provided is an appropriate basis on which to determine the fair value at the date of reporting. The desktop valuations provided by our valuers are for the purpose of the Annual Report and Accounts only.

### 1.1.2 Employee Benefit Accrual

Natural England accounts for unused annual leave based on the annual leave period which ran from 1 January 2019 to 31 December 2019, Actual figures are collated from across the whole organisation and are then used as a proxy for unused annual leave as at 31 March 2020 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. This cost is 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 revalued every five years in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual (the Red Book). 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. There were no capital research projects in progress as at the year end.

## 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

Heritage asset land and buildings are reported in the Statement of Financial Position at fair value, stated at market value. In line with the FReM, heritage assets are revalued every five years. 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. Both the operational and non-operational Heritage Assets were last valued by external valuers, in 2015/16 as at 31 March 2016.

In between professional valuations, values for both operational and non-operational Heritage assets are updated annually using a professional desk top valuation.

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 is 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 recognise any impairment losses at an amount equal to lifetime expected credit losses. 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 2019/20 there was no liability for Corporation Tax (2018/19, 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, the Rural Payments Agency and the Forestry Commission. 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, see page 35 for further details.

### 1.19.3 Other Employee Benefits

Natural England recognises a liability and expense for all other employee benefits, including unused annual 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

Whilst IFRS 16 has an initial application date of 1 January 2019 and the effective introduction date in accordance with the FReM was due to be 1 April 2020, as a consequence of the Covid-19 pandemic HM Treasury has agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 in central government until 1 April 2021. IFRS 16 will therefore be implemented for the financial year 2021/22.

This standard supersedes all existing accounting standards relating to leases and specifies how leases should be recognized, measured and disclosed. For lessees, this will remove the previous distinction between finance and operating leases and create a right of use asset and lease liability for leases that meet the recognition criteria in IFRS 16. Effectively this will bring all former NE operating leases with a remaining term of over 1 year and above £5k onto NE's Statement of Financial Position.

For lessors, IFRS 16 has a more limited impact 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 NE.

As IFRS 16 will have a material financial impact on NE's Statement of Financial Position and its financial planning, and as it was originally intended to implement IFRS 16 for the 2020/21 financial year, NE has already carried out a substantial review of its current leases and set up systems and processes with the intention of ensuring its readiness to successfully implement the Standard. The Covid-19 pandemic has interrupted this work and, as NE adapts to new ways of working under the social lockdown the pandemic created, the one-year deferral of IFRS 16 implementation has allowed NE time to adapt its plan to a during, and after, the pandemic planning horizon.

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. NE expects its existing operating leases that are not short term or low value will fall within the scope of IFRS 16. There is expected to be a significant impact on the Statement of Financial Position, but an insignificant impact on the Statement of Comprehensive Net Expenditure and no overall Cashflow impact from the adoption of the new Standard.

- **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 FReM 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. NE will need to test any guarantees it holds and its contingent liabilities for potential recognition. NE 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 Senior Leadership Team and Performance, Risk and Resource Group, 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.

- Strategy & Reform, including:
  - Change and Reform
  - Strategy Implementation
  - Government Advice
  - Strategy Development
  - EU transition
  
- Science & Evidence, including:
  - Evidence Services
  - Specialist Services
  
- Operations, including:
  - National Operations
  - Operations Team North
  - Operations Team South
  
- Legal & Governance, including:
  - Natural England Leadership team
  - Chairman & Executive Office
  - Legal
  - Organisational Governance
  - Corporate Service Recharges

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

	Legal & Governance		Operations	Science & Evidence	Strategy & Reform	TOTAL	
	Internal	Defra		£000	£000		£000
		Recharges					
	£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>(18,805)</b>	
<b>Staff costs</b>	6,016	-	50,256	9,155	11,836	77,263	
<b>Non pay running costs</b>	1,744	-	7,178	657	1,070	10,649	
<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>	1,543	-	-	-	-	1,543	
<b>Programme and Grant Expenditure</b>	78	-	7,428	2,716	8,608	18,830	
<b>Total Expenditure</b>	<b>10,801</b>	<b>23,514</b>	<b>64,862</b>	<b>12,528</b>	<b>21,514</b>	<b>133,219</b>	
<b>Net Expenditure</b>	<b>10,364</b>	<b>23,514</b>	<b>48,688</b>	<b>12,322</b>	<b>19,526</b>	<b>114,414</b>	

## 2.2 Statement of Comprehensive Net Expenditure for the year ended 31 March 2019 by operating segment:

	Legal & Governance		Operations	Science & Evidence	Strategy & Reform	TOTAL	
	Internal	Defra		£000	£000		£000
		Recharges					
	£000	£000	£000	£000	£000	£000	
<b>Total Operating income</b>	<b>(110)</b>	<b>-</b>	<b>(28,664)</b>	<b>(222)</b>	<b>(1,336)</b>	<b>(30,332)</b>	
<b>Staff costs</b>	3,739	-	58,941	8,308	11,492	82,480	
<b>Non pay running costs</b>	3,444	-	6,631	368	516	10,959	
<b>SSCL Shared Service Recharge</b>	-	1,407	-	-	-	1,407	
<b>Corporate Service Recharge</b>	-	24,608	-	-	-	24,608	
<b>Depreciation, impairment and other non-cash items</b>	5,614	-	-	-	-	5,614	
<b>Programme and Grant Expenditure</b>	-	-	8,649	2,019	5,316	15,984	
<b>Total Expenditure</b>	<b>12,797</b>	<b>26,015</b>	<b>74,221</b>	<b>10,695</b>	<b>17,324</b>	<b>141,052</b>	
<b>Net Expenditure</b>	<b>12,687</b>	<b>26,015</b>	<b>45,557</b>	<b>10,473</b>	<b>15,988</b>	<b>110,720</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.

### 3. Expenditure

	31 March 2020	31 March 2019
	£000	Represented £000
<b>Staff Costs</b>		
Wages and Salaries	58,289	66,828
Social Security Costs	5,736	6,217
Other Pension Costs	15,126	12,324
Early retirement and severance costs	1,838	79
Less recoveries in respect of outward secondments	(3,726)	(2,968)
<b>Staff Costs</b>	<b>77,263</b>	<b>82,480</b>
<b>Other Costs</b>		
Travel, subsistence and hospitality	3,989	4,525
Estate management	695	841
Stationery & printing	71	83
Internal audit fees	267	188
Transport & plant costs	811	720
Credit Losses	-	7
Credit Losses: Covid 19 related	19	-
SSCL shared service charges	1,420	1,407
Other Operating costs	3,813	3,027
<b>Non-cash items</b>		
Depreciation	1,060	960
Amortisation	487	676
Revaluation/Impairment on non-current assets	(4)	3,978
Loss on the disposal of Property, Plant and Equipment	110	91
Profit on the disposal of Property, Plant and Equipment	(13)	-
Prior year adjustment	-	(145)
Provisions provided for in year/(written back)	887	1,622
Notional Corporate Service Recharges	23,514	24,608
<b>Programme</b>		
Grant Expenditure	7,440	4,783
Rentals under operating leases	540	824
Research and development expenditure	2,114	1,932
Legal expenditure	749	1,073
Other programme expenditure	7,987	7,372
<b>Total</b>	<b>133,219</b>	<b>141,052</b>

## 4. Income

### 4.1 Revenue from contracts with Customers

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Discretionary Advice (inc. PSS and undefined scope)	3,838	4,141
WIIS Income	226	214
Strategic Access Management and Monitoring (SAMM) agreement	426	109
NNR Income	853	858
Contributions and grants from partners and private sector companies	446	484
Miscellaneous Income	124	0
Great Crested Newt District Level Licensing income	35	0
Other fees levies and charges	485	166
<b>Total Revenue from contracts with Customers</b>	<b>6,433</b>	<b>5,972</b>

#### 4.1.1 Significant judgements applied

A full assessment of when the performance obligations are satisfied under IFRS 15 for each group of contracts is included below. 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 2020, 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 2020.
- 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 2020</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
EU Technical Assistance Funding	1,841	15,613
Rural Development Programme for England	3,592	3,314
Basic Payment Scheme	923	1,318
Apprenticeship Levy	205	115
EU Life Grants	2,548	2,373
Heritage Lottery Funding	3,201	1,571
Grants from Local Government	4	13
Donations	29	32
<b>Total Other Operating Income</b>	<b>12,343</b>	<b>24,349</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 Funding are classed as grants from the EU to fund departmental spending on monitoring and evaluation of the EU's Countryside and Environmental Stewardship schemes. As disclosed within the staff report on page 43, 714 Natural England staff transferred under TUPE arrangements to the Rural Payments Agency on 1 October 2018. These staff were funded by EU Technical Assistance, Following the transfer a smaller element of the work focusing largely on aftercare has remained within Natural England. For this reason the costs incurred and hence the income reclaimed have reduced significantly in 2019/20 following the staff transfer.
- The Basic Payment Scheme is a grant from the EU 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.
- 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. This revaluation was carried out as at 31 March 2016 by Bruton Knowles, by RICS qualified staff. In between professional revaluations, all land and building values are updated annually using a professional desk top valuation.

In light of COVID-19 there have been material uncertainties associated with the valuation of Land and Building assets as at 31 March 2020, please see note 1.1.1 to the Accounts on page 65 for further information.

## 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 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>

## 5.1b 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 2018	5,419	10,256	1,063	1,045	3,305	5,375	2,496	1,709	30,668
Prior Year adjustments	(9)	124	-	-	-	8	-	-	123
Additions	-	-	-	-	-	67	138	2,200	2,405
Disposals	-	-	(181)	-	(139)	(24)	(56)	-	(400)
Impairment	(266)	(3,683)	-	-	-	-	-	-	(3,949)
Reclassifications	(8)	3,824	84	-	-	9	-	(3,909)	-
Revaluation	(160)	(201)	-	-	-	-	48	-	(313)
<b>At 31 March 2019</b>	<b>4,976</b>	<b>10,320</b>	<b>966</b>	<b>1,045</b>	<b>3,166</b>	<b>5,435</b>	<b>2,626</b>	<b>-</b>	<b>28,534</b>
<b>Depreciation</b>									
At 1 April 2018	-	2,354	804	580	2,819	3,891	1,913	-	12,361
Prior Year adjustments	-	-	-	-	-	5	-	-	5
Charges in year	-	234	72	165	99	253	132	-	955
Disposals	-	-	(138)	-	(99)	(24)	(56)	-	(317)
Impairment	-	(69)	-	-	-	-	-	-	(69)
Revaluation	-	170	-	-	-	-	40	-	210
<b>At 31 March 2019</b>	<b>-</b>	<b>2,689</b>	<b>738</b>	<b>745</b>	<b>2,819</b>	<b>4,125</b>	<b>2,029</b>	<b>-</b>	<b>13,145</b>
<b>Net book value 31 March 2019</b>	<b>4,976</b>	<b>7,631</b>	<b>228</b>	<b>300</b>	<b>347</b>	<b>1,310</b>	<b>597</b>	<b>-</b>	<b>15,389</b>
Net book value 31 March 2018	5,419	7,902	259	465	486	1,484	583	1,709	18,307
<b>Assets financing</b>									
Owned	4,976	7,631	228	300	347	1,310	597	-	15,389
<b>Net book value 31 March 2019</b>	<b>4,976</b>	<b>7,631</b>	<b>228</b>	<b>300</b>	<b>347</b>	<b>1,310</b>	<b>597</b>	<b>-</b>	<b>15,389</b>

## 5.2a Intangible assets

	<b>31 March 2020</b>	<b>31 March 2019</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	10,656
Additions	-	22
Disposals	-	(9)
<b>At 31 March</b>	<b>10,669</b>	<b>10,669</b>
<b>Amortisation</b>		
At 1 April	9,634	8,959
Charged in year	487	676
Disposals	-	(1)
<b>At 31 March</b>	<b>10,121</b>	<b>9,634</b>
<b>Net Book Value at 31 March</b>	<b>548</b>	<b>1,035</b>
Net Book Value at 1 April	1,035	1,697
<b>Assets Financing</b>		
Owned	548	1,035
<b>Net book value 31 March</b>	<b>548</b>	<b>1,035</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 2020 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.

In light of COVID-19 there have been material uncertainties associated with the valuation of heritage assets as at 31 March 2020, please see note 1.1.1 to the Accounts on page 65 for further information.

## Non-current Heritage Assets

	Operational	Non Operational	Assets under Construction	Total
	£000	£000	£000	£000
<b>Valuation</b>				
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>
<b>Gross cost at 1 April 2018</b>	<b>3,251</b>	<b>59,822</b>	<b>-</b>	<b>63,073</b>
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>
<b>Gross cost at 1 April 2017</b>	<b>3,001</b>	<b>53,962</b>	<b>242</b>	<b>57,205</b>
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>
<b>Gross cost at 1 April 2016</b>	<b>3,001</b>	<b>49,927</b>	<b>-</b>	<b>52,928</b>
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>
<b>Gross cost at 1 April 2015</b>	<b>3,821</b>	<b>71,385</b>	<b>-</b>	<b>75,206</b>
Impairment	-	1,662	-	1,662
Reclassifications	-	1,291	-	1,291
Revaluation	(820)	(24,411)	-	(25,231)
<b>Net Book Value at 31 March 2016</b>	<b>3,001</b>	<b>49,927</b>	<b>-</b>	<b>52,928</b>

## 7. Impairments

	31 March 2020	31 March 2019
	£000	£000
<b>Impairment to Statement of Comprehensive Net Expenditure</b>		
Charge to Statement of Comprehensive Net Expenditure	4	(3,978)
Charge to Revaluation Reserve	1,643	(462)
Depreciation element of Revaluations charged to reserves	136	(210)
Disposal to Revaluation Reserve	-	-
	<b>1,783</b>	<b>(4,650)</b>

	Upward Revaluation	Downward Revaluation	Total RR Movement	Impairment to OCE
	£000	£000	£000	£000
Land	110	(430)	(320)	9
Building	174	(73)	101	110
Transport	35	-	35	-
Plant & Machinery	23	(8)	23	(8)
	<b>342</b>	<b>(511)</b>	<b>(161)</b>	<b>111</b>
Heritage Assets	2,830	(876)	1,953	1
Agricultural Assets	-	(41)	(13)	(28)
Inventory	-	(80)	-	(80)
	<b>2,830</b>	<b>(997)</b>	<b>1,940</b>	<b>(107)</b>
<b>Balance at 31 March 2020</b>	<b>3,172</b>	<b>(1,508)</b>	<b>1,779</b>	<b>4</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

	31 March 2020	31 March 2019
	<u>£000</u>	<u>£000</u>
<b>Amounts falling due within one year</b>		
Trade receivables	3,365	2,927
Prepayments	469	199
Accrued income	9,233	9,995
Contract Assets	341	617
Less Expected Credit Loss for receivables and contract assets	(35)	(26)
<b>Trade and other receivables</b>	<u><b>13,373</b></u>	<u><b>13,712</b></u>
<b>Receivables due after more than one year</b>	<u>-</u>	<u>-</u>
<b>Total Receivables</b>	<u><b>13,373</b></u>	<u><b>13,712</b></u>

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 £19k (2018/19 £7k).
- 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 2020.

Accrued income includes £3.59m Rural Development Programme for England (RDPE), £1.4m Secondment income and £0.9m (2018/19, £3.8m) of income due from the EU in relation to the quarter four EU Technical Assistance Funding claim.

## 10. Cash and cash equivalents

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	17,239	11,391
Net change in cash and cash equivalent balances	2,705	5,848
<b>Balance at 31 March</b>	<b>19,944</b>	<b>17,239</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General/Government Banking Services	19,728	16,964
Short term investments	216	275
<b>Balance at 31 March</b>	<b>19,944</b>	<b>17,239</b>

## 11. Trade and other payables

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
VAT	684	498
Other taxation & social security	1,380	1,375
Trade and other payables	3,323	2,813
Accruals	11,610	10,429
Deferred income	4,454	3,699
Contract liabilities	54	52
<b>Trade and other payables</b>	<b>21,505</b>	<b>18,866</b>
<b>Amounts falling due after more than one year</b>		
Countryside S28 payables	165	434
<b>Other payables</b>	<b>165</b>	<b>434</b>
<b>Total Payables</b>	<b>21,670</b>	<b>19,300</b>

Accruals include amounts for goods received not yet invoiced, £2m of these relate to only 21 separate suppliers. Deferred income balance have 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 2020/21 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

	Balance at 1 April 2019	Provided in the year	Provisions Utilised in the year	Provisions not required written back	Balance at 31 March 2020
	£000	£000	£000	£000	£000
Pension Provision	292	31	(15)	-	308
Retirement Provision	35	-	(34)	(1)	-
Litigation	1,778	1,225	(997)	(337)	1,669
	<b>2,105</b>	<b>1,256</b>	<b>(1,046)</b>	<b>(338)</b>	<b>1,977</b>

### Analysis of expected timings of discounted flows

	Balance at 1 April 2019	Not later than one year	Later than one year and not later than five years	Later than five years	Balance at 31 March 2020
	£000	£000	£000	£000	£000
Pension Provision	292	15	58	235	308
Retirement Provision	35	-	-	-	-
Litigation	1,778	1,669	-	-	1,669
<b>Balance at 31st Dec 2019</b>	<b>2,105</b>	<b>1,684</b>	<b>58</b>	<b>235</b>	<b>1,977</b>

## 13 Commitments under leases

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

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
<b>Land</b>		
Land operating leases - not later than 1 year	375	365
Land operating leases - 1 to 5 years	1,267	1,176
Land operating leases - over 5 years	3,266	3,310
<b>Total of land operating leases</b>	<b>4,908</b>	<b>4,851</b>
<b>Buildings</b>		
Buildings operating leases - not later than 1 yr	144	234
Buildings operating leases - 1 to 5 years	470	414
Buildings operating leases - over 5 years	522	414
<b>Total of buildings operating leases</b>	<b>1,136</b>	<b>1,062</b>
<b>Total operating leases</b>	<b>6,044</b>	<b>5,913</b>

## 13.2 Defra properties occupied by Natural England

	<b>31 March 2020</b>	<b>31 March 2019</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	1
Land operating leases - over 5 years	13	7
<b>Total of land operating leases</b>	<b>14</b>	<b>8</b>
<b>Buildings</b>		
Buildings operating leases - not later than 1 year	1,044	1,031
Buildings operating leases - 1 to 5 years	2,296	2,374
Buildings operating leases - over 5 years	600	481
<b>Total of buildings operating leases</b>	<b>3,940</b>	<b>3,886</b>
<b>Total operating leases</b>	<b>3,954</b>	<b>3,894</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. In 2018-19 Defra occupied 1.47 percent (2017-18, 0 percent) of the building and recharges other occupiers for their share of the costs, with NE occupying 24.01 percent (2017-18, 17.26 percent) of the site, these percentages are calculated based on their agreed square meter areas. 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 2020</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	324	755
Later than one year and not later than five years	649	2,361
<b>Present value of obligations</b>	<b>973</b>	<b>3,116</b>

## 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 2019/20 or 2018/19.

## 15. Other financial commitments

The below contracts have been disclosed, as cancelling them would create an adverse operational impact to Natural England in respect of occupation of property, Business Continuity Planning, and the incurrence of considerable financial penalties.

The commitment for the Interserve facilities management (FM) contract includes core FM, reactive FM and all authorised contract variations that impact the future cost of the contract.

The calculation of the occupancy data in 2019/20 has changed. It is now based on Full Time Employee's per Department, whereas previously it was based on a percentage occupation per square meter basis.

The commitment for the Interserve contract is subject to change as the size of the Estate adjusts through Transformational Change. The commitments are based on business cases 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 (purchase order) in place.

	<u>31 March 2020</u>	<u>31 March 2019</u>
	£000	£000
Not later than one year	709	564
Later than one year and not later than five years	2,130	2,258
Later than five years	-	3
<b>Present value of obligations</b>	<b><u>2,839</u></b>	<b><u>2,825</u></b>

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

Natural England has the following contingent liabilities:

	<u>31 March 2020</u>	<u>31 March 2019</u>
	£000	£000
<b>Claims and Litigation</b>	<b><u>1,256</u></b>	<b><u>350</u></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, eight of these cases are disclosed above as contingent liabilities.

## 17. 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 £000	Total Income Received £000	Amount owed by Natural England 31 March 2020 £000	Amount Owed to Natural England at 31 March 2020 £000
Andy Clements	British Trust for Ornithology	130	-	17	-
	BTO Services Limited	8	-	19	-
Catherine Dugmore	Royal Botanic Gardens Kew	56	-	65	-
Henry Robinson	Hawk and Owl Trust	-	1	-	-
Michael Winter	UNESCO North Devon Biosphere Partnership	5	-	-	-
Simon Lyster	Northumbrian Water Group	1	22	-	1
Sue Hartley	Royal Botanic Gardens Kew	56	-	65	-
Teresa Dent	Game and Wildlife Conservation Trust	35	11	1	11

## 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 NE's funding.

## 18. 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 has been impacted by the Coronavirus pandemic at the end of the financial year, however, the majority of impacts will be realised in 2020/21 and will be reported in next year's Annual Report and Accounts.

# Natural England Sustainability report 2019/20 (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 2019/20.

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.

The 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.

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

### Summary of 2019/20 performance

Overall Greening Government Commitments performance 2019/20			
Area	2019/20 Performance	Achievement against target	Target performance (where applicable)
Greenhouse gas (GHG) emissions	1,795 tCO <sub>2</sub>		2,235 tCO <sub>2</sub> by 2020
Water consumption	3,679 m <sup>3</sup>		Continue to reduce
Total waste	24 tonnes		Reduce total waste
Total waste to landfill	1 tonne (4%)		Less than 10% of total waste to landfill

#### Key:

Ahead of milestone: performance is on track to meet April 2020 target.	
Behind milestone: performance has not reached the required level and therefore needs to be improved in order to meet the April 2020 target.	
Increase from baseline: no reduction made and performance in this area has worsened since the baseline year.	

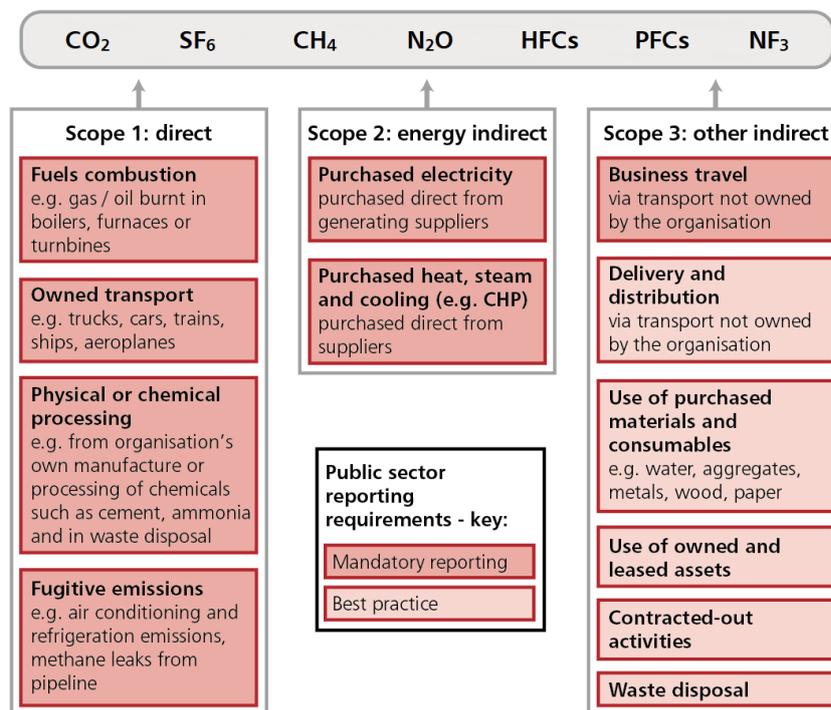
Our performance during 2019/20 has been good, meeting the GGC targets. In the years preceding the period of this report we invested in both our workforce and our estate to improve our environmental performance. In doing so we achieved our own internal target of a 50% reduction in our carbon emissions 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. We continue to ensure travel minimisation is firmly embedded along with low carbon travel choices as "business as usual" ways of working. Teams are responsible for managing their travel within the budgets allocated to them, and as financial resources are tight, this has ensured carbon is also managed.

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. The data also doesn't cover the Natural England National Nature Reserve (NNR) estate. We are planning to engage a specialist in 20/21 in order to fill the gaps in our available data and to re baseline our performance across the full suite of Greening Government Commitments.

## Greenhouse gases

There are three scopes of emissions as shown in the below diagram:



Greenhouse gas (*commonly also referred to as Carbon accounting or carbon foot printing*) and financial costs 2019/20:

Greenhouse gas (GHG) emissions from buildings and travel		2019/20	2018/19	2017/18	2016/17	2015/16
Non-financial indicators (tCO2e)	Total Gross Scope 1 & 2 (Direct & indirect) GHG emissions	514	649	720	760	1,105
	Total Gross Scope 3 (Official business travel) GHG emissions	1,281	1,700	1,124	1,107	1,393
	<b>Total emissions</b>	<b>1,795</b>	<b>2,349</b>	<b>1,844</b>	<b>1,867</b>	<b>2,498</b>
Non-financial indicators (MWh)	Electricity: non renewable	-	-	-	-	-
	Electricity: renewable	695,880	784,261	790,324	794,398	977,923
	Electricity: Combined Heat and Power (CHP)	-	-	-	-	5,237
	Gas	658,889	854,038	747,370	636,651	1,056,094
	Other energy sources	-	-	-	-	-
	<b>Total energy</b>	<b>1,354,769</b>	<b>1,638,299</b>	<b>1,537,694</b>	<b>1,431,049</b>	<b>2,039,254</b>
Financial indicators (£'000)	Expenditure on energy	£ 72.0	£ 183.0	£ 165.0	£ 206.0	£ 381.0
	CRC Licence expenditure	£ -	£ 16.1	£ 15.7	£ 15.7	£ 14.6
	Expenditure on official business travel	£ 2,592.0	£ 2,440.0	£ 2,540.0	£ 2,680.0	£ 2,970.0
	<b>Total expenditure on energy and business travel</b>	<b>£ 2,664.0</b>	<b>£ 2,639.1</b>	<b>£ 2,720.7</b>	<b>£ 2,901.7</b>	<b>£ 3,365.6</b>

Performance against the GHG target has improved during the 2019/20 year.

The Defra group is committed to reducing expenditure on energy costs and has contracted with an Energy Performance Contract (EPC) programme under the RE: FIT Framework.

## Water

Water consumption and financial costs 2019/20;

Water		2019/20	2018/19	2017/18	2016/17	2015/16
Non-financial indicators	Total water consumption (m <sup>3</sup> )	3,679	3,705	2,334	2,428	3,770
Financial indicators (£'000)	Total water supply costs	£ 12	£ 17	£ 28	£ 34	£ 43

## Waste

Waste production and financial costs 2019/20;

Waste			2019/20	2018/19	2017/18	2016/17	2015/16
Non-financial indicators (tonnes)	Hazardous waste			-	-	-	-
	Non-hazardous waste	Landfill	1	2	2	3	5
		Recycled/ Reused	15	27	42	34	33
		Waste composted	1	1	2	2	0
		Incinerated with energy recovery	7	9	9	21	8
		<b>Total waste arising</b>		<b>24</b>	<b>39</b>	<b>55</b>	<b>60</b>

Defra group continue to look at ways to reduce plastic use in response to the 25 YEP and the increased focus on plastics in the marine environment. The group has already reduced plastic in the following ways;

- The new catering contract for Defra group requires that no single use plastics will be used as part of the contract. The Facilities Management team have worked with contractors to remove plastic cutlery, straws and stirrers, single serve condiments, coffee cups and lids and soft drinks bottles.
- Plastic milk bottles have been removed from 37 sites across the estate
- Plastic water cups, coffee cups and plastic bottles have been removed from Defra group offices.

Natural England have their own Food and Catering Policy which also makes provision to ensure that any food and drink provided is sustainable and reduces environmental impacts whilst ensuring value for money and promoting healthy eating.

### Further Sustainable Development information

Natural England operates a sustainable timber policy in line with government guidelines.

## Natural Capital Accounting for Natural England's estate (Unaudited)

### Our Natural Capital Account for National Nature Reserves won the John Hoy prize for the best piece of economic analysis in government

In last year's Annual Report and Accounts we highlighted our Natural Capital Account for National Nature Reserves (NNRs), which was published in February 2019 (Natural England Research Report (NERR) 078). We can now report that this account won the John Hoy prize for the best piece of economic analysis in government last year. The Government Economic Service judging panel noted that the report was, *"a very worthy winner. The comprehensiveness of its approach, and the clear importance of the issues studied, were particularly noteworthy. It is highly relevant in the context of the government's aims to achieve net zero carbon impacts and to promote sustainability more broadly"*.

To access the above full published 2018/19 Natural Capital Accounts please use the following link (*this is not an annual publication but will be updated periodically*): <http://publications.naturalengland.org.uk/publication/4535403835293696>.

Our accounts shows that the NNRs provide quantifiable estimates worth over £36 million a year and have a natural capital asset value in excess of £1.8 billion. These figures significantly understate the true value of the NNRs to society, because it is only possible to place an economic value on a minority of the many benefits they provide. Important benefits provided by the NNRs include *Thriving Wildlife, Climate Regulation, Recreation tourism and volunteering, Scientific and educational and Cultural appreciation of nature*.

Our accounts are innovative in two important ways:

- *Showing each step of the logic chain in the final results table.* Most Natural Capital Accounts report only the economic values as the result of the study, with the previous steps of the logic chain offered as background workings. This would be appropriate if the economic values captured all, or the vast majority of, the value provided by the asset. But in practice they capture only part of the full value. We therefore report across each step of the logic chain, in order to put the economic values in context. Our results on the asset state are based on our ground-breaking work on natural capital indicators which was published on the 26<sup>th</sup> September (NERR076).
- *Reporting uncertainty around the findings.* Estimates of the economic value vary significantly in confidence depending on the quality of the available evidence to support them. It is therefore good practice, but unusual, to clearly indicate this uncertainty in in the final results table.

## We have published a Natural Capital Atlas, which maps that state of natural capital across England

The ecological reports in our accounts was based on an earlier Natural Capital Indicators report. These indicators show the state of natural capital across England, based on the best available expert understanding and data. We've since built on the indicators work to produce a National Natural Capital Atlas. The Atlas maps the natural capital indicators, showing our natural capital assets, where they are, what condition they are in and which benefits they provide to people.

It uses nationally consistent and mostly open access datasets to map as many of the indicators as possible. As such, it thoroughly explores the readily available national data for mapping the state of natural capital. By summarising the data into 25km<sup>2</sup> hexagons, spatial patterns are clear across the country, providing an off-the-peg mapped natural capital evidence base. The atlas also shows which indicators it wasn't possible to map, demonstrating the data gaps, some of which might be filled with local data.

To access the above publication please use the following link:

<http://publications.naturalengland.org.uk/publication/4578000601612288>

## We are developing a package of evidence to support natural capital planning in local areas

Following on from the National Atlas, a series of county / city region atlases were released in summer 2020. The series of 44 atlases, covering all of England, map out the same indicators as the National Atlas. The same datasets are used but summarised at 5km<sup>2</sup> to show more detail.

The natural capital atlases will form part of a broader package of evidence designed to support natural capital decision-making at a local level. This will also include an evidence information note, detailing lessons from previous natural capital processes and an example regional natural capital account for the Tees Valley region.

To access the above publications please use the following link:

<http://publications.naturalengland.org.uk/publication/6672365834731520>

CCS0520640292

978-1-5286-2140-3